

# Retail Snapshot Q4 2015

Greater Toronto Area



## ECONOMIC INDICATORS

National	2014	2015	12-Month Forecast
GDP Growth	3.4%	1.7%	▼
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
Household Income	\$95,326	\$104,378	▲
Population Growth	1.8%	1.7%	▲
Unemployment	7.0%	8.0%	■

Source: Statistics Canada/Conference Board of Canada/City of Toronto

### Canadian Retail Sales – Seasonally Adjusted



Source: Statistics Canada

### Canada vs. U.S. Consumer Confidence Index



Source: JC Williams Group

## Economy

While overall retail sales were weighed down by falling gasoline prices, store sales were more buoyant with an annual gain of approximately 3.7% in 2015. Looking forward to 2016, it is likely retail sales growth will continue to be challenged. Consumer debt is reaching into the pockets of Canadians, and is therefore competing for those spending dollars. Weak commodity prices are hindering employment growth in key regions but is fueling employment growth in other regions such as B.C. and Ontario; where stronger economic growth should put a little extra jangle in the pockets of those provincial residents. One thing is for certain, there has never been more economic uncertainty and regional differences have never been more pronounced. If there is a silver lining, it is that the low dollar should keep Canadians spending in Canada (via both bricks and clicks) and encourage more Americans to spend money north of the border.

Source: Ed Strapagiel, Retail Consultant

## Market Overview

As technology drives relentless change in the way we work, shop, and live, retail continues to undergo an exciting, but at times painful, transformation; marked by the rise of e-commerce, new formats, closings, and entrants.

In Canada, 2015 will best be remembered as the closing or contraction of household retailer names such as Target, Future Shop, Sony, Blacks, and Sears, to name a few. As has always been the case, a retailer's failure usually boils down to not giving the customer what he/she wants. Today, that means continuously upping the ante of delivering "frictionless shopping" through every step of the Omni channel journey.

Due to declining shopping trips and store visits, the pressure is growing for retailers to deliver an authentic, seamless, branded shopping experience – from shopper interactions with staff to zero points of friction in the online and offline shopping process. This is what it takes to keep shoppers coming back in today's competitive environment.

Omni channel is showing no signs of slowing down, and in order to keep up, retailers – whether they have started in brick & mortar or e-commerce – will need to merge their physical and digital systems to serve Omni shoppers.

We also expect to see more Omni channel pure-play retailers open physical stores. A good example is Montreal-based Frank + Oak, which opened its first bricks-and-mortar store in Toronto at 735 Queen Street West.

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Despite the upheaval, a number of homegrown and international retailers are emerging as clear winners in the new game of retail and are moving forward with expansion plans in Canada.

The luxury clothing segment should help ease the sluggishness in the low to mid-priced sector as Saks Fifth Avenue makes its Canadian debut with two Toronto stores, and U.S. retailer Nordstrom expands its presence with three new locations in Toronto this year and in 2016. Quebec City-based Simons also has plans to expand across Canada.

There is a significant amount of activity in the GTA's larger malls including Yorkdale, Sherway Gardens, and Square One - which are all undergoing extensive expansions to make room for Nordstrom and Saks Fifth Avenue.

## WEST QUEEN WEST IS FAST EMERGING AS ONE OF THE HOTTEST RETAIL MARKETS IN TORONTO

Overall, Canada's retail clothing sector is expected to slow in 2016 even though the battle for luxury shoppers is revving up. After two years of growth, Canadian retail clothing sales are forecasted to grow by 2.4% in 2016 versus 3.8% in 2015. (Source: Trendex 2016 retail apparel market forecast).

Meanwhile, the fast food/restaurant sector has become a sizzling hot sector in Toronto. This trend has taken off in densely populated central markets where millennials and baby boomers alike live in smaller spaces and therefore are restricted from acquiring too many possessions; and in addition are often too busy to cook. Instead, they are happy to spend their hard-earned dollars on a dining experience or healthy fast food options.

### TRENDS

- Retail growth and expansions will continue to be dominated by both high and low-end retailers
- Creativity and experimental qualities are becoming a differentiator for bricks-and-mortar retailers
- Emerging technologies are being adopted by retailers to provide solutions to the issues that they are facing

Source: JC Williams Group

Given downtown Toronto's explosive growth in the last ten years and younger demographic, retail is growing quickly to meet demand. Three Loblaws' locations and a Pusateri's store are slated to open in 2016, and a further six grocery stores are proposed. Further signs of this healthy growth market include:

- Skyrocketing rental rates in the hip King Street West which have doubled in the past five years, topping \$120 per square foot (psf) in some cases.
- Rents for restaurants are reaching as high as \$100 psf.

Drawing from its millennial customer base in the area, West Queen West has emerged as one of the hottest retail markets in Toronto during the past four years – and there are many opportunities for further growth. This urban-hip submarket lends itself to boutique formats which are favoured by companies such as Fred Perry and Oliver Spencer, and has become a popular node for e-com retailers to establish brick-and-mortar stores.

### Retail Rents for Toronto - 2014

RETAIL PRODUCT	ANNUAL RENT	SHORT-TERM TREND
CRU (Regional Mall)	\$150 to \$200	Stable
CRU (Non-Regional)	\$40 to \$60	Stable
Big Box (New)	\$16 to \$24	Stable
Pads (New)	\$32 to \$50	Stable
Street Front (Urban)	\$30 to \$120	Stable
Street Front (Suburban)	\$20 to \$50	Stable
High Street	\$125 to \$325	Stable

Toronto's "mink mile", Bloor Street, is also undergoing evolutionary change as it adapts to new retail realities. The redevelopment of Yorkville Village, known as Hazelton Lanes, will provide new options to luxury retailers, and push the upscale market's boundary lines further north. Development is underway at three of Bloor & Yonge's famous four corners, and is tempting retailers such as Nordstrom and Rack and Apple Inc. with the latter scouting for a flagship store location in the city centre.

MARKETBEAT

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## Key Lease Transactions 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
Toronto Eaton Centre	2,494	Torrid	Super Regional	Downtown North
Toronto Eaton Centre	1,303	UNOde50	Super Regional	Downtown North
Toronto Eaton Centre	1,692	Shoo by Steve Madden	Super Regional	Downtown North
Toronto Eaton Centre	2,102	Oak + Fort	Super Regional	Downtown North
Toronto Eaton Centre	2,398	Gerry Weber	Super Regional;	Downtown North
Toronto Eaton Centre	1,958	All Saints	Super Regional	Downtown North
Toronto Eaton Centre	5,400	Free The People	Super Regional	Downtown North
111 Peter Street	12,450	Loblaws	Office/Retail	Downtown West
Yorkville Village	8,500	Chanel	Regional	Bloor & Yonge
99 Yorkville Avenue	3,900	Christian Louboutin	Street Front	Bloor & Yonge
100 Bloor Street West	10,000	Hermes	Street Front	Bloor & Yonge
735 Queen Street West	2,600	Frank & Oak	Street Front	Downtown West
Sherway Gardens	2,150	Eileen Fisher	Super Regional	Highway

## Key Sales Transactions 2015

PROPERTY	SF	SELLER/BUYER	PRICE/ \$PSF	SUBMARKET
85 Bloor Street West	13,810	Delisle Properties/Riocan REIT	\$37,000,000 / \$2,679	Bloor & Yonge
Panasonic Theatre (651 Yonge Street)	10,818	Ed Mirvish Enterprises/Kingsett Capital	\$15,000,000 / \$1,386	Bloor & Yonge
Credit Ridge Commons (9435-9525 Mississauga Road)	370,244	North American-Senator Homes-CREIT/GWL Realty Advisors	\$93,850,000 / \$253	Brampton
Brant Street Power Centre (1200 Brant Street0	115,077	RioCan REIT-Beaux Properties/Desjardins Financial	\$40,545,000 / \$352	Burlington
601-605 Rogers Road	160,000	Medi Power Centre/Paradise Homes	\$25,800,000 / \$161	St Clair West

Cushman & Wakefield  
33 Yonge Street, Suite 1000  
Toronto, Ontario M5E 1S9  
[cushmanwakefield.com](http://cushmanwakefield.com)

For more information, contact:  
Stuart Barron,  
National Director of Research  
Tel: +1 461 359 2652  
[stuart.barron@ca.cushwake.com](mailto:stuart.barron@ca.cushwake.com)

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