

RETAIL BRIEFING MARKET SUMMARY FOR 2014



RETAIL VACANCY RATE: 8.4%

A Cushman & Wakefield Atlantic Publication



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ECONOMIC SUMMARY & OUTLOOK

Economic growth in the province in 2014 was primarily driven by an increase in production and prices for natural gas, coupled by an increase in U.S. demand for non-energy exports (RBC). RBC Economics' GDP forecast remains at 2.2% for 2014. The recent fall in oil prices, presents a downside risk to the inflation rate in 2015, but an upside to real disposable incomes. However, because of the net savings deficit in Nova Scotia, a break in energy costs may not lead to bolstered consumer spending. Statistics Canada is reporting a 2014 sales total for Nova Scotian retailers of \$13.9 billion, a 2.2% increase over 2013's 13.6 billion total. Nova Scotia was one of the country's leaders in holiday shopping, nationwide sales dropped 2.0% from November to December, with Nova Scotia's decline at only 1.1% (2nd only to Quebec). Statistics Canada is attributing the spending decline to gas prices being lower than the previous month. When compared year over year, the province's December 2014 retail sales posted a 2.5% increase over the previous year. Nova Scotia's Consumer Price Index grew 1.7% over the year 2014. Excluding food and energy, the CPI grew by 1.6%. Main contributors to annual CPI movement included fresh or frozen beef (+19.3%), Cigarettes (+10.3%), Men's clothing (-6.0%), and Gasoline (-19.1%) (Statistics Canada).

RETAIL TRENDS IN NOVA SCOTIA

The retail market posted an increase in the overall vacancy rate from 8.1% in Q2 to 8.4% over the balance of 2014. Greater Halifax posted a vacancy rate of 7.8%, a 1.5 pp increase over Q2; with gross rental rates averaging \$33.00 per square foot (psf). Contributing to this increase was the introduction of new inventory on Brunswick Street, and additional retail space becoming available at TD Centre. The Dartmouth vacancy rate increased from 5.3% to 6.4% with significant inventory updates on retail pad site sizes from CentreCorp (Dartmouth Crossing). Dartmouth saw further movement with the introduction of new supply, with Banc Developments' Highfield Centre coming online, and was further bolstered by the unexpected closing of Brewdebaker's at Cominar's 612 Windmill Road. Bedford saw significant movement in 2014 with a posted a vacancy rate of 11.6%, a 2.6 pp decrease over Q2; significant movement at Sunnyside Mall and Kingswood Business Centre drove this decrease. Bedford's average gross rental rates are \$29.06 psf. Sackville posted a significant decrease as well from 21.7% to 16.2% vacancy because of significant movement at Crombie's Downsview Plaza. Rental rates are significantly lower than the rest of the market with gross rental rates averaging \$20.97 psf.

The largest conversations in retail in Halifax over the past months are the closure of three Target stores, and the renovation of Halifax Shopping Centre. The former leads to large vacancies in three nodes, and questions about the backfill. If not filled, the impact is a 200 basis point increase in vacancy. The latter is an aggressive statement about retail, with continued growth in regional enclosed malls. While North American trends have been slowing the growth of box centres, the trend has not started yet here, especially in light of persistent IKEA rumours. Urban retail is growing in supply in advance of demand, and with more multi-residential coming to the core, the investment will likely show dividends in years to come.

LOCAL MARKET HIGHLIGHTS

- RONA to open February 27, 2015 at Bedford Place Mall
- Urban Outfitters opening at 1652 Barrington St. in May 2015
- Lou Lou Handbags closes up shop at Scotia Square
- Premier Wines & Spirits leaves City Centre Atlantic, rebrands as Rockhead Wine & Beer Market in North End
- Halifax Shopping Centre loses RW & Co, Smart Set, Birks, Aeropostale, Kernels, Kelly's & welcomes Aritzia
- Mexx closes at Dartmouth Crossing
- Vogue Optical to open in former Cole Harbour Blockbuster
- Maritime Frame It closes on Spring Garden Road
- Freak Lunchbox buys building on Barrington Street
- Target to close stores in Bayers Lake, Bedford Place Mall & Mic Mac Mall; with Ikea & Canadian Tire rumoured to be looking at vacancies
- Java Moose to open at Sunnyside Mall in Bedford
- Greg Keating sells 30 Oland Court, Porters Lake Centre, 5525 Artillery Place
- Certainly Cinnamon closes café, opens bigger kitchen downtown
- Layers Cakes expands into Kitchen Door Catering space
- New bakery to open on Barrington St. (former Renaissance)
- Giant Tiger opening a new store in Greenwood, NS

NEW SURVEY ADDITIONS THIS QUARTER

DOWNTOWN HALIFAX

TD CENTRE (ADDITIONAL SPACE COMPLETED)

SCOTIA TOWER, 1991 BRUNSWICK STREET

PLAZA TOWER, 1881 BRUNSWICK STREET

5287 PRINCE STREET

DARTMOUTH

HIGHFIELD CENTRE, 68 HIGHFIELD PARK DRIVE

612 WINDMILL ROAD

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UNPRECEDENTED NUMBER OF CAPITAL PROJECTS UNDER CONSTRUCTION

At average annual real GDP growth of 2.3% annually in 2015 and 2016, Nova Scotia is expected to be the only Maritime province amongst the top performing economies in Canada, over the next two years (TD, BMO). Nova Scotia's economic outlook will likely be determined by stronger U.S. demand, and the timelines and scope associated with major projects commencing this year. Some of the more significant include the Irving Shipbuilding Contract, Maritime Link project, several wind energy developments, the completion of the MacDonald Bridge re-decking, the \$500-million Nova Centre and \$2 billion of investment in offshore oil exploration.

There are also an unprecedented number of mixed-use developments currently proposed and under construction throughout HRM, continuing a trend to create amenity rich urban centres offering residents the ability to live, work and be entertained close to where they reside. The more notable projects currently proposed and under construction include the newly introduced Kearney Lake Plaza (at the corner of Kearney Lake Road and Larry Uteck Boulevard), Hogan Court (Highway 102 & Larry Uteck Boulevard), Armour Group's EON Business Campus, The Keep (Quinpool Road), Monaghan Square (Young Street), Pavilion on South Park, The Motherhouse Project, The Dillon (Market & Sackville), The Maple (Hollis Street), The Roy Building, Killam's Southport, Francis Fares' Kings Wharf, 5504 Spring Garden Road, 3138 Isleville Street, The Avella on the Bedford Highway, and Hardman Group's Wright & Burnside Campus.

UNDER CONSTRUCTION & PROPOSED DEVELOPMENTS

- 5504 Spring Garden Road, 2015
- The Dillon, Market & Sackville Street, 2015
- 3138 Isleville Street, Fall 2015
- The Avella, 827 Bedford Highway, Fall 2015
- 1592 Barrington Street, 2015
- Nova Centre, 2016
- Monaghan Square, 6100 Young Street, 2016
- Kearney Lake Plaza (Corner of Larry Uteck & Kearney Lake), 2016
- The Roy Building, Barrington Street, 2016
- The Maple, Hollis Street, Spring 2016
- Pavilion at South Park, 2017/2018
- The Keep, 6112 Quinpool Road, Spring 2017
- Travelers & Esquire Motel Sites (771 & 773 Bedford Highway) (approved)
- Young & Windsor (Rank Inc.), (Proposed)
- South + Hollis, (Proposed)
- Cunard Block (Proposed)
- Queen's Marque (Proposed)
- The Motherhouse Project (Proposed)
- 527-533 Sackville Drive (Proposed)
- Tantalion Plaza Expansion (Proposed)

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Total Retail Market - 4th Quarter 2014

	Total	Halifax	Dartmouth	Bedford	Sackville
		Downtown Hfx, Central Hfx, Clayton Park, Bayers Lake	Portland Street, Dartmouth Crossing, Burnside, Downtown Dart.		
Area (Square Feet):	9,572,446	3,971,573	3,625,846	1,152,796	822,231
Vacant Space (Square Feet):	807,054	308,447	231,481	133,655	133,471
Vacancy Rate (Percent):	8.4%	7.8%	6.4%	11.6%	16.2%
Occupied Space(Square Feet):	8,765,392	3,663,126	3,394,365	1,019,141	688,760
Occupancy Rate (Percent):	91.57%	92.23%	93.62%	88.41%	83.77%
Net Rent (Average):	\$18.71	\$22.62	\$18.99	\$18.91	\$14.32
Taxes & Operating Costs (Avg.):	\$9.27	\$10.37	\$9.79	\$10.27	\$6.65
Gross Rents (Average):	\$27.98	\$33.00	\$28.78	\$29.19	\$20.97
New Supply Q2 2014	151,719	16,946	87,914	46,859	0
Total New Supply 2014	189,058	28,120	114,079	46,859	0

***Note: Total inventory for Dartmouth has changed significantly due to updates from CentreCorp on Pad sites at Dartmouth Crossing**

Total Retail Market - 2nd Quarter 2014

	Total	Halifax	Dartmouth	Bedford	Sackville
Area (Square Feet):	9,900,231	3,942,655	3,982,549	1,152,796	822,231
Vacant Space (Square Feet):	801,056	246,965	212,331	163,522	178,238
Vacancy Rate (Percent):	8.09%	6.26%	5.33%	14.18%	21.68%
Occupied Space(Square Feet):	9,099,175	3,695,690	3,770,218	989,274	643,993
Occupancy Rate (Percent):	91.91%	93.74%	94.67%	85.82%	78.32%
Net Rent (Average):	\$18.80	\$22.90	\$19.02	\$18.97	\$14.32
Taxes & Operating Costs (Avg.):	\$9.24	\$10.25	\$9.88	\$10.12	\$6.70
Gross Rents (Average):	\$28.04	\$33.15	\$28.90	\$29.09	\$21.02
New Supply Q2 2014	151,719	16,946	87,914	46,859	0
Total New Supply 2014	151,719	16,946	87,914	46,859	0

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