



National Retail Report Canada

FALL 2015 EDITION

Accelerating success.



Report prepared by Colliers International Consulting



James Smerdon

Vice President and Director, Retail Consulting

DIRECT +1 604 685 4808

james.smerdon@colliers.com

James has 17 years of consulting experience, specializing in retail trends, strategy and forecasting. James' clients include a wide range of public and private sector interests.



David Bell

Senior Consultant, Planning and Retail Consulting

DIRECT +1 604 694 7243

david.bell@colliers.com

David has provided commercial land use advisory to both public and private sector clients since 1998. David specializes in shopping centre repositioning, commercial land demand analysis for major planning nodes and retail strategies for both urban mixed-use districts and other master-planned communities.

Colliers International Consulting (CIC)

Colliers International Consulting (CIC) is an independent consulting group based in Vancouver, British Columbia. CIC specializes in strategic real estate analysis for Private and Public Sector clients both domestically and abroad. Our project experience spans a range of specializations in:

Strategic Advisory

- Acquisition/Divestiture Strategies
- Asset & Portfolio Management
- Competitive Assessment
- Consolidation Advice
- Feasibility Analysis
- Highest & Best Use Studies
- Merchandising
- Pro Forma Development
- Retail Inventory Analysis
- Retail Locational Analysis
- Retail Potential Analysis
- Revitalization/Redevelopment Studies
- Site Selection and Ranking
- Strategic Planning
- Strategic Positioning
- Trade Area Analysis

Development Management

- Facilities Planning
- Project Budgeting/Scheduling
- Tenant Improvements

First Nation Advisory

- Community Planning
- Economic Development
- Governance
- Public Consultation

Urban Planning

- Municipal Approval Process
- Site Planning & Concept Development

Community Consultation

- Community Workshops & Consultation
- Focus Groups

Market Analysis

- Absorption Analysis
- Competitive Assessment
- Demand Assessment
- Demographic Modeling
- Demographic Profiling
- Market Impact Assessment
- Residential & Commercial Market Analysis

National Retail Report Canada-Fall 2015

Key Highlights

- Of the products Colliers surveyed for its Black Friday vs Boxing Day comparison, almost half were discounted equally in both flyers, 36% were offered at a greater discount on Boxing Day, and 16% were discounted more in black Friday flyers.
- After leading the nation in year over year retail sales growth over the 2011-2014 period, Alberta and Saskatchewan are both expected to see negative growth for 2015.
- Alberta's automotive and gasoline sales combined account for over 43% of that province's total retail spending, while in B.C. and Ontario that proportion is roughly one third.
- B.C. and Ontario, will lead the country in retail sales growth for 2015. As these two provinces combined account for very nearly 50% of Canada's total sales volume, their strong performance this year will significantly offset the projected losses from the other two western provinces.
- Another potential bright spot may be December retail sales, which – at projected YOY growth of 4.5% – is nearly in line with last year's mark.
- Alberta is expected to post more respectable annual YOY growth of 2.5% in the remaining retail categories, along with 3.8% YOY growth for December.



Black Friday vs Boxing Day

For decades Canadians have feared, derided, courted, embraced, and spurned the “Americanization” of Canadian retail. One of the most visible displays of American-style retailing in Canada is the relatively recent emergence of Black Friday promotions which land on the Friday following the US Thanksgiving holiday.

This year, Black Friday falls on November 27th and kicks off a month-long spending frenzy leading up to Christmas. Black Friday sales prices, on both sides of the border, are often touted as the lowest prices of the year. For Canadians however, the lowest prices of the year have traditionally been found at Boxing Day or Boxing Week sales immediately following Christmas.



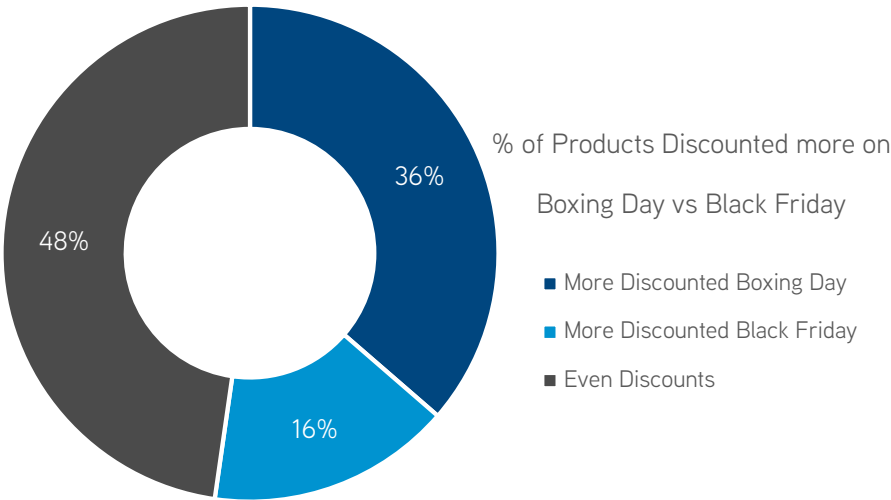
In an effort to put this debate to rest, Colliers has compared the advertised prices from Black Friday and Boxing Day flyers from nine National chain retailers. Items were selected randomly and matched in both flyers. Only identical items with matching product codes were used. The retailers selected were Staples, Sears, Best Buy, The Bay, JYSK, Home Depot, London Drugs, Walmart, and Future Shop.

Of the 44 products in our survey, almost half (21) were discounted equally in both flyers, 16 (36%) were offered at a greater discount on Boxing Day, and seven (16%) were discounted more in Black Friday flyers. Looking at the average discount, Boxing Day saw deals averaging 31% off regular price compared to 30% off on Black Friday.

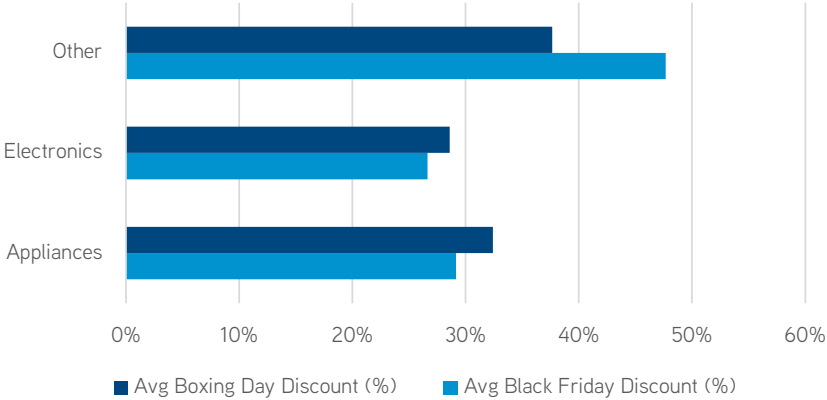
Lower priced merchandise (original price below \$100) is discounted by an average of 35% on Boxing Day and only 27% on Black Friday. On the other hand, merchandise originally priced over \$100 gets discounted by 31% on Black Friday, and 30% on Boxing Day.

The major product categories represented in this survey are appliances and electronics. Appliances were discounted by an average of 32% in Boxing Day flyers and 29% on Black Friday. Similarly, electronics were discounted by 29% on Boxing Day and 27% on Black Friday. Other merchandise which included bedding, tools and furniture was more heavily discounted on Black Friday (48%) as compared to Boxing Day (38%).

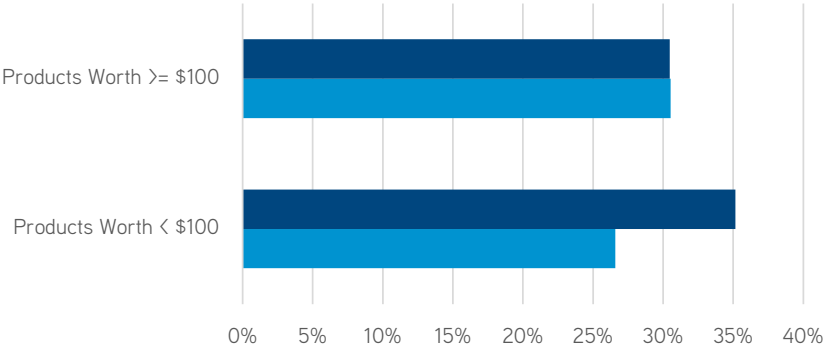
Overall, this exercise has shown that for those who can wait until after Christmas, more and larger discounts will be available – particularly on appliances, electronics, and goods priced under \$100.



Discounts by Product Category



Discounts by Product Original Price





2015 Retail & Holiday December Forecast

Colliers Consulting has been tracking monthly provincial retail trade data since 2010, with the purpose not only of providing our clients with a better understanding of retail trade patterns by geographic region, but also by time of year, and by category.

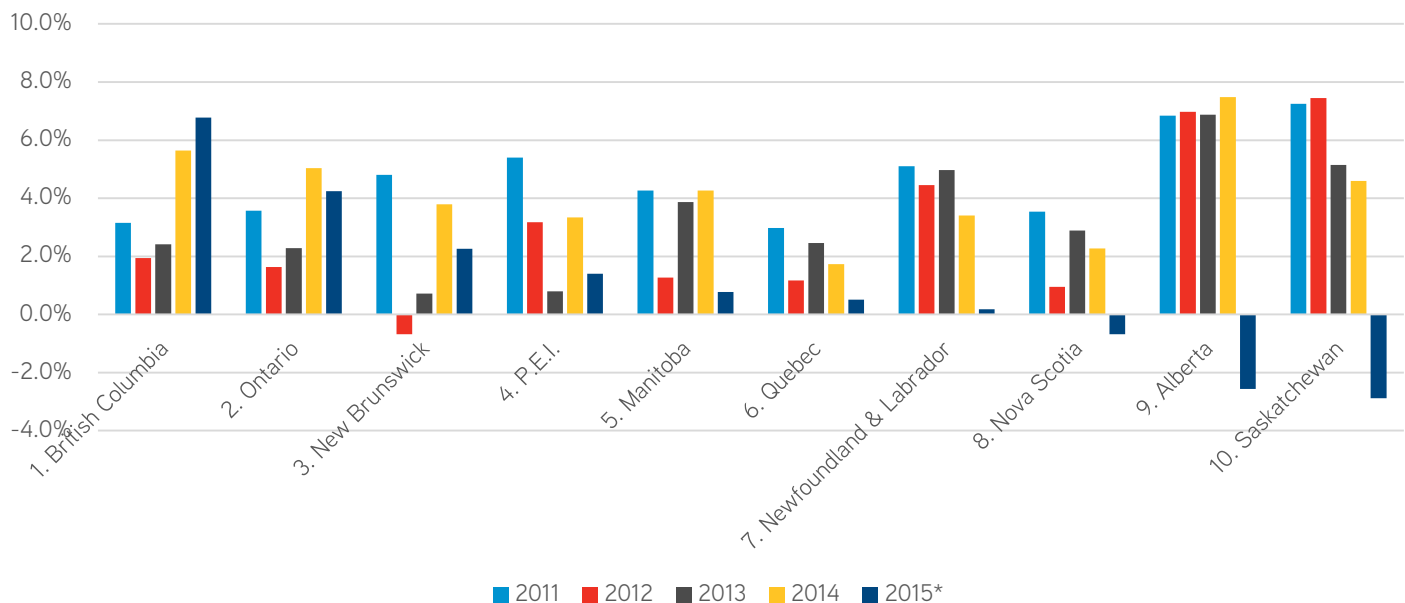
A number of common themes have emerged over this period, including a shift toward earlier holiday spending (i.e. a general decrease in the relative importance of December in terms of “holiday sales”; the continuing dominance of the “Big 4” provincial markets (Ontario,

Quebec, Alberta, and BC – in that order); but also the consistent strength and year over year performance – at least through 2014 – of the Western, and especially oil-driven provincial economies (i.e. Alberta and Saskatchewan).

The precipitous drop in oil prices starting in late 2014 has, however, had a dramatic negative impact on retail spending in these same retail growth leading provinces. In October of 2014, the West Texas Intermediate (WTI) stood at about \$84 a barrel; by January 2015 it had dropped to about \$47 a barrel.

Though there was a bounce over the summer – peaking at nearly \$60 in June – it has since fallen once again and, at the time of writing, sits at about \$40.

Dramatic Retail Sales Growth Drop in Canada's Oil-Driven Provinces



2015 Retail & Holiday December Forecast cont'd

After leading the nation in year over year retail sales growth over the 2011-2014 period, Alberta and Saskatchewan are both expected to see negative growth for 2015, finishing 9th and 10th in Colliers' Provincial projections, respectively- a complete reversal of 2010 to 2014 retail growth rankings.

The following table summarizes historical provincial year over year retail sales growth figures over the 2011 to 2014 period, followed by Colliers' 2015 projections. Alberta and Saskatchewan's move to the bottom of the rankings coincides with the WTI plunge, which in turn yielded negative impacts on production, employment, and ultimately consumer confidence and retail spending.

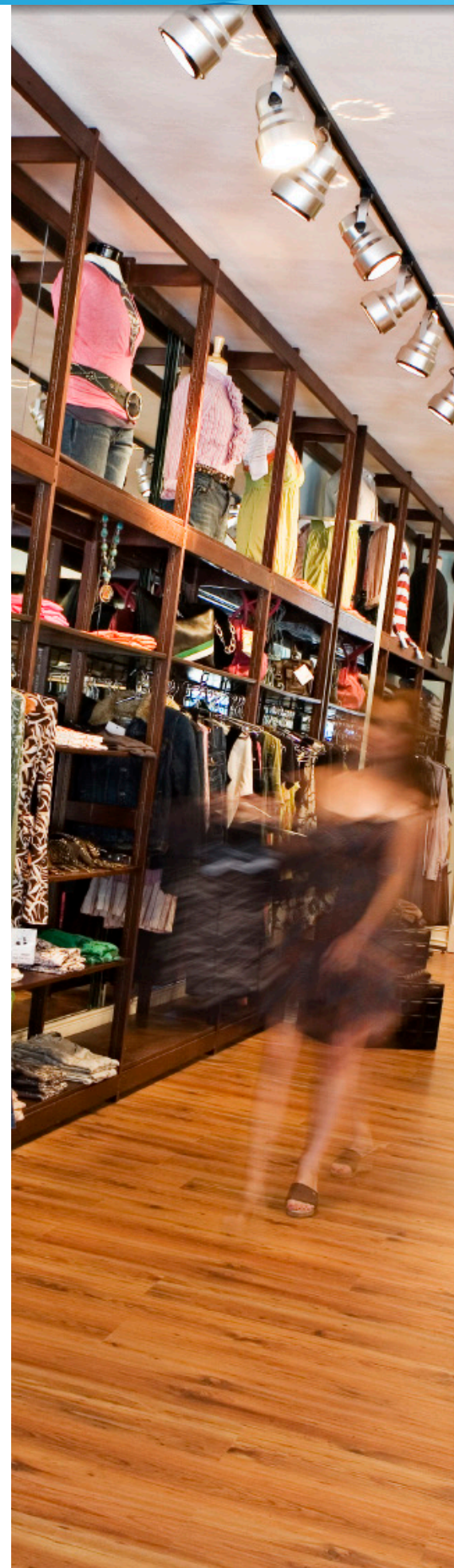
Canadian Provincial Retail Sales Ranking

Year-Over-Year Sales Growth (2011-2015*) - All Retail Sales

	2011	2012	2013	2014	2015*
1. British Columbia	3.2%	1.9%	2.4%	5.6%	6.8%
2. Ontario	3.6%	1.6%	2.3%	5.0%	4.2%
3. New Brunswick	4.8%	-0.7%	0.7%	3.8%	2.3%
4. P.E.I.	5.4%	3.2%	0.8%	3.3%	1.4%
5. Manitoba	4.3%	1.3%	3.9%	4.3%	0.8%
6. Quebec	3.0%	1.2%	2.5%	1.7%	0.5%
7. Newfoundland & Labrador	5.1%	4.5%	5.0%	3.4%	0.2%
8. Nova Scotia	3.5%	1.0%	2.9%	2.3%	-0.7%
9. Alberta	6.8%	7.0%	6.9%	7.5%	-2.6%
10. Saskatchewan	7.3%	7.4%	5.1%	4.6%	-2.9%
Canada	4.0%	2.5%	3.2%	4.6%	2.0%

Source: Statistics Canada Retail Trade Data, Colliers calculations and projections.

* Projected 2015 sales.



2015 Detailed Sales Forecast

All Retail Categories

Colliers' projected retail sales volumes for 2015 (full year) and December 2015 are summarized in the following table. Although as a whole the year's performance (2.0% growth nationally vs. 4.6% in 2014) must be considered tepid at best, there are at least a few bright spots.

COLLIERS 2015 RETAIL FORECAST						
ALL RETAIL CATEGORIES						
Province	FULL YEAR			DECEMBER		
	Actual 2014	Forecast 2015	YOY%	Actual December 2014	Forecast December 2015	YOY%
1. British Columbia	\$66.3	\$70.8	6.8%	\$6.4	\$6.8	7.5%
2. Ontario	\$176.7	\$184.2	4.2%	\$17.0	\$18.1	6.3%
3. New Brunswick	\$11.5	\$11.8	2.3%	\$1.1	\$1.1	3.9%
4. P.E.I.	\$2.0	\$2.0	1.4%	\$0.2	\$0.2	4.8%
5. Manitoba	\$18.0	\$18.2	0.8%	\$1.7	\$1.7	4.2%
6. Quebec	\$108.1	\$108.7	0.5%	\$9.5	\$9.8	2.9%
7. Newfoundland & Labrador	\$8.9	\$8.9	0.2%	\$0.8	\$0.9	3.8%
8. Nova Scotia	\$13.9	\$13.8	-0.7%	\$1.3	\$1.3	2.5%
9. Alberta	\$78.6	\$76.6	-2.6%	\$7.2	\$7.3	1.5%
10. Saskatchewan	\$19.1	\$18.6	-2.9%	\$1.7	\$1.7	2.9%
Canada	\$505.0	\$515.3	2.0%	\$46.9	\$49.0	4.5%

Source: Statistics Canada, CANSIM database - Retail Trade 44-45 (Table 080-0020).

Note: Ranking in order of forecast full-year 2015 vs. 2014 sales performance.

Two of the "Big 4" provinces – B.C. and Ontario, will lead the country in retail sales growth for 2015, reaching about 6.8% and 4.2% YOY growth relative to 2014. As these two provinces combined account for very nearly 50% of Canada's total sales volume, their strong performance this year will significantly offset the projected losses from the other two western provinces.

Another potential bright spot may be December retail sales, which – at projected YOY growth of 4.5% – is nearly in line with last year's mark, though it must be acknowledged that the relative importance of December – its share of annual sales volume – has been in decline of late. In 2011, December retail sales for Canada as a whole accounted for nearly 9.9% of that year's volume. In 2014, December's proportion was only 9.3%.

2015 Detailed Sales Forecast

Net of Automotive & Gasoline

The 2015 retail growth picture for Canada's provinces, netting out automotive and gasoline sales, adds an interesting layer to the review, as the overall national retail picture brightens a bit across the board. Focusing only on non-automotive retail categories yields Colliers' YOY projections of about 3.8% (full year) and 5.0% (December).

COLLIERS 2015 RETAIL FORECAST

RETAIL NET OF AUTOMOTIVE & GASOLINE

Province	FULL YEAR			DECEMBER		
	Actual 2014	Forecast 2015	YOY%	Actual December 2014	Forecast December 2015	YOY%
1. British Columbia	\$44.2	\$48.1	9.0%	\$4.7	\$5.2	9.2%
2. New Brunswick	\$6.7	\$7.1	5.1%	\$0.7	\$0.8	3.5%
3. Ontario	\$117.9	\$122.6	4.1%	\$12.6	\$13.3	5.6%
4. Newfoundland & Labrador	\$5.3	\$5.4	2.6%	\$0.6	\$0.6	4.7%
5. Alberta	\$44.6	\$45.7	2.5%	\$4.8	\$5.0	3.8%
6. Manitoba	\$11.4	\$11.7	2.2%	\$1.2	\$1.2	3.4%
7. Quebec	\$68.6	\$70.1	2.2%	\$6.8	\$7.1	3.5%
8. P.E.I.	\$1.3	\$1.3	1.2%	\$0.1	\$0.1	3.3%
9. Nova Scotia	\$8.7	\$8.7	0.5%	\$0.9	\$0.9	2.2%
10. Saskatchewan	\$11.0	\$10.9	-0.3%	\$1.1	\$1.1	3.0%
Canada	\$321.0	\$333.1	3.8%	\$33.7	\$35.4	5.0%

Source: Statistics Canada. CANSIM database - Retail Trade 44-45 (Table 080-0020).

Note: Ranking in order of forecast full-year 2015 vs. 2014 sales performance.





2015 Detailed Sales Forecast

Net of Automotive & Gasoline cont'd

While Saskatchewan is still expected to rank last of the 10 tracked provinces, the negative growth is much more modest when netting out big-ticket automotive and related gas purchases. The more surprising change is in Alberta, which clearly is not entirely letting its foot off the gas in the non-automotive retail categories. Number 3 in the “Big 4” is expected to post more respectable annual YOY growth of 2.5% in the remaining retail categories, along with 3.8% YOY growth for December.

The significance of the change in anticipated growth outlined in the previous two tables (with and without automotive and gasoline categories) is a direct result of the differing proportions of auto and gas spending across the provinces. As shown in the table below, Alberta's automotive and gasoline sales (combined) account for over 43% of that province's total retail spending, while in B.C. and Ontario that proportion is roughly one third. A decline in auto sales and a drop in gas prices will therefore have a more profound impact on the overall retail sales volume performance of Alberta relative to the rest of Canada.

Provincial Automotive & Gasoline Spending (2014 Full Year)

As Share of each Province's Total Retail Spending

Province	Automotive*	Gasoline**	Auto & Gas
1. Alberta	28.7%	14.5%	43.2%
2. Saskatchewan	26.5%	16.2%	42.7%
3. New Brunswick	24.5%	17.0%	41.5%
4. Newfoundland & Labrador	24.7%	15.5%	40.2%
5. Nova Scotia	22.5%	15.0%	37.6%
6. Manitoba	24.7%	12.0%	36.7%
7. Quebec	24.0%	12.6%	36.6%
8. P.E.I.	21.5%	14.8%	36.3%
9. B.C.	21.9%	11.5%	33.4%
10. Ontario	21.7%	11.6%	33.3%
Canada	23.7%	12.7%	36.4%

Source: Statistics Canada data, Colliers calculations.

* Automotive: Motor Vehicle & Parts Dealers (441)

** Gasoline: Gasoline Stations (447)

Major Market Shopping Centre Inventories



Square Footage and Per Capita for Shopping Centres and Power Centres in 10 Selected CMAs

CMA Name	Square Feet (000s)			Population 2015 (000s)	Square feet per capita		
	Shopping Centre	Power Centre	Total		Shopping Mall	Power Centre	Total
Halifax	6,706	3,848	10,554	407	16.5	9.5	26.0
Montréal	42,710	19,068	61,778	4,061	10.5	4.7	15.2
Ottawa – Gatineau	15,562	9,516	25,078	1,327	11.7	7.2	18.9
Toronto	100,200	28,366	128,566	6,094	16.4	4.7	21.1
Winnipeg	8,852	4,752	13,603	785	11.3	6.1	17.3
Saskatoon	4,249	1,827	6,077	298	14.2	6.1	20.4
Calgary	21,716	11,098	32,814	1,432	15.2	7.7	22.9
Edmonton	21,963	12,750	34,713	1,356	16.2	9.4	25.6
Vancouver	28,592	7,047	35,639	2,504	11.4	2.8	14.2
Victoria	4,819	1,216	6,034	363	13.3	3.3	16.6
Total	255,369	99,489	354,857	18,628	13.7	5.3	19.0

Source: Centre for the Study of Commercial Activity (CSCA) Shopping Centre Database, 2015, Environics 2015 CMA Population Estimates

Edmonton, Halifax, and Calgary remain the top three retail markets in Canada in terms of shopping centre supply per capita. However, Edmonton, Calgary and Saskatoon saw a decline in the total inventory per capita from 2014 to 2015.

Colliers International Canadian Locations

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Victoria	+ 1 250 388 6454
Nanaimo	+ 1 250 740 1060
Vancouver	+ 1 604 681 4111
Kamloops	+ 1 250 372 7000
Kelowna	+ 1 250 763 2300
Calgary	+ 1 403 266 5544
Edmonton	+ 1 780 420 1585
Saskatoon	+ 1 306 664 4433
Regina	+ 1 306 789 8300
Winnipeg	+ 1 204 943 1600
Toronto	+ 1 416 777 2200
Burlington	+ 1 905 333 8849
Waterloo	+ 1 519 570 1330
London	+ 1 519 438 4300
Ottawa	+ 1 613 567 8050
Montreal	+ 1 514 866-1900
Quebec City	+ 1 418 263-4800
Moncton	+ 1 506 870 2700
Halifax	+ 1 902 422 1422

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