

RETAIL REPORT



LEASE RATES

AREA	LEASE RATE RANGE
Downtown 200 block	\$28 to \$34
Downtown 300 to 600 block	\$15 to \$25
Neighborhood Centres (Brandt's Creek / Kelowna Crossing / Mission Park Shopping Centre)	\$18 to \$28
Power Centres (Central Park)	\$26 to \$34
Specialty Boutique (South Pandosy)	\$24 to \$35

EVOLUTION OF DOWNTOWN KELOWNA



The development of office space in the Downtown including the Okanagan Centre for Innovation and the Interior Health building has acted as the catalyst for the evolution of the north end Cultural District, expanding the downtown retail core significantly. The shift of retail off Bernard Avenue has also created an expansion of the retail sector as evidenced by Cactus Club, Blenz Coffee, BNA Brew House and relocations, retail and restaurants spreading northward.

Driving this expansion of Downtown and the Cultural District are not only the two new office buildings, but also the 24-storey hotel Westcorp has planned for the corner of Water Street and Bernard Avenue, the new RCMP headquarters, Sole & Sole Downtown and the revitalized interest in multi-family projects such as The Monaco. HM Commercial Group has 1187 Sunset Drive under contract with a company planning a hotel. Lucaya, or as it has been renamed, 1151 Sunset Drive, is under construction with strong pre-sales. 560 Bernard Avenue, an entire downtown block is actively being marketed for mixed-use development by HM Commercial Group.

At this point, the redevelopment of the Flashbacks Nite Club building is uncertain but it is likely the 3 story, historic brick building will be absorbed into the retail / office market quite quickly as the Downtown infills north.

Combined, there is a new energy and vitality in the area and we anticipate the face of Downtown will change considerably over the next several years with new residents and office workers.

The Highway 97 retail corridor is also attracting and maintaining tenants and has kept inventory tight. There are a few long term vacancies along Highway 97 including Bowling / East Side Mario's at Central Park and the Ricky's Restaurant space, but overall, spaces along Highway 97 do not remain vacant for long; the former Fabricland space was absorbed by a neighboring tenant, Marshall's Home Furnishings. Spall Plaza however, has undergone a minor redevelopment / tenant relocation and has an unusual +/- 6,000 square foot vacancy. New construction or specialized retail is the "new norm" as we are seeing older street front retail sit vacant for longer than normal periods.

New developments have been relegated to peripheral locations in the neighbourhoods of Glenmore and Quail Ridge at Airport Business Park. Airport Business Park has a Nestor's Food store under construction within it's 39,000 square foot development.

Hillside Plaza, located at the intersection of Summit Drive and Glenmore Road, is under construction and pre-leasing, with the first tenant, Dairy Queen, opened for business this past summer.

New construction at the intersection of Burtch and Harvey Avenue will be home to a new Brown's Social House, Coast Capital and Modern Beauty.

Other developments include "The Shore" at 3641 Lakeshore Road. Located across from Gyro Beach in the South Pandosy

area, this mixed use development will be home to boutique retailers, a restaurant, coffee shop, office users and 91 residential rental units.

While Orchard Plaza was vacated by Target and Future Shop, new retailers Steve Nash Fitness, Lee Valley Gardening and MEC were quick to fill the empty spaces left behind. Although 45,000 square feet remains vacant, it is speculated that there is a tenant lined up.

Vacancy has decreased from 2014 to 2016, while lease rates have remained stable.

Throughout Kelowna a young demographic has spurred fitness centres, yoga studios and brew pubs with Anytime Fitness, Fit Body Boot Camp, Steve Nash Fitness, Orange Theory Fitness and Trinity Yoga all entering the market within the past two years. New brew pubs include Canadian Brewhouse in the South Pandosy area, BNA Brew Pub in the Cultural District, and another large brewery is currently under construction at the former Paramount Theater location on Bernard Avenue. The 58,000 sf Starkhund Brewery will open in the City's North end in 2017.

The length of leases being entered into by local tenants has increased over the past decade. Historically, retailers only wanted 3 to 5 year leases, however, we are now seeing typically 5 to 10 year leases, a sure sign of market confidence.

It is important to note that some office space to be vacated by Interior Health Authority this fall (in their consolidation to their new Downtown tower) could be converted to retail, thus affecting the inventory and vacancy rate.

Retail strata sales are stable with product selling in the range of \$250 to \$350 per square foot. Price is dependent on new vs. existing construction, with new "shell" construction in South Pandosy approaching \$350 per square foot. Smaller, finished strata units in the downtown core are selling at \$250 per square foot.



261 Bernard Avenue - Former Paramount Theatre



The Shore - 3641 Lakeshore Road

Q3 2016

Inventory	6,300,000
Vacant Space	316,858
Occupied Space	5,983,142
Vacancy Rate	5.03%
Under Construction	91,000