

RETAIL REPORT

VACANCY RATES

2016: 5.03%
2017: 4.91%
2018: 6.16%



DOWNTOWN LEASE RATES

Class A: \$25-\$35
Class B: \$17-\$24
Class C: \$12-\$16

HARVEY AVE LEASE RATES

Class A: \$35-\$50 *
Class B: \$25-\$34
Class C: \$13-\$24

NEW CONSTRUCTION

2016: 91,000 SF
2017: 9,100 SF
2018: 60,600 SF



KELOWNA'S RETAIL MARKET Q3 2018

PANDOSY/MISSION LEASE RATES

Class A: \$32-38
Class B: \$22-\$31
Class C: \$15-\$21

ABSORPTION

2016: 85,000 SF
2017: 77,000 SF
2018: -60,200 SF



NOTABLE TRANSACTIONS

Starbucks (Highway 97)
Freshii (Pandosy Street)
Craft Brewery/Tim
Hortons (Downtown)

RETAIL STRATA

New Shell Product: \$425+
Existing Class A: \$500+
Existing Class B: \$300+

*High end of range applicable to drive thru.

RETAIL MARKET SNAPSHOT

Q3 2018

| | |
|--------------------------|--------------|
| Inventory | 6,394,000 SF |
| Vacant Space | 394,000 SF |
| Net Absorption 2017-2018 | -60,200 SF |
| Vacancy Rate | 6.16%** |
| Under Construction | 60,600 SF |

** Higher 2018 % due to Orchard Park Mall vacancies.

RETAIL LEASE RATES

LEASE RATE RANGE

| | |
|---|-----------|
| Downtown 200 Block | \$23-\$35 |
| Downtown 300 to 600 Block | \$16-\$30 |
| Neighbourhood Centres (Brandt's Creek / Kelowna Crossing / Mission Park Shopping Centre) | \$18-\$35 |
| Power Centres (Central Park) | \$23-\$40 |
| Specialty Boutique (South Pandosy) | \$23-\$37 |

Retailers in Kelowna are reporting that customers still have a desire to shop in person, which is good news for local businesses. The perception that retail is dead is proving false, with approximately 7% of purchases being made online and the rest being made in store.

Retail businesses in the City are becoming more and more sophisticated, with a push for culture and experience in contrast to traditional retail plazas and big box stores. Mixed-use developments are a continuing trend in Kelowna, with a focus on live, work and play.

The Shore, One Water Street and Ella, which were all in the queue last year, are now under construction. Each of them will offer office, retail and housing units. "The District" on Bernard Avenue is establishing as a redevelopment of the former Towne Centre Mall, with a focus on experiential retail.

As far as major centres go, Orchard Park Mall has reportedly leased a portion of the vacancy left behind by Sears however new tenants have yet to be announced. Capri Centre is actively leasing spaces made available by the relocation of Winners and the departure of BMO, and it is also reporting that new deals are in place, with new tenants to be announced. Capri is preparing for a long term mixed-use redevelopment, however is open for leasing business as that initiates on the far east side of the site (with no immediate impact on existing retail/office components).

Another significant trend is the strong emerging craft beer scene in the city. Craft Beer Market is now open Downtown in the former Paramount Theatre in the 200 block of Bernard. It has joined newly opened Red Bird Brewing, Kettle Valley, Tree Brewing Beer Institute and Vice & Virtue.

THE GREEN RUSH

The rush to secure locations for recreational cannabis dispensaries is on in the Okanagan as Canada moves

toward federal legalization October 17th. While the subject was previously very taboo, high-profile locations are now being secured by large cannabis retail corporations. These companies are looking all over Kelowna for spaces that suit their needs.

Most cannabis retailers are gravitating to more traditional retail strip centres. There is reluctance among landlords to offer them spaces in mix-used developments, due to fears about selling residential units above.

Those private companies are also competing with B.C.'s provincial government, which plans to open its own cannabis concepts.

There is still uncertainty around cannabis in some areas of the province. Although there are provincial guidelines, the government is allowing municipalities to dictate part of the process. Many have not released their plan. This means some companies are securing locations in a City that they might not be allowed to operate in.

The City of Vernon is allowing cannabis retailers to operate under the radar, pre-legalization. Others, like Kelowna and Penticton, are being much more strict, shutting down locations operating early.

Cannabis is expected to continue to make its mark on the retail market in Kelowna, along with the rest of the country.



District Market at 1717 Harvey Avenue



The Shore



The District on Bernard