

THE GLOBE AND MAIL

Tuesday, January 3, 2012

Property Report

Commercial real estate chugs ahead. But for how long?

By Chris Atchison [Excerpts only]

If 2010 was the year that Canada's commercial property market largely thrived – rather than imploding, as many industry watchers had predicted – 2011 will likely go down as another year that exceeded expectations.

On the industrial side, overall national availability rates hovered at a healthy 6.6 per cent, compared with 7.4 per cent in 2010.

News on the retail front was equally positive as major American chains such as Target Corp. confirmed their cross-Canada expansion plans, while the roughly 4 million square feet of new space was largely snapped up by retailers.

But as we head into 2012, what will shape the Canadian market? Experts offer their predictions.

Mall owners upgrade, U.S. retailers continue to invade

“Canadian retail is extremely robust. Target is arriving, and we're expecting a lot of other U.S. retailers to show up. We're lacking retail space compared to the U.S., and there's a lot of room for growth here,” said Nick Yanovski, the Toronto-based vice-president of capital markets for DTZ Barnicke.

Existing retail spaces will continue to be upgraded, he said. “Large property managers are transforming shopping centres such as Toronto's Yorkdale mall with the high-end interior extension they're creating there. The Toronto Eaton Centre has its new higher-end dining experience. They're increasing the

value of those spaces without increasing their footprints.”

Shopping centres across the country will continue to see 2 per cent to 3 per cent vacancy rates, which is effectively full occupancy, Mr. Yanovski said.

Dramatic shift coming to the industrial sector

Stan Krawitz, president of Toronto-based real estate brokerage Real Facilities Inc., is predicting “a huge convergence between retail and industrial distribution.

“The future of industrial is not the 20,000- to 50,000-square-foot industrial multiple. It's in the very large, 500,000-square-foot warehouse and distribution centre for major retailers who will have their own e-commerce strategy. I believe we're going to become a pure distribution-based industrial economy as we see retail buying habits shift from in-store to e-commerce.” This will happen in the suburbs of major centres such as Vancouver, Calgary and Toronto, he says.

“I think industrial will remain extremely strong in 2012 if you're a landlord who has good quality, distribution-type real estate or you have land to be developed for very large industrial distribution centres.”