

# Retail Market Outlook



Retail in Kelowna is changing, and local businesses are starting to feel the pinch. Property assessments are up, taxes are up and growing competition from both on-line and new competitive businesses entering the Kelowna market are adding pressures to the viability of some existing retailers.

**Trends we are seeing in the retail market place include:**

**New Development Pulling Lease Rates Higher**

Costs of retail space in the numerous, new mixed-use developments are starting to pull retail lease rates higher. Not just in the downtown but all over Kelowna, new space is being listed and

preleased at some of the highest rates we have seen in Kelowna. The Shores, with rates pushing \$37/SF is leading the way, with Ella, 1810 Gordon Dr, 1189 Ethel St, Cambridge House and Brooklyn all climbing close to the \$30/SF level. This is causing a ripple effect as lease rates start to climb throughout the city.

**Downtown in Transition**

The Downtown is starting to grow into a core residential area in Kelowna. New mixed-use developments have broken ground and are expected to add close to 4,000 new residents to the downtown core. These developments will bring a further 160,000 SF of commercial space to the downtown, adding employment opportunities on top of the jobs the recently completed IHA Building and Okanagan Centre for Innovation added in the downtown core. However, the process is slow as some of the towers will reach up to 36 floors and will take several years to complete.

**Retailers Looking for Value**

As the costs of operating a retail outlet continue to rise, retailers are now looking to secondary retail areas for value. These areas are considered to offer cheaper lease rates, more space for the money and are closer to residential populations. This is reflected in the popularity of newer boutique shopping centres such as Airport Village, Hillside Plaza, The Shore and SoHo Kelowna.

## 2018 Kelowna Retail Property Statistics

<b>Total Retail Sales</b> \$8.8M	<b>Total Retail Land Sales</b> \$400K	<b>Total Retail Space Leased</b> 58,902/SF
<b>Median Retail Strata Price</b> \$210/SF	<b>Median Retail Land Price</b> \$1,319,865/Acre	<b>Retail Lease Rate Range</b> \$10 - \$37/SF
<b>Total New Retail Listings For Sale</b> 29	<b>Total New Retail Listings - Land</b> 1	<b>Total New Retail Listings - Lease</b> 74
<b>Average DOM - Retail Strata Units</b> 101 Days	<b>Average DOM - Retail Land</b> 145 Days	<b>Average DOM - Retail Leases</b> 245 Days

## Some Big Spaces to Fill

We have seen some large retailers close their doors around town and as a result there are some large spaces to fill. Larger spaces include:

- **Home Outfitters** - 20,000 SF (closing) in Central Park
- **PayLess ShoeSource** - 3,000 SF (closed) in Central Park
- **Mark's** - 14,790 SF (for sublease) Central Park Power Centre
- **Sears Home** - 84,000 SF (closed) in Orchard Park Mall

## Sears - A Plan is in Motion

There seems to be a new plan that has been proposed for the vacated Sears space at Orchard Park Mall. Development documents submitted for consideration indicate that Mark's could potentially be relocating from its existing location at the Kelowna Central Park Power Centre on Banks Rd. Mark's would occupy approximately 24,667 SF of the new configuration. Documents indicate that about 38,880 SF of the existing space will be demolished making way for more parking and a new entrance to the mall. The remaining space in the new configuration will be demised for two smaller stores.

## Polarization of Retail

In the past several years, Kelowna and the Okanagan have experienced polarization in the retail marketplace. There has been a proliferation of "dollar" stores (Dollarama, Dollar Tree, Your Dollar Store, Great Canadian Dollar) and the opening of some higher end boutique retail stores. With new retail space becoming available in the downtown core we could see more higher-end retail come to Kelowna.

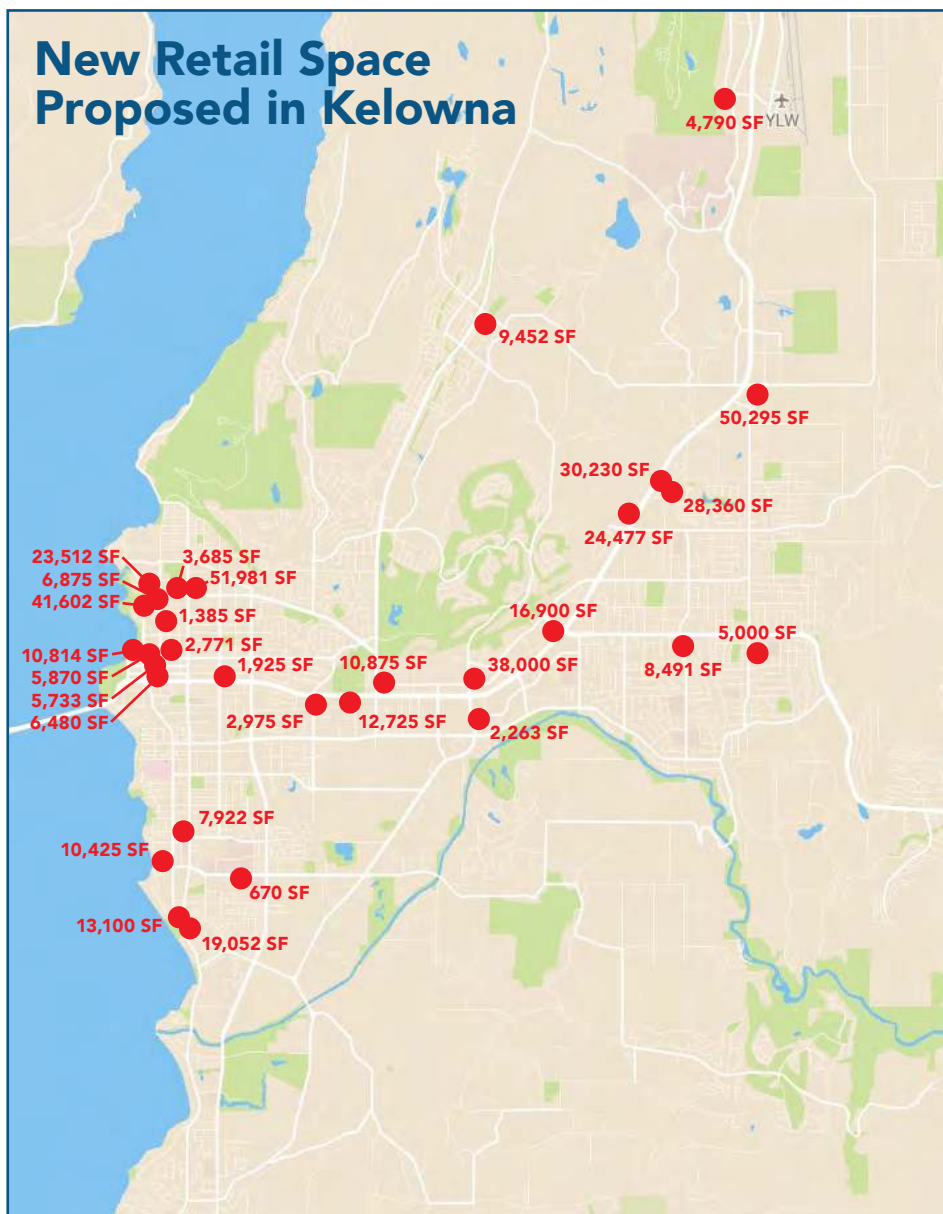
## Kelowna Loves Coffee

Kelowna's thirst for coffee did not slow down in the past year. Starbucks opened a location on Harvey Ave, their 15th location in Kelowna. Tim Hortons is planning a new drive-thru near Canadian Tire which will be their 16th location in Kelowna. There are also a growing number of local coffee roasters including Kootenay Coffee, Canoe Coffee, Cherry Hill Coffee & Pioneer Gourmet Coffee.

## Mixed-Use Hotel Properties

Kelowna has a number of new hotel properties in various stages of development and a majority of them are now including retail space.

- **Holiday Inn Express:** Powick Rd 120 rooms - 16,900 SF Retail Space
- **Hyatt Hotel:** Spall & Enterprise 161 Rooms - 10,875 SF Retail Space
- **Westcorp Hotel:** Downtown (planned) 174 Rooms - 10,814 SF Retail Space



Source: City of Kelowna

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