

Nanaimo North Town Centre

4750 Rutherford Road
Nanaimo, BC



Executive Summary

Cushman & Wakefield ULC and Form Real Estate Advisors Inc. (collectively the "Advisors") have been engaged on an exclusive basis by NNTC Equities Inc. and Shape Properties (Nanaimo) Corp. (collectively the "Vendor") to arrange the sale of a 100% freehold interest in Nanaimo North Town Centre, a dominant regional hybrid enclosed and open-air shopping centre located in Nanaimo, British Columbia (the "Property").

Nanaimo North Town Centre ("NNTC") is a 643,629 square foot regional shopping centre situated on over 61 acres of land. The Property is a true destination centre which benefits from a central location and strong profile of anchor tenants including Canadian Tire, Lowe's, London Drugs, Galaxy Entertainment, Fairway Market, and Mark's. There is significant value-add opportunity left by the departure of Sears which led to approximately 129,000 square feet of vacant space which could be demised or reconfigured for a variety of uses or demolished to clear the way for multi-family / mixed-use development along with the surrounding lands. Overall, NNTC represents an opportunity to acquire a prominent centre located in a major up-and-coming market with the potential to add value through the execution of a strategic development and repositioning strategy.

Investment Highlights

- Strong anchor tenant profile
- Significant intensification and / or redevelopment potential
- Dominant shopping centre on Vancouver Island
- Strong demographic fundamentals
- Easily accessible with excellent connectivity



Property Summary



Property Information

Address	4750 Rutherford Road, Nanaimo, BC
Legal Description	Lot A, Plan VIP66202, District Lot 14 & 17, Section 14 & 4, Range 4, Wellington Land District
PID	023-968-621
Property Type	Regional Shopping Centre

Property Summary



Property Details

GLA	643,629 square feet
No. of Buildings	6
No. of Tenants	35
Percent Occupancy	73%
WALT	5.2 years ⁽¹⁾
Built/Renovated	1979 / 1980; 2011 / Tim Hortons (2012) / Canadian Tire (2013) / Mark's (2018)
Parking Ratio	2,647 stalls / 4.1 per 1,000 sf
Proj. Year 1 NOI	\$4,565,171

(1) As of October 1, 2019

Site Details

Acreage	61.03 acres
Coverage Ratio	24.2%
Zoning	CC-3 City Centre Commercial
Permissible Density	Mixed-use, up to 1.20 FAR with a potential 0.25 FAR bonus. Applying 1.20 FAR to the total site dictates a permitted 3.2 million square feet of density on site
Trade Area Population	160,800
Anchor Tenants (56% of GLA)	Lowe's (124,839 sf), Canadian Tire (122,708 sf), London Drugs (36,510 sf), Galaxy Entertainment (33,304 sf), Fairway Market (24,902 sf), and Mark's (18,021 sf)
Adjacent Uses	Apartment, Commercial, Single Family Residential

Investment Highlights

Strong Anchor Tenant Profile

With Canadian Tire, Lowe's, London Drugs, Galaxy Entertainment, Fairway Market, and Mark's as anchor tenants, NNTC is a true regional shopping centre with a strong mix of tenants that generate significant consumer traffic and effectively services the Central Vancouver Island region. The top six tenants provide strong income stability, comprising 77% of the total occupied GLA and 77% of the contractual rental revenue. Furthermore, NNTC provides potential investors with diversity in rental income derived from retail categories spanning grocery, liquor, pharmacy, automotive, sports, home improvement and other daily essentials such as medical, quick-service restaurants, and financial institutions. Approximately 95% of the occupied GLA is leased to high quality national and regional retailers who comprise 96% of the contractual net rent.

Tenant Summary (as of October 1, 2019)

No. (#)	Tenants	Rentable Area		Contract Net Rent			Expiry Date
		GLA (sf)	% of Total (%)	Annual (\$000s)	Rate (\$ psf)	% of Total (%)	
1	Lowe's	124,839	19.4%	\$936	\$7.50	14%	Apr-2022
2	Canadian Tire	122,708	19.1%	\$2,201	\$17.94	33%	Nov-2028
3	London Drugs	36,510	5.7%	\$721	\$19.75	11%	Mar-2022
4	Galaxy Entertainment	33,304	5.2%	\$416	\$12.50	6%	Nov-2020
5	Fairway Market	24,902	3.9%	\$448	\$18.00	7%	Mar-2021
6	Mark's	18,021	2.8%	\$350	\$19.40	5%	Feb-2029
	Anchor Tenants	360,284	56%	\$5,072	\$14.08	77%	5.1 years
	Remaining Tenants	109,259	17%	\$1,519	\$13.90	23%	5.9 years
	Occupied	469,543	73%	\$6,591	\$14.04	100%	5.2 years
	Available - Leasable	174,086	27%				
	Total Rentable Area	643,629	100%				

Significant Intensification and/or Redevelopment Potential

With a site area of 61 acres and only 24% site coverage, the Property offers an exceptional intensification and/or redevelopment opportunity, offering options to develop the existing unencumbered portion of the Property with residential uses, and/or through a more comprehensive plan, reposition and redevelop the indoor portion of the mall into an outdoor mixed-use lifestyle community. The City of Nanaimo's favourable Official Community Plan (OCP) land use policies envision the Property as a City Commercial Centre which is to incorporate a mix of uses including commercial, institutional, community, and high density residential.

Dominant Shopping Centre on Vancouver Island

NNTC is the third largest shopping centre on Vancouver Island following Uptown Shopping Centre in Victoria (Saanich) and Woodgrove Centre in Nanaimo, based on gross leasable area (GLA). NNTC features over 643,000 square feet of GLA improved on an immense 61-acre parcel and is one of the two dominant shopping centres serving the mid-Vancouver Island region. NNTC's format is a hybrid between an enclosed shopping centre and open-air concept with freestanding pads.

Investment Highlights

Strong Demographic Fundamentals

Nanaimo is the second largest population centre on Vancouver Island, and fifth in the province, home to over 160,000 residents. Over the next decade the region is projected to grow by nearly 20,000 people with over 60% of the growth expected to take place within a 15-minute drive of the Property. The immediate neighbourhood around the NNTC is also expected to experience rapid growth with over 1,000 residential units in the construction/planning stage.

Local Development Activity



Easily Accessible with Excellent Connectivity

NNTC is strategically located between two major thoroughfares, Island Highway and Uplands Drive, that provide access to the downtown core, airport, and both ferry terminals as well as other island communities. Key location characteristics include exceptional exposure to over 37,700 vehicles per day traveling along Island Highway while Uplands Drive acts as a link between North Nanaimo and the area around Departure Bay. The Property is also highly accessible with four points of ingress/egress off Rutherford Road and Uplands Drive, as well as one point off Oliver Road.

Financial Summary

Net Operating Income ("NOI") for the Property in Year-1 (year ending September 2020) is projected to be \$4.6 million, based on contractual lease terms and asset specific modelling assumptions. The NOI is projected to increase to \$8.9 million by Year-5 of the cash flow projection period, representing a positive five year CAGR of 14.3%.

The projection includes incremental revenue generated from the staggered lease-up of the 21 available units over the course of the first five years of the projection period. These leases are well-structured to provide for full recovery of operating costs and realty tax expenses. Six of the tenants have fixed rate renewal options, which have also been modelled and accounted for within the cash flow projection.

A vacancy allowance of 10% of potential gross revenue has been incorporated in the financial projection, excluding anchor and a select number of other quality tenants with strong corporate covenants namely Canadian Tire, Lowe's, London Drugs, Galaxy Entertainment, Fairway Market, TD Bank Call Centre, Dollarama, and Tim Hortons. Recoverable operating costs and realty taxes are based on the 2019 annual budget provided by the Vendor, including the amortization of historical capital expenditures. Non-Recoverable costs mainly include a management fee equal to 2.50% of effective gross revenue ("EGR").

Anchor tenants within the Property are typically reimbursed on the basis of capped or fixed rate recovery methods which generally escalate over time. Consistent with most enclosed shopping centres, many of the remaining non-anchor tenants reimburse their proportionate share of expenses after the recoveries attributed to the anchor tenants have been accounted for, also referred to as "net-of-anchor".

A summary of the projected NOI performance over the next five years is presented below:

5-Year Net Operating Income Projection (\$000s)

For the Year Ending	Year - 1 Sept - 2020	Year - 2 Sept - 2021	Year - 3 Sept - 2022	Year - 4 Sept - 2023	Year - 5 Sept - 2024
Scheduled Base Rental Revenue	\$6,591	\$6,950	\$7,623	\$9,185	\$9,945
Reimbursement Revenue	\$3,763	\$4,211	\$4,767	\$5,738	\$5,907
Percentage Revenue	\$213	\$175	\$0	\$0	\$0
Other Revenue	\$132	\$136	\$139	\$143	\$146
Total Potential Gross Revenue	\$10,699	\$11,472	\$12,529	\$15,066	\$15,998
Vacancy Allowance	\$301	\$340	\$429	\$449	\$468
Effective Gross Revenue	\$10,398	\$11,132	\$12,100	\$14,617	\$15,530
Recoverable Operating Costs	\$2,924	\$3,027	\$3,128	\$3,220	\$3,328
Realty Tax Costs	\$2,398	\$2,458	\$2,519	\$2,582	\$2,646
Management Fee	\$259	\$278	\$302	\$365	\$388
Non-Recoverable Costs	\$252	\$258	\$264	\$271	\$278
Total Operating Expenses	\$5,833	\$6,021	\$6,213	\$6,438	\$6,640
Net Operating Income	\$4,565	\$5,111	\$5,887	\$8,179	\$8,891
NOI psf	\$7.09	\$7.94	\$9.15	\$12.71	\$13.81
Growth	n/a	12.0%	15.2%	38.9%	8.7%
5-Year CAGR	14.3%				

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**Kevin Meikle is licensed with K.H.M. Realty Ltd. and has a contractual relationship with Cushman & Wakefield ULC