

McArthurGlen grabs Vancouver

Europe's largest outlet developer is forging a JV with the Vancouver Airport Authority for a designer outlet center.

By **LINDA HUMPHERS**
Editor in Chief

Canada has become the latest outlet hotspot, with Tanger Outlets, Simon Property Group and Cordish Company racing to open projects in the Toronto market. Now the largest European outlet-center developer is crossing the pond into Canada: London-based McArthurGlen Group, developer of 20 outlet centers in eight European countries, plans to open a 340,000-sf project in Vancouver.

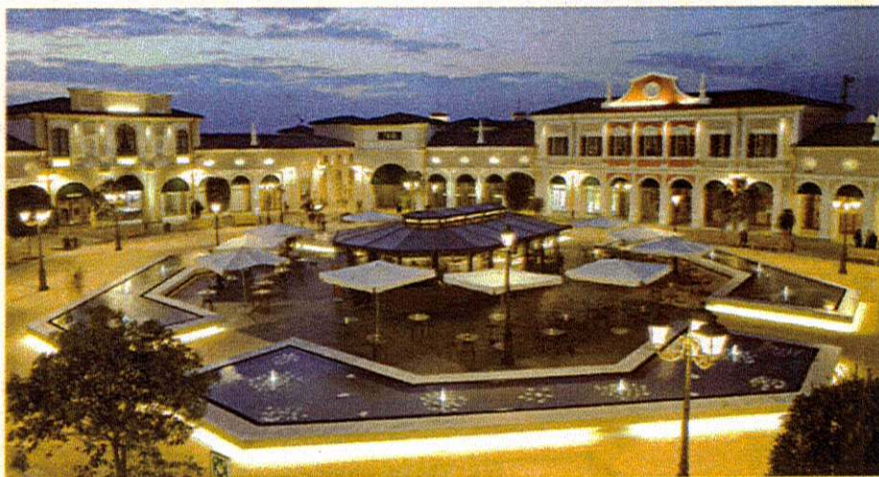
Gary Bond, CEO of McArthurGlen European Development, told VRN that MCG has an agreement with the Vancouver Airport Authority to develop McArthurGlen Designer Outlet Vancouver. The 30-acre site is off Russ Baker Way, which is adjacent to Vancouver International Airport and links the city of Richmond (British Columbia's fourth biggest city) with central Vancouver. The site stretches down to the Fraser River and is near Highway 99, the main road linking Vancouver with Seattle. The site is also on traditional Musqueam First Nation lands, owned by the government of Canada and leased by Vancouver Airport Authority.

More than 1.2 million people live within 30 minutes of the site. By 2014, the population within 90 minutes is expected to be 2.8 million. The AHI in the market is US \$85,000. Chinese immigrants account for 16 percent of the residents in the market and 30 percent in Richmond.

Vancouver receives more than 8 million overnight visitors a year. Asians, particularly Chinese, are the second largest tourism group after visitors from the U.S. In 2010, China granted Canada approved destination status, which accounts for the influx and for the 57 weekly flights from Vancouver International Airport to China, including direct service to Hong Kong, Beijing, Shanghai and Guangzhou.

Construction on the 200,000-sf phase 1 will start in the second half of this year with the opening planned for 2014. "We are looking forward to finalizing plans and contracts with the Airport Authority by June 2012," Bond said.

One of the unusual aspects of MCG looking west for new outlet opportunities is that most European outlet developers are looking eastward, to Central Europe, Russia, Ukraine and China. Via email, VRN spoke with Bond about MCG and the Vancouver venture.



Architecture and luxury are key components in McArthurGlen's European outlet centers, as seen at the developer's 121,000-sf Veneto Designer Outlet near Venice, which features a piazza tenanted by Ferragamo, Prada, Valentino and other luxury brands.

VRN: Why Canada instead of Eastern Europe, Russia or Asia?

Bond: We are used to developing projects in different countries, most recently in Athens, which is a four-hour flight from London, with a different language and a different alphabet. Canada offers a transparent and business-friendly environment, very similar to Western Europe. Vancouver offers a fantastic opportunity, in terms of the partner, the catchment, the location, the economic strength of Vancouver and the tourism potential, in particular as the gateway to the Asian consumer. As with all our new centers, we have talked with key brands among our 860 brand partners regarding interest in opening in what will be Vancouver's first designer outlet, and the interest is strong, especially among the international luxury and designer names. And don't forget, although our head office is in London, McArthurGlen was founded in the U.S. and brought to Europe by our chairman, Joey Kaempfer, in the mid-1990s.

VRN: Why Vancouver instead of Toronto? Was the decision influenced by Simon, Tanger and Cordish tackling Toronto?

Bond: Toronto is an important market, but with three outlet centers planned and Vaughan Mills already open and successful, it is very competitive. The advantage of Vancouver is that there is no outlet competition. There is also less retail space in Vancouver when compared with Toronto—14.1 sf per person in Vancouver compared with 22.4 sf per person in Toronto.

VRN: McArthurGlen has a history of working with airport authorities in Europe—can you tell us about that?

Bond: McArthurGlen expanded into Europe from North America in 1994 as a 50-50 joint

venture with BAA (previously called British Airport Authority). This joint venture continued until 2002, during which time BAA invested with McArthurGlen in many of the early McArthurGlen centers in Europe. The relationship was positive and amicable and came to an end by mutual consent in 2002 following the 9/11 attacks in New York when BAA decided to sell all of its non-core and off-airport business. In 2007 we set up McArthurGlen Travel Retail to launch Collezioni by McArthurGlen, which develops and manages full-price fashion and lifestyle shopping projects at airports. Collezioni opened in the Venice, Dublin and Glasgow airports, and through a new JV with Airster, we've added airports in Treviso, Bari and Moscow.

VRN: How will you handle the logistics of developing a center far from home?

Bond: We have regional teams covering Southern Europe, Northern Europe and the UK, as well as center-level teams for leasing, marketing and management, so we'll add a Vancouver team. Vancouver is an international, cosmopolitan, outward-facing city. The fact that English is one of the official languages also helps, and the chance to work with the Vancouver Airport Authority was an opportunity we didn't want to miss.

VRN: What kind of tenant mix are you looking for in Vancouver?

Bond: The center will offer a mix of European and North American luxury, designer and mainstream brands. Brands that excite the customer is what is important. There's no use bringing to Vancouver a European brand that no one knows. We partner with many top North American fashion names [including Polo Ralph Lauren, Calvin Klein and Stuart Weitz-

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Tanger Outlet Centers and RioCan plan to expand their new acquisition, the former Cookstown Outlet Mall in Ontario.

Tanger, RioCan acquire Canadian outlet center

RIOCAN REAL ESTATE Investment Trust and Tanger Outlet Centers said on Dec. 9 they had completed the acquisition of Cookstown Outlet Mall on a 50/50 co-ownership basis for approximately \$62 million. RioCan will provide development and property management and Tanger will handle leasing and marketing.

The center, which is being rebranded Tanger Outlet Center, opened in 1995, and was owned most recently by Taurus Investment Holdings. The 161,000-sf center is in Innisfil, Ont., about an hour north of Halton Hills, Ont., where RioCan and Tanger are developing a 350,000-sf outlet center scheduled to open in April 2013.

Cookstown has the space to grow to 320,000 sf. Existing tenants include Adidas, Aldo, Children's Place, Coach, Corning Corelle Revere, Jones New York, Levi's, Mexx, Nine West, Paderno Cookware, Puma, Reebok, Rockport, Royal Doulton, Samsonite, Stride Rite, Tommy Hilfiger, Toys R Us Express and Villeroy & Boch.

Tanger and RioCan reportedly plan to expand the center, which is good news to Innisfil mayor Barb Baguley. "The purchase of the mall, with the expansion in mind, is good news for Innisfil all around," she said. "It will start with construction jobs and culminate with retail stores locating there. It's an advan-

tage for the folks of Innisfil and the travelling public and will provide jobs on an ongoing basis. We've already been working behind the scenes with the prior owner and the new owners have an opportunity in front of them. It's an exciting opportunity for Innisfil."

The acquisition is a nice jumpstart into Canada for the Tanger-RioCan team, which is also in an agreement to purchase 50 acres in Kanata, Ont., near Ottawa, to be developed as a 350,000-sf Tanger Outlet Center. The site is off the TransCanada Highway (Highway 417) at Palladium Drive. The JV intends to develop 10 to 15 outlet centers throughout Canada's urban and tourist areas in the next five to seven years.

Also in Canada, also in Halton Hills, Simon Property Group and Calloway Real Estate Investment Trust plan to develop a 500,000-sf Premium Outlet Center on property owned by Calloway at Highway 401 and Trafalgar Road, one interchange from the Tanger/RioCan site. Simon and Calloway said in May they planned to start construction this spring.

Cordish Companies and Woodbine Entertainment are also on record planning to develop Woodbine Live!, a 200-acre retail and entertainment project at Woodbine Racetrack & Casino, about 10 miles northwest of downtown Toronto. **V**

Simon joins Woodmont/EWB in St. Louis

SIMON PROPERTY GROUP, Woodmont Outlets and EWB Development said on Nov. 15 that they have signed a letter of intent to create a joint venture agreement for the development, construction, leasing and management of St. Louis Premium Outlets in Chesterfield, Mo. Simon will own 60 percent of the project.

The new outlet center, which was announced in October as Spirit of St. Louis Outlets, will anchor Chesterfield Blue Valley, a mixed-use development to include office space, hotel, restaurant and entertainment venues. The site is on the south side of Interstate 64/U.S. Highway 40, just east of the Daniel Boone Bridge. The 350,000-sf first phase is projected to open in fall 2013. The developers say there is ample room for expansion on the 55-acre site, which is owned by Dean Wolfe, a former May Department Stores executive, and Marian Nunn, former COO of THF Realty in St. Louis.

The announcement adds a dash of spice to the St. Louis market, which has been the stomping ground for a site-fight between Woodmont/EWB and rival Taubman Centers/Outlet Partners, working together as T-O Development. T-O has been seeking zoning changes to allow the development of the 440,000-sf Taubman Prestige Outlets of Chesterfield, five miles from the Simon/Woodmont/EWB site and two miles from CBL & Assocs.' Chesterfield Commons regional mall.

Rosemont approves projects to enhance planned center site

THE CITY OF ROSEMONT, Ill., has approved two projects that will play a significant role in preparing the 13-acre site where AWE Talisman and Macerich Cos. are developing a 550,000-sf Fashion Outlets of Chicago and a multi-level parking garage.

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man] and 50 of the top international names in luxury – names that are known around the world. We also like to include strong local brands at our centers.

VRN: In Europe you tend to market to visitors once they're in the vicinity. Will that be your philosophy in Vancouver?

Bond: In Europe our main marketing activity is to consumers living within the 90-minute catchment of the center. However, we are seeing growing demand from international travelers – sales at our Designer Outlets to international travelers from outside Europe increased 64 percent in the first 10 months of 2011. This demand is being pushed in particular by shoppers from China, Russia and Brazil. We link to these consumers through our network of tourism operators and

through attending all the main tourism trade fairs, including the Arabian Travel Market (Dubai), the International Luxury Travel Market (Cannes, France), ITB (Berlin) and the World Travel Market (London). We also attend tourism workshops in Asia, Brazil, India and Russia. In Vancouver we will focus primarily on the 60-minute catchment – we really see the Chinese diaspora in Vancouver providing a strong link with Chinese consumers in China. **V**

Outlets see the value in Canadian shoppers

Outlet marketers aren't taking Canadian visitors — who spend billions in the U.S. yearly — for granted.

By **PATIENCE KRAMER**
Contributing Writer

With the media spotlight shining on inbound shoppers from Asia and South America — witness President Obama's new strategy to boost tourism from emerging markets — it might be easy to forget those friendly Canadians who flow across the border to shop.

But in 2010 those friendly Canadian shoppers pumped \$5.5 billion into border states alone and another \$6 billion into Florida, California, Arizona and Nevada, and outlet marketers aren't about to let those kinds of dollars slip by.

Canadian shoppers are a prime target for outlet center marketers, and investing in attracting them generates solid returns. Although she wouldn't reveal specific numbers, Ann Ackerman, VP/director of marketing for AWE Talisman Companies, allows that Canadian shoppers account for a significant percentage of sales at Fashion Outlets of Niagara Falls, the 533,000-sf mall AWET leases and manages for Macerich.

At Sawgrass Mills/Colonnade Outlets, in Sunrise, Fla., international shoppers comprise 50 percent of the center's traffic, with Canadians nudging Brazilians for the top spot, according to Kelly Mikesell, VP-marketing for The Mills, a Simon company.

And in northern Vermont, at Essex Shoppes & Cinema near Burlington, Vt., Canadians make up 22 percent of the shoppers.

One reason Canadian shoppers flock to U.S. outlet centers is the brand/value equation. Ackerman observes that Canadian shoppers are savvy consumers who understand value. They also like the brand offerings in U.S. outlet centers, where there is often a wider selection than in Canada.

"In the U.S. we have a really great mix of value-oriented stores and centers," says Mikesell. "At Saks Off 5th, for example, there's such a wide variety of upscale brands, which is so important to the Canadian and other international shoppers. We also work closely with Polo Ralph Lauren and other upscale brands that are eager to reach that audience."

Michele Rothstein, SVP-marketing for Simon Property Group's Premium Outlets division, says, "Canadians know and enjoy shopping our centers. They know the Premium Outlets brand, and we have large numbers of Canadian shoppers who are members of our VIP Shopper Club. We market in Canada and welcome Canadians seasonally and for

our major sale events."

Canadians are already an important source of inbound shoppers for the Premium Outlet centers, Rothstein says, adding that "Canada will soon be a customer base we market to locally," when Simon opens Toronto Premium Outlets in Halton Hills, Ontario.

What Canadian shoppers want

Peter Edelmann, principal of EWB Development and president of Eurowest Properties, owner of the Essex Shoppes in Vermont, says his 115,000-sf center's tenants appeal to Canadian shoppers.

"We know they like BCBG and Under Armour, which we have," Edelmann says. "We're looking at bringing in more brands that Canadians like, such as Puma, Timberland, J. Crew, Wilsons Leather, Lacoste and Aeropostale."

He notes that Canadian shoppers tend to fall into two groups: the young, more fashion-forward, and the older, more conservative shopper. Regardless of age, "They come to shop," he says. "The capture ratio is greater than for the typical U.S. tourist."

Along with great brands and extraordinary values, other factors combine to bring Canadians stateside.

"Shopping is the No. 1 activity for Canadians on holiday, and they have 18 holidays, which is more than in the U.S. [which has about a dozen]," Ackerman says. "And they celebrate U.S. holidays with shopping trips as well. They come to Fashion Outlets of Niagara Falls for Midnight Madness, even though Canadians celebrate Thanksgiving in October."

Weather also plays a significant role in Canadian visits to the U.S. Arctic winds blow Canadian shoppers south, all the way to Arizona, California and Florida. November through April is high season for Canadian shoppers at The Mills properties in those states, according to Mikesell. Arizona Mills in Tempe does a booming business with Canadian shoppers, especially the empty nesters who combine vacationing with shopping, so much so that Canadians now vie with Mexicans as the top international visitors at the 1.24 million-sf mall.

Ontario (Calif.) Mills draws Canadians from Vancouver, British Columbia; and Opry Mills in Nashville expects to resume its position as a magnet for Canadians after it reopens in April.

"Winter is when we see a lot of Canadian



Canadian shoppers account for a significant portion of sales at Macerich's 533,000-sf Fashion Outlets of Niagara Falls in New York.

shoppers on our properties," Mikesell says.

Ackerman concurs, noting that Canadians aren't just hopping over the border to shop at Niagara. "They are big shoppers at Fashion Outlets of Las Vegas as well. They come to vacation; they stay to shop!"

Rothstein notes that while properties closest to the border welcome a large number of Canadian shoppers, centers in major tourist destinations draw them as well. She cites the developer's four Premium Outlet centers in Las Vegas and Orlando, as well as Chicago Premium Outlets in Aurora, Ill., 40 miles west of Chicago, and Woodbury Common Premium Outlets in Central Valley, N.Y., an hour north of New York City, as destinations for Canadian shoppers.

The outlet outreach

Mikesell credits aggressive outreach to our Northern neighbors for much of the recent growth of Canadian shoppers at The Mills properties. The Mills properties have intensified efforts to work closely with tour companies, Mikesell says, adding, "We are seeing more requests from Canadian tour operators to meet with us about our centers as destinations. We have spent more money in that space and it's starting to pay off."

The Mills is focusing on Canada internally as well — Arizona Mills recently hired a marketing director who is Canadian, at least in part because the developer felt "she would really understand the Canadian shopper," Mikesell says.

Essex Shoppes & Cinema is adjacent to Eurowest's four-star Essex Resort and Spa, and the center works synergistically with the spa to attract Canadians from Montreal and Quebec. For example, the center has used social media in Montreal to offer packages that combine a stay at the Spa with a \$100 gift certificate for shopping at the Essex Shoppes.

And the draw goes beyond shopping. Billed as Vermont's "Culinary Resort and Spa," the development is home to award-winning restaurants and the Cook Academy, a culinary school.



Tenants such as Under Armour attract Canadians, mostly from Montreal and Quebec, to Eurowest Properties' 115,000-sf Essex Shoppes on the outskirts of Burlington, Vt.

"Canadians also have a more advanced palate than the U.S. tourist," Edelmann says, "so it's important to have good culinary offerings."

That palate might also include a yen for Vermont's famous Ben & Jerry's ice cream. The gourmet ice cream company's factory, where the No. 1 visitor is Canadian, is just down the road from the Essex Shoppes and on the way to Stowe's ski resorts, a target for Eurowest's marketing efforts.

Language, the non-issue

Unlike visitors from other nations, language poses a low or even non-existent barrier to Canadians shopping in the U.S. English is the predominant language in Canada, although French is the official language of Quebec and both English and French are the official languages of New Brunswick province.

Because its Canadian shoppers at Essex come from the eastern part of Canada, Eurowest is developing multi-lingual signage and has some French-speaking store managers.

On the other hand, language is no issue at Fashion Outlets of Niagara Falls. The reason is simply geographic: Most of that center's Canadian shoppers come from English-speaking Toronto, not French-speaking Quebec. However, Toronto is a diverse city in which 50 percent of its residents were born outside of Canada and more than 100 languages are spoken in Toronto.

"Twenty percent of our Canadian visitors are Asian, so we have Mandarin speakers at Niagara and our other centers," Ackerman says. "We advertise in newspapers and on radio in Canada and in some specifically Asian popular press. Many U.S. radio stations also go into Canada."

Mikesell notes few, if any, requests for French at The Mills centers, but the properties recognize the need for multilingual amenities. The newly hired tourism director at Sawgrass is tri-lingual and many of the staff members are also tri-lingual.

Still, there's one language that all international shoppers understand: outlet retailing. ▮

Looking North: Why Canadians matter to outlets

Stephen Fine is the president and founder of CrossBorderShopping.ca, a one-stop resource for the millions of Canadians who shop and spend more than \$12 billion in the U.S. annually. Since its launch in 2007, the website has become Canada's premier deal and information resource for cross-border shopping in the U.S. Fine, a leading media source on cross-border shopping issues, may be contacted at stephen@crossbordershopping.ca or at +1 866 219 6324.



By **STEPHEN FINE**
VRN Guest Columnist

Every year, millions of Canadians head south for the sole purpose of shopping in the United States, and millions more add a shopping component to their U.S. vacations. This puts U.S. outlet centers and retailers located in northern states and popular U.S. vacation destinations in the enviable position of being able to attract not only local and regional shoppers, but a captive audience

of Canadian shoppers, as well.

Recent developments, such as the weak U.S. economy, the relatively strong Canadian economy and the rise of the Canadian dollar highlight the importance of Canadian cross-border shoppers.

The following statistics help put the size, scope and potential of the cross-border shopping market into perspective:

24 Million: Same-day car trips made by Canadians to U.S. states bordering Canada in 2010

42 Million: Total trips made by Canadians
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