

Outlet retailing, Canada-style

Although outlet centers have been operating in Canada for two decades, a handful of new centers could change the landscape.

By **LINDA HUMPHERS**
Editor in Chief

Outlet retailing, Canada style, has been on the front burner for planned projects for more than a year, with developers working on at least seven phase 1 centers totaling 2.9 million sf. Helping to drive the interest in Canada is the outlet tenants' need for more sites with strong U.S. developers. With very little U.S. outlet vacancy – 2 percent or less in the Tanger Factory Outlet Centers and Simon Property Group portfolios – demand for space is at a premium. So the race is on for new outlet GLA in new outlet markets.

First out of the box with a groundbreaking is **Simon Property Group and Calloway Real Estate Investment Trust**, a 50-50 joint-venture team. Construction on the first phase of the 500,000-sf Toronto Premium Outlets started April 25 in Halton Hills, Ont., on Highway 401 at Trafalgar Road. The center is expected to open in about 16 months from the start date, or late summer 2013.

SmartCentres, which has worked closely with Calloway for many years, secured the permit approvals so that the project could proceed



Tanger Factory Outlet Centers is marketing a site near Ottawa, which is known as Canada's Silicon Valley.

quickly. The quick permitting became important as the Simon-Calloway site was actually announced after **Tanger Factory Outlet Centers** and **RioCan Real Estate Development Trust** had said they would develop a center in Halton Hills. The sites are just 15 minutes apart, but the Calloway site was further along in the permitting process.

From the beginning, however, Tanger and RioCan said they would develop a portfolio of 10 to 15 Canadian outlet centers in the next five to seven years. Other sites are in the works, and in December 2011, Tanger

acquired the existing 196,000-sf Cookstown Outlet Mall for \$61.2 million as a platform from which to launch that portfolio.

Edward Sonshine, president and CEO of RioCan, acknowledged the site fight with Simon/Calloway during a recent earnings call and said that the Tanger/RioCan option on the Halton Hills property has been extended until August.

"But, we're quite excited about the Tanger joint venture," he said, adding that Tanger's Cookstown acquisition is a signal to tenants that the portfolio strategy is up and running. "With the sites we're putting together in Montreal and Calgary, Tanger



Simon Property Group started construction on Toronto Premium Outlets in April.

Outlet centers planned in Canada 2013-2014

CENTER	SITE	DEVELOPER	GLA
Toronto Premium Outlets	Halton Hills, Ont.	Simon/Calloway	500,000
Tanger Outlets at Halton Hills	Halton Hills, Ont.	Tanger/RioCan	350,000
Tanger Outlet Center	Mississauga, Ont.	Tanger/RioCan/Orlando	312,000
Outlet Collection @Niagara-on-the-Lake	Niagara-on-the-Lake, Ont.	Ivanhoe Cambridge	601,863
Tanger Outlets at Ottawa	Ottawa, Ont.	Tanger/RioCan	325,862
Woodbine Live	Woodbine, Ont.	Cordish/Woodbine	500,000
McArthurGlen Designer Outlet Vancouver	Richmond, B.C.	McArthurGlen/ Vancouver Airport Authority	340,000
7 CENTERS			2,929,725

Source: VRN

is now in the position...of being able to offer an initial national rollout, which quite frankly our competitors are not at this moment."

Tanger has commenced marketing a site in Kanata, Ont., near Ottawa that will open in 2013. The 343,114-sf center is 16 miles west of downtown Ottawa on Highway 417 at Huntmar Drive with direct access from Palladium Drive. Daily traffic counts in front of the site on Highway 417 exceed 124,000, and the parcel is directly across from Scotiabank Place, a 20,000-seat arena that's home to the Ottawa Senators hockey team.

On April 11, **Tanger and RioCan** agreed to create a strategic alliance with another Canadian developer, **Orlando Corp.**, to develop outlet opportunities within the Heartland Town Centre in Mississauga, Ont. The partnership intends to add a 312,000-sf phase 1 outlet center to Heartland's existing 2 million sf of retail. Tenants at Heartland Town Centre range from Costco, Walmart SuperCentre, Michaels and Best Buy to BCBG, Jones New York and Tuxedo Junction.

Heartland Town Centre, about 30 minutes west of Halton Hills, is accessible from Highway 401 at both Highway 10 and Mavis Road. Orlando Corp. is Canada's largest privately owned developer and landlord.

The team that has been working on an outlet project the longest in Canada – since 2007 – is **Cordish Companies and Woodbine Entertainment**. According to Cordish, Woodbine Live! has secured anchor tenants and is in a position to start construction shortly on the 300,000-sf entertainment and retail portion.

The project, which will be anchored by Woodbine Racetrack & Casino, is 10 miles northwest of downtown Toronto. With 6.5 million visitors annually, the gaming and live racing venue is already the No.1 existing tourist attraction in Toronto.

In October, 2011, **Ivanhoe Cambridge**, developers of Vaughan Mills in Calgary, filed an application for a zoning change that would allow the development of an outlet center in Niagara-on-the-Green, Ont. The current zoning caps the size of a retail center at 400,000 sf, whereas the developer wants it increased to 720,300 sf. The site for Niagara-on-the-Lake Outlet Centre is at Glendale Avenue and Niagara-on-the-Green Boulevard, across from

White Oaks Conference Resort and Spa. The proposal says the center would be developed in two phases, with the opening in spring 2014. An Ivanhoe Cambridge spokesperson told VRN that the project was still in too early a stage for comment.

With all of that activity clustered in the eastern side of Canada, along comes **McArthurGlen Group**, the largest outlet developer in Europe.

MCG has teamed up with the **Vancouver Airport Authority** to develop a 340,000-sf center far, far away from the rest of the mad-ding outlet crowd.

The partnership's 30-acre site is off Russ Baker Way, adjacent to Vancouver International Airport and which 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. Construction on the 200,000-sf phase 1 of McArthurGlen Designer Outlet Vancouver will start this summer, according to Marina Ein, president of Washington, D.C.-based Ein Communications. The opening is set for 2014.

More than 1.2 million people live within 30

minutes of the site, and by 2014 the population within 90 minutes is expected to be 2.8 million. The AHI in the market is U.S. \$87,400. Chinese immigrants account for 16 percent of the residents in the market and 30 percent in Richmond.

The big attraction for MCG, however, is that 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.

Gary Bond, CEO of McArthurGlen, told VRN, "Toronto is an important market, but 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."

Known for developing architecturally striking outlet projects throughout Europe, MCG intends to construct a showcase center that features an entrance square on the waterfront and at least two luxury piazzas. **V**



McArthurGlen Group and the Vancouver Airport Authority are developing an outlet center in British Columbia aimed at tapping into the area's strong Asian connections.