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Competition fierce for retailers to get into high-end malls

BY ALLISON LAMPERT, THE GAZETTE OCTOBER 29, 2011

Years ago, a sedate article in a trade publication and an introductory phone call were all broker Tony Flanz needed to find most of his clients retailing space in Canadian shopping centres.

But with space in the country's top-performing malls now at an all-time premium, Flanz has devised a whole marketing strategy to attract landlords - sending out multiple articles, glossy brochures and videos - before he even picks up the phone.

To promote his latest client, French swimwear chain Pull-In, Flanz might even send out a few free bikinis.

"I do it (the marketing of a client) much more aggressively today," said Flanz, president of Montreal-based Think Retail.

"Nothing sexy or enticing was needed in the past. But there's a lot of change happening in the market. It's so difficult now to get into the top malls."

Over the last year, a flurry of foreign retailers including Victoria's Secret and Target Corp., have opened, or have announced plans to open locations in Canada's most popular malls, creating fierce competition for space.

They're eager to enter or expand in a retailing landscape that continues to outperform the United States market, in terms of average sales per square foot.

But demand has become so great that even so-called industry über-retailers are on lengthy waiting lists for a location at top-performing malls like the Carrefour Laval in Quebec and Yorkdale Mall in Toronto.

"A retailer, to shorten his list has to perform at the top of his category," said Flanz, who represents multinational clients like Le Creuset, Pinkberry and Fossil.

The crunch is so great that some retailers are now behaving like vultures, eyeing struggling competitors with the hopes of securing their spaces if they fail. Fashion retailer Boutiques Jacob, for example, closed 40 stores over the last year as it restructured to emerge out of bankruptcy protection.

"We need space on the market and unfortunately retailers who can no longer compete and who are no longer successful, have become an attractive opportunity for aggressively expanding retailers," Flanz said.

"The brokerage community is now monitoring some very high-profile Quebec retailers."

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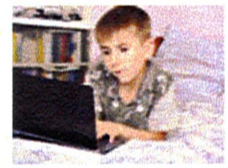
Social networking 'training wheels'

Higher mall rents come with higher sales

Article

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Higher real estate costs are among the reasons U.S. retailers cite for charging higher prices in Canada. (Jan. 25, 2011)

COLIN MCCONNELL/TORONTO STAR FILE PHOTO

Dana Flavelle
Business Reporter

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U.S. retailers who come to Canada face higher rents, a tighter market, and higher real estate taxes than they do in their home market, according to industry experts.

That's because Canada has fewer malls, a stronger economy and strong demand from a slew of U.S. merchants who see Canada as a desirable first stop in their international

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expansion plans.

Higher real estate costs are among the reasons U.S. retailers cite for charging higher prices in Canada, a growing sore point with consumers who believe Canadian prices should be on par with the U.S. now that the Canadian dollar trades at or above the American dollar.

Retailers also blame higher duties, transportation and labour costs.

The issue resurfaced recently after popular fashion retailer J. Crew opened its first Canadian store with prices set roughly 15 per cent above its U.S. stores.

As more U.S. retailers enter the Canadian market, consumers are watching how closely their prices here track those south of the border.

"Are mall rents higher in Canada? Absolutely," said John Crombie, national retail director at commercial real estate firm Cushman & Wakefield.

Yorkdale shopping centre charges on average $200 a square foot per year, plus $90 a square foot in real estate taxes and operating costs, for a total of $290 a square foot per year, Crombie said.

In comparison, Roosevelt Field, a comparable upscale mall in Garden City, on Long Island, New York, charges $100 U.S. per square foot, plus $60 in taxes and operating expenses, Crombie said.

Canada's malls are more productive, which partly offsets the higher expense.

Retailers in Yorkdale sell on average $1,200 worth of merchandise per square foot per year, while the comparable sales figure for Roosevelt Field is $700, Crombie said.

Still, the ratio of rent to sales is higher at Yorkdale, at 17 per cent, compared to 14 per cent at Roosevelt Field. The ideal is 10 per cent, he said.

There are a number of reasons rents are higher here.

The U.S. has more malls – 23 square feet of mall space per capita – than Canada, which has 14.6 square feet of mall space per person.

As well, the U.S. was hit harder by the recent recession, added John Archer, a senior consultant with J.C. Williams Group Ltd. in Toronto.

Mall landlords in the U.S. are under pressure to attract and keep retail tenants by offering them incentives, such as a break on the posted rental rate, Archer said.

"That's less true in Canada. There hasn't been as much a need to give rent reductions," Archer added.

Wendy Evans, a consultant who advises many international retailers who want to enter the Canadian market, said she believes Canadian real estate costs are roughly comparable to those in the U.S.

"If you compared an 'A' (class) mall in Toronto versus an 'A' mall in Boston or Chicago, I think they'd be similar," said Evans, of Evans & Company, in Toronto.

However, Canada has fewer types of shopping centres, especially at the lower end, she said.

"The U.S. has more secondary and tertiary centres than we do. Ours tend to be larger, more powerful, and more productive."

CALGARY HERALD
PROUDLY CALGARY SINCE 1883

Chinook Centre sales measure up to best

BY MARIO TONEGUZZI, CALGARY HERALD OCTOBER 21, 2011

Chinook Centre has reached a major retail milestone, joining the ranks of Canada's mall heavyweights.

The Calgary shopping centre has surpassed the $1,000 sales-per-square-foot standard used to measure success in the industry.

"For any shopping centre in a city the size of Calgary . . . to exceed $1,000 is quite a testament to people like our leasing team, especially," said Terry Napper, general manager at Chinook.

"They spent a lot of time looking at which retailers consumers would shop at in this city. And they've added in retailers that obviously consumers really wanted and that's why it's working."

The sales-per-square-foot number is calculated using the cumulative sales figures of mall stores less than 15,000 square feet over a 12-month period.

Chinook's sales, as of the end of September, rang in at $1,000.44. Chinook has about 510,000 square feet of retail space, combining all stores under 15,000 square feet, Napper said.

The best Chinook has done previously was just over $900 about 3 1/2 years ago. Following expansion, sales-per-squarefoot dropped to $840 a year ago.

The addition of iconic brands such as Apple, Victoria's Secret and Tiffany & Co. has helped lift sales by 18 per cent during the past year, Napper said.

"Most of that is due to the mix we were able to put into the expansion," he said.

Napper said Toronto Eaton Centre, Yorkdale in Toronto and Pacific Centre in Vancouver, three powerhouse Canadian shopping centres, have topped the $1,000 mark for some time.

Retail analyst Michael Kehoe, with Fairfield Commercial Real Estate, said Chinook Centre continues draws shoppers as a key destination for "first-to-market" national and international retailers.

"This will ensure that the shopping centre keeps pace with customer expectations and consumer preferences to continue as one of the leading shopping centres in Canada," he said.

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U.S. retail interest hikes rental rates on Ste. Catherine St. W.

Landlords asking upward of $200 per square foot

ALISON MacGREGOR
THE GAZETTE

Despite weak retail sales results in Canada so far this year, Montreal's Ste. Catherine St. W. is experiencing an increase in rental rates and activity, says a new report.

The study, Main Streets Across the World 2011 Research Report, was conducted by New York City-based Cushman & Wakefield (C&W).

The report found that with the exception of Toronto's Queen St. W., all the "main" shopping streets in urban markets across Canada are maintaining or seeing an increase in rental rates.

These streets, also known as "high streets," are favoured by international luxury retailers and include some of the most expensive shopping space in the world.

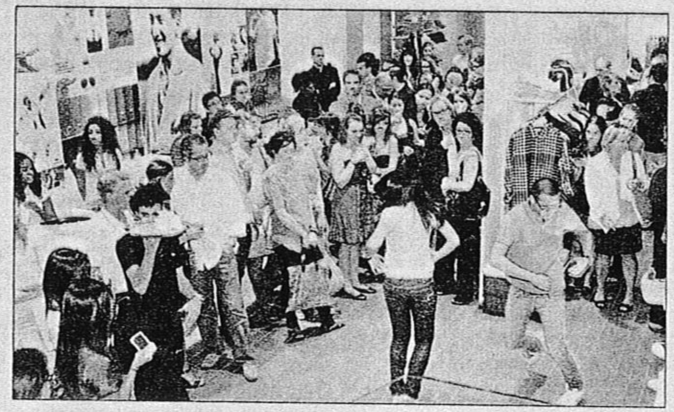
Researchers found that street-level rents on Ste. Catherine St. W. increased to an average rent of $160 per square foot in June from $150 per square foot in June 2010, an average increase of 6.7 per cent.

C&W said the rent increase was because of interest from U.S. retailers who want well-located Canadian stores, consumer spending and a tight rental market on these particular streets.

In an interview, John Crombie, senior managing director of Toronto-based C&W, said luxury retailers prefer to put their money into the best locations that have the highest profit.

"More often than not, these are the main boulevards, the Ste. Catherine Sts., the Bloor Sts. ... even though they spend more money they end up having a lot more sales."

He said the lack of available rental space on Ste. Catherine St. combined with the recent arrival of new retailers such as **Lacoste** and **Forever 21** and the renovation of existing stores "was a big catalyst for the market."



MARIE-FRANCE COALLIER THE GAZETTE
The recent arrival of new retailers such as Lacoste and Forever 21 and the renovation of existing stores is "a big catalyst for the market."

"They have created a high demand for people wanting to be there," Crombie said. He noted that when a spot at what he called the epicentre of the street – the intersection at Peel and Ste. Catherine streets – becomes available, landlords usually receive multiple offers from retailers.

"Landlords are being more opportunistic ... asking upwards of $200 per square foot," he added.

Crombie wouldn't name names, but said a number of U.S. retailers are interested in having stores on the street.

But a problem with "high streets" is that they lack space for bigger stores, he said, explaining that a company such as U.S. retailer **Target** needs 65,000 to 70,000 square feet for its smallest store size.

As for the near future of Ste. Catherine St., he said whether or not the trend of increased rent continues will depend on the economy and consumer spending.

"One telltale sign will be back-to-school sales in the U.S. and Canada," he said. "If it is good, I would expect to see retailers continue to (look) for locations. If there is a pause, they will pause as well, to see how Christmas shapes up and re-evaluate for next year."

The study found that rents on Toronto's Bloor St., the 20th most-expensive street in the world, remained stable at $326 per square foot U.S. annually.

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Winnipeg Free Press - PRINT EDITION

Coach becomes latest U.S. retailer to enter Winnipeg market

By: **Geoff Kirbyson**
Posted: **08/3/2011 1:00 AM**

Coach sells high-end handbags, wallets and shoes. (HANDOUT)

LADIES (and sometimes gentlemen), get ready to loosen those purse strings. Coach, a U.S.-based retailer of high-end handbags, wallets and shoes, will open its first Winnipeg store at the end of next month at Polo Park Shopping Centre.

Billed as an "affordable luxury brand," Coach targets women in the 30-to-50-year-old demographic who want to treat themselves with purses and accessories.

Rebecca Marsh, district manager for Coach's central Canada operations, said the testosterone set has also been known to darken its doors.

"We can get men out of trouble," she said with a laugh.

"A happy wife means a happy life. Every woman wants a Coach bag. We make women feel great."

Patti Page, retail manager at Polo Park Shopping Centre, said the mall is excited about bringing another new retail outlet to Winnipeg.

"It's a great boost for us as well as the city that these types of prestigious tenants are enthused about the Winnipeg market. We believe there is a pent-up demand in Winnipeg for affordable luxury brands like Coach, and they will really complement our mix of fashion retailers at Polo Park," she said.

Other big-time retailers that have moved into Polo Park recently include Forever 21, a hip California-based clothing outfitter geared towards the 12-to-35-year-old female demographic, and Godiva Chocolatier, which reportedly had its best-ever store opening in Canada three weeks ago.

Marsh said Coach opted for Polo Park because the mall has many retailers it considers to be at its "level," such as Sephora and Apple.

"We want to be partnered with them," she said, adding Coach was also eager to come to Winnipeg because none of its direct competitors, such as Michael Kors, have entered this market yet.

Marsh is in town this week to hire managers and sales associates for the store, which is scheduled to open Sept. 30. It will be the company's 24th Canadian outlet.

Regional malls rely on a large trade area and the more they can distinguish themselves from the competition, the more reason there is for consumers to travel reasonably long distances to shop at them, said John Winter, a Toronto-based retail analyst.

"Big malls are good at egocentric merchandise. You see how it will match with your view of yourself. You try on these different items in a climate-controlled atmosphere. It's easy to make a (buying) decision because they're all in one place," he said.

Independent stores are a dying breed in major malls, Winter said, primarily because of the high rents malls can charge.

"If you're spending $30 or $40 per square foot, you could be spending $50,000 per month in rent. Malls want to put in proven performers. It's good business. You wouldn't want Jill's Dresses when you could have Coach, which would generate multiple times the activity of a small independent," he said.

Coach has 400 stores in North America and another 100 in the rest of the world.

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