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REDEVELOPMENT

Canadian malls growing in only one direction

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When American and European retailers come to Canadian malls these days, they look around at the bustling crowds and see one thing: giant profits.

Our malls are hugely successful by international standards, with average sales of \$680 a square foot per year. Some hot spots, such as the Yorkdale Mall in north Toronto, pull in more than \$1,200 a square foot. The American average was \$420 a square foot, according to 2009 figures. Only one mall beats Yorkdale: the Forum Shops at Caesars Palace in Las Vegas, with \$1,400 a square foot, while others in Honolulu, New Jersey and Scottsdale range from \$618 to \$1,110.

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Canadians have 39 per cent less mall space per capita than Americans, though those scarcer but more heavily used malls sell 45 per cent more product per square foot, according to participants at a recent Vancouver real-estate forum. This is not because of our climate, which is no more inhospitable than the northern states. Instead, Canadian cities have allowed fewer large regional shopping centres to be built since the mall heydays of the 1960s and 70s.

“Our malls are very strong. They enjoy so much retail sales because they are safeguarded against a lot of competition,” said Dianne Lemm, the principal broker for mall services with Northwest Atlantic Canada in Toronto.

That is why offshore retailers are pushing to come to Canada. Since the recession hit, that eagerness has only increased, as retailers noticed that Canadian consumers (and their banks) are in better financial shape than many others around the world.

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The Minneapolis-based Target chain has found a way into Canadian malls by taking over Zellers sites. Accompanying Target in the push to get into Canada are two American companies that specialize in premium outlet malls. They've paired up with Canadian partners that are competing to build new malls across the country.

New Jersey-based Simon Property Group has formed a joint venture with developer Calloway REIT, and North Carolina-based Tanger has partnered with RioCan REIT. Both have announced they want to build in Halton Hills, a town 15 minutes west of Toronto with a large swath of rural land around it.

But any development is not going to happen as easily as it would in the United States, experts say. Due to the shortage of available land, the restrictions that many Canadian cities put on commercial space, and even the stringent demands of provincial highways ministries, mall developers are going to have to be creative and persistent.

"It will be difficult for them to get in. Especially in Vancouver; we haven't built a mall in a long, long time," said Scott Lee, a principal with Northwest Atlantic in Vancouver, where the last regional malls were built in 1979. "We've got much more stringent zoning."

"The biggest issue we have in Canada is that if land is zoned for industrial or office, cities are adamant about preserving it," says John Crombie, the national retail director at real estate brokers Cushman & Wakefield, who helped put together the Simon/Calloway partnership for Halton Hills.

Only two enclosed malls have been built in Canada since 1989 – Vaughan Mills in Toronto and CrossIron Mills in Calgary – because of that. Even places that have been mall-friendly in the past, such as Vancouver's suburb to the east, Burnaby, no longer have room for them.

"The opportunities for development of new regional malls have substantially changed as urban communities have continued to grow and develop," said Burnaby's deputy planning director, Lou Pelletier. "Established communities like Burnaby have been increasingly focused on developing more urban, mixed-use town centres to support improved transit services, higher amenity urban living and more walkable, complete and compact communities."

So how is expansion of retail space likely to happen?

First, many of the country's 300 existing malls will expand upward on the land they already own to accommodate the horde of American and European chains wanting in, including Nordstrom, Macy's, Juicy Couture, J. Crew, Vera Wang, Jack & Jones and more.

"We will see the expansion of regional shopping centres everywhere," said Rick Amantea, vice-president of the Park Royal Shopping Centre in West Vancouver. The list of malls that have recently undergone expansions, have expansions under way or are planning them is long – from Yorkdale, under construction, to Park Royal and Oakridge in Vancouver, planning expansions, to the Chinook Centre in Calgary, which just completed its expansion.

Some new Mills-type malls – they combine standard mall shops with outlet stores, big-box stores and entertainment – will open on the edge of a few cities, says Ms. Lemm, including Tsawwassen Mills, which is being planned for First Nations land near Vancouver.

Premium outlet malls, featuring Ralph Lauren, Coach, The Gap, Crate & Barrel and more, will fight for prime spots in smaller communities close to big population markets.

Those malls will get a warm welcome. Mayor Rick Bonnette of Halton Hills, where both Simon/Calloway and Tanger/RioCan are looking to build their

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first premium outlet centres, is unreservedly enthusiastic. "To get an outlet mall like this is very prestigious," Mr. Bonnette said. "It could create 500 jobs."

In Abbotsford and Chilliwack, B.C., planners and politicians say they're not averse to the idea of a destination outlet mall. And developers will undoubtedly be scouting towns around Edmonton, says Darren Snider, a principal at [Avison Young](#) there.

But every one of those enthusiasts say there could be barriers and slowdowns. In Halton Hills, Mr. Bonnette says that although the future outlet sites won't have to go through a difficult rezoning, they will have to deal with Ontario's Ministry of Transportation (MTO) to get the needed highway exit. "MTO, they'll have some issues," he said.

In B.C., the communities that lie at an ideal outlet-mall distance from Vancouver are desperately short of available land because of the province's agricultural land reserve.

"The malls we have now were built on agricultural land," says Chilliwack mayor Sharon Gaetz. "We don't want to replicate that."

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