

RioCan Real Estate Investment Trust <REI_u.TO>, Canada's biggest, said it expects competition for retail space will be "good for a landlord," with rents set to rise as more U.S. companies expand north.

The REIT, which already rents to several U.S. banners, is talking to potential new entrants, including clothing store Marshalls <TJX.N> and Dick's Sporting Goods <DKS.N>, which plans to bring its Golf Galaxy chain to Canada.

Dress Barn <DBRN.O> brands Maurices and Justice are also looking for locations, while Gap Inc <GPS.N> is starting to push its outlet model in Canada, RioCan said.

Calloway REIT <CWT_u.TO>, Canada's biggest landlord to U.S. discount giant Wal-Mart, also expects to grab a piece of the action when new U.S. retailers set up shop, while its Wal-Mart portfolio is also expected to grow.

One problem may be a shortage of prime real estate in Canada, a vast country with a population that's just a 10th of the U.S. one.

"Good locations in retail are a lot tougher to come by up in Canada than they are in the States," said Brian Yarbrough, a retail analyst with Edward Jones.

James Smerdon, director of retail and strategic planning at real estate service company Colliers International, said that could be a reason that Target Corp <TGT.N> has not yet entered the market, despite years of speculation that its bulls-eye logo would soon become a familiar sight in Canada.

Wal-Mart, with more than 300 stores in Canada, has a huge head start on Target, and the two retailers could compete for similar shopping-mall real estate.

"Target entering the market in Canada would probably look for new developments and areas where they could easily drop in 100,000 square-foot stores," Smerdon said. "That's the interesting dynamic to all this: the Wal-Mart-Target faceoff that is looming in many Canadian markets."

Colliers sees Canadian retail sales growing 5 percent this year to nearly C\$392 billion.

But Canada can be a dream for smaller, foreign retailers too, offering relatively low rents and a stable economy.

Hans-Christian Sanders, a German luxury bedding manufacturer, opened a 700 square-foot store in Toronto's tony Yorkville shopping district this week, a stone's throw from one of the city's most expensive retail streets.

The "Mink Mile" of Bloor Street commands an average rate of \$300 per square foot, still a bargain compared to equivalent streets in Paris, New York, and Hong Kong, where Colliers' data shows rents per square foot of over \$1,000.


"This city is young, this city is dynamic," said Sanders, who distributes luxury linens in Germany. "I decided, for the future, I wanted to start a retail business here in Toronto. The time is right now."

(\$1=\$1.02 Canadian) (Editing by Janet Guttman and Rob Wilson)

K=Thousands, M=Millions, B=Billions, TTM=Trailing 12 Month, MRQ=Most Recent Quarter, FYR=Fiscal Year End, NM=Not Meaningful, NA=Not Available

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