

Retail rethink

COVER | Discount and hybrid outlet malls are set to disrupt Metro's traditional retail sector. More than 1.5 million square feet will be delivered in the next two years

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New hybrid malls are set to shake up Vancouver's retail scene.

Two currently under construction will have stores that are branded with recognizable names but sell merchandise at steep discounts.

Until now, Vancouverites had to go to the U.S. to find outlet malls that have stores carrying branded clothing from **Ralph Lauren**, **Gucci** and **Nordstrom** while carrying a secondary name such as **Polo Ralph Lauren Factory Store**.

Higher end brands are likely to choose to locate their outlet stores at the luxury outlet mall that **Vancouver International Airport Authority** is developing in partnership with London-based **McArthurGlen** near the Templeton Canada Line station on Sea Island in Richmond.

That 375,000-square-foot mall is set to open next spring and resemble **McArthurGlen's** European outlet malls, where brands such as **Burberry**, **Prada**, **Armani** and **Michael Kors** are prominent.

No tenants have yet been revealed in Richmond.

Farther south, in Tsawwassen,

Ivanhoe Cambridge is building a 1.2-million-square-foot mall slated to open in spring 2016. Plans call for half the mall to be filled with outlet tenants and half with regular stores.

John Scott, **Ivanhoe Cambridge's** vice-president of new development said Tsawwassen Mills' tenant mix will resemble the other **Ivanhoe Cambridge** malls that have 50 per cent outlet tenants: **Vaughan Mills** in Metro Toronto and **CrossIron Mills** in Calgary.

Mid-market brands such as **Banana Republic**, **Hugo Boss** and **Ecco Shoes** operate outlet stores in each of those hybrid outlet malls.

Tsawwassen Mills' only announced tenant is the fishing, hunting and outdoor equipment seller **Bass Pro Shops**, which will operate a full-priced store in 145,000 square feet of space.

Scott said 15 other anchor tenants will each take at least 20,000 square feet of space and join more than 180 other tenants in the mall.

Vancouver has lagged behind the rest of North America in having outlet malls and stores.

Guess and **Tommy Hilfiger** opened some of Metro Vancouver's only outlet stores several years ago in **Queensborough Landing**, but Vancouverites



McArthurGlen is building a 375,000-square foot "luxury outlet" mall near the Templeton Canada Line station on Sea Island in Richmond. It opens spring 2015. | MCGARTHURGLEN

have otherwise been forced to watch other Canadian cities be the nation's pioneers in the outlet shopping niche and to head south to malls such as **Seattle Premium Outlets**.

Scott said that **Ivanhoe Cambridge** plans to open a new string of malls in Canada that are filled exclusively with outlet stores, starting with **Niagara Falls**, **Winnipeg** and **Edmonton**.

"We don't have a mall filled entirely with outlet stores planned for Vancouver," Scott said. "We believe Tsawwassen Mills, as a hybrid, will provide the outlet complement for us."

To compete with outlet malls, established fashion retailers are

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launching branded chains of outlet stores where their core brand is featured but prices are much lower.

That's why **Holt Renfrew** is active expanding its **HR2** outlet store brand as **Nordstrom** is with its **Nordstrom Rack** and **Saks Fifth Avenue** is with its **Off 5th Avenue** outlet brand.

Executives believe it is worth the risk of cannibalizing the company's core brand because the new sales channel more than pays for itself, and the shoppers who visit the outlet stores are different consumers from those who shop at the core brand's stores, said **Dig360** senior retail consultant and former **Hugo**

Boss Canada vice-president Raymond Shoolman.

Shoolman oversaw Boss' rollout of outlet stores in Canada, which started in 2004. Back then, luxury brands viewed outlet stores as a place to clear out remaindered items and last year's fashions. They now produce fashions specifically for their outlet stores, he said.

"They may use a slightly different material," Shoolman said. "It doesn't mean a lower-quality material but maybe a lower-priced material. It's about hitting a price point. Maybe there's different stitching or the clothing is designed to use less material."

This shift toward manufacturing clothing earmarked for outlet stores has fuelled the boom.

Researchers at *Value Retail News* counted 40 new outlet centres that opened in the U.S. between 2006 and 2014 and only one regional mall that opened during the same time period.

Retail sales increasing

Metro Vancouver would appear ripe for an expansion of outlet retail. Monthly retail sales in B.C. crested to \$5.49 billion in April, up 7.1 per cent from April 2013 and capping three straight years of growth, reports **Central 1 Credit Union**.



Dig360 senior retail consultant Raymond Shoolman has watched outlet stores evolve from being established brands' clearance centres to being secondary sales channels.

Metro Vancouver, with a 5.7 per cent sales increase through the first four months of this year, led the province.

Centra 1 Credit Union economist **Bryan Yu** credits an increase in B.C.'s population during the first four months – up 1.2 per cent from a year ago with a net in flow of 1,300 people from other provinces and 11,000 new immigrants – as one reason for the retail sales surge.

An overall stronger provincial economy has also helped to push sales at what are considered higher-end retail locations, notes commercial broker **CBRE Ltd.** "Continued interest from international retailers and Vancouverites' proven appetite for luxury goods should maintain demand," noted CBRE research analyst **Shaan Desai**.

Annual rankings by U.S.-based *Retail Insider*, released in March, showed that Pacific Centre in downtown Vancouver posted gross sales of \$1,335 per square foot – No. 1 in Canada and No. 4 in North America, just behind high-end malls in Miami, Las Vegas and Los Angeles. Oakridge Shopping Centre, where sales average \$1,132 per square foot, ranked No. 4 in Canada and No. 8 in North America.

The average shopping centre in Canada posts sales of \$610 per square foot.

The overall retail vacancy rate in Metro Vancouver is around 3.5 per cent, but drops below 2 per cent in Richmond, Vancouver and the North Shore, reports CBRE. ■

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