

# Demalling costly but rejuvenating

## Community centres are being turned into baby-box centres

BY GARRY MARR

How do you turn a shopping mall inside out and make it a mini-power centre, its storefronts exposed to the street?

It's no simple task but as consumers turn to big-box stores, the old community shopping centre is becoming an endangered species. The massive regional mall with 200-plus stores, such as Yorkdale in Toronto or Metro Town Centre in Greater Vancouver, has its place on the retail landscape but the tired old community shopping centre is being forced to evolve.

"One word you can use to describe what is going on is demalling," said Sharm Powell, a vice-president with CB Richard Ellis Ltd. "The biggest issue from a tenant and landlord perspective is the size of the common areas that tenants have to pay for."

By creating an outdoor mall, the common area is eliminated and rental costs are reduced. And consumers get easier access to stores, which have been turned around to face outward into the parking lot.

The change is being driven by consumers who want to park their car, hop into a store and leave right away. "Some people just want to get to a store, pick up their dog food or boxes of Kleenex, and leave," said Ms. Powell. "And that's when the power centres came in."

Rick Pennycooke, president of retail development consultants Lakeshore Group, calls it the latest trend in retail. "Developers are doing it to keep their properties fresh, and attract new tenants," he said. "You don't have any common space in the mall for people to walk through. You create a hybrid between a strip mall and a power centre."

Picture a mall shaped like a barbell, the weights the department stores. "You might have Sears on the right and the Bay on the left and the bar in the middle is where all your small stores are," said Mr. Pennycooke.

New stores are created only on one side of the mall while the other serves as a loading area or staff parking lot. Retailers might be given more space at the rear, although, usually, a shop is not left with same depth it had in the old mall area from back to front.

Propelling the transformation, said Mr. Pennycooke, are poorly performing stores and the need to "get rid of a lot of independent, smaller stores."

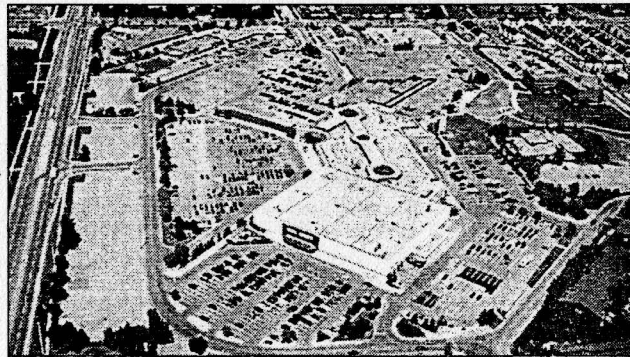
"If you're a mall owner with a lot of vacancies — month-to-month tenants with nobody paying much rent because of low traffic because everybody hates the mall — you do this massive renovation."

That makes the mall more attractive — and a more likely magnet for such larger players as Gap or Shoppers Drug Mart.

"You go after the baby-box stores, the 5,000-square-foot outlets," said Mr. Pennycooke. "If you can line up three baby-box stores and a couple of baby anchors, it makes sense to reconfigure. It's cheaper for you to run and more people show up. It's an expensive proposition, but the only way to turn these things around because the consumer loves power centres."

One of the strongest advantages possessed by an older mall is its location; in many cases it is surrounded by a residential area. It is a great buying opportunity for a large real estate player, which has the cash for renovation and the clout to bring in the tenants.

Three years ago, real estate giant Bentall Capital Ltd., through its



Bentall Capital reconfigured Meadowvale Town Centre in Mississauga, Ont., from an inward-looking mall, above, to an outward-looking baby-box shopping experience for consumers.

retail division, bought the Meadowvale Town Centre, a mall in Mississauga, Ont., that had just lost its Wal-Mart and was clearly struggling.

"You had an unanchored, enclosed shopping centre," said Andrew Clydesdale, president of Bentall Retail Services. "We demolished the enclosed mall, a good portion of it, and reconstructed a traditional exterior shopping centre."

Bentall has converted about six centres in the past five years and is reconstructing a similar project in

Ottawa at the Elmvale Shopping Centre.

"We are peeling back the enclosed mall to expose the interior space," said Mr. Clydesdale.

He said community centres have felt the squeeze because so many clothiers have left.

"The fashion tenants have found a way to operate in the regional mall and in the power centres, sometimes under a different brand. The community centres just can't compete."

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