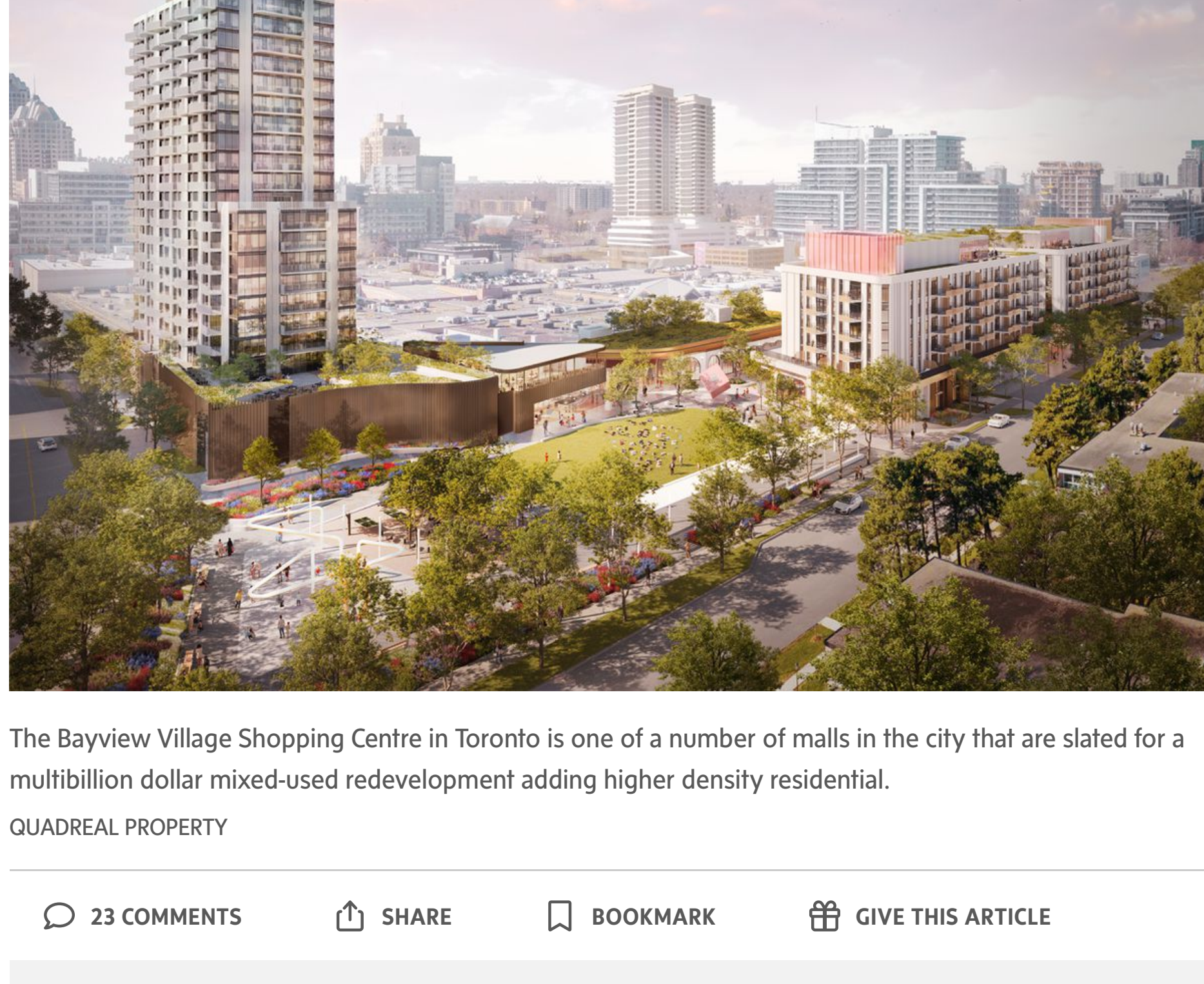


Canada sees the rise of mall cities

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TORONTO
PUBLISHED 13 HOURS AGO

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The Bayview Village Shopping Centre in Toronto is one of a number of malls in the city that are slated for a multibillion dollar mixed-used redevelopment adding higher density residential.
QUADREAL PROPERTY

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Traditional shopping centres are finding new life as mall cities: dense, amenity-rich hamlets that promise to transform spaces with too much retail, redundant parking and inefficient layouts.

The concept is already driving the redevelopment of Vancouver's Oakridge Centre, a popular 1950s-era mall that is being rebuilt as Oakridge Park, a veritable town centre that will include more than 3,000 homes, retail and amenities such as a community centre and library over 11 hectares of land.

Some of Canada's top performing malls, including Square One in Mississauga, the Richmond Centre in B.C., and Fairview Mall and Bayview Village in Toronto, are also slated for multibillion dollar mixed-used redevelopments.

At a recent panel at the Urban Land Institute conference, representatives from QuadReal Property Group, Oxford Properties, Cadillac Fairview and Almadev revealed master plans for some of those developments.

"The world has moved toward mixed-used over the last 15-20 years," said Rob Spanier, president of Spanier Group and the panel's moderator. He said retail that doesn't evolve to meet the new ways that people shop will become irrelevant.

"I don't believe that residential fixes bad retail – it enhances great locations," said Andy Clydesdale, executive vice-president of Global Retail at QuadReal Property, one of the owners of Vancouver's Oakridge Centre, which for decades had been among the country's highest-earning shopping centres.

The planned project at Square One in Mississauga by Oxford Properties will be the largest mixed-use development in Canada, the first phase of which is expected to open in 2024. The development will include 18-million square feet of commercial and residential space across more than 50 hectares. It will include 18,000 new residential units around existing and new retail space and will connect to the Hurontario LRT line.



Developer QuadReal's redevelopment plans for Cloverdale Mall in Etobicoke aim to combine luxury shopping with fine dining and entertainment.
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Entering the residential market is a marked pivot for commercial real estate investment firms as they respond to the impact of e-commerce on bricks and mortar retailers as well as a growing demand for housing. Mr. Clydesdale said it's also a response to the needs of prospective homebuyers.

"It's less about e-commerce than it is about how people want to live and what they want to experience," Mr. Clydesdale said. "People want to connect, they want to be social, so we're trying to give them more reasons and more opportunities to do that."

In Vancouver, QuadReal is working with developer Westbank Corp on the reinvented Oakridge Park project, which will also include 800,000 square feet of workspace and 900,000 square feet of luxury retail and food.

QuadReal will pay for and maintain a four hectare public park, made up of six smaller parks, that will be owned by the City of Vancouver. An artist's rendering created by the developer shows the green space scattered across rooftops with a one-kilometre running track that snakes around the grounds.

Raphael Lazer, CEO of Almadev, said space constraints in cities such as Toronto encourage the need to think vertically. His company is redeveloping the Galleria Mall at the corner of Dupont and Dufferin streets, a site that Mr. Lazer described as being "run-down" even when it was brand new.

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— Andy Clydesdale, QuadReal Property

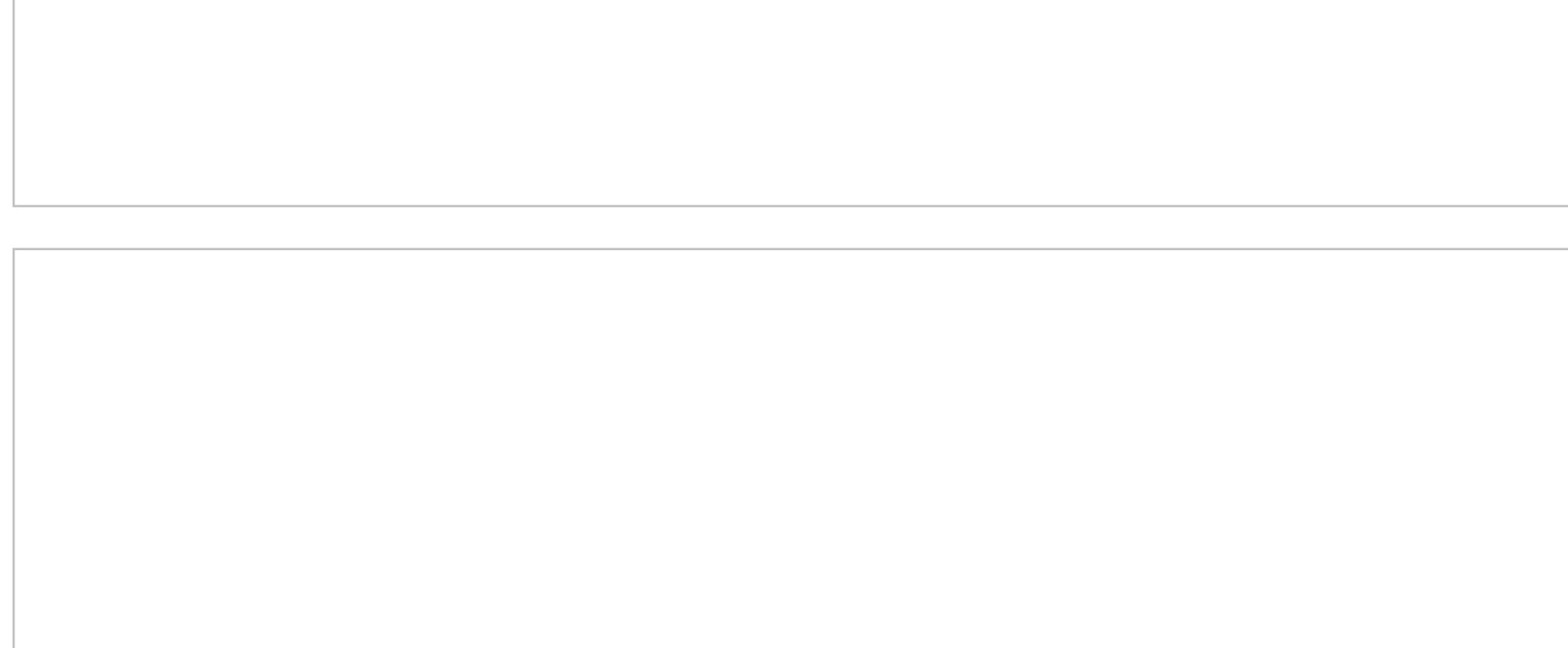
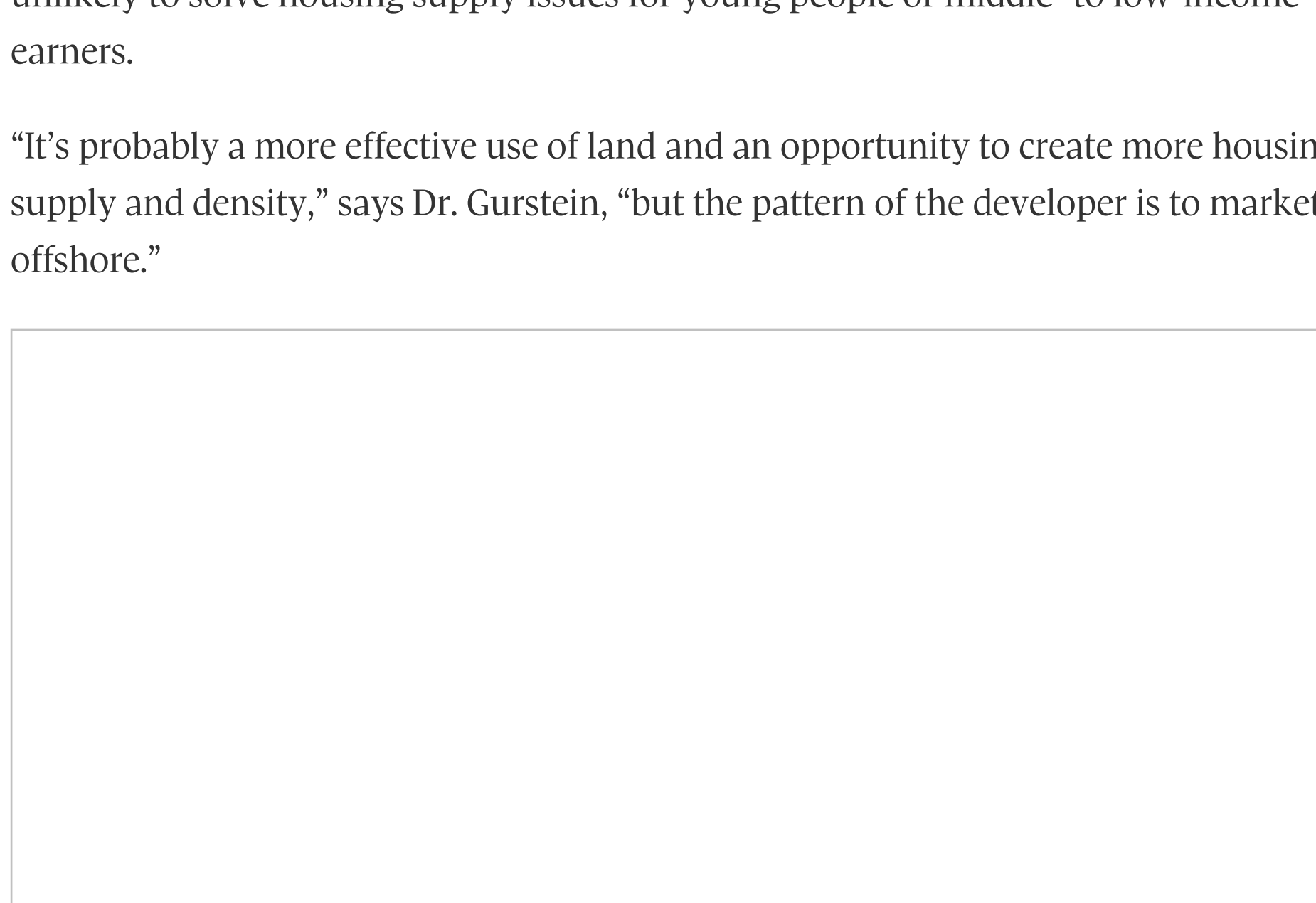
Yet, most of the shopping centres being targeted for redevelopment are a far cry from the image of a run-down, dead mall, with abandoned storefronts and ghostly parking lots. For the most part, the locations for these new mall cities aren't dead at all, but rather in affluent – and aging – neighbourhoods where residents may be primed for a downsize.

QuadReal has other high-end redevelopments in the works in Toronto at Bayview Village in North York and Cloverdale Mall in Etobicoke that aim to combine luxury shopping with fine dining and entertainment.

While mall cities are being cast as a response to a housing shortage, Dr. Penelope Gurstein, a professor emeritus at the University of British Columbia whose work has focused on community planning, is skeptical they will do much to solve the crisis.

Prof. Gurstein likened high-end mall city projects to "resort communities" that are unlikely to solve housing supply issues for young people or middle- to low-income earners.

"It's probably a more effective use of land and an opportunity to create more housing supply and density," says Dr. Gurstein, "but the pattern of the developer is to market offshore."



Vancouver's Oakridge Centre is being rebuilt from a popular 1950s-era mall as Oakridge Park, a veritable town centre that will include more than 3,000 homes, retail and amenities such as a community centre and library over 11 hectares of land.
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Dr. Gurstein is referring to the tactic of marketing units to wealthy, offshore buyers who often leave units empty the majority of the year.

Governments across the country have responded to the impact of offshore buyers on the housing market with restrictions and taxes that target non-Canadian investors. A federal ban on foreign homebuyers took effect earlier this year, while B.C. has imposed a tax on foreign buyers since 2016. Several cities, including Vancouver, Toronto and Ottawa, tax vacant homes.

Cities have used the rezoning process to demand public amenities from developers, including some affordable housing. The Oakridge Park development, for example, will include hundreds of units of social housing and below-market rentals.

The project will also include a community centre, daycare, senior centre and an expanded public library, which will be paid for by \$146-million in community amenity contributions and an additional \$75-million in development cost levies.

"It's something we have to do if we want to become a cultural hub," Mr. Clydesdale says of the public amenities. "We're really creating a second downtown in Vancouver with Oakridge."

Mr. Clydesdale said the estimated \$6.5-billion project

Cadillac Fairview has already broken ground on a \$2-billion project at the Richmond Centre in B.C. and has proposed projects on several other sites across the country. Josh Thomson, a senior vice-president of development at the company, said the biggest challenge with these developments is that they are such a new concept.

"There's not a lot of great examples in North America of a shopping centre adding this much density on site," Mr. Thomson says. The uncertainty of something so new can sometimes give municipalities pause.

"Ten years ago, I was expanding malls, 20 years ago I was building malls, five years ago we were talking about demolishing malls," Mr. Thomson says. "You can't predict the future."

Anchor tenants

The transformation of malls into mixed-use communities has also changed the nature of the anchor tenant from a department store into daily necessities such as supermarkets or pharmacies.

Older agreements held by large anchors may give them an upper hand when it comes to renegotiating the terms of those leases in the event of a redevelopment.

When QuadReal sought to transform the 11-hectare Oakridge Centre, they first had to go through their anchor tenant, Hudson's Bay.

In October, 2018, HBC released a statement saying the company would receive a total \$172.5-million in exchange for "certain concessions." HBC agreed to relocate within the new development while still paying similar rent to their previous agreement – which for most anchor tenants is generally lower than average.

Tim Sanderon, an executive vice-president at JLL, said in an interview those terms oftentimes include minimum parking requirements in addition to a guarantee of visibility from the street or highway known as vista corridors.

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