

PROPERTY REPORT

▲ 6.3%

Biggest one-week gainer:
Whiterock REIT
» CIBC

▼ 7.5%

Biggest one-week decliner:
Lanesborough REIT
» CIBC

▲ 4.1%

Biggest one-week gainer,
stock: MI Developments
Inc. » CIBC

▼ 4.6%

Biggest one-week decliner,
stock: Wall Financial Corp.
» CIBC

RETAIL

Pop-up stores: The presence that keeps on giving

Chains experiment with temporary stores, trying out new locations and merchandise, looking for sweet spots that could pay off year round

TRACY TJADEN

Retailers appear to be breaking some long-held Christmas traditions in a bid to make shopping fever last well into the new year.

Pop-up stores – temporary locations that are typically rolled out during the holiday shopping craze to test new products – are not only more prevalent, they're also serving a new purpose.

"Pop-up stores were not originally about testing the best locations, but we're definitely seeing more of that," says John Crombie, national retail director for Cushman & Wakefield in Toronto.

For example, this year in the United States, where the concept originated, Toys "R" Us unveiled 600 pop-up locations for the holiday season, up from 90 last year.

Retailers hope to drive sales with these short-term outlets, which occupy otherwise vacant commercial space, by being accessible to more shoppers. And while they usually carry signature inventory, retailers also use them to test new products. Because retailers are more focused on location than size, the stores tend to be smaller than permanent outlets.

Even more notable, in the case of Toys "R" Us, not all of those 90 stores from last year were shuttered when the season ended. Instead, the retail giant kept about 25 of them open for a longer term, typically a one-year lease that could be extended.

"It will be very interesting to see what percentage of those 600 remain this year," Mr. Crombie says. "This has gone well beyond just testing products."

The toy company is also testing a new "express location" concept. These stores are 15,000 square feet instead of the usual 30,000, and carry higher-margin products. Mr. Crombie says such outlets will eventually mark the entry of big-box names into higher density urban markets with less retail and parking space.

While some large retailers are tweaking their existing concepts, others are importing new ones.

Lowe's Home Improvement Canada jumped at the chance to sponsor an outdoor Christmas market in Toronto's slightly remote Distillery District this year. The inaugural event was expected to draw some 40,000 visitors from Dec. 3 to 12, but more than 100,000 turned out, thanks in part to mild weather.

"We're a destination for helping our customers get their homes ready for the holidays, so this was a perfect fit for us," says Lowe's Canada public relations



A Target Corp. pop-up store in New York. The discount chain is opening the stores to generate holiday sales and publicity. TIAN HUANG/BLOOMBERG

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John Crombie
National retail director,
Cushman & Wakefield

manager Joanne Elson.

Lowe's built wooden huts to house the merchants, supplied outdoor heaters and decorations and ran kids programs throughout the week.

"We're a relatively new company to Canada so it was a great time for us to get in and grow our brand," Ms. Elson says, noting the chain opened its first Canadian store in 2007 and today has 20, mostly in Ontario. "We are planning to take part next year, too."

One Toronto retail consultant says this kind of innovation is just the beginning.

Len Kubas, chairman of Kubas Consultants, which specializes in the retail sector, travelled to Prague and Vienna last year and spent hours poking around outdoor markets. "You're out in the open air, there's lots of excitement and a really good collection of merchants," he recalls. "Now that they've come to Canada I think we will see a lot more take off."

Mary Mowbray, manager of the retail group for Colliers International in Toronto, says Canadian shop owners should also look to

New York for inspiration. She just returned from a three-day visit to the city, where she spent countless hours at the outdoor Christmas market in Bryant Park.

The midtown Manhattan green space transforms into an old-style European market each December, with a skating park, hot cider stands and more than 150 merchants. "It becomes a destination," Ms. Mowbray says. "We don't do a great job of that in Toronto even though the weather is the same here."

But while Canadian retailers may envy the success of outdoor holiday markets in the U.S. and Europe, there are advantages to having a firm and long-term foothold on home turf.

The downturn in commercial real estate rates in countries harder hit by the recession has pushed down property values, making lease rates more appealing to retailers wanting to enter the market.

However, that has not been the case in the more recession-resilient Canada, where commercial real estate has held its value. European and U.S. retailers who hoped to enter this market at a

discount, accustomed to low commercial property values at home, have been shocked when they see how high real estate values are here. Some are deciding to take a pass, which means less competition for Canadian retailers already firmly entrenched.

The U.S., in comparison, has "two times the inventory that we do and a lot more vacancy," says Mr. Crombie. In fact, Toronto posted a 9-per-cent vacancy rate in storefront retail as of June of this year, compared with about 15 per cent south of the border. Commercial property that goes for \$1-million an acre in a large Canadian city can be had for \$350,000 in the U.S., notes Mr. Crombie. However, that won't stop some developers. Mr. Crombie predicts that next year, shoppers in high-density urban areas will start to see big-box names take up permanent residence in smaller spaces.

"Many have covered the suburban areas, so now they want to get into the more urban markets," he notes. "And in that case, smaller is better."

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