The Transformation of Shopping Mall Space in Canada: An Analysis of Selected Leasing Site Plans Between 1996 and 2006

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The Canadian retail landscape has been transformed over the last decade with the growth of large format (big box) retailers. This paper examines the strategies being employed by owners and managers of enclosed shopping malls in response to the widespread development and growing popularity of big box retail. Preliminary findings from a large-scale longitudinal study of Canadian shopping malls over the period 1996 to 2006 are presented. The research tracks the changes that have occurred in terms of the tenant mix and size of retail units within a selected set of malls across Canada. Essentially, the paper provides data on the nature and extent of big box retail integration within the enclosed mall environment. The findings detail the functional reconfiguration that has taken place, and the increased presence (and accommodation) of large format retailers within and surrounding enclosed malls. The paper concludes by summarizing the key points and identifies a number of key areas for future research.

Keywords: *Enclosed malls, tenant mix, big box stores, adaptation.*

Over the last fifty years the planned shopping mall has formed an integral part of the Canadian retail landscape. It ranges from major destination and tourist malls, such as The Eaton Centre in Downtown Toronto, Ontario, and West Edmonton Mall in the suburbs of Edmonton, Alberta, to the ubiquitous local community and neighbourhood malls that serve day-to-day needs and can be found all across Canada. The shopping mall has become a functional symbol of mass consumerism – akin to capitalist cathedrals to which shopping pilgrims travel far and wide to pay homage (Stokan, 2005). As Paco Underhill, the 'Scientist of Shopping' notes in his commentary on the allure of shopping malls in North America – *'[we] have a love/hate relationship with the mall. On one hand, we claim to loathe its homogeneity, its white-bread sterility and its rabid commercialism. On the other hand, we return there*

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time and again — to shop, to dine, for entertainment, to people-watch, or even just to pass the time. In just fifty-some years, the mall has managed to supplant the town square as the centerpiece of our commercial, and often civic, lives. It has become not just an institution, but an icon of American culture, emulated around the world.' (Envirosell, 2007; see also Underhill, 1999, 2004). This paper focuses on evolutionary life journey of the shopping mall over the last decade in Canada, and fundamentally addresses the question - How have malls changed in terms of their function, form and positioning? Specifically, the paper presents findings from an in-depth analysis of mall leasing site plans for 20 large enclosed malls operated by one of Canada's largest shopping centre owner/developer over three 'snap-shot' time periods: 1996, 2001 and 2006. The leasing plans detail the configuration, size and mix of the retail tenants located within the respective shopping mall. Using these plans as reference documents it is possible to track the changing character of the malls through analyzing the changing number, size and function of their internal and external tenants.

The paper is divided into four sections. First, the research context is provided by reviewing theory relating to retail classification and the development of the urban retail system; specifically, tracking the growth of enclosed malls to the relatively recent widespread development of large format (big-box[1]) retailers and clusters of these retailers in power centre[2] locations. The second section outlines the methodology and case-study approach adopted, providing details of the sample of malls used within the study. The analytical results are provided in the third section, with a number of perspectives of mall transformation provided, including; size of tenants; retail function; vacancy rates and the development of external pads[3]. The final section summarizes the key findings and concludes by identifying a number of areas for further research.

THE EVOLUTION OF CANADA'S SHOPPING DESTINATIONS

The retail landscapes of urban Canada reflect the immense diversity of social classes, incomes, ethnicity, lifestyles, and business formats that comprise our cities. The development of systematic classifications of retail structures can be traced back to the pioneering works of Proudfoot (1937) and Berry (1963). These studies differentiated shopping environments on the basis of their locational and functional characteristics and provided a framework for interpreting the retail structure. Proudfoot's work described the existing retail pattern for the pre-1945 city and identified five types of retail structure--the CBD, outlying business centre, principal shopping thoroughfare, neighborhood shopping street and isolated store clusters. Berry's well-known classification of the retail hierarchy summarized the early postwar city. Here, the dominant business elements of centres, ribbons and specialized areas are interpreted in terms of central place postulates. Davies (l976) developed an integrated model of urban retail form that was based on the simultaneous over-

lapping of nucleations, ribbons and specialty retail area characteristics. According to Davies, the retail pattern of the city centre can be viewed in broad terms as a nucleation that is structured in a series of zonal belts of retail activity. Jones (1984) provided a reworking of the Berry model, dividing the urban retail system into two structural forms — strips and centres (malls), with each differentiated according to its location in either inner-city or suburban environments. Finally, Jones and Simmons (1990) classified retail types as either unplanned nodes, linear strips or planned shopping centres (the focus of this study) by the size of market they serve ranging from metropolitan to neighbourhood (see Figure 1).

Unplanned Nodes	**Linear Strips**	**Planned Shopping Centres**
Metropolitan		
a) Downtown		a) Super-Regional Mall
b) Specialized Product District: e.g. entertainment, design	b) Specialty Strip e.g fashion	b) Specialty Mall e.g. fashion, discount, outlet mall
b) Industrial Zone: cluster of diverse and unrelated commercial activities	b) Ethnic Strip	b) Theme Mall
Regional		
a) Power Node, (big box stores)	b) Specialty Strips e.g. automobile row, furniture, antiques	a) Regional Mall
a) Suburban Downtown		a) Power Centre (big box stores)
b) Produce Markets		
Community		
a) Major Intersection in central city	a) Pedestrian Strip	a) Community Plaza
	a) Arterial Strip	a) Su%re
	b) Specialty Strips, e.g. automotive, fast food	b) Specialty Mall e.g. airport, university
Neighbourhood		
a) Corner Cluster	a) Pedestrian Strip	a) Neighbourhood Plaza
	a) Suburban Strip Mall	b) Malls within Office Bldg., Hotels
a) denotes spatial market		
b) denotes specialty market		
Source: Jones and Simmons (1990)		

Figure 1: Functional retail classification.

From a planning perspective, the concept of retail hierarchy is well established and widely operationalized (Guy, 2006). Retail structural analysis has had a long tradition in urban geography. In the 1950s and 1960s, North American studies of retail structure dominated the literature (Simmons, 1966). These studies explored suburban retail strip development, retail mix and usage patterns, inner-city retail decline, the emergence of the shopping centre and the specialty retail phenomenon.

In the l970s and l980s, the interest in retail studies shifted to the United Kingdom (Shaw, 1978; Sibley, 1976). British geographers, in an attempt to formulate responsive retail planning policies, studied a wide variety of urban retail issues (Bromley and Thomas, 1993). These included inner-city blight, retail decentralization, the quality of inner city retail areas, the impact of hypermarkets and future role of planned regional shopping centres. However, as Guy (1998) noted it is increasingly difficult to neatly compartmentalize complex retail activities within hierarchical structures (see also DeLisle, 2005). More recently, structural analysis has focused on the impact of major retail chains and new formats on the retail system, often with an emphasis on corporate locational strategies (O'Graff, 2006; Hernandez, 2003; Laulajainen, 1987). To date, there has been little in the way of objective data-driven research that has quantified the changing character of mall space.

The urban retail system has experienced several transformations over the last half century, largely driven by increased mobility and associated suburbanization of retail activity. These transformations were tied to successions in types of urban structure and transportation: the compact pre-automobile city; the dispersed automobile city; and the emerging information city. Figure 2 shows the major phases of evolution of the Canadian retail systems tracing development from the pre-World War II era through to present day (Simmons. and Kamikihara, 2007). Retail strips have been part of the urban retail system throughout the various eras of retail development. Many of the smaller unenclosed shopping centres and plazas developed through the 1950s to 1970s remain a key element of the retail environment. The 1960s to 1980s witnessed a succession of waves of mall development, particularly at the regional and super-regional scale. The most recent developments have taken place in the newer suburbs, the era of the power centre, typified by the clustering of large format (big box) retailers. The community-based shopping development style of the 1950s has gone full circle to form part of the new suburban retail developments of present day, as seen with food and pharmacy-anchored community and neighbourhood shopping developments.

It should be noted that the final disposition of the retail system is viewed as the outcome of the spatial strategies of, and interplay between, developers, retailers, planners and consumers - the actors that ultimately shape the future form of the urban retail landscape. Within the mall environment, the primary relationship is a landlord-tenant based, between the mall management and the retailer (and ultimately, the end consumer). Malls are typically single-managed retail entities, with the owner/manager the ultimate arbiter in the form, function and positioning of the mall space.

Figure 3 tracks commercial investment in Canada since 1960 in three commercial categories. Please note that there may be some discontinuity for the data since 1999 due to the introduction of the North American Industrial Classification System (NAICS). Commercial construction declined during the early 1990s, but has since returned to surpass the previous peak in 1990. Within the overall growth trend the

cyclic variation with the economy is clearly apparent. The variability is most evident in the investment in services such as restaurants and hotels. Investment in retail facilities is relatively stable, although the trend has been sharply upward since 1998, as power centres have expanded in size and number. Of note, the only major mall developed in Canada since the early 1990s was Vaughan Mills (1.2 million square foot), opened by Ivanhoe-Cambridge in 2004, located to the north-west of Toronto region.

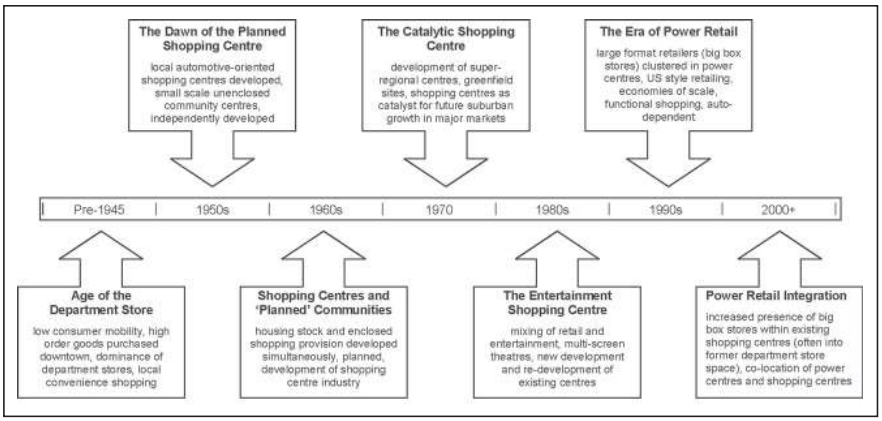


Figure 2: Development of the urban retail system.

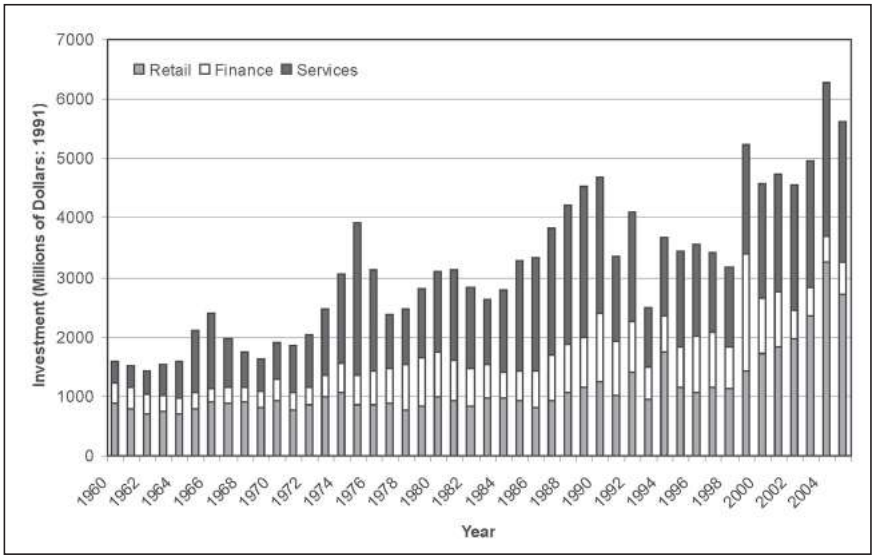


Figure 3: Commercial investments in Canada: 1980-2005.

GLOBALIZATION, CORPORATE CONCENTRATION AND THE CANADIAN CONSUMER

Pressures of retail globalization and associated corporate concentration have been major forces of change within the Canadian retail sector. Over the last two decades the Canadian retail economy has witnessed a series of waves of international retailers. The vast majority of new entrants have been cross-border retailers from the US, bringing new formats to the Canadian marketplace (Boyle, 2003; Hernandez, et al., 2003; Daniel and Hernandez, 2006). Notably, the entry of Home-Depot in 1992 and Wal-Mart in 1994 revolutionized the shopping experience with their signature large format concepts, and since the early 1990s virtually all retail sectors in Canada have seen the introduction of at least one large format retail concept (Simmons and Hernandez, 2004). As the average size of stores has increased, so too has the level of corporate concentration in Canada, with more retail sales in Canada controlled by a smaller number of major retail corporations. The traditional department store sector in Canada has, as a result, faced significant challenges, with many of these big box concepts representing the de-departmentalization of the department stores (e.g., the sports department now facing major competition from specialist big box retailers, or furnishing department up against super-sized furniture stores) (Doucet, 2001). These big-box retailers have predominantly located in clusters, often at major arterial road intersections, to form 'power centres'.

The rapid growth of these large formats stores, spurred by their acceptance and success with Canadian consumers, has transformed the Canadian retail landscape. The first wave of large format stores located in small clusters, however, over time power centres have developed into major nodes of retail activity, and the enclosed shopping mall industry in Canada has increasingly sought to attract and accommodate these 'in-demand' retailers (the topic of this paper). This structural transformation has impacted Canadian consumers in terms of what they can buy (product), at what cost (price), where they can buy it (place) and how they can buy it (retail channel). The big-box retailers can be found in power centers, within enclosed shopping malls and plazas, and at free-standing locations – the option to cross-shop across location types has therefore increased significantly – with consumers able to choose the type of shopping experience they want (e.g., functional one-stop shopping, comparison, entertainment, etc) (Youn-Kyung, 2004). This paper focuses on one part of this transition, the integration of big-box stores within Canadian shopping malls.

MALL AND POWER CENTRE DEVELOPMENT

In 2005, there were over 2,000 shopping malls and more than 340 power centre locations in Canada accounting for approaching 480 million square feet of retail

space (see Table 1). The largest of these malls, the 177 malls that are over 400,000 square feet in floor area (about nine per cent of the total), account for over 34 per cent of all the floor area. Total floor area in shopping centres has grown only modestly since 1991; about 26 per cent. Instead most of the investment has gone into power centres – non-existent in 1991 – that now include 340 centres and over 115 million square feet of floor space. Between 1991 and 2005, 62 per cent of the increase in floor space in commercial centres comes from power centres – not shopping malls. In recent years the shopping centre developers have diversified in order to increase their share of retail space.

The most rapid growth in shopping/power centres has occurred in the size range 200,000 to 700,000 square feet – the typical scale for the power centres that dominate the growth in these categories (representing a sizable mall footprint). The resulting power retail venues can cluster to form extremely large retail nodes, for example, the cluster of power centres located around the Highways 7 and 400 intersection in the north-west of Toronto housed close to 3 million square feet of retail in 2005. At the same time shopping centre development in the traditional sense of locating sites and constructing new facilities has given way to property management and re-development. Clearly, as the stock of older mall space increases, i.e., 20, 30 and 40 year old properties, so too does the number requiring major upgrades (Urban Land Institute, 2006). Therefore, investment has shifted toward the renovation and re-development of existing malls and the construction of free-standing pads. The transformation of existing shopping mall space in the light of the rapid growth of power centres and 'boxing' of retail formats is the focus of this study.

Table 1: The concentration in shopping destinations, 2005.

Size Group (Sq. Ft.)	# of Centres	%	Number of stores*	%	Floor area**	%
50-100,000	877	43.2	17,130	22.9	60.9	16.8
100-200,000	640	31.7	19,240	25.7	90.1	24.1
200-400,000	325	16.1	16,150	21.5	89.9	25.4
400-700,000	118	5.8	11,040	14.7	61.4	17.1
700- 1,000,000	39	1.9	6,510	8.7	28.8	8.0
One million+	20	1.0	4,880	6.5	31.5	8.8
Total Mall	2,019	100.0	74,950	100.0	362.7	100.0
Power Centres	343	-	8,056	-	116.3	-
Total	2,362	-	83,006	-	479.0	-

* Estimated number of stores.
** Floor area is measured in millions of square feet.
Source: Adapted from CSCA files.

METHODOLOGY AND DATA

To investigate ways in which Canadian shopping centres have adapted to an increasingly competitive retail landscape, a case study was conducted of 20 shopping centres owned by Ivanhoe-Cambridge, one of Canada's leading shopping centre owner/developers. The properties represent about 40 percent of the company's Canadian portfolio. Six of the malls are super-regional in scale exceeding 750,000 square feet of gross leasable area (GLA). Twelve are regional scale with GLAs between 400,000 and 750,000 square feet while the remaining two community scale properties, the smallest having a GLA of just under 300,000 square feet. Geographically, the selected malls are concentrated in the Windsor – Quebec City axis (13). Western Canadian locations account for a further six of the malls with the remaining mall situated in the Atlantic region.

Collectively, these 20 malls (accounting for over 12.5 million square feet of retail space in 2006) offer a useful laboratory for studying processes of adaptation. Between 1996 and 2006, significant tenant changes occurred including the closure of eight Eaton's (in 1999) and six K-Mart (in 1997) department stores representing a combined 1.8 million square feet of space. In addition, a decision by Marks and Spencer to abandon the Canadian market (in 1999), and the bankruptcy of another variety chain, Biway (in 2001), left close to another 100,000 square feet of vacant space. The general turnover rate of tenants during this period reflects the on-going corporate restructuring within the Canadian retail industry, with almost 40 percent of the tenants listed in 1996 no longer present in 2006.

Data for the study was gleaned from mall leasing plans obtained from the company. Malls included in the study were those for which plans were available in 1996, 2001, and 2006. Data for 1996 allowed for the creation of a benchmark around the time when big box and power centre development was gaining strength in Canada. The latter two snap-shots provided a means of assessing change over two successive five year periods.

The data base created from the plans was built in a series of steps. Beginning with each mall's 1996 plan, a list of tenants and vacant units along with square footage occupied was developed. In addition, each tenant was coded according to retail sector, location within the mall (food court, kiosk, pad, etc) and size type. Size type involved classifying stores as conventional, large scale or big box scale. A store was deemed to be a big box if it surpassed a square footage threshold for its particular retail sector. The threshold levels used were those defined by the Centre for the Study of Commercial Activity, Ryerson University (www.csca.ryerson.ca). Generally, big box thresholds are crossed when a store reaches a size that is three to four times that of a conventional store in that same retail sector. Stores that did not reach their big box threshold but exceeded 5,000 square feet were classified as being "larger" commercial retail units (LRUs). The 5,000 square foot threshold for reaching large status represents a size slightly more than three times the average size of all retail units under 5,000 square feet that were present in 1996. With the base year data completed,

2001 and 2006 plans were examined for; the presence of continuing tenants; variables on square footage; and, the location of tenants. For new tenants, records were added to the data base along with the year of entry. A tenant was deemed new if its banner differed from the previous tenant except in a few cases where name changes were slight or retail function and ownership did not change. It should be noted that the analysis included both internal and external tenants, i.e., including tenants that were located within the owned land parcel of the mall but outside the main enclosed building, e.g., retail units developed on former parking lot space. The completed data base consisted of just over 4,300 records.

Vacancy Rates

The first stage of the analysis involved calculating the aggregate vacancy rate for all 20 malls for each snap shot year as a way of assessing whether economic performance had deteriorated over time in the face of increased competition from big box store and power centre development. As mentioned above, bankruptcies, closures and general tenant turnover between 1996 and 2001 created vacant space that needed to be filled in order to maintain a positive flow of lease revenue. Overall, results suggest a high degree of success in meeting this objective. Leasing plans in 1996 indicated that only 3.7 percent of total GLA was vacant. While this rate increased to 4.1 percent in 2001, by 2006, it had fallen back to the same level it was at in 1996.

Table 2 offers further insight into the prevalence and size of vacant units. By far the largest share of vacant space in each year was comprised of units less than 5,000 square feet in size though this share declines from about 77 percent in 1996 to 45 percent in 2006. While vacant spaces larger than 5,000 square feet became more prevalent over time, the same cannot be said for vacant space formerly occupied by department stores. Despite the high number of department store spaces (large units) that needed to be filled with the demise of Eaton's and K-Mart, only one former department store space was found vacant in each year and no one department store space remained vacant for more than one time interval.

Table 3 analyzes vacancy rates according to mall scale. In comparing super-regional to regional malls, super-regionals tend to have lower average vacancy rates and less variability in vacancy rates. This is not surprising in that one would expect the larger malls, with their larger trading areas and traffic counts, to be more attractive to retailers and hence have less vacant space available for lease. It should be noted, though, that a contributing factor to the higher maximum vacancy rates recorded by regional-level malls is that all three of the vacant department stores spaces were found in this mall size category. Given that there were only two community-level malls, comparison of this group against others is less meaningful. Nevertheless, it is notable that vacancy rates in the two community scale malls declined throughout the study period and, at 2.2 percent in 2006, were the lowest of any mall size group.

Table 2: Frequency and size of vacant units by type of unit, 1996-2006.

	1996		2001		2006	
Unit Type	# of Units	Square Feet	# of Units	Square Feet	# of Units	Square Feet
Conventional Storefront						
<5,000 Square Feet	192	336,229	116	250,430	124	211,004
Food Court/Kiosk	8	2,193	0	0	2	720
Large Retail Unit						
>5,000 Square Feet	3	22,753	9	128,148	17	114,474
Former Dept Store	1	74,358	1	123,931	1	133,120
Total Vacant Space	204	435,533	128	502,812	147	459,843
% of GLA		3.7		4.1		3.7

Table 3: Vacant Space as a percentage of GLA by type of mall, 1996-2006.

	Super-Regional (n=6)			Regional (n=12)			Community (n=2)		
	Min	Max	Mean	Min	Max	Mean	Min	Max	Mean
1996	0.1	5.7	2.0	0.9	15.8	5.2	0.5	9.8	5.2
2001	0.0	8.9	4.1	0.0	20.7	3.7	3.0	6.3	4.7
2006	0.1	10.4	2.9	0.2	32.8	4.6	0.5	3.9	2.2

Adaptation Strategies

Analysis of the leasing plans suggests that Ivanhoe-Cambridge has utilized a three-pronged approach to maintain relatively low vacancy rates over the 1996-2006 period despite the loss of some significant tenants. First, in some instances, the GLA of malls has been expanded. Second, effort has been made to accommodate larger stores within their developments, especially big box retail stores. Third, malls have shifted their tenant mix over time to give more emphasis to fashion and leisure goods. In part, these strategies are indicative of efforts to mimic the competition through increasing the scale of stores and the malls themselves but are in part also indicative of a move to differentiate themselves from power centres by offering a more focused selection of goods and services. Aspects of these strategies are examined in the following sections.

Increased GLA

It is common for mall owners to re-invest in their properties on a regular cycle by updating interior design features and general refurbishment of common area spaces (e.g., new lighting, flooring, furniture, etc). Expanding the amount of GLA, however, occurs less frequently and is largely constricted by local municipalities that closely regulate the ratio of a mall's footprint to the land area of the site to insure an adequate amount of parking is provided. Still, if there is room within a coverage

ratio to expand, malls can take advantage of that to add more stores and increase their attractiveness as a shopping destination. Two forms of footprint expansion were investigated: (1) expansion of the enclosed mall itself; and (2) the construction of new retail units not attached to the mall but still on the mall's property. This latter form of expansion is referred to as pad development.

In aggregate terms, expansion to the enclosed portions of the 20 malls amounted to a net gain of only 280,000 square feet (2.4 percent) between 1996 and 2006. Most of this gain was accounted for by three malls that underwent significant expansions, one of which saw a 42 percent increase in the centre's GLA with the addition of an entire new wing. There were also a few cases where GLA contracted over the ten year interval largely due to the conversion of leasable space into non-leasable space (e.g., an enlarged seating area in a food court). The most common scenario, however, was a small up or down movement in GLA with no physical expansion of the total amount of enclosed space.

By contrast, GLA expansion via pad development was a more common experience. In 1996, only three of the leasing plans showed external pads. These pads housed a total of six retail units amounting to less than 150,000 square feet of space or 1.2 percent of overall GLA. By 2001, a further six malls had added pads and one more had done so by 2006. By then, the pads at these ten malls housed a total of 41 retail units, total space devoted to pads had increased fourfold to 581,000 square feet (the equivalent of adding another regional mall to the portfolio) and percentage share of total GLA in pads had risen to 4.7 percent.

Integration of Larger Stores into Malls/onto Mall Property

While pad development in itself has become an integral feature of many enclosed shopping centres, so too has the scale of businesses occupying such pads. Table 4 disaggregates pad development by type of tenant and total space occupied for each of the three study years. Clearly, the rapid growth of pad space between 1996 and 2001 was largely the result of the construction of cinemas, supermarkets and box scale stores. In a few cases, these new spaces were occupied by cinemas and supermarkets that relocated from inside the mall to a pad. Between 2001 and 2006, pad development slowed. Only 80,000 more square feet were added with 75 percent of that space being in the form of LRUs.

Inside the mall, a similar scaling up process has occurred as mall corridors have become increasingly populated with stores such as American Eagle, Eddie Bauer, HMV and Jacob that tend to take up longer frontages and greater amounts of area than conventional mall retailers. In addition, box scale stores such as Winners, Old Navy, Sport Chek and Staples have been making their way inside the mall. Formal evidence of this scaling up process is found in Table 5. While all 20 malls had LRUs present in 1996, only seven had stores that reached big box scale thresholds. By 2006, this had doubled to 14 of the 20 malls. More dramatic was the increase in the number of and space occupied by big box stores. Between 1996 and 2006, the number of box stores saw a fivefold increase while their share of total GLA similarly

increased from under two percent to 8.6 percent. While LRUs were more conspicuous in number and also increased their average size and GLA share, the increases were not as remarkable as those posted by box stores. A final point is the case of movie cinemas. Over the study period, the number of cinemas located inside the 20 malls declined from seven to five. However, the average size increased from 25,000 to 40,000 square feet.

Table 4: Number of and amount of space occupied by units in pad developments.

Type of Unit	1996		2001		2006	
	#	Square Ft.	#	Square Ft.	#	Square Ft.
CRU (<5,000)	2	5,984	5	11,284	12	31,345
LRU (5000+)	3	26,533	9	62,582	18	123,563
Box Store			6	150,474	6	150,474
Supermarket			2	85,500	2	83,100
Cinema			2	81,424	2	81,424
Department Store	1	113,021	1	111,000	1	111,000
Total	6	145,538	25	502,264	41	580,906

The integration of LRUs and box stores into mall interiors has been strategically important to Ivanhoe-Cambridge in terms of back filling space vacated by traditional anchor tenants (see Table 6). While the company has had some success in replacing lost department stores with other department stores, in cases where traditional anchors did not materialize, it has been able to attract box stores and LRUs. This process has unfolded at two Eaton's locations, four K-Mart locations and in five units formerly occupied by supermarkets. The way in which boxes have been spatially configured into traditional anchor end-point locations, however, has in some cases challenged long standing logic regarding the role of anchor stores in mall environments. Box stores like traditional anchors can be viewed as destination stores serving to draw traffic to the mall. In a traditional bar-bell design, mall developers placed anchors at either end of the mall in order to generate a flow of shoppers past the storefronts of the smaller tenants situated along the mall corridor. In the process of reconfiguring traditional anchor space for box development, boxes are not always directly accessible to the interior corridor of the mall. An example of one of Ivanhoe's reconfigurations is shown in Figure 4. Note how the Chapters and Winners locations have both external and internal entrances to their stores whereas Chapters and Goodlife Fitness have direct access to the parking lot but not to the mall's interior corridor. While Table 7 does indicate that overall, it is far more common for LRUs and box stores to have interior access, it is noteworthy that about 17 percent of all larger stores were found to be disconnected from the interior corridor.

This includes stores on external pads as well as stores that share walls with the enclosed structure but have no interior access.

Table 5: Frequency, size and relative share of large retail units (LRU) and box scale stores located within mall interior*.

Characteristic of LRUs/box stores	1996	2001	2006
# of malls with large retail stores that are:	20	20	20
LRUs	7	13	14
Box Stores			
# of Stores that are:			
LRUs	98	116	129
Box Stores	10	41	50
Average size of large retail stores that are:			
LRUs	6,989	7,168	7,358
Box Stores	19,245	21,132	21,323
GLA of large retail stores that are:			
LRUs	684,924	831,491	949,246
Box Stores	192,458	866,424	958,404
All large stores	877,382	1,697,915	2,015,407
% share of total GLA held by stores that are:			
LRUs	5.8	6.8	7.6
Box Stores	1.6	7.1	8.6
All large stores	7.5	13.9	16.2

* Excludes cinemas and non-commercial tenants (e.g., libraries, art galleries)

Table 6: Recycling of vacated Eaton's, K-Mart and Supermarket locations: Status of space in 2006.

Occupant in 2006	Eaton's	K-Mart	Supermarkets*
Major department store	3		
Discount department store	3	1	
Automotive store		1	
Box stores or LRUs	2	2	5
Dept store and big box and/or LRUs		2	
Total	8	6	5

* Cases where supermarkets relocated within a mall or vacated a mall and were not re placed by another supermarket.

Shifting Tenant Mix

To this point, attention has been focused on adjustments to the size of malls and the stores that they house. In the process of adapting to a changing retail landscape, malls have also adjusted their functional composition. Some of these changes have been alluded to in the above discussion, particularly the shifts in tenant mix associated with changes involving traditional anchor tenants such as major department stores (i.e. Eaton's) and grocery supermarkets (see Table 8). Between 1996 and 2006, the number of traditional anchor outlets recorded a net decline of 12 while their share of overall GLA fell by nine percentage points. Still, the average size of traditional anchors increased by 11,500 square feet.

Table 7: Placement of big box stores and LRUs, 2006.

Location of store	LCRUs	Box Stores
Within mall corridor	119	28*
Attached to mall but no access to internal corridor	2	5
Former traditional anchor space		
- with access to internal corridor	5	13
- no access to internal corridor	3	4
Parking lot pad	14	6
Total	143	56

* Includes one box store located in a basement space.

Table 8: Change in number of and space occupied by traditional anchor tenants, 1996-2006.

	2006				Change 1996 - 2006			
Type of Traditional Anchor Store	# of Stores	GLA	Average Store Size	% share of all GLA	# of Stores	GLA	Average Store Size	GLA Share % Points
Major Dept. Stores	34	4,692,049	138,001	37.7	-6	-667,548	4,012	-8.0
Discount Dept. Stores	5	535,159	107,032	4.3	-3	-207,839	14,157	-2.0
Automotive	3	290,347	96,782	2.3	3	290,347	96,782	2.3
Supermarket	7	343,006	49,001	2.8	-6	-198,282	7,363	-1.9
Vacant Dept. Store	1	133,120	133,120	1.1	0	58,762	58,762	0.4
Total	50	5,993,681	119,874	48.2	-12	-724,560	11,515	-9.1

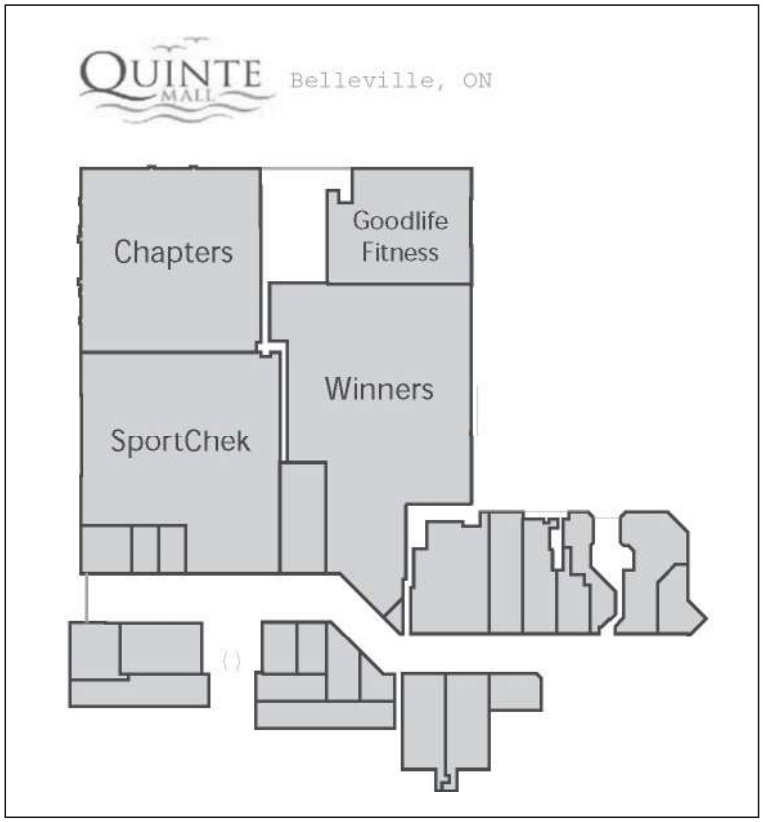


Figure 4: Example of a traditional anchor space reconfigured with box stores.

Tables 9 and 10 provide further detail concerning a shifting of tenant mix by disaggregating changes in the number of stores, minimum, maximum and average store size and percentage of GLA according to specific retail sectors. The fashion sector is conspicuous for the gains it has made over the study period. While this sector posted a small net decline in the number of stores, the maximum store size and average store size within the sector jumped 10,000 and 740 square feet respectively and its GLA share increased by 5.1 percentage points. Overall results for the fashion sector, however, were dominated by changes seen in unisex fashion stores. They recorded the highest net increase in store numbers and the highest percentage point share increase of GLA of all retail sectors (reflecting national retail sales trends within the fashion sector). More dramatic was a doubling of average store size. The influence of box stores and LRUs is significant here. By 2006, the 20 malls included 11 American Eagle, nine Gap, eight Winners and seven Old Navy outlets. The latter two chains alone filled 352,000 square feet of space in 2006.

Table 9: Characteristics of stores by retail sector, 1996 and 2006.

	1996			2006		
Retail Sector	No.	Avg Sq. Ft.	Total Sq. Ft.	No.	Avg Sq. Ft.	Total Sq. Ft.
Department Stores	48	127,137	6,102,595	42	131,370	5,517,555
Supermarkets	13	41,638	541,288	7	49,001	343,006
Cinemas	7	24,931	174,516	7	40,129	280,906
Fashion	1076	2,036	2,190,473	1,066	2,776	2,959,321
Women's Wear	441	2,243	989,087	386	2,671	1,031,137
Men's Wear	108	2,365	255,387	66	2,489	164,254
Unisex Fashion	176	2,335	410,927	239	4,752	1,135,758
Children's Wear	47	2,056	96,653	66	2,235	147,509
Shoes	157	1,646	258,377	133	1,966	261,421
Accessories	147	1,225	180,042	176	1,246	219,242
Leisure Goods	205	2,543	521,269	165	4,733	780,921
Books	51	1,915	97,661	31	4,491	139,230
Music	41	2,646	108,494	32	3,054	97,735
Photography	38	1,060	40,265	28	1,169	32,722
Sporting Goods	19	4,829	91,749	23	13,218	304,005
Pets	13	1,505	19,560	8	5,262	42,097
Toys & Games	24	5,083	122,002	32	4,586	146,759
Other Leisure Goods	19	2,186	41,538	11	1,670	18,373
Office - Stationery	45	2,069	93,108	45	3,268	147,069
Home Furnishings	125	1,754	219,231	115	2,516	289,330
Specialty Food & Bev.	148	934	138,274	155	1,306	202,489
Cosmetics/Drug Store	60	3,131	187,832	71	3,057	217,054
Electronics	41	1,817	74,507	22	2,267	49,877
Telecommunications	25	930	23,255	74	822	60,842
Variety Stores	30	4,786	143,578	21	4,264	89,540
Other Retail	149	1,014	151,045	120	1,095	131,456
Food Services	202	1,045	211,104	241	1,105	266,185
FIRE Services	55	3,166	174,115	45	3,950	177,762
Personal Care	38	1,348	51,224	61	1,508	91,994
Health Services	46	1,980	91,079	43	2,272	97,704
Other Service	138	1,475	203,519	113	2,479	280,103
Vacant	204	2,135	435,533	147	3,128	459,843
Total for 20 Malls	2655	4,417	11,727,545	2560	4,861	12,442,957

Table 10: Change in the number, average size and share of GLA between 1996 and 2006.

Store Type	Change in Stores Present		Change in Average Store Size		Share of Gross Leasable Area		
	No.	% Change	Sq ft	%	1966 %	2006 %	% Point Change
Dept Store	-6	-12.5	4,233	3.3	52.0	44.3	-7.7
Supermarket	-6	-46.2	7,363	17.7	4.6	2.8	-1.9
Cinema	0	0.0	15,199	61.0	1.5	2.3	0.8
Fashion	-10	-0.9	740	36.4	18.7	23.8	5.1
Women's Wear	-55	-110	429	19.1	8.4	8.3	-0.1
Men's Wear	-42	-38.9	124	5.2	2.2	1.3	-0.9
Unisex Fashion	63	35.8	2,417	103.5	3.5	9.1	5.6
Children's Wear	19	40.4	179	8.7	0.8	1.2	0.4
Shoes	-24	-15.3	320	19.4	2.2	2.1	-0.1
Accessories	29	19.7	21	1.7	1.5	1.8	0.2
Leisure Goods	-40	-19.5	2,190	86.1	4.4	6.3	1.8
Books	-20	-39.2	2,576	134.5	0.8	1.1	0.3
Music	-9	-22.0	408	15.4	0.9	0.8	-0.1
Photography	-10	-26.3	109	10.3	0.3	0.3	-0.1
Sporting Goods	4	21.1	8,389	173.7	0.8	2.4	1.7
Pets	-5	-38.5	3,758	249.7	0.2	0.3	0.2
Toys & Games	8	33.3	-497	-9.8	1.0	1.2	0.1
Other Leisure	-8	-42.1	-516	-23.6	0.4	0.1	-0.2
Office - Stationery	0	0.0	1,199	58.0	0.8	1.2	0.4
Home Furnishings	-10	-8.0	762	43.5	1.9	2.3	0.5
Specialty Food & Bev.	7	4.7	372	39.8	1.2	1.6	0.4
Cosmetics/Drugs	11	18.3	-73	-2.3	1.6	1.7	0.1
Electronics	-19	-46.3	450	24.8	0.6	0.4	-0.2
Telecommunications	49	196.0	-108	-11.6	0.2	0.5	0.3
Variety Stores	-9	-30.0	-522	-10.9	1.2	0.7	-0.5
Other Retail	-29	-19.5	82	8.1	1.3	1.1	-0.2
Food Service	39	19.3	59	5.7	1.8	2.1	0.3
FIRE Services	-10	-18.2	785	24.8	1.5	1.4	-0.1
Personal Care	23	60.5	160	11.9	0.4	0.7	0.3
Health	-3	-6.5	292	14.8	0.8	0.8	0.0
Other Service	-25	-18.1	1,004	68.1	1.7	2.3	0.5
Vacant	-57	-27.9	993	46.5	3.7	3.7	0.0
Total	-95	-3.6	443	10.0	100.0	100.0	0.0

Aside from the fashion sector, the next most notable gains were made by cinemas, leisure goods, home furnishings retailers, food services and telecommunications. These changes are perhaps a reflection of an effort to meet the demands of a more self-indulgent and affluent marketplace through the provision of sporting goods, music and books, games, pet supplies, home décor items as well providing the venue for an evening out for dinner and a movie. Scaling up is a significant component here as well. Listed among the tenants of the twenty malls are 15 outlets of the Forzani family of sporting goods banners (e.g., Sport Chek, Sportsmart), four Chapters bookstores and two Petceteras and Sears Whole Home outlets. Moreover, of the 28 individual retail sectors listed in Table 10, 17 saw their average store size increase by more than 10 percent during the study period while only five saw their average store size decrease.

CONCLUSIONS

The net result of these changes is seen in the direct comparison, and in some cases, striking contrast, of the lease plans in 1996 versus 2006. While renovations, expansions, and other forms of reconfiguration have taken place incrementally driven by strategic and operational demands, the end result for the consumer, over the ten-year study period, is mall space that has increasingly accommodated larger format retailers (internal and external to the mall). Essentially the boundaries between retail types have become more blurred and fuzzy – the shopping mall has taken on elements of power retail (size of units, external pads), and power centres are now attempting to replicate some of the elements of traditional mall retail (mix of tenants, ancillary services, etc). One of the remaining key defining aspect of the mall, over-and-above being enclosed and maintaining 'common' areas, is the way in which they are typically managed as single-entities. This affords the mall manager/owner with a critical differentiating advantage over many of the loosely clustered power retail developments across Canada (with multiple, often competing ownership/management). This paper has highlighted how the malls autonomy over its space in tandem with retailers demands for larger units, has transformed the space of the selected malls.

Yet, the underlying consumer drivers of these changes require further research. With the integration of large format retail within malls and the associated externalizing of the mall space, how are consumers shopping (and cross-shopping) the mall? What is driving the mall consumer to choose a given mall over another competing mall or power retail venue? What impact has external pad development had on the flow of consumers in-and-around the mall? Are the pads simply retail islands in the mall parking lot or do they create marked positive externalities for other tenants on the mall property? From a supply perspective, the optimal positioning of the mall

within a given market, in light of competing (intervening) venues, also requires further investigation. The potential overlap in retail offer, and the heightened likelihood of cannibalization (i.e., opening new stores that derive a portion of their sales from existing company stores), for the retail chains that operate their large format stores in both malls and power centre locations presents a significant management challenge for the landlord and tenant. As the retail system continues to evolve, these research themes represent a number of the key issues facing the industry.

NOTES

1. Big box retailers are retail outlets that are typically at least three or more times larger than other comparable stores. The definition of 'big box' varies by sector and is determined by the gross leasable area.
2. Power centres are defined as locations with three or more big box retailers clustered around a shared parking lot and typically ancillary smaller commercial services.
3. Pads refer to external sites on the shopping centre property that can be made available to house a given retail or service function (e.g., converting former parking lot spaces to provide space for the development of a free-standing restaurant)

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