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## U.S. stores expanding into Canada ahead of anticipated spending boom

Major U.S. retailers, department stores and mall moguls have been announcing big Canadian expansion plans ahead of what some malls and experts predict will be a consumer spending boom in 2012.

By: Mary Gazze, Associated Press

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TORONTO — A new breed of prospectors is gearing up for a modern Canadian gold rush — far from the pickaxe-toting old-timers of the Klondike, these are a savvy, business-suited bunch looking to cash in on rich veins of Prada purses and cheap blue jeans.

They are major U.S. retailers, department stores and mall moguls, and their cross-border foray anticipates that consumers here will open their wallets wider by 2012, creating huge demand for new shops and outlets.

"If you look at 2008 and 2009 they were very difficult years for retailers. 2010 I would say was a recovery year for retailers. So in 2011 and 2012, we expect the market to grow but it will be more competitive because there are more players entering the market," says Daniel Baer, a retail industry consultant with Ernst & Young.

"It takes time to build stores and to plan and to get your real estate and the like. They are planning ahead for better times."

Walmart, the world's biggest retailer, is the latest this month to announce major Canadian expansion plans ahead of what some malls and experts predict will be a consumer spending boom in 2012. The U.S. company announced today that it plans to spend \$500 million to open 40 more Canadian stores that combine general merchandise and groceries.

On Monday, Canada's largest retail landlord RioCan Real Estate Investment Trust announced a 50-50 partnership with U.S. mall operator Tanger Outlet Centers that will see up to 15 American-style outlet malls in Canada by the end of 2012. The deal is worth up to \$1 billion.

And, earlier this month, Walmart competitor Target bought out the leases to the majority of Zellers stores, announcing it will enter Canada by the end of 2013.

American retailers are looking to Canada to try out international expansion without the risks of heading to very different markets in Europe or Asia, said international retailing instructor Brent Barr of the Ted Rogers School of Retail Management at Ryerson University in Toronto.

"They look at us as being a safe, very consistent-with-what-they-know market, so therefore they can play in the international market without getting a bloody nose," he said, adding that U.S. retailers have confidence in Canada's stability in the retail and financial sectors.

He said many stores weren't large enough to start international expansion 20 years ago, and are beginning to do so now because there is no more room to grow in the U.S.

The new entrants and established malls are gambling that improved consumer confidence will fuel sales and giving them a return on investment.

Many recent signs have indicated Canadians are feeling better about the economy. The Conference Board of Canada said Tuesday that consumer confidence rose 7.1 per cent this month to 88.1 points, the highest it has hit since the initial optimism coming out of the recession in the latter half of 2009 and early 2010.

That's tempered, however, by warnings from the Bank of Canada and the federal government that Canadians are borrowing too much money.

The central bank flagged mounting household debt, which sits around \$1.48 for every dollar of disposable income, as a worry — even as it left interest rates extremely low in a bid to support the economy, which has the unfortunate side effect of making consumer credit very cheap.

In an effort to cut rising debt, federal Finance Minister Jim Flaherty announced new rules to reduce the amortization period for a mortgage to 30 years from 35, effectively reducing the maximum amount Canadians can borrow for their home.

Despite these signs of caution, a number of U.S. retailers have announced recent plans to enter Canada. Clothing store J. Crew says it plans to open its first Canadian store in Toronto this year, while Marshalls — which operates under a format similar to discount clothier Winners — already has some Toronto locations under construction.

Retail and shopping mall consultant Anthony Stokan, of Anthony Russell Inc., says research by his firm has shown that 76 per cent of Canadians see themselves as cost and value conscious.

"Even though we're cost conscious, we continue to spend and we continue to look for good value and I think that bodes well for anyone wanting to expand their business in Canada," he said, explaining that expansions are going to be less aggressive and more methodical than 20 years ago.

"What we've got now is a retail landscape that is much stronger than it's ever been in the history of retail and we have a very diversified mix of both domestic retail, regional retail, American interest, and Europeans that have been coming in over the last decade as well."

While the U.S. retailers prepare to enter Canada, their prospective landlords — the malls — have started to freshen up in anticipation of new business.

Upgrades and expansions are increasing as new American tenants demand to be in the best of malls, said Anthony Casalanguida, the general manager for Toronto's Yorkdale Shopping Centre.

The already giant shopping complex announced Tuesday that it will spend \$220 million to add 40 new stores and 800 new parking spots over the next

two years, citing strong demand from potential international tenants as the reason for its second major expansion in just six years.

Casalanguida said the expansions are beginning now to ensure construction is complete by the time shoppers start spending again after holding back due to the recession in 2008 and 2009.

"In two years time, in 2012, we believe we'll start peaking and start hitting a greater economic upturn than what we already have," he said.

"We've come off a very successful year and with the economic climb, we're always projecting two to three years out when you work on these projects... through that, we believe that there is enough of a demand that would substantiate a 140,000-square-foot expansion."

Baer cited the recent entry of lingerie store Victoria's Secret, housewares store Crate & Barrel and skincare retailer Bath and Body Works into Canada as examples of how American companies are succeeding north of the border.

As international chains move into Canada, shoppers will ultimately benefit from a wider selection of products and lower prices, he said.

"Choice and competition are good from a consumer point of view. Where there's competition, usually pricing is better. Where there's more choice, you're exposed to more brands," he said, adding that Canadians won't have to cross border shop anymore to get the same variety of goods they could get in the U.S.

"(But) for established retailers it's a risk because they will be facing a lot more competition."

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