

**SHOPPING CENTERS,
POWER RETAILING AND
EVOLVING
RETAIL ENVIRONMENTS:**

*A Comparison of the Retail
Markets of Dallas-Fort Worth
and Toronto*

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Overview

The clustering of big-box retailers into what have commonly been referred to as power centers has fundamentally changed the retail landscape of North America. This paper examines the growth and associated impact of power retailing in two of North America's

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largest retail markets, Dallas-Fort Worth, U.S., and Greater Toronto, Canada. These fast-growth urban markets have both witnessed the widespread development and clustering of major chain big-box retailers. The factors promoting this growth have included the sizeable economies of scale achieved through big-box retail operation, the availability of relatively low cost land, the suburbanization of retailing, land-use policies that have not obstructed development and the general consumer appeal of category killing shopping. In combination these corporate strategy, land-use planning, consumer behavior and retail operation factors have acted as catalysts in the evolutionary development of power retailing. This paper presents a comparative analysis of the major shopping mall and power retail environments of Dallas-Fort Worth and Greater Toronto. The paper provides insight into the nature and extent of power retail developments, their impact on the existing retail structure and predicts the likely directions for future development—concluding by exploring the prospects and challenges that face the shopping center industry.



■ Introduction

Dallas-Fort Worth (Texas, U.S.) and Toronto (Ontario, Canada) represent two of North America's fastest growing and largest metropolitan markets. The Dallas-Fort Worth (DFW) and Greater Toronto (GTA) metropolitan areas housed a resident population of 5.32 and 5.28 million people in 2001 and ranked as North America's 9th and 10th largest metropolis, respectively. These markets have experienced rapid population growth over the last decade and, based on current projections, look set to continue to do so over the next two to three decades (U.S. Bureau of Census, 2004; Statistics Canada, 2004). The fast growth of these markets has resulted in seemingly unstoppable sprawling suburbs with the continual edging-out of the urban fringe to encroach on what were once the surrounding small town/rural communities. Unsurprisingly, the large population gains in both of these relatively affluent markets have been subject to significant new retail growth, a sizeable proportion of which has occurred in parallel with subdivision expansion. Power retailing has been an important aspect of these new developments, as characterized by the growth of clustered big-box retailers in a variety of power retail configurations. This paper presents a comparative analysis of the retail environment of DFW and the GTA, focusing on the evolution of big-box and

associated power retailing. Specifically, the research provides insight into the nature and extent of power retail developments, their impact on the existing retail structure and predicts the likely directions for future development. It is envisaged that the research findings presented within this paper will be indicative of retail change that is either currently taking place or will occur across many of the major North American retail markets since the DFW and GTA markets are representative of fast-growth major sprawling urban conurbations (Yeates and Cheng, 2002).

The paper is divided into three sections. First, the *research context and method* is presented. Here power retailing is defined and the factors promoting its growth are outlined. Examples of studies that have focused on the impact of power retail are provided, and issues in measuring impact are discussed with reference to the research method employed in the study. The study markets are delimited and their projected growth highlighted. The second section presents an *analysis of the impact of power retail* in both of the study markets—with key players in power retail dissected, the location and scale of power retail growth detailed and the form and structure of such growth identified. Lastly, the paper discusses the implications of the analysis, and specifically addresses the *prospects and challenges facing the shopping center industry* in light of the wave of “power retail” development through the 1990s. The paper concludes by discussing the likely patterns of future retail development in both of the study markets—summarizing the retail landscape of today, the forces that were in play in its creation and how it may change over coming years.

■ Research Context and Method

This section provides the research context and outlines the research method adopted in this study. The section is divided into three parts. First, the term “power retail” is defined and the need for new classifications of retail activity highlighted. Second, the factors contributing to the growth of power retail are outlined, and the small number of existing studies that have attempted to measure the impact of power retailing are examined. Finally, the research approach adopted in this study is outlined, including a description of the data collection and database development process used in each study market.

Defining Power Retailing

The clustering of “big-box” (large format) retailers into what have been termed “power center” type developments (more broadly termed here “power retail”) has been part of a significant transformation in the North

American retail landscape. These agglomerations of big-box format retailers have provided the North American consumer with alternatives to traditional shopping mall, plaza and retail strip venues. In a relatively short period of time, power retail developments have grown to form a key (often defining) element of the retail landscape (Hahn, 2000). There exists a range of different power retail development types that comprise groupings of big-box retailers along with associated entertainment and ancillary services. As a result, there exist a number of definitions of big-box and power retailing. The International Council of Shopping Centers (ICSC, 2001; 2004) defines "big-box" as "a single use store typically between 10,000 and 100,000 square feet or more, such as a large bookstore, office-supply store, pet store, electronics store or toy store." "Power centers" are described (ICSC, 2004) as developments with, typically: (i) three or more category dominant free-standing anchors; (ii) a retail selling area ranging between 250,000 to 600,000 square feet on a site ranging from 25 to 80 acres; (iii) an anchor ratio of up to 90% (i.e., with a limited number of smaller retailers); and, (iv) a primary trade area of between five to 10 miles. The term power center is formally defined by the ICSC (2004) as "a center dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or 'category killers,' i.e., stores that offer tremendous selection in a particular merchandise category at low prices. The center typically consists of several freestanding (unconnected) anchors and only a minimum amount of small specialty tenants." Hahn (2000, pp. 224–225) offers another definition of power centers, as super community shopping centers that include: (i) more than 250,000 sq. ft. of GLA; (ii) at least one super anchor tenant store with at least 100,000 sq. ft. of GLA; (iii) at least four smaller anchors with a GLA of 20,000 to 25,000 sq. ft.; (iv) only a smaller number of shops with GLA of less than 10,000 sq. ft.; (v) generally an open-air center; (vi) a trading area similar to a regional shopping center; and (vii) a unified shopping center management.

The Center for the Study of Commercial Activity's (CSCA) definitions of big-box and power center forms are listed in Table 1. It is important to clarify the definition of big-box—according to the CSCA (the definition adopted in this study) determining whether a store is a big-box is based primarily on the retail square footage of the store in relation to the typical store size within category. Table 2 provides examples of the threshold values used by the CSCA in classifying big-box stores. The threshold values for U.S. retailers arguably should be slightly higher than those applied to Canadian retail stores, albeit that a sizeable proportion of Canadian big-box stores are owned and operated by U.S. retailers, and therefore condition the definitions developed in Canada (see Boyle, 2003; Hernandez, Jones and Maze, 2003).

TABLE 1. BIG-BOX AND POWER CENTER

Retail Structure	Typical Configuration
Big-Box	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.
Power Center	Three or more big-box retailers with shared parking lot and typically ancillary smaller commercial services.

TABLE 2. BIG-BOX CLASSIFICATIONS: MINIMUM RETAIL SQUARE FOOTAGE THRESHOLDS, CSCA

Selected Retail Categories	GLA Sq. Ft.	Selected Retail Categories	GLA Sq. Ft.
Automotive superstores	50,000	Household furniture (DTSM)	20,000
Books	15,000	Household-furniture (Specialized)	10,000
CD/Records/Tapes	10,000	Jewellery	8,000
Department stores	100,000	Liquor	15,000
Electronics	15,000	Office supplies	20,000
Entertainment complex	40,000	Other general merchandise	10,000
Fabrics	9,000	Other household furniture	10,000
Fashion	8,000	Party supply stores	9,000
Floor covering	10,000	Pet stores	12,000
Gift/Novelty	8,000	Sporting goods (Single sport)	10,000
Greeting cards	10,000	Sporting goods (All sports)	20,000
Grocery	60,000	Sporting goods (Clothing)	10,000
Hardware	50,000	Theatres/Cinema	80,000
Hobby stores	10,000	Toy stores	15,000

Source: CSCA, 2004

A key difference in the definition of "power center" in use by the ICSC versus that used by the CSCA is in the functional form of the power center and specifically the presence/availability of shared parking. In Canada, most big-box retailers within power centers are clustered around a shared (typically very large) parking area. Furthermore, the majority of power centers are owned by either REITs or development companies with leased retail pads (for example, companies such as RioCan, First Gulf and First Professional). In contrast, within the U.S., it is not uncommon to have parking areas divided amongst the big-box retailers as the retailers own their retail pad and parking facilities—that is, clustered free-standing stores. As a result, the consumer often needs to drive between pads in order to shop/cross-shop a number of big-box stores, with the individual

retailers' pads clearly demarcated by separate parking and access. Often, a strip of big-box stores cluster along both sides of a major interstate/highway, each with their own retail pad and separate entrance. This leads to two other classes of power retail—the “power cluster” and the “power strip” (see Table 3). The need for these new categories was based on the U.S. research findings in this study, and the various definitions attempt to capture the differences between U.S. and Canadian retail development. These two categories should be viewed simply as U.S. flavors of the more tightly spatially defined power center concept in Canada that reflects a fundamental difference in *unplanned* versus *planned* power retail development. Clearly, the nature of retail pad ownership (at its most simple level—freehold versus leasehold) largely determines the configuration and development patterns of power retailing in any given area. As already noted, within the GTA the majority of power retail is owned and managed by REITs and/or development companies. Evidence in DFW would suggest that the U.S. power retail model incorporates a far greater degree of individual retailer ownership of retail pads, and an associated prevalence of loosely unplanned clusters of power retailing (as captured by the “power strip” and “power cluster” categories). These clusters have previously been referred to as “power parks” (see Hahn, 2000)—with the power park referring to clusters of big-box retail, with individual land parcel ownership on a shared pad. This, however, would be regarded as a power center (see below) by the CSCA due to the shared parking facilities and the need for a base level of unified management for the common areas.

In addition, there are power retail structures that are groupings of power centers that form major retail shopping nodes. These have been termed “power nodes” and “regional power nodes” (see Table 4). The addition of these major power retail categories reflects the evolution of the power retail concept and the gradual incremental development of adjacent power centers/strips/clusters into functional shopping areas that ex-

TABLE 3. POWER CLUSTERS AND POWER STRIPS

Retail Structure	Typical Configuration
Power Cluster	Three or more free-standing big-boxes located typically around a major intersection, not all sharing the same parking facilities. May include other ancillary smaller commercial services.
Power Strip	Three or more free-standing big boxes located contiguously along arterial routes within 800 meters of each other, not all sharing the same parking facilities or part of the same development. May include other ancillary smaller commercial services.

TABLE 4. POWER NODES AND REGIONAL POWER NODES

Retail Structure	Typical Configuration
Power Node	One power center with additional big boxes or power centers within a one-kilometer radius typically centered on a major intersection.
Regional Power Node	Two or more power centers and/or power strips with a minimum of 20 big box retailers. These nodes have a large retail draw, with sizeable trade areas. The node will typically encompass a number of intersections, and may run contiguously along a major arterial corridor. These developments are often found surrounding major shopping malls.

hibit significant externality effects. Simply, the power centers/strips/clusters feed off each other. They generate synergies, and in so doing, attract increasing numbers of consumers to the power node. Two examples are provided in Section 3 of such “regional-draw” developments in DFW (i.e., Stonebriar Regional Power Node) and the GTA (i.e., Highway 400 and 7 Regional Power Node).

As the ICSC (2003a, p.2) acknowledges, “defining any shopping center type with crisp precision is difficult . . . increasingly, the lines that distinguish one type of center from another are becoming fuzzier . . . no matter how accurate the concept is captured by a definition today, it will evolve into something else tomorrow.” The rapid development of big-box format retailers and the myriad of clusters of these retailers into what have been generally termed power centers across North America present significant difficulties for the retail researcher interested in studying locational change. Moreover, for retailers seeking to develop long-term locational strategies and associated methodologies, uncertainty and inconsistency in definition may lead to strategies that are difficult, if not impossible, to articulate and to make operational.

Definitions and classifications of power retail developments need to be subject to periodic updating to reflect their role, function and evolution within the retail economy. The definitional quagmire has been further complicated by the blurred boundary among definitions; for example, the more recent addition (and preference for development) of the “lifestyle” center category (ICSC 2003a; 2003b). As a result, any study of the retail landscape (especially, a study that focuses on a fast-changing aspect of the retail real estate market) is an attempt to develop understanding of a moving target. This clearly is a major caveat to this and any similar type of study. The power retail concept is evolving and metamorphosing within the existing retail landscape. While the regional mall may have

traditionally only been developed according to a small universe of blueprints, power retail comes in a multitude of guises. Fundamentally, this paper argues that a new hierarchy of power centers can be identified, and that a key difference between Canada and the U.S. is in the planned versus unplanned evolutionary development of the power retailing concept.

Factors Promoting the Growth of Power Retail

The reasons for big-box and associated power development growth can be traced to a number of factors. These include the significant price advantages due to the economies of scale of operating big-box stores; the demonstrated appeal of “category” killing shopping; the re-use and/or re-zoning of industrial sites for retail development; the suburbanization of retail functions and availability of large low-cost development sites; and land use policies that have placed few barriers in the way of major big-box retailers (Jones and Doucet, 2001; Hahn, 2000; Thorne, 1999). Customers have patronized these venues primarily because category killing retail offers clusters of destination-oriented power retail anchors (low price and merchandise mix strategies); ease of shopping, parking and accessibility; and a set of cross-shopping opportunities, especially entertainment-based service (Biasiotto, 2000; Bodkin and Lord, 1997). Such concentration of large format retail space creates externality effects that provide cumulative efficiencies for the retailer. From a consumer perspective, power retail has provided the shopper with an ever-growing choice of venues at which to shop and spend their leisure time, and has become an integrated part of their increasingly complex shopping behaviors (Morganosky and Cude, 2000). It is of interest to note that while the cornerstone of the power retail model was the notion of category killing one-stop shopping, present day power retailing has evolved to be characterized as much by “cross-box” as opposed to solely one-stop shopping behavior. The power retail concept has become far more sophisticated from the open-shelf warehouse retail of the late 1980s/early 1990s—an increasingly diverse set of major chain retailers and service companies (entertainment, business and personal) have developed “boxed” concepts.

Measuring the Impact of Power Retailing

As the power retail concept evolves, it is critical that the shopping center industry is able to measure the potential impacts of new retail developments within existing and newly emerging markets. The impact of large format retailers within retail markets has been the focus of a number of studies (see Jones and Doucet, 2001, 2000, 1999; Hahn, 2000). These impacts can be measured in a number of ways; for example, retail sales

trends, store closures, mall vacancy, store turnover, the growth rate of new retail development and so forth. Jones and Doucet (2000) provide one of the most detailed studies to date of big-box and power center impact for the Toronto area. Their study primarily focused on the health of retail strips with the impact of power retail growth measured by (i) changes in retail vacancies along major retail strips; (ii) the number of street-front closures in categories that directly compete with big-boxes, generating closure probability ratios for street-front retailers based on their proximity to power retail venues; (iii) the changing functional composition of retail strips; (iv) shifts in retail employment; and (v) the distribution of retail sales. Jones and Doucet (2001) provide some initial insights into the impact of big-box retail on shopping centers. Their research indicated the start in a shift in the tenant mix of the eight major malls that they studied. The study did not, however, address the issue of power retail or explore the spatial effects of large format retail competition. Similarly, research by Hernandez (2001), which focused on the home improvement sector, identified significant “kill-rates” amongst independent retailers that were faced with the onslaught of home improvement center growth across the GTA (largely due to cross-border expansion of U.S.-based The Home Depot Inc). Hernandez and Garvey (2003) in a study of locational change in the fashion retail sector in Canada provided some of the first evidence of tenant mix “impacts” of power retailing on shopping malls. The research highlighted the increased presence of fashion retailers in power centers (with the development of mini-boxes), and the decrease in fashion retail in small and medium sized malls—and a resulting shift in the tenant mix of these malls. Developing impact metrics has received little attention in the literature. Instead, there has been a large body of literature on (i) the globalization of big-box retail (for example, see Burt, 1991; Wrigley 2000); (ii) case studies of specific retailers’ locational strategies with reference to big-box, with Wal-Mart featuring in many of the articles (for example, see Arnold, Handelman and Tigert, 1998; Fernie, 1998); and (iii) the impact of big-box growth on the planning and retail regulatory environment (see for example, Guy, 1994; Hallsworth, Jones and Muncaster, 1995). The research presented in this paper builds on these studies and the market-focused research undertaken by the CSCA (Yeates, 2000; Jones et al, 1998), and explores the impact of power retail on shopping centers through an analysis of vacancy rates, tenant mix and power retail growth.

■ Research Approach

The CSCA specializes in the study of retail change and its impact on the retail landscape. Over the last decade, the CSCA has developed into one

of the largest academic research centers focused on analyzing the supply of consumer and business services in North America. The research approach adopted in this study follows in the CSCA tradition of analysis facilitated through geospatial technologies, and was divided into three key stages: definition of the study areas (discussed at the end of this section); background research; and retail geospatial data collection, analysis and interpretation.

Background Research

This stage focused on developing the conceptual framework for the research project. It was undertaken in three parts. First, an extensive literature review was conducted, with particular focus on studies of big-box and power retail development and their impact on shopping centers. Second, Web-based searches for information on power retailing at REITs, retail developers, leasing companies and big-box retailer Web pages. Finally, interviews with key personnel from power center, shopping center and retail organizations were conducted to gather insight into the respective study markets.

Retail Data Collection and Analysis

The research project utilized in-house expertise and geospatial infrastructure at the CSCA, relating to the collection, cleaning, geo-coding, mapping and analysis of retail data. The research data were derived from existing spatial data, secondary external data sources and fieldwork. (i) *existing spatial data*—the project utilized a number of existing geo-referenced data resources available at the CSCA, including: retail location databases for the GTA; national retail location databases, digital cartographic data, demographic data and satellite/aerial imagery for the U.S. and Canada; (ii) *secondary external data sources*—the research process involved extensive “trawling” of other secondary data sources, and the compilation of a comparable dataset for the DFW market. The secondary sources consulted included directories of malls and tenants, Web-based mall tenant listings for major centers, local media resources, retailers and center developer/management Web sites and U.S. governmental (state and county) data resources, along with the large body of ICSC-published materials. For the Dallas market this involved identifying the major chain big-box operators, compiling store location lists from a variety of sources (primarily company websites) and geo-coding and mapping these records. A detailed “static” snapshot of power retailing in DFW was undertaken. The level of analysis within the DFW market was largely dictated by a lack of quality data on chain store locations over a number of time periods. For

the GTA market, the CSCA has developed and maintained a dataset of retail activity in the market since 1993 (albeit with the data increasing in scope and complexity each year). Reliable small-scale geo-referenced temporal data for the DFW market were not readily available; as a result, emphasis was placed on developing an inventory of present-day power retail activity in the DFW market and therefore facilitating a comparison of the power retail structures in DFW and the GTA. The resulting retail databases for both markets were managed and analyzed within a geographical information system; (iii) *fieldwork*—the primary aim of the fieldwork was to “ground-truth” the data. The fieldwork focused on providing an accurate mapped inventory of power retail developments and major shopping centers in both markets. During the field study stage it was particularly important to identify new areas of development (either currently under construction or signed as retail development). Industry practitioners were a critical source of information, providing a sounding board and insight regarding the data collection analysis and interpretation.

The Study Areas

As Map 1 illustrates, DFW and the GTA have experienced significant population growth and resulting urban sprawl since the 1970s. The satellite (LANDSAT) images provided show the change in urban land-use for each market over three comparable time frames; 1974, 1989/1990 and 2002/2003. The lighter areas on the map indicate urban land-use classification, with the estimated urban-fringe area marked. The suburban sprawl in both markets, and in the case of the GTA, urban in-filling, can clearly be seen from the images. This section provides a brief overview of the demographic growth of the study markets.

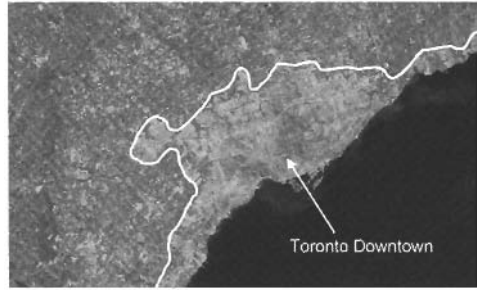
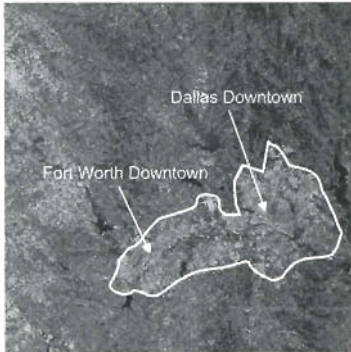
(i) Dallas-Fort Worth Metropolitan Area

With a population of 5.32 million in 2001 the DFW area is the 9th largest metropolitan market in North America. The DFW metroplex has witnessed rapid growth over the last three decades, since the 1990s the area has experienced an annualized growth rate approaching three percent. DFW is widely regarded as a key growth area in North America (Yeates and Cheng, 2002), with the metroplex projected to grow to over 8.6 million by 2030. In 2001, the per capita income for Dallas PMSA was U.S.\$34,697, and for Fort Worth-Arlington PMSA was U.S.\$30,230 (BEA, 2001). The study area includes the counties of Denton, Collin, Tarrant, Dallas, Rockwall, Johnson and Ellis (see Map 2), an area which reflects the metropolitan planning area for the North Central Texas Council of Governments. At its farthest points, the area extends 90 miles north-to-south and 75 miles east-to-west. The four core counties of Collin, Dallas, Denton and Tarrant account for 90% of the households in the region. The

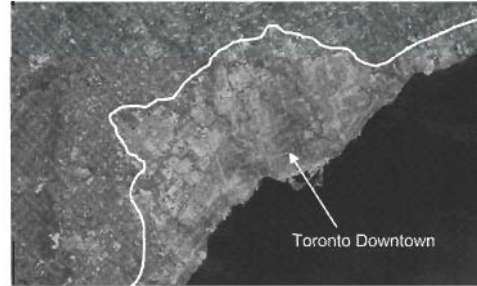
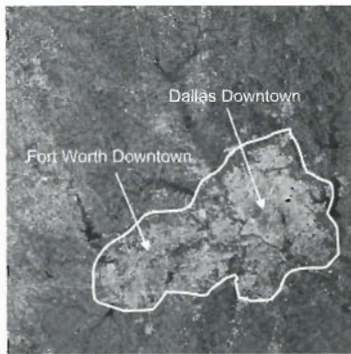
MAP 1. URBAN GROWTH IN DFW AND THE GTA, 1974 TO 2003

Dallas-Fort Worth Area

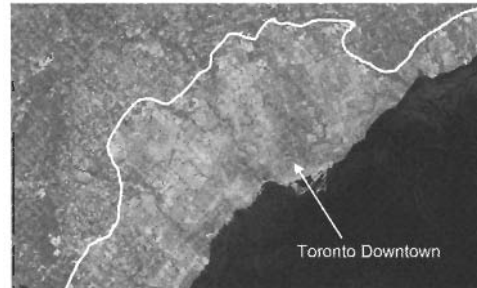
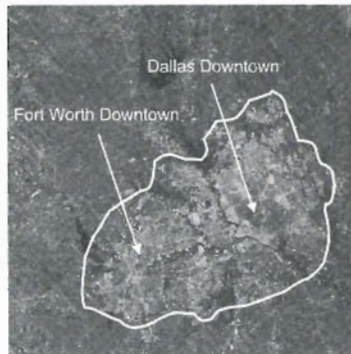
Greater Toronto Area



1974



1989/1990



2002/2003

Notes
Scale: DFW - approx 135 km across image; GTA - approx 75 km across image
Boundary (white) indicates estimated urban fringe area

DFW region is polarized socially, with a marked divide between the north and the south of Dallas—the demographics tell a tale of two cities: the affluent northern areas of DFW against the ethnically diverse south with lower-income Hispanic-American and African-American neighborhoods.

Projections for population and employment growth are provided in

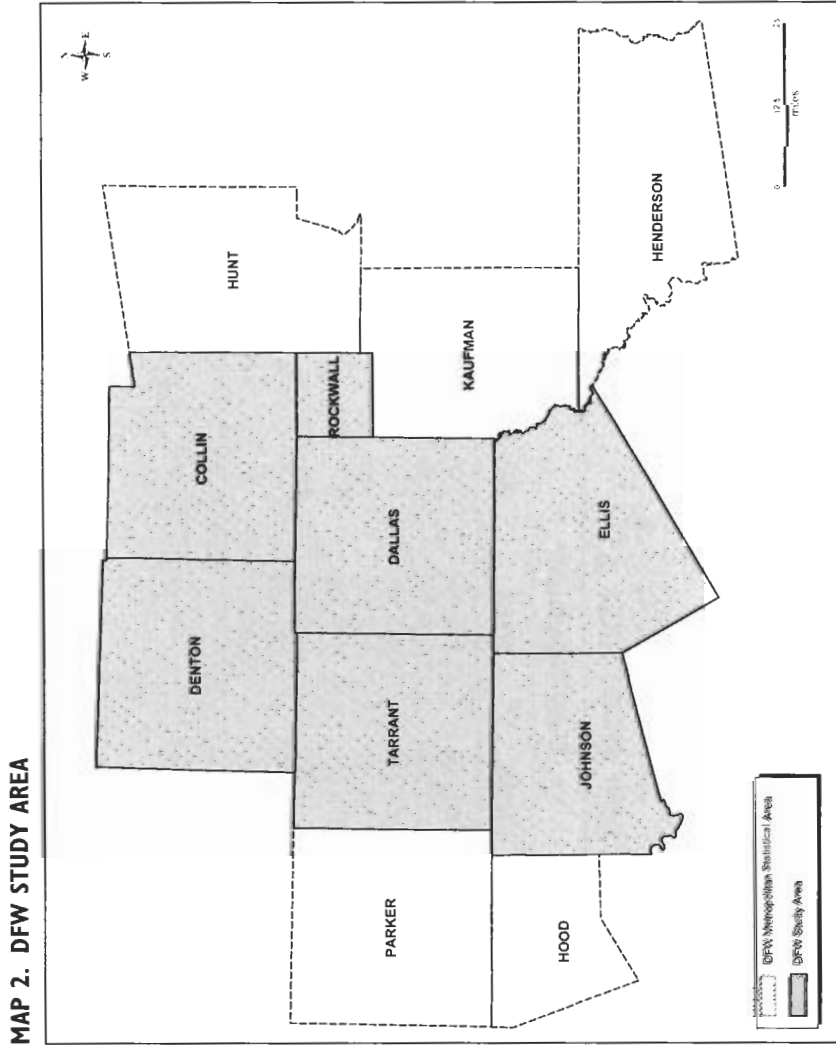


Table 5. The population center of DFW will likely move west over the next 30 years, having steadily moved north out of the Central Business District (CBD) over the past three decades (NCTCOG, 2003). The fast growth areas of the 1980s and 1990s, such as the city of Plano, are now facing the potential of build-out within the next decade. Increasingly development activity is moving to the far north. For example, the city of Frisco envisages substantial growth over the next few decades as development opportunities in neighboring Plano (to the south) dry up. As you travel north into McKinney and to the smaller towns of Prosper, Celina and Melissa the signs of continuing urban expansion are clear, with significant proportional increases in population. With absence of strict

TABLE 5. PROJECTED GROWTH WITHIN THE DFW STUDY AREA

County	Total Households		Total Population		Total Employment				
	2000	2030	%	2000	2030	%			
Collin	184,000	431,100	134	492,000	1,166,700	137	204,100	517,300	153
Dallas	832,900	1,059,800	27	2,232,500	2,817,200	26	1,745,100	2,529,400	45
Denton	161,400	406,600	151	428,100	1,085,300	154	152,800	413,500	171
Ellis	37,000	160,200	332	109,400	448,600	310	49,100	162,800	232
Johnson	43,600	163,300	274	124,300	444,200	257	45,100	142,500	216
Rockwall	14,500	50,800	250	42,500	145,000	241	17,000	48,500	185
Tarrant	540,400	862,100	60	1,435,200	2,291,700	60	864,400	1,388,200	61
Total	1,813,800	3,133,900	73	4,864,000	8,398,700	73	3,077,600	5,202,200	69

planning control to limit development, DFW is an excellent example of an area where market forces have been left to largely determine the nature and extent of growth.

(ii) The Greater Toronto Area (GTA)

This major metropolitan area with a population of 5.28 million in 2001 is Canada's largest urban conurbation and corporate capital. An estimated one-quarter of Canada's population lives within a 160-kilometer (100-mile) radius of Toronto. The GTA ranks as the 10th largest metropolitan area in North America, and has experienced rapid growth over recent years, with an annualized growth rate of 2.1 percent. The GTA population is projected to exceed 7.4 million by 2031, see Table 6 (City of Toronto, 2002). In 2001, the GTA's per capita income was CDN\$25,593 (Statistics Canada, 2001). Toronto's population is one of the most ethnically diverse in the world, with more than 100 different ethnic groups. Attracting between 70,000 to 80,000 new immigrants each year, about 50% of the Greater Toronto Area's growth results from international migration. The GTA extends over a radius of 40 miles from the downtown core adjacent to Lake Ontario. It is an amalgam of Metropolitan Toronto and the four regional municipalities of Halton, Peel, York and Durham (see Map 3), which include 24 municipalities, from Burlington in the west to Oshawa in the east.

■ The Impact of Power Retail on the Retail Landscape

This section provides an analysis of the retail structure of DFW and the GTA and focuses on power retail and major shopping mall developments. The data collected in the study are presented in mapped form, which highlights the spatial patterns of development.

Power Retail in DFW

Table 7 provides information on the mix of shopping centers in the DFW area. Of the 1,160 shopping centers listed in the National Research Bureau Directory of Shopping Centers in 2002, 89% were either neighborhood or community centers, with the remaining 11% regional or super-regional centers. In total, these centers provided 117 million square feet of retail, with DFW's super-regional centers accounting for more than 20% of this space. The Dallas MSA accounted for 60% of the shopping centers.

TABLE 6. PROJECTED GROWTH WITHIN THE GTA STUDY AREA

Region	Population				Average 5-Year Percent Change			
	2001	2011	2021	2031	2001	2011	2021	2031
Toronto	2,594,000	2,855,000	2,915,000	3,000,000	5.3	5.0	1.1	1.5
Durham	530,000	710,000	900,000	1,000,000	11.8	17.0	13.4	5.6
Halton	400,000	500,000	610,000	690,000	14.3	12.5	11.0	6.6
Peel	1,000,000	1,185,000	1,350,000	1,400,000	13.4	9.3	7.0	1.9
York	760,000	1,010,000	1,200,000	1,360,000	24.2	16.4	9.4	6.7
GTA	5,284,000	6,260,000	6,975,000	7,450,000	10.5	9.2	5.7	3.4

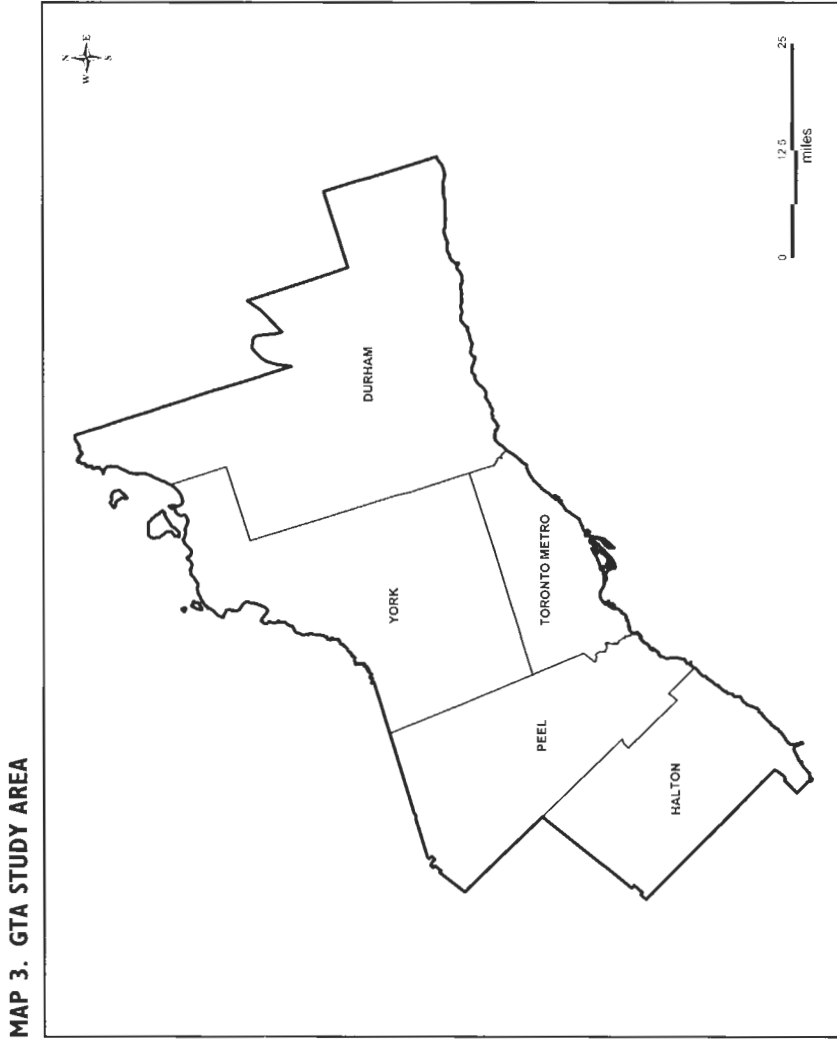


Table 8 details the age distribution of the shopping centers in DFW. Almost half of the centers are over 25 years old, and 80% more than 15 years old. The heritage of shopping center development in DFW can be traced back to the construction of the upscale Highland Park Village Shopping Center (still in operation today). This center has been identified by the Urban Land Institute as the first shopping development in the U.S., with the center developed in the early 1930s. The growth of centers in DFW mirrors the development pattern of shopping centers across the U.S., with the mall boom of the 1970s and 1980s resulting in a retail landscape scattered with major malls, plazas and a myriad of retail strip

TABLE 7. DFW: TOTAL NUMBER OF SHOPPING CENTERS BY SIZE, 2002

	Total Centers	Neighborhood Centers	Community Centers	Regional Centers	Super Regional Centers
Dallas MSA					
No.	686	406	196	24	14
GLA	77,296,943	19,244,027	30,025,573	10,323,335	17,704,008
Fort Worth MSA					
No.	474	362	75	14	8
GLA	40,680,989	14,210,483	11,853,219	5,759,757	8,857,530
DFW					
No.	1,160	768	271	38	22
GLA	117,977,932	33,454,510	41,878,792	16,083,092	26,561,538

Source: NRB Directory of US Shopping Centers, 2002

developments. Table 9 and Map 4 identify the major regional/super-regional malls in operation in DFW, derived from information from mall websites and National Research Bureau (NRB) directories. It is interesting to note that the southern part of Dallas has been largely avoided by major mall developers, with the Southwest Center Mall (formerly Red Bird Mall, developed nearly three decades ago) the only sizeable mall in the area. The most recent additions in the super-regional category have been The Shops at Willowbend (Plano) and Stonebriar Mall (Frisco), both located in affluent suburbs to the north of Dallas.

In order to identify power retail developments, an initial list of big-box retailers was compiled. A number of industry practitioners in the DFW area provided insight on the mix of major big-box retailers. The list of these power retail players is provided in Table 10. Unlike shopping mall data, information on the location of power centers in DFW is not readily available. Data on the store locations for each of these chains was compiled by Web-search and field survey, and subsequently geo-coded. The resulting maps, in combination with local intelligence, facilitated the identification of a number of power retail developments across the DFW area. Maps 5, 6 and 7 provide information on the location of the big-box retailers in DFW, and groupings of power retail in power strips, power clusters and regional power nodes. In total, 1,414 big-box stores were geo-coded, and 36 power retail locations identified, of which two were regional power node locations—specifically, the Stonebriar Regional Power Node and Collin Creek Regional Power Node. The maps illustrate the widespread existence of power retail across the DFW area—as with major mall development, the southern part of Dallas has witnessed limited

TABLE 8. DFW: AGE DISTRIBUTION OF SHOPPING CENTERS, 2002

	Planned	<5		5-10		11-15		16-20		21-25		26-30		>30		Total	
		%	Yrs	%	Yrs	%	Yrs	%	Yrs	%	Yrs	%	Yrs	%	Yr		%
Dallas MSA	4	0.8	41	8.6	29	6.05	45	9.39	115	24	67	14	59	12	119	24.8	479
Fort Worth MSA	2	0.6	18	5	14	3.87	20	5.52	141	39	41	11	45	12	81	22.4	362
DFW	6	1	59	8	43	6	65	8	256	30	108	13	104	12	200	24	841
Cumulative %		1		8		13		21		51		64		76		100	

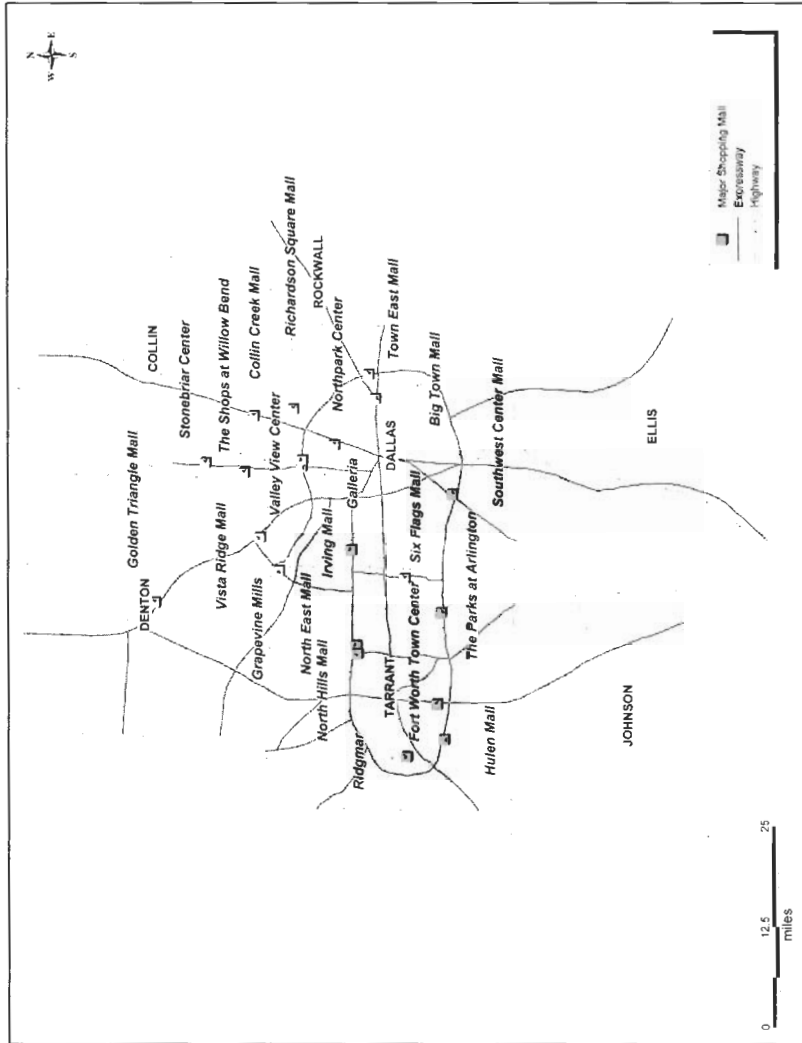
Source: NRB Directory of US Shopping Centers, 2002

TABLE 9. DFW: MAJOR ENCLOSED REGIONAL/SUPER-REGIONAL SHOPPING CENTERS, 2004

Mall Name	City	Year Built (Reno.)	GLA (sq. ft. 000's)	Type	Parking	Stores	Owner
Galleria	Dallas	1982 (2004)	1,800	SR	10000	216	Hines Interests Limited
Stonebriar Center	Frisco	2000	1,600	SR	7200	142	General Growth Properties, Inc.
Northpark Center	Dallas	1965 (1974)	1,600	SR	7761	160	NorthPark Management
Valley View Center	Dallas	1973 (2004)	1,568	SR	7614	174	The Macerich Company
The Shops at Willow Bend	Plano	2001	1,500	SR	6900	165	The Taubman Company
Grapevine Mills	Grapevine	1997	1,446	SR	8900	235	The Mills Corporation
Town East Mall	Mesquite	1971 (2000)	1,250	SR	7223	184	General Growth Properties, Inc.
North East Mall	Hurst	1971 (2004)	1,213	SR	6055	123	Simon Property Group, Inc.
Ridgmar	Fort Worth	1976 (2000)	1,200	SR	5858	116	Shopco Advisory Corp.
The Parks at Arlington	Arlington	1988 (2002)	1,192	SR	6500	167	General Growth Properties, Inc.
Southwest Center Mall	Dallas	1975 (1996)	1,123	SR	6600	164	FSWI, LLC
Irving Mall	Irving	1971 (2004)	1,127	SR	4144	138	Simon Property Group, Inc.
Collin Creek Mall	Plano	1981 (n.a.)	1,121	SR	6200	133	The Rouse Company
Vista Ridge Mall	Lewisville	1989 (1991)	1,100	SR	6500	160	General Growth Properties, Inc.
Six Flags Mall	Arlington	1970 (n.a.)	1,049	SR	6000	89	Bauer/Lend Lease Real Estate Investments, Inc.
Fort Worth Town Center	Fort Worth	1962 (n.a.)	1,024	SR	5000	108	Town Mall Ltd.
Hulen Mall	Fort Worth	1977 (1994)	938	SR	4629	127	The Rouse Company
Richardson Square Mall	Richardson	1977 (1998)	858	SR	4721	80	Simon Property Group, Inc.
Golden Triangle Mall	Denton	1980 (2000)	740	R	3852	103	Simon Property Group, Inc.
Big Town Mall	Mesquite	1958 (1989)	700	R	5400	30	KIMCO Realty Corporation
North Hills Mall	N. Richland Hills	1979 (n.a.)	584	R	3357	85	North Hills Creek Mall

Mall Type: R-Regional, SR-Super Regional (>800,000 sq. ft.)

MAP 4. DFW: MAJOR SHOPPING CENTERS, 2004



development of power retail, with more recent development in the south occurring, for example, along Highway 67 in the Cedar Hill area.

DFW: Retail Vacancy Analysis

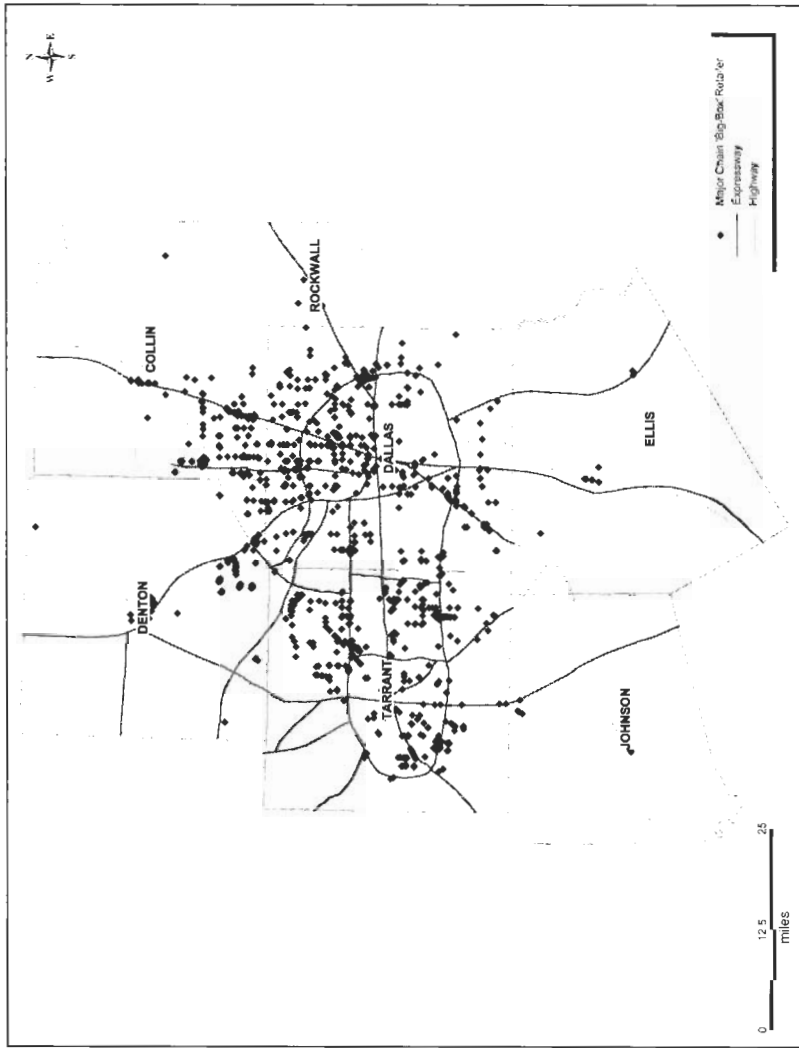
The Weitzman Group undertakes an annual survey of shopping malls in the four major urban markets across Texas—Houston, Dallas, Austin and San Antonio. This large-scale survey of more than 1,100 shopping centers with 25,000 square feet or more provides one of the most comprehensive sources of industry insight into the health of retail real estate in the DFW

TABLE 10. DFW: BIG-BOX RETAILERS, 2004

Department	Grocery	Home Furnishings	Fashion
JC Penney	Albertsons	Bed Bath & Beyond	Old Navy
Dillard's	Kroger	Linens 'n Things	Bealls
Foley's	Tom Thumb	Pier 1 Imports	Ross Dress for Less
Sears	Minyard's/Sack'n Save	The Great Indoors	T J Maxx
Saks 5th Avenue	Wal-Mart	Cost Plus World Market	Payless ShoeSource
Neiman Marcus	Neighborhood Market	Container Store	DSW Shoe Warehouse
Lord & Taylor	Brookshire's		Burlington Coat Factory
Macy's	Whole Foods Market		Lochmann's
Nordstrom	Fiesta		Marshalls
Mervyns	Central Market		Stein Mart
Kohl's			Nordstrom Rack
Discount Department	Pets	Cinemas	Toys/Games/ Sports
Wal-Mart/ Sam's Club	PETSMART PETCO	Cinemark AMC	Toys "R" Us/ Babies "R" Us
Costco	Petland	Loew's Theatres United Artists	Oshmans/Sports Authority Galyans Academy Sports
Electronics	Furniture	Crafts/Sewing Supplies	Office/ Bookstore
Circuit City	Haverty's	Michael's	Office Depot
Best Buy	Ethan Allen	Hobby Lobby	Staples
Ultimate Electronics	The Room Store Rooms To Go	Garden Ridge Jo-Ann Fabrics	Office Max Barnes & Noble
Tweeter	Ashley Furniture	Party City	Borders
Fry's	La-Z-Boy		
CompUSA	Crate & Barrel		
Closeout Stores	Home Improvement		
Big Lots	The Home Depot/Expo Design/The Floor Store Lowe's Companies		

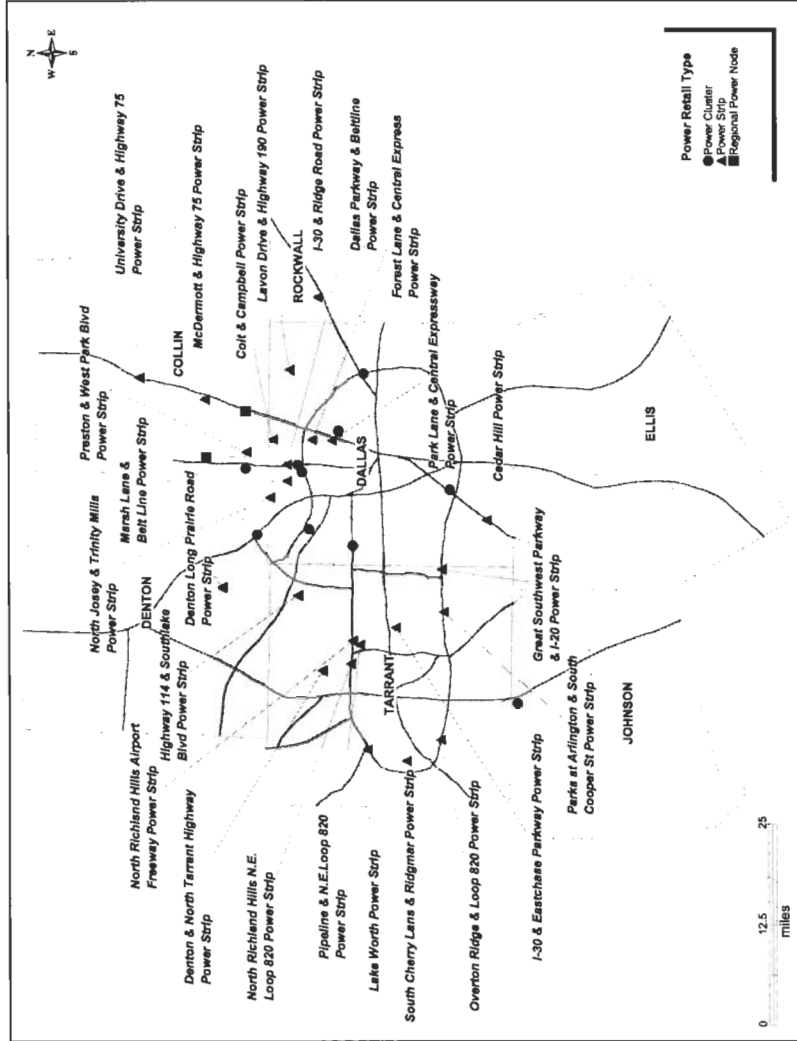
area (Weitzman Group, 2001; 2002; 2003; 2004). Table 11 and Map 8 provide detailed information on vacancy rates by shopping center territories. At the base level the table shows the steady growth of retail space between 1999 and 2003, from 125 million square feet in 1999 to 147

MAP 5. DFW: DISTRIBUTION OF BIG-BOX STORES, 2004



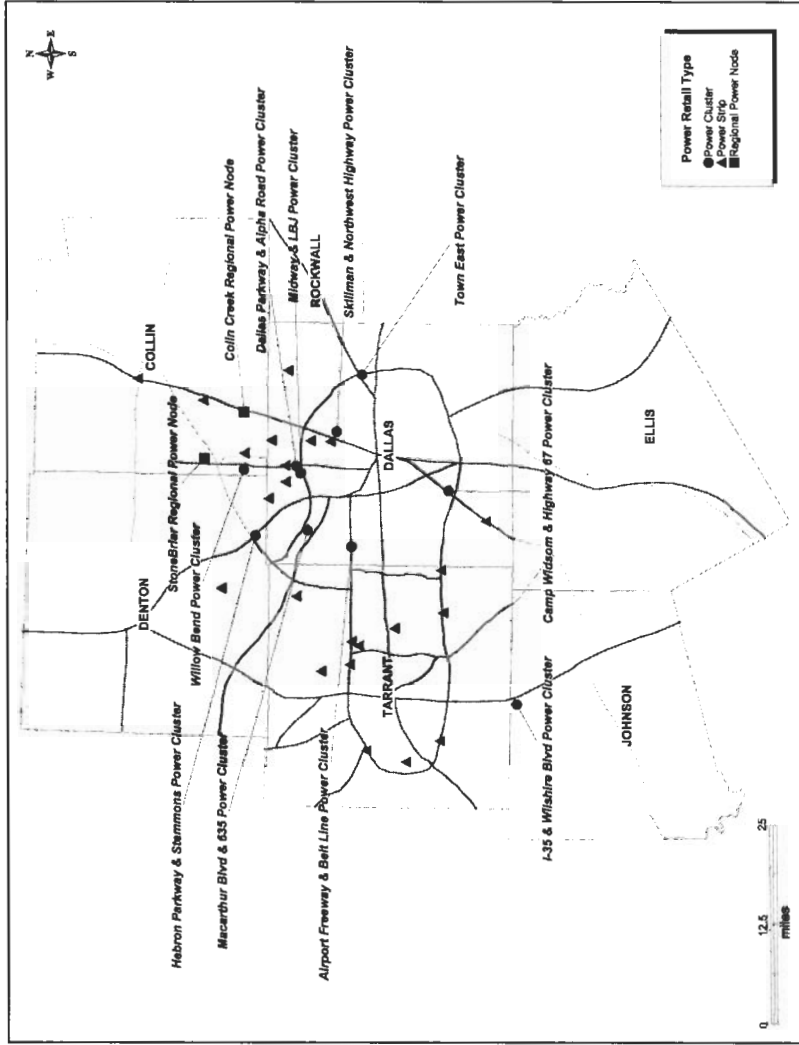
million square feet in 2003 (note these estimates are larger than those from NRB data). The relatively stable retail vacancy rate for Dallas and Fort Worth is also highlighted, with vacancy fluctuating around the 8.5 to 11% range. It should be noted that these figures need to be read with some caution as a major caveat to the data is that they are survey based and yearly variation may in part reflect survey response bias. The table illustrates that some areas within DFW have experienced high vacancy over a number of years; those with vacancy rates of more than 15% in 2003 include, Dallas CBD, Southwest Dallas, DeSoto/Lancaster, Coppell, Mesquite/Balch Spring, Northeast Fort Worth and Richland Hills. It is interesting to note that both Dallas CBD and Fort Worth CBD have experienced a reduction in the amount of GLA reported over the five-year

MAP 6. DFW: POWER STRIPS, 2004



time frame. The lack of downtown retail in DFW can be compared against the GTA's relatively vibrant downtown—despite media and economic development reports on the revitalization of the downtown DFW has experienced a significant hollowing out of its urban core as the result of waves of retail suburbanization. Table 10 also shows the retail square footage gains in the outlying suburban and urban-fringe areas of DFW, including, for example, Frisco (36.2%), Plano (42.1%), Allen (31.4%) and Cedar Hill (119.6%). As the Weitzman Group note (2004, p.8) “retailers, particularly chain retailers, continued to expand in DFW to take advantage of the market’s economic strengths, which include strong population and housing growth.” The new areas of development have experienced faster rates of retail square footage gain and, in general, lower vacancy

MAP 7. DFW: POWER CLUSTERS AND REGIONAL POWER NODES, 2004



rates. The prime development land is for the large part located to the north of DFW and in the urban-fringe areas that surround DFW, specifically, Frisco, Cedar Hill, Northeast Tarrant and Lewisville. It is in these areas that big-box retailers have developed their store portfolios most aggressively, and these locations mirror, for the most part, the power strip and power cluster retail sites (as illustrated in Maps 6 and 7).

Table 12 provides information from the Weitzman Group's survey on construction, occupancy and absorption rates by type of center. While the data clearly fluctuate from year to year, the relative health of the power centers is illustrated by the high occupancy rates, albeit with the data for 2002 suggesting a slow-down in both construction and demand for power centers (as indicated by the negative absorption rate). The data for 2003

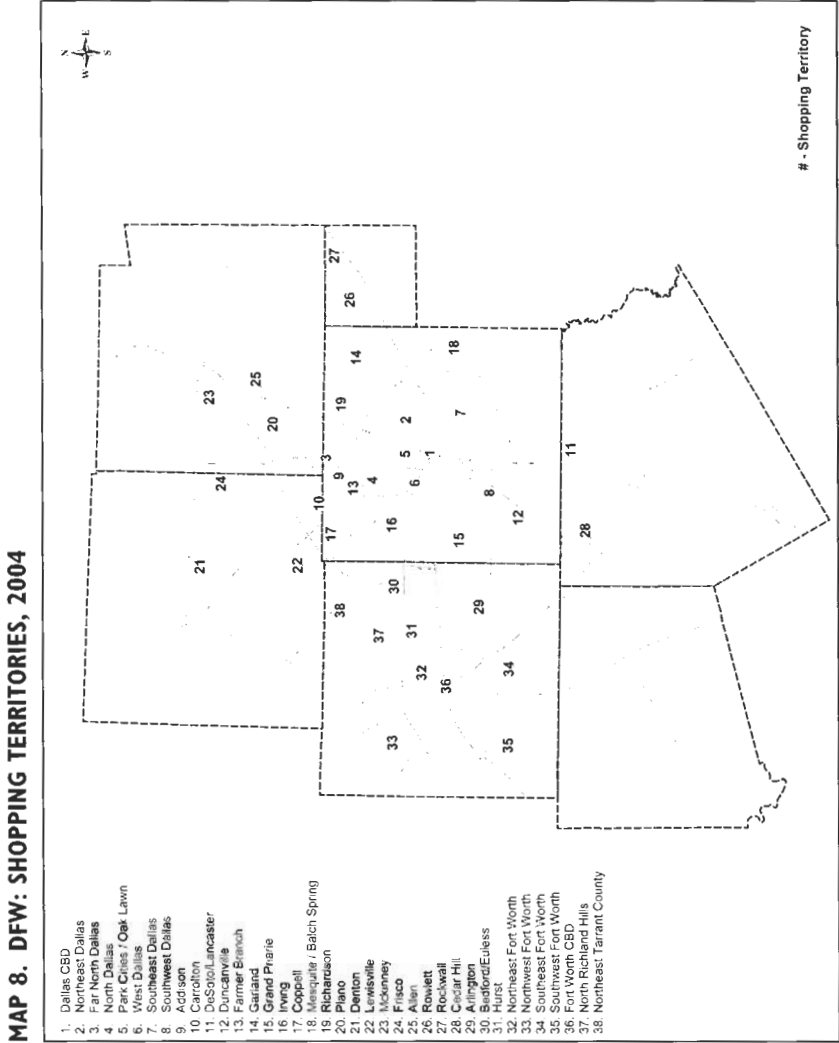
TABLE 11. DFW: RETAIL VACANCY RATES, 1993 TO 2002

Shopping Territory	1999		2000		2001		2002		2003		Change	
	GLA	Vac. (%)	GLA	Vac. (%)	GLA	Vac. (%)	GLA	Vac. (%)	GLA	Vac. (%)	(%) Chg. GLA	Chg. Vac.
1. Dallas CBD	1009.0	16.3	781.4	17.1	781.4	18.0	610.4	15.5	610.4	13.6	-39.5	2.6
2. Northeast Dallas	8238.4	11.6	7760.1	13.0	7865.9	9.0	7865.1	9.0	8042.7	12.2	-2.4	-0.6
3. Far North Dallas	8352.4	14.8	8808.0	14.5	7717.9	5.2	7870.0	8.3	7870.0	9.5	-5.8	5.3
4. North Dallas	5304.7	10.2	4998.9	5.2	4998.9	4.8	5004.0	4.6	5038.4	4.7	-5.0	5.5
5. Park Cities/Oak Lawn	2837.0	2.4	2594.2	11.7	2696.8	11.6	2692.8	3.8	2692.8	6.6	-5.1	-4.2
6. West Dallas	522.5	21.9	475.8	22.5	475.8	8.6	475.8	4.3	475.8	4.2	-8.9	17.7
7. Southeast Dallas	2428.0	10.4	2325.0	8.7	2274.0	5.6	2374.0	11.2	2374.0	9.9	-2.2	0.5
8. Southwest Dallas	5350.8	15.4	5071.0	13.3	5156.0	13.5	5154.1	15.5	5418.2	18.5	1.3	-3.1
9. Addison	1575.8	12.1	1477.2	10.6	1477.2	8.4	1477.2	25.8	1509.2	14.6	-4.2	-2.5
10. Carrollton	3068.1	6.6	3031.8	10.7	3353.6	9.5	3383.4	14.3	3298.4	13.8	7.5	-7.1
11. DeSoto/Lancaster	1383.4	13.9	1320.0	11.5	1320.0	13.9	1320.0	19.5	1320.0	25.0	-4.6	-11.0
12. Duncanville	1332.6	10.6	1259.5	7.0	1226.1	6.8	1226.1	6.4	1226.1	10.7	-8.0	-0.2
13. Farmer Branch	792.4	15.5	762.9	11.5	797.9	10.1	797.9	3.7	797.9	11.0	0.7	4.6
14. Garland	5072.6	15.3	5103.6	11.4	5305.6	8.6	5305.6	13.9	5575.0	11.1	9.9	4.2
15. Grand Prairie	1748.2	8.3	1638.7	8.2	1992.6	9.3	2242.6	15.4	2242.6	14.7	28.3	-6.4
16. Irving	6245.7	8.4	6935.7	7.1	6967.0	7.8	6971.4	8.7	7098.4	9.6	13.7	-1.2
17. Coppell	607.4	20.0	678.6	18.0	678.6	24.5	678.6	27.9	738.4	29.4	21.6	-9.4
18. Mesquite/Balch Spring	5827.6	12.4	5510.0	11.3	5737.5	17.3	5921.3	16.9	5936.3	17.3	1.9	-4.8
19. Richardson	4466.6	13.3	4198.0	13.6	4188.1	16.7	4129.3	10.7	4288.0	12.4	-4.0	0.8
20. Plano	9888.4	6.3	11151.4	4.1	13238.8	6.2	13994.5	9.7	14049.3	10.0	42.1	-3.8
21. Denton	3242.3	6.5	3130.5	4.7	3284.6	5.6	3431.9	3.8	3962.9	4.9	22.2	1.6
22. Lewisville	5294.5	4.4	5506.3	4.4	5532.3	5.3	6044.4	9.1	6420.1	5.5	21.3	-1.0

TABLE 11. (CONTINUED)

Shopping Territory	1999		2000		2001		2002		2003		Change	
	GLA	Vac. (%)	GLA	Vac. (%)	GLA	Vac. (%)	GLA	Vac. (%)	GLA	Vac. (%)	(%) Chg. GLA	Chg. Vac.
23. McKinney	n.a.	n.a.	1443.5	7.0	1549.9	5.2	1657.5	5.7	1487.5	4.5	3.1	2.5
24. Frisco	n.a.	n.a.	2807.9	4.9	3072.0	3.0	3600.0	5.6	3823.7	2.9	36.2	2.0
25. Allen	n.a.	n.a.	1403.8	4.1	1729.3	5.2	1844.2	6.5	1844.2	5.2	31.4	-1.1
26. Rowlett	n.a.	n.a.	305.6	1.6	339.9	24.1	339.9	8.1	339.9	14.2	11.2	-12.6
27. Rockwall	n.a.	n.a.	940.5	3.2	940.5	3.2	940.5	1.2	983.6	1.3	4.6	1.9
28. Cedar Hill	n.a.	n.a.	899.4	5.8	1030.2	7.7	1030.2	1.3	1975.0	4.4	119.6	1.5
DALLAS	84813.4	10.6	92319.4	9.2	95724.3	8.6	98382.6	10.1	101438.7	10.3	19.6	0.2
29. Arlington	11961.3	9.8	11761.2	9.5	12133.0	9.5	12838.7	7.1	13739.4	8.7	14.9	1.2
30. Bedford/Euless	2699.9	12.9	2369.9	12.1	2699.8	10.3	2719.8	9.9	2719.8	7.3	0.7	5.6
31. Hurst	3211.3	8.3	3462.0	7.1	3462.0	7.0	3460.6	7.3	3460.6	10.8	7.8	-2.5
32. Northeast Fort Worth	1771.9	9.7	1958.6	6.2	1983.0	4.4	2071.3	10.1	2071.3	16.3	16.9	-6.6
33. Northwest Fort Worth	3216.3	9.6	3341.7	10.8	3417.2	11.2	3417.2	10.7	3417.2	11.8	6.2	-2.2
34. Southeast Fort Worth	1540.5	10.2	1314.0	9.7	1499.0	11.7	1499.0	15.7	1481.9	9.0	-3.8	1.2
35. Southwest Fort Worth	8416.7	12.7	8423.7	11.0	8723.7	10.6	8653.4	12.2	8903.6	9.8	5.8	3.0
36. Fort Worth CBD	1143.8	29.8	488.2	4.3	488.2	4.3	328.5	4.5	328.5	4.5	-71.3	25.3
37. North Richland Hills	2912.5	17.3	3433.8	19.4	3408.9	26.0	3620.6	21.6	3938.5	21.3	35.2	-4.0
38. Northeast Tarrant County	4053.0	2.9	4347.6	4.7	5301.4	3.1	5023.8	5.9	6408.2	4.8	58.1	-1.9
FORT WORTH	40927.2	11.0	40900.7	10.0	43086.2	10.0	43632.9	10.1	46469.1	10.1	13.5	0.9

Source: Weitzman Group 2000-2004



provide a more positive perspective on power retail in DFW. The dominance of growth in the community center category is also evident: with the rapid suburbanization across the DFW area the community center format has been developed and integrated into new housing projects, with one or two anchor tenants (e.g., grocery or general merchandise stores) and a strip of in-line tenants, including a mix of retail and service.

Power Retail in the GTA

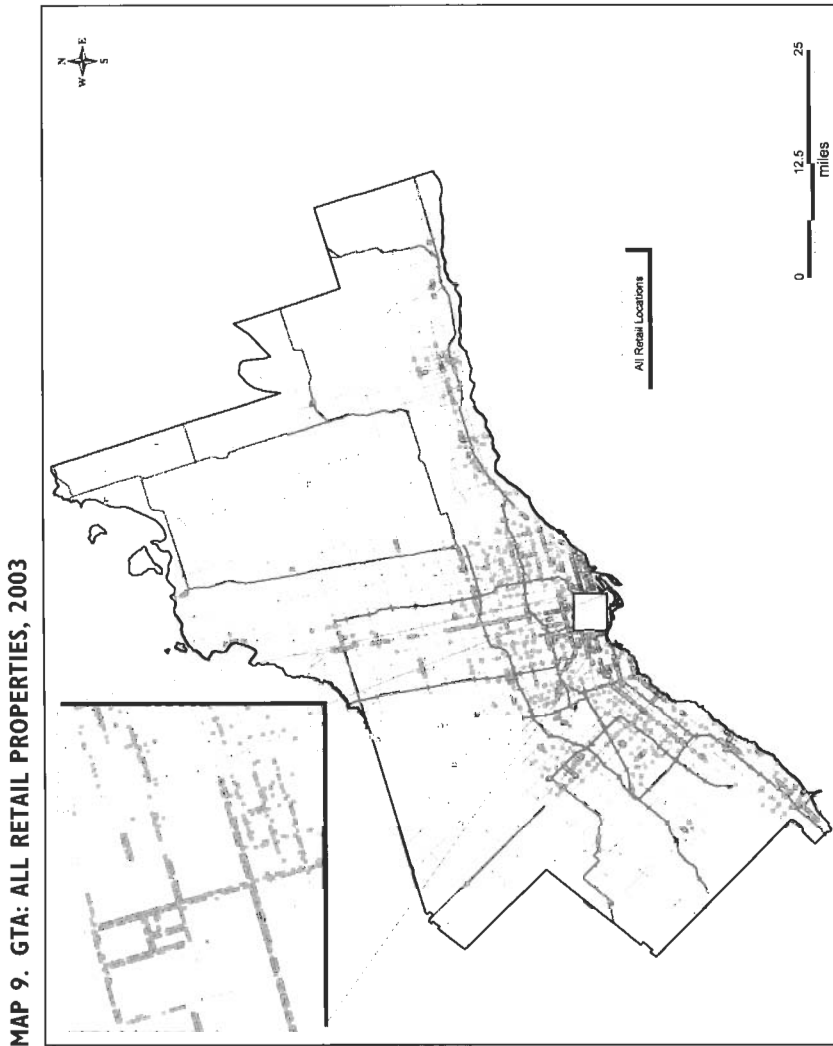
The CSCA retail location database contains over 50,000 records of current retail properties within the GTA (see Map 9). This includes retail locations

TABLE 12. DFW: RETAIL CONSTRUCTION, OCCUPANCY AND ABSORPTION: 1999 TO 2003

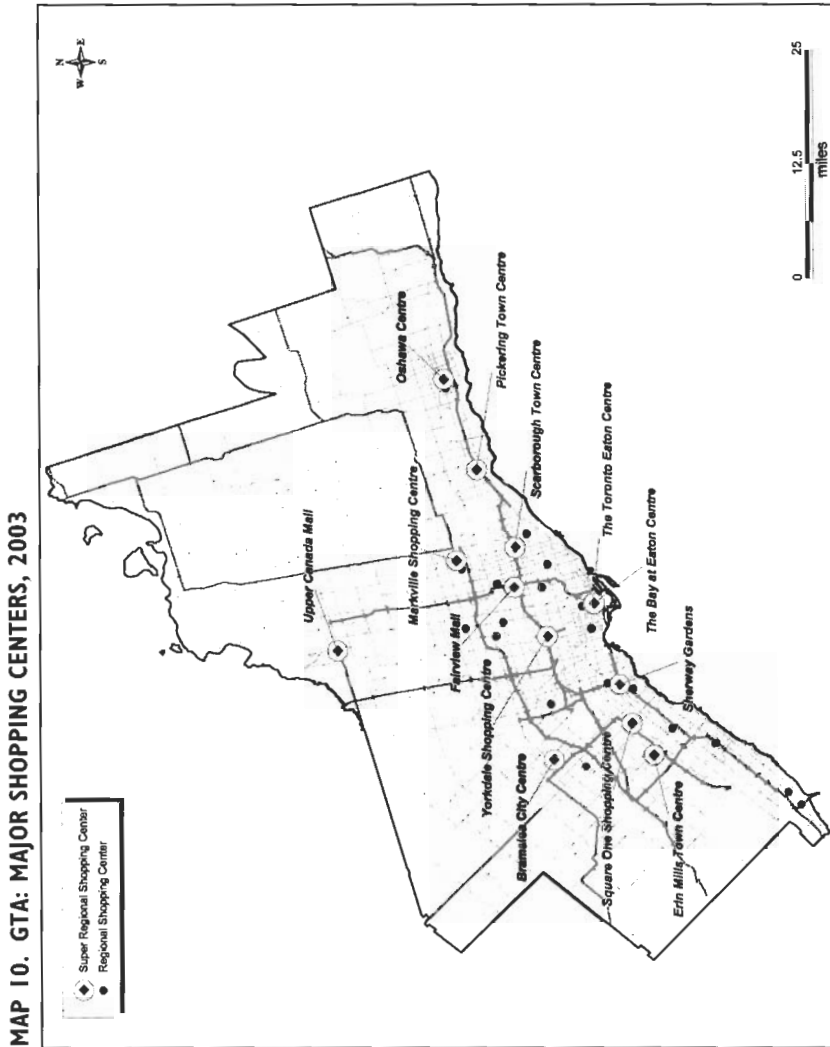
Type of Center	2000		2001	
	Construction	Occupancy	Construction	Occupancy
Neighborhood	74,170	87.5	278,200	88.5
Community	4,421,421	91.5	4,012,534	92.0
Mall	1,777,266	91.1	1,648,094	89.9
Power Center	2,504,158	94.0	885,200	94.2

Type of Center	2002		2003	
	Construction	Occupancy	Construction	Absorption
Neighborhood	685,408	86.5	353,120	86.8
Community	2,448,460	90.0	1,905,429	89.5
Mall	486,116	86.3	0	92.0
Power Center	207,000	91.1	1,183,000	92.9
				1,343,980

*Absorption data by center type only available for 2002 and 2003
Source: Weitzman 2000-2004

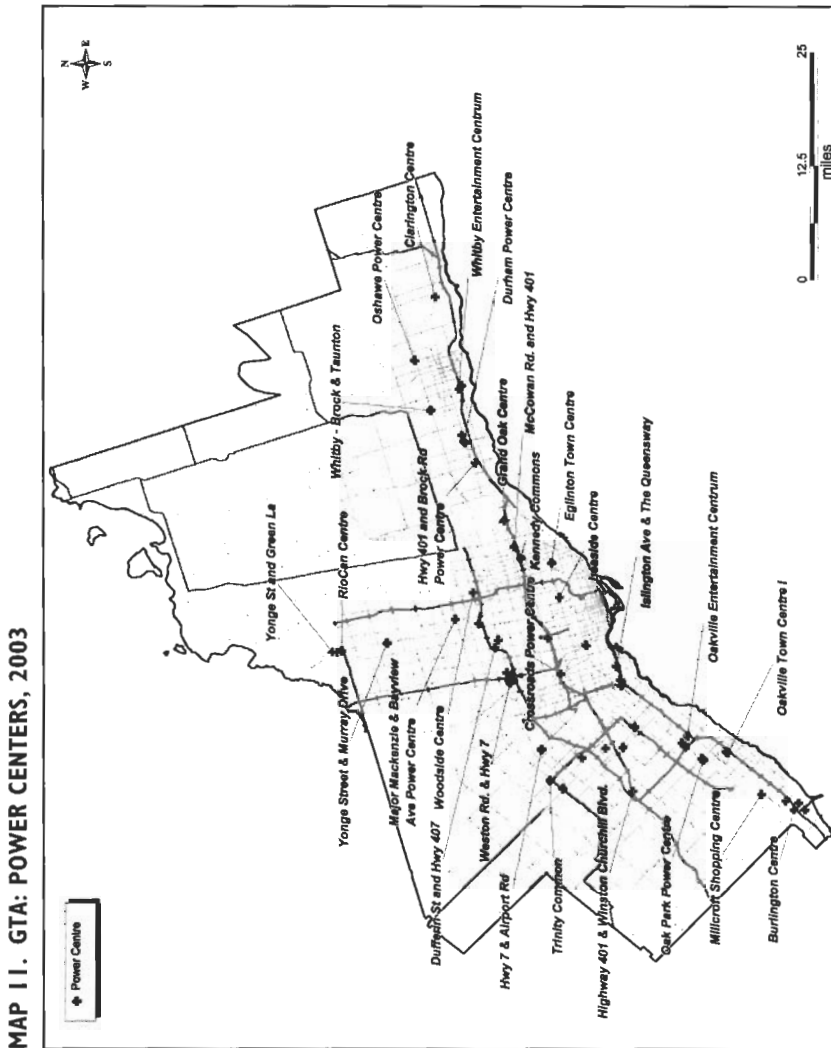


that are freestanding, along retail strips, in a variety of shopping malls (from convenience to super-regional) and power center and power node locations. Map 10 shows the location of the super-regional and regional malls in the GTA area. These include the landmark tourist destination—The Toronto Eaton Center in downtown Toronto—and the major suburban malls, including Square One Shopping Center, Sherway Gardens, Yorkdale Shopping Center, Fairview Mall and Scarborough Town Center. In a similar fashion to the development patterns in DFW, the GTA witnessed the expansion and growth of super-regional and regional malls through the 1970s and 1980s. The GTA, unlike DFW, has not seen the continued development of malls in 2000; in fact, the last major mall was developed nearly 15 years ago. Instead, the GTA through the 1990s acted

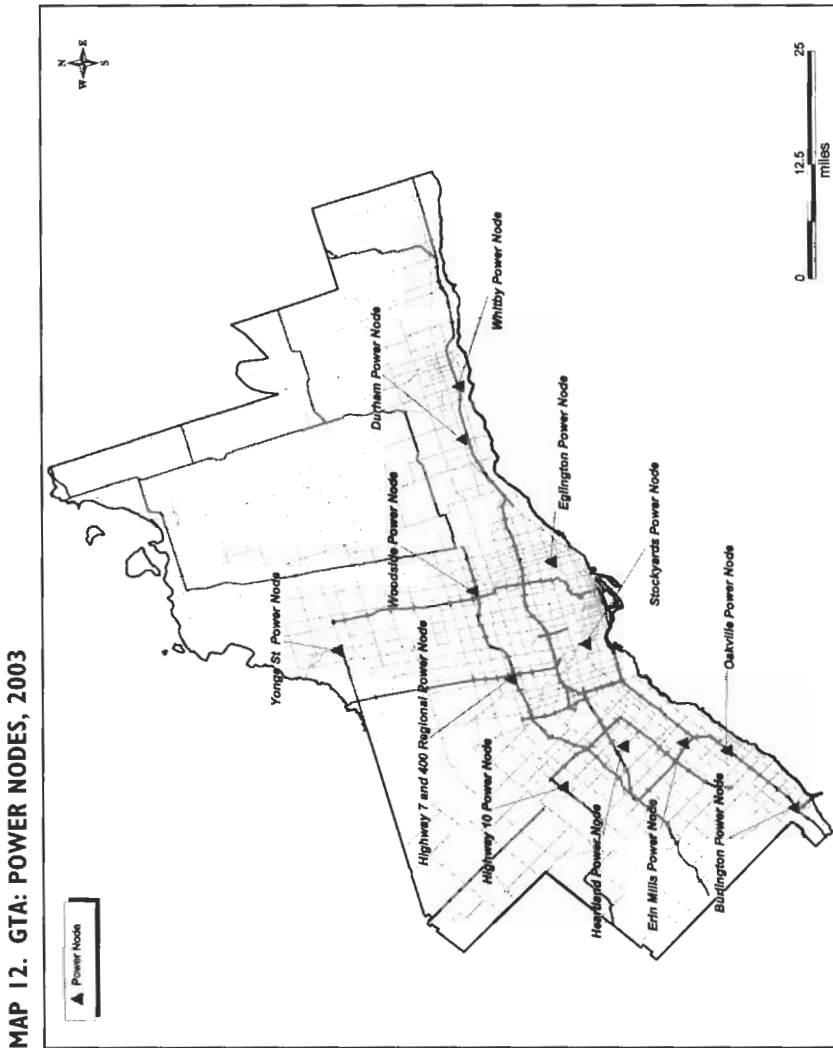


as the test-bed for the power retail concept, with the invasion of U.S. big-box retailers providing the catalyst for growth. Maps 11 and 12 show the location of the power centers and power nodes across the GTA in 2002. The pattern of suburban growth is very similar to that witnessed in DFW.

The CSCA estimate that there were approaching 1,250 big-box tenants within 213 power centers and 44 power nodes across Canada at the end of 2002. These developments have proved to be major magnets of retail spending. For example, recent research by the CSCA revealed that seven of the Top 20 retail “hotspots” in Canada have at least one power center located within the Forward Sortation Area, increasing to 13 out of 20 in the general merchandise category (three of which have two power



centers within the FSA). The GTA has seen the most rapid and prolific growth of power retailing in all of Canada. The GTA has experienced a dramatic expansion in the number of big-box format retailers; for example, between 1995 and 2002 the number of big-box stores increased 260% to approaching 700 stores (see Table 13). The retail square footage of these stores totaled an estimated 33 million retail square feet. The development of big-boxes has been largely focused in and around power center and power node developments. The GTA has witnessed the development of 35 additional power centers between 1995 and 2002, a growth of over 300%, to bring the total to 52 power centers. The number of power nodes has increased from nine to 12 over the same period; for example, Oakville Power Node and Eglinton Power Node.



The growth of power retail is also highlighted in the increasing percentage of big-box stores located in power centers and power nodes; for example, in 1995, 23.6% of big-boxes were located in power centers, by 2002 this figure doubled to 47.5%. Simply, fewer retailers are opening freestanding boxes and are instead opting to take advantage of the benefits of clustering with other power retailers (see Table 14 for a list of major retailers that operate big-box format stores within the GTA). The average number of big-boxes per power center and power node has steadily increased, from 3.7 to 6.3 and 5 to 18, respectively. The average number of non-big-box tenants within power centers and nodes has also increased, reflecting an evolution of the power retail concept.

The mix of big-box retail tenants has changed significantly since

TABLE 13. GTA: BIG-BOX GROWTH, 1995 TO 2002

Summary	1995	1996	1997	1998	1999	2000	2001	2002	Chg (1995-2002)	% Chg (1995-2002)
Total Number of Big-Boxes	267	389	445	522	580	614	654	695	428	260
Freestanding (No.)	93	95	102	109	106	112	122	127	34	137
Freestanding (%)	34.8	24.4	22.9	20.9	18.3	18.2	18.7	18.3	-16.6	na
In Malls (No.)	111	190	206	233	237	238	233	238	127	214
In Malls (%)	41.6	48.8	46.3	44.6	40.9	38.8	35.6	34.2	-7.3	na
In Power Centers (No.)	63	104	137	180	237	264	299	330	267	524
In Power Centers (%)	23.6	26.7	30.8	34.5	40.9	43.0	45.7	47.5	23.9	na
In Power Nodes (No.)	45	80	106	134	161	180	199	216	171	480
In Power Nodes (%)	16.9	20.6	23.8	25.7	27.8	29.3	30.4	31.1	14.2	na
Total Number of Power Centers (of which part developed)	17 (7)	22 (8)	27 (9)	35 (13)	39 (10)	39 (7)	50 (15)	52 (15)	35	306
Total Number of Power Nodes	9	11	11	11	11	11	12	12	3	133
Average Number of Big-Boxes Per Power Center	3.7	4.7	5.1	5.1	6.1	6.8	6.0	6.3	2.6	na
Average Number of Big- Boxes Per Power Node	5.0	7.3	9.6	12.2	14.6	16.4	16.6	18.0	13.0	na
Average Number of Non-Big-Box Tenants Per Power Center	na	8.6	10.3	13.1	16.3	18.3	16.3	17.4	8.8 ^a	na
Average Number of Non-Big-Box Tenants Per Power Node	na	11.1	13.4	23.2	28.7	33.6	40.8	43.5	32.4 ^a	na

^aChange between 1996 to 2002

TABLE 14. GTA: BIG-BOX RETAILERS, 2002

Rank by Number of Big-Box Stores Operated	Company Name	SIC	SIC Description	Number of Big-Box Stores	Number in Power Centers or Power Nodes	Percentage in Power Centers or Power Nodes
1	Business Depot/Staples	6511	Book & Stationery	38	19	50.0
2	Winners	6149	Other Clothing	32	13	40.6
3	Canadian Tire Store	6341	Home/Autoparts Supply	27	18	66.7
4	Home Depot	6531	Hardware Stores	26	18	69.2
5	Wal-Mart	6411	Department Stores	20	13	65.0
6	Sport Chek	6541	Sporting Goods	19	5	26.3
7	Mark's Work Wearhouse	6121	Men's Clothing	17	15	88.2
8	Chapters	6511	Book & Stationery	16	10	62.5
9	Zellers	6411	Department Stores	16	5	31.3
10	Future Shop	6222	TV, Radio, Stereo, VCR	15	10	66.7
11	Gap	6149	Other Clothing	13	2	15.4
12	BouClair	6151	Fabric & Yarns	12	9	75.0
13	Old Navy	6149	Other Clothing	12	4	33.3
14	Loblaws	6011	Supermarkets	12	1	8.3
15	Pier 1 Imports	6239	Other Household Furniture	11	10	90.9
16	Home Outfitters	6239	Other Household Furniture	11	10	90.9
17	Costco	6413	Other General Merchandise	11	9	81.8
18	The Brick	6211	Household/Appliance	11	5	45.5
19	Toys "R" Us	6581	Hobby & Toy	11	3	27.3
20	Value Village	6591	Second Hand/Antique Stores	11	1	9.1
21	Sears Whole Home Furniture	6211	Household/Appliance	10	9	90.0
22	Hy & Zel's	6031	Pharmacies	10	2	20.0
23	Fortinos	6011	Supermarkets	9	3	33.3
24	Best Buy	6222	TV, Radio, Stereo, VCR	8	7	87.5
25	Michaels	6581	Hobby & Toy Stores	8	7	87.5

TABLE 14. (CONTINUED)

Rank by Number of Big Box Stores Operated	Company Name	SIC	SIC Description	Number of Big Box Stores	Number in Power Centers or Power Nodes	Percentage in Power Centers or Power Nodes
26	HomeSense	6239	Other Household Furniture	8	6	75.0
27	Office Depot	6511	Book & Stationery	8	5	62.5
28	No Frills	6011	Supermarkets	8	1	12.5
29	White Rose Crafts	6522	Lawn & Garden Centres	8	1	12.5
30	The Shoe Company	6111	Shoe Stores	7	7	100.0
31	Club Monaco	6149	Other Clothing	7	6	85.7
32	Moore's The Suit People	6121	Men's Clothing	7	6	85.7
33	Cineplex Odeon	9621	Movie Theatres	7	6	85.7
34	Famous Players	9621	Movie Theatres	7	5	71.4
35	Indigo Books Music & More	6511	Book & Stationery	7	3	42.9
36	Leon's Furniture Ltd	6211	Household/Appliance	7	1	14.3
37	Georgia Mills Factory Outlet	6151	Fabric & Yarns	7	0	0.0
38	Rona Home & Garden	6531	Hardware Stores	6	5	83.3
39	Harry Rosen	6121	Men's Clothing	6	3	50.0
40	Gap Kids/Baby Gap	6141	Children's Clothing	6	1	16.7
41	Super Pet	6596	Pet Stores	5	5	100.0
42	Golf Town	6541	Sporting Goods	5	5	100.0
43	AMC Theatres	9621	Movie Theatres	5	5	100.0
44	Giant Carpet	6231	Floor Covering	5	3	60.0
45	Famous Players Silver City	9621	Movie Theatres	5	3	60.0
46	Dollarama	6413	Other General Merchandise	5	0	0.0
47	Globe Shoes	6111	Shoe Stores	4	4	100.0
48	The Putting Edge	9699	Other Amusement & Recreational Service	4	4	100.0
49	PetSmart	6596	Pet Stores	4	4	100.0

TABLE 14. (CONTINUED)

Rank by Number of Big Box Stores Operated	Company Name	SIC	SIC Description	Number of Big Box Stores		Number in Power Centers or Power Nodes		Percentage in Power Centers or Power Nodes
				Box Stores	Stores	Power Centers	Power Nodes	
50	Mobilia	6212	Household Furniture	4	4	3	3	75.0
51	Banana Republic	6149	Other Clothing	4	4	2	2	50.0
52	Ikea	6212	Household Furniture	4	4	2	2	50.0
53	Liquidation World	6413	Other General Merchandise	4	4	0	0	0.0
54	Fitness Depot	6541	Sporting	4	4	0	0	0.0
55	Loomis & Toles	6593	Artists Supply Stores	4	4	0	0	0.0
56	Danier Leather	6142	Fur Store	3	3	3	3	100.0
57	Party Packagers	6599	Other Retail Stores	3	3	3	3	100.0
58	The Building Box	6531	Hardware Stores	3	3	3	3	100.0
59	Addition-Eile	6131	Women's Clothing	3	3	3	3	100.0
60	Sport Mart	6541	Sporting Goods	3	3	3	3	100.0
61	Reitmans	6131	Women's Clothing	3	3	3	3	100.0
62	Dominion	6011	Supermarkets	3	3	3	3	100.0
63	LCBO Superstore	6021	Liquor Stores	3	3	2	2	66.7
64	Penningtons	6131	Women's Clothing	3	3	2	2	66.7
65	D.O.T. Patio	6239	Other Household Furniture	3	3	2	2	66.7
66	La-Z-Boy Furniture Gallery	6212	Household Furniture	3	3	2	2	66.7
67	Phantom Outlet	6131	Women's Clothing	3	3	1	1	33.3
68	Holt Renfrew	6149	Other Clothing	3	3	1	1	33.3
69	Highland Farms	6011	Supermarkets	3	3	0	0	0.0
70	Sears Outlet Store	6411	Department Stores	3	3	0	0	50.0

1995 (see Table 15). There has been a clear movement on the part of fashion retailers to develop big-box formats, in part a response to limited development opportunities within shopping malls. Power centers five years ago were anchored by large grocery, general merchandise, hardware and electrical retailers. Increasingly, the growth of fashion retail and ancillary service, what has been termed the mini-box phenomenon (see Table 16), has resulted in a decrease in the average square footage of big-box power retailers. While the growth of fashion retailers within power centers may not represent their exodus from malls, it does signal a move in focus by a number of major fashion retailers to developing power retail formats. The growth of restaurants and entertainment within power centers also highlights the move from functional discount “category killing” shopping to cross-shopping leisure behaviors.

GTA: Vacancy Rate Analysis

The data collected by the CSCA allow analysis to be undertaken into the impact of power retail on shopping centers. It should be noted that the CSCA’s definition of vacancy is based on the consumer perspective; that is, when the center is annually surveyed by CSCA research staff, if a retail unit is vacant it is regarded as “vacant.” This approach generally inflates the vacancy data when compared to industry-released data since the vast majority of vacancy data provided by the shopping center industry are based on whether or not a retail lease is currently active for any given retail unit, regardless of whether the retailer is operating a store from the location.

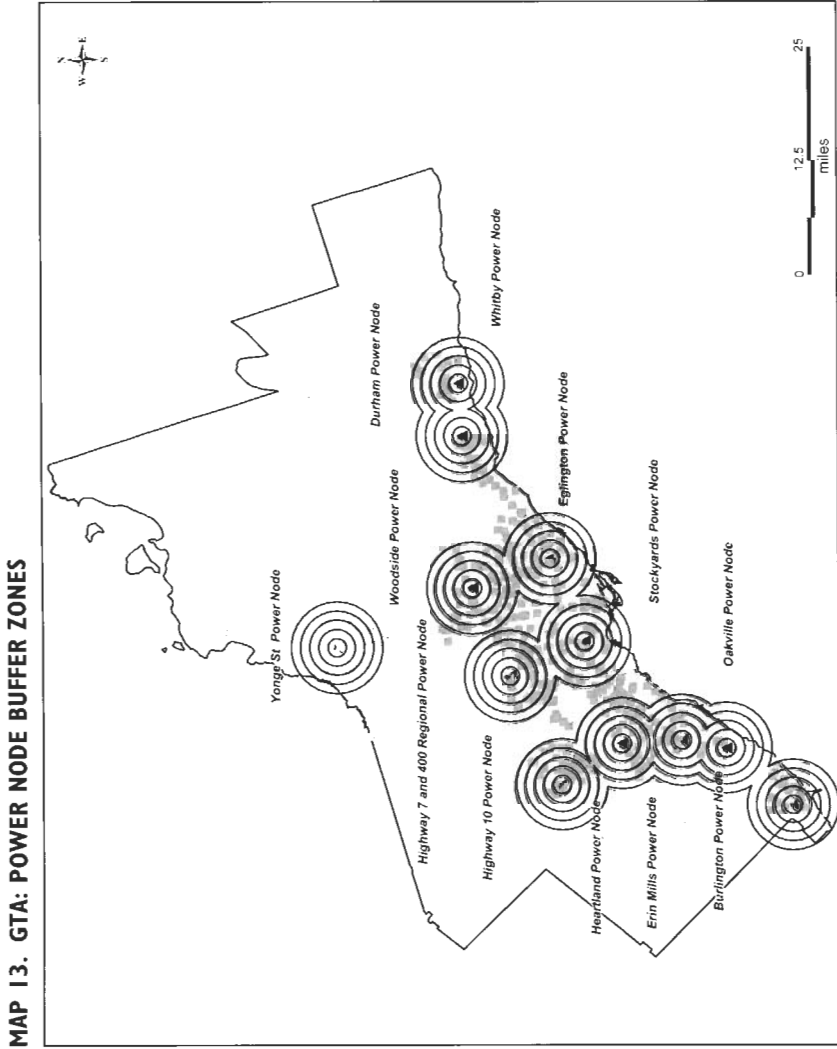
A number of concentric rings (at one mile intervals, up to five miles) were generated around each of the power centers and power nodes in the GTA (see Map 13). The aim of the analysis was to ascertain if malls in close proximity to power retail were more or less likely to have experienced an increase or decrease in vacancy rate between 1998 and 2002. This rudimentary analysis was used to test for initial distance decay effect

TABLE 15. GTA: AVERAGE RETAIL SQUARE FOOTAGE BY BIG-BOX LOCATION TYPE, 1995 TO 2002

Big-Box Location Type	1995	2002	Change (No.)	Change (%)
Free Standing	46,188	51,814	5,626	12.2
Located in a Mall	52,825	45,709	-7,116	-13.5
Located in a Power Center	53,190	47,160	-6,030	-11.3
Located in a Power Node	57,221	43,303	-13,918	-24.3
All Big-Boxes	50,484	47,644	-2,840	-5.6

TABLE 16. GTA: BIG-BOX GROWTH BY SECTOR, 1995 TO 2002

Sector	1995	1996	1997	1998	1999	2000	2001	2002	Change (No.)	Change (%)
Household & Appliance Stores	58	75	89	107	106	113	112	136	78	235
Other Clothing	25	38	41	59	71	80	93	98	73	392
Book & Stationery Stores	30	37	47	55	65	71	72	75	45	250
General Merchandise	37	39	41	44	50	51	56	62	25	168
Other Retail	27	44	52	59	57	55	58	54	27	200
Food	18	34	42	46	46	39	42	43	25	239
Hardware Stores	9	9	10	13	21	25	34	38	29	422
Women's Clothing	4	20	25	31	30	36	35	33	29	825
Entertainment	1	3	5	9	23	28	29	29	28	2900
Sporting Goods	25	29	21	21	20	22	26	29	4	116
Men's Clothing	6	16	19	19	25	27	28	28	22	467
Automotive	2	4	6	7	10	12	18	22	20	1100
Shoe Stores	7	14	18	21	23	21	17	16	9	229
Florists, Lawn & Garden Centers	15	15	15	15	13	13	13	13	-2	87
Drug Stores	2	6	7	9	9	9	10	11	9	550
Liquor	1	1	1	1	3	3	3	3	2	300
Jewelry Stores	0	1	2	1	2	3	3	2	2	200
Hair & Beauty Services	0	2	2	2	2	2	2	1	1	100
Manufacturing & Distribution Services	0	1	1	1	1	1	1	1	1	100
Music Stores	0	1	1	2	3	3	2	1	1	100
Total	267	389	445	522	580	614	654	695	428	260



in mall vacancy rates and power retail development. Table 17 provides the summary data subdivided by type of mall (it should be noted that malls with less than 10 tenants were removed from the analysis). Of the 548 malls selected for analysis, 196 experienced an increase in mall vacancy between 1998 and 2002 and 64% of the malls saw their mall vacancy improve. For every mall that witnessed a decrease in vacancy 1.8 malls experienced an increase. These ratios provide a crude method for comparing the vacancy rate by distance banding. The findings from the analysis are inconclusive; malls in close proximity to the power centers do not illustrate any significant difference in terms of retail vacancy than those located further away. This perhaps highlights that vacancy only provides a good indication of retail vitality when a mall has significantly deterio-

TABLE 17. GTA: SHOPPING CENTER VACANCY CHANGE BY DISTANCE TO POWER RETAIL, 1998 TO 2002

Mall Type	Increase in			Decrease in			Ratio		
	Vacancy	Vacancy	Ratio	Vacancy	Vacancy	Ratio			
All Malls	196	7	1.8	352	23	3.3			
Super Regional/Regional	189	189	1.7	329	189	1.7			
Community/Neighborhood									
	All Malls			Super Regional/Regional Malls			Community/Neighborhood		
Power Center Buffers	Increase in			Decrease in			Increase in		
	Vacancy	Vacancy	Ratio	Vacancy	Vacancy	Ratio	Vacancy	Vacancy	Ratio
0 to 1 mile	26	63	2.4	3	6	2.0	23	57	2.5
1.1 to 2 miles	77	129	1.7	1	9	9.0	76	120	1.6
2.1 to 3 miles	50	87	1.7	1	3	3.0	49	84	1.7
3.1 to 4 miles	26	42	1.6	2	4	2.0	24	38	1.6
4.1 to 5 miles	12	22	1.8	0	1	0.0	12	21	1.8
Power Node Buffers									
0 to 1 mile	9	20	2.2	0	1	0.0	9	19	2.1
1.1 to 2 miles	29	56	1.9	2	5	2.5	27	51	1.9
2.1 to 3 miles	29	62	2.1	0	3	0.0	29	59	2.0
3.1 to 4 miles	42	64	1.5	2	7	3.5	40	57	1.4
4.1 to 5 miles	47	83	1.8	1	4	4.0	46	79	1.7

rated commercially. This is unsurprising since the issue for many shopping centers in the GTA is not solely the level of vacancy, but instead the mix and quality of the tenant base.

Table 18 provides an analysis of the shift in the tenant mix of the major shopping malls by distance from power retail. As with the vacancy rate analysis, the same set of buffer zones were applied to the dataset and change in tenant mix analyzed by retail type. As the table shows, there has been a decline in the presence of fashion retailers in the community and neighborhood malls in the GTA, and general merchandise and household and appliance stores in the super-regional and regional malls. The super-regional and regional malls have largely maintained their fashion retail tenant mix. At the same time, power retail has witnessed growth in “boxed” fashion, general merchandise and household furnishing, appliances and accessory stores. There does not, however, appear to be any clear distance decay effect, probably due to the widespread development of power retail, with the majority of consumers across the GTA in close proximity to power centers. Power retailing is now a ubiquitous retail form across the GTA—effects are not necessarily localized but experienced across the entire market area.

■ Major Power Retail Venues

This section provides examples from DFW and the GTA of major power retail venues. This clustering of big-box, non-big-box and mall retail has provided consumers in DFW and the GTA with a number of new major retail venues. The two examples provided are forwarded as indicative of the new breed of what can be termed regional power node retailing. The examples forwarded are both significant nodes of retail activity within their market areas.

Stonebriar Regional Power Node (Frisco, DFW)

The Stonebriar regional power node is located at Highway 121 and Preston Road on the northern border of the cities of Plano and Frisco. The node is centered on Stonebriar Center, a 1.6 million square foot super-regional center that opened in August 2000. As General Growth Properties describe it “the three-level, enclosed, super-regional center features six major department stores, a third-level multi-screen AMC Theatre, an NHL-sized ice-arena and 163 retailers comprising approximately 500,000 square feet of GLA accommodating large space users and theme restaurants” (www.generalgrowth.com). The mall is anchored by Nordstrom, Macy’s, Foley’s, JC Penney, Sears, Gaylan’s, AMC and Dave & Buster’s,

TABLE 18. GTA: SHOPPING CENTER TENANT MIX BY DISTANCE TO POWER RETAIL, 1998 TO 2002

Mall Hierarchy	Buffer	No. of Malls	Total Stores			Fashion		
			1998	2002	Chg.	1998	2002	Chg.
Super Regional	0 to 1 mile	5	1201	1236	35	460	460	0
	1.1 to 2 miles	2	421	424	3	130	129	-1
	2.1 to 3 miles	1	269	251	-18	69	74	5
	3.1 to 4 miles	3	715	699	-16	237	235	-2
	4.1 to 5 miles	1	292	312	20	102	110	8
	More than 5 miles	0	0	0	0	0	0	0
	Total	12	2898	2922	24	998	1008	10
Regional	0 to 1 mile	4	542	534	-8	176	184	8
	1.1 to 2 miles	8	1047	990	-57	277	273	-4
	2.1 to 3 miles	3	298	334	36	36	54	18
	3.1 to 4 miles	3	255	261	6	63	53	-10
	4.1 to 5 miles	0	0	0	0	0	0	0
	More than 5 miles	0	0	0	0	0	0	0
	Total	18	2142	2119	-23	552	564	12
Community	0 to 1 mile	27	943	943	0	97	76	-21
	1.1 to 2 miles	61	2541	2576	35	252	235	-17
	2.1 to 3 miles	31	1674	1738	64	229	265	36
	3.1 to 4 miles	18	1137	1104	-33	213	167	-46
	4.1 to 5 miles	9	649	671	22	116	118	2
	More than 5 miles	4	167	169	2	22	21	-1
	Total	150	7111	7201	90	929	882	-47
Neighborhood	0 to 1 mile	53	1097	1164	67	31	31	0
	1.1 to 2 miles	132	2752	2846	94	101	94	-7
	2.1 to 3 miles	101	2295	2361	66	98	71	-27
	3.1 to 4 miles	43	998	1013	15	77	73	-4
	4.1 to 5 miles	20	583	546	-37	63	53	-10
	More than 5 miles	10	182	182	0	2	5	3
	Total	359	7907	8112	205	372	327	45

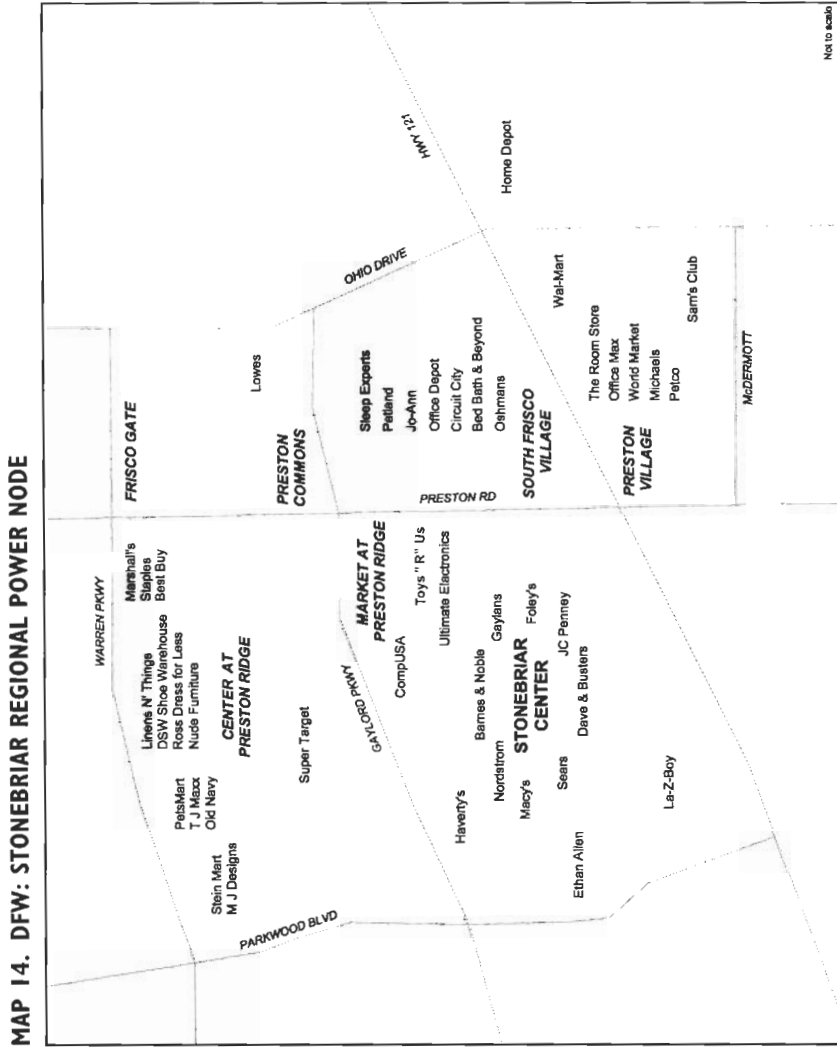
with a mix of major chain and specialty tenants that reflect its mid-scale family oriented leisure focus. The mall is encircled with a series of power retail pads—big-box retail has been clearly integrated within the development. Major box tenants on the Stonebriar block (see Map 14) include CompUSA, Haverty's, Toys "R" Us, Ultimate Electronic, La-Z-Boy and Ethan Allen. These pads are operated by a number of developers; for example, a pad on the north-west corner of the site—"The Market at Preston Ridge" (indicated on Map 14, see Photo Set A)—is owned by New Plan Excel Realty Trust and houses a 30,000 square-foot CompUSA, along with eight other smaller lease units (ranging from 800 to 4,750 square feet). A number of the pads immediately surrounding the Stonebriar mall are available for development. The big-box infilling on the Stonebriar site is therefore not complete, with these sites largely located in the less trafficked west and south area of the Stonebriar block.

TABLE 18. (CONTINUED)

General Merchandise			Household & Appliance			Service		
1998	2002	Chg.	1998	2002	Chg.	1998	2002	Chg.
23	22	-1	78	70	-8	78	70	-8
14	13	-1	30	24	-6	30	24	-6
6	4	-2	19	16	-3	19	16	-3
12	13	1	42	47	5	42	47	5
1	1	0	10	15	5	10	15	5
0	0	0	0	0	0	0	0	0
56	53	-3	179	172	-7	179	172	-7
15	12	-3	40	37	-3	40	37	-3
32	30	-2	65	62	-3	65	62	-3
6	6	0	23	24	1	23	24	1
10	8	-2	11	15	4	11	15	4
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
63	56	-7	139	138	-1	139	138	-1
31	32	1	79	95	16	79	95	16
87	83	-4	109	127	18	109	127	18
48	48	0	83	103	20	83	103	20
18	18	0	45	46	1	45	46	1
5	3	-2	14	9	-5	14	9	-5
7	8	1	5	4	-1	5	4	-1
196	192	-4	335	384	49	335	384	49
19	18	-1	54	57	3	54	57	3
55	68	13	121	125	4	121	125	4
60	68	8	56	70	14	56	70	14
18	22	4	17	18	1	17	18	1
7	7	0	12	11	-1	12	11	-1
5	7	2	7	12	5	7	12	5
164	190	26	267	293	26	267	293	26

To the north of Stonebriar Mall is the power retail development—"The Center at Preston Ridge," located between Gaylord and Warren Parkway along Preston Road. The power center, operated by New Plan Excel Realty, houses 118 tenants with over 725,000 square feet of retail space. The center has 18 major box tenants including PetsMart, DSW Shoe Warehouse, Ross "Dress For Less," Linens 'n Things, Old Navy, Staples, Best Buy and TJ Maxx. In addition, a large Super Target big-box store is also located within the power center (owned separately). There exists substantial room for further development of power retail with development sites to the west providing opportunity for expansion and in-filling.

The Preston Village power center is located to the Southwest of Stonebriar Mall, between McDermott and Highway 121 along Preston



Road. The center contains a small number of restaurants running parallel to Highway 121, and houses approximately 40 small retail units in four “town center” style blocks. The center has seven big-box tenants, including The Room Store, Office Max, Michaels and PETCO. The Preston Village power center is a split development with Wal-Mart Inc. owning the eastern portion of the site (backing onto Ohio Drive), and operating a Wal-Mart Super Center and Sam’s Club Warehouse. The Home Depot Inc. operates a store across from Wal-Mart, at the fringe of the Stonebriar node. To the north of Preston Village there are two power centers, filling the entire plot of land from Highway 121 to the Warren Parkway to the immediate east of the Stonebriar Mall. The first of these, South Frisco

**PHOTOSET AI TOP PHOTO—STONEBRIAR SHOPPING CENTER:
BOTTOM PHOTO—STONEBRIAR ICE RINK**



PHOTOSET A2 TOP & BOTTOM PHOTOS: CENTER AT PRESTON RIDGE



Village, houses big-box retailers including Petland, Jo-Ann Fabrics, Office Depot, Circuit City and Bed Bath & Beyond. The second, Preston Commons and Frisco Gate, comprises mostly smaller retail and service tenants, and Lowe's Home Improvement Warehouse.

In total, the Stonebriar regional power cluster houses retailers with more than four million square feet of leaseable retail. The area to the east of the power cluster, along Ohio Drive, has a number of development opportunities (vacant land cleared and signed for development), with newer suburban housing to the north of the cluster. The level of *power retail saturation* in the area is clearly an issue; simply, the pool of big-box retailers who are not already located in the power cluster is fairly small. For example, in the office supplies category, the power cluster is home to Office Depot, Staples and Office Max; similarly, in the pet supply category—PETCO, PETSMART and Petland; in electronics, Best Buy, Circuit City, CompUSA, Ultimate Electronics, and in home improvement, The Home Depot and Lowe's. This may result in smaller niche lifestyle developments taking place in the area. These will clearly be based on the planned and continued growth of affluent suburban subdivision housing within the area.

Highway 7 and 400 Regional Power Node (Vaughan, GTA)

The power center retailing located at Highway 7 and 400 in the northwest of the GTA has evolved into a major power node, and represents the largest concentration of big-box retailing within the GTA. With its landmark "Spaceship" Colossus (Famous Players) movie theatre (see Map 15 and Photo Set B), the power node at Highway 400 and Highway 7 houses 217 big-box and non-big-box tenants (totaling 2.9 million square feet of retail space), of which more than 50 tenants are big-boxes, accounting for 80% of the retail square footage (the equivalent of approximately three regional shopping malls). The development comprises five power centers: The Colossus Power Entertainment Center; Highway 7 and 400 Power Center; Seven and 400 Power Center; The Interchange; and Weston Road and Highway 7; and, three small shopping centers: Woodbridge Square, Whitmoor Center and Kingsmoor Place (these malls total less than 200,000 sq. ft.). In terms of the Canadian competitive environment this regional power node houses all of the major big-box players, including Wal-Mart, Canadian Tire, Costco, Best Buy, Winners, Sport Check and Toys "R" Us—with the recent addition of Sam's Club. However, in contrast to the Stonebriar Regional Node, Highway 7 and 400 is not centered on a mall, and instead acts as a form of competition to major malls in the

MAP 15. GTA: HIGHWAY 7 & 400 REGIONAL POWER NODE



vicinity—the node has a high proportion of major chain fashion retailers (e.g., Club Monaco, The Gap, Reitmans).

Future Mall and Power Development in DFW and Toronto

There are at least two new major shopping developments planned in the DFW area over the next few years. In February 2004, Simon Property Group announced the “ground-breaking” ceremony on Firewheel Town Center, an urban, landscaped, main-street themed development in Gar-

**PHOTOSET B1 TOP & BOTTOM PHOTOS—COLOSSUS IMAX THEATRE—
HIGHWAY 7 AND 400 REGIONAL POWER NODE**



**PHOTOSET B2 TOP & BOTTOM PHOTOS—FASHION RETAIL—HIGHWAY 7 AND
400 REGIONAL POWER NODE**



land in north-east DFW (www.simon.com). As stated in their press release, "the first phase, scheduled to open in the fall of 2005, will include approximately 750,000 square feet of retail/entertainment uses and 75,000 square feet of high-end office space in an open-air main street center . . . In addition to Dillard's, Foley's and AMC Theaters, the project will feature Barnes & Noble, Circuit City and Linens n' Things. Firewheel Town Center will contain approximately 245,000 square feet of specialty shop space and four to six sit-down restaurants. At build-out, Firewheel Town Center will have over 1,000,000 total square feet of combined space." General Growth Properties are developing a regional shopping mall, the Circle T Center, in the Westlake area, to the North-east of Forth Worth. As the company announced, this "resort-style development will have the feel of a Texan ranch. Inclusive of an open-air village bisecting the mall, Circle T will encompass 1.6 million square feet of shops in the form of four initial department store and numerous lifestyle retailers." (www.generalgrowth.com).

In the GTA, the Mills Corporation in partnership with Ivanhoe Cambridge will be opening Vaughan Mills, a development of 1.2 million square feet., with 15 anchor tenants and more than 200 specialty stores, scheduled for completion in the Fall of 2004 (www.vaughanmills.com). At an estimated cost of U.S.\$263 million, Vaughan Mills (located in Vaughan, North-West of the GTA) will be the first Mills Corporation concept mall in Canada, and their second international project after development of "Madrid Xanadu" in the south-western suburbs of Madrid, Spain. The Vaughan Mills development will cover an area of 75 hectares (180 acres) at the corner of Highway 400 and Rutherford Road, Vaughan (www.city.vaughan.on.ca). The Mills Corporation also operate Grapevine Mills in DFW, a 1.5 million square foot, 20 anchor development, opened in 1997 in the expanding Grapevine area to the north-west of DFW.

These planned developments in both DFW and Toronto are markedly different to the regional or super-regional malls that were built largely through the 1970s and 1980s. These newer developments are more lifestyle- and box-oriented. These developments are far more sophisticated (in a functional sense) when compared to the traditional multi-anchor enclosed mall or big-box warehouse retail centers. The centers are increasingly as much about marketing "place" and "community" as they are about retail mix and product/price/service offering. The level of power retail saturation is clearly an issue in the DFW and GTA markets. Despite healthy population growth projections, the wave of rapid big-box development is largely over. In DFW and the GTA, big-box retailers are increasingly looking to smaller town markets, and furthering development in the urban-fringe areas.

■ Prospect and Challenges for the Shopping Center Industry

Retail property development over the last decade has resulted in a wide range of power retail development configurations, from power centers to regional power nodes. Some of these developments have been planned; others have evolved over time, in conjunction with *ad hoc* planning approvals and as a result formed from diffused type developments. As this study has demonstrated there are a number of “emerging” power retail types. This paper has defined power retail into power center, power (regional) node, power cluster or power strip configurations. Simply, big-box retail is no longer confined to freestanding boxes in arterial locations, but instead the format has been integrated across a range of new and existing retail structures—with a resulting omnipresence of power retailing. The retail landscape is increasingly complex and is likely to continue to change through processes of retail metamorphosis. This presents many challenges to the retail researcher: the evolution of the retail landscape makes comparison between markets, and over time within the same market increasingly difficult. Power retail growth has not been focused solely on power center/cluster or strip developments, but has also included the development of larger boxed stores within existing shopping centers.

Evidence from the GTA and DFW suggests that the major (super-regional and regional) shopping centers have managed to maintain their mix of tenants and vitality—albeit with a few exceptions in DFW of older major malls that have seen severe decline, e.g., Southwest Center Mall, Fort Worth Town Center Mall. The community and neighborhood malls have witnessed more significant change in their tenant mix. Based on evidence for the GTA, these relatively smaller malls have witnessed a decrease in retail (fashion, particularly), to be replaced with service (or vacancy). In DFW, the community and neighborhood mall category has experience continued growth in the expanding suburban areas; however, as the urban-fringe edges further northward, it is likely that these smaller centers will be more vulnerable to the effects of retail decline.

The DFW and GTA markets act as examples of this retail evolution, with the size of the markets magnifying the changes. In both markets power retail has grown substantially, focused largely in the suburban and expanding urban-fringe areas. There are, however, distinct differences between the markets. First, the nature of power retail development varies. In the GTA there is a prevalence of power center developments, typically owned by REITs or development companies, with large multi-pad sites

developed and leased to the major big-box retail chains. In DFW there is a mix of power cluster and strip development, with big-box retail pads often owned by the retailer (or at least owned separately by development companies), and power retail spread out over a large area, with separate parking lots and access. Second, in DFW a number of recent power retail developments have been undertaken in parallel with new major mall development. In the GTA, new mall development has not taken place for more than a decade. The hybrid regional mall—power retail development seen in DFW (e.g., Stonebriar, Shops at Willowbend) has not taken place in the GTA. Third, land-use planning and the availability of land/property rights differ in DFW and the GTA. The GTA is a market that is geographically limited to the south (due to Lake Ontario) and to the north due to planning legislation that has restricted development on the grounds of environmental protection (i.e., the Oakridge Moraine). As a result the availability, size and “prime location” development sites in the GTA are limited. In DFW, municipalities actively encourage retail development (primarily as a driver of local tax revenue), with large plots of land available (and signed) for development throughout the northern suburbs and urban-fringe areas that surround DFW. Finally, the level of competition within big-box retail categories is far greater in DFW when compared with the GTA. For example, in the electronics sector, the GTA only has two main players, Best Buy/Future Shop and RadioShack. In DFW, competition is intense, with the major retail chains including Best Buy, Circuit City, Ultimate Electronics, Fry’s and CompUSA.

At the strategic level, the addition of the power retail category of stores to retailers’ location portfolios has led to a number of retailers experimenting with larger formats. For example, a given fashion retail chain may operate stores along retail strips, in major malls and in power centers. The potential for cannibalization of sales is clearly heightened in such a situation. For the retailer, property portfolio management is a balancing act. Currently, many fashion retailers, for example, operate in both malls and power centers. As malls and power retail become more integrated—with malls offering larger “boxed” retail units, and many power retail locations resembling open-air regional malls—the choice of the number of stores and locations to operate within a given market is more problematic for the retailer. Moreover, such property portfolio decisions will become increasingly complex, as the retail real estate development industry offer a seemingly endless set of *new* center types and possible locations to expand in, while simultaneously re-positioning the retail offer of *existing* centers through re-badging, re-fit, expansion and tenant mix management.

As a result, asset and risk management strategies in the retail category will become increasingly difficult to forecast and plan. Simply, the

universe of retail locations and shopping center types (and concepts) has grown markedly—with substantial blurring between shopping center types. Therefore, retail activities have become harder to compartmentalize into distinct development categories. Determining “cause-and-effect” especially, lagged (temporal) and spatial effects in this evolving retail landscape will continue to present significant challenges to the shopping center industry. In this environment, the development of “one-size-fits-all” measures of impact is clearly inappropriate. Instead, shopping center professionals need to compile a suite of measures, including tenant mix, vacancy rates and growth rates to assess retail vitality and investment viability.

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■ Acknowledgments

The authors would like to thank the retailers, real estate professionals and shopping center executives who kindly spared their time to offer insight and "in-the-field" advice. The authors also acknowledge the valuable contributions of John Kriz, Ken Jones, Tansel Erguden, Philip Bermingham and Claire Garvey in preparing the research paper.