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Tenant shakeup makes Bloor Street more luxe

By TARA PERKINS

Prominent brands upgrade premises on Toronto's high street, pushing up rents even on second-storey space

Canada's priciest street for retailers is undergoing a significant makeover, one that's being driven by an influx of wealthy new condo residents to the neighbourhood.

Toronto's Bloor Street is seeing a stream of new tenants in the Yorkville area and a lengthening of the traditional high-street strip. Retailers that have opened new premises on the street recently include Stuart Weitzman, J. Crew, Brooks Brothers, Mulberry, Dolce & Gabbana and Nespresso.

And the list won't end there. Some significant blocks of rental space are currently on the market, including a large spot vacated by Tiffany & Co. when it moved into splashier premises across the street, and 100 Bloor St. West, a property that has about 70.5 feet of frontage on Bloor itself.

John Crombie, the national retail director at brokerage Cushman & Wakefield, which is listing the space at 100 Bloor that's currently occupied by Roots and The Body Shop (Roots is taking a smaller space across the street), says that "what really pinned Bloor down in terms of lux quarters was when Louis Vuitton went there."

The legendary handbag and fashion chain moved in the summer of 2012 into a massive new location that is roughly three times the size of the one it previously had on the strip, known for years as the Mink Mile.

There has been a big shakeup in Bloor Street tenants since then, "and I think it's the first time we've seen big blocks of space coming up on the market," Mr. Crombie says. "What I also see changing in the Bloor market now is that corridor from Bay over to Yonge and beyond."

The HBC store at Bloor and Yonge is poised to become a Saks Fifth Avenue. "This will be the second-largest Saks in the world," Hudson's Bay Co. CEO Richard Baker told The Globe recently. "Ground zero for luxury goods in Canada," he said, adding it will be double the size of Holt Renfrew & Co. Ltd.

A big driver of all of this activity is an abundance of new high-end condominiums in nearby Yorkville. There are new condominium projects actively selling units in the Bloor/Yorkville area, according to RealNet Canada Inc. The average price of the units that are still available is \$801,510, or \$920 per square foot.

"With the densification of the Bloor Street area from a residential point of view, you're getting a more affluent customer there," Mr. Crombie says.

"So many more people will live there in a couple of years," landlord Max Vorst adds in a telephone interview from

Amsterdam. Mr. Vorst is the CEO of ProWinko, a real estate firm that specializes in high-end retail properties in major cities. It has assets in places such as Belgium, the Netherlands and Luxembourg, and decided to branch into Toronto with the acquisition of the retail portion of 110 Bloor St. West in 2008.

"There is so much construction and the prices that you see for those condos near Bloor Street – in Amsterdam you could sell maybe 25 or 30 in a certain price range and near Bloor Street you can sell 2,000 of those," Mr. Vorst says. "This is, of course, very good for the retail street."

Mr. Vorst has just refashioned his Bloor Street property to accommodate incoming retailers J. Crew and Brooks Brothers.

When he bought the building the space at the north end, which used to be occupied by Nike, did not connect to Bloor Street proper. He changed the layout so that he could fit in both J. Crew and Brooks Brothers and enable each of them to have a door onto Bloor Street. "Nike was not doing so well because they didn't have a presence on Bloor Street," he says.

In his opinion, Bloor Street is becoming more lavish. "I see many nice new luxury brands coming like Burberry, Louis Vuitton took a big store, Tiffany's moved. So what you see, I think, is it will become more luxury, with very, very strong tenants coming in."

It helps that the city and the Bloor Yorkville business improvement association recently completed a \$24-million transformation project along the street, widening granite sidewalks and adding a sustainable planter system for trees.

Another phenomenon that's occurring as retailers look for affordable ways to be on the Mink Mile is an increase in the cost of renting second-floor retail space. While ground-floor rents have been relatively stable, at about \$320 to \$325 per square foot per year, second-storey rents have roughly doubled over the past three years from about \$35 per square foot to about \$70.

Some landlords who own second-floor office space have been looking to convert it to retail, and some retailers have been looking to save on rent by putting some or all of their location on a second floor. "Tiffany's is a good example, where they took only 3,000 on the ground level and more space than that on the second level, which makes it more affordable," Mr. Crombie says.

Despite all this activity, there was a time not so long ago when Mr. Vorst might have wondered whether he did the right thing when he bought the building on Bloor.

"We entered in the top of the market, just before the crisis in the United States and Europe started," he says. And, unlike European markets, Toronto's high street has at times faced some stiff competition from shopping malls when it comes to attracting tenants.

After the financial crisis struck in 2008, a number of American and European retailers looked to Canada, which was relatively unscathed, as a safe haven to open locations and grow revenues.

"Bloor Street was an obvious one for large retailers, but when you had the announcement of Yorkdale Shopping Centre adding 140,000 square feet, retailers who had the opportunity of doing Bloor Street or Yorkdale elected to do Yorkdale," says Mr. Crombie, listing off names like Ferragamo, Ted Baker and AllSaints. "So there was a bit of a pause for Bloor Street for that 2011 and 2012 period."

This spring Yorkdale announced that it will be expanding again, by a further 298,000 square feet including a 188,000-square-foot Nordstrom store. But construction of that new space doesn't begin until next year, and the retailers won't be opening shop until late 2016.

"This is a chance for Bloor Street to take advantage of that," Mr. Crombie says.

Now, with J. Crew and Brooks Brothers moving in and Winners expanding on his site, Mr. Vorst has no regrets.

"We believe in downtown retail," he says. "Long, long, long term, high-street retail will always be there."