

# Target locations sit empty, a year after closures



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Construction workers renovate the former Target location in Signal Hill to become a new Lowe's location. GAVIN YOUNG / GAVIN YOUNG/POSTMEDIA

An announcement expected soon will likely reveal new tenants have been found for two more vacated Target locations in Calgary.

That would still leave two former Target stores sitting empty more than a year after the U.S.-based retailer pulled out — and one analyst says Alberta's current economic woes are making filling those spaces a challenge.

Of the six Calgary locations left vacant when Target retreated from the Canadian market last year, only two are currently being redeveloped by a new retailer. Lowe's Canada is in the process of converting the former Shawnessy and Signal Hill Target locations, two of a total 13 leases previously owned by Target that Lowe's scooped up as part of its cross-Canada expansion plans. Both the Shawnessy and Signal Hill Lowe's stores are expected to open this summer.

The Target sites at Market Mall and Chinook Centre — both of which are owned by Cadillac Fairview — are empty, although an announcement may be forthcoming. Janine Ramparas, a spokesperson for the landlord, said in an email that there are "exciting plans" for the spaces, but declined to say more.

Market Mall manager Darren Milne went a step further, saying the mall hopes to be able to make an announcement "later in May" about who will be occupying the former Target space.

That would leave the vacant Target locations in Sunridge Mall and the Forest Lawn Shopping

Centre unoccupied. Sunridge Mall — which is owned by Primaris, a division of H&R REIT — is "working feverishly" on trying to secure a tenant for the space but is not able to announce anything yet, said mall general manager Devon Hutt.

Hutt added the current economic climate in Alberta is making the task challenging.

"There's a lot of space out in the market these days, and then when you tack on what's going on in the city and the province — well, it's taking a while," Hutt said.

Michael Kehoe of Fairfield Commercial Real Estate in Calgary said filling the 133 stores across Canada that were vacated all at once due to the failure of Target Canada was always going to be difficult for landlords. Having that many large-format retail real estate spaces come on the market at one time is unprecedented in Canada, he said.

"It's a once in a lifetime occurrence — we'll never see it again, I don't think," he said.

But in Kehoe's opinion, the crash in oil prices and resulting downturn in the Alberta economy has aggravated the situation. While desirable locations like Market Mall and Chinook Centre are always attractive to prospective tenants, less high-profile locations are likely to sit on the market for a longer time.

"We have a bit of a red flag on Alberta right now, as people wait and see what's happening with the economy and oil prices," Kehoe said. "For some of the other lesser lights (Target locations), it will be a long haul, and the spaces are likely to be subdivided and the space recycled with smaller box store tenants."

A recent Statistics Canada report showed retail spending in Alberta totalled \$6.1 billion in February, down 0.4 per cent from January and 1.8 per cent from a year earlier.

Not everyone agrees the economy is playing a role in keeping former Target sites shuttered, however.

Kole Magnowski, a retail associate with Barclay Street Real Estate in Calgary, said the overall retail vacancy rate in Calgary currently sits at a "healthy" 3 per cent, up from 2.7 per cent at the end of 2015 but still lower than other major markets like Vancouver, Edmonton and Ottawa.

"When people look at big, large empty locations like Target they think it must be a sign of the poor economy in Calgary. We don't think that's the case. It's just that it takes a very, very long time to fill a large footprint like Target," Magnowski said.

He added that while Calgary's retail vacancy rate is expected to increase slightly over the next quarter, the suburban, small-unit format is still in high demand. He said that's actually typical of past downturns in Alberta.

"If people are thinking outside of oil and gas, they look into other industries. Sometimes people who are getting laid off look into opening a store they've thought about for many years," Magnowski said.

Target Canada filed for bankruptcy in January 2015, less than two years after entering the market. It had closed all of its stores by April 12, 2015, leaving more than 17,000 layoffs Canada-wide and 2,000 layoffs in Alberta in its wake.

In March 2016, after months of wrangling in the courts, the company announced it had reached a settlement with its creditors and former landlords. Creditors are expected to vote on the proposal on May 25.

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