

Sears Canada leaving behind prime real estate in Calgary: analyst



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More from Reid Southwick, Calgary Herald

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The Sears Home store in Deerfoot Meadows was photographed on Thursday June 22, 2017 the store is one of three in Southern Alberta that is slated to be closed as Sears Canada announced Thursday it was seeking bankruptcy protection. GAVIN YOUNG / CALGARY HERALD

Sears Canada will close three stores in southern Alberta, including one in Calgary, shedding more than 100 jobs and leaving big retail spaces vacant.

The closures are part of the struggling retailer's efforts to restructure amid financial pressures and increased competition.

A home furnishing store near Calgary's Deerfoot Meadows business park will be closed, along with locations in Okotoks and Medicine Hat.

Retail landlords across the country have known for years that Sears Canada's financial position has been deteriorating, giving them time to prepare, said Michael Kehoe, a commercial real estate broker.

Still, finding new tenants could be a challenge, similar to what landlords faced after Target left Canada, shuttering 133 locations, Kehoe said.

"(Landlords) can replace these tired-looking, under-performing Sears stores with new and more viable, more current and relevant tenants," he said.

The closures come amid a promising outlook for Calgary retailers.

After a punishing recession, Calgary's retail market "reflected a newfound sense of optimism" in the first half of 2017, with the vacancy rate falling to three per cent after hovering around 3.5 per cent for much of last year, according to Barclay Street Real Estate.

Retailers in the Beltline and downtown suffered the most severe blows as oilpatch layoffs hollowed out office towers and reduced critical foot traffic for stores and restaurants.

Still, the commercial district has seen a slight upswing in activity with 26,000 square feet of vacant retail space taken off the market, cutting the area's vacancy rate from 11.5 per cent to 10.8 per cent, Barclay Street said in its mid-year report.

Amy McGregor, a retail associate who co-wrote the report, said landlords in Calgary and Okotoks likely won't have a difficult time finding tenants for vacant Sears Canada locations.

"The one in Deerfoot Meadows is in prime real estate, and it's really hard to get into any significant space down there, so I think that will be re-absorbed quite quickly," McGregor said.

"Okotoks has also proven itself to be quite an active market and quite desirable for all kinds of national and regional brands.

"I don't think this will have a huge impact, unless it starts expanding and Sears starts closing down larger stores in Calgary."

The Calgary store up for closure employs 26 people, while 74 staff work at the department store in Medicine Hat, according to Sears Canada, which didn't have a tally for the Okotoks location because it's run independently.

Sears was also closing stores in Edmonton, Grande Prairie, Red Deer, Lloydminster, Cold Lake, St. Albert, Spruce Grove, Fort McMurray, Leduc and Sherwood Park.