



Downtown Winnipeg Retail Market Analysis & General Positioning Strategy

**Undertaken on behalf of the
Downtown Winnipeg BIZ**

MJB Consulting / May 2009



A Retail Real Estate Consulting Firm

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Introduction

In February 2007, the Downtown Winnipeg Business Improvement Zone (BIZ) sponsored a two-day site visit and evening presentation by Michael J. Berne, President of New York, N.Y.-based MJB Consulting (MJB), on the subject of retail regeneration in Downtown Winnipeg.

Based on the positive reception to Michael's presentation, the BIZ looked to secure funding from its Downtown partners to retain MJB Consulting for an extensive, three-phase effort involving, first, a market analysis and positioning strategy, then, second, a tenant recruitment campaign, and third, a "roles-and-responsibilities" implementation plan.

The BIZ was able to secure funding from its Board, the City of Winnipeg, Centre Venture Development Corporation, the Forks/North Portage Development Corporation and the Exchange District BIZ to retain MJB Consulting for the first phase (market analysis and positioning strategy), with the hope that the resulting product would generate interest in providing additional monies for the second and third.

MJB started on this first phase in the summer of 2008. The firm was asked to focus on four specific districts within the Downtown: the Exchange District, the Waterfront, Portage Avenue and Graham Avenue. Other districts were considered only inasmuch as they impacted on the retail potential of (or would be affected by retail regeneration efforts in) one or more of these four.

As an out-of-town consultant, MJB took very seriously the need to spend an extensive amount of time "on site" (in the study area and Winnipeg more generally), and during the course of the study, its President, Michael J. Berne, made three separate site visits, aggregating to roughly two weeks (in addition to the two days in 2007).

Specifically, MJB's scope-of-work consisted of the following:

- Review of previous studies on and plans for Downtown retail, as well as past articles and blogs on the subject
- Assessment of general "site-specific" factors that impact on Downtown's retail potential (e.g. visibility, parking, "street traffic", etc.)
- Extensive review of competing business districts and shopping centres in the Winnipeg metropolitan area

- Separate interviews/meetings with local retail brokers and real estate experts as well as various other stakeholders (see below)
- Delineation of appropriate trade area boundaries
- Analysis of trade area demographic and psycho-graphic profiles
- Consideration of other relevant "traffic drivers" (e.g. office-worker concentrations, arenas/theaters, educational institutions, etc.)

In an effort to gather input, elicit feedback and achieve "buy-in", Michael also conducted start-up meetings with the BIZ's Downtown Retail Steering Committee and with Waterfront property owners/brokers, and presented his findings separately to each of these two groups as well as an assemblage of Downtown retail brokers.

Keep in mind that this first phase is meant to focus only on general market positioning; it is in the second phase (if approved) when specific tenanting possibilities would be identified, a fine-grained analysis of vacant and "soft" sites/storefronts undertaken, and meetings with their respective landlords/brokers conducted.

The following executive summary does offer some names of **retailers that might be considered**. However, these **are put forward merely as examples of concepts that would make sense; they have *not* been fully "vetted" in terms of likely interest**. This extra step, which involves analysis of their current financial condition, precise expansion plans, likelihood of considering the Winnipeg market and Downtown in particular, etc., would be part of the second phase.

Furthermore, while the executive summary provides some direction on next steps, and some possibilities for specific sites, **one should not confuse this report, which provides general direction on appropriate retail mixes for the four subject districts, with a full-on, lot-by-lot strategy for realizing those mixes**. Rather, it should be seen as an essential first step, an analytical piece that grounds the more implementation-focused and action-oriented later phases in a realistic understanding of the market potential.

Finally, MJB would like the following for contributing time and input in separate interviews/meetings:

- John Prall of Colliers Pratt McGarry
- Calvin Polet of Neptune Properties
- Steven Paulus and his colleagues at Avison Young
- Carl Seir of Cushman Wakefield

- Lisa Holowchuk, (formerly) of the Exchange District BIZ
- Ron Suzuki and Esther Paterson of Lombard Place Limited
- Mo Razik of Fenton's Wine Merchants
- Desiree Blackmore of the Bay
- Bob Downs and Chris Vodrey of Shindico
- Jim August of the Forks/North Portage Development Corporation
- Mal Anderson of the Exchange District BIZ
- Ross McGowan of Centre Venture, and the property owners on the Waterfront (i.e. Excelsior, Ship Street, Sky, Strand)
- Downtown retail brokers

MJB would also like to thank the members of the Downtown Winnipeg BIZ's Downtown Retail Steering Committee: Dave Stone, Ken Berg, Caroline Ksiazek, Steven Paulus, Barry Thorgrimson, David Angus, Ellery Broder, Mo Razik, Garry Holmes, Jarrett Storey, Jeff Badger, Mal Anderson, Loretta Martin, Peter Squire and Ross McGowan.

Executive Summary

The following is not so much a summary of the report's findings and recommendations -- it is difficult to do that for a 80+-page document in such a short space -- but rather, an extraction of some of the larger themes and fresher ideas, for the purposes of provoking thought and generating excitement for the phases that lie ahead.

Exchange District

Vision

By day, the Downtown office workers near Portage & Main discover compelling lunchtime alternatives that cannot be found elsewhere, and then they stay after work for food and drink at the "**casual-chic**" restaurants/bars.

With its artsy reputation, historic architecture and distinctive atmosphere, Winnipeg's "Warehouse District" offers some of the "**cool factor**" to which today's young professionals typically gravitate, for dining/nightlife as well as for shopping.

Tools

- Property owners "buying in" to this vision
- Incentive packages in select cases (e.g. "tenant improvement" assistance, below-market rents offered by quasi-public landlords/sub-leasees, etc.)
- Retail recruiter role for the Downtown Winnipeg BIZ

Non-Retail Strategies

- "Clean and safe"
- Appropriate branding and marketing
- "Place-making" strategies

- In deciding to eat lunch in the Exchange District, not only would Portage & Main office workers have to bypass alternatives like Winnipeg Square, but also, they would have to leave the Walkway system and brave the elements. They might, however, be lured to the Exchange if it offered especially compelling lunchtime alternatives that could not be found elsewhere.

For example, the last half-decade has seen the rapid rise of so-called "**fast-casual**" food purveyors that, while utilizing a quick-service format, offer

healthier and higher-quality ingredients, often in a more stylish setting, at a slightly more expensive price-point. Possible candidates include fast-expanding brands based in Canada and the U.S.



Lettuce Eatery (left), recently re-branded as **Freshii**, is a fast-growing, fast-casual concept born on the streets of Toronto but expanding across North America. And its founder and CEO, Matthew Corrin, is a Winnipeg native...

- Given its proximity to Portage & Main, the Exchange District is also an appropriate location for more casual yet still stylish eating and drinking establishments geared towards the after-work/"Happy Hour" crowd. At present, the options are limited, with many driving to Earls further south on Main Street. More such alternatives within walking distance of the office could prove compelling.

Speaking more generally, the Exchange District should at this point be much further along in its evolution as a dining and entertainment destination. With its artsy reputation, historic architecture and distinctive atmosphere, it offers some of that "cool factor" to which today's young urban professionals typically gravitate. And yet, the Exchange is far from achieving "critical mass" in this respect, and can still be quite sleepy in the evenings.

- There are a number of reasons why "**casual-chic**" concepts like Earls have been so successful, but two in particular bear mentioning here. One, they embrace a stylish, relentlessly contemporary aesthetic that appeals to a generation raised on the mainstreaming of high design. And two, in their décor, vibe and cuisine, they tap the aspiration of their customers, especially the ones in smaller metros like Winnipeg, to feel young, hip and modern.



Cactus Club Café (left) is a casual-chic restaurant/bar concept from British Columbia that has yet to establish a presence in the Winnipeg market.

With noted exceptions, few of the offerings in Winnipeg's other nightlife districts (e.g. Corydon, Osborne) do that: they cater for the most part to what Winnipeggers already know. On the other hand, places like Earls and Moxie's are appealing to what they *aspire to be*, and while one can justifiably criticize these concepts on various grounds, they deserve credit for having spotted and so successfully mined a real but under-served sensibility in the marketplace.

Even if the larger "casual-chic" brands were not interested in the opportunity, they have provided a clearly successful and relatively straight-forward model that local/independent operators can emulate and adapt. Indeed, Winnipeg has no shortage of possible candidates, restaurateurs and nightlife impresarios who have already succeeded with very similar concepts elsewhere in the city. And such smaller, homegrown entrepreneurs are, for a variety of reasons, more likely to be flexible in their site locations and willing to consider an opportunity that does not meet a large chain's exacting requirements.



An example of a local entrepreneur who understands the casual-chic market is **Lyle Portz**, owner of Confusion Corner Bar & Grill (left), who might be approached about opening a similar concept in the Exchange District.

- Of course, this is a long way from the Exchange District as the artistic frontier, and many of the earlier pioneers and its creative types are likely to abhor this vision of the Exchange as a "yuppie" playground.

To better understand these tensions and what they mean for retail, it is necessary to introduce the field of "**psycho-graphics**". Consumers today are defined not only by quantitative, demographic data -- income levels, for example -- but also, by qualitative, "psycho-graphic" characteristics, by lifestyle, aspiration, sensibility, etc. And the latter plays just as important of a role in determining where they shop, eat, drink, etc.

For example, those who head to Earls for "Happy Hour" and those who imbibe at The King's Head might very well come from the same socio-economic strata -- they might even both be employed in "creative-class" occupations -- but their contrasting sensibilities drive them to fundamentally different environments. Indeed, many at The King's Head have such disdain for Earls that they would "not be caught dead" there.

- The King's Head is one of a number of businesses in the Exchange District that cater to the creative types and alternative thinkers (or "**hipsters**") who initially re-discovered and re-pioneered the neighborhood when it was still neglected and cheap. Others include Cinematheque, Royal Albert Arms, Artists Emporium, Antiques & Funk, Ragpickers Anti-Fashion Emporium and Books, Red River Books, Into The Music, Mondragon Bookstore and Coffeehouse, The Underground Café and The Fyxx Espresso Bar.

(For a more detailed description of what a hipster is, please see p. 36).

- Of course, the Exchange District is perceived to be transitioning. Rent increases are reportedly driving some artists to cheaper space on North Main and in North Point Douglas, and there is reason to believe that, in the longer term, the hipster sub-market might start to gravitate not so much north -- where development pressures will be increasingly felt -- but west, towards the University of Winnipeg and into the West End.

- This transition is also heralded by the emergence of a cluster of up-market boutiques that cater largely to young, relatively well-paid professionals with artsy, funky tastes, which signals the rise of another psycho-graphic, the "**yup-ster**", related to but subtly different from the hipster.

The yup-ster, representing a hybrid of "yuppie" and "hipster", can be defined as a mainstream young professional who earns a decent salary and prefers to live in a relatively established, comfortable and affluent part of town, but who has integrated creative and alternative sensibilities into her lifestyle and consumer preferences.

(For a more detailed description of what a yup-ster is, please see p. 43).

For any student of modern urban development, the arrival of yup-sters in the Exchange District comes as no surprise. In cities across North America, those belonging to this psycho-graphic have gravitated to neighborhoods that were initially re-discovered and revitalized by artists, drawn inexorably to the creative vibe there, partly because such areas reflect their own aspirations, how they want to see themselves and be seen by others.

- Many typical yup-ster concepts might not currently exist in the Winnipeg market, and some might feel that they are meant only for more hip, cosmopolitan cities like Toronto or Calgary. However, like any large city, Winnipeg has its yup-sters, along with many more who will only realize that they share such tastes and proclivities if when they are given the choice.



Purr Clothing (left) is a yup-ster chain-let that started in Calgary, with stores on 17th Avenue and in Kensington, and has recently established a presence in Vancouver, with a new location in South Granville. With its willingness to expand beyond its home market, Purr might be worth approaching for the Exchange.

- Going forward, the Exchange District's emerging status as a yup-ster shopping *destination*, capable of drawing from beyond just the immediate vicinity, will probably fuel higher rents and greater selectiveness on the part of landlords, ultimately displacing edgier hipster-oriented businesses and reinforcing perceptions (and fears) of an area in transition.

And there is a danger to this. The most stable urban shopping precincts are likely to be the ones with a diverse mix of drivers and customers, especially in a suburban-oriented city like Winnipeg. Furthermore, hipster-oriented concepts help such a district's brand identity, inasmuch as yup-sters tend to look more favorably on neighborhoods with some still-remaining artistic and creative grit.

For this reason, it might make sense to consider some sort of financial assistance for existing and prospective hipster-oriented operators and anchors (e.g. Plug-In Institute), say, a ground-floor lease, entered into by a quasi-public or non-profit entity, where the space is reserved for them. Of course, designing appropriate

selection criteria would be a complex endeavour, but it would also provide Winnipeg with an opportunity to assert itself as a "cutting-edge" leader in an area with direct relevance to many neighborhoods across Canada and beyond.



"Hipster" entrepreneurs tend to stay local, meaning that the prime targets are likely to be ones already established elsewhere in Winnipeg, like Andee Penner (left), owner of the **Sew Dandee** boutique in Osborne Village.

- Finally, the decision by Birks, the storied Canadian jeweller, to move its one Winnipeg-area location from Polo Park to Main Street, together with the presence of U.N. Luggage as well as Hy's Steakhouse, Tre Visi and Bailey's, suggests the possibility of growing a small cluster of more **traditional high-end retailers** in the Exchange District. However, for a variety of reasons, it makes sense to tread cautiously.

The Waterfront

- In addition to the Exchange District proper, the new mixed-use developments on Waterfront Drive will ultimately contain some 35,500 sq.ft. of commercial space. It will, however, prove very difficult to fill these bays with shops, at least in the short term. Rather than trying to force something that would not happen on its own, why not expend precious subsidy dollars further west, where a business district is already gathering momentum?
- If Waterfront Drive makes sense for anything, it would probably be sit-down eateries -- one or maybe two -- focused on breakfast, brunch and lunch. Other possibilities include concepts that have relocated from elsewhere and already have an established customer base (e.g. beauty salon, like lashlove), that derive a large share of their revenue from non-retail sources (e.g. wholesale business, like Zcafe Espresso Boutique), or that can trade on the park-land/waterfront setting (e.g. day spa). Otherwise, such spaces probably make the most sense for professional office uses (e.g. psychotherapists).



Stella's Café & Bakery is the sort of breakfast/brunch/lunch-focused concept that would be appropriate for the Waterfront, and has a track record of taking pioneering locations, like this one on Sherbrook Street (left).

Portage Avenue

Vision

Portage Avenue features "**crossover**" retail brands, that is, ones that draw across socio-economic and cultural lines, that are accepted and patronized by the comfortable classes yet at the same time offer merchandise that is appealing, prices that are accessible and an ambiance that is welcoming to lower-income households.

This includes not just popular value-oriented concepts, but also, so-called "**cheap-chic**" fashion purveyors specializing in inexpensively-priced "of-the-moment" looks, geared towards the trade area's high percentages of twenty-somethings.

Meanwhile, Portage Avenue caters to its evening traffic (e.g. MTS Centre) with well-known food and drink brands that target a middle-market clientele, with broadly popular concepts, unpretentious interiors and moderate price points.

Portage Avenue also welcomes Winnipeg's first integrated "**urban entertainment centre**", a high-octane mix of entertainment, dining and retail catering to the crowds at the MTS Centre, the out-of-towners at the Winnipeg Convention Centre, and locals looking for a "one-stop shop" for their evening fun.

Tools

- Property owners "buying in" to this vision
- Incentive packages in select cases (e.g. tenant improvement assistance, "walk clauses" tied to sales performance, etc.)
- Landlord-developer agreement for "urban entertainment centre" site, including development guidelines (e.g. pedestrian orientation, on-site parking, etc.)
- Retail recruiter role for the Downtown Winnipeg BIZ

Non-Retail Strategies

- "Clean and safe"
- Improving demographics and increasing densities within the larger residential trade area

- Like the Exchange District, Portage Avenue has a destination appeal, capable of luring Winnipeggers from beyond the immediate neighborhood. However, as two of its chief draws are a branded department store and a traditional chain-

filled enclosed mall, it is meant to focus not on a specialty niche (like hipsters/yup-sters), but rather, on what one might call "**commodity**" retail.

A commodity is defined for the purposes of this discussion as a brand that one can find in virtually every major retail sub-market in a given metropolitan area. Take, for instance, the Peoples Jewellers chain: in the Winnipeg market, it operates stores at Polo Park, St. Vital Centre, Kildonan Place and Garden City. Or Winners, with locations in the shopping districts near those same four centres.

With a commodity, because one store within the chain is no different from another, consumers will typically shop the location that is most convenient to them. They will not drive across town -- or, more importantly, for our purposes, to Downtown -- for, say, a Peoples Jewellers or a Winners -- if they can find the same merchandise, at the same price, at/near their local mall.

The "trade area" for such brands, then, can be defined as that area within which Downtown would be the *most* convenient option. In order to delineate its boundaries, one must first map and assess the primary commodity-focused competitors, and then determine at what point it would be more convenient for residents to head inward to Downtown, rather than outward to one of them.

- The trade area for Portage Avenue numbers roughly 97,845 people: as a rule-of-thumb, the traditional, department store-anchored, comparison goods-focused enclosed mall requires a trade area of 200,000 to 250,000 persons: Downtown Winnipeg's has less than half of that.

Furthermore, the median household income can be estimated to fall somewhere in the mid-to-high \$20,000's. This falls far below the medians for the five-kilometre rings surrounding each of Winnipeg's five other major shopping districts, and for the city as a whole (\$43,383).

This helps to explain why Portage Avenue attracts interest from the kinds of retailers that it does: commodity brands have a very clear understanding of what they require in a trade area, and in this case, most of them see one that does not even come close to reaching their necessary population and income thresholds.

Furthermore, given its trade area's unfavourable comparison with the city's other major shopping districts and distance from the city's high-growth areas, Portage Avenue is not the obvious choice for commodity brands looking to open their first or only Winnipeg-area store.

- Of course, the Portage Avenue sub-district boasts certain traffic generators that its suburban competitors lack, but none of these -- the moderately-paid office workers, the budget-conscious University of Winnipeg students, the library-goers and the conventioners -- radically changes its retail prospects.

- Given this demographic profile, its proximity to Polo Park and its existing configuration one struggles to understand how, in the near term, Portage Place's draw and mix could be *fundamentally* and *dramatically* transformed from what it is today.

- Deep-discount brands are even less surprising on Portage Avenue itself because, in addition to the market realities, leasing efforts are challenged by odd configurations in heritage buildings, direct exposure to the street traffic and isolation from the all-important walkway system, resulting in cheap rents in the low- to mid-teens. And prospects are still fewer as one moves further east, away from the mall, and outdoor footfall drops further.

- However, as Winnipeg's highest-profile street, Portage Avenue is the city's "face" to the world and Downtown's face to the city, and as such, it plays a critical role in shaping perceptions of the city among visitors and of Downtown among Winnipeggers. And while brands like The Bargain! Shop and The Cash Store might be appropriate for the market, they do not paint an especially flattering portrait.

- In order to improve such prospects, it is first necessary to look at the problem from a higher altitude. If the commodity-focused shopping district draws residents for whom it is the *most* convenient option, part of the solution is to redouble efforts to improve the demographics of and increase the densities in the close-in neighborhoods surrounding Downtown.

Of course, the three levels of government have played a catalytic role in the creation of a new residential quarter on Waterfront Drive, but it is important to keep in mind that, with only 180 units, this represents just a tiny fraction of what commodity brands require. Indeed, a fully built-out South Point Douglas would have a much greater impact in this regard.

Another model is to be found in the existing close-in neighborhoods, where, largely as a result of the public and non-profit sector's reinvestment in the housing stock, better-off households started to move to the West Broadway area in the late '90's. They have continued to do so in the first half of the '00's, and evidence also suggests that a similar trend might be emerging in other nearby,

low-income precincts, like Spence and Lord Selkirk Park. From the admittedly narrow perspective of commodity retail, such in-migration should be strongly encouraged.

- Also, it is worth noting that prominent downtown streets do not necessarily lack a deep-discount component, but the difference on say, Downtown Toronto's Yonge Street, is that while there is (and has been, historically) no shortage of such businesses, they are now *diluted* by a still larger number of mid-market concepts as well as certain head-turning, buzz-generating brands and developments, and therefore no longer dominate the experience or shape perceptions to the same degree.

- So, how can this dilution be achieved? One possibility is suggested by the mainstream embrace of value retail, a cultural trend that has not slowed since the big boxes and power centres first started to multiply across Canada in the 1990's. Everyone shops discount, and no one is ashamed to have done so; if anything, consumers are more likely to brag about the bargains that they unearthed there.

Of course, while everyone shops discount, only those with low incomes are thought to shop *deep* discount, and the presence of such stores therefore tends to have a stigmatizing effect, suggesting an impoverished and potentially dangerous part of town that is best avoided. And when they fill a prominent downtown street, out-of-towners will often extend that characterization to an entire city.

The focus for recruitment, then, should be on discount brands with "**crossover**" **appeal**, ones that cut across socio-economic and cultural lines, that are accepted and patronized by the comfortable classes yet at the same time offer merchandise that is appealing, prices that are accessible and an ambiance that is welcoming to lower-income households.

Such brands might not be especially glamorous or offer much sizzle, nor are they capable of drawing suburbanites past more conveniently-located shopping districts closer to their homes, but they will be responding to market realities in a way that supports, or at least does not detract from, the image of Portage Avenue, Downtown and the city more generally.

- Other possibilities for crossover retail include the so-called "**cheap chic**" purveyors that specialize in "fast" or "disposable" fashions, that is, of-the-moment looks and runway knock-offs that are priced inexpensively, thus allowing

the shopper to indulge in guilt-free buying and return to the store for more once current trends fade and new ones take their place.



Forever XXI is a fast-growing, U.S.-based purveyor of cheap-chic fashions that has started a push into Canada, including a hugely successful location at the high-visibility intersection of Yonge and Dundas (left).

- Many of these discount and cheap-chic concepts -- and most of the ones that could act as anchors -- require larger floor-plates, and these are not easy to find on Portage Avenue. Possibilities include the A&B Sound Building (although it is challenged by its two-level layout and lack of on-site parking), and the United Army Surplus property.

- Assuming that suitably-sized spaces can be identified and secured, these brands are likely to require incentive packages -- including, for example, high levels of build-out assistance, "walk clauses" tied to sales performance, etc. -- in order to mitigate the risk that they would associate with the Portage Avenue opportunity.

This responsibility necessarily falls to the public sector. Developers of large suburban shopping centres routinely "buy" their anchors because they know that such "loss leaders" will drive higher rents in the remaining space. But in downtown settings, where landlords typically do not control multiple buildings, there is no such incentive (nor necessarily the financial wherewithal).

Of course, there is always the possibility that the effort will not bear fruit, that the recipient will take the subsidy, open for a few years, struggle to reach sales projections and ultimately leave. This would no doubt be disappointing, but the alternative is the sorts of commodity brands that exist on Portage Avenue now: that is likely where the market will remain until it is catalyzed.

- With its current and possible future traffic drivers, Portage Avenue's evening potential lies in well-known food and drink brands that target a middle-market clientele, with broadly popular concepts, unpretentious interiors and moderate

price points. These differ from the casual-chic concepts recommended for the Exchange District in that their vibe is not as self-consciously trendy or upscale, nor are they trying to appeal on an aspirational level. To the typical Winnipegger, they might feel less overtly "yuppie" and more "down-to-earth".



Jack Astor's Bar and Grill, owned by SIR Corp, the Burlington, ON-based restaurant group, is a "down-to-earth" food/drink concept with a concentration of locations in Ontario as well as ones in Quebec, Nova Scotia and Alberta. It has yet to enter Manitoba, although it might be intrigued by an opportunity in proximity to the MTS Centre, given its success at Front and University (left), near Toronto's Air Canada Centre.

- Mid-market restaurant/bar hybrids could also be combined with quick-service food offerings, theme-appropriate (and perhaps even casual-chic) retailers and a multiplex anchor in a development format known as the "**urban entertainment centre**" (or UEC), which can be found in the downtowns of a number of U.S. cities but has yet to spread across Canada.



One of the larger-format entertainment concepts that might anchor a UEC, **Dave & Buster's** (left) markets itself as an "adult playground", a combination video arcade, bar and casual eatery directed primarily towards the 21-to-44 age range. Most of its 54 locations are in the U.S., but it has operated one in the GTA since 2000, and is in the process of opening two more in Ontario, in Niagara Falls. Furthermore, it has recently unveiled a smaller, roughly 17,000 sq.ft. prototype designed for smaller markets.



Pro Hockey Life (left), a hockey mega-store concept showcasing all of the latest equipment as well as fan-wear and memorabilia, is precisely the sort of entertainment-oriented retailer that one would find in a UEC. The Montreal-based chain currently operates 15 stores in Eastern Canada but it is in the process of a nationwide rollout, having recently announced, for example, an expansion to Western Canada, with four new units in Alberta. With the presence of the MTS Centre, it might be willing to consider Downtown for its Winnipeg-area location.

Graham Avenue

Vision

The stretch of Graham from Vaughn to Hargrave showcases Winnipeg's **distinctive cultural milieu**, with an assemblage of attractive and welcoming immigrant- and minority-oriented businesses that help to put a more positive spin on the city's ethnic diversity and offer an accessible means for visitors (in town, for example, for the Canadian Museum of Human Rights) to explore and experience it.

Tools

- Property owners "buying in" to this vision
- Technical and financial assistance in select cases
- Retail recruiter role for the Downtown Winnipeg BIZ

Non-Retail Strategies

- "Clean and safe"
- Appropriate branding and marketing
- "Place-making" strategies

- Independent operators focused on **immigrant/minority sub-markets** might represent an appropriate future direction for Graham Avenue. Such businesses could play an important image-building role by helping to put a more positive spin on Winnipeg's ethnic diversity, which is so often associated with the crime of the Central Park and the West End, the pan-handling on Portage Avenue, etc.

Indeed, the Canadian Museum for Human Rights can be expected to attract a visitor who is more likely to be interested in such diversity, and in opportunities to explore and experience it. With the right businesses, then, Graham Avenue, could also figure in a broader tourist strategy, as a safe and central location where one can immerse him/herself in the city's various ethnic sub-cultures.

Of course, this approach has a potential downside: if they look and feel a certain way, such businesses can stigmatize Downtown still further. For this reason, there will need to be a focus on aesthetics and cosmetics (e.g. compelling signage, attractive down-lighting, eye-catching window displays, etc.) that makes their concepts (and more broadly, their cultures) seem safe and accessible to larger audiences. This will require both technical and financial assistance, either from landlords, or more likely, from some sort of low-interest loan pool, funded by the public sector, perhaps with a new "tax increment financing" (TIF) zone.

Next Steps

- Again, the above represents merely a **general positioning strategy**: it is meant to be followed by additional phases focused on recruitment and implementation. The next phase starts with the creation of the sort of "infrastructure" needed to recruit specific retailers, following which, a consultant takes the first steps in the actual recruitment and then trains an in-house retail specialist to be able to continue with such efforts.

If approved, MJB Consulting's scope-of-work for this next phase would involve the following tasks:

1. BIZ-coordinated meetings with landlords/brokers of vacant and "soft" sites/storefronts, to present this general positioning strategy and get their "buy-in", and to gather specific information on their spaces (e.g. square footage/dimensions, asking rents/terms, etc.)
2. Development of an "available-spaces" database, complete with relevant information on vacant and soft sites/storefronts
3. Canvassing for and research on regional "chain-lets" (i.e. from nearby cities) and reference to MJB Consulting's proprietary database of Canadian and U.S. retailers willing to consider Downtown settings similar to Winnipeg's
4. Creation of "detail sheets" on prospective tenants -- regional, national and U.S.-based -- that would be new to the market, complete with information on concept, creditworthiness, site location criteria, comparable locations, etc.
5. Development of content for a leasing brochure (in collaboration with local retail brokers), both for Downtown as a whole and for its individual districts, with pockets for inserts on specific properties
6. Recommendations for and advocacy of new incentive programs (if politically realistic)
7. An initial round of "exploratory" calls to prospective tenants, using our network of contacts in the retail industry (and our earlier and on-going work in nearby markets like Toronto, Saskatoon, Minneapolis, etc.)
8. Presentation of interested tenants to landlords/brokers

9. Additional canvassing for a second round of prospective tenants, to be included as part of the training of an in-house retail specialist (see below)

10. Development of a job description and interviewing of candidates for the role of an in-house retail specialist

11. Training of an in-house retail specialist (e.g. on how to canvass for prospective tenants, how to pitch Downtown, how to "speak" the language of retail, etc.)

12. Creation of a power-point presentation for selling the positioning strategy to landlords/brokers in the future

- This sort of effort is felt to be necessary because coordination and strategic thinking appears to have been largely missing up to this point. Without it, opportunities for maximizing synergy and spin-off -- so critical in such a large Downtown and with such limited resources -- will continue to be lost, and cannibalization will remain a distinct possibility.

Keep in mind that the larger brand is accustomed to working with shopping-centre owners and developers whom it trusts to coordinate and strategize in just this sort of way; a chain's concerns about more traditional downtown settings are partly rooted in its anxieties about how unpredictable and uncontrollable they can be, for example, in terms of adjacent tenancies.

The BIZ is the logical entity to play this role in Downtown Winnipeg, given: 1) its focus on business improvement; and 2) the leadership that it has taken on this specific issue already. The City, on the other hand, potentially exposes itself to criticism from taxpayers, if one of the tenants that it helps to attract ultimately fails.

- An independent consultant, one that does not represent any landlords or properties, is recommended, as it has no stake, no vested interest (i.e. no "skin in the game"), and therefore, can be completely objective on where recruitment energies and prospective tenants are most appropriately directed (and, of course, provide political cover for ideas lacking unanimous support).

Furthermore, a "flat-fee" arrangement is the most appropriate, as an agent paid by commission understandably gravitates to the "lowest-hanging" fruit (i.e. suburban development) and would not be incentivized to devote the time and energy often needed to sell the Downtown opportunity to the retailers that would be most catalytic in its revitalization.

Also, an "out-of-town" perspective, from someone who works across all of North America, is essential, so as to bring to bear retail concepts and development formats that have succeeded elsewhere, a network of contacts within the larger retail industry, as well as familiarity with smaller "chain-lets" in other markets, perhaps flying below the radar, that would be ideal for and interested in Winnipeg.

- Finally, keep in mind that such a consultant would be meant to play a *supporting* role to Winnipeg's local brokers, as someone who could offer *additional* resources (e.g. time, contacts, expertise) -- effectively, for free -- to supplement what they are already doing.

Specifically, the consultant would never take any commission on a deal that it sets in motion, or compete *in any way* with the leasing community. On the contrary, it would work in concert with brokers, its leads sent in their direction so that they, hopefully, can earn commissions on the ensuing deals.

I. The Exchange District

This first section focuses on the retail potential of the Exchange District, defined here as including both the West Exchange (west of Main Street) and the East Exchange (east of Main), as well as the subterranean concourses beneath the intersection of Portage Avenue and Main (like, for instance, Winnipeg Square) and also, the two blocks of Portage from Main to Garry Street.¹

Daytime Workers and Retail Demand

According to a City of Winnipeg-commissioned study prepared by Altus Clayton in association with Urban Strategies Inc. (2009), there are approximately 57,000 workers in Downtown Winnipeg*. The typical worker can support roughly 8.0 square feet of retail space close to where he/she works, translating to an overall demand of 456,000 sq.ft. in this case.

However, since the office space in Downtown Winnipeg is scattered, and because employees tend not to wander far for lunch or conveniences, there are a number of separate retail clusters catering to worker demand, each absorbing a fraction of the total, which weakens to some extent the overall retail potential of this sub-market. And it also does not help that Downtown's largest mall, Portage Place, is physically separated from its largest concentration of "Class A" office buildings, at Portage & Main (see p. 77).

* Such calculations use the following boundaries for Downtown Winnipeg: the Red River, the Assiniboine River, and a northeast-to-southwest zigzag that starts in Chinatown, skirts the western edge of the Exchange District and Central Park to the University of Winnipeg and then, finally, reaches the Assiniboine River at Balmoral Street.

The Exchange District sits in an enviable position vis-à-vis Downtown's daytime-worker population. While there are other clusters further west on Portage Avenue and south on Broadway, the Exchange is the closest sub-district not only to the largest concentration, but also, to the largest concentration of the well-paid/well-educated.

That is, it sits just to the north of Winnipeg's premier office address, the storied intersection of "Portage & Main". With "Class A" towers like CanWest Global Place and Commodity Exchange Tower and MTS Place, and with a total of roughly 1.8 million square feet of office space, Portage and Main alone houses at least 8,000 white-collar workers. (And with the City soliciting the private sector for "expressions-of-interest" on the Winnipeg Square Parkade and associated air rights, the possibility exists for another tower just to the south, fronting on Graham Avenue).

¹ Obviously this is a broader definition of the Exchange District than is customarily used. However, it seems to make sense in light of shared traffic drivers and similar retail dynamics. For example, the presence of daytime office workers at Portage and Main is relevant to the tenanting potential in each of these separate sub-areas.

New Office Development Going Forward...

The Altus Clayton study projects an additional 9,700 office workers in Downtown Winnipeg over the next 25 years, aggregating to a total of 66,700 by 2034. One wonders, however, how this can happen given that, low vacancy rates notwithstanding, rents still fall well below the levels needed to support new construction of Class A towers.

The West Exchange also lies immediately to the south of the Winnipeg Civic Centre, on Main Street between William Avenue and James Avenue, which includes City Hall, the Council Building and the Public Safety Building, and employs roughly 3,000 to 4,000, primarily civil servants.



Other projects north of the Exchange District, like the new headquarters for the Winnipeg Regional Health Authority, Sport Manitoba and the United Way (left), will add hundreds of jobs to the area, but generally speaking, they would probably need to be located within a **six-minute walk** of William Avenue in order to have a significant impact on West Exchange retail, as six minutes is the rule-of-thumb for how far an office worker would be willing to walk on his/her lunch hour (and it is most likely even less during the cold Winnipeg winters).

In addition to workers, the daytime presence in the area to the immediate north of the Exchange District includes the 2,200 students at the Princess Street Campus of Red River College (and the 400 expected at the new culinary/hospitality school in the Union Bank Tower, as well as others, perhaps from the Notre Dame location, who will be taking classes in the newly-acquired Massey Building).

Its location, then, means that the Exchange District is particularly well-situated for the sorts of quick-service food concepts², specialty-beverage purveyors³ and various other convenience-oriented businesses⁴ that cater to the lunch-hour

² A quick-service food concept is one where diners submit, pay for and receive their order at a counter (as opposed to a sit-down, waiter/waitress format).

³ A specialty-beverage purveyor is a quick-service drink concept, like, say, a Starbucks Coffee or a Booster Juice.

⁴ A convenience-oriented business is one that sells a commodity, and so, as a result, the consumer decides which store to patronize on the basis of convenience alone. Examples include Shoppers Drug Mart or Perth Cleaners. Convenience goods/services are contrasted with comparison goods, for which consumers typically “comparison-shop” on the basis of style, quality and price. Examples include clothing, shoes, jewellery and furniture.

crowd. And Old Market Square, currently in the process of renovation, provides the sort of green space where workers can sit, eat and de-compress.

Demand for this sort of retail in the Exchange District is, however, diluted somewhat by climate-controlled alternatives like Winnipeg Square, the 60,000 sq.ft., recently-renovated, relatively well-tenanted underground mall at the southwest corner of Portage & Main. There, office workers can find fast-food brands like McDonald's, A&W and Taco Time, specialty-beverage purveyors such as Starbucks Coffee and Booster Juice, and conveniences like Shoppers Drug Mart, Perth's Cleaners, The UPS Store, Purolator Courier and Cartridge World, as well as bank branches in the Portage & Main Circus.



Winnipeg Square

Size: 60,000 sq.ft., on one underground floor

Mix: Fast-food restaurants, specialty-beverage purveyors and convenience-oriented businesses

Anchors: Shoppers Drug Mart, Starbucks Coffee, McDonald's

Target Market: Daytime office workers

Performance: 95% occupied, recently renovated

In deciding to eat lunch or shop for conveniences in the Exchange District, not only would office workers have to bypass such alternatives, but also, they would have to leave the Walkway system and brave the elements. And their willingness to do so is limited to those days when the Winnipeg climate (and the right programming) makes lunch in the park an enticing prospect. Furthermore, the pedestrian connection to the West Exchange (via CanWest Place) can confuse even veterans of the Downtown.

Those to the north, on the other hand, have far fewer alternatives, especially now with the abrupt closure of Partners Delicatessen in City Hall, so unless they want to head to Chinatown for Chinese food, this sub-market must look to the Exchange District, thus explaining the presence of such businesses as Pita Pit, Subway and, for the more alternatively-inclined, The Underground Café and Fyxx Espresso Bar.



If they want to leave the office for lunch, civil servants in the Civic Centre have few other options besides the Exchange District – they are, in a sense, a “captive” market

And even those to the south, in the office buildings at Portage and Main, might be lured to the Exchange if it offered especially compelling lunch-time alternatives that could not be found elsewhere (in, say, Winnipeg Square). For example, the U.S. has in the last half-decade seen the rapid rise of so-called “fast-casual” food purveyors that, while utilizing a quick-service format, offer healthier and higher-quality ingredients, often in a more stylish setting, at a slightly more expensive price-point.

Take the Denver, CO-based Chipotle Mexican Grill, which has grown from 14 units in 1998 to roughly 780 today. A far cry from Taco Bell, Chipotle serves burritos, fajitas and tacos with all-natural, antibiotic/hormone-free meats from known, high-quality ranches (e.g. pork from San Francisco, CA's Niman Ranch), and their restaurants are characterized by a trendy, industrial-chic look, with exposed ductwork and heavy use of metal. In terms of pricing, a burrito costs roughly \$7 CAD.



The industrial-chic look of a Chipotle Mexican Grill: it ain't no Taco Bell...

Some of the fastest-growing U.S. operators have recently established a Canadian beachhead in the Greater Toronto Area. Chipotle Mexican Grill, for example, debuted in the Toronto Life Square project on Downtown Yonge, while Panera

Bread, a bakery-café, just opened in Richmond Hill, the first of three planned suburban locations.

These brands might not be willing to consider this market until they have saturated the country's first-tier metros. Furthermore, they tend to look for settings that offer both daytime-lunch and evening-dinner traffic, and might pass on the Exchange until it emerges as more of a residential address and/or nightlife destination.

Having said that, the Exchange's current daytime mix -- well-paid/well-educated white-collar workers, and students -- offers two of fast-casual's strongest sub-markets, and could be sufficient for other U.S. concepts, as well as Canadian ones that have emerged since then or even predate the explosive growth in the U.S. (see attached list).

What Attached List?

MJB Consulting has developed a proprietary database of North American brands that consider different types of downtown and neighborhood business districts, and, through its extensive on-site research in Winnipeg, its assignments in nearby cities (e.g. Saskatoon) and its far-reaching travels throughout this part of the country, it has also created a supplemental list of local and regional operators. MJB has drawn on these tools in developing the recommendations in this report. However, the scope-of-work for this first phase only includes delineation of general retail positioning and not identification of specific tenant possibilities; the latter -- the "attached list" referenced throughout the chapter -- would be part of a second phase, if it is approved.

Indeed, The Line Up, at the corner of Albert Street, Arthur Street and Bannatyne Avenue, aspires to this model, talking on its website of "The New Fast Food", with natural ingredients, limited use of oils and fats, and "trans fat-free restaurant environment" (although, according to blog entries, the quality and health content of its offerings has not always lived up to fast-casual standards).



Taking A Step Back: The Exchange District

Major Traffic Drivers: Civic Centre, Portage & Main, Red River College

Resulting Retail Mix: Quick-service and fast-casual food concepts, casual sit-down restaurants, specialty-beverage purveyors

The Exchange District is also well-situated for more up-market/refined eating and drinking establishments, able to tap the thick wallets and expense accounts at Portage & Main as well as attract the sophisticates at the theaters of the Cultural District (i.e. Centennial Concert Hall, Manitoba Theatre Centre and the Pantages Theatre) or Cinematheque.

"High-Culture" Traffic Driver	Annual Visitor Counts ('06)
Centennial Concert Hall	193,900
Manitoba Theatre Centre	117,000
Pantages Theatre	60,700
Cinematheque	16,500

This explains why it offers Downtown's (and perhaps the city's) largest concentration of higher-end restaurants and bars, including such local institutions as The Velvet Glove, Hy's Steak House, Bailey's, Tre Visi, Oui Bistro & Wine Bar and Mirlycourtois, and why such similar offerings, like the Louisiana-based Ruth's Chris Steak House, have been scouting locations in East Exchange.

Note: When such lists of current businesses are provided, they are meant to be representative, *not* exhaustive. In other words, they may not include every one in the given sub-district that fits the description. No meaning should be inferred from such omissions.



Taking A Step Back:
The Exchange District
Major Traffic Drivers: Portage & Main, Cultural District
Resulting Retail Mix: Up-market/refined eating and drinking establishments

Of course, there is a ceiling to this sub-market, especially since the number of well-paid/well-educated white-collar workers in Downtown Winnipeg is not especially large. Before introducing additional concepts, then, further efforts should be made to determine the current performance of the above operators, keeping in mind that restaurateurs might have some interest in overstating the potential threat of new competitors.

The Cultured Set And Portage Place

In trying to match traffic drivers in a particular sub-district with viable retail categories, one is often confronted with outliers. For example, the office buildings at Portage & Main and the theatres of the Cultural District suggest up-market/refined eating and drinking establishments in the Exchange District. However, Portage Place includes the Landmark Globe Cinema and the Prairie Theatre Exchange, and both of these would presumably generate traffic for similar offerings in their part of town.

Yet it can be dangerous to scatter such concepts too widely, across more than one sub-district. In these categories, a large concentration can become a destination in its own right (e.g. a "restaurant row"), drawing more visitors than the individual offerings would have on their own. Similarly, a wine bar probably attracts more patrons if it is near dinner venues. If eating and drinking establishments are not gathered in one place, such opportunities for synergy and cross-traffic are lost. And clustering of this sort is especially important in the case of Downtown Winnipeg, where distances are long, the market is limited, and operators need every last advantage that they can get.

Of the two sub-districts, the Exchange is the more appropriate one for this niche, since: 1) it provides the target customer in far greater numbers; 2) with its existing crop of higher-end restaurants and bars, it is already somewhat well-established; and 3) Portage Avenue has to overcome its down-market brand as well as anxieties about personal safety, which are even more relevant in the evenings.

Given its proximity to Portage & Main, the Exchange District is also an appropriate location for more casual yet still stylish eating and drinking establishments geared towards the after-work/"Happy Hour" crowd. At present, the options in Downtown Winnipeg are limited. Many will drive to Earls further south on Main Street, and the popularity of that branch -- it is reportedly the busiest in Canada -- suggests a still under-served market. More such alternatives within walking distance of the office could prove compelling.

"Western Canada has a phenomenon known as the "Earls crowd", epitomized by the successful chain of the same name. These people like a big, booming, bustling restaurant. They come for the casual, stylized atmosphere and stay for the frothy drinks. As evidenced by always-packed restaurants, the Earls crowd in Winnipeg is huge."

- *WHERE* Magazine, June/July 2005

In contrast to the United States, Canada boasts a number of "casual-chic" restaurant/bar chains that appeal to this customer. In addition to Earls and Moxie's Classic Grill, Winnipeg has also welcomed the Coquitlam, B.C.-based Joeys (owned by the brother of the Earls founder, and known in other cities as Joey Tomato's Mediterranean Grill), and there are still others, a number of them B.C.-based, that have yet to establish a presence in the market (see attached list).

Generally speaking, these sorts of concepts belong in the Exchange District. While wildly successful, Earls in its current location generates little spin-off. And the Moxie's at the MTS Centre, while popular on event nights, reportedly struggles at lunch, partly because it is a bit of a walk from Portage & Main and its concentration of white-collar workers. Perhaps this is one of the reasons why brokers have struggled to attract restaurant operators across the street from the MTS Centre.

What A Restaurant Needs

Generally speaking, a sit-down restaurant in a downtown setting needs to be able to attract patrons from its target market both during the day *and* in the evenings.

Yet while these concepts might belong in the Exchange District, they are not easily accommodated. In the downtowns of first-tier markets, where opportunities are very limited, such large chains might be more willing to work with the sort of historic fabric found in the Exchange, but in Winnipeg, they could be far less flexible. It is noteworthy that of the two existing in Downtown, Earls was able to develop a "prototype" building, complete with on-site parking, on Main Street, while Moxie's could customize its space in the brand-new MTS Centre.

Furthermore, Earls, Moxie's and their casual-chic brethren require high visibility. In the suburbs, this typically means locations in or within view of regional shopping centres, like Polo Park, St. Vital Centre and Kenaston Common, while in downtowns, it suggests heavily-trafficked thoroughfares such as Main Street and Portage Avenue, and precludes the lower-profile interior streets of the Exchange District.

Finally, while one would think that the success of Earls would draw the attention of other "casual-chic" chains, Joeys was not ready to take the perceived risk of opening Downtown, choosing Kenaston instead for its second area location. And another high-profile operator that initially established itself in B.C. and Alberta moved next to the Greater Toronto Area, without first stopping in the prairies.

To the extent that they are interested at all -- and they might still or one day be -- these "casual-chic" chains are most likely to consider the Exchange District if: 1) they can find an opportunity on Main Street, with its visibility to all of those pass-by motorists; and 2) they can customize their space in a newly-constructed building. Of course, such opportunities are limited.

But even if they are not interested, or unwilling to make necessary adjustments to their prototypes, these "casual-chic" brands have provided a clearly-successful and relatively straight-forward model that local/independent operators can emulate and adapt. Indeed, Winnipeg has no shortage of possible candidates (see attached list), restaurateurs and nightlife impresarios who have already succeeded with very similar concepts elsewhere in the city. And such smaller, homegrown entrepreneurs are, for a variety of reasons, more likely to be flexible in their site locations and willing to consider an opportunity that does not meet a large chain's exacting requirements.

Speaking more generally, the Exchange District should at this point be much further along in its evolution as a dining and entertainment destination. With its artsy reputation, historic architecture and distinctive atmosphere, and with restaurants like Blufish and clubs such as Whiskey Dix and Alive In The District, it offers some of that "cool factor" to which today's young urban professionals typically gravitate. Furthermore, the market clearly needs a more mature, cosmopolitan alternative to Canad Inns' dominance of the nightlife space. And yet, the Exchange is far from achieving "critical mass" in this respect, and can still be quite sleepy in the evenings.



In deciding where to eat, party and even live, today's young urban professionals, their sensibilities molded by the rise of the so-called "creative class", are often drawn to the heritage buildings, atmospheric streets and artsy brand of precincts like Winnipeg's Exchange District.

Of course, it has competitors in these categories, but they seem somewhat complacent and therefore vulnerable. The clusters of restaurants and bars in Corydon Avenue and Osborne Village, for example, appear largely to be missing the significance of Earls and its casual-chic brethren. Keep in mind that dining and nightlife can be extremely faddish, and today's hot spot can easily become tomorrow's "so yesterday".

There are a number of reasons why concepts like Earls have been so successful, but two in particular bear mentioning here. One, they embrace a stylish,

relentlessly contemporary aesthetic that appeals to a generation raised on the mainstreaming of high design. And two, in their décor, vibe and cuisine, they tap the aspiration of their customers, especially the ones in smaller metros like Winnipeg, to feel young, hip and modern.

With noted exceptions, few of the offerings in these other districts do that: they cater for the most part to what Winnipeggers already know. On the other hand, places like Earls and Moxie's are appealing to what they *aspire to be*. One can justifiably criticize these concepts as cookie-cutter, pretentious and sexist, yet they deserve credit for having spotted and so successfully mined a real but under-served sensibility in the marketplace.

It is in catering to this same sensibility that the Exchange can differentiate itself from the above competitors as well as from other districts within the Downtown (see section on Portage Avenue). Again, this does not just mean more "casual-chic" *chains* -- indeed, that might not be realistic (see above) -- but also, more locally-owned restaurants, bars and clubs that would fit such a characterization.

Housing and Having a "There" There

This report is not about housing. However, it is often said that people, young people in particular, will move downtown if downtown is perceived to be "where the action is". In other words, they will only be willing to tolerate the inconveniences and indignities of urban living if there is a "there" there. Perhaps, then, a more extensive dining/nightlife cluster the Exchange District is the key to jump-starting Downtown's slow-to-develop housing market.



**Taking A Step Back:
The Exchange District**
Major Traffic Drivers: Portage & Main
Resulting Retail Mix: "Casual-chic"
food/drink concepts

Of course, this is a long way from the Exchange District as the artistic frontier, and many of the earlier pioneers and its creative types are likely to abhor this vision of the Exchange as a "yuppie" playground. Not everyone in the much-ballyhooed "creative class" gets along, and it is these tensions that mark the neighborhood's current transition and that rise to the surface with mention of restaurants like Earls.

To better understand these tensions and what they mean for retail, it is necessary to introduce the field of "psycho-graphics". Consumers today are defined not only by quantitative, demographic data -- income levels, for example -- but also, by qualitative, "psycho-graphic" characteristics, by lifestyle, aspiration, sensibility, etc. And the latter plays just as important of a role in determining where they shop, eat, drink, etc.

This is Not Your Grandfather's Market Analysis...

Some readers might be unnerved by the relative absence of quantitative methodologies in this chapter. These will figure more prominently in the chapter on Portage Avenue. However, the retail dynamic in places like the Exchange District, and the opportunities that it presents, is, we feel, best understood by analyzing the market in more qualitative terms, as it is in such terms that these kinds of urban business districts, lacking the brand-name anchors of conventional shopping centres, are able to define and differentiate themselves today. That is, both consumers and tenants will gravitate to ones that, although lacking department stores or other traditional anchors, project a brand with which they want to be associated, that express how they wish to be understood and seen (both by others and, also, by themselves). We intuitively know this: we identify a certain type of person -- a particular lifestyle, aspiration, sensibility -- with neighborhoods like Toronto's West Queen West, Saskatoon's Broadway, Calgary's Kensington, etc. The following section simply tries to approach the subject from the same perspective.

For example, those who head to Earls for "Happy Hour" and those who imbibe at The King's Head might very well come from the same socio-economic strata -- they might even both be employed in "creative-class" occupations -- but their contrasting sensibilities drive them to fundamentally different environments. Indeed, many at The King's Head have such disdain for Earls that they would "not be caught dead" there.



King's Head: not exactly the "Earls Crowd"

The King's Head is one of a number of businesses in the Exchange District that cater to the creative types and alternative thinkers who initially re-discovered and re-pioneered the neighborhood when it was still neglected and cheap. Others include Cinematheque, Royal Albert Arms, Antiques & Funk, Ragpickers

Anti-Fashion Emporium and Books, Red River Books, Into The Music, Mondragon Bookstore and Coffeehouse, The Underground Café and The Fyxx Espresso Bar.

Artists are the ones most closely associated with the Exchange, but the above businesses are united not so much by a common occupation, but rather, a similar world-view and sensibility, which one finds also among those in many other creative professions, like architecture, graphic design, film-making and computer programming, as well as college/university students. This mindset is more appropriately described as "hipster", and can be identified by the following characteristics:

- An embrace of authenticity, of places that remain "real" and un-scrubbed, with a corresponding distrust of anything that feels overly polished or packaged;
- A love of old things, and a talent for finding pragmatic ways of instilling such things with new meaning while retaining their original character;
- An emphasis on creativity and personal expression, with an associated disdain for homogenization, mass market and the single-minded pursuit of profit.
- An appreciation of irony, with the self-awareness of irony -- of how incongruent something is with what is expected -- considered the barometer of "cool".
- An (ironic) celebration of kitsch (i.e. once-popular products and ideas that are now widely mocked by mainstream culture as tasteless and tacky).



The Hipster Sensibility

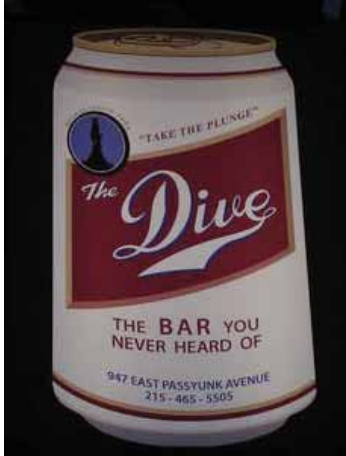
"Much as a sugary grape juice, given time and bacteria, can become a fine wine, a popular idea allowed to wallow in obscurity can become rich in ironic energy. Much as a trained pig can find truffles, a hipster can smell irony in an old thing and make it cool. For example, Thundercats was popular in 1983. By 1988, they were passé. By 1994 virtually unknown. By 2004 obscure enough that wearing a Thundercats printed tee is ironic and hence 'cool'."

- Encyclopedia Drammatica entry of "Hipster Irony"

(For the uneducated, Thundercats was an '80's-era animated television series in the United States).

- A regard (at times, ironic) for working-class culture;

- A belief that one is special and culturally-superior because he/she knows what is cool before others do; and



This sign for a hipster bar in the Philadelphia neighborhood of East Passyunk covers more than one of the themes presented here...

- A need for low price-points.



A Film About Hipsters...

High Fidelity, the 2000 film based on the Nick Hornsby novel, stars John Cusack, Jack Black (left) and Todd Louiso as prototypical hipsters who operate a record store in Chicago's Wicker Park neighborhood.

It is because of these values that hipsters are often drawn to raw, gritty, forgotten neighborhoods, nightspots, etc. Such un-scrubbed places still seem "real" and not yet homogenized, and inasmuch as they have yet to be re-discovered by the mainstream, they remain secrets, making those who know of them feel special, part of an exclusive club. Most importantly, they offer cheap places in which to live and work.





Artists and other hipsters have been drawn to the multi-story factory buildings of Minneapolis' long-forgotten Northeast neighborhood (left), where they can find cheap studio and living space as well as the remnants of an authentic working-class/"Old World" culture. Indeed, long-time institutions like Nye's Polonaise Room (right), a Polish lounge, opened in 1949, with a piano bar, polka band and vintage décor, are not only as far from the mainstream as one can get, they are also "rich in ironic energy".

These values also explain the hipster's affection for vintage clothing and retro furnishings. Such pieces are old, and yet, can be re-invented, in an outfit or a room, in a creative and uniquely personal way. Furniture can also manifest an ironic affection for kitsch. And again, inasmuch as they are used and no longer in fashion, these items are priced inexpensively.

Finally, this antipathy towards the mass market, prevailing orthodoxy and bottom-line thinking helps to explain the embrace of independent ("indie") cultural forms, whether in music (i.e. used-record stores, small live-music venues), films (i.e. art-house cinemas), art (i.e. artist-run and avant-garde galleries), etc. that were never or have yet to be corrupted or co-opted, as well as a related preference for locally-owned businesses and "emerging" artists.

These seem to represent the core values and consumer proclivities of the modern hipster. However, other passions that dovetail with this sensibility, sometimes as historical antecedent, include social justice, co-operative ownership, fair trade, organic farming/ranching, "extreme" sports (e.g. skating, snow-boarding, etc.) and alternative lifestyles.



Hipsters are often **offended** by the kind of characterization that has been offered here, as they do not like to be categorized or understood in marketing terms. This is understandable. Of course, no one fits this categorization to a tee: real-life people are far more complex than that. But as discussed in the earlier inset box on "This is Not Your Grandfather's Market Analysis", one needs to be able to recognize and understand these different "tribes" in order to comprehend urban business districts today. The point of this discussion, then, is to provide a primer of sorts, to shed light on this poorly-understood sensibility and the sorts of businesses to which it gives rise, so that the reader can more clearly grasp the retail positioning of the Exchange District as well as its underlying dynamics and tensions.

One can see all of this in the Exchange District: for example, the vintage and one-of-a-kind offerings at Ragpickers "Anti-Fashion" Emporium, kitschy stuff at Antiques & Funk, the hidden, "secret" location of the Underground Café, obscure vinyl at Into The Music, "indie" films at Cinematheque, "up-and-coming" punk/metal bands at the Royal Albert Arms, contemporary art at the Plug-In, counter-cultural politics and free-trade coffee at Mondragon, etc.



"The Albert is about discovering new bands, it's about college kids finding their generation's musical heroes... They want a place to see music that pushes boundaries and where beer is sold at a price they can afford."

- *Urbanite Winnipeg* blog

The "market" for such businesses cannot be analyzed via conventional means, as it is defined not spatially (like, say, a mass-marketed shopping centre) but attitudinally, including, in theory, everyone in the entire region who shares a similar world-view and sensibility. That is, a hipster living near the Perimeter

Highway would still gravitate to the Exchange just so that he can be in the company of like-minded people.

So how is it defined, then? On one level, with respect to its competition. As a destination for hipsters, Osborne Village predates the Exchange District, and retains that status to this day, with representative businesses including Sew Dandee, Urban Waves, mixtape, Music Trader, Beatnik Village Books, The Crypt, Osborne Village Antiques Mart and American Apparel.



Osborne Village, long a hipster destination, is the Exchange District's most formidable competitor for this sub-market

Curiously, American Apparel's arrival on Osborne Street has met with some very loud opposition from certain quarters, due partly to its large size (it is an international chain with roughly 200 stores) and the "American" in its name -- suggesting a typical U.S. corporate monolith -- as well as the tenants that it replaced, specifically, Collective Cabaret, the venerated live-music venue.



" When news spread that American Apparel would be opening up shop in Osborne Village, many people acted as if the street had been bulldozed to make way for a Wall-Mart, a giant Starbucks, and another Wall-Mart. Vandalism on the building could only be interpreted as a "&%\$@ you, capitalist Americans."

- *Winnipeg love & hate* blog,
Wednesday, August 6, 2008

However, its size notwithstanding, American Apparel is in many ways a prototypical hipster-oriented business. In addition to its well-known "anti-sweatshop" labour practices, the retailer has deliberately chosen not to place corporate logos on its garments, does not airbrush its models, embraces a retro '70's aesthetic in its fashions and advertising, has historically favoured street locations in hip neighborhoods and eschewed the mall format, and charges

relatively affordable prices. And as for the "American" in the name, the founder and CEO, Dov Charney, was born and raised in Montreal.

The age of its models and the sexual peccadilloes of Mr. Charney have indeed proven controversial, and the chain has started to take a slightly more conventional approach to real estate. Furthermore, its target market is broadly defined, also encompassing, as the above blog-entry (see inset box) fears, those loathsome drinkers of Starbucks Coffee (said with tongue partly, but not entirely, in cheek).

Even so, American Apparel remains one of the most hipster-friendly large chains in North American retailing, and the seeming over-reaction to its presence says something about where hipsters feel Osborne Village is headed. Regardless of whether the chain deserves all of those nasty blog entries, its symbolic meaning -- as yet another corporate/American interloper following on the heels of Safeway, Starbucks Coffee, new condo development, etc. (and replacing the Collective, at that) -- is in itself relevant. For a psycho-graphic that gravitates to areas it perceives as like-minded, perception *is* reality.

In this sense, tensions in Osborne Village present an opportunity for the Exchange District. And so do the fundamentals themselves. The Village's high occupancy rate and higher rent levels could send hipster-oriented entrepreneurs, including ones that already operate businesses there, in the direction of an alternative, and the Exchange is well-placed to take advantage. Indeed, Into The Music, lured partly by Red River College, made just such a move.



Into The Music relocated from Osborne Village to the Exchange District: could there be more?

This trend should be encouraged, for example, by pursuing operators (see attached list) who have demonstrated, in their existing concepts and businesses, an understanding of the particular nuance and subtlety required in marketing to hipsters -- that is, the proper application of core values like authenticity, irony, exclusivity, etc.

Not surprisingly, operators focused on this psycho-graphic are rarely large chains (with American Apparel a notable exception). Indeed, they do not often consider a second market, let alone a national rollout. Rather, as part of "keeping it real", they tend to stick to their home cities, with most having little interest in even opening a second location. And if they do, it is by creating new concepts (rather than simply replicating their earlier ones), with such growth underwritten by the hipster bona-fides that they manifest at those existing businesses.



Taking A Step Back: The Exchange District

Major Traffic Drivers: Artist studios, ArtSpace, various artist-run centres, Red River College, Cinematheque, etc.

Resulting Retail Mix: Hipster-oriented businesses

Of course, the Exchange District is also, like Osborne Village, perceived to be transitioning, with new high-priced condominiums -- small in number but high in profile -- arriving on the market, a neighborhood businessman planning to convert the Royal Albert Arms SRO into a boutique hotel, and the retail mix featuring a ever-growing collection of up-market boutiques (see below).

Indeed, rent increases are reportedly driving some artists to cheaper space on North Main and in North Point Douglas, and there is reason to believe that, in the longer term, the hipster sub-market might start to gravitate not so much north -- where development pressures will be increasingly felt -- but west, towards the University of Winnipeg and into the West End.

This latter direction is presaged by the pioneering presence of Lo Pub, the new bar/live-music venue/gallery in the HI Winnipeg Downtowner Hostel at Ellice Avenue and Kennedy Street, as well as the interest of the Plug-In Institute for Contemporary Art, partly in response to rent increases in the Exchange, in considering a new space in one of the University of Winnipeg's projects.



With its emphasis on local (local beers, local bands, local artists), its orientation towards indie-rock musicians and aficionados, its unpretentious vibe, its reasonably-priced brews, its location within an hostel and its proximity to the University of Winnipeg, Jack Jonasson's **Lo Pub** (left) draws a young hipster crowd.

And the cluster of up-market boutiques that has materialized in the Exchange -- starting with Cake Clothing and Candie & Dolls, two of the original pioneers when they opened in 2004, and now also including Connect Four Clothing, Katch 22, Commonwealth Blend, October, etc. -- caters to a different psycho-graphic of young female professionals with artsy, funky tastes, which signals the rise of another psycho-graphic, the "yup-ster", related to but subtly different from the hipster.

The yup-ster, representing a hybrid of "yuppie" and "hipster", can be defined as a mainstream young professional who earns a decent salary and prefers to live in a relatively established, comfortable and affluent part of town, but who has integrated creative and alternative sensibilities into her lifestyle and consumer preferences.

For any student of modern urban development, the arrival of yup-sters in the Exchange District comes as no surprise. In cities across North America, those belonging to this psycho-graphic have gravitated to neighborhoods that were initially re-discovered and revitalized by artists, drawn inexorably to the creative vibe there, partly because such areas reflect their own aspirations, how they want to see themselves and be seen by others.

For example, these boutiques might be priced, and their facades and interiors styled, for the yuppie, but they appeal directly to the yup-ster's "inner hipster", for example, with their promise of the newest styles, hard-to-find lines and limited collections, which make the buyer/wearer feel unique within the larger mass market and special for having known where such rarities could be unearthed. Furthermore, ones that showcase Canadian designers draw shoppers who want to feel that they are supporting local (versus, say, U.S.) talent.



Candice Versace and Dolly Woo, owners of **Candie & Dolls**, one of the pioneers of the Exchange District's boutique cluster when it opened in 2001, appeal to the yup-ster's "inner hipster" with their focus on Canadian designers and their choice to offer each piece in limited numbers.

It is a similar sensibility, and yet the differences, while seemingly minute, are in fact critical to understanding the Exchange District's story and the gentrification process more generally. Part of this has to do with price-point -- the yup-ster is perceived as the agent of displacement -- but also, on a deeper level, she is seen as taking values and consumer icons which the hipster holds dear, and bastardizing them.

The following section might lead one to believe that the writer agrees with the hipster criticism of the yup-ster. It is indeed written from the point-of-view of the hipster, but only so as to provide the best vantage point from which to truly understand the differences and tensions between the two; it should *not* be seen as an indication of where the writer himself stands on the matter.

Take, for example, the *newly-constructed* loft condo. The appeal of the residential loft is supposed to be in its rawness, its real-ness, its adaptability and, of course, its bohemian vibe; for yup-sters to live in one built anew, with modern comforts and conveniences, in a "luxury" tower, is to miss the point. Indeed, a true hipster would never consider such a farce (nor, for that matter, would he be able to afford it).



The newly-developed loft condominium tower: tall ceilings, without the grit

Also, the yup-ster will willingly pay more for new items that were deliberately made to appear old. She is drawn, for instance, to "shabby chic" pieces

designed and constructed to look as if they came straight from an antique store. One also sees this in the rise of "distressed" denim, as well as the marketing of "vintage-inspired" apparel. The hipster, conversely, will head for the nearest thrift store to buy jeans that are actually old, vintage clothing that is truly vintage, and furnishings that are really shabby.



Silver Jeans, manufactured by Winnipeg-based Western Glove Works and available at the Exchange District boutique, October, is a denim brand that features these pairs of "distressed" jeans.

The yup-ster has also developed a hipster-like appreciation for working-class culture, but cannot help but adapt such fare to her more up-market, refined tastes. Take, for example, the hamburger: rather than a hunk of meat on a bun, with a piece of lettuce and a slice of tomato, she would head to a fast-casual (or even, sit-down) restaurant for a more gourmet option, made of organic beef and topped with Portobello mushrooms or goat cheese (and, of course, costing twice as much).



Pierogi Gone Upscale!

At the widely-acclaimed Fusion Grill on Academy Road, yup-ster diners can sample white-truffle pierogi with duck sausage and walnut cream.

Similarly, the yup-ster is drawn to retro, "old-school" and kitschy cultural forms, but only *after* all of the warts have been removed, and sense of danger attenuated. Take, for example, the classic diner, dive bar or even the bowling alley. It must appear sanitary and safe, stylized and even polished; for the hipster, on the other hand, the seediness, the fact that it is still in its pristine state, untouched by modern marketing, is half the point.



Not Exactly A Greasy Spoon...

Calgary's popular Diner Deluxe is an example of the sort of ersatz "retro" diner that appeals to yup-sters, with its 1950's-era decor – all of the chrome and vinyl, the jukebox, the old-fashioned TV set, etc. -- and at the same time, its more refined menu options -- chocolate sourdough French toast with grilled bananas, the buckwheat pancakes with vanilla bean compote, the freshly-baked specialty breads from its adjoining bakery, etc. As one local blog entry said, "Diner Deluxe isn't your run-of-the-mill greasy spoon, rather it's a fairly upscale restaurant masquerading as a retro diner."

Finally, the yup-ster is attracted to spaces that celebrate the artistic/creative impulse and incorporate high design, although typically with a finish and a flourish that would be too expensive or seem overly polished in hipster settings. For example, he tends to be particularly drawn to "mid-century modern" furnishings, and is willing -- and able -- to pay the higher prices often associated with that style.



Yup-sters can find mid-century modern furnishings, like these two Danish Modern chairs, at Hooper's Bazaar in the Exchange.

Not all of these sorts of places currently exist in the Winnipeg market, and some might feel that they are meant only for more hip, cosmopolitan cities like Toronto or Calgary. However, like any large city, Winnipeg has its yup-sters, along with many more who will only realize that they share such tastes and proclivities when the concept is presented to them. Indeed, the success of Earls clearly demonstrates the potential in activating latent sensibilities that the current offerings do not indicate.



The arrival of an IKEA store often serves to increase interest in and appreciation for good design, thereby triggering yet another latent yup-ster impulse, and by extension, enlarging the pool of potential customers for other purveyors of stylish home furnishings. One retailer likely to benefit, for example, is Hooper's Bazaar (see above), with its large offering of Scandinavian pieces.

Of course, the Exchange is not the only business district that attracts or could target this psycho-graphic. Indeed, there is formidable competition elsewhere in the city, and in order to understand how the Exchange could position itself in this battle for consumers and tenants, one must start with an assessment of its unique strengths and advantages, as well as the vulnerabilities of its rivals and the hidden opportunities that they have failed to recognize.

Academy Road, in wealthy River Heights, contains a scattering of yup-ster concepts, like Loka Clothing & Accessories, Glitz, Fusion Grill, even Moule (to some degree). However, with shops sprinkled along a rather lengthy stretch, it does not so easily lend itself to walking, resulting in lost opportunities for synergy and cross-traffic. More importantly, rent levels are higher, the retail mix focuses to a greater extent on an older shopper, and as an intimate, neighborhood shopping street in a leafy neighborhood of single-family homes, it lacks the sort of hip, urban vibe and vitality that certain such operators would want.



Academy Road, in leafy River Heights:
not exactly hip and urban

River Heights also contains an emerging boutique cluster on Corydon Avenue West (unrelated to and a couple of miles west of the more famous stretch of Corydon Avenue), with yup-ster retailers like Poppie Clothing, Luxe Label, Village Streetwear and Small Indulgence. Still relatively low-profile, it appeals to this psycho-graphic partly by conferring upon customers the sense that they are special for knowing about such a "secret". However, that can also work to its disadvantage: compared to the Exchange, it does not have as much momentum as a shopping destination. Also, like Academy Road, it lacks that hip, urban vibe.

Corydon Avenue proper, including side streets like Lilac Street and Stafford Street, also has its share of such offerings, such as 5 Pocket Clothing, Soul Shoes and Accessories, These Four Walls and Liquid Lounge, and enjoys an established brand as a "trendy" part of town. However, its high occupancy levels mean limited opportunities for new operators. And as suggested earlier, its restaurants and nightspots, with certain notable exceptions, are not fully embracing yup-ster sensibility and aspiration.



Spaghetti and meatballs: it might be satisfying for the diner and money-making for the proprietor, but stylish and trendy, it's not.

The most formidable competitor for the yup-ster dollar is probably Osborne Village, with a number of offerings for this psycho-graphic, like, for example, Hush, Rooster, Urban Barn, Confusion Corner Bar & Grill, etc. The Village also boasts an established brand as a "trendy" part of town, as well as superb visibility resulting from all of those pass-by motorists on Osborne Street, and the third-highest population density in all of Canada.

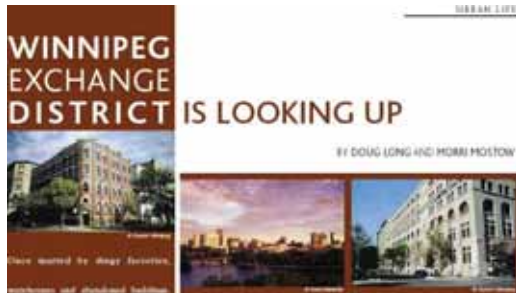
However, as mentioned above, opportunities for space are few, and rents are high. And again, with certain notable exceptions, the restaurants and nightspots do not speak directly to yup-ster sensibilities and aspirations. Finally, while it is often called an "urban village", Osborne Street itself does not offer an especially pleasant pedestrian realm, with heavy and loud vehicular traffic, narrow sidewalks, etc. Not a place to stroll, it cannot match the architecture, atmospherics or languid pace of the Exchange, and for prospective tenants, this can be a factor.



Osborne Village: not always so welcoming to the pedestrian

This assessment of the competition suggests a clear positioning for the Exchange District in its efforts to draw more yup-ster consumers. It already offers an opportunity to stroll, at a languid pace, amidst distinctive architecture, in a hip and urban setting, with a compact layout of complementary boutiques. And it could fill a vacuum with new dining and nightlife concepts that reflect the particular sensibilities and aspirations of this psycho-graphic.

In terms of differentiating itself in an effort to attract more yup-ster businesses, the Exchange District can offer a daytime population of well-heeled, white-collar workers; the city's fastest-growing stable of like-minded boutiques; an association with an artsy, hip brand that continues to gain momentum; and the possibility of finding space at a relatively affordable price.



Many boutique entrepreneurs, especially young ones, want to be a part of something growing, and they are drawn to re-emerging business districts with a compelling narrative. The Exchange District's positive momentum and uplifting storyline, then, is one of its chief selling points.

Marketing and recruitment efforts should focus, then, on these selling points. Generally speaking, the tenants most likely to be interested in such an opportunity (see attached list) will tend to be either local operators, or smaller "chain-lets" that have established themselves in other cities and might be interested in expanding to a new market. Larger chains would be less likely at this stage, as they would probably prefer to wait a little longer, until the Exchange matures further as a shopping destination.

Typically, large brands do *not* pioneer unknown business districts, preferring instead to wait until the market has been "proved" by smaller operators.



Taking A Step Back: The Exchange District
Major Traffic Drivers: Portage & Main, artsy brand
Resulting Retail Mix: Yupster-oriented businesses

One might ask, of course, whether and for how long the yup-sters and hipsters can co-exist in the Exchange. Operators catering to both of these sub-markets have been proposed in this chapter, yet as mentioned above, the neighborhood is generally perceived as moving in the direction of the former.

The transition in the resident demographic, however, might not happen as quickly as some fear. Much will depend on the pace of redevelopment in the South Point Douglas area, as it is here, and not on the Waterfront or in the Exchange itself, that a critical mass of new housing units could be built, and a large number of yup-sters added to the customer base. And a recent housing market study commissioned by the City of Winnipeg⁵ sees that as at least a ten-to fifteen-year effort.



One should not over-estimate the impact that new housing on the Waterfront and in the Exchange District will have the shopper psycho-graphic: the former, while receiving a lot of attention, is expected to generate no more than 300 units in the end, while the potential for larger-scale conversions in the latter is limited.

Furthermore, the Exchange District will retain some key hipster anchors. For example, while it could lose the Plug-In Institute (see p. 42 above), Red River College's Princess Street campus, already with an enrollment of 2,200 concentrated in hipster-heavy fields like art, graphic design and computer technology, is further expanding its footprint in the neighborhood with the redevelopment of the Union Bank Tower, which will add 400 (similarly-minded) culinary/hospitality students as well as 100 dorm rooms, and now, the takeover of the Massey Building from the University of Winnipeg's Division of Continuing Education for more classroom space.



Red River College is a key hipster anchor in the Exchange District, and it is not going anywhere -- indeed, it is expanding its footprint in the neighborhood

⁵ Undertaken as part of the "Winnipeg Downtown Revitalization Strategy" prepared by Altus Clayton in association with Urban Strategies Inc., January 2008 (draft).

Yet even if the nearby demographics do not change dramatically and certain existing anchors remain in place, the neighborhood's emerging status as a yup-ster shopping *destination*, capable of drawing from beyond just the immediate vicinity, will probably still fuel higher rents and greater selectiveness on the part of landlords, ultimately displacing edgier hipster-oriented businesses and reinforcing perceptions (and fears) of an area in transition.

And there is a danger to this. The most stable urban shopping precincts are likely to be the ones with a diverse mix of drivers and customers, ones not entirely dependent on one psycho-graphic segment or another. This is especially the case in a suburban-oriented city like Winnipeg, where the combined market for hipster and yup-ster retail is limited, and already spread across a number of different business districts.

But also, hipster-oriented concepts help such a district's brand identity, inasmuch as yup-sters tend to look more favorably on neighborhoods with some still-remaining artistic and creative grit. Indeed, some yup-sters prefer to think of themselves as hipsters and would be repelled by areas where their kind has become ubiquitous, even if (or perhaps because) it reflects what they see in the mirror.

For these reasons, it might make sense to consider some sort of financial assistance for existing and prospective hipster-oriented operators and anchors (e.g. Plug-In Institute), say, a ground-floor lease, entered into by a quasi-public or non-profit entity, where the space is reserved for them. Of course, designing appropriate selection criteria would be a complex endeavour, but it would also provide Winnipeg with an opportunity to assert itself as a "cutting-edge" leader in an area with direct relevance to many neighborhoods across Canada and beyond.



How many cities across Canada and the world struggle with the issue of gentrification and displacement? Winnipeg can establish itself as a leader in this area by thinking creatively and innovatively about possible approaches.

Finally, the decision by Birks, the storied Canadian jeweller, to move its one Winnipeg-area location from Polo Park to the Union Trust Tower on Main Street, together with the presence of U.N. Luggage as well as Hy's Steakhouse, Tre Visi and Bailey's, suggests the possibility of growing a cluster of more traditional high-end retailers in the Exchange District, geared primarily towards an older and more affluent clientele of executives working in the office buildings and visitors staying at the Fairmount, but also drawing well-heeled shoppers from across the city.



Birks' choice was bold but understandable. Although it is the premier mall in the region, Polo Park lacks a high-end department store capable of generating large numbers of affluent shoppers and, with a few exceptions like Harry Rosen/Hugo Boss and Talbots, it does not have an especially upscale tenant mix. For Birks, then, perhaps there was more to be gained, in terms of individuating and differentiating the brand, by opening in a high-profile Downtown location, than to be lost by leaving the centre.

Other traditional-upscale brands in Polo Park or considering the Winnipeg market might, then, be worth pursuing (see attached list). If they were interested in Downtown, such operators would probably insist on the sort of profile that is achievable only on Main Street or Portage Avenue, and of the two, would likely prefer the former, given the presence of Birks and the visibility from the Cultural District. But opportunities on that stretch of Main are limited, and there is no precedent on those easternmost blocks of Portage for comparison-goods retail of any kind, let alone of this variety.

Traditional-upscale boutiques might be more willing to consider lower-visibility streets, yet for this set, Academy Road exerts a strong pull. Even though its current collection might be quite modest, Winnipeg's "Rodeo Drive" is still, given its established brand and surrounding affluence, where a small operator looking to target such a demographic and sensibility would probably first think of locating, and most likely see as the safest choice.



The wealth in River Heights makes Academy Road a "safe" choice for traditional-upscale retailers

Alternatively, they might consider a location further west, in, say, Corydon Avenue West or, if space is available, the Tuxedo Park Shopping Centre. The former is poised for growth, with the owners of Diamond Jewellery developing "1735 Corydon", a two-story, mixed-use building with three to four ground-floor bays earmarked for "luxury" clothing and shoe stores.



A rendering for the "1735 Corydon" project, in Corydon Avenue West

An additional hurdle with this sub-market is generational: speaking in the most general of terms, the resistance to shopping in downtowns seems to be greater among older consumers than younger ones, and the inconvenience and cost of parking more problematic.

Finally, the panhandling and street life could pose a challenge, in that it detracts from the sort of pristine, genteel environment to which such shoppers and operators are accustomed. Indeed, it makes the opportunity far more difficult to sell to a prospective tenant, especially the larger chain that assesses potential locations also on the basis of how each will reflect on its brand (see inset box below).

Chains, New Locations and Brand Image

The presence of a particular chain can impact the perceptions of a given business district, but the reverse is also true. Upon spotting a new high-end retailer in a less-than-upscale area, the consumer will either conclude that the area is improving, or, if he sees the same incongruity repeatedly, might (sub-consciously) downgrade his image of the retailer. Savvy brand managers will keep this in mind

With all of these challenges, and given that the citywide market for traditional-upscale retail is limited, it makes sense to tread cautiously. Efforts should focus in the short-term on concepts that: 1) can draw the well-heeled office workers and hotel guests already in Downtown (and concentrated at Portage & Main), like, for example, fine menswear and women's career-wear; 2) build on the Exchange's growing strength in jewellery (i.e. Birks, Hillary Druxman Design); 3) while not in those categories, have a history of locating in comparable downtowns elsewhere (see attached list).

Keep in mind that a fine-menswear retailer in the Exchange District, while more conveniently-located for Portage & Main office workers, would take market share from Hanford Drewitt, a long-time fixture in Downtown that recently modernized its Broadway store and is unlikely to consider a relocation.

Given that high-end chains might not be able to find available space on Main Street, quasi-public stakeholders might consider some sort of incentive package to lure an initial "pioneer" to the stretch of Portage Avenue between Main Street and Garry Street. The outlay would be justified by the impact that this sort of retailer, located on such a high-volume, high-visibility thoroughfare, could have on Downtown's brand image.

Meanwhile, additional carrots might be extended to boutiques choosing between the Exchange District and a "safer" competitor, like Academy Road. Of course, street locations are preferable -- with their superior visibility, they would do more for Downtown's and the neighborhood's brand image -- but if those fail to elicit interest from such operators, another alternative is the Lombard Concourse, where the issue with street life would be mitigated, traditional-upscale shoppers and tenants might feel more comfortable, and there is already a small cache of such retailers.



Taking A Step Back: The Exchange District

Major Traffic Drivers: Portage & Main, Fairmount Hotel, Cultural District

Resulting Retail Mix: Traditional high-end retailers

II. The Waterfront

In addition to the Exchange District proper, the new mixed-use developments on Waterfront Drive will ultimately contain some 35,500 sq.ft. of commercial space. It will, however, prove very difficult to fill these bays with shops, at least in the short term.

Possible comparison-goods operators (e.g. clothing, shoes, etc.) would be troubled by the current lack of foot traffic. Meanwhile, the number of housing units -- aggregating to roughly 180, upon completion of the Sky Waterfront project -- is simply not sufficient to support convenience-oriented businesses, the riverfront location is not ideal for drawing other Downtown residents for such purposes, and the count of nearby daytime workers is too small to make much of a difference.

Another Supermarket in Downtown Winnipeg?

As of 2007, the Downtown BIZ counted roughly 13,000 residents within its boundaries. Using the rule-of-thumb of 2.5 sq.ft. of grocery store space per-capita, that translates to demand for approximately 32,500 sq.ft. Of course, even in the best of circumstances, those residents will not be making 100% of their grocery expenditures in Downtown: they might shop, for instance, at the Extra Foods on Notre Dame Avenue and Langside Street, or the Safeway at Sargent Avenue and Sherbrook Street. With, say, a 70% "capture rate", they could support a roughly 22,750 sq.ft. store.

There is far more than 22,750 sq.ft. of grocery store space in Downtown currently, with The Bay's Food Market (estimated at 30,000-35,000 sq.ft.), Fredette's Family Food, Giant Tiger, The Bargain! Shop and, of course, the collection of small vendors at The Forks. Even when accounting for some supplemental demand from daytime workers, this category is suffering from a condition of over-supply. Yet still, there remains this hankering for a new Downtown supermarket, along with a curious refusal in many cases to even acknowledge the existing alternatives.

The real issue, of course, is not the quantity, but rather the quality, particularly as it relates to the standards of those doing the clamoring. Single, busy, relatively well-paid young professionals -- the ones moving to the Exchange District and to Waterfront Drive -- prefer a more up-market offering with large selections of "heat-and-eat"/prepared foods, small portion sizes appropriate to one- and two-person households living in small apartments (and perhaps lacking automotive transport), more convenient opening hours in the evenings and on the weekends, as well as a greater emphasis on customer service. And they are both willing and able to pay a reasonable premium if it is associated with such added value.

None of the current options offer all of those things, and while The Bay might see the potential, it sits on the wrong side of Downtown. South Point Douglas has been suggested, since a store there could theoretically be custom-built and provide an on-site lot, and the Pump House is also viewed as a possibility, as it, too, could accommodate parking. However, it is unclear that anything even approaching sufficient demand for such a specialty grocer exists, or could in the near future, which would necessitate massive subsidy for an indeterminable stretch. And such subsidy, if it were to be made available, would be more sensibly directed towards a location in, say, the West Exchange, where a food market could synergize with and provide support for a growing cache of other up-market retailers.

To add one further complication, a store in any of these three locations could have a negative effect on The Forks, where some Waterfront Drive residents currently shop for groceries. Indeed, if a specialty grocer is to open somewhere, one could make the argument that the best spot would be the ground floor of the mixed-use retail/residential development envisioned for the Railyard parking lot. Not only would it fit with the district's well-established brand, but also, in such a location, rather than threaten the vendors in The Forks Market, it could act as a sort of anchor, drawing additional traffic from nearby neighborhoods. At the same time, it would be comparatively less risky than an emergent neighborhood, in that there is already a built-in base of support.

Eating and drinking establishments, with their ability to flourish in pioneering settings with no complementary co-tenants, and with the proximity to Portage & Main, the Cultural District and CanWest Park, would be somewhat more realistic. However, residents who paid high prices for their condominium units might not want to be living above noisy/late-night restaurants and bars.

More importantly, subsidizing such offerings would seem to undermine the effort to grow the dining/nightlife cluster in the Exchange District (see above). The same holds for art galleries and specialty shops. Indeed, rather than trying to force something that would not happen on its own, why not expend those same dollars further west, in the West Exchange, where a business district is already gathering momentum (see inset box)?

As suggested in the above inset box on appropriate supermarket location, there is a desperate need for some **strategic thinking** with regard to how development on the Waterfront impacts regeneration efforts elsewhere in the Downtown. Indeed, given the limited market and the risk of cannibalization, it is recommended here that going forward, the Waterfront be branded and marketed not as a separate neighborhood, but rather, *as part of* the Exchange District, and that, also, the West Exchange, as the most evolved business district in the immediate vicinity, be understood as the Waterfront's "downtown", where retail energies should be focused. Downtown's existing shopping precincts are already challenged enough: it makes more sense to give them an extra boost than to try to create something from scratch and dilute the pie still further.

If Waterfront Drive makes sense for anything, it would probably be sit-down eateries -- one or maybe two -- focused on breakfast, brunch and lunch. After all, the park-land/waterfront setting is most enticing during daylight hours, with darkness obscuring the views of the water and the trees upon nightfall. Furthermore, such concepts are less likely to trouble the neighbors, and at the same time, they would avoid direct competition with the evening-oriented fare in the Exchange District.



Restaurants focused on breakfast, brunch and lunch are less likely to trouble waterfront condo-dwellers, seeing as yup-sters often make a habit of meeting friends for weekend brunch.

Of course, the location is a very challenging one for restaurants; not all of them can thrive in such circumstances. Appropriate operators are ones with a *proven* track record of taking pioneering locations and creating true destinations (see attached list). And since they would be focusing primarily on the morning and afternoon, and de-emphasizing the day-part with the highest revenue potential, they would probably require significant subsidy.

Other possibilities include concepts that have relocated from elsewhere and already have an established customer base (e.g. beauty salon, like lashlove), that derive a large share of their revenue from non-retail sources (e.g. wholesale business, like Zcafe Espresso Boutique), or that can trade on the park-land/waterfront setting (e.g. day spa). Otherwise, such spaces probably make the most sense for professional office uses (e.g. psychotherapists).

Finally, two prospects to avoid. One, an ice-cream parlor is often suggested in such park-land/waterfront settings, yet it would almost certainly struggle due to lack of foot traffic, and is not advisable unless Stephen Juba Park were to become the city's premier gathering place. And two, the residential densities are probably not there yet for a freestanding café that relies largely on the retail trade.



Taking A Step Back: The Exchange District

Major Traffic Drivers: Park-land/waterfront setting, yup-ster residents of the Exchange District

Resulting Retail Mix: Sit-down breakfast/brunch/lunch eateries, operators with a built-in customer base, businesses with significant non-retail revenue source, concepts that can trade on park-land/waterfront setting, professional offices

III. Portage Avenue

Portage Avenue is a long corridor that extends west to the city border and becomes the Trans-Canada Highway. However, for the purposes of this narrative, "Portage Avenue" shall be understood to refer only to the stretch of the road between Memorial Boulevard, the western boundary of the study area, and Garry Street, which shall be considered the eastern boundary -- as the two blocks from Garry Street to Main Street are more properly discussed in connection with the market at Portage & Main and in the Exchange District (see p. 25). Where the stretch from Memorial to Garry is being contrasted with another section of Portage Avenue, it will be called the "Portage Avenue *sub-district*", so as to minimize confusion.

Commodity Retail

Portage Avenue is a different matter, entirely.

Like the Exchange District, it has a destination appeal, capable of luring Winnipeggers from beyond the immediate neighborhood. However, as two of its chief draws are a branded department store (the Bay) and a traditional chain-filled enclosed mall (Portage Place), it is meant to focus not on a specialty niche (like hipsters/yup-sters), but rather, on what one might call "commodity" retail.

A commodity is defined for the purposes of this discussion as a brand that one can find in virtually every major retail sub-market in a given metropolitan area. Take, for instance, the Peoples Jewellers chain: in the Winnipeg market, it operates stores at Polo Park, St. Vital Centre, Kildonan Place and Garden City. Or Winners, with locations in the shopping districts near those same four centres.

With a commodity, because one store within the chain is no different from another, consumers will typically shop the location that is most convenient to them. They will not drive across town -- or, more importantly, for our purposes, to Downtown -- for, say, a Peoples Jewellers or a Winners -- if they can find the same merchandise, at the same price, at/near their local mall.

The "trade area" for such brands, then, can be defined as that area within which Downtown would be the *most* convenient option. In order to delineate its boundaries, one must first map and assess the primary commodity-focused competitors, and then determine at what point it would be more convenient for residents to head inward to Downtown, rather than outward to one of them.

Commodity-Focused Shopping Centres: Terminology

Traditional Enclosed Mall

- Enclosed centre, surrounded by parking, with large anchor stores (e.g. traditional and discount department stores) connected by rows of smaller "in-line" comparison goods brands
 - Discount Department Store: large-format store, typically 75,000 sq.ft. or more, that offers discounted prices in a wide variety of merchandise categories; examples include Wal*Mart and Zellers

Power Centre

- Open-air layout, consisting of a strip mall separated from the arterial road by a parking field, with agglomerations of large "box" stores (e.g. mass merchandisers, category killers, etc.) that comprise most of the retail square footage
 - Category killer: large-format store, typically 15,000 sq.ft. or more, that offers deep selection and low prices in one particular category of merchandise; examples include Toys R Us, Home Depot and Best Buy
- Proliferated across Winnipeg in the 1990's and remains the most popular shopping-centre development format today

Power/Lifestyle Centre Hybrid

- Open-air layout, consisting of a strip mall separated from the arterial by parking fields, with agglomerations of large "box" stores (e.g. mass merchandisers, category killers, etc.), but *also*, freestanding, multi-tenanted buildings occupied by the sorts of smaller "in-line" comparison goods brands typically found in enclosed regional malls
- Local examples include SmartCentre developments like Kenaston SmartPark and Crossroads Station

The closest such competitor is **Polo Park**, the two-story, roughly 1,200,000 sq.ft. traditional enclosed mall near the intersection of Portage Avenue and Route 90, just a seven-minute drive and 3.89 kilometres from Downtown. It is a more convenient option for residents of neighborhoods to the west, like Wolseley, Minto, Sargent Park, Wellington Crescent and North River Heights.⁶

⁶ It is the more convenient option for residents of many other neighborhoods as well, although these are specifically mentioned because they are the first ones, heading outward from Downtown, that would be more likely to shop there for commodity brands versus Downtown.



Polo Park

Size: Two-story, 1,200,000 sq.ft.

Location: Portage Avenue and Route 90

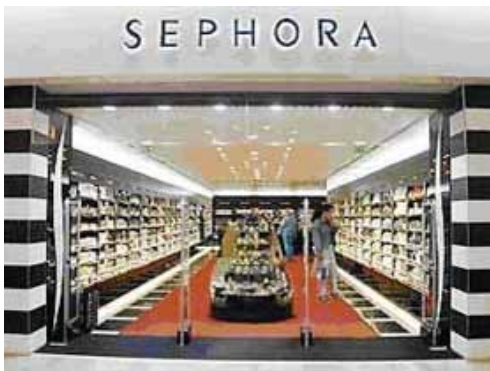
Distance: 7-min drive (3.89 km)

Owner: Cadillac Fairview

Anchor: Sears, The Bay, Zellers, SilverCity Polo Park

Junior Anchor: SportChek, McNally Robinson Booksellers, Pier 1 Imports

Polo Park is not only, however, the local mall for these neighborhoods; with sales of \$550 to \$600/sq.ft., it is also the premier centre in Winnipeg, and as the "point-of-entry" for national and U.S. chains, it can draw from across the region with its one-per-market brands, like Talbots, Harry Rosen, Hugo Boss, Billabong, Club Monaco, Guess? Jeans, Lucky Brand Jeans, Geox, Lululemon Athletica, Lush, EQ3 and, now, Sephora.



Sephora, the France-based international chain, recently chose Polo Park for its first Winnipeg location.

In 2007, the centre completed a \$30 million renovation and expansion. That added only 20,000 sq.ft. of retail space, but with Safeway relocating to the nearby Madison Square strip mall, it now has a 39,000 sq.ft. block to work with, which it is planning to fill with three "destination" stores.

Polo Park is also surrounded by a phalanx of large box stores (see inset box), in centres like St. James Station, Polo Festival and Canad Centre, with the entire shopping district measuring over four million square feet, making it the city's largest.



Polo Park Shopping District

Nearby Anchors: Wal*Mart, Real Canadian Superstore, Canadian Tire, Real Canadian Wholesale Club, Home Depot, RONA, Cabela's

Nearby Junior Anchors: Winners, Old Navy, Mark's Work Warehouse, Shoe Warehouse, The Shoe Company, Sears Home, Home Outfitters, Jysk, Furniture Villa, Ashley Furniture Homestore, Leon's, Dufresne, Leather Express, La-Z-Boy Furniture Galleries, Sleep Country, The Brick, Future Shop, Best Buy, Visions Electronics, Chapters, SportMart, Michaels, Fabricland, Toys R Us, River City Sports, Staples, Office Depot, Value Village, Safeway, Dollarama, Petcetera, Goodlife Fitness (within Superstore)

Other, non-retail generators of potential customers in the Polo Park shopping district include Canad Inns Stadium, the roughly 30,000-seat home field for the Canadian Football League's (CFL) Winnipeg Blue Bombers, although the franchise's new owner, David Asper, is currently in final negotiations with the Province and with Ottawa to build a new venue on the campus of the University of Manitoba.

However, this will provide room for even more retail. As part of David Asper's deal to build a new stadium for the Winnipeg Blue Bombers' CFL franchise, the City of Winnipeg will sell him the 25-acre property where Canad Inns Stadium currently sits, so that he can redevelop it for retail use.

In addition, Cadillac Fairview is developing "Polo North" on the sites of the old Winnipeg Arena and the CKY-TV studio, to the north of Polo Park. The project is expected to consist of two or three two-story retail/office buildings.

And Hopewell Development is trying to land a box store for the 45,000 sq.ft. "Stadium Centre" project that it is building on the site of the former Winnipeg Dodge Chrysler Jeep auto dealership, on Ellice Avenue between St. James Street and Arena Road.

Why Are You Telling Me This?

This discussion of other shopping districts mentions major non-retail traffic generators, like stadiums and casinos because, just like retail anchors, they can strengthen a given district's pull with consumers and with retailers. It also highlights plans and opportunities for additional development, such as Polo North, Stadium Centre and the Canad Inns Stadium site, because not only do they indicate how the respective district can continue to grow and become even more formidable as a competitor, but also, such projects are the ones that would be vying with Downtown for tenants going forward (e.g. for "one-per-market" brands, or for existing Downtown retailers that they might try to poach).

As a competitor, however, Polo Park does have its vulnerabilities. Given the sheer amount of retail, circulation on a Saturday afternoon, for example, on St. James Street or Empress Street, can be nightmarish. And as discussed earlier, there is no high-end department store to hold more up-market brands, and one is not likely to arrive anytime soon (see inset box).



The Hudson Bay Company (HBC) has decided to table its plans to bring the upscale **Lord & Taylor** banner to Canada. And even if it were still coming, HBC would probably not have re-branded any of Winnipeg's Bay stores, even the one at Polo Park.

The second most formidable competitor is **St. Vital Centre**, a one-story, approximately 930,000 sq.ft. traditional enclosed mall at the intersection of St. Mary's Road and Bishop Grandin Boulevard, a 14-minute drive and 8.22 kilometres from Downtown. It is a more convenient option for residents of neighborhoods to the south, like Lord Roberts, Riverview and Glenwood.



St. Vital Centre

Size: One-story, 930,000 sq.ft.

Location: St. Mary's Road and Bishop Grandin Boulevard

Distance: 14-min drive (8.22 km)

Owner: Ontario Pension Board (managed by 20 Vic Management)

Anchors: Sears, The Bay, Famous Players, Wal*Mart

Junior Anchors: Chapters, SportChek, Old Navy, London Drugs, Safeway

Already a strong performer that rivals Polo Park and also attracts attention from "new-to-the-market" brands, St. Vital Centre stands to gain from the residential development planned for the Lagimodiere Boulevard corridor in South St. Boniface, as it would be the closest commodity-filled mall to the roughly 7,000 housing units expected there.

Expansion of this shopping district is challenged, however, by a lack of available real estate and the proximity to surrounding residential. Indeed, there is just one other anchored centre in the immediate vicinity. Larger-format retailers are therefore forced to consider other strips along Bishop Grandin Boulevard, like St. Vital Festival (to the east), Pembina Crossing (to the west), or even, one of the three at Kenaston Boulevard and McGillivray Boulevard (see below), creating what one local retail expert sees as a single "Kenaston-Bishop Grandin" sub-market⁷. =

⁷ Lorch, Brian J., *Canadian Journal of Regional Science*, "The evolution of a big-box landscape: a case study of the Winnipeg market", September 2006.



St. Vital Centre Shopping District

Nearby Anchors: None

Nearby Junior Anchors: Mark's Work Wearhouse, Shoe Warehouse, River City Sports, Pier 1 Imports, Sleep Country

Winnipeg's newest retail draw is centered on this intersection of **Kenaston Boulevard** and **McGillivray Boulevard**, a 17-minute drive and 11.56 kilometres from Downtown. Unlike the others, it is not anchored by a traditional enclosed mall, but rather, consists of two large power centres -- the 450,000 sq.ft. Linden Ridge Shopping Centre and the 450,000 sq.ft. Kenaston Common -- as well as one power/lifestyle centre hybrid -- the 565,000 sq.ft. Kenaston SmartPark -- totaling roughly 1.5 million sq.ft. of space.



Kenaston & McGillivray

Size: Three power centres, totaling 1.5 million sq.ft.

Location: Kenaston Boulevard and McGillivray Boulevard

Distance: 17-min drive (11.56 km)

Anchors: Wal*Mart, Costco, Canadian Tire, Home Depot, RONA, Cinema City

Junior Anchors: Nygard, Mark's Work Wearhouse, Home Outfitters, HomeSense, Indigo, Gord's, Petland, Safeway, Sobeys

Little more than a collection of farms as recently as the late '90's, Kenaston and McGillivray has quickly emerged as Winnipeg's most dynamic retail sub-market in the 2000's, partly due to its location in proximity to fast-growing residential subdivisions like Linden Woods, Linden Ridge, Whyte Ridge and, now, the 11,000-unit Waverly West.

Residents of close-in neighborhoods in Fort Rouge and River Heights, however, already dread the traffic congestion at this shopping district, and even with the widening of Kenaston Boulevard (see inset box, below), there is the possibility that it could get far worse, as Waverly West continues to grow and new high-volume retail draws materialize (see below).



Will the ever-increasing traffic congestion on Kenaston Boulevard drive more and more residents of close-in neighborhoods inward to shop?

The three power centres at Kenaston and McGillivray are now at roughly full occupancy, yet the sub-market will be seeing the delivery of another large block of retail space just one major intersection to the north, with Fairweather Properties' 1.5 million sq.ft., IKEA-anchored project on the southwest corner of Kenaston Boulevard and Sterling Lyon Parkway, expected also to include three other big box stores, a 16-screen cinema and numerous in-line retailers, among office, hotel and residential uses.

IKEA, Suburban Shopping Centres and Incentives

For those who argue, in opposition to publicly-funded downtown revitalization efforts, that suburban shopping centres do not require such incentives and represent the private market at work, it is worth noting the \$22 million in infrastructure improvements that the City and the Province are funding (through future property taxes) in support of the IKEA-anchored shopping centre planned for Kenaston Boulevard and Sterling Lyon Parkway. Even if one accepts the claim that the widening of Kenaston would have been necessary eventually, the same cannot be said for Sterling Lyon, which was completed 3 1/2 years ago. To be fair, however, the money will come from the additional revenue that the developed site will generate in taxes -- money that would otherwise not exist. And admittedly, such projects are more certain to have a positive fiscal impact -- to cover the initial subsidy and then some -- than ones in a downtown setting. Indeed, the IKEA development is expected to yield roughly \$6 million in tax revenue per year, and would therefore take less than four years to pay for itself.

While retail experts had previously felt that the sub-market would be tapped for the near term, the arrival of a 350,000 sq.ft. IKEA is expected to widen the draw beyond the provincial borders, to southwestern Ontario, southern Saskatchewan and North Dakota, as well as expand the universe of prospective tenants to include various international and U.S. brands (although none have been announced yet).



The arrival of IKEA could conceivably help Downtown's longer-term leasing prospects, in luring new international and U.S. brands to Winnipeg that might eventually open in Downtown as part of a larger, city-wide rollout. It could also instill a more widespread appreciation for stylish home design that the Exchange District can take advantage of (see p. 47).

At the same time, it is difficult to assess the larger project's likely effect on Downtown without knowing what the other tenants will be: a Bass Pro Shops, for example, would be a tourist draw that competes for attention and dollars with the Forks.

Speaking more generally, the project is yet another example of Winnipeg's "doughnut" approach to retail planning and development, which undermines the goal of creating a healthy Downtown core (and, for that matter, a sustainable city).

The City should be undertaking a more comprehensive study effort in order to further explore these potential impacts, **as required by the Downtown plan.**

To the northeast of Downtown, **Kildonan Place** is a one-story, roughly 460,000 sq.ft. traditional enclosed mall at the intersection of Regent Avenue and Lagimodiere Boulevard, a 14-minute drive and 8.08 kilometres away. It is the most convenient option for neighborhoods to the northeast, like Chalmers, Talbot-Grey and East Elmwood.



Kildonan Place
Size: One-story, 460,000 sq.ft.
Location: Regent Avenue and Lagimodiere Boulevard
Distance: 14-min drive (8.08 km)
Owner: Ivanhoe Cambridge
Anchor: Sears, Zellers, Famous Players
Junior Anchor: Shoe Warehouse, Sport Mart, Shoppers Drug Mart, Dollarama

Located in the working-class Transcona neighborhood, Kildonan Place caters to a more mid-market demographic than either Polo Park or St. Vital Centre. Indeed, in contrast to those two centres, it now contains just one traditional department store (Sears), with the Bay having been converted to a Zellers. As a result, residents must travel to Downtown for the closest location of the Bay.

Kildonan Place itself is not a large centre, but it anchors the second-largest shopping district in the city, with nearly four million sq.ft. of retail space, including Crossroads Station, a 650,000 sq.ft., Wal*Mart-anchored power/lifestyle centre hybrid. And the draw is boosted further by the presence of one of Winnipeg's two provincially-owned gaming facilities, Club Regent Casino, with its waterfall and walk-through aquarium.



Kildonan Place Shopping District
Nearby Anchors: Wal*Mart, Real Canadian Superstore, Canadian Tire, Costco, Home Depot, RONA, McDiarmid Lumber
Nearby Junior Anchors: Winners, Mark's Work Wearhouse, Home Outfitters, Ashley Furniture Homestore, The Brick, Best Buy, Future Shop, Vision Electronics, SportChek, Petland, Petcetera, Toys R Us/Babies R Us, Staples, Value Village, Safeway, Sobeys

Furthermore, Kildonan Place is, according to its website, planning to add another 100,000 sq.ft. for box and in-line retailers, and Crossroads Station is offering 86,000 sq.ft. of space, including 45,000 and 20,000 sq.ft. floor-plates. And on a site behind Kildonan Place, accessible by Lagimodiere Boulevard, Shindico is developing a new, 300,000 sq.ft. strip, to be called Reenders Festival (although that project is taking longer than expected due to difficulties in landing anchor tenants).

Finally, to the north, **Garden City Shopping Centre** is a one-story, roughly 369,000 sq.ft. traditional enclosed mall at the intersection of McPhillips Street and Leila Avenue, a 15-minute drive and 8.58 kilometres away. It is the most

convenient option for residents of neighborhoods to the north, like Dufferin, William Whyte, Burrows Central and St. John's.



Garden City Shopping Centre

Size: One-story, 369,000 sq.ft.

Location: McPhillips Street and Leila Avenue

Distance: 15-min drive (8.58 km)

Owner: JEC Properties (managed by Redcliff Realty Management)

Anchor: Sears, Canadian Tire, Winners, Cinema City (two screens)

Junior Anchor: Petcetera, Dollarama

Garden City is considered the least desirable of Winnipeg's four enclosed regional malls. Drawing from West Kildonan and the North End, it also serves a largely working-class demographic, and it, too, contains just one traditional department store (again, Sears), with the former Eaton's anchor space having been subdivided into a Canadian Tire, Winners and Petcetera. Residents must therefore head Downtown in order to shop at the Bay.

Furthermore, with notable exceptions like Garden City Square and Northgate Shopping Centre, the Garden City shopping district has been the least effective of the four in drawing other box retailers (with St. Vital's struggles due largely to real estate)⁸. Indeed, it lacks a first-run movie multiplex, with the closest one in Downtown.



Garden City Shopping District

Nearby Anchor: Wal*Mart, Zellers, Real Canadian Superstore, Home Depot, McDiarmid Lumber, Cinema City

Nearby Junior Anchor: Mark's Work Wearhouse, Hangers, Shoe Warehouse, Jysk, Sleep Country, Future Shop, SportChek, Staples, Safeway, Shoppers Drug Mart, Dollarama, Goodlife Fitness (within Superstore)

⁸ One non-retail traffic generator in the Garden City shopping district is the 280-bed **Seven Oaks General Hospital**, at the northwest corner of McPhillips Street and Leila Avenue. However, Seven Oaks is de-emphasized in the narrative because, unlike, say, Club Regent Casino or Canad Inns' "Manitoba Waters" water park, its traffic is not leisure-driven, and its impact on regional retail is probably minimal, with spin-off likely concentrated in fast food and certain convenience-oriented categories (e.g. Shoppers Drug Mart, Vital Health, etc.).

Finally, while it does not have as wide of a draw as the other enclosed malls, the **Grant Park Shopping Centre** is also worth mentioning, given it is just a ten-minute drive and 5.76 kilometres from Downtown, and the closest (non-Downtown) large-scale shopping centre for close-in Fort Rouge neighborhoods like Osborne Village, McMillan and Earl Grey.

Although the centre appears to be struggling with in-line leasing, it is near full-occupancy and enjoys healthy sales of \$400/sq.ft. And while certain anchors, like Safeway and Shoppers Drug Mart, can already be found in Osborne Village, others, such as the first-run Empire Theatres multiplex and the McNally Robinson Booksellers, are capable of pulling from that direction.



Grant Park Shopping Centre

Size: One-story, 391,000 sq.ft.

Location: Grant Avenue and Wilton Street

Distance: 10-minute drive (5.76 kilometres)

Owner: Primaris Retail REIT (managed by Oxford Properties Group)

Anchor: Zellers, Empire Theatres

Junior Anchors: Shoe Warehouse, McNally Robinson Booksellers, Safeway, Shoppers Drug Mart

Given the drive times and formidability of these competitors, one could roughly assume a trade area for commodity retail that includes the following neighborhoods, as defined by the City of Winnipeg's Neighborhood Profiles:

Outdated Data?

These figures are drawn from the 2001 Census, as collated by the City of Winnipeg for its various neighborhoods. Of course, numbers from the 2006 Census would be preferable -- for example, it would reflect the gentrification of the West Broadway and Spence areas that has taken place since -- yet the 2006 data set is not yet available on the City's website, which states that "2006 Census Neighborhood Profiles are expected *early 2009* once the data becomes available from Statistics Canada".

Neighborhood	Population	Population Density	Median Household Income
Downtown East			
Armstrong Point	400	1,498.1/km	\$83,718
Broadway-Assiniboine	5,445	15,967.7/km	\$25,916
Centennial	2,385	4,474.7/km	\$15,991
Central Park	3,205	13,755.4/km	\$14,890
China Town	545	8,257.6/km	\$18,925
Colony	625	4,960.3/km	\$21,537
Exchange District	345	1,081.5/km	\$50,058
Logan-CPR	300	281.7/km	\$15,768
Portage-Ellice	860	5,088.8/km	\$27,893
Spence	3,750	7,747.9/km	\$16,515
West Alexander	4,145	2,969.2/km	\$25,339
West Broadway	5,045	7,485.2/km	\$16,085
South Portage	1,695	2,564.3/km	\$18,313
Downtown West			
Daniel McIntyre	9,725	7,627.5/km	\$27,104
St. Matthews	5,885	6,907.3/km	\$27,184
River Heights East			
Roslyn	4,195	13,402.6/km	\$41,406
River-Osborne	4,715	5,400.9/km	\$23,672
McMillan	3,540	6,221.4/km	\$32,037
River Heights West			
Earl Grey	4,305	4,258.2/km	\$34,758
Ebby-Wentworth	730	1,834.2/km	\$43,216
Crescentwood	2,735	2,570.5/km	\$65,375
Rockwood	4,040	4,169.2/km	\$31,822
St. Boniface West			
North St. Boniface	1,880	1,340.9/km	\$34,452
Central St. Boniface	6,000	3,045.7/km	\$24,276
Norwood East	4,115	3,167.8/km	\$39,166
Norwood West	3,160	2,368.8/km	\$51,870
Point Douglas South			
South Point Douglas	170	249.3/km	0
North Point Douglas	2,260	1,973.8/km	\$21,673
Lord Selkirk Park	1,340	2,504.7/km	\$14,696
Dufferin	1,755	2,687.6/km	\$17,521
William Whyte	5,745	4,948.3/km	\$20,012
Point Douglas North			
St. John's Park	550	1,380.6/km	\$37,038
River East South			
Glenelm	2,255	2,684.5/km	\$42,766
TOTAL			
City of Winnipeg	97,845		
	619,544		\$43,383

The first point to underscore here is the total population, which numbers roughly 97,845. As a rule-of-thumb, the traditional, department store-anchored, comparison goods-focused enclosed mall requires a trade area of 200,000 to 250,000 persons: Downtown Winnipeg's has less than half of that.

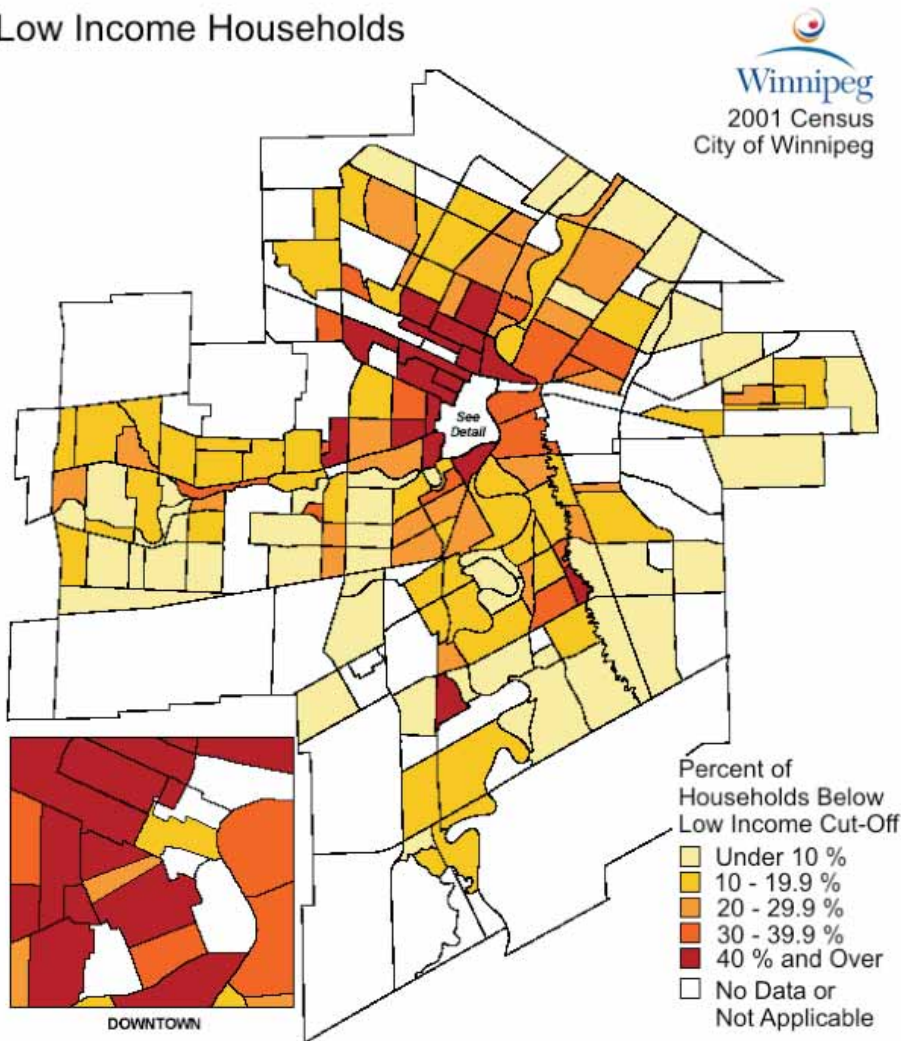
Secondly, the income levels. Of the 33 neighbourhoods listed above, only three - - Armstrong Point (\$83,718), the Exchange District (\$50,058) and Crescentwood (\$65,375) -- boast a median household income that exceeds the citywide average (\$43,383), with just three others, Ebby-Wentworth (\$43,216), Glenelm (\$42,766) and Roslyn (\$41,406), coming close. And these six neighborhoods aggregate to a population of just 10,660, of a total of 97,845.

Meanwhile, nine of the 33 neighbourhoods, aggregating to a population of 20,020, cannot even reach \$20,000. Indeed, the median for the Downtown East cluster as a whole, which accounts for nearly 30% of the 97,845, is \$19,763. And ten others, combining for another 45,405 residents, fall somewhere in the \$20,000's.

The median household income for these 33 neighborhoods, then, can be estimated to fall somewhere in the mid-to-high \$20,000's. This falls far below the medians for the five-kilometre rings surrounding each of Winnipeg's five other major shopping districts (including even the one for Garden City, the most weakly-tenanted of the bunch), and for the city as a whole (\$43,383).

The following map created by the City of Winnipeg illustrates a similar point in spatial form, that is, that Downtown's trade area for commodity brands consists of an inordinately high percentage of low-income neighborhoods:

Low Income Households



This helps to explain why Portage Avenue attracts interest from the kinds of retailers that it does: commodity brands have a very clear understanding of what they require in a trade area, and in this case, most of them see one that does not even come close to reaching their necessary population and income thresholds.

Furthermore, given its trade area's unfavourable comparison with the city's other major shopping districts and distance from the city's high-growth areas, Portage Avenue is not the obvious choice for commodity brands looking to open their first or only Winnipeg-area store. One should not, for example, expect H&M to make its debut there.



Downtown's unfavourable demographic comparison with the city's other major shopping districts makes Birks' (left) decision all the more daring. However, the Exchange District is a somewhat different proposition: it is in certain respects uniquely positioned to attract up-market brands (see p. 76). If such operators were willing to contemplate a Downtown location, this is the only sub-district where they would look; Portage Avenue would not be considered.

Efforts to lure the more affluent consumers within this trade area, or, for that matter, the commodity brands that appeal to them, are further challenged by the kinds of street traffic that one typically encounters on Portage Avenue or even in Portage Place, and the impact that such experiences have on perceptions of the corridor and the centre (see p. 54).

Of course, the **street traffic** (i.e. homeless-ness, panhandling, etc.) is a much larger subject that extends beyond the scope of this assignment; the point here is merely to underscore its impact in deterring possible shoppers and prospective tenants.

Of course, Downtown Winnipeg boasts certain traffic generators that its suburban competitors lack, like, for instance, a large contingent of daytime workers, who will shop for comparison goods during their lunch hours if the location of such stores is close and convenient, and especially if they are situated along the route to/from a food court or typical "errands" (like, for example, Shoppers Drug Mart).

And while the better-paid office workers might be concentrated at Portage & Main, and while the Portage Avenue sub-district does not see as many suits and ties, it contains a not-insignificant number of large office buildings, including not just the new Manitoba Hydro Tower and its 2,000 employees, but also, for instance, One Canada Centre, Newport Centre, 444 St. Mary Avenue, Winnipeg Medical Arts Building, etc.

The **market for commodity retail** on Portage Avenue is not thought to include the (better-paid) office workers at Portage & Main, since: 1) they would usually not want to waste precious time during their lunch hour on the walk to and from; and 2) the 15- to 20-minute headways for the Downtown Spirit shuttle are too infrequent, plus its "stations" are exposed to the elements during the frigid winter months.

This might partly explain the value orientation of Portage Place's career-oriented commodity brands (i.e. Smart Set, Ricki's, Suzy Shier, Laura, Fairweather, etc.): if Winnipeg Square had been much larger -- on the scale of Portage Place, for example -- it might have become Downtown's primary enclosed mall and attracted more up-market names, but at 60,000 sq.ft., it cannot offer the sort of critical mass that such operators would require.

Mayor Sam Katz is currently pursuing an aerial "people mover" that would connect The Forks to the University of Winnipeg (and presumably stop at Portage & Main as well as Portage Place). However, unless trams arrived *very* frequently (and, of course, stations were walkway-accessible and climate-controlled), workers at Portage & Main would still be unlikely to make the trip to the mall all that often.

Other drivers include the University of Winnipeg, which sits just to the west of the study area, its roughly 9,300 undergraduates providing additional daytime traffic, especially for stores selling "cheap chic" fashions (see below), as females account for more than 60% of the student body. And the school's plans for the United Army Surplus site and the Greyhound Bus Terminal will bring its student body that much closer to the Portage Avenue sub-district.

Also, the Millenium Library welcomed more than 1.5 million visitors in 2007. While the Winnipeg Public Library system consists of twenty branches scattered across the city, including ones nearby in the West End, Wolseley, St. Boniface, the North End and Osborne South, the overhauled and expanded flagship is by far the largest and most impressive, encompassing four floors and 180,000 sq.ft., and can therefore pull from far beyond the "trade area" delimited by those neighborhood satellites (see inset box below).



Offering much more than the typical neighborhood library, the **Millenium Library** has a destination appeal that enables it to draw from parts of the city which already have local branches and for which it is not necessarily the most convenient option.

Finally, the five-level, 160,000 sq.ft. Winnipeg Convention Centre attracted 416,000 visitors in 2006. Only 54,000 of those were delegates to conferences -- the remainder were for other events, like car, boat and RV shows -- and the facility has struggled to compete in recent years for larger regional and national gatherings, although its Board and the City are hoping to clinch Provincial and Federal funds for an expansion that would double its size to 307,000 sq.ft. and possibly add another hotel.

Of course, one should be careful not to overestimate a convention centre's possible impact as a generator of demand for commodity retail. Indeed, most of this kind of shopping takes place during the day, when attendees are *supposed to be* focused on the gathering itself, on the sessions, the luncheons, the booths, etc. And it does not help in this regard that Portage Place closes relatively early for five of the seven nights of the week.



Like in casinos, the absence of windows in a typical convention centre keeps attendees focused on the meeting itself, undistracted by the world beyond.

Furthermore, conventioners would be more inclined to shop if Portage Avenue were not two blocks away, and Carlton Street and Hargrave Street do not exactly beckon them northward. Redevelopment of the large cityplace surface parking lot would help in this respect, although that is a more complicated matter than it might seem (see p. 102).

Finally, much has been made of the extension of the walkway to the Delta Winnipeg (#6 and #5 in the map below), but as it is, conventioners only have to walk outside for less than one block and then two crosswalks in order to access the system at cityplace. Commodity retail on Portage Avenue would probably have benefited more from the closing of the loop in the other direction (#3 and #1), but that requires redevelopment of the surface parking lot on the southwest corner of St. Mary Avenue and Edmonton Street, where Lakeview Management has put its plans for a hotel on hold.

In sum, then, the market for commodity retail on Portage Avenue consists of: 1) a largely low-income resident base; 2) a contingent of moderately-paid office workers; 3) undergraduate students -- budget-conscious, one would presume, especially given the University of Winnipeg's reputation for affordability; 4) library-goers -- likely with a skew towards immigrants and those of more modest means; and 5) conventioners, from which patronage is not likely to be substantial.

Note that the influence of the low-income consumer is exaggerated in the case of Portage Avenue because it is so easily accessible by bus, a mode of transit most heavily used by this demographic. The corridor handles 24 different routes and roughly 35,800 passengers per weekday, as well as all three lines of the Downtown Spirit shuttle.

Considering that this is its market, that it must deal with Portage Avenue street traffic, and that the nearby Bay store could be a more effective anchor, Portage Place perhaps deserves more credit than it gets. Its sales levels, estimated at roughly \$250/sq.ft., are well below national averages, yet its foot traffic is heavy on a typical weekday, the current tenant mix includes a significant number of commodity brands in soft-goods categories, and the overall occupancy rate is above 90%.



Portage Place Shopping Centre
Size: Three-story, 439,600 sq.ft.
Location: Portage Avenue and Kennedy Street
Owner: Peterson Investment Group (leased by Shindico)
Anchor: Bay (shadow)
Junior Anchors: Hangers, Shoe Warehouse, Staples, Shoppers Drug Mart, YMCA-YWCA, Globe Cinema, IMAX, Prairie Theatre Exchange

There are an inordinately high number of percentage-rent deals and "month-to-month" leases, but these appear to be concentrated in the western end of the second floor en route to the Bay, perhaps attributable to that anchor's relatively weak drawing power, and on the eastern end towards Hangers, where the lower ceilings and absence of natural light dampen the mood considerably and signal to shoppers a transition from a leisure-oriented shopping environment to the more utilitarian walkway system.

Of course, the centre has also lost a significant number of higher-caliber brands over the years -- and its value as an asset has declined considerably since it was built -- but many of these retailers would never have been there in the first place had the original developer, Cadillac Fairview, not required that they take such locations as a condition for gaining entry to its more prized possessions, like Polo Park. In this sense, Portage Place's tenant mix has simply reverted to the one that its actual customer base had suggested all along.



Tower City Centre, an enclosed mall in Downtown Cleveland, has followed a similar trajectory as Portage Place. When it first opened in 1991, the centre was filled with luxury brands like Barney's, Tiffany's, Fendi and Gucci, which developer Forest City Ratner had been able to strong-arm in exchange for locations in its other, more desirable properties. However, once their leases expired, the high-end retailers disappeared, and the mix moved in a more down-market direction befitting its trade area's demographic profile.

Indeed, given Portage Place's existing configuration, the current demographic profile and the proximity to Polo Park, one struggles to understand how, in the near term, the draw and mix could be *fundamentally* and *dramatically* transformed from what it is today, and how, then, reinvestment in the centre, even cosmetic upgrades -- the '80's look has become outdated -- can be justified from a bottom-line perspective.

The deep-discount flavor of Portage Avenue itself, with brands like The Bargain! Shop, The Cash Store and now, Dollarama, is also to some extent a response to the market for commodity retail. Indeed, were it not for the optical and bridal niches, many more spaces might very well be filled with tenants catering to this same lower-income demographic.



In re-tenanting the Portage Avenue frontage of the Power Building at the northeast corner of Portage Avenue and Vaughn Street (left), the owner, Neptune Properties, received strong interest from **Advance America**, a large U.S. cash advance/payday loan chain.

Deep-discount brands are even less surprising on Portage Avenue itself because, in addition to the market realities, leasing efforts are challenged by odd configurations in heritage buildings, direct exposure to the street traffic and isolation from the all-important walkway system, resulting in cheap rents in the low- to mid-teens. And prospects are still fewer as one moves further east, away from the mall, and outdoor footfall drops further.

The new Manitoba Hydro Tower should help to improve the marketability of spaces in both Portage Place and on the nearby blocks of Portage Avenue, yet so far it appears to be driving interest primarily from lunch-hour food purveyors, and not from the sorts of comparison-goods concepts that can build the sub-district's destination appeal.

Don't Get Too Depressed...

The preceding discussion might paint a rather bleak portrait of the retail prospects for Portage Avenue. No doubt this sub-district has its challenges, and it is not going to become Yonge Street, Rue St. Catherine or Robson Street anytime soon. However, there are opportunities to improve upon what is there currently, as long as one is realistic and practical, embracing strategies that advance incrementally from but remain rooted in the market as it is today. In other words, Holt Renfrew might not fit, but there is something between Holt and The Bargain! Shop. The following details an approach that aims for that middle ground.

In order for build such appeal, it is first necessary to look at the problem from a higher altitude. If the commodity-focused shopping district draws residents for whom it is the *most* convenient option, part of the solution is to redouble efforts to improve the demographics of and increase the densities in the close-in neighborhoods surrounding Downtown.

Of course, the three levels of government have played a catalytic role in the creation of a new residential quarter on Waterfront Drive, but it is important to keep in mind that, with only 180 units, this represents just a tiny fraction of what commodity brands require. Indeed, a fully built-out South Point Douglas would have a much greater impact in this regard.

Another model is to be found in the existing close-in neighborhoods, where, largely as a result of the public and non-profit sector's reinvestment in the housing stock, better-off households started to move to the West Broadway area in the late '90's. They have continued to do so in the first half of the '00's, and evidence also suggests that a similar trend might be emerging in other nearby, low-income precincts, like Spence and Lord Selkirk Park. From the admittedly narrow perspective of commodity retail⁹, such in-migration should be strongly encouraged.

Note, however, that the trade area needs both improved demographics *and* higher densities, and the redevelopment of existing residential fabric typically lowers the population-per-square-kilometre figure when, for example, rooming houses are converted to single-family homes. To recoup some of that loss, greater intensities should be pushed for new ground-up projects, like ones in South Point Douglas, to the extent that the market will bear.



High residential densities can no doubt have negative impacts on a neighborhood level (e.g. quality-of-life concerns, lowered property values, etc.). But retailers see the matter through a different lens: they often *like* higher densities, because it translates to more potential customers within the same radius. And they especially like higher densities in inner-city settings, because it can more than compensate for the low per-capita spending power levels. Indeed, a dense urban setting often boasts higher absolute numbers of middle-class and affluent households than a suburban one.

Another critical piece to all of this is the Bay, Portage Avenue's one traditional department-store anchor. Because there is no Bay at either the Garden City Shopping Centre or Kildonan Place malls, a better-performing Downtown location would generate more traffic from the relatively more healthy neighborhoods just beyond the commodity trade area's boundaries to the north, in Point Douglas

⁹ The qualifier of "narrow perspective" is used here because there are, of course, other imperatives, like, for example, avoiding large-scale displacement, which suggests, at the very least, mixed-income communities with a significant affordability component.

North and Seven Oaks East, and to the east, in River East South (see table below).

Neighborhood	Population	Population Density	Median Household Income
Point Douglas North			
Burrows Central	4,725	4,411.8/km	\$27,866
Inkster-Faraday	3,970	4,731.8/km	\$34,518
Luxton	2,575	3,967.6/km	\$36,813
Robertson	4,125	3,015.4/km	\$43,383
St. John's	7,840	5,061.3/km	\$26,655
River East South			
Chalmers	9,250	3,774.8/km	\$31,044
Talbot-Grey	2,310	3,856.4/km	\$34,722
East Elmwood	3,070	3,426.3/km	\$39,971
Seven Oaks East			
Leila - McPhillips Triangle	3,015	2,871.4/km	\$49,991
Garden City	5,650	2,440.6/km	\$46,288
Jefferson	8,230	3,477.0/km	\$35,343
Seven Oaks	2,990	2,438.8/km	\$42,732

The Downtown flagship, however, is currently not drawing as a destination. Weekday lunch reportedly accounts for 50% of its business, and the store is relatively slow on Saturdays, dead on Sundays. Much will depend on the re-branding and merchandising initiatives of the new corporate parent, and on the proper calibration of this specific location to its market (see inset box below).



The new corporate parent of the Hudson's Bay Company is likely to push the **Bay** in a more upscale direction, and management at the Winnipeg flagship seems primarily interested in the young, upwardly-mobile, fashion-oriented Exchange District shopper. But it is critical that the depth of this sub-market not be overestimated. The Exchange District is, after all, targeting a niche audience, and niches are not enough to sustain large department stores (which a smaller two-story operation still would be), at least not in Winnipeg. The larger opportunity, as the above "extended" trade area demonstrates, is in the middle of the market, and the Bay cannot afford to run the risk of alienating this core customer.

One might also argue that Downtown needs more unique, "one-per-market" draws, like the MTS Centre, Millenium Library and Mountain Equipment Co-Op (MEC), which are capable of broadening its draw and pulling as a destination from across the entire city. And such a strategy makes sense, as long as the

targets are brands with a track record of taking pioneering locations, or at least with a company philosophy that suggests it might be willing to consider one.

Mountain Equipment Co-Op (MEC), for instance, was an appropriate target because the idea of opening a store on Portage Avenue aligned with its social consciousness. It is one of those rare retailers that, like Birks, not only can pull as a destination, but also, takes an unconventional approach to site location as a means of differentiating from the pack and positioning/reinforcing its brand identity.



Real estate and brand identity are intertwined in the case of **Mountain Equipment Co-Op** (left). Pioneering reinforces its progressive image; a preference for Wal*Mart-anchored power centres, on the other hand, would not...

These sorts of brands, however, are few and far between. With rare exceptions like MEC, most look primarily for locations that offer an already-existing concentration of their target shopper, or at least the promise of one in the near future. It therefore seems a bit dangerous to base a recruitment strategy too heavily on concepts with merchandise mixes and price points that stray too far from the sub-district's existing shopper and resident base.

Of course, with MEC and on Portage Avenue more generally, there are other considerations. As Winnipeg's highest-profile street, it is the city's "face" to the world and Downtown's face to the city, and as such, it plays a critical role in shaping perceptions of the city among visitors and of Downtown among Winnipeggers. And while brands like The Bargain! Shop and The Cash Store might be appropriate for the market, they do not paint an especially flattering portrait.



The development of the **Canadian Museum for Human Rights** (left) is expected to attract streams of national and international tourists to Winnipeg -- 250,000 visitors are projected in the first year alone -- and what they see on Portage Avenue will influence how they perceive the city, and what they tell others upon their return home. It raises the stakes for the sorts of revitalization efforts discussed in this report.

Prominent downtown streets do not necessarily lack a deep-discount component, but the difference on say, Downtown Toronto's Yonge Street, is that while there is (and has been, historically) no shortage of such businesses, they are now *diluted* by a still larger number of mid-market concepts as well as certain head-turning, buzz-generating brands and developments, and therefore no longer dominate the experience or shape perceptions to the same degree.



The streets of New York City contain no small number of pan-handlers, yet they do not feel as ubiquitous as on Winnipeg's Portage Avenue because their presence is diluted by the high levels of foot traffic and the many other street-level distractions.

So, how can this dilution be achieved? One possibility is suggested by the mainstream embrace of value retail, a cultural trend that has not slowed since the big boxes and power centres first started to multiply across Canada in the 1990's. Everyone shops discount, and no one is ashamed to have done so; if anything, consumers are more likely to brag about the bargains that they unearthed there.

Of course, while everyone shops discount, only those with low incomes are thought to shop *deep* discount, and the presence of such stores therefore tends to have a stigmatizing effect, suggesting an impoverished and potentially

dangerous part of town that is best avoided. And when they fill a prominent downtown street, out-of-towners will often extend that characterization to an entire city.

The focus for recruitment, then, should be on discount brands with "crossover" appeal (see attached list), ones that cut across socio-economic and cultural lines, that are accepted and patronized by the comfortable classes yet at the same time offer merchandise that is appealing, prices that are accessible and an ambiance that is welcoming to lower-income households.

Such brands might not be especially glamorous or offer much sizzle, nor are they capable of drawing suburbanites past more conveniently-located shopping districts closer to their homes, but they will be responding to market realities in a way that supports, or at least does not detract from, the image of Portage Avenue, Downtown and the city more generally.



Crossover brands might not represent the ideal mix for Portage Avenue, but they are far more realistic, and would be an improvement on what exists there now.

One such retailer is Zellers. The owner of the chain's new corporate parent announced in 2008 that it was considering the addition of the Zellers' banner to larger Bay locations, and while no such announcement has been made for the Portage Avenue Bay store, it would seem to be a real possibility for the 612,000 sq.ft. behemoth.

Zellers has tried to adopt the strategy of its U.S. counterpart, Target, in showcasing more stylish, upscale "cheap chic" brands, often of the exclusive, private-label variety (see inset box below), but sometimes even from the company's full-price Bay division, as a means of differentiating itself versus the channel's market leader, Wal*Mart. And while it has not necessarily succeeded in re-positioning itself -- few would mistake a Zellers for a Target -- its new CEO is planning to be even more aggressive with this approach.



As an example of its efforts to appeal to a more upscale sensibility, **Zellers** introduced last summer a new line of stretch pants and jackets that looks very similar to what one would find at Lululemon Athletica (left), but at roughly one-third the price.

Other possibilities for crossover retail include the so-called "cheap chic" purveyors (see attached list) that specialize in "fast" or "disposable" fashions, that is, of-the-moment looks and runway knock-offs that are priced inexpensively, thus allowing the shopper to indulge in guilt-free buying and return to the store for more once current trends fade and new ones take their place.

Indeed, cheap-chic is already the largest soft-goods subcategory at Portage Place, with a number of commodity brands that fit that characterization, including, for example, Le Chateau, Sterling Shoes, Sirens and Urban Planet. And another one, Warehouse One The Jean Store, sits in a storefront across Portage Avenue.



Sirens (left) is a typical cheap-chic brand, offering, according to its website, "the exact looks she has seen in all the high-fashion magazine-all at a fraction of the price". It is owned by Michael Gold's YM Inc. retailing empire, which also includes other cheap-chic concepts like Urban Planet.

Cheap-chic purveyors tend to cater to a younger demographic, and the ones in this sub-district are geared primarily towards teens, students and recent graduates, possibly due to the presence of the University of Winnipeg, as well as the above-average percentages in the 20-to-24 and 25-to-29 age ranges in certain close-in neighborhoods and the trade area as a whole (see table below).

	20 to 24	Total	20 to 24 (%)	25 to 29	Total	25 to 29 (%)
Trade Area	8,670	97,845	8.9%	9,275	97,845	9.5%
City	44,040	610,440	7.2%	42,675	610,440	7.0%
Downtown East	2,895	28,840	10.0%	2,970	28,840	10.3%
River-Osborne	885	4,715	18.8%	930	4,715	19.7%
McMillan	560	3,530	15.9%	670	3,530	19.0%
Earl Grey	460	4,305	10.7%	610	4,305	14.2%
Ebby-Wentworth	65	720	9.0%	90	720	12.5%

While cheap-chic brands at Portage Place (and across from it) might compete in the same age bracket as certain boutiques in, say, Osborne Village or the Exchange District, they are in fact targeting a different customer, one with a more conventional sensibility, content with buying commodity brands at the mall and with wearing the same fashions as many others, and in comparison with the Exchange District, one with perhaps less money to spend.

Furthermore, Portage Avenue need not be worried that the real estate departments of cheap-chic brands will prefer locations in Osborne Village or the Exchange District, as such operators are more accustomed to and tend to prefer shopping-centre formats (or storefronts near them).



Cheap-chic purveyors are especially well-positioned during economic slowdowns, as consumers "trade down" to less expensive merchandise. "Instead of buying an \$800 dress from certain other retailers, they buy a \$100 dress at **Le Chateau**," says Franco Rocchi, the chain's Senior Vice President of Sales and Marketing. "Life continues. There are certain rituals of life that are recession-proof. People don't stop living but can make and find the right choices. We think Le Chateau has positioned itself to benefit from that." (As quoted in a February 21, 2009 *National Post* article by Nathalie Atkinson entitled "Gossip Girls & Shopaholics").

From a real estate perspective, crossover brands would generally prefer locations in Portage Place rather than storefronts on Portage Avenue. However, many of these operators -- and most of the ones that could act as anchors -- require

larger floor-plates, and would be difficult to accommodate within the mall without a major re-working of the existing space.

Scope-of-Work Reminder...

The following offers some initial thoughts on possible spaces for recommended retail concepts. However, keep in mind that according to the scope-of-work, the first phase is only supposed to discuss *general* retail positioning; more fine-grained analysis of vacant and "soft" sites/storefronts and meetings with respective landlords would be part of a second phase, if it is approved.

Such footprints are also limited on Portage Avenue. Of course, Zellers would open on one of the floors in the existing Bay store. And the A&B Sound Building offers a total of 22,620 sq.ft., but on two levels, and only certain operators are willing to consider a multi-level store (see attached list). Furthermore, it cannot provide on-site parking.

The more intriguing possibility is the United Army Surplus property. The University of Winnipeg has already announced plans for a newly-constructed, two- to six-storey building that could include a bistro, a community bookstore and perhaps a relocated Plug-In Institute Of Contemporary Art on the ground floor.

However, while the Plug-In Institute's interests might be understandable, efforts should be made to keep it in the Exchange District (see p. 52). With that user removed from the mix, one could envision a large-format retailer on the first level, the bookstore on the second, the envisioned office and classroom space above that, and a garage underneath.



In Toronto's Downtown Yonge business district, **Ryerson University** partnered with Cadillac Fairview, the owners of Eaton Centre, on an innovative multi-story project (left) on Dundas Street that includes large-format crossover brands on the street and lower levels, the Ted Rogers School of Management on the top three floors, separated by a three-level, above-ground parkade.

Of course, the spaces and configurations that such operators might be willing to accept in Downtown Yonge are not necessarily the same as what they would consider on Portage Avenue. However, the general concept, of working with an established and well-capitalized developer on a project that integrates the functions of a downtown university with large-format retail anchors, would seem to offer an intriguing precedent for the United Army Surplus site.

Finally, the most radical concept would be the wholesale redevelopment of Portage Place so as to create a vertical power centre with multiple large floor-plates (assuming, of course, that its complex ownership structure can be resolved). However, this approach is typically recommended for malls in far worse shape than Portage Place. And furthermore, it would be risky: with so much space to refill, leasing agents could ultimately be forced to contemplate precisely the sorts of deep-discount brands that this effort is hoping to dilute.

Assuming, for the purposes of discussion, that suitably-sized spaces can be identified and secured, these brands are also likely to require incentive packages -- including, for example, high levels of build-out assistance, "walk clauses" tied to sales performance, etc. -- in order to mitigate the risk that they would associate with the Portage Avenue opportunity.

This responsibility necessarily falls to the public sector (see inset box). Developers of large suburban shopping centres routinely "buy" their anchors because they know that such "loss leaders" will drive higher rents in the remaining space. But in downtown settings, where landlords typically do not control multiple buildings, there is no such incentive (nor necessarily the financial wherewithal).

¹ The "**public sector**" is understood here to include not just the City of Winnipeg, the Province of Manitoba, etc., but also, the various quasi-public entities, like Centre venture Development Corporation, The Forks North Portage Partnership, etc.

On Portage Avenue, for example, the owner of the A&B Sound Building would not be able to enjoy the upside, since the large-format retailer would probably need the entirety of the space. And while the calculus for the 439,600 sq.ft. Portage Place might be a bit different, it is not clear that the mall could offer a suitable floor-plate.

If the public sector were willing to play this role, it could see the upside in a higher-caliber mix of comparison goods stores on Portage Avenue, as other crossover brands seek proximity to the new anchor(s). This would in turn boost the image of the corridor and of the Downtown and the city more generally, and even add to the bottom line by boosting property values and, hence, tax revenue.

Of course, there is always the possibility that the effort will not bear fruit, that the recipient will take the subsidy, open for a few years, struggle to reach sales projections and ultimately leave. This would no doubt be disappointing, but the alternative is the sorts of commodity brands that exist on Portage Avenue now: that is likely where the market will remain until it is catalyzed.



Taking A Step Back: Portage Avenue

Major Traffic Drivers: Largely low-income resident base, moderately-paid office workers, students, library-goers, conventioners, transit riders

Resulting Retail Mix: "Crossover brands" (i.e. value retailers, "cheap-chic" purveyors)

The Lunch-Hour Crowd

In addition to commodity brands, Portage Avenue's location amidst a number of high-rise office buildings (including ones filled with doctors) and next to the University of Winnipeg suggests quick-service food offerings, specialty-beverage providers and convenience-oriented businesses for the lunch-hour crowd.



Buildings filled with medical offices, like the Winnipeg Medical Arts Building, the Winnipeg Clinic and the Boyd Building (left), generate demand for these categories not just with their workers, but also, the patients.

Indeed, Portage Place has been extremely successful in this regard. For example, its food court is very busy, and the mall has spurred additional nearby locations for Tim Hortons (at Vaughn Street) and Starbucks Coffee (on Graham Avenue). Furthermore, workers can run errands at Shoppers Drug Mart, Hallmark/Carlton Cards, Academy Florists and Stitch It, and use the gym at the YMCA/YWCA.



Providing further evidence of its success, the food court at Portage Place was able to land the first North American location for **King Pie** (left), the South African fast-food franchise with over 300 locations across the world.

And more such businesses are likely on the way, especially lunch spots, given Manitoba Hydro's decision to forgo a large cafeteria in its new office tower. Removing the 8,500 sq.ft. that will be occupied by the Royal Bank of Canada (RBC) branch relocating from across Portage Avenue, Hydro has as much as 32,500 sq.ft. of available space on its first two floors for retail use, with a small coffee shop or restaurant among the expected tenants.¹⁰

Operators would look also to spaces accessible by the walkway system. Ideally, this would be Portage Place, although availability might be limited there. Alternatives, then, would include cityplace, which has no shortage of vacancies, or storefronts on Portage Avenue itself, on nearby blocks only (since they would lack walkway connections).

¹⁰ As reported in a December 12, 2008 article by Murray McNeil in the *Winnipeg Free Press* entitled "Waiting for the Hydro to go in, downtown businesses hope for new customers".



Of course, these same sorts of businesses have been proposed for the Exchange District (see p. 26). However, workers tend not to wander far for lunch, caffeine or other conveniences -- the latest rule-of-thumb is that the typical office employee will not walk further than six minutes for his/her mid-day meal -- so the two might be considered separate sub-markets, with many operators able to justify locations in both. Taco Time (left), for instance, is in the food courts of both Portage Place and Winnipeg Square.

The pool of possible quick-service food purveyors also includes fast-casual concepts (see attached list), which would be drawn to the combination of workers and students, as well as the evening market (see below). Indeed, college towns fueled the sub-category's initial rise, and three such offerings -- Extreme Pita, Casa Burrito and Panago -- already sit on Portage Avenue in the vicinity of the University.



Except for ones that focus on lunch fare like sandwiches or salads, most **fast-casual** concepts require significant levels of both daytime and evening traffic in order to survive.

Finally, daytime workers will often browse bookstores during their lunch hour. Downtown still has a range of options in the category -- it has been branded as Winnipeg's "Book District" -- but with McNally-Robinson's relocation from Portage Place to Polo Park, the only one that does not focus on used versions and/or on a specialized niche is the Coles - The Book People, a tired and uninspiring format located within the struggling cityplace mall.

As discussed above on p. 89, the University of Winnipeg is planning to move its campus bookstore from Centennial Hall to a new building that it will be developing on the site of the United Army Surplus store. Called a "community bookstore", it appears to be envisioned not just as a place for textbooks but also, in light of McNally Robinson's departure, popular titles as well.

This has the makings of a successful model. The University's built-in student base could help to compensate for the limited market that ultimately doomed the McNally-Robinson branch. Indeed, in the U.S., the Barnes & Noble College Booksellers Inc. division of the Barnes & Noble chain has embraced this concept of the hybrid college/general bookstore (see inset box).



In the blue-collar city of Wilkes-Barre, PA, Barnes & Noble College Booksellers Inc. consolidated the on-campus bookstores for two separate downtown institutions of higher learning, Wilkes University (roughly 4,500 students) and King's College (roughly 2,200), into one larger, 20,000 sq.ft. location, complete with a full selection of general trade books, a local authors section and a full-service Starbucks café, in a former Woolworth's on Main Street in the heart of downtown.

The challenge, however, is in merchandising or programming such a store in a way that will *not* undermine something like Aqua Books, which has emerged as a cultural hub and gathering place for Winnipeg's literary and creative communities, and is owned by a grass-roots entrepreneur who has invested \$600,000 in a new and much larger, 8,400 sq.ft. location on an otherwise forlorn stretch of Garry Street and is extremely committed to Downtown's revitalization.

Furthermore, as discussed above, the site presents one of the few opportunities in the Portage Avenue sub-district for large-format crossover brands (see p. 89), and it is not clear that such operators would consider anything other than a ground-floor space, which, depending on the square footages involved, might require that the bookstore be located on a second (or lower) level.



Taking A Step Back: Portage Avenue
Major Traffic Drivers: Office workers, students, supplemental evening trade
Resulting Retail Mix: Quick-service and fast-casual food concepts, specialty-beverage purveyors, college/general "hybrid" bookstore

Portage Avenue In The Evening

By far the largest evening-oriented traffic driver on Portage Avenue is the MTS Centre, which serves as the 15,000-seat home for the American Hockey League's (AHL) Manitoba Moose franchise as well as a 16,300-seat concert venue for touring performances and shows, with the ability to adjust its stage and curtain to accommodate smaller, 3,000 to 5,000-seat acts.

With its reputation for excellent sound, the state-of-the-art facility has become, in less than five years, the 19th-busiest arena in the world and the 3rd-busiest in all of Canada, bested only by Toronto's Air Canada Centre and Montreal's Bell Centre. And its popularity continues to grow. In 2005, its first year of operation, it sold 259,000 tickets for "non-sporting touring events": that number has increased to 281,000 in 2006, 355,000 in 2007 and 385,427 in 2008.



The **MTS Centre** drew 1.4 million visitors in 2006 (the last year for which information is available), and that number has undoubtedly increased since then, given the rise in ticket sales for "non-sporting touring events".

Another large-scale, evening-oriented traffic generator nearby is the Landmark Cinemas-owned Towne Cinema 8, which draws 154,000 customers per year for its showings of first-run films at relatively inexpensive prices. Although a full two blocks away, at Notre Dame Avenue and Princess Street, the multiplex is within walking distance of Portage Avenue.



Towne Cinema 8 (left) is just as close to the Exchange District, but given its mainstream thrust, it would seem more relevant to Portage Avenue than to the artsy/alternative part of Downtown. Meanwhile, Portage Place boasts the Globe Cinema 3, the city's premier art-house cinema, as well as the Prairie Theatre Exchange, but those traffic generators are not discussed in this chapter since, as discussed on p. 31, offerings catering to the "high-culture" sub-market are probably best clustered in the Exchange.

In addition, Canad Inns plans to turn its recent purchase, the 263-room Radisson Hotel Winnipeg Downtown, into more of a "destination centre", complete with the sorts of entertainment and dining offerings for which the chain's other properties have become known. The Radisson still contains two large-capacity movie auditoriums (formerly, the Northstar Cinema 1 & 2) in its basement.

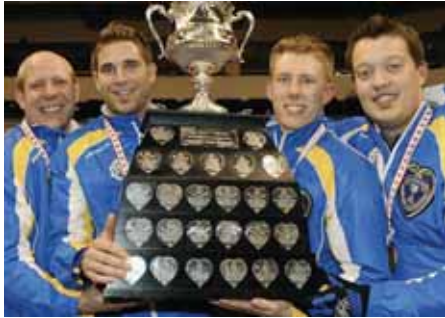


Canad Inns has also purchased the 1920's-era Metropolitan Theatre in hopes of creating a "Canadian Rock 'n' Roll Centre" there, along with a restaurant. However, as of January 2009, the project's future was uncertain, with no development application having been filed or building permit requested. Perhaps Winnipeg should take another crack at the **Canadian Music Hall of Fame**, which has been unable able to secure a site in Toronto since that city won a national competition for the museum in 2005...

Also, if expansion plans are approved and ultimately succeed in luring more of the regional and national events that bring overnight attendees, the Winnipeg Convention Centre can be another important evening-oriented traffic generator. Indeed, the impact of such facilities is typically greatest then, as conventioners are finished with the day's events and eager to sample the host city's food, drink and entertainment offerings.

The challenge, of course, is that they have closer and more convenient options in the immediate vicinity of the Convention Centre, like, for instance, Elephant & Castle, Ichiban Japanese Steak House and Boston Pizza, and even if they think of taking the walkway to Portage Avenue, they can be easily distracted by Tavern United.

This sub-market might be lured past such competitors, but only with concepts and projects that are especially compelling. One example is The Keg Steakhouse and Bar: although five blocks away, in a rather low-visibility location at Garry Street and York Avenue, it is reportedly popular among out-of-towners, likely due to its draw as a large national brand.



Of course, the MTS Centre also draws events that attract overnight visitors, like, for example, the **2008 Tim Hortons Brier** (left), and given its location, they are more likely than conventioners to spend on Portage Avenue.

Finally, as discussed earlier, the Portage Avenue sub-district has its share of office workers -- including the 2,000 recent arrivals at the new Manitoba Hydro Tower -- which generates demand for after-work/"Happy Hour" venues. Importantly, however, this contingent is not as large as the one that sandwiches the Exchange District (see p. 25), nor does it consist of as many high earners.



Even with the worker contingent on Portage Avenue, the Exchange District, with its larger concentration and its proximity to Portage & Main, is still the more appropriate location for more up-market "Happy Hour" destinations.

With these as traffic drivers, Portage Avenue's evening potential lies in food and drink offerings that target a middle-market clientele, with broadly-popular concepts, unpretentious interiors and moderate price points (see attached list). Generally speaking, larger, well-known brands are the operators most likely to be successful.

These kinds of establishments are appropriate for a sub-district anchored by the MTS Centre, which features sporting events and musical acts with a broad following. They would synergize with shows and conferences at the Winnipeg Convention Centre. They would match the draw of a new Canad Inns property, were the Radisson Hotel Winnipeg Downtown to be converted to that banner by its new owner. And they would complement the more up-market selection recommended for the Exchange District (see p. 30 and 31).



Showcasing sporting events and musical acts that tend to have a broad following, the **MTS Centre** does not suggest niche concepts, but rather, ones likely to appeal to the greatest number.

One example of such a concept is Boston Pizza. A familiar suburban staple serving pizzas and pastas at moderate prices and also including a separate sports bar with plasma screens, it is bound to appeal to MTS-goers as well as conventioners. Indeed, the new cityplace location is already reporting very strong demand before and after Moose games.

Another example is Tavern United Powerhouse. A stylized English-pub concept found at Canad Inns' properties across Winnipeg, it offers a traditional pub menu and a sports-bar atmosphere, with flat-screen TV's that also show pay-per-view events, as well as darts, pool and a "Playmakers Gaming Lounge" with Video Lottery Terminal (VLT) units.

Offerings such as these differ from the casual-chic concepts recommended for the Exchange District (see p. 31) in that their vibe is not as self-consciously trendy or upscale, nor are they trying to appeal on an aspirational level. To the typical Winnipegger, they might feel less overtly "yuppie" and more "down-to-earth".

They are also differentiated by their emphasis on beverage sales. As discussed earlier, the Portage Avenue sub-district struggles to support sit-down restaurants due to its relatively slow lunch day-part, a function of its distance from Portage & Main. Operators, then, are heavily reliant on the evening trade, and must be able to draw with their bar and alcohol component as well (as well as other entertainment attractions, like, for instance, gaming).

In terms of location, the stretch of Portage Avenue from Carlton Avenue to Smith Street -- within one block of the MTS Centre -- should be targeted for such concepts, although they would likely require significant outlays for tenant improvements, which will likely necessitate financial assistance from the public sector.

Interestingly, **Moxie's Classic Grill** (left) is very popular on game nights. Partly this is because the Moose fan base is so broad as to include a percentage that are drawn to casual chic. One also wonders, however, how much of its draw has to do with simple convenience and an absence of nearby alternatives, or, for that matter, the attractive and scantily-clad wait-staff, which also enjoys a broad (male) following...

In any event, it still seems that, especially given the wide variety of events at the MTS Centre, the kind of offering *most* likely to succeed in the Portage Avenue sub-district, the sort of concept with the deepest market, is one that pitches to a *mass* audience and mainstream sensibility.

Furthermore, its evening popularity notwithstanding, Moxie's might still have made more sense further east, closer to the office workers at Portage & Main (see p. 32), where it would have been able to generate a stronger lunch-time trade. Its current location has reportedly struggled with this day-part, lacking the additional "turn" that it needs.



In addition to these sorts of offerings, the evening market on Portage Avenue also generates demand for quick-service food purveyors and provides the dinner traffic required by most fast-casual concepts (see inset box on p. 93), thereby synergizing with the worker population that supports them during the day. However, while the food court at Portage Place remains open until 9 p.m. on the weekends, it closes at 6 p.m. from Monday to Thursday and at 5 p.m. on Sunday, even though the MTS Centre attracts large crowds throughout the week.



On Sunday through Thursday nights, event-goers at the MTS Centre have few options for quick-service food besides the concessions in the arena itself.

One might also see clubs as in keeping with the evening focus. Too easily dismissed as a revitalization tool, such offerings would not only synergize with the MTS Centre but could also help to add some much-needed sizzle and nighttime foot traffic to Portage Avenue, as well as provide an approach for re-using some of those vacant heritage buildings (e.g. Mitchell Copp-Building, Hample Building).



For examples of how heritage buildings are often reused as nightclubs, one need look no further than **Main Street**, where Whiskey Dix occupies the 1903-vintage Bank of British North America Building at 436 Main (left), and where a new club will soon follow the now-closed Club Desire in the 1906-vintage Imperial Bank of Canada Building at 441 Main.

Indeed, Blush, a large, upscale "ultraclub" opened by Jack Salvaggio and Sam Colosimo across from the MTS Centre in 2007, not only draw event-goers but has also emerged as a nightlife destination, with its uber-trendy interior, attractive clientele, live music by headline acts, etc. And it adds to the vitality and sense of security on Portage Avenue with its wrap-around patio.

Furthermore, Canad Inns might be thinking of including one of its trademark venues in its reprogrammed Radisson Hotel Winnipeg Downtown, which would in all likelihood cater to a decidedly mainstream/"Top 40" sensibility that fits especially well with this mass-market positioning recommended for Portage Avenue.



Canad Inns' **Tijuana Yacht Club** (left), at its Polo Park property, is the sort of mainstream club offering that might make sense on Portage Avenue.

Nightclubs, however, come with considerable baggage. 2007 saw a rash of violent incidents, including a fatal stabbing that ultimately forced Sabino Tummillio to close his popular Empire Cabaret. Club owners have since taken visible steps to improve security, but given the challenges that Portage Avenue faces in changing perceptions in this regard, the risk is probably not worth running, except in cases of well-established operators with reputations for safe and professionally-run establishments.

Another alternative is the age-restricted venue: for instance, Blush has followed the lead of Alive In The District in instituting a 21+ policy, which, in theory, reduces the risk of booze-fueled confrontations. However, more "mature" venues aimed at working professionals should be steered in the direction of the Exchange District, so as to reinforce its recommended positioning (see p. 33) and synergize with its two existing 21+ clubs (Alive, Whiskey Dix).



Blush Ultraclub (left) might be able to thrive in isolation from Downtown's other 21+ venues in the Exchange District, as clubs can be uniquely capable of creating their own buzz, thereby freeing them of the need for co-tenants -- indeed, sometimes such separation can help to individuate a particular venue from its competitors. However, the nightlife scene as a whole benefits from the identity and synergy that result from concentration, especially in a Downtown as spread out as Winnipeg's; nurturing separate loci of activity, on the other hand, translates to unrealized potential. Not only, for example, is cross-traffic between operators less, but overall awareness of the niche is diminished. As an example of the latter, Downtown's collection of restaurants seems far smaller than it is, partly because they are scattered across such a large area.

Finally, with the presence of the MTS Centre, Portage Avenue would be a logical choice for select sports-themed concepts (see attached list). With the latter, for example, while the MTS Centre includes a team store, called Off The Rack, it only sells Moose paraphernalia, and leaves room for an additional offering focused on hockey gear.

All of these sorts of concepts -- mid-market restaurant/bar hybrids, quick-service food offerings, theme-appropriate retailers, etc. -- might be combined in a development format known as the "urban entertainment centre" (or UEC), which can be found in the downtowns of a number of U.S. cities but has yet to spread across Canada.

In addition to the above components, a UEC is typically anchored by a modern multiplex and also includes other large-format entertainment draws, like retro-stylish bowling alleys and "adult" arcades (see attached list). In contrast to the suburbs, where one often drives from restaurant to bar to cinema, it offers a wide range of leisure activities and experiences in one place, all linked together by a uniquely high-energy common area that is itself part of the draw.

In the case of Downtown Winnipeg, the UEC format would seem to be a natural fit for the MTS Centre and Convention Centre anchors, would add to the nighttime foot traffic and sense of vitality and thereby help to allay anxieties about personal safety, and possibly even become a true citywide destination in its own right. In addition, it could support the case for additional "cheap-chic" commodity brands, which have been known to consider such projects.



With Canad Inns having decided not to proceed with plans for a **new water park** at its Polo Park property, the City of Winnipeg is once again looking for a developer with which to partner on building such an attraction. If sited in Downtown, it would certainly help to make the case for a UEC project and for mid-market restaurant and entertainment concepts more generally, not to mention provide more customers for value retailers.

Of course, this sort of development would have its challenges. For example, it would require a significantly sized parcel, and given the setting's perceived risk, the public sector would need to take the lead with land assemblage (in addition to parkade construction). Efforts should focus on the block where site control is most realistic, and where the process is furthest along.



Another possibility is to redevelop Portage Place in this fashion, keeping, perhaps, certain retail sub-categories that would fit with the UEC concept (e.g. young apparel, sneakers/sporting goods, etc.), but also, converting and expanding the Globe Cinema to a mass-market multiplex, adding other entertainment uses as well as sit-down restaurants, and reworking the site plan so that the space is open to, and its energy felt on, Portage Avenue itself.

However, with such a scheme, not only would Winnipeg lose arguably its premier art-house theatre, but also, the Portage Avenue sub-district would lose some of its soft-goods retailers, at a time when it is trying to grow its stable. Indeed, a critical mass in this category is far more challenging to establish and preserve in this setting than dining and entertainment, and should be protected and reinforced where and to the extent that it exists. Finally, given the mall's reputation, anxieties about personal safety are more likely to be a deterrent here.

Furthermore, perceptions of personal safety would be a decisive factor. Given the Downtown location, the nighttime focus and the intense scrutiny that such a high-profile redevelopment would invite, it could not afford to have as much as one isolated incident. Partly for this reason, there would need to be a connection to the existing walkway network.

One last consideration is the multiplex. The Towne Cinema 8 could use a modern replacement -- perhaps Landmark Cinemas, its owner, could be given first choice as an operator -- but its affordable ticket prices might be impossible to match, which would reduce access for the large number of low-income households that reside in the trade area.



Taking A Step Back: Portage Avenue

Major Traffic Drivers: MTS Centre, Towne Cinema 8, Canad Inns/Radisson, Winnipeg Convention Centre, office workers

Resulting Retail Mix: Mid-market food/drink concepts (with emphasis on beverage sales), quick-service and fast-casual food concepts, nightclubs (only by well-established operators), sports-themed retailers; multiplex-anchored urban entertainment centre

IV. Graham Avenue

This discussion of Graham Avenue focuses on the two-block stretch from **Vaughn Street to Edmonton Street** because, with isolated examples like the high-grossing Tim Hortons location at Garry Street, the street-level retail energy dies to the east of Edmonton, and unless a large-scale project like a UEC is contemplated on the cityplace surface parking lot between Carlton Street and Hargrave Street (see p. 102), this is unlikely to change.

Graham Avenue is, not surprisingly, influenced by some of the same traffic drivers as Portage Avenue: for example, at least six office buildings of ten storeys or more sit within a one-block radius (see map below), generating demand for lunch, coffee and conveniences. And patients visiting the medical offices at the Medical Arts Building and the Winnipeg Clinic and students taking classes at the Royal Winnipeg Ballet School add further support in these categories.



Office buildings with ten storeys or more within a block of the Graham Avenue district.

Indeed, for four of the six office buildings, Graham Avenue is closer and faster than Portage Avenue for such purposes. And with its smaller scale, lower levels of automobile traffic and fewer panhandlers, and having benefited from recent streetscape improvements by Winnipeg Transit and the Downtown Winnipeg BIZ, it offers a slower-paced, less hassle-filled and altogether more pleasant experience for the pedestrian.



For the daytime worker, the neighborhood feel of **Graham Avenue** (left) offers a contrast and alternative to the big-city hubbub of Portage Avenue.

The sub-district's pull with this sub-market weakened considerably when Shoppers Drug Mart relocated to a much larger space at Portage Place in 2007. However, worker-oriented concepts like Soups Sandwiches & More have remained popular, and the arrival of Starbucks Coffee in 2008 added a powerful lure. And the cafeteria-less Manitoba Hydro Tower will net roughly 1,500 new customers for Graham (500 were working before at 444 St. Mary).

One should be careful, however, not to overestimate Manitoba Hydro's potential impact. Of course, the tower itself will include as much as 41,000 sq.ft. of retail space. And while it has both north and south entrances, the primary one is on Portage Avenue, and the main bank of elevators is closer to that end. Also, the link to the Graham Avenue sub-district is weakened by the setback and tree-filled courtyard on that southwest corner (see inset box). And finally, the second-floor walkway will take employees in other directions, especially during the cold winter months.



The **Manitoba Hydro Tower's** impact on the Graham Avenue district would likely have been greater if it had extended to and included an entrance at the corner of Graham and Edmonton, where the two-block stretch of storefronts begins. Even in its current configuration, the addition of tables and chairs to the landscaped courtyard would provide for better integration, offering an appealing setting for enjoying lunch take-out in the warm weather (assuming, of course, adequate patrols to prevent panhandling).

As a result, the most immediate beneficiaries are, as discussed above, likely to be Portage Place, cityplace (which, with its two-level, 114,000 sq.ft. mall currently suffering from an 18% vacancy rate, offers no shortage of possible spaces, concentrated on the second floor where the walkway passes through), and perhaps the street-fronting bays of nearby buildings along Portage Avenue.

The presence of Starbucks Coffee, Second Cup and Subway notwithstanding, Graham Avenue will be hard-pressed to compete for larger brands. Rather, it appeals primarily to independent operators who might not be able to afford the occupancy costs or meet the credit demands at those other alternatives, and/or might prefer a street location with a neighborhood feel.



Soups Sandwiches & More (left), which bought its current space for very little money, is the kind of independent operator that will be interested in Graham Avenue.

The quick-service food concepts likely to be successful on Graham Avenue are ones that serve basic fare and appeal to a conventional sensibility. Indeed, this partly explains why Soups Sandwiches & More tends to be busier at lunch than, say, Twist Café (see inset box). And while some might hope that the Manitoba Hydro Tower will introduce a different psycho-graphic to the sub-market, it is not clear that this will happen.



With its upscale vibe and eclectic offerings, **Twist Café** (left) would seem to make more sense in the Exchange District.

In addition to worker-oriented businesses, Graham Avenue offers an escape valve for tenants that might be displaced from Portage Avenue or intersecting side streets as landlords raise rent levels in response to the Manitoba Hydro Tower (which they reportedly have done) or future developments. Indeed, the presence of such a suitable alternative so nearby is a luxury that many re-emergent downtowns do not have.

An escape value could prove especially useful in two sub-categories -- optical and bridal -- where this part of Downtown has managed to establish a reputation and draw, and where it is critically important, just by nature of how consumers typically approach such purchases, to maintain the synergies of a larger "comparison-shopping" cluster (see inset box). These types of businesses

already exist on Graham Avenue as well, so the level of dislocation, both for the operator and the niche as a whole, would be minimal.



When shopping for items that they purchase infrequently, like wedding dresses, eyeglasses, furniture, appliances, etc., consumers are less influenced by location and convenience and more concerned with having a wide range of options so that they can "**comparison-shop**". For this reason, operators in these sub-categories want to be close to their competitors, as they figure that they can achieve higher sales in such a destination cluster than they could as stand-alone stores.

Having said that, one might question the longer-term desirability of these sub-categories in a re-emergent downtown. They tend to be low-volume traffic generators -- the consumer, after all, does not purchase wedding attire or eyeglasses all that often. And especially with optical, the returns-to-scale have long since started to decrease: that is, with a recent count showing 14 shops within a three-block radius, the addition of a fifteenth is unlikely to enlarge the size of the proverbial pie much further. Rather, it would probably just take market share from existing operators.



Optical shops often cluster together, but the sheer number of them in Downtown Winnipeg is mind-boggling.

Graham Avenue is also positioned to attract -- and to act as an escape valve for -- deep-discount concepts that are geared primarily towards the lower-income market, given its more forgiving rents, its 25,000 daily bus riders and its reputation as a transit mall. An example is Price Peelers, a variety store where most of the merchandise is priced in the \$5 to \$15 range.

The presence of these sorts of concepts is not as problematic on Graham Avenue as on Portage Avenue, since the former is primarily used by transit riders and

daytime workers, and its visibility to the larger citywide and visitor audiences -- and hence, its impact on Downtown's and Winnipeg's overall brand -- is relatively limited.

These same factors -- the rents, the transit -- also enhance Graham Avenue's appeal to businesses that focus on specific minority sub-markets, like, for instance, Priscilla's Elegant Shop, which specializes in cheap-chic fashions for Afro-Canadian shoppers. Indeed, Priscilla's proprietor, Shirley Ankrah, was drawn to the location because of the walk-in traffic generated by all of the buses.¹¹

In fact, the Second Cup location on Graham Avenue transforms in the evenings and on the weekends into a gathering place for Downtown's sizeable immigrant contingent, specifically, the African community that has been estimated to account for roughly 50-60% of the population in the nearby Central Park neighborhood.



Perhaps the Second Cup on Graham has become a meeting point in the evenings for immigrants living in **Central Park** (left) because it offers a safer, less intimidating alternative for those who are fearful of that neighborhood's reputation for crime and violence. But if so, what happens if current efforts to renovate and rejuvenate its eponymous park are ultimately successful in improving perceptions?

Independent operators focused on these sorts of sub-markets might, then, represent an appropriate future direction for Graham Avenue. Of course, one would want to avoid direct competition with Portage Place (see inset box), which targets similar kinds of businesses for its second-tier space, like, for example, Pura Vida, a clothing and accessories boutique with a Latin American emphasis.

¹¹ According to a September 24, 2007 *Winnipeg Free Press* article by Murray McNeil entitled "Graham flexes retail muscle", in which Ankrah says, "The traffic is great because all of the buses come along here. So there's lots of walk-in traffic... and you need lots of walk-in traffic."



Portage Place's health is critical to Downtown Winnipeg's retail prospects, and inasmuch as the lease-up of its second-tier space ranks among its biggest challenges -- for example, a number of vacancies remain on the western end of the second floor, en route to the Bay (left) -- it should not be presented with additional competition for the sorts of independent operators that might consider such opportunities.

However, with occupancy costs higher (and credit requirements presumably more stringent) at Portage Place and on the connecting walkways, Graham Avenue could be positioned for entrepreneurs that are somewhat less proven and not as well-capitalized, perhaps ones from nearby neighborhoods who are ready to "graduate" to a more central, easily-accessible and potentially higher-grossing location (see inset box).

Furthermore, certain operators might have no interest in a mall or walkway setting: they could prefer the energy of the street, feel that they could more easily establish a unique store identity there, or be seeking such a location because it would offer higher visibility to and greater convenience for the transit rider.



This report is by no means advocating that Graham Avenue "poach" successful businesses from nearby neighborhoods, but rather, that it does sit in a more central location vis-à-vis the various ethnic sub-markets in Central Park, the West End (left), Broadway-Assiniboine, etc., and could appeal to entrepreneurs eager to take that next step, tackle a new challenge, draw a larger market and make more money.

These sorts of businesses could play an important image-building role by helping to put a more positive spin on Winnipeg's ethnic diversity, which is so often associated with the crime of the Central Park and the West End, the pan-handling on Portage Avenue, etc.

Indeed, the Canadian Museum for Human Rights can be expected to attract a visitor who is more likely to be interested in such diversity, and in opportunities to explore and experience it. With the right businesses, then, Graham Avenue, could also figure in a broader tourist strategy, as a safe and central location where one can immerse him/herself in the city's various ethnic sub-cultures.



"This [IKEA] is a wonderful thing for the psychology of Winnipeggers. We are part of North America! We are getting the big stuff!"

- CJOB's Richard Cloutier

The excitement of Mr. Cloutier and much of Winnipeg surrounding the arrival of IKEA might be understandable, but what makes the city so distinctive and intriguing to visitors is the aspects that it does *not* share with countless other North American cities, like, for example, its **incredibly wide-ranging diversity**, which Graham Avenue can help to celebrate.

Of course, this approach has a potential downside: if they look and feel a certain way, such businesses can stigmatize Downtown still further. For this reason, there will need to be a focus on aesthetics and cosmetics -- that is, compelling signage, attractive down-lighting, eye-catching window displays, etc. -- that makes their concepts (and more broadly, their cultures) seem safe and accessible to larger audiences.

Of course, this will require both technical and financial assistance: operators will need help with paying for such improvements, either from their landlords, or more likely, from some sort of low-interest loan pool, funded by the public sector, perhaps with a new "tax increment financing" (TIF) zone. And both these merchants and their property owners will also have to be shown -- via case study, for example -- how such enhancements can ultimately improve their bottom lines.



Taking A Step Back: Graham Avenue

Major Traffic Drivers: Office workers, transit riders, immigrant/minority populations

Resulting Retail Mix: Quick-service food concepts (independent), deep-discount and immigrant/minority-oriented businesses