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Canadian retailers will cut prices as loonie surges, says mall developer

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MONTREAL - A U.S. developer says his dream of building a retractable roof over one of Canada's newest and largest malls won't be undermined by bargain hunters making a beeline to American stores.

"It takes time for the market to adjust, but by the time we open two years from now I don't think that's going to be a factor at all because the market will have adjusted," Sheldon Gordon, chairman of Gordon Group Holdings, told The Canadian Press.

Gordon has partnered Rubin Stahl, the former president of West Edmonton Mall, in a plan to build a 14-million square foot mixed use complex near Montreal's failed Mirabel Airport.

The \$475 million initial Lac Mirabel project, originally slated to open this year, will feature a 1.8-million-square-foot mall housing 230 tenants, entertainment facilities, a sporting complex, three hotels and 8,000 parking spaces.

It will sit on two lakes, including one that will be used for skating in the winter, and be surrounded by 2,000 new homes.

Ultimately, a sustained level of dollar parity will force Canadian retailers to lower their prices to prevent cross-border shopping from gaining ground, he said.

"If the Canadian dollar is still at par with the American dollar, it will adjust as markets generally do. That's called capitalism."

The march to lower prices in Canada has already started and should be felt in time for Christmas, says John Winter, a retail analyst at John Winter Associates.

Retailers who are paying less for merchandise ordered for the holiday shopping season should pass along savings from a higher Canadian dollar to consumers, he said in an interview from Toronto.

The rising value of the loonie has enraged many Canadians who can't understand why prices remain so much cheaper in the U.S.

Several automakers were recently slapped with a \$2-billion class action lawsuit on behalf of customers who allege the industry conspired to artificially maintain car prices in Canada and inhibited cross-border vehicle shopping.

Winter called on the federal government to step in to allow Canadians to pay lower U.S. prices on pre-price goods such as books, magazines and greeting cards.

An April survey in the Ontario border city of Windsor suggests fears about cross-border shopping may be overblown. Just one per cent of total household expenditures were made in Detroit, Winter said of his survey of 600 Windsor households.

"I don't think moving two or three percentage points is going to have an enormous effect," he said, adding that long waits at the border are acting as a partial deterrent.

The rising value of the loonie makes the Lac Mirabel project more expensive, but could eventually generate stronger Canadian dollars that U.S. investors can take home, Gordon said.

Gordon, who built the Roman-styled Forum Shops at Caesars Palace in Las Vegas, and The Pier at

Caesars in Atlantic City, N.J., plans to recreate a traditional Quebecois streetscape in his new creation.
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"It's going to have buildings that look indigenous to the area," he said. "It's going to have cobblestones, very much like what I did in Las Vegas, except it will have a Montreal feeling to it, rather than a Roman feeling."

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Part of the mall will be covered with a \$12 million retractable roof, for which his company has a patent pending. Other parts of the structure may be covered with roofing used at the Olympic Stadium in Beijing.

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World

Success could allay concerns that some Montrealers have about retractable roofs. The promise of a retractable roof at Montreal's Olympic Stadium disappeared with successive technical deficiencies.

Sports

The mall will feature the introduction to Canada of Cabela's, a leading U.S. retailer devoted to the outdoors. The 170,000 square foot store is expected to draw shoppers from Ottawa and Quebec City.

Opinion

Business

Gordon said he expects the mall will attract Montrealers, residents of rapidly expanding Laval and some of the four million people, including American tourists, who head for cottage country.

Entertainment

Lifestyles

In addition to outdoor facilities for skating, fishing and cross-country skiing, the development promises to have an aquarium, indoor soccer field, 8,000 seat arena for major junior hockey, go-cart track, butterfly and hummingbird sanctuary and amusement rides.

Technology

"I wouldn't call it a theme park but it's not going to be like your typical meat and potatoes mall, by any means," said Gordon.

Agriculture

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It also promises to be among the first malls in North America to earn the LEEDS designation for its focus on the environment. The mall's design will pay attention to energy, materials used, preserving trees and water use.

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Although the development will be built in phases over several years, some analysts question whether delays may have robbed it of taking advantage of growing retail spending over the past five years.

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"Where we are right now in the real estate cycle, it just seems a little bit late to the game," said one analyst who didn't want to be identified.

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Some have questioned whether the Montreal region, with a population of some 3.6 million, has the density to support such an endeavour.

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But Winter said shoppers will travel far if the mall's concept is dramatically different and offers new anchors.

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"If you build something new, dynamic and exciting people will come because it's the big malls that are getting the market share."

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Letter To The Editor

He points to Vaughn Mills Mall, north of Toronto. The one-million-square-foot facility's anchor tenant is Bass Pro, an outdoors retailer.

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