

THEN AND NOW:

AN ANALYSIS OF DOWNTOWN RETAIL PART I



NOVEMBER 2019

WE ARE DOWNTOWN VANCOUVER

The Downtown Vancouver Business Improvement Association (DVBIA) supports, promotes and represents the shared interests of 7,000 businesses and property owners in the central 90-block area of Vancouver's downtown core.

We focus on priorities voiced by our members: programs and services in the areas of advocacy, accessibility, cleanliness, beautification, business support, marketing and mobility. We represent our members' shared goals, drive creative solutions forward and take meaningful action to constantly improve the downtown Vancouver experience.

We operate strategically at the intersection of downtown businesses, local policy-makers, non-profit organizations and all the people who make up Vancouver's diverse neighbourhood communities.



WHY LOOK AT BUSINESS LICENSE DATA?

Retail is an ever-evolving industry. It ebbs and flows in a globalized society wherein trends are dictated by mass online communication, innovative technologies, landmark events and changes in consumer habits. Over time the retail landscape has changed significantly. No longer do we rent videos from Blockbuster or buy CDs from HMV. The advent of e-commerce has contributed to Amazon’s immense success and partly to the demise of major brick-and-mortar retailers such as Sears, Payless Shoes, and increasingly others.

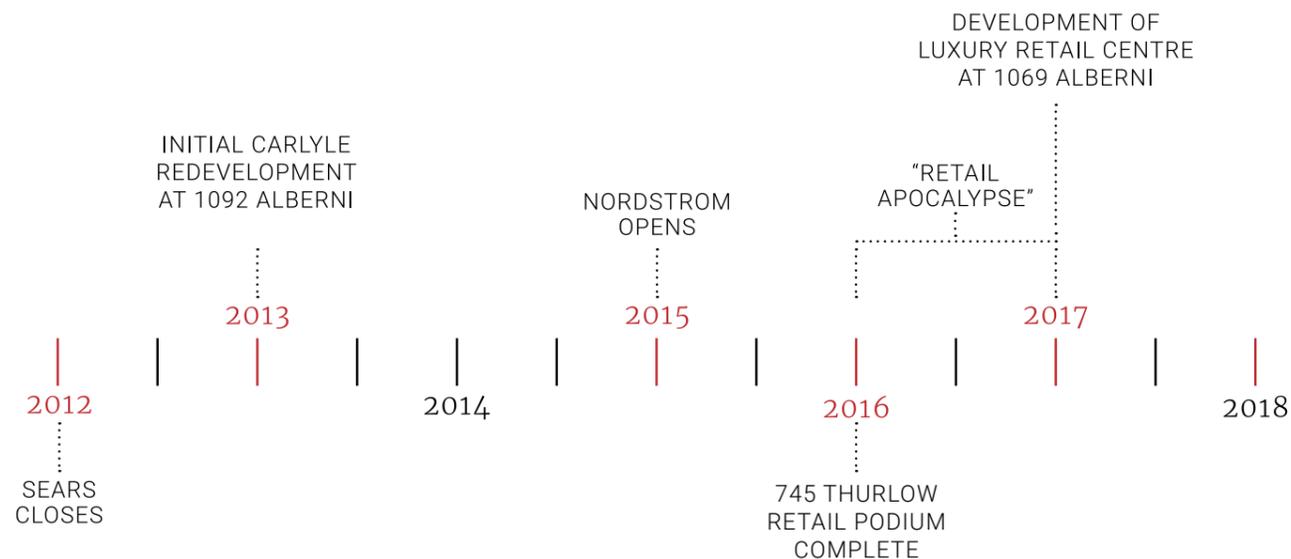
So how has the evolution of retail affected downtown Vancouver? And how has downtown adapted to meet changing consumer demands?

The purpose of this report is to quantify and benchmark retail within the DVBIA’s catchment. By analysing the City of Vancouver’s business license data, we can identify trends, better understand the retail mix, and make policy and business recruitment recommendations to ensure our downtown core remains a vibrant destination to eat, shop and play.

This is the first of two downtown retail reports. The focus of this report is on non-edible goods and services. The second report will focus on food and drink, and will be released in early 2020. The results of both reports will be summarized in the DVBIA’s annual State of Downtown report.

FUTURE DIRECTIONS

This report is presenting a high-level overview of the trends that shaped downtown retail. The findings presented are not free of a set of limitations inherent to the research questions and methodology. Our hope is that this report will help foster future research on this topic, either within Vancouver or elsewhere, and reinforce even more interest in the use of open source data provided by cities.



METHOD

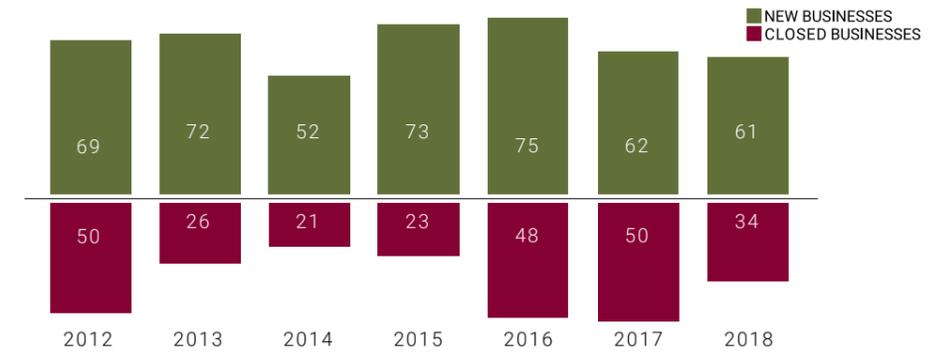
The growth, attrition and mix of retail that operates within the DVBIA's catchment was analysed from 2012 to 2018¹. Results were then compared to key trends that shaped the global and regional retail economy. The analysis excludes restaurants, food services, cafes, liquor establishments and cannabis dispensaries. Furthermore, the analysis is limited to the DVBIA's catchment and thus excludes areas such as Gastown, the West End and Robson street west of Burrard street (1000 to 1900 blocks).

Data sources include the City of Vancouver's business license data² and business information from Yelp, Google Places, Facebook, the Better Business Bureau of Lower Mainland and media articles. The City's business license data was cross-referenced with Yelp and Google Places to identify any variance and the data set was updated accordingly. Information from the Better Business Bureau, Facebook and media articles were used to confirm the year a business opened and/or closed. The data set's license types were then reclassified based on more defined business categories, and sub-categories were developed to increase the data's granularity. To enhance the reliability of the results, spot checks were performed using Google's historical street view, and, in some cases, businesses were contacted to confirm information.



¹Business license data provided by City of Vancouver does not include start of business dates prior to 2012.
²The City of Vancouver business license data was initially analyzed to identify limitations. Limitations include broad license type categories, duplicate businesses, missing businesses and issues with opening dates. For more information, visit opendata.vancouver.ca.

Annual Openings and Closings in DVBIA Catchment



RETAIL SUMMARY

- 2012-2018 Annual Average Growth Rate: **4.4%**
- % of businesses operating for 10 years or more: **~43%**

Between 2012 and 2018, the retail industry (excluding restaurants, cafes, food services, liquor establishments and cannabis dispensaries) experienced a **net gain of 212** brick-and-mortar businesses in the DVBIA's catchment. Downtown's top three retail sectors based on the number of active businesses are: 1) **beauty** 2) **clothing/shoes** and 3) **jewellery**. 2012, 2016 and 2017 saw relatively small net gains due to larger than normal business closure-to-opening ratios.

Notable 2012 closures include **Sears** at Granville and Robson and **HMV** on the corner of Burrard and Robson. The closures are closely related to changing consumer habits, the rise of e-commerce and online media consumption. Other noteworthy 2012 closures include the **Sony Style Store** at 929 Granville and the **HP Store** at 1162 Alberni. These closures are partly linked to the rise of Apple and the increased popularity of smart phones and tablets.

2016 and 2017 was the peak of the so-called "retail apocalypse" when several large chain retailers filed for bankruptcy due to low quarterly profits, rising rents, and changes in consumer spending habits. Prominent 2016 and 2017 closures include local independent retailers such as **Ingledeew's Shoes** at 900 West Hastings and **Edward Chapman's Clothing** at 833 West Pender. The aforementioned retailers were in business for approximately 102 years and 46 years, respectively.

Notable relocations include **Sport Chek** from Pacific Centre to **Chapter's** former space at the corner of Robson and Howe in 2016, and **Tom Lee Music's** move from 929 Granville to 728 Granville in 2018. **Urban Outfitters** expanded its 830 Granville location in 2014 to the neighbouring storefront formally occupied by **Puma**. In 2016, **Holt Renfrew** completed its 40,000 square-foot expansion in Pacific Centre, taking over Sport Chek's former space. In 2018, **H&M** began to renovate its Pacific Centre flagship store, increasing its space from 28,000 square-feet to 38,000 square-feet.

THE RISE OF THE LUXURY ZONE

In the early 2000s, Alberni Street was a mixed bag of shops and services such as salons, convenience stores, coffee shops and Canada's first **Dollar Tree**. At that time, downtown luxury retail was mostly located in the retail podium of the Fairmont Hotel Vancouver and in the adjacent building at 755 Burrard, in addition to West Hastings. Beginning in 2013, luxury retail gained momentum. The Carlyle building's redeveloped retail podium at Alberni and Thurlow was an early catalyst for the luxury boom - becoming home to five luxury stores.

2015 to 2018 marks the rapid emergence of luxury retail along the Alberni corridor and within Pacific Centre. This was spring-boarded by the opening of **Nordstrom** in 2015, the completion of 745 Thurlow's retail podium in 2016, and the development of a luxury retail centre in the plaza between Alberni and West Georgia in 2017. Analysts observe that although Alberni lease rates (\$150-\$250/sq ft as of Q4 2018³) are high compared to other downtown streets, vacancies are low and lease rates are significantly less than luxury retail streets in New York, London and Paris (e.g., \$1500+/sq ft as of Q4 2018⁴). Relatively low lease rates, a comparatively low Canadian dollar, proximity to Asia-Pacific and an increase in the number of high-net worth individuals living in Vancouver contribute to the success of downtown's luxury retail.



³Cushman & Wakefield Vancouver Q4 2018 Retail Market Snapshot

⁴Cushman & Wakefield France, Manhattan, UK Q4 2018 Retail Market Snapshots



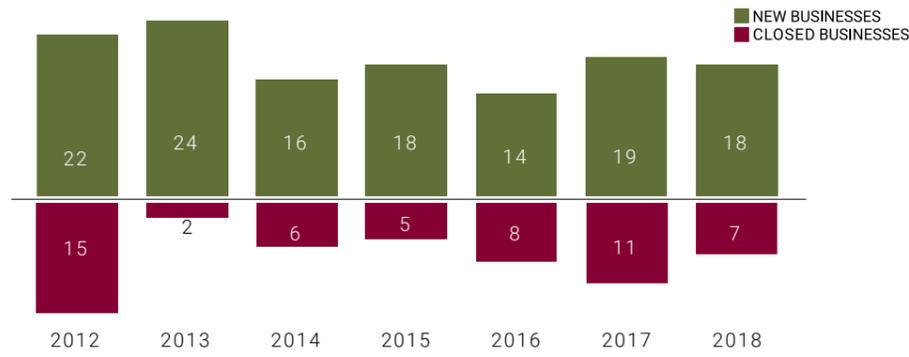
GRANVILLE REVITALIZATION

Granville Street has seen a gradual re-emergence in recent years. Known for its entertainment district, Granville's lease rates (\$30-\$120/sq ft as of Q4 2018⁵) are relatively low compared to Alberni, although there are still vacant storefronts. Accessible public transit options to **CF Pacific Centre** and **Hudson's Bay** drive foot traffic to the area, while mid-range retailers such as **Zumiez**, **Vans**, the **Adidas Heritage Store** and independent retailer **8th & Main** offer affordable wares appealing to younger consumers. In 2013, **Old Navy** opened a 12,000 square-foot store at Granville and Robson. Globally, large retailers such as Zumiez, Vans and Old Navy are said to be performing exceptionally well due to their ability to capitalize on trends such as "athleisure" and retro styles.

In 2015, the Rolston condo development was completed, replacing the Cecil Hotel and eventually becoming home to three boutique fitness centres. 2017 saw Chinese variety retailer **Miniso** open two downtown stores at 550 Granville and 841 Granville; however, the latter closed in 2019. Plans to redevelop the former **Empire 7** cinema into a Cineplex **Rec Room** at 855 Granville are underway. The Empire 7 cinema closed in 2012 and the space has been vacant since. The 45,000 square-foot Rec Room is scheduled to open in 2021. Half of the Rec Room's space will be used for an arcade, while the remainder will be used for dining and live entertainment.

⁵Cushman & Wakefield Vancouver Q4 2018 Retail Market Snapshot

2012-18 Annual Openings and Closings



BEAUTY

2012-2018 Annual Average Growth Rate: **7.5%**

% of businesses operating for 10 years or more: **~33%**

Beauty is downtown’s largest sector and saw a **net gain of 77** businesses between 2012 and 2018. Salons rank first for the number of active beauty businesses with 94 in total; however, the eyebrow and lashes sub-sector (e.g., eyebrow threading and eyelash extensions) experienced the most growth, followed by skincare (e.g., laser treatments and microdermabrasion) and body/bath products. Interestingly, the body/bath products sub-sector saw very little growth prior to 2016. By 2018, the number of body/bath product-related businesses almost doubled with the emergence of high-end, all-natural products.

Noteworthy closures include **Toni & Guy**, a salon formerly located at 1088 Alberni, and **Endz Hair Studio**, formerly located at 562 Dunsmuir. The aforesaid salons operated for approximately 14 years and 10 years, respectively. Some 2018 openings include the **Sanatio Japanese Spa** at 1080 W. Hastings and the **Abnormal Beauty Company**, a Canadian natural beauty products store at 408 Howe.

Since 2012 to the first half of 2019, the number of men’s barbershops has more than doubled from 6 to 13 businesses.

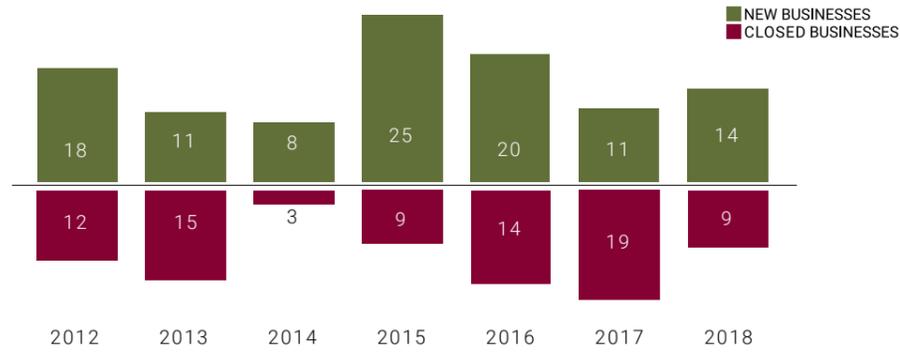
The beauty sector has low barriers to entry and the potential to generate high profit margins. There are minimal regulatory and permitting requirements, with perhaps the exception of spas. Mid-to-low price point businesses tend to offer Groupon promotions to attract customers. In Canada, the sector is highly fragmented – meaning there are more independent small businesses and relatively few chains. Sector demand is fueled by improving economic conditions wherein consumers have more discretionary income to spend on personal care.

Suki’s at 1030 West Georgia is a longstanding salon. Born in Manchuria during the Japanese occupation in World War 2, owner Suki Takagi moved to Vancouver in 1972 with two children, and no support from friends or family. She bought a salon called Carousel; however, the next day, the four male hairdressers walked out, refusing to work for a Japanese woman. Suki subsequently changed the salon’s name to her namesake. There are currently four Suki’s salons in Vancouver. The downtown location has been open for 12 years.



REGAL BARBERS - HORNBY ST.

2012-18 Annual Openings and Closings



CLOTHING/SHOES

2012-2018 Annual Average Growth Rate: **2.1%**

% of businesses operating for 10 years or more: **~40%**

Clothing/shoes is downtown’s second largest sector based on the number of active businesses, and saw a **net gain of 26** businesses between 2012 and 2018. Luxury clothing and vintage/consignment clothing experienced relatively high growth rates – 10.3 per cent and 3.2 per cent, respectively - compared to other sub-sectors (e.g., women’s clothing, men’s clothing, unisex clothing and footwear) which saw a series of closures and -0.14 per cent average annual growth rate.

Closures include **Underworld Skateboard Vancouver**, a local business formerly located at 1043 Granville, and chains such as **Payless Shoes** at 804 Granville and **Quiksilver** at 820 Granville. Some 2018 openings include luxury retailers such as **Jimmy Choo** at 1035 Alberni, in addition to **Rhuzz**, a Korean women’s clothing retailer at 617 West Pender.

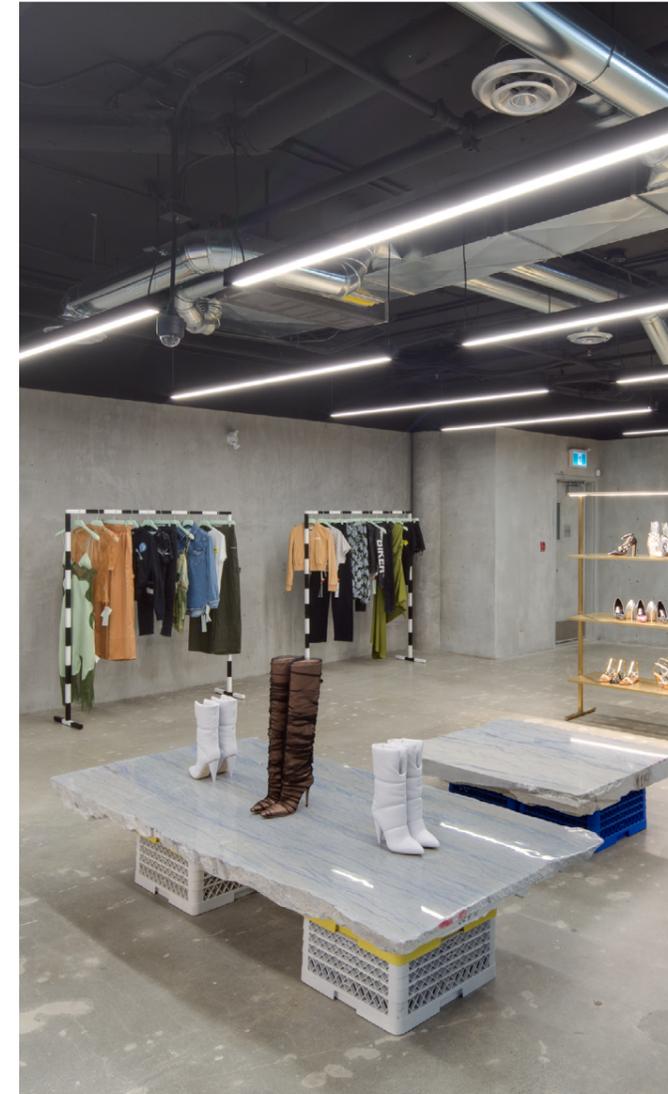
Overall growth is led by luxury retail along the Alberni corridor. According to UK-based brokerage firm

Savills, Hong Kong and Chinese consumers contribute greatly to the success of luxury brands. The sector requires significant capital investment to lease retail space and to maintain a sufficient quantity and variety of inventory. E-commerce continues to pose a threat to the sector; however, luxury retailers are mitigating the threat by offering concierge-like shopping services and in-store food and drink to elevate the consumer experience. There is also a trend for luxury brands to open standalone stores (e.g., **Moncler, Ted Baker, Canada Goose**) in an effort to generate greater profits by selling items directly to the consumer.

In 2019, Hermès opened a 2-storey flagship store at West Georgia and Burrard. Hermès opened its first Vancouver store in 1995, a block away from its current location, which has since closed.

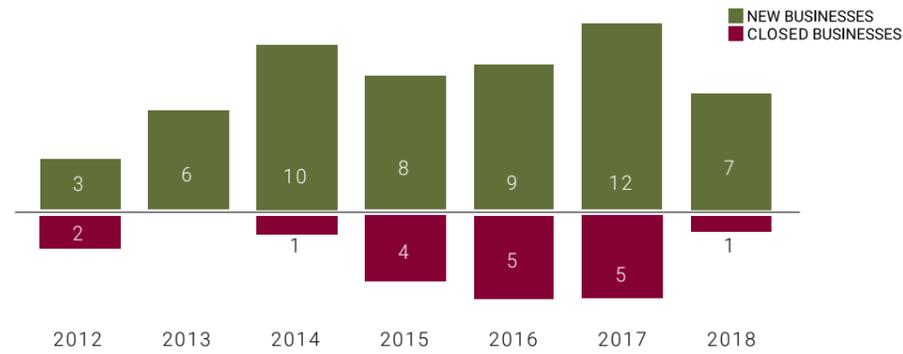


Dipt at 819 Hornby is a longstanding clothing and shoe retailer. Owner Mister Martini was the co-owner of F.W.U.H., one of Canada’s first hip-hop retailers, and is also responsible for establishing the popular **Vancity Original®** brand. In 2000, Martini opened Dipt, a hip-hop influenced fashion boutique – capitalizing on the rise of sneaker culture and “urban” brands such as Phat Farm, Fubu, Rocawear and Sean John.



ANDREW FYFE
OFF WHITE - ALBERNI ST.

2012-18 Annual Openings and Closings



JEWELLERY

2012-2018 Annual Average Growth Rate: **6.3%**

% of businesses operating for 10 years or more: **~48%**

Jewellery is the third largest sector downtown, with a **net gain of 37** businesses between 2012 and 2018. Most jewellery stores are located along the Alberni luxury corridor and West Georgia. Luxury watch stores experienced relatively high growth rates - a peculiar phenomenon at a time when smartwatches are increasingly taking the market share.

Notable closures include jewellery stores such as **La Swiss/Watchcity** and **Watch It!** in Pacific Centre and **Lucinda Jewellers** at 925 West Georgia. Some 2018 openings worthy of attention include **Hublot**, **Graff** and **Patek Philippe** at 1018 Alberni. The **Rolex Boutique** opened at 1119 Alberni in 2016 and is Rolex's largest stand-alone store in North America. In 2017, **IWC Schaffhausen** and **Van Cleef & Arpels** moved into the newly-developed luxury retail centre in the plaza between Alberni and West Georgia.

Overall growth is led by luxury retail along the Alberni corridor. Similar to luxury clothing/shoes, Hong Kong

Vacheron Constantin Boutique opened in Spring 2019 on 1055 Alberni. Since 2012, the number of luxury watch retailers has quadrupled.

and Chinese consumers contribute to the sector's success and there is a trend towards opening stand-alone stores. Although smartwatches from brands such as Apple are increasingly popular (retail value starting from \$400), they pose more of a threat to low to mid-range products than to luxury watches. Luxury watches can retail between \$5,000 to \$500,000 and tend to attract wealthy consumers seeking quality craftsmanship as well as brand recognition. Price movements of precious metals tend to influence the sector's performance.

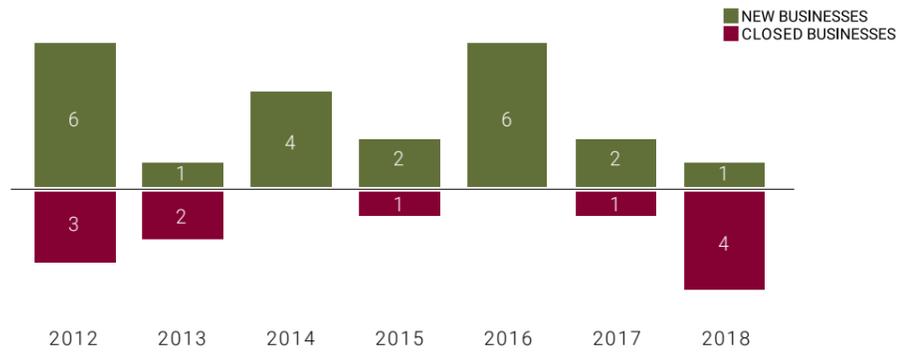


Maison Birks at 698 West Hastings is a notable longstanding jeweller. In 1879, Henry Birks founded the jewellery store in Montreal. His son, William Birks, opened the downtown Vancouver store in 1907. Birks is one of the first jewellery stores to sell Canadian-mined diamonds in the early 2000s and was the official supplier of jewellery for the Vancouver 2010 Olympic Games.



MAISON BIRKS - W.HASTINGS

2012-18 Annual Openings and Closings



FITNESS CENTRES

2012-2018 Annual Average Growth Rate: **5.9%**

% of businesses operating for 10 years or more: **~27%**

Downtown Fitness Centres (excluding hotel and office gyms, and independent personal trainers) earn an honorable mention. This is downtown’s sixth largest sector behind Travel Agencies, and saw a **net gain of 11** businesses between 2012 and 2018. Fitness Centres saw growth in smaller boutique gyms which do not require as much space.

Some closures include **Body Balance** at 555 Howe, a studio that offered pilates and ballet barre classes, and **Urban Fitness Club** at 1348 Granville. Notable openings include the **Ballet Lounge** in 2015 at 1348 Granville, **Orange Theory Fitness** in 2016 at 1055 Canada Place and **Equinox** in 2016 at 1131 West Georgia.

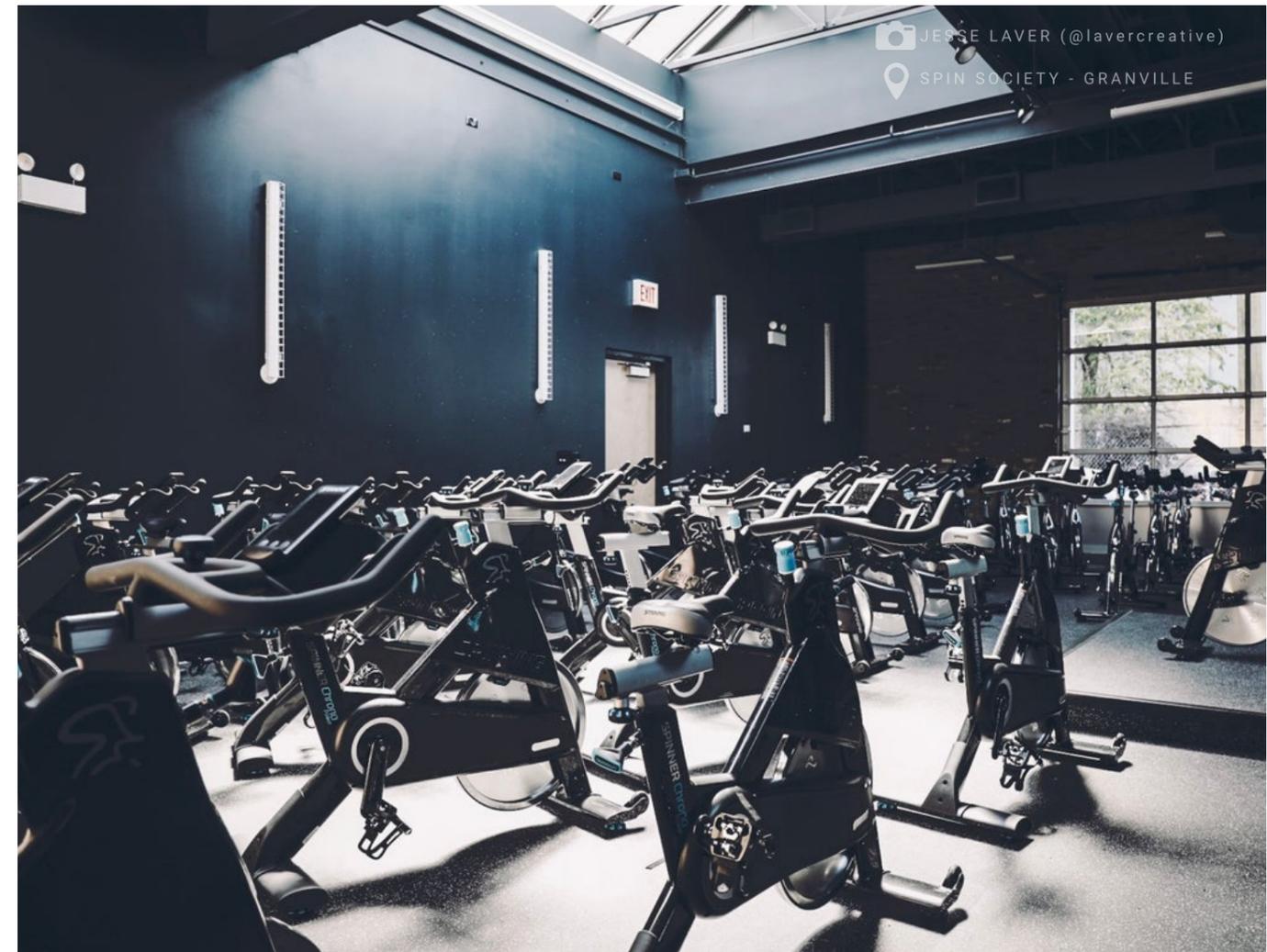
Overall growth is a result of a shift in trends towards specialized/alternative fitness classes (e.g., high intensity indoor activities) and high-end full-service gyms that offer a variety of retail ranging from nutrition to clothing. Over the past ten years the Public

Health Agency of Canada has launched numerous health promotion campaigns and larger businesses have increasingly provided incentives for gym memberships and fitness programs. According to Statistics Canada, BC revenues for fitness and recreational centres has increased 160 per cent (\$154 million) between 2007 and 2014. The sector is competitive and space constraints are a barrier to entry.

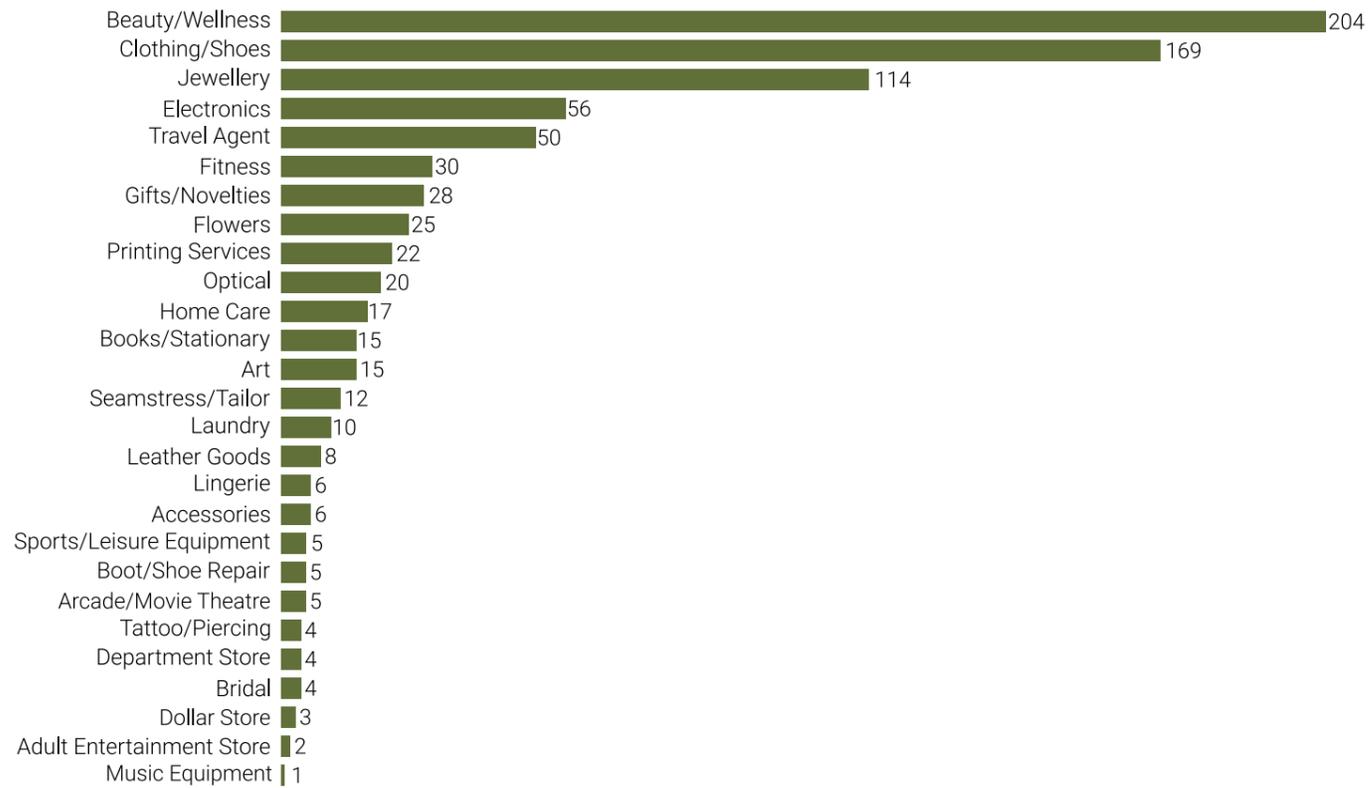
Two high-end fitness centres will open downtown in 2020. TurF, a workout studio, restaurant, shop and café will open its second Vancouver location at 1281 West Georgia. Barry’s Boot Camp, a US-based high intensity fitness centre will open its first BC location at 1025 West Pender.



Studeo at 865 Hornby is a notable longstanding gym. The 16,000 square-foot boutique gym has been operating downtown for over 15 years. Owner Nathan Mellalieu and his team have trained celebrities such as Harrison Ford and Jennifer Garner while they have been filming in Vancouver. Studeo’s facility was featured in a 2017 issue of Architectural Digest – highlighting the gym’s “supreme style”.



2018 TOTAL NUMBER OF ACTIVE BUSINESSES



BUSINESS SURVIVAL CHART

| | % of businesses operating for 1+ years | 5+ years | 10+ years |
|--|--|----------|-----------|
| National Average (Retail Trade) | 99% | 63% | 38% |
| National Average (Arts, Entertainment and Recreation) | 99% | 65% | 42% |
| Total DT Retail Trade | 99% | 69% | 43% |
| DT Beauty | 99% | 70% | 33% |
| DT Clothing/Shoes | 99% | 63% | 40% |
| DT Jewellery | 99% | 71% | 48% |
| DT Fitness Centres | 98% | 53% | 27% |

Source: Statistics Canada – Canadian New Firms: Birth and Survival Rates over the Period 2002-2014 (Published May 2018)
Accommodations and food services survival rate is a different sector and not reflected in the highlighted national averages.

SOURCES

- Better Business Bureau
- Business in Vancouver
- City of Vancouver
- Colliers
- Cushman & Wakefield
- Daily Hive
- Facebook
- Georgia Straight
- Google Places
- IBISWorld
- Potloc Insights
- Retail Insider
- Savilles
- Statistics Canada
- Vancouver Sun
- Yelp

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TECHNICAL NOTES

All data presented in this report is based on the best data at the time of development. The results may differ from estimates produced in other studies. The data was obtained from reliable sources; however, it is not guaranteed by the DVBA or any of its contributing partners.



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