Mixed-Use Properties Appeal to the Canadian Shopper

Similar to the U.S., Canadian Shopping Centres Succeed Through Synergistic Uses

Key Takeaways

- Nearly nine of 10 (87%) Canadian adults would consider residing in “live, work, shop, play” environments that have a variety of housing, workplaces, dining and recreational outlets for entertainment all within close proximity to one another.
- General convenience and time efficiency resulting from being close to almost everything is the main reason cited by 60% of Canadian adults for wanting to reside in “live, work, shop, play” community environments.
- More than half (55%) of Canadian adults agree that places with a “live, work, shop, play” lifestyle are more attractive to them than they would have been five years ago.
- More than two-fifths (45%) of Canadian consumers say that their shopping centre visits today are more likely to include a variety of different activities compared to two years ago.
- Over the past two years, the largest shares of Canadian consumers have increased their visits to grocery stores/supermarkets (30%), food-and-beverage (F&B) service establishments (26%) and fitness/wellness facilities (26%) in shopping centres.
- Since January, 90% of Canadian shopping centre visitors have spent on F&B services, 67% purchased from traditional non-grocery retailers, 50% spent on leisure and entertainment, and 47% on personal/professional services.
- Despite widespread use already, 51% of Canadian consumers want to see more dining options in shopping centres, while 40% want more leisure and entertainment venues.
- After traditional retailers and grocery stores, F&B services, as well as leisure and entertainment, are significant drivers to Canadian shopping centres.
- More than two-fifths (44%) of Canadian consumers cite the location at or within a transit hub as a primary driver or main motivation for a visit to a mall or other type of shopping centre.
- Nearly three-fifths (59%) of consumers say it is very important for retail and F&B services to be near each other.

As the Canadian retail real estate landscape evolves, some landlords are evaluating and reimagining their properties with the highest and best use in mind. The appetite for mixed-use structures that integrate residential, commercial, office and retail is growing. Three recent developments highlight this shift: Manulife Centre in Toronto, which is accessible to downtown retail; the soon-to-be completed Humantii building in Montreal; and the M2 building on the bank of the Bow River in Calgary. In addition, a major proposal calls for a “downtown mega city” at Yorkdale Shopping Centre.

New developments and existing properties that offer accessibility and incorporate a mix of uses are on the minds of developers and consumers alike as they appeal to a growing demand for convenience, instant gratification and an all-encompassing experience. Increasingly, retailers, restaurants, entertainment, personal/professional services, offices and housing are combining into curated venues where most of one’s daily destinations are all within very close proximity to each other.

These “live, work, shop, play” environments are becoming more popular as nearly two-thirds (64%) of the adult population in Canada say it is very important to have daily destinations nearby. Overall, as shown in Chart 1, 87% of Canadian adults would reside in such a place, compared to 78% in the U.S.

When considering a “live, work, shop, play” lifestyle, 60% of Canadian respondents surveyed point to general convenience/time efficiency as their main driver for a centre visit (compared to 55% in the U.S.). In addition, not having to rely on a car (34%) and access to mass transit (32%) are significantly higher than for their U.S. counterparts (24% and 23%, respectively).

Non-Retail Tenant Visits Have Risen Over The Past Two Years

Diversifying the tenant mix has had a noticeable impact on consumer shopping patterns, with visits to non-retail tenants growing. More than two-fifths (45%) of consumers say that their shopping centre visits today are more likely to include a variety of different activities compared to two years ago—a level on par with U.S. consumers.

When asked about how their visits to various tenants in shopping centres have changed over time, the largest shares of consumers indicate more frequent trips to both fitness/wellness venues and F&B services than any other non-retail category. Just over one-quarter (26%) of consumers say they visit fitness/wellness facilities (e.g., gyms, yoga/cycling studios) and F&B establishments more now than two years ago. (See Chart 2.) This is particularly true for Millennials, two-fifths (40%) of whom now visit F&B venues more compared to 22% for Gen Xers and 12% for Baby Boomers.

Consumers are also taking more responsibility for their own health and wellness. One-third (33%) of Millennials visit fitness/wellness more than two years ago, outpacing Gen Xers (25%) and Boomers (15%). “There has definitely been a lifestyle shift compared to where the [spa] industry was 15 to 20 years ago.”

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3 These results and others in this report are based on a representative poll of 1,005 adults in Canada, conducted from July 26 to 31, 2019, by Engine Insights on behalf of ICSC.
This result is consistent with Canadian consumers’ growing tendency to spend on experiences. According to Hotel News Now, an online news resource for hotel decision makers, consumers, particularly Millennials, increasingly express a preference for “doing” over “owning,” and this puts entertainment attractions in position to capture demand for experience-based commerce. While movie theatres, traditional video game arcades, climbing walls and interactive family entertainment centres are still found in shopping centres, newer concepts are slowly emerging and being used to create excitement, while capitalizing on existing foot traffic. Competitive socializing, “beercades,” “eertainment” facilities, virtual reality arcades, eSports lounges and escape rooms are just some of these newer concepts.

Individual uses are also being combined to maximize their appeal. For example, F&B services and leisure/entertainment are now often united as a single concept. F&B establishments are adding entertainment components, while leisure venues are offering a wider variety of more appetizing food and drinks.

While Canadian consumers enjoy eating and drinking, they also put an emphasis on health and going to gym/fitness centres, yoga and cycling studios and medical clinics. Since the beginning of this year, nearly half (47%) of consumers spent at a fitness or medical facility in a shopping centre.

Generational differences are apparent in consumer spending at shopping centres since the start of 2019. Among Baby Boomers who shopped at these centres, 96% bought retail goods compared to 89% of Generation X and 88% of Millennial shoppers. Looking at leisure/entertainment, 67% of Millennials spent on these activities at shopping centres while 52% of Gen Xers and 36% of Baby Boomers did the same. These results demonstrate that Millennials, more than older generations, prefer experiences over goods. The shares of each generation are more similar when it comes to spending on F&B services, health/wellness and personal care/professional services.

**Interest In Even More Non-Retail Tenants Persists**

Even though non-retail/service-based offerings are already widespread in Canadian shopping centres, consumers’ appetites for these remain strong. Half (51%) of consumers want to see a greater number and variety of F&B service establishments. Interestingly, a larger share of Baby Boomers (57%) prefer this than Gen Xers (52%) and Millennials (49%). Identical to U.S. consumer sentiments, two-fifths (40%) of Canadian consumers want more leisure/entertainment venues in shopping centres. Interest in these venues is greater among Millennials (48%) than Gen Xers (45%) or Baby Boomers (27%).

More than one-quarter (29%) say they would like more personal care services, higher than in the U.S. (26%) and 20% want additional gyms/fitness centres (compared to 25% in the U.S.). For the latter category, significantly more Millennials (30%) and Gen Xers (21%) are interested in these than Boomers (8%). Another non-retail tenant that Canadians would like to see significantly more is medical/health clinics (37%), compared with only 28% of U.S. consumers. Not surprisingly, interest in these facilities is more intense among Canadian Baby Boomers (46%) and Gen Xers (39%) than Millennials (29%).

**Motivations Behind Shopping Centre Visits**

Although consumers end up visiting and spending at a wide range of tenants once at a shopping centre, certain types are more
likely to attract shoppers in the first place. Retail establishments are rated highest among these categories, as the largest share of consumers (75%) say their centre visits are “moderately” or “largely” motivated by those tenants. (See Chart 4.)

Among non-retail tenants, more than half (57%) of consumers are driven to a shopping centre by fast food/coffee shops, while less than half (46%) are drawn by full-service, casual/fine dining restaurants and 44% by limited-service, fast-casual dining establishments. More than half (55%) are attracted to the shopping centre by leisure and entertainment venues.

Also attracting shoppers are personal care services (50%), fitness & wellness facilities (44%) and medical facilities (42%). Based on Baby Boomers’ desire for more medical/health clinics, these facilities may drive more of this group to shopping centres.

Mixing Uses Creates “Convenient” Synergies

Incorporating non-retail tenants and other property uses into a development needs to go beyond simply filling vacancies. The real benefit of mixing uses comes from skillfully placing them in strategic locations near other compatible uses, so consumers find the maximum level of convenience by having the pair located close to each other. After all, general convenience and time efficiency resulting from being close to almost everything is the main reason cited by more than half (60%) of adults for wanting to reside in “live, work, shop, play” community environments.

“The success of a mixed-use development depends on the synergy of all the pieces—retail, residential, office, entertainment—working together to empower the other asset classes,” writes Steve McLinden, a contributor to ICSC’s Shopping Centers Today. Mixed-use properties, created and managed properly, attract people wanting to take advantage of the added conveniences located where they are also living and working.

The synergy between two uses is examined here by identifying the level of importance, according to consumers, for the pair to be located close together on the same property to boost convenience. (It is important to note that a lower rating does not mean pairs are incompatible, but only suggests that fewer consumers indicate high importance for the two to be located near one another.)

The category most synergistic with retail (or the one with the highest share of consumers noting high importance for the two to be closely located to each other) is F&B services. (See Table 1.) Nearly three-fifths (59%) of survey respondents say it is either “extremely important” or “important” that the pair be near one another. Adults also feel strongly that retail should be located close to leisure and entertainment (43%), residential properties (54%), and medical facilities (53%).

The results on retail and medical uses in shopping centres were echoed in a 2018 study of the synergies created by health and wellness tenants in Australia. One major finding in that study was that on the day of a health and wellness-related expenditure, spending on retail goods increased 18%, from an average of $104 per shopping centre visit to $123.

F&B services have the strongest connections with the greatest number of other uses. Aside from retail, large shares of consumers also say it is “extremely important” or “important” for convenience that food services be nearby residential properties (57%), leisure and entertainment (50%), and office (44%).

Among all other property use pairs examined, nearly three-fifths (59%) of consumers indicated strong preferences for residential to be close to medical facilities. In addition, 48% said the same about residential and personal care/professional services, while 47% highly rated residential and leisure/entertainment.

Conclusion

Shopping centres are inextricably woven into the fabric of Canadian life and is not likely to change anytime soon. These venues continue to play a vital role in the everyday lives of consumers as they are overwhelmingly the places that satisfy their daily needs. Consumers’ preferences for convenience are being met, as shopping centres become destinations that offer a symbiotic mix of retail and services incorporating living necessities and leisure activities into a seamless experience.

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10 Steve McLinden, "Retail Is The Vital Hub For Successful Mixed-Use Development, Experts Say," SCTWeek (ICSC), June 1, 2018.


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