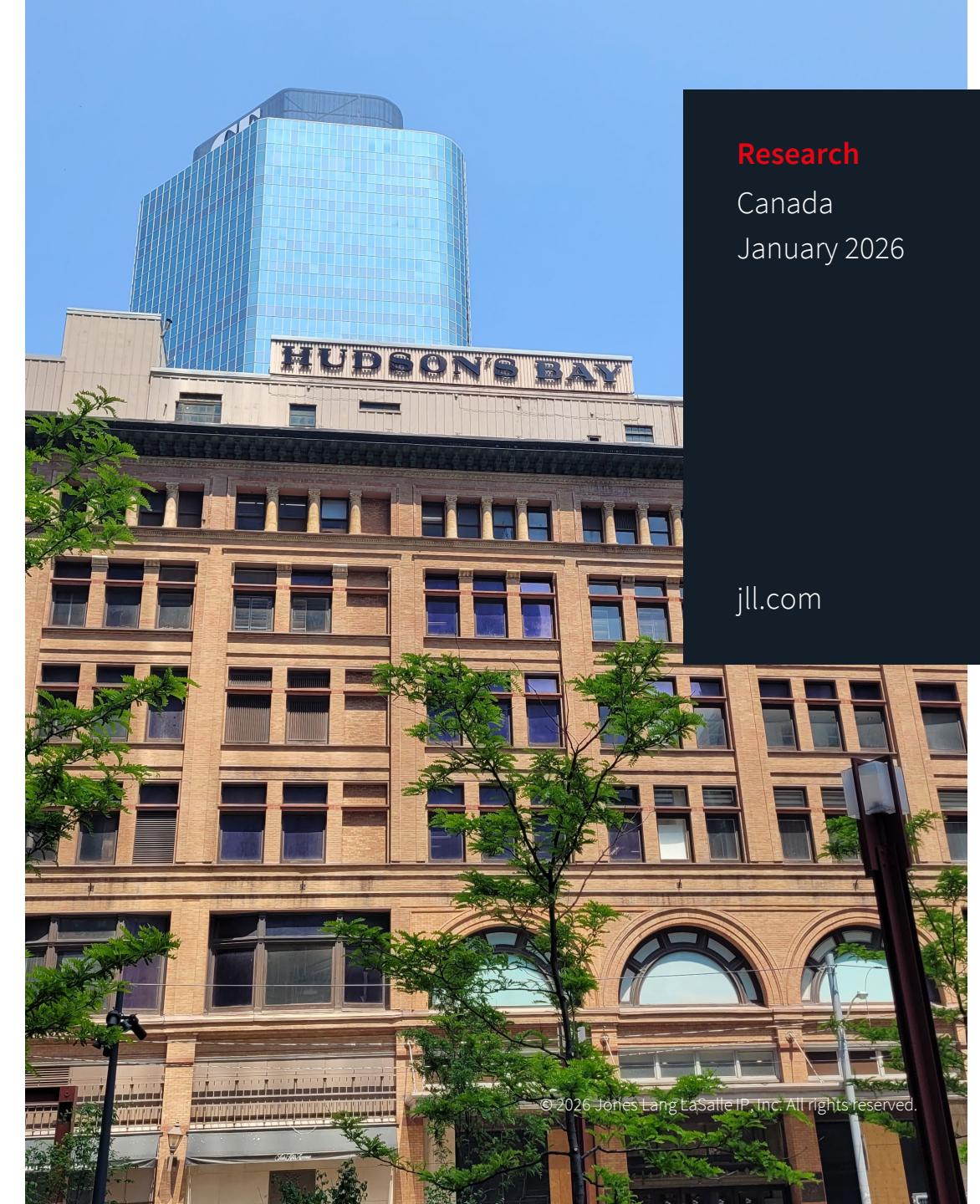


Backfilling Hudson's Bay Retail Boxes

Our forecast indicates 65 percent of HBC vacant retail space will be committed within two years.

 **JLL** SEE A BRIGHTER WAY



Research

Canada

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jll.com

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Executive summary

- Since Hudson's Bay announced the closure of its retail locations, industry observers have questioned the impact these closures would have on the Canadian retail real estate market.
- Our research team conducted an analysis of each vacant HBC location, evaluating the most likely future scenario and timeline for all 96 vacant department stores.
- **We forecast that 65 percent of Hudson's vacant retail space will be committed to new retail tenants within two years.**
- To lease this space, landlords will need to subdivide much of it into smaller retail units, following a multi-tenant strategy.
- **We predict that 64 percent of the vacant square footage will be repurposed through a multi-tenanting strategy.**
- The closures of Hudson's Bay – whose establishment dates to 1670 – represent the end of an era, given both its sheer size (~15 million s.f.) and its role in shaping Canadian retail.
- Lower retail density, limited new shopping centre construction, and constrained space availability are driving retailers to absorb former HBC spaces.
- While landlords recognize the significant potential in vacant HBC sites, prevailing redevelopment headwinds in the residential market are forcing a pivot toward less capital-intensive, income-generating retail strategies.



Image by www.wikipedia.org



01

Outlook

Most space will be committed within two years





Most space will be committed within two years

High interest from retailers, brokerage activity, and retail-leasing-market fundamentals indicate a manageable path for addressing HBC vacancies, maintaining retail use in most locations.

The prime, transit-oriented nature of many HBC locations remains their greatest asset, attracting serious interest from a new generation of expanding tenants. Their long-term performance as retail destinations provides a foundation of proven market viability.

65%

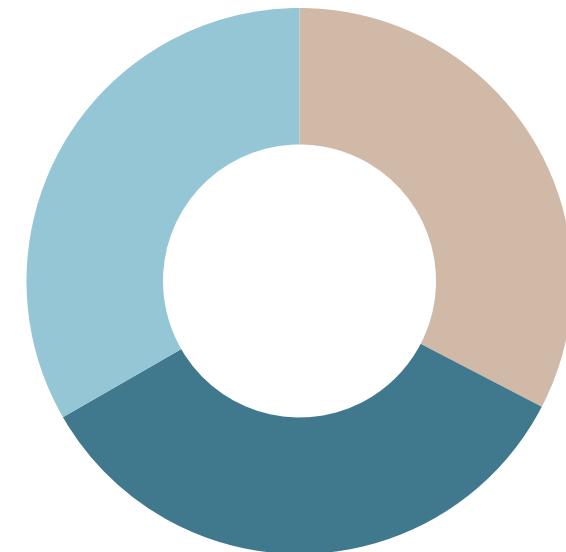
Our forecasts as of late 2025 indicate that 65 percent of the HBC square footage will have assigned tenants within the next 24 months, either short-term or long.

However, lower-tier locations or multi-floor properties might take much more time to absorb. This timeline reflects the complexity of subdividing large spaces, negotiating multi-tenant configurations, and completing necessary renovations.

The Canadian retail market has navigated previous vacancy waves, and this experience positions it to adapt once again, requiring flexibility from both landlords and prospective tenants.

Projected leasing timeframe for HBC retail space

Percent of total square footage



- 31% Within 1 year
- 34% 1-2 years
- 35% More than 2 years

Source: JLL Research

02

Most landlords
plan to subdivide
large HBC boxes

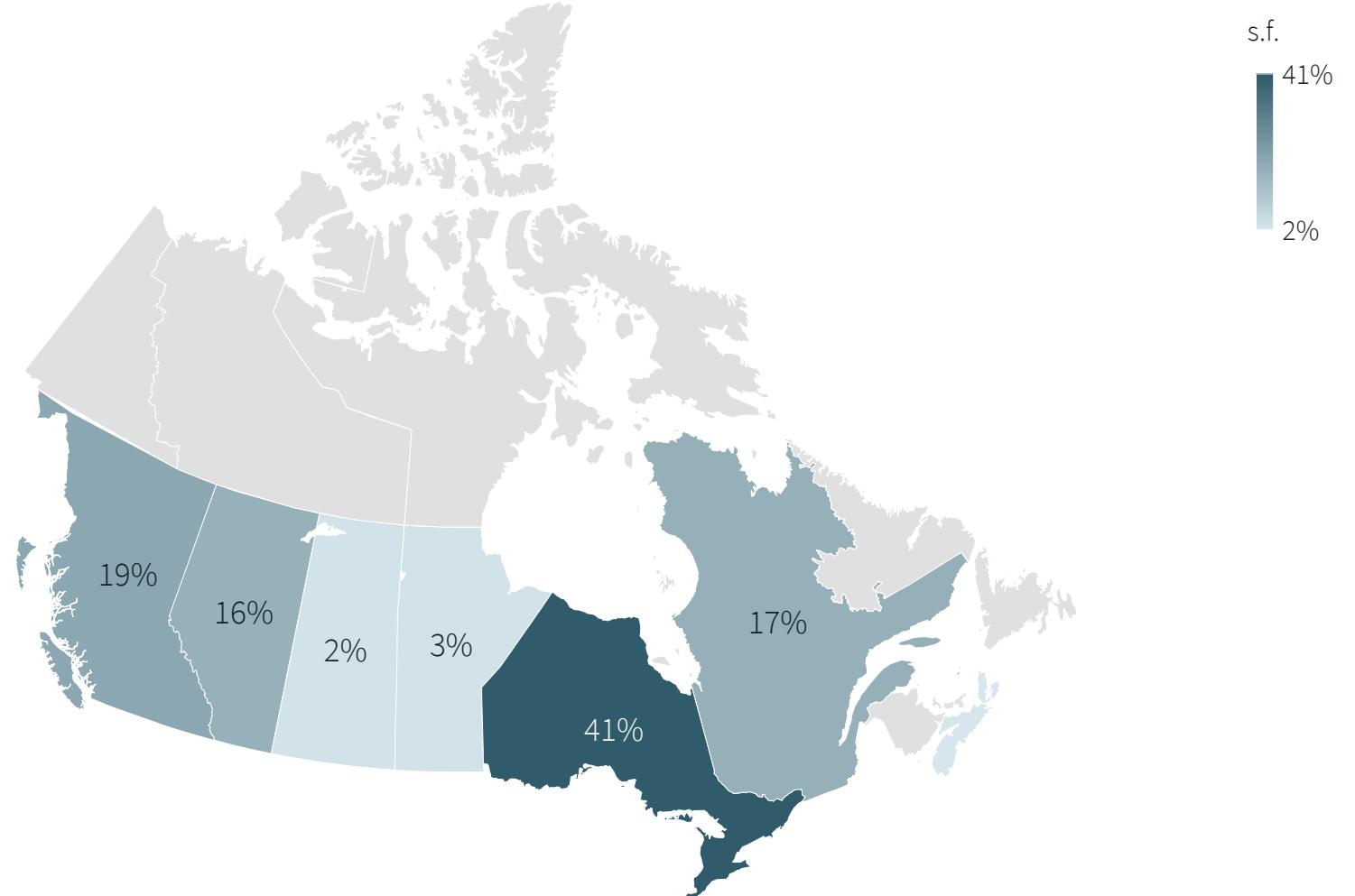




Location of HBC stores by province



Percent of total square footage



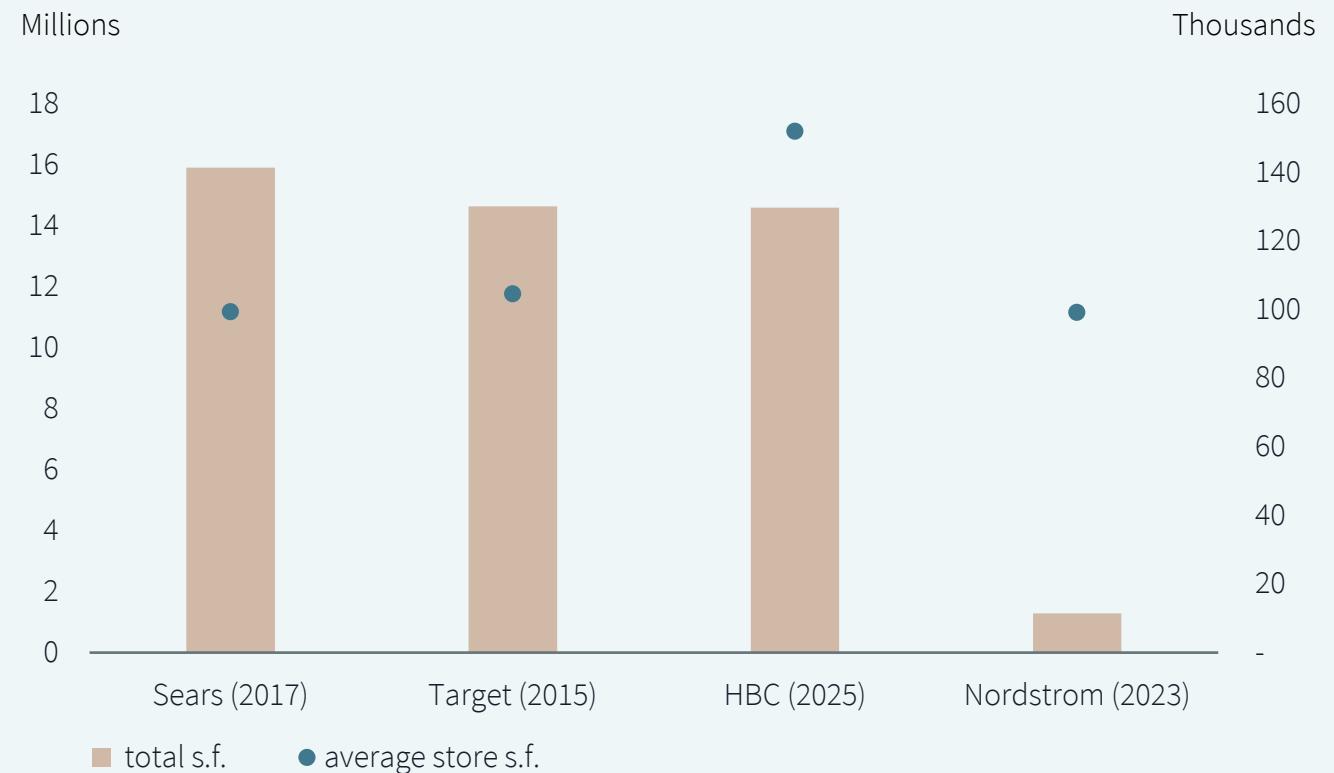
Two-year supply of retail space

HBC closures, which vacated close to 15 million square feet, have increased availability across markets, with 2025 vacated space outpacing new occupancy.

Canada's largest markets would require about two years of recent demand to backfill all the HBC boxes. Although this shows that absorption of the vacant boxes is possible, it nonetheless creates a significant challenge for landlords to adequately backfill these boxes alongside competing spaces, especially in class C and non-classified properties.

The size mismatch becomes clear when comparing tenant requirements with available space. The average shopping centre lease in Canada sits at roughly 3,700 square feet, while HBC boxes average 152,000 square feet – roughly 40 average-sized retailers. Many of the locations are multi-storey complicating and adding costs to the process of remerchandising the boxes. This size differential requires creative leasing approaches and potentially substantial capital expenditures that impact net operating income.

Total closed store space by retailer s.f.





Limited single-tenant options drive multi-tenant solutions

78%

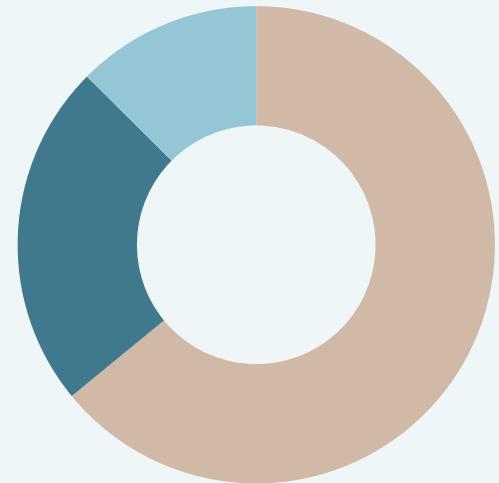
Our forecasts indicate that at least 78 percent of the HBC square footage will likely retain its retail use.

The pool of single tenants capable of occupying entire HBC boxes remains limited to established players like major grocery chains, mass merchandisers, department stores, clothing stores, automotive services, and large-format fitness and entertainment concepts. With few international large-format concepts entering the Canadian market, single-tenant solutions will be the exception rather than the rule.

Consequently, landlords will be forced to reconfigure the large spaces into smaller suites in order to lease them. This approach involves subdividing HBC boxes into mid-format spaces of 15,000 to 40,000 square feet, typically accommodating three to five retailers per location. With that, target categories expand into fashion flagships, home furnishings and furniture, health and personal care, entertainment venues, dining concepts, sporting goods, and wellness services.

Projected use distribution of HBC retail space

Percent of total square footage



- 64% Multi tenanting
- 22% Planned for redevelopment
- 14% Single tenanting

Source: JLL Research

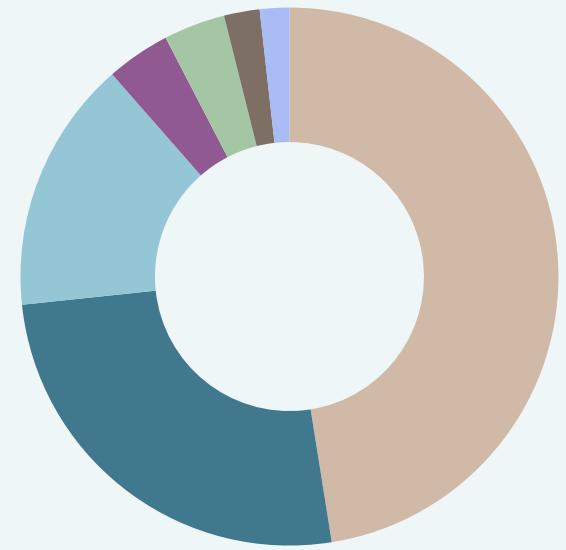


With a list of prospects that includes current tenants and tenants adjacent to the property, leasing teams are working to identify a tenant mix that complements their overall property offering. This process involves investigating associated costs and evaluating how different tenants will enhance the property's appeal. In many cases, landlords have already secured a major anchor tenant and need to fill the remaining space with complementary smaller businesses that drive performance.

Current market conditions support this strategy, particularly in Toronto and Vancouver, where retail availability rates sit among the lowest in North America. Overall retail availability in Toronto is just 1.8 percent and in Vancouver about 2 percent. These tight conditions provide landlords with negotiating leverage in a market where retailers have scaled back expansion plans due to a shortage of quality space.

HBC space distribution by property type

Percent of total square footage



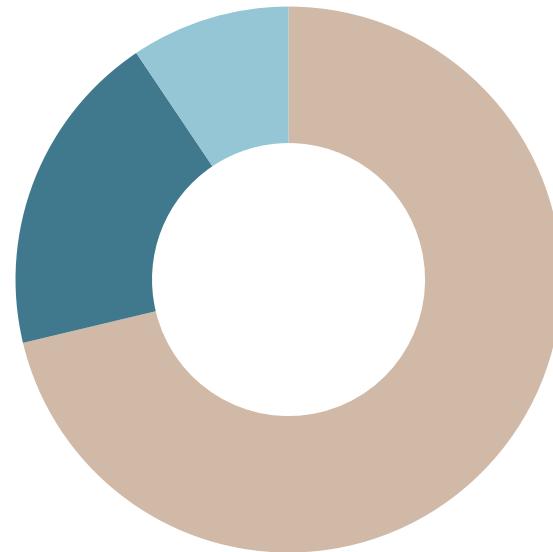
47% Super regional mall	26% Regional mall
15% Street front	4% Power centre
4% Neighborhood centre	2% Community centre
2% Strip centre	

Source: JLL Research

Market conditions favour repurposing over redevelopment

HBC boxes by market type

Percent of total square footage



■ 71% VECTOM

■ 19% Secondary

■ 9% Tertiary

Source: JLL Research

Although HBC sites offer attractive densification potential, current headwinds for high density residential development are creating hesitation.

Attempting a full redevelopment means fighting an uphill battle against difficult financing, high construction costs, slow municipal approvals, and a deeply challenged condo market.

This shifts the focus toward the faster, less capital intensive, and less risky strategy of filling the existing space first, while deferring the planning required for major redevelopments to further down the road. Several landlords are open to short-term leases to gain time and income or even wait for a clearer horizon.

HBC boxes are located primarily in Canada's major metro markets (VECTOM).



03

Case studies

How large vacant retail boxes have been repurposed in VECTOM markets





How large vacant retail boxes have been repurposed in VECTOM markets

1 Vancouver Metropolis at Metrotown

Strategy: Mixed-use anchor redevelopment

Former tenants: Sears and Toys "R" Us

Size: 140,000 square feet

New uses: Two residential towers with ground-floor retail at the podium level, serving as a new indoor entrance to the shopping centre.

Execution: Concord Metrotown will demolish the former Sears building to construct a mixed-use development that integrates residential living with retail space and provides a new access point to the Metropolis at Metrotown shopping centre.





2

Edmonton West Edmonton Mall

Strategy: Beyond conventional retail space

Former tenant: Sears

Size: 180,000 square feet

New uses: A Toyota dealership on the lower level (125,000 square feet) for showroom and service operations, and a flagship The Brick home furnishings store on the upper level (55,000 square feet).

Execution: Triple Five strategically redeveloped the former Sears location to accommodate non-traditional retail uses, demonstrating how malls can successfully integrate automotive retail alongside conventional retail formats to maximize space utilization and attract diverse customer segments.

3

Calgary Southcentre Mall

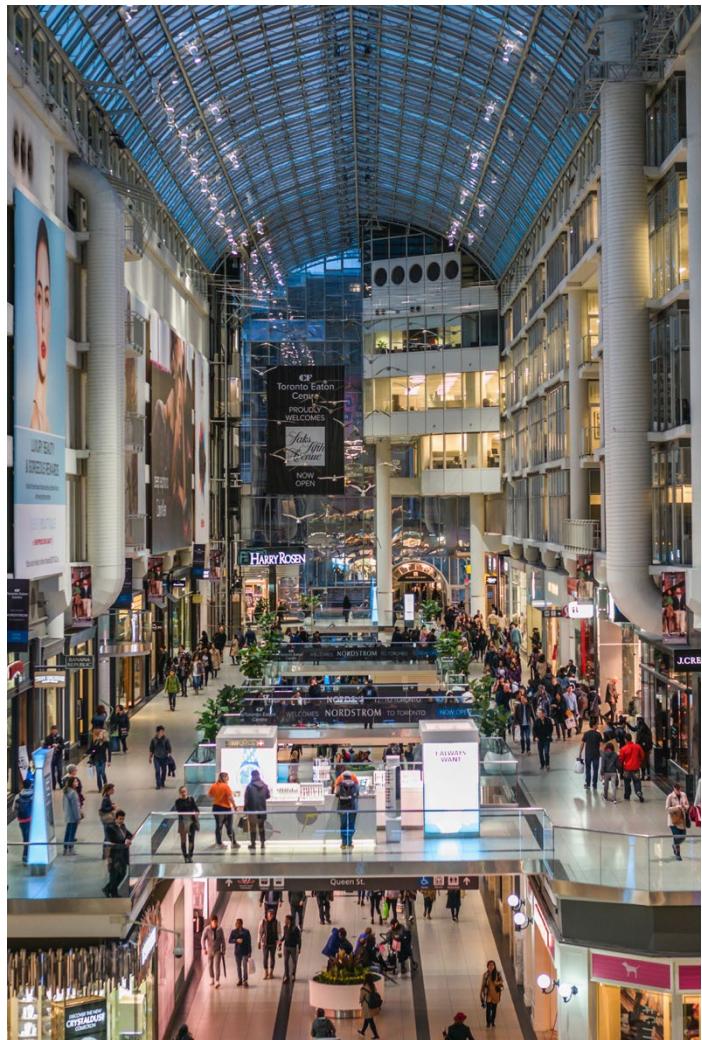
Strategy: Specialty retail repurposing with mall-upgrade integration

Former tenant: Sears

Size: 240,000 square feet

New uses: Dollarama, PetSmart, and Winners occupy the first level, Earls restaurant and Decathlon sporting goods are located on the second, and PowerPlay entertainment centre fills the third level.

Execution: Oxford Properties achieved 100 percent occupancy of the former Sears box by diversifying the tenant mix across retail, food, and entertainment. The redevelopment required significant layout modifications to accommodate multiple tenants of varying sizes, along with full integration of mechanical and electrical systems with the main mall infrastructure. These systems operated separately from the rest of the property when Sears occupied the space as a single anchor tenant.



4 Toronto CF Toronto Eaton Centre

Strategy: High-profile multi-tenanting

Former tenant: Nordstrom

Size: 220,000 square feet

New uses: Italian marketplace Eataly, a flagship Nike store, and department store Simons.

Execution: Cadillac Fairview strategically subdivided the prime Nordstrom space among three distinct, high-traffic tenants to maintain the location's premium positioning while diversifying the retail offering. The phased openings occurred through late 2025.

The previous redevelopment from Sears to Nordstrom also included floors above Nordstrom, which have been converted into office space.

5 Toronto RioCan Stockyards

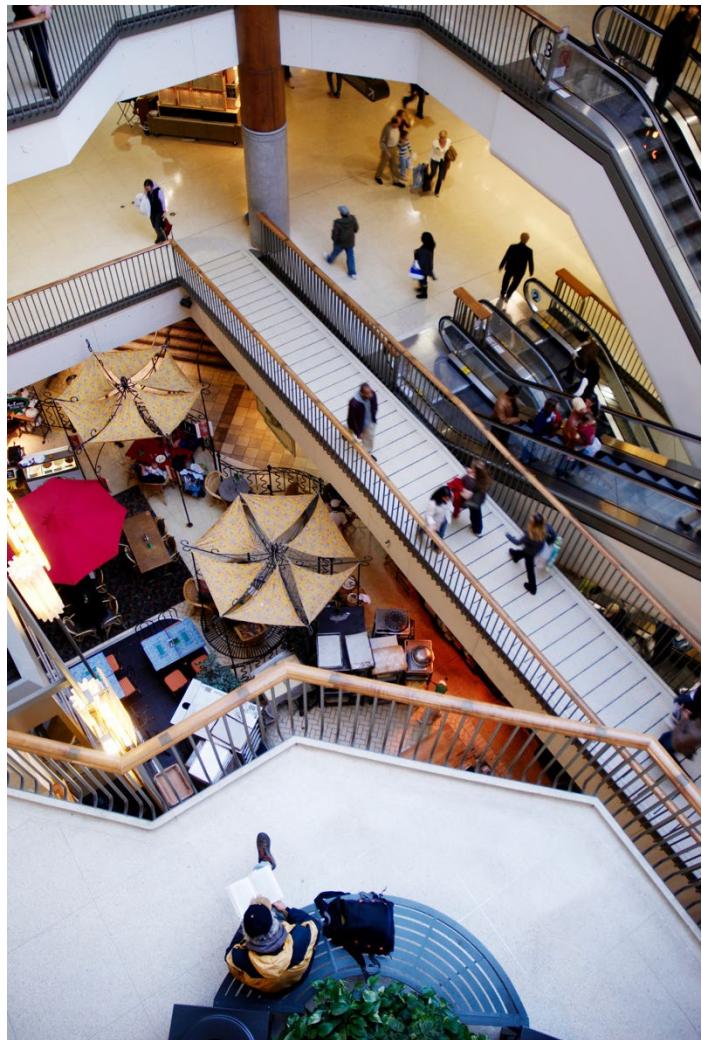
Strategy: Non-traditional anchor replacement

Former tenant: Target

Size: 127,000 square feet

New uses: Asian concept Nations Fresh Foods with an entertainment component, including a children's playground and party rooms.

Execution: In 2017, RioCan successfully backfilled the former Target location at Stockyards with Asian grocery and entertainment. In November 2025, the grocer announced it would replicate this success by opening a 120,000-square-foot store in the former HBC at Oakville Place, further proving the viability of grocery and food-experience anchors in large retail boxes.



6 Ottawa Carlingwood Shopping Centre

Strategy: Anchor-tenant replacement with flagship retail concept

Former tenant: Sears

Size: 179,000 square feet

New uses: A “Remarkable Retail” flagship Canadian Tire store featuring a six-car Click and Collect canopy, a Garden Centre, and an auto service department with customer lounge and upscale tire wall.

Execution: Carlingwood Shopping Centre tore down the outdated Sears box to build a more efficient space. Canadian Tire invested in creating their largest location as part of the company’s 100th anniversary milestone, opening in September 2022 after three years of development.

7 Montréal Hudson's Bay Downtown

Strategy: Full cultural and mixed-use repurposing

Former tenant: Hudson's Bay

Size: 655,000 square feet

New uses: Museum dedicated to the fur trade and exchanges between the Cree and the Hudson’s Bay Company, an urban Indigenous cultural center, experiential spaces, retail showcases, mixed-use facilities, and a hotel complex.

Execution: In September, the James Bay Eeyou Corporation and JHD Immobilier announced a \$400 million bid to acquire and transform the nine-storey building into a cultural and heritage landmark.

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