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Core grocer a challenge: expert

Kaufmann's report on concept's viability eagerly anticipated

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Peter Kaufmann says a downtown grocery would have to pull in \$6 million to \$7 million a year to survive.

IF you're considering moving downtown as soon as a major grocery store opens in that area, you might

want to buy some really, really, really green bananas.

Peter Kaufmann, a real estate broker at CBRE and the author of a soon-to-be-released report on the feasibility of a downtown grocer, said not only is there no magic bullet to fix the dearth of fresh produce and meat in the central business district, but entrepreneurs aren't lining up for the chance to get in the game, either.



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The recent closure of the Zellers store in the Bay basement contributed to the dearth of core grocers. (JOHN WOODS / WINNIPEG FREE PRESS ARCHIVES)

Photo Store

A former city councillor, two-time Winnipeg mayoral candidate and longtime grocer, including part-owner of Kaufmann Foods at the corner of Donald Street and Broadway until 1999, Kaufmann knows of what he speaks. He predicts it will take somebody "courageous" to start a grocery store in the heart of downtown.

"It has to be somebody who can see the long-term picture and has a bit of money behind them. It's not going to be an easy thing," he said.

A downtown grocery store would look nothing like any of its suburban counterparts. About 10,000 square feet would be ideal, Kaufmann said, but the financial requirements are daunting.

"It would have to do \$80,000 to \$100,000 a week, or \$6 million to \$7 million a year in business, just to get it going and they

won't be making much money. The margin in groceries is such that a net profit in a very successful grocery store would be in the two per cent range," he said.

A store would likely require an investment of at least \$2 million to pay for new equipment and the latest bells and whistles, Kaufmann said. A would-be owner would likely need \$600,000 to \$700,000 of their own money to be able to borrow the balance.

"Then it's pretty precarious. You need the right landlord, the right rent and then you've got to pay business tax and property tax," he said.

Kaufmann's report could be released as early as this week and the man who commissioned it, Ross McGowan, president and CEO of CentreVenture Development Corp., is anxious to see it.

As old warehouses were converted into condominiums over the past 15 years and newer projects, such as the Glasshouse, are coming on board as part of downtown Winnipeg's rebirth, the one constant has been the need for a grocery store to support the 16,000 -- and growing -- people who live downtown.

The challenge has become more acute since the recent closures of Zellers in the Bay building, Extra Foods on Main Street and Food Fare on Arlington Street.

It has always been a bit of a chicken-and-the-egg situation, though. Residents need a grocery store before they'll move downtown and a grocery store needs a certain amount of business for it to be viable.

"We have committed to working with the various stakeholders to address the shortage of a grocery store," McGowan said.

No steps will be taken, he added, until he and his team are able to digest Kaufmann's report.

Even if a prospective buyer and a piece of property can be matched up shortly, it would still take 12 to 18

months before it would open, he said.

The grocery landscape has changed significantly since Safeway closed its downtown location at Broadway and Donald in 1979. Not only do fewer people make weekly grocery outings to fill their cupboards and pantries -- they tend to make fewer, smaller trips -- but large chains have become much more dominant in the market.

"Back then, 30 per cent of groceries were sold by independents, now it's less than 15 per cent," Kaufmann said.

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