



## 2 Reasons Hudson's Bay Co. Will Commit to its Real Estate Path

### Description

Shares of **Hudson's Bay Co.** (TSX:HBC) have declined 10.4% in 2017 and 26% year over year. Poor results in successive quarterly earnings reports combined with a continuing downturn in traditional brick-and-mortar retail has hammered the stock. Second-quarter results saw the company report a \$201 million loss.

However, recent developments have given investors reasons to be optimistic.

CEO Jerry Storch announced that he would depart on November 1. Storch was a veteran in retail, and in an article late last month, I [discussed](#) how this would likely telegraph a shift in strategy. After the announcement in late October, the company immediately proceeded with a \$1 billion sale of its Lord and Taylor Fifth Avenue in New York City.

Now the company has been approached by European retailer **SIGNA Holding** for its German department store location Galeria Kaufhof and several other assets.

Let's look at two reasons Hudson's Bay will continue with its foray into real estate to shore up its decline on the retail side.

### Jonathan Litt and his team appear to have landed a victory

Jonathan Litt of Land and Buildings Investment Management sparked an internal firestorm in the summer when he sent a letter to leadership demanding a change in direction. If Hudson's Bay did not begin to make the most of its real estate holdings while its retail business continued to decline, Land and Buildings would seek to call a meeting of special shareholders in an attempt to remove company directors.

In this letter, Litt also said that Hudson's Bay real estate holdings are valued by third parties at \$35 per share. I [covered](#) the reasoning behind this claim in a September article.

The company responded by assuring that it was still focused on retail, but that it was exploring how to make the most of its real estate assets. In an October conference in Copenhagen, then-CEO Jerry

Storch appeared skeptical when it came to this strategy. “I believe that’s a process of slow dissolution and once the spiral starts it can’t be stopped,” he said.

The departure of Storch so soon after these comments combined with the quick turn to sell off its Lord and Taylor holding seems to indicate that the position of Land and Buildings has won out.

### **Real estate is warming up in North America**

Hudson’s Bay leadership approached a pivot to real estate with some degree of apprehension due to the state of the real estate market in North America in the late spring and early summer. The Canadian housing market had just started a steep correction. The market in New York City, home to the Lord and Taylor and Saks Fifth Avenue locations, was also experiencing difficulties.

However, recent data shows that the North American market as a whole is starting to warm up in the fall. U.S. home sales closed at the fastest pace since 1987, and home sales in Ontario were up 12% from September to October.

As brick-and-mortar retail continues to struggle, Hudson’s Bay will likely remain firm on its current path, especially considering its highly valuable real estate holdings.

#### **CATEGORY**

1. Investing

#### **POST TAG**

1. Editor's Choice

#### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

#### **Category**

1. Investing

#### **Tags**

1. Editor's Choice

#### **Date**

2025/08/25

#### **Date Created**

2017/11/08

#### **Author**

aocallaghan

default watermark