

Non-Residential Market Assessment

65 Northfield Drive West

City of Waterloo

March 9, 2023

Prepared for: 65 Northfield Drive Inc.

Prepared by: Tate Economic Research Inc.



**TATE
ECONOMIC
RESEARCH INC.**



Mr. Larry Kotseff
65 Northfield Drive Inc.
65 Northfield Drive West
Waterloo, ON
N2L 0A8

March 9, 2023

Re: Non-Residential Market Assessment
65 Northfield Drive West, City of Waterloo

Dear Mr. Kotseff:

Tate Economic Research Inc. is pleased to provide this Non-Residential Market Assessment for your planned community in the City of Waterloo. This report examines the opportunity for non-residential uses and the anticipated commercial service levels within the proposed mixed-use development at 65 Northfield Drive West.

Thank you for the opportunity to conduct this assignment and we look forward to discussing the results with you.

Yours truly,

TATE ECONOMIC RESEARCH INC.



James Tate
President



Ben Van Impe
Senior Consultant

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1 Summary & Recommendations

This section summarizes the research, analysis, and recommendations presented in this report. The remaining sections provide a more detailed review of these recommendations and their inputs.

1.1 Introduction

65 Northfield Drive Inc (“Northfield”) is proposing to develop a master planned mixed-use development at 65 Northfield Drive West, in the City of Waterloo (“Site” or “Subject Site”). The project is proposed to be developed in phases. The ultimate build out of the Site contemplates a mixed-use development that includes 13 residential towers, extensive park space, and ground floor non-residential uses.

Northfield has retained Tate Economic Research Inc. (“TER”) to conduct a Non-Residential Market Assessment for the proposed development. This report examines the market implications of the non-residential uses proposed on the Subject Site and examines the service levels of its future residents. TER has also been requested to advise Northfield with respect to a potential maximum amount of non-residential space that should be planned for on the Site. In this report, the non-residential uses proposed for the Site include uses such as retail, service commercial, local office, daycare, etc.

Northfield has provided TER with the development concept for the Subject Site. This report examines the location and access characteristics of the Site, the surrounding commercial context, and the characteristics of the development concept proposed. It also provides a recommended tenant mix and comments on the retail commercial service levels that could result from the development of the proposed concept.

1.2 Development Concept

The proposed development concept is indicated in Figures 1-1 and 1-2, which follow. In general terms, the concept includes a series of towers and building podiums encircling an internal ring road and 2.6 acre park. The architects retained by Northfield are Turner Fleischer. The Turner Fleischer design

package states: “The design of this new residential and mixed-use community focuses on integrating nature and city to provide a framework that promotes a healthy and sustainable urban living model.”

Overall, the ultimate build out of the proposed development will include approximately 4,000 residential units. The project will be built in phases, over

Figure 1-1: Development Concept Aerial View



Source: Turner Fleischer Aerial View, edited by TER.

Figure 1-2: Development Concept Site Plan



Source: Turner Fleischer Site Plan.

several years. It is anticipated that the project will evolve over time and may be revised as market conditions vary during the development period.

The development concept indicated in the Turner Fleischer plans includes a total of approximately 17,500 square feet of ground floor non-residential space. This space is comprised of a “Retail Square” located near the corner of Northfield Drive and Conestogo Road. The Turner Fleischer design package describes the Retail Square as a “...pedestrian-friendly area featuring a variety of shops and restaurants.” The Retail Square is planned to include approximately 12,500 square feet of commercial space, as indicated in red in Figure 1-2. There is also a 5,000 square foot commercial space that is planned to include a daycare located on the southern portion of the Site. The planned daycare space is indicated in blue in Figure 1-2.

The phasing of the proposed development is anticipated to occur from the north to south end of the Site. As such, the Retail Square will be developed in the earlier phases of the development and will be able to serve residents throughout the development process to full build out of the Site.

1.3 Summary of Findings

The location and access characteristics of the Site limit the opportunity for ground floor non-residential space, and specifically commercial uses.

- Residential density within walking distance is critical to the demand for commercial uses in mixed-use developments. There are currently no residential uses in the immediate surrounding area.
- The Site will only have access from Conestogo Road, which is a Local Road that does not carry significant traffic volumes.
- Visibility to the Site is restricted from Northfield Drive. Northfield Drive is elevated relative to the Site. There is a steep bank from Northfield Drive down to the Site which limits access and restricts visibility.

The design of the Site favours pedestrian access and circulation, which, although desirable, limits the opportunity for ground floor non-residential space, and specifically commercial uses.

- The development concept emphasizes a large scale central park which provides excellent pedestrian visibility and access from Northfield Drive and Conestogo Road.

- The emphasis on the pedestrian orientation of this design is desirable from many perspectives, including community building, environmental, aesthetics, general planning principles and others. However, it limits the opportunity for retail commercial on the Site.
- There is no parking anticipated on Conestogo Road. This lack of parking also limits the opportunity for retail commercial uses on the Site.
- The proposed development concept includes no surface parking immediately adjacent to the Retail Square. Surface parking, in direct proximity to the Retail Square, is desirable from the perspective of consumers and businesses. In the overall development concept, there is a limited amount of surface parking provided adjacent to the park, which will support the planned Retail Square, but is not directly proximate.

Industry trends are resulting in a decline in the amount of retail and service commercial space required per capita.

- Many factors, including the rise of e-commerce, have resulted in the replacement of physical store space and the rationalizing of store networks.
- The average store size has been declining, including many types of retail, from large format chain retailers to smaller independent businesses.
- New technology, such as automated retail, are changing the requirements for physical space and employment.

There is 1.3 million square feet of retail commercial space within a 15 minute walk of the Site. Future residents of the Site will be well served by existing space in the community. This existing retail and service space will be complemented by the non-residential space planned at the Site.

- A 15 minute walk is generally considered to be “walking distance.” Within a 15 minute walk of the Site, there is approximately 1.3 million square feet of retail and service commercial space. This space includes large format retail, an enclosed regional shopping centre, and a range of convenience oriented tenants.
- The majority of national tenants are present in the market, including tenants that typically anchor mixed-use developments, such as banks, drug stores, liquor stores, pet stores, and dollar stores.

- Existing shopping centres in the surrounding area are attractive to potential tenants because they offer easy access, surface parking, highly visible signage, and convenient loading and garbage.

1.4 Recommendations and Conclusions

The recommended floorspace in this report relates to non-residential uses, rather than retail exclusively. The non-residential category allows for greater flexibility as the community develops and matures over time. It can include a range of retail, service, employment, and institutional uses, as dictated by market conditions and required by residents. Allowing for flexibility in terms of uses is critical to the success of phased developments, particularly those that will be developed over a longer time period, such as the one examined in this report.

TER has prepared a potential tenant mix for the Site, shown in Figure 1-3. The potential tenant mix is intended to illustrate the types of businesses that could be accommodated on the Subject Site. Due to the time requirements anticipated for the complete build-out of developments such as the one examined in this report, it is not possible at this time to predict with a great degree of certainty what the ultimate tenant mix will be. The tenant mix presented in this section of the report reflects current industry trends, which may shift over time.

Based on the minimum recommended non-residential gross floor area, a wide range of uses can be accommodated on the Site. These uses includes specialty food, such as a convenience store, and others such as daycare, medical and dental, restaurant and food services, and personal services.

This tenant mix indicated in Figure 1-3 recognizes the minimum non-residential gross floor area of 17,500 square feet. As additional non-residential gross floor

Figure 1-3: Potential Tenant Mix



Source: Tate Economic Research Inc.

area is developed to reflect market opportunities, the range of uses at the Site can be expanded.

As the development progresses and more residents live on the Site, there may be an opportunity for additional non-residential space. TER is proposing a maximum of 50,000 square feet of non-residential space at the Site. This amount provides the opportunity for additional space on the Subject Site, particularly in later phases of development, as demand materializes.

The minimum of 17,500 square feet of non-residential space proposed for the Site recognizes the proximity of a considerable amount of existing competition within walking distance of the Site. It also recognizes the focus of the design on the Site on parkland and a pedestrian friendly environment.

The 17,500 square foot minimum and 50,000 square foot maximum non-residential floorspace range allows for flexibility in terms of the amount and types of uses on the Site, while ensuring the opportunity for adequate convenience oriented retail commercial uses to serve future residents of the Site.

2 Study Approach & Assumptions

This section outlines our approach and assumptions used when conducting this assignment.

2.1 Study Approach

The development concept has been designed by Turner Fleischer, the architects retained by Northfield. This development concept has been provided to TER. TER has not provided input into the development concept. TER has been requested to comment on the appropriateness of the extent of non-residential space proposed in the development concept, as well as provide input to a recommended maximum amount of non-residential space on the Site.

The following scope of work was undertaken by TER in preparation of this report:

- Location and access assessment;
- Review of City of Waterloo Official Plan policies;
- Commentary on mixed-use trends;
- Inventory of surrounding retail commercial space;
- Review of case studies; and
- Recommended tenant mix.

2.2 Basic Assumptions

The report and its recommendations should be reviewed in light of the basic assumptions, which are outlined below:

- Development projects, especially large-scale developments such as the one examined in this report, typically occur over a long period of time. In some cases, concept to build-out can take 10 to 15 years or even longer. The retail environment is constantly evolving and market conditions may change as the development progresses. Therefore, the background and

recommendations of this report should be interpreted in the context of the prevailing trends at the time it was written. TER reserves the right to adjust the recommendations in the future should market conditions deem it necessary; and,

- The recommendations and conclusions of this report are premised on the development concept provided by Northfield. The design of the proposed development, including access, roads, parking, and sidewalks influences the opportunity for non-residential space on the Site. This report and its recommendations should be reviewed considering these basic assumptions.

3 Location and Access

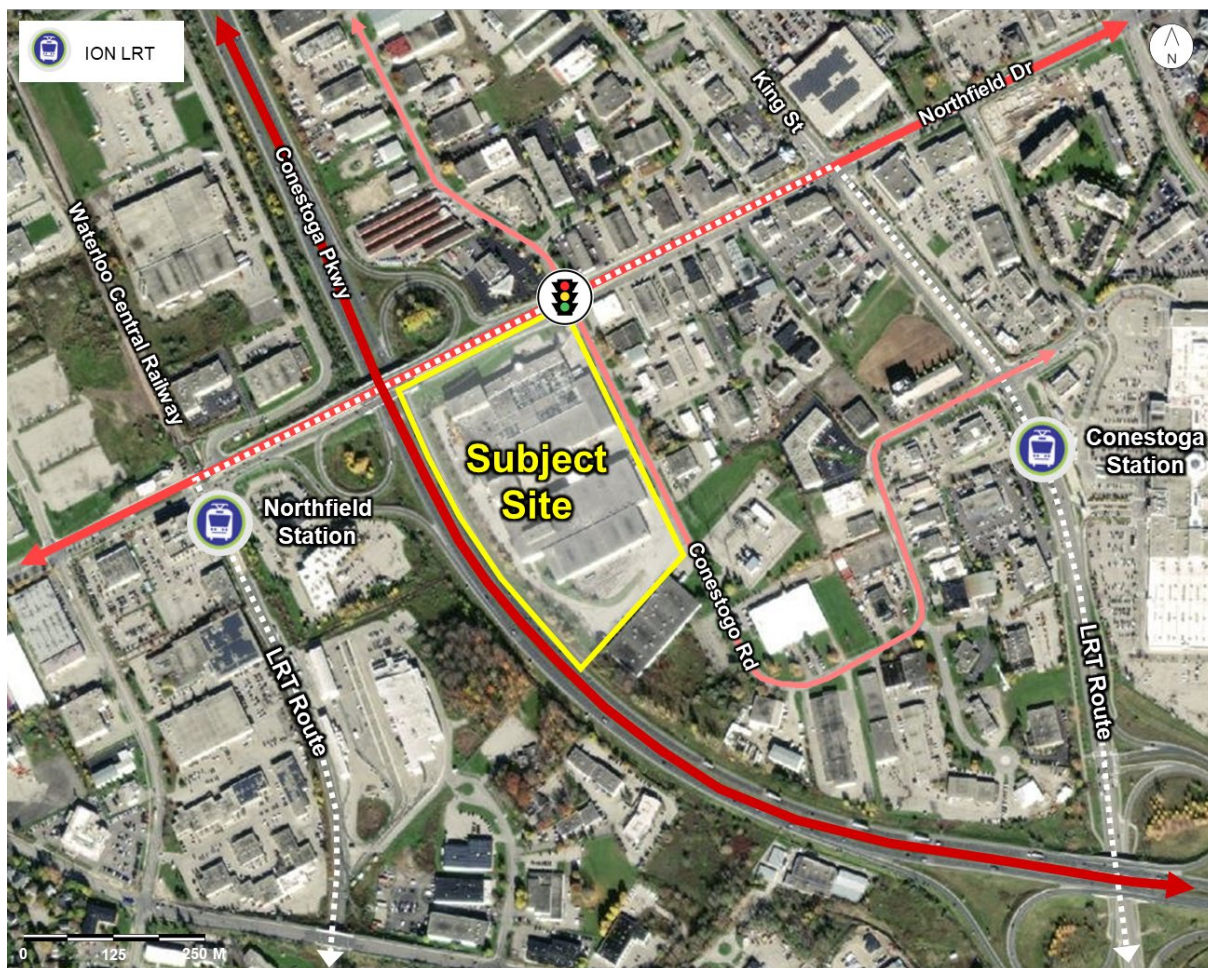
From the perspective of market demand for commercial uses, it is essential to review the Subject Site in terms of its local and regional accessibility, visibility, and surrounding land uses. It is the purpose of this section of the report to comment on the suitability of the Subject Site for non-residential uses.

3.1 Location and Access Characteristics

Figure 3-1 indicates the access characteristics of the Subject Site, which are summarized below:

- The Subject Site is 19.9 acres and is bound by Conestoga Parkway to the west, Northfield Drive to the north, and Conestogo Road to the east;

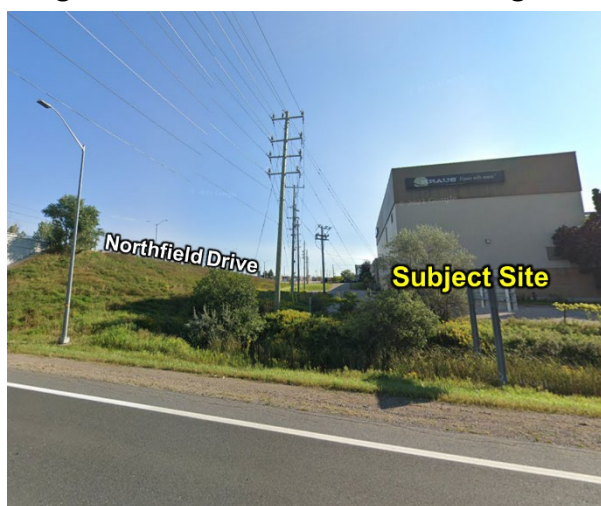
Figure 3-1: Location and Access



Source: Tate Economic Research Inc.; Basemap: ESRI ArcGIS.

- Conestoga Parkway is a Provincial Highway with a partial interchange at Northfield Drive. The location of the Subject Site on Conestoga Parkway provides visibility and access to high volumes of inter-regional vehicle traffic. This access is typically considered an asset to large format retail uses and traditional auto-oriented shopping centres. As a locally oriented mixed-use development, regional visibility and access to Conestoga Parkway is not a significant benefit, from the perspective of retail commercial demand;
- The Site has approximately 750 feet of frontage onto Northfield Drive. Northfield Drive is classified as a Regional Arterial Road. In the vicinity of the Subject Site, Northfield Drive is a four lane road, with dedicated bike lanes, and a LRT right-of-way. Northfield Drive carries a significant amount of vehicle traffic;
- Direct access from Northfield Drive to the Subject Site is restricted due to proximity to Conestoga Parkway and grading. The steep grading from Northfield Drive down to the Subject Site is indicated in Figure 3-2, below. This grading limits access and restricts visibility;
- The Site has approximately 1,100 feet of frontage on Conestoga Road. Conestoga Road is classified as a Local Road. Currently, Conestoga Road is a two lane road with bike lanes and no dedicated pedestrian infrastructure, such as sidewalks. Conestoga Road primarily provides access to employment uses in the surrounding area and connects to King Street to the east. The Subject Site will be accessed only from Conestoga Road;
- The Site is located near the ION LRT line. It is within a 15 minute walk of the Northfield LRT Station and Conestoga LRT Station. The Northfield and Conestoga LRT Stations are the last and northernmost stations on the ION LRT line. To the south, the ION LRT connects to the University of Waterloo, Downtown

Figure 3-2: Northfield Drive Grading



Source: Tate Economic Research Inc.; Image: Google Maps.

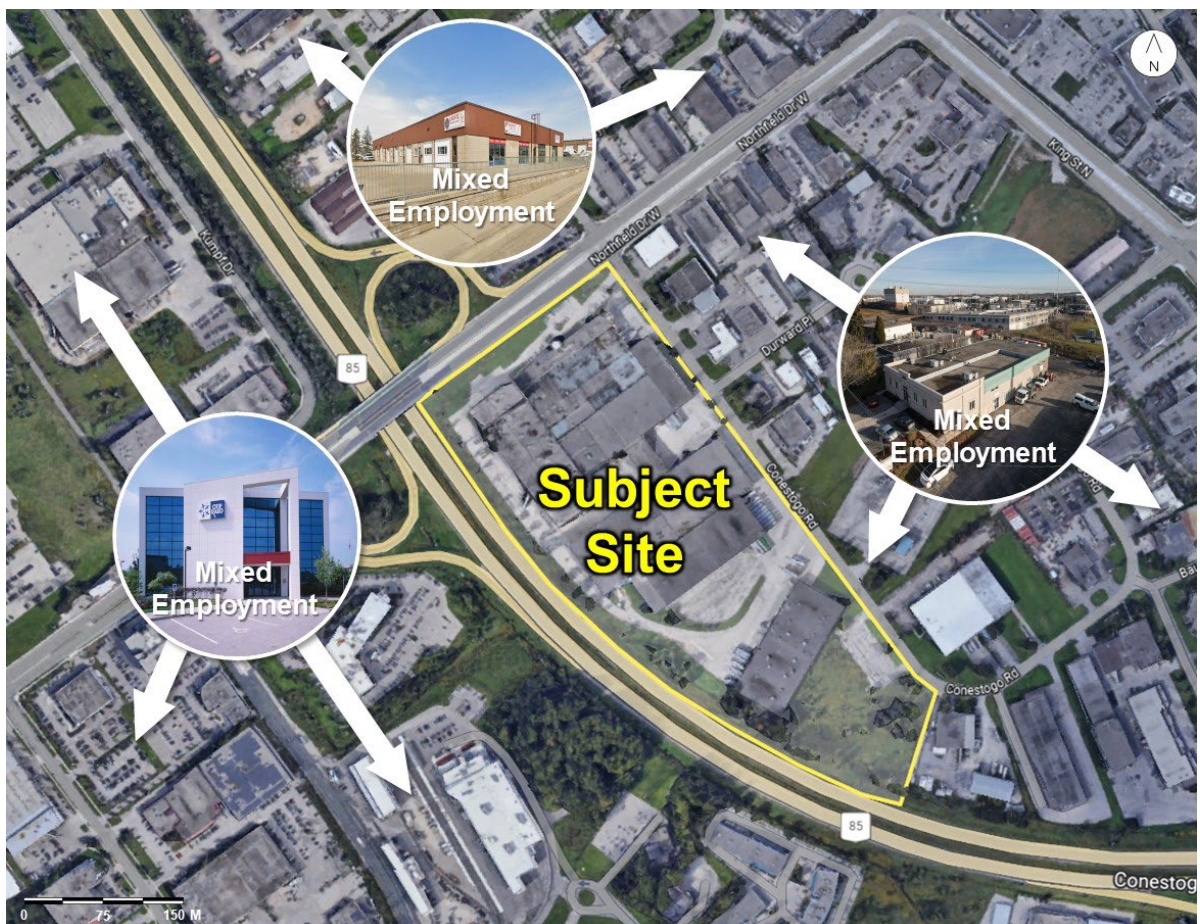
Waterloo, Downtown Kitchener, and CF Fairview Park Mall at the southern terminus;

- Iron Horse Trail is located 400 metres west of the Subject Site. It is a dedicated multi-use trail that connects to St. Jacobs Farmers' Market to the north of Northfield Road and will be expanded to connect to the broader City in the future; and,
- The Retail Square is planned at the northeast corner of the Site. It provides visibility to vehicular traffic on Northfield Drive and Conestogo Road and provides access to pedestrian traffic entering and exiting the Site from the intersection of Northfield Drive and Conestogo Road.

3.2 Surrounding Land Uses

Figure 3-3 indicates the current land uses surrounding the Subject Site, which are summarized below:

Figure 3-3: Surrounding Land Use



Source: Tate Economic Research Inc.; Basemap: ESRI ArcGIS.

- Currently, lands surrounding the Subject Site are occupied by commercial and employment uses;
- Examples of surrounding uses include single and multi-tenant industrial buildings, multi-storey office buildings, self storage, car dealership, and utilities; and,
- There are currently no residential uses in the surrounding area.

3.3 Development Concept Access Characteristics

Figure 3-4 indicates the proposed development concept for the Subject Site. TER provides the following commentary with respect to the access characteristics of the proposed development concept, from the perspective of market demand for non-residential uses:

- Access to the Site will be provided from Conestogo Road. The Subject Site will have two access points on Conestogo Road. These access points will connect to an internal ring road centered around a 2.6 acre park;
- There is the potential for a pedestrian bridge over Conestoga Parkway;

Figure 3-4: Development Concept Access



Source: Turner Fleischer Site Plan.

- There will be approximately 40 lay-by parking spaces surrounding the proposed park. This is the only surface parking proposed for the Subject Site. Resident parking is to be provided in parking garages that are anticipated in podiums of the residential towers; and,
- There is no on-street parking planned on Northfield Drive or Conestogo Road in the vicinity of the Site. Northfield Drive cannot readily accommodate on-street parking due to the steep bank from Northfield Drive down to the Site. Conestogo Road cannot readily accommodate on-street parking due to the proposed sidewalk and greenspace, the existing cycling route, and other city infrastructure.

3.4 Location and Access Summary

The Subject Site is located in north Waterloo at the intersection of a Provincial Highway and Regional Arterial Road. Public and active transit infrastructure includes the ION LRT and dedicated bike lanes on Northfield Drive and Conestogo Road.

From a retail commercial market demand perspective, the Subject Site presents several challenges. Access to the Site is limited to Conestogo Road, which is not a primary thoroughfare. The majority of vehicular traffic is on Northfield Drive, however, there is a steep bank from Northfield Drive to the Subject Site, which limits access and visibility.

Retail commercial components of mixed-use developments require support from a broader area beyond the immediate development. The access characteristics of the Retail Square are not conducive to drawing people from the surrounding neighbourhoods. In addition, aside from those planned for the Site, there are no residential uses in the immediate surrounding area.

4 Service Level Assessment

This section of the report summarizes the competitive market and examines the commercial service levels of the community. The “community” is defined as a 15 minute walk from the Subject Site. The Region of Waterloo Official Plan states:

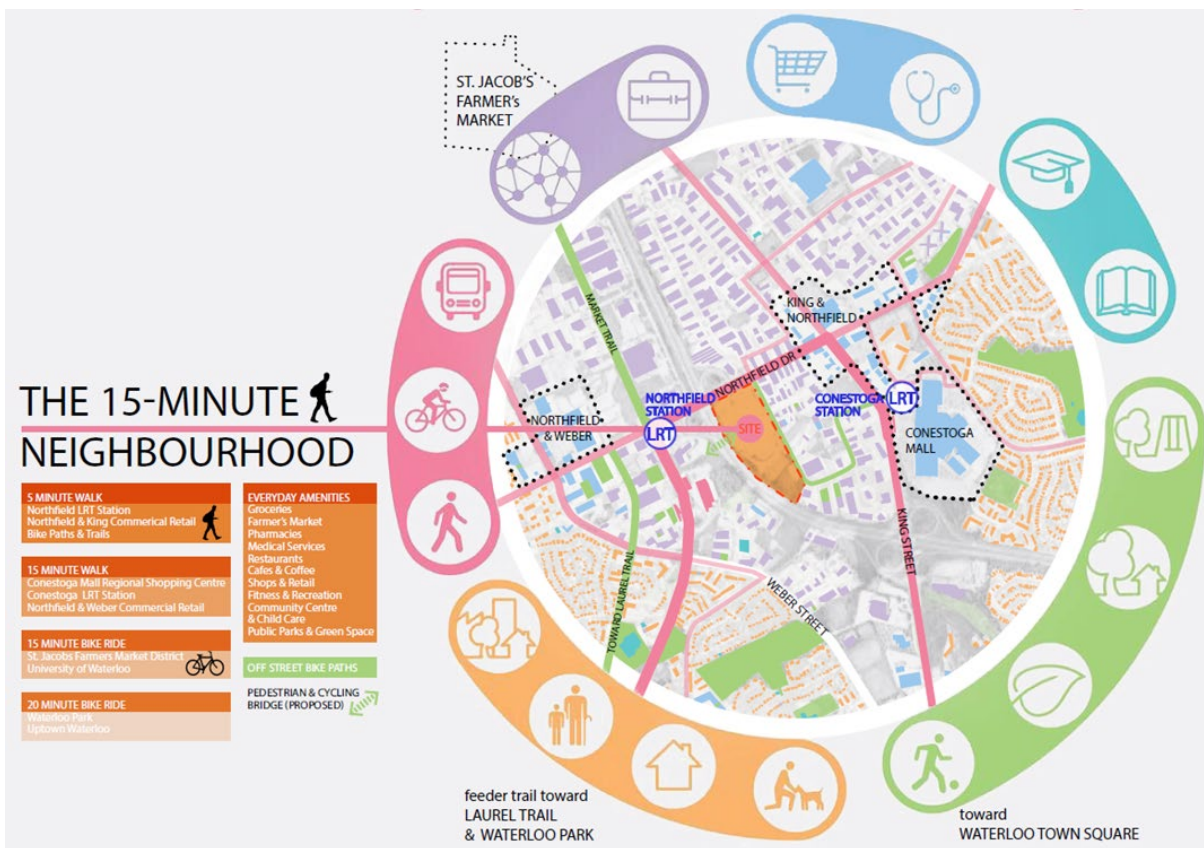
A key objective of this Chapter is to accommodate forecasted growth by building 15-minute neighbourhoods. These are compact, well-connected places where people can meet their daily needs for goods, services, and employment within a 15-minute trip from home by walking, cycling, and rolling, and where other needs can be met by using direct, frequent, and convenient transit.

4.1 Neighbourhood Context

Figure 4-1, which follows, indicates the range of uses located within an approximate 15 minute walk of the Subject Site. This assessment is summarized as follows:

- Within a 15 minute walk of the Site, future residents can access the Northfield and Conestoga LRT Stations. The LRT provides access to the broader region;
- Future residents of the Site can walk to a range of commercial uses within 15 minutes, as described in greater detail in the following section of the report;
- Within a 15 minute bike ride, future residents of the Site can access the St. Jacobs Farmers Market District, as well as the University of Waterloo; and,
- There is a range of institutional uses and green space located in the broader community. These uses include public parks and green space, community centre and child care, and fitness and recreation uses.

Figure 4-1: Amenity Context – 15 Minute Neighbourhood



Source: Graphic provided by Northfield.

4.2 Inventory of Commercial Space

The existing commercial environment influences the demand for commercial space on the Subject Site, as well as the service levels of future residents on the Site. This section of the report examines the quantum, type, and format of retail and service commercial space within a 15 minute walk of the Subject Site. Figure 4-2, on the following page, indicates the competitive retail and service commercial environment and is summarized below:

- Overall, there is approximately 1.3 million square feet of retail and service commercial space within a 15 minute walk of the Site. This space includes a full range of retail and service tenants that serve the local community and broader area;
- There are three primary commercial nodes: Waterloo Corporate Campus Area, King and Northfield Area, and Conestoga Mall. These nodes are described below;

- The Waterloo Corporate Campus Area is located approximately 900 metres west of the Subject Site. It includes 150,000 square feet of retail and service commercial space, comprising approximately 45 stores. It is anchored by a Sobeys supermarket and includes a range of convenience oriented tenants such as Shoppers Drug Mart, Rexall, Fit 4 Less, and Dollar Tree;
- The King and Northfield Area is located approximately 500 metres east of the Subject Site. It includes 500,000 square feet of retail and service commercial space, comprising approximately 150 stores. This area includes large format destination retailers such as The Home Depot,

Figure 4-2: Surrounding Retail and Service Commercial Space



Source: Tate Economic Research Inc.; Basemap: ESRI ArcGIS.

Staples, Best Buy, Structube, and HomeSense. Ancillary retail and service commercial tenants include a wide range of uses such as LCBO, The Beer Store, M&M Food Market, and Dollarama;

- Conestoga Mall is a 650,000 square foot enclosed shopping mall located east of the Site. It includes approximately 130 stores and is anchored by Hudson's Bay and Zehrs supermarket. Conestoga Mall has a regional draw and includes destination retailers such as Apple, Lululemon, and Sephora, as well as a range of clothing stores; and,
- The existing retail and service commercial offerings can fulfill future residents day-to-day and weekly shopping needs. The local offerings include essential retail and services such as food stores, drug stores, financial institutions, and medical and dental offices.

4.3 Competitive Environment Summary

From a market demand perspective, there is a significant amount of competition in the surrounding area that limits the opportunity for retail and service commercial space on the Site. Many national tenants are already present in the market, including tenants that typically anchor mixed-use developments, such as banks, drug stores, liquor stores, pet stores, and dollar stores.

Furthermore, it is noted that shopping centres in the surrounding area are attractive to potential tenants, offering easy direct access, surface parking, highly visible signage, and operational benefits such as convenient loading and garbage facilities. These factors are typically critical to the success of retail and service tenants in certain environments, such as Waterloo.

There is a wide range of retail and service commercial offerings within a 15 minute walk of the Subject Site that will serve the day-to-day and weekly shopping needs of future residents. The existing retail commercial offerings in the market can be complemented by the proposed non-residential space at the Subject Site.

5 Industry Trends

This section of the report examines industry trends shaping the retail industry and mixed-use development. These trends are factored into our recommendations.

5.1 Changing Balance of Power

One of the overriding shifts in the retail industry has been the change in the balance of power from retailers to consumers. In the past, retailers were the sole source of many types of merchandise. Goods needed to be purchased, in person and in store, during the hours set by the retailer. The consumer was required to travel to the store in order to undertake this transaction as the physical store was the only distribution channel available to shoppers.

The balance of power has shifted. Consumers now can choose their preferred method of purchasing for most types of merchandise. The hours they choose to shop are no longer limited to the opening hours of a physical store.

Customers can also choose from a variety of options to receive their merchandise. These include same day delivery, in-store pickup, ship from store and scheduled delivery. Technological advancement has changed the retail industry and has impacted the retail environment.

Innovations, primarily through technology, have “put the customer in charge.” Shoppers can now choose to shop in a variety of ways, including on their smartphones, computers, via telephone. Stores now need to support multiple activities: sales, returns, fulfillment, social gatherings, experiential events.

5.2 Macro Retail Trends

It is likely that no other period in the last 50 years has included more change in retail supply and demand dynamics than the past decade. Two of the major influences on retail demand have been:

- a) E-commerce
- b) Diverging Retail Market

In a general sense, consumers are still spending the same amount, however, the way they make those expenditures has changed from “brick & mortar” stores (traditional retail) to online. E-commerce has meant that many non discretionary

transactional and some discretionary items can now be ordered on-line. The result is the replacement of physical store space and the rationalizing of store networks.

From a retail planning perspective, the primary implication is that the amount of physical space required to accommodate future retail demand has decreased.

E-commerce and the diverging retail market are linked. The diverging retail market can generally be described as follows: There are a growing number of households placing a greater emphasis on value retailing. The price of the product or service is often noted as the most important determinant of where people shopped. This emphasis on value has given rise to a wide spectrum of off price and discount retailers as well as service providers. At the lower end, retailers such as Walmart and Dollarama are thriving, as well as value service providers such as Anytime Fitness.

Conversely, in more urbanized and specialized markets, the high-end market is also thriving. This pattern is particularly evident in certain categories such as specialty food, restaurants, clothing and recreational items and activities.

On a more local level, there is a growing resurgence of local, independent retail and services characterized by craft / maker markets, maker spaces, boutiques and specialty food purveyors. These types of stores, along with others, understand and capitalize on the power of experience and local presence. For some of these stores, e-commerce has strengthened their physical presence as they are able to reach a wider audience while having a storefront which is critical for customers to experience their brand in a physical setting. Their market reach has also been assisted by social media platforms which are more cost effective than traditional advertising media.

It should be noted that we do not believe e-commerce will lead to a 'retail apocalypse'. There is concrete evidence the Direct to Consumer (DTC) brands are realizing the benefits of brick & mortar stores. In addition, some categories

"For a long time, retailing was the cornerstone or the foundation for placemaking. But just because you put a retail store in a certain spot doesn't mean that all of a sudden you have a great place. Now, retail continues to struggle, and the millennial generation is demanding a more qualitative experience rather than a quantitative experience: they want places that aren't necessarily about buying and selling, but rather about the experience of exchange between people."

****ULI Placemaking**

such a book stores, which were written off are experiencing a resurgence as consumers enjoy the “discovery” of finding new books which are not based on an algorithm.

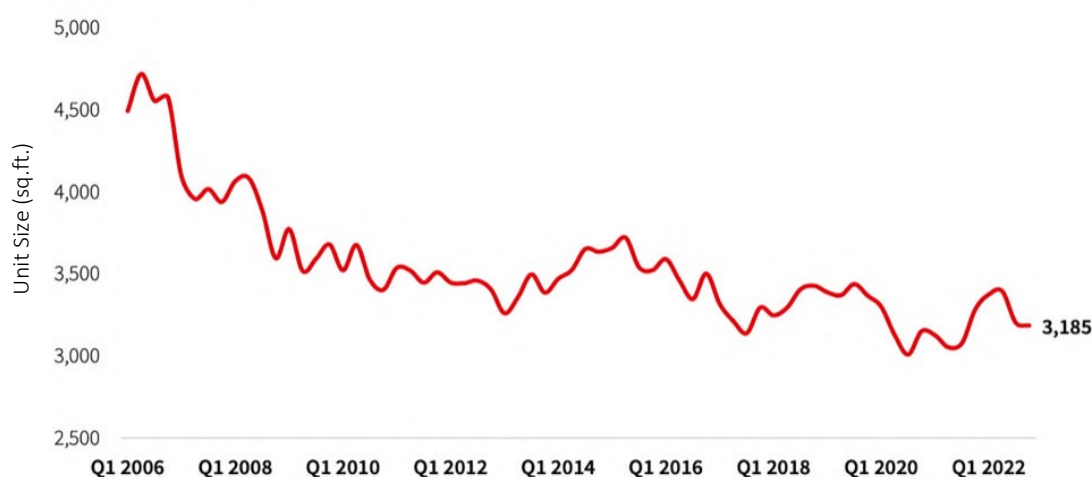
The net impact of the e-commerce and the diverging retail market is that while demand is still present, a decreasing portion of demand is being fulfilled through brick & mortar stores. Generally, supply of retail space will likely outpace demand and therefore creative and proactive leasing strategies will have to be employed to attract and retain tenants. In addition, national chain tenants are rethinking their store network and assessing how to serve a larger area through fewer stores.

5.3 Changing Store Sizes

Overall, there has been a shift towards smaller store sizes, as indicated in Figure 5-1, below. This trend is evident in many types of retailers, from large format retailers such as Walmart and supermarkets to independent businesses, which have consistently been smaller than the major chains.

This trend has been heavily influenced by the growth of e-commerce, which allows businesses to transact a higher proportion of their business online, requiring less physical store space. Furthermore, as discussed in Section 5.2, customers are emphasizing the importance of experience over quantity of product offered.

Figure 5-1: Average New Retail Lease Size



Source: CoStar Advisory Services, JLL Research

The trend toward smaller store sizes makes lease rates more affordable to independent businesses, which are often key tenants for mixed-use developments.

5.3.1 Micro Retail

One aspect of the new retail paradigm is the emergence of micro retail. The micro retail model provides small, standardized spaces with low overhead costs and short lease terms.

The micro retail model can support the development of vibrant mixed-use communities and support a unique sense of place. Micro retail can provide for a variety of retail and service tenants when there is not demand for a significant quantum of space. In addition, affordable spaces and shorter lease terms can encourage unique local businesses and keeps the retail offering fresh.

5.3.2 Technology Driven Retail

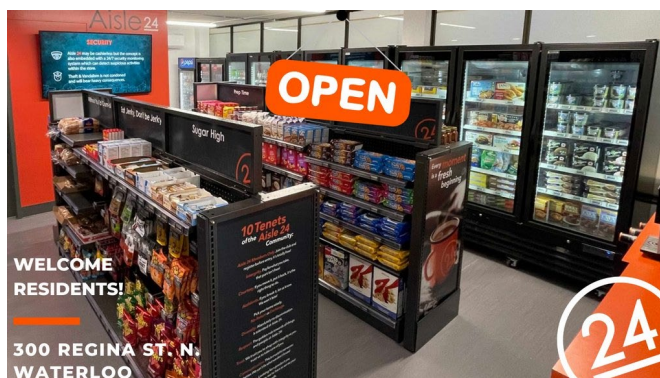
Recent technological innovations have created new methods to provide both convenience and destination retail. These innovations mitigate operating costs and seasonal demand. These innovations include:

- Mobile Vending, such as the use of QR Codes in retail;
- Automated Retailing and Vending, such as PizzaForno, the automated pizza vendor now operating across the country, including in Guelph. It offers freshly made pizzas, cooked and ready in under 3 minutes from a vending machine;
- Aisle24 is an automated convenience store that offers a range of dry and fresh products. Aisle24 has recently opened in Waterloo. Aisle24 operates two models, the Resident Market is located within residential buildings and is available only to residents, and Public Markets are open to the public; and,
- Click and Collect Grocery Services, such as Zehrs grocery curbside pick-up (PC Express at Zehrs in Conestoga Mall) and delivery services (Voila



PizzaForno vending machine in Guelph

from Sobeys). Other examples include Walmart Grocery Pickup. This service allows customers to pick up merchandise purchased online at their requested store, or have it directly delivered to them.

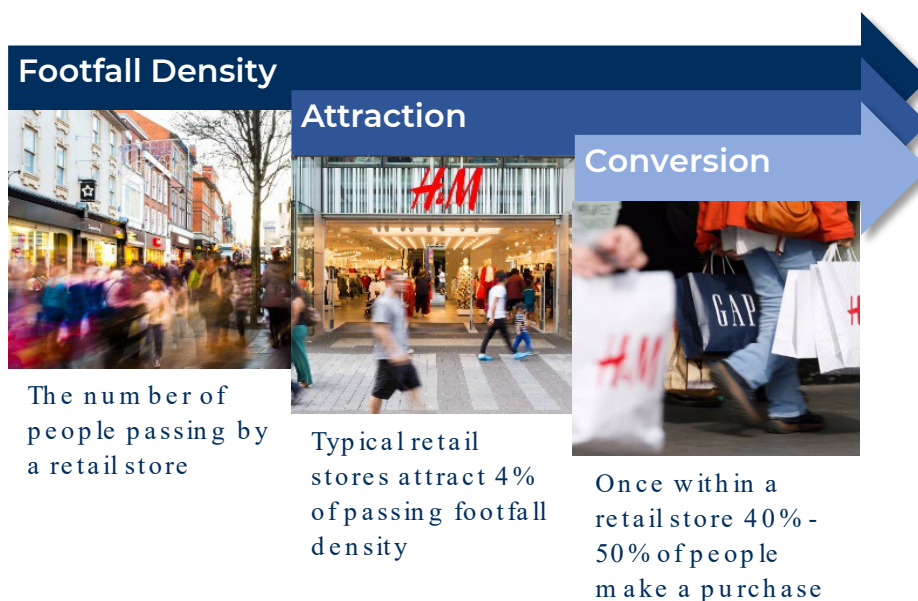


Aisle24 in Waterloo

5.4 Location Economics

Retail units in mixed-use buildings typically require the same attributes as typical retail whether it be on main street, strip plazas, power centres or shopping centres. Pedestrian and/or vehicular traffic is critical. This traffic is generated by the surrounding residential density and the daytime population.

The number of pedestrians passing by a store front on a given day is known as the store's 'Footfall Density'. Generally, the footfall density is influenced by the attraction of a retailer. However, there are multiple geographical factors relating to transportation, employment and social life that influence footfall density.



Footfall density is critical as the number of people that actually enter a store, and the conversion rate (the percentage of people that actually make a purchase), is typically low, as summarized below.

If market demand to support traditional types of retail is not present, which is the case in many non-main street infill mixed-use developments, consideration should be given to interim uses that allow for transition to retail uses when demand materializes.

5.5 Mixed-Use Challenges

The development of successful and vibrant mixed-use buildings is challenging. Issues such as access to ground level parking, loading, noise, odour, security, visibility, signage, and floorplates make it challenging to create successful mixed-use retail.

The challenges of mixed-use development are exacerbated in certain environments. This situation reflects several factors, such as:

- Some consumers have not fully embraced mixed-use retail. They will often drive past stores in mixed-use developments to shop at traditional shopping centres with more convenient, ground level parking;
- Typically, retailers prefer traditional auto-oriented locations in free standing buildings or as part of shopping centres. These locations are typically superior from the perspective of parking, signage, visibility, store layout, and loading; and,
- Mixed-use developments in certain locations must compete with traditional auto-oriented shopping centres to attract tenants.

Designating streets as mixed-use is viewed as a solution for a number of urban challenges that encompass a wide range of environmental and social issues. However, there is growing evidence that the ground floor is becoming a



Vacant Ground Floor Retail – Lawrence Avenue, Toronto

liability as opposed to an asset in many developments. Vacant retail space can become a blight to the building, the street, and the broader community. This shift has resulted from inappropriate municipal policies and a yet-to-occur alignment between the reality of the retail market and the economics of mixed-use developments.

5.6 Industry Trends Summary

The development of successful mixed-use retail is challenging. The location, market characteristics, and design of the retail space is critical to its success. Even when all these factors are present, in certain environments, consumers and retailers have not yet fully embraced mixed-use retail.

6 Case Studies

The following section of the report examines case studies of mixed-use developments with a quantum of space that is similar to the 17,500 square feet minimum amount of non-residential space proposed for the Site.

The purpose of these case studies is to demonstrate the number of businesses and range of tenants that can be accommodated within a 17,500 square foot footprint in a mixed-use context. It does not examine the market characteristics that support the quantum of space and specific tenants located in each development. As such, the case studies may not be indicative of the types of uses or specific tenants that could be accommodated on the Site. Every retail environment is unique, and a tenant mix is influenced by market factors such as location, access, and parking.

The Taunton, Oakville

The Taunton is a mixed-use development with 13,000 square feet of non-residential space comprised of 8 retail commercial units. Units range from 1,100 square feet to 2,600 square feet. Current tenants include Country Style, Canada MedLaser, Pedi N Nails, Code Ninjas, and Oak Park Convenience.



The Taunton, Oakville



Oak Park Convenience, The Taunton, Oakville

Parkside Village – The Grand Residences, Mississauga

The Grand Residences at Parkside Village is one block of master planned mixed-use development in downtown Mississauga. The Grand Residences includes 17,500 square feet of non-residential space. Current retail commercial tenants include RBC, Panago, Upside Down Market (convenience store), Apple Tree

Clinic, IDA Pharmacy, Starbucks, Skinatomy, Gabby's Restaurant, Thairoom Grand Restaurant, Luxy Barber, Cityview Realty, Hui Lau Shan Deserts, and Parkside Village Dental.



The Grand Residences, Mississauga

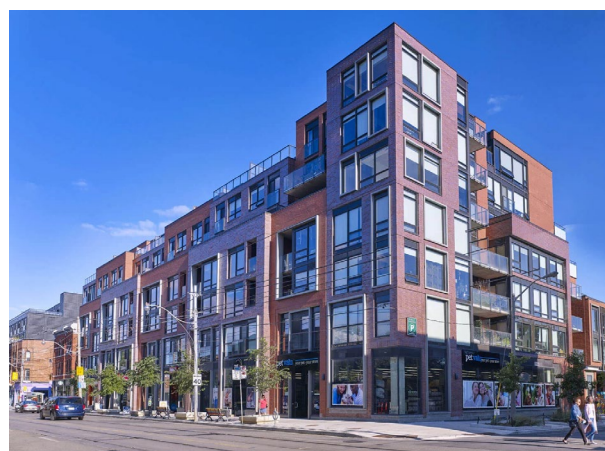


875 Queen Street East, Toronto

This case study summarizes a 7-storey mixed-use development located on Queen Street East in the City of Toronto. The development includes 16,900 square feet of ground floor non-residential space. Current retail commercial tenants include Pet Valu, Circle K, Fire & Flower (cannabis shop), Osmow's, Freshii, A&W, and Starbucks.



875 Queen Street East, Toronto



West236, Ottawa

West236 is a mixed-use development located on Richmond Road in the City of Ottawa. The development includes 8,500 square feet of ground floor non-

residential space. Current tenants include Royal Bank, Bruno Racine Salon, and PiCo Pizza Bar.



West236, Ottawa



Solstice 2, Guelph

Solstice 2 is a mixed-use development on Gordon Street in southeast Guelph. The development includes approximately 4,000 square feet of ground floor non-residential space and is currently occupied by Simply Convenient, Savage Cloud (vape shop), Coco (bubble tea), and Gordon Sushi House.



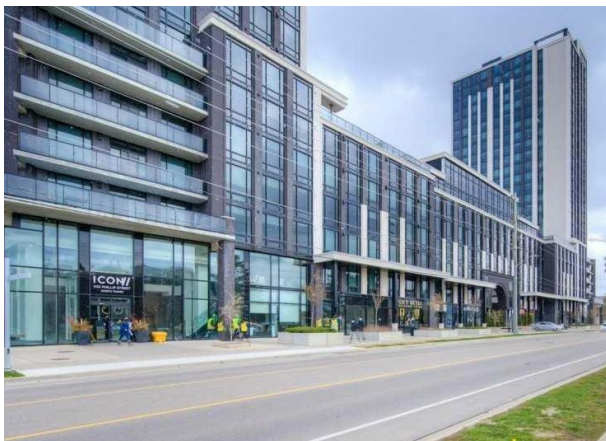
Solstice 2, Guelph



Icon 330, Waterloo

Icon 330 is a mixed-use development at Phillip Street and Columbia Street West in the City of Waterloo. Icon 330 is located near the University of Waterloo and offers rental housing primarily catered to students. Icon 330 includes 10,900

square feet of ground floor non-residential space. It is currently occupied by Premier Optical, Tsujiri Restaurant, Popular Pizza, GG Mythic Taste Restaurant, Icon Dental Clinic, Malubianbian Hotpot, City Style Barber Shop, and Gong Cha (bubble tea).



Icon 330, Waterloo



6.1 Case Studies Conclusion

The case studies presented in this section of the report within 17,500 square feet of non-residential space. These buildings include uses such as:

- Specialty Food;
- Medical / Dental / Pharmacy;
- Other Retail (Pets, General Merchandise, etc.);
- Financial / Local Offices; and,
- Personal Services (Hair, Nails, etc.)_

The case studies demonstrate that a wide range of retail commercial uses can be accommodated within 17,500 square feet of non-residential space.

7 Recommendations and Tenant Mix

Based on the background research and analysis provided in this report, TER has developed the following recommendations and potential tenant mix for the Site.

7.1 Recommended Range

The build-out population of the Subject Site will generate demand for a significant amount of commercial space. The development of the Subject Site will occur in phases and could take 10 to 15 years, or longer, from concept to build-out. However, the majority of this commercial demand will be fulfilled by space within a 15 minute walk of the Subject Site, as discussed in Section 5, and elsewhere in the City and broader region.

The recommended floorspace in this report relates to non-residential uses, rather than retail exclusively. The non-residential category allows for greater flexibility as the community develops and matures over time. It can include a range of retail, service, employment, and institutional uses, as dictated by the market and required by residents. Allowing for flexibility in terms of uses is critical to the success of phased, longer term developments, such as the one examined in this report.

The recommended non-residential gross floor area range is based on the following factors:

- Attracting customers from beyond the Site will be challenging. It is located in north Waterloo, and there are no residential uses in the immediate area;
- The Site can not be accessed directly from Northfield Drive, and visibility is restricted due to grade issues;
- The proposed mixed-use development includes a limited amount of surface parking and no surface parking located immediately adjacent to the proposed Retail Square. It is noted that there will be vehicle parking adjacent to the proposed park and that vehicle parking will be provided below grade. However, below grade parking has not been readily

accepted by customers in certain environments, and as such, is not preferred by tenants;

- There is 1.3 million square feet of retail and service commercial space within a 15 minute walk of the Site. This space will serve the day-to-day and weekly shopping needs of residents. Furthermore, residents can conveniently access the broader City and region using the ION LRT and bike network; and,
- Existing commercial space in the surrounding area tends to be more attractive from the perspective of potential tenants than the ground floor space that is proposed at the Site. Specifically, these existing centres offer expansive surface parking, simple ingress and egress, and highly visible locations.

Based on these factors, ground floor commercial space on the Subject Site is planned to be convenience oriented to serve the daily needs of future residents of the Site. It will complement the 1.3 million square feet of existing retail commercial space that exists within walking distance of the Site.

7.2 Potential Tenant Mix

TER has prepared a potential tenant mix for the Site, shown in Figure 7-1. The potential tenant mix is intended to illustrate the types of businesses that could be accommodated on the Subject Site. Due to the anticipated lengthy time period of build-out of developments such as the one examined in this report, it is not possible to indicate with certainty what the ultimate tenant mix will be. The tenant mix presented in this section of the report reflects current industry trends, which may shift over time.

Figure 7-1: Potential Tenant Mix



Source: Tate Economic Research Inc.

As shown in Figure 7-1, based on the minimum recommended non-residential gross floor area, a wide range of uses can be accommodated on the Site. This includes food store, daycare, medical and dental, restaurant and food services, personal services, and retail. In addition to the array of existing retail and service commercial offerings within walking distance of the Site, the proposed non-residential space can offer a range of convenient shopping options on the Site.

7.3 Development Phasing

The proposed development is planned to occur in phases, from the northern portion of the Site, near Northfield Drive, to south. The Retail Square is planned at the northeast corner of the Site, near Northfield Drive and Conestogo Road. As such, the Retail Square is planned to be developed in the earlier phases of the development and will serve residents throughout the development process.

As the development progresses and more residents live on the Site, there may be an opportunity for additional non-residential space. The proposed minimum and maximum non-residential floorspace allows for flexibility in terms of the amount and types of uses on the Site. As such, as demand materializes for additional space on the Subject Site, it can be accommodated in later phases of development.

7.4 Recommendations and Tenant Mix Summary

In terms of non-residential gross floor area for the Subject Site, TER is supportive of a 17,500 square feet minimum amount of non-residential uses. The maximum amount of non-residential space should be capped at 50,000 square feet. This quantum of non-residential floorspace will complement the existing commercial space within a 15 minute walk of the Site. As such, the day-to-day and weekly shopping needs of residents will be fulfilled within the community.

This range of non-residential floor space will allow for flexibility as the development progresses. This flexibility is critical to the success of the non-residential component, as it can adapt to changes in the market, as well as the needs of residents and consumers.