Retail Commercial Market Demand Study
River Mill
City of Cambridge

Prepared for: River Mill Development Corporation

May 1, 2020

Tate Economic Research Inc.

TATE ECONOMIC RESEARCH INC.

Mr. Jeff Colyer
Development Manager
Starward Homes
201-2000 Garth Street
Hamilton, ON
L9B 0C1

May 1, 2020

Re: Retail Market Demand Study
River Mill,
City of Cambridge

Dear Mr. Colyer:

Tate Economic Research Inc. is pleased to submit this report examining the market demand for retail commercial uses within the proposed development in the City of Cambridge.

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

Yours truly,

TATE ECONOMIC RESEARCH INC.

James P. Tate
President

Sameer Patel
Vice President

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1 Executive Summary & Recommendations

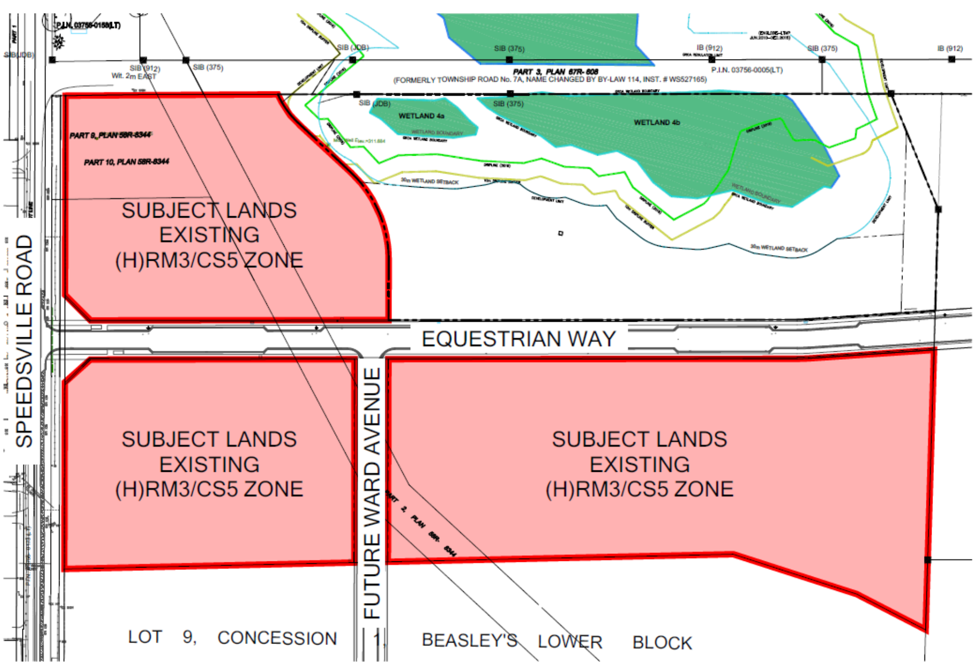
Tate Economic Research Inc. ("TER") was retained by River Mill Development Corporation ("River Mill Development") to examine the market demand for retail commercial space at the River Mill development ("Community") in the City of Cambridge. River Mill Development is proposing retail commercial uses within Phase 3 of the Community, at the intersection of Equestrian Way and Speedsville Road, in the City of Cambridge ("Site" or "Subject Site").

1.1 Background

The Subject Site is zoned RM3/CS5 which relates to multi-unit residential and local shopping centres. Section 4.1.303B Hunt Club Estates (Mixed-Use Main Street) of the City of Cambridge Zoning By-Law (2012) applies to the Subject Site and sets out requirements including maximum store sizes for specific uses such as a supermarket and a pharmacy, as well as a general maximum size for retail uses. There is no cap on the amount of retail commercial space, although there is a minimum requirement of 1,500 square metres (16,145 square feet) of gross leasable commercial floor area.

River Mill Development has retained TER to provide guidance into the development opportunities for the commercial component of the Subject Site. This Retail Commercial Market Demand Study evaluates demand for retail commercial space at the Subject Site and makes recommendations in terms of location, design and format.

Figure 1-1: Subject Site Proposed Designation



Source: Tate Economic Research Inc. based on T. Johns Consulting Group Drawing Number CSP3-3.

1.2 Summary of Findings

It is challenging to develop new retail main streets. Planning policies tend to support the creation of new retail main streets, reflecting smart growth principles such as mixed land uses, the creation of walkable communities, the provision of alternative transportation options and increased densities. Nonetheless, market realities of new retail main streets, such as the one contemplated for the Subject Site, are challenging.

- There is considerable market demand for new retail commercial space that will be supported by future residents. However, only a portion of this demand will be warranted at the Subject Site. The limitations of demand at the Site relate to its locational attributes, such as access and exposure as well as retail trends.

- The Community is anticipated to accommodate approximately 8,200 residents at build out. Population growth will support retail commercial development at the Subject Site.

The location and access characteristics of the Site limit the quantum of local serving retail uses. However, the Site is the only retail commercial location planned in the Community, which provides opportunity.

- The Subject Site is located at the intersection of Speedsville Road and Equestrian Way, one of the access points to the Community. From the perspective of retail demand, the Site is not located at a prime intersection or access point.

- The Site's location is not optimal. The location would allow it to serve many of the residents of the Community, however, it is beyond a typical walking distance of 10 minute / 800 metres for a portion of the Community, such as those residents located close to Maple Grove Road.

The location and access characteristics, as well as the broader competitive environment, limit the ability of the Subject Site to serve a wide market area.

- Speedsville Road is planned to be expanded to a Regional Road. However, it does not have Highway 401 access and therefore does not provide significant opportunity for pass-by traffic.

- The Subject Site has a limited residential trade area, as lands to the west and north are occupied by industrial and agricultural uses.

- Beyond the immediate area, retail commercial uses located on Hespeler Road and Holiday Inn Drive represent significant intervening opportunities for residents to the east and south.

- There is a proposed mixed-use development at 4045 Maple Grove Road, located approximately 3 kilometres east of the Subject Site. The development has approval for up to 88,000 square feet of retail commercial space including a supermarket and drug store. This development would represent significant competition for the Subject Site.

Based on the locational attributes and surrounding retail context, it is the recommendation of TER that the Site be planned for convenience-oriented uses that focus on serving the immediate neighbourhood.

- There is demand for convenience-oriented retail commercial uses.
- The Site is not considered suitable for typical destination oriented retail.
- There is limited opportunity for a major national banner supermarket due to the retail space contemplated at 4045 Maple Grove Road and the access characteristics of the Site.

1.3 Recommendations

The following section summarizes TER's recommendations.

Function / Form

- Overall, it is the recommendation of TER that the Site be planned for convenience-oriented uses that focus on serving the immediate neighbourhood.
- There may also be opportunities for select unique convenience oriented retailers that increase the draw beyond the local area.
- Only ground floor retail commercial uses should be considered.

Quantity

- TER recommends the following tenant mix:

Figure 1-2: Recommended Tenant Mix

	Recommended Range (GFA)			
	Sq.ft.	Sq.m.	Sq.ft.	Sq.m.
Food	3,000	280	8,000	740
Non Food / Other Retail	6,000	560	10,000	930
Restaurants	2,000	190	4,000	370
Health and Wellness	3,000	280	6,000	560
Financial Services	2,000	190	3,000	280
Other Services	3,000	280	4,000	370
Total Retail Commercial Space	**15,000 to 25,000 Sq.ft.**			
	1,390 to 2,320 Sq.m.			

Source: Tate Economic Research Inc.

Grocery Store

- A national supermarket operated by a major chain such as Loblaws, Sobeys or Metro is not likely to locate at the Site. However, a smaller chain or independent operator could be a viable option.

- Examples of successful independent grocery stores in the Kitchener / Waterloo / Cambridge market include: Ben Thanh and New City in Kitchener, Vincenzo's in Waterloo, and in Cambridge there are operators such as Di Pietro and Healthy Planet. An independent operator may be appropriate for the Site.

- The sizes of the actual food store would be dependent on the individual requirements of the operator. However, sizes are expected to range from approximately 3,000 square feet to 8,000 square feet.

- In the absence of an independent grocer, a convenience store and / or other specialty food stores would be appropriate for the Site.

Drug Store

- A major drug store, such as Rexall, may consider this site appropriate in the longer term. We note there are no Rexall drug stores located north of Highway 401 in the City of Cambridge. Depending on the operator and the format, the most effective size could range from 5,000 to 8,000 square feet. We also note that a drug store could satisfy a portion of the demand for food store space at the Site, recognizing the blurring of retail channels that is occurring in this store category wherein stores include grocery offerings, such as Shoppers Drug Mart.

- We anticipate that a major drug store would require frontage and signage on Speedsville Road. Other smaller independent operators could also be considered.

- In addition, the format of a drug store could also vary, and may include medical offices or other services.

Financial Institutions

- The market demand analysis indicates market support for one or more financial institutions. A major financial institution such as Scotiabank and CIBC may consider the Site as they are not located north of Highway 401 in the City of Cambridge.

- In addition, the Site would also be suitable for other smaller financial institutions.

Restaurant / Quick Service Food

- There should be a focus on food & beverage space. The scale of the Site provides the opportunity to provide operators meeting consumer needs in breakfast, lunch and dinner time periods. TER does not recommend nightclub / bar uses that could negatively impact the enjoyment of the residents.

- A local or national brand coffee shop would be warranted at the Site. This type of use would provide service to the local neighbourhood and increase the activity levels at the Site while also drawing support from the adjacent employment area.

Ancillary Tenant Mix

- Consideration should be given to ensuring that uses promote activity at all times of the day and into the evening. There should be a focus on accommodating smaller foot prints given retail trends and high operating costs.

- There is an opportunity for commercial space in the health and fitness category such as micro fitness tenants. A fitness centre could also be considered as a use which does not require significant frontage or visibility from Speedsville Road.

- Given the anticipated younger family demographic of the surrounding Community, there will be market demand for a child care facility, such as a day care. This type of us could be space extensive and may require little prime frontage.

- Other ancillary service tenants could include personal services such as dry cleaners, hair salons, travel agents, as well as real estate offices and other business services.

Flex Space – Live Work Units

- Regardless of the ultimate design of the commercial space, in the mixed-use context that is contemplated for the Subject Site, there may be portions of the ground floor that may not be considered optimal for retail commercial uses. These could include locations that are more distant from Speedsville Road.

- Such areas may be considered appropriate for live / work uses. This recommendation reflects the longer terms plans for the Community, which are anticipated to result in considerable density and population growth. This type of use can evolve over time and provide more commercial potential in the future, as market demand for commercial uses increases.

Location

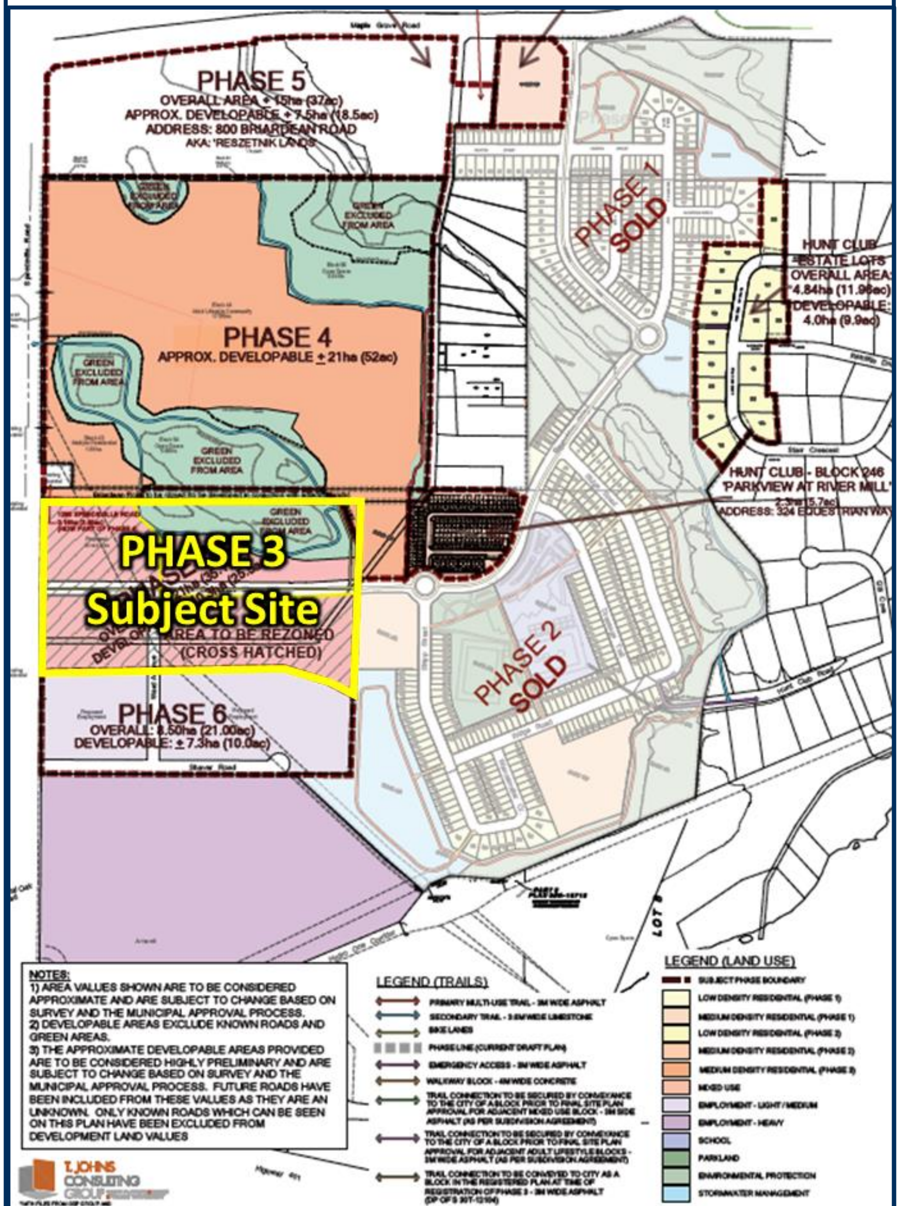
- The Subject Site, including the north and south side of Equestrian Way, can accommodate much more retail commercial space than is recommended.

- It is the recommendation of TER that retail commercial space be concentrated at the intersection of Equestrian Way and Speedsville Road.

2 Background

Tate Economic Research Inc. ("TER") was retained by River Mill Development Corporation ("River Mill Development") to examine the market demand for retail commercial uses at the River Mill development ("Community") in the City of Cambridge. River Mill Development is proposing retail commercial uses within Phase 3 of the development, at the intersection of Equestrian Way and Speedsville Road, in the City of Cambridge ("Site" or "Subject Site"). A retail mixed-use main street type of development format is contemplated.

Figure 2-1: Subject Site Proposed Development



Source: Tate Economic Research Inc. based on River Mill at Hunt Club Overall Plan.

River Mill Development has retained TER to provide guidance into the development opportunities for the retail commercial component of the Subject Site. This Retail Market Demand Study evaluates demand for retail commercial space at the Subject Site and makes recommendations in terms of location, design and format.

2.1 City of Cambridge Planning Policies

The Subject Site is designated High Density Residential in the City of Cambridge Official Plan, September 2018 Consolidation ("OP"). Section 8.4.6.11 of the OP states "Lands in a High Density Residential designation may be developed and used for residential uses such as apartment buildings and mixed use *development* provided the non-residential component does not exceed 50% of the total building floor area."

The Subject Site is intended to be developed as a mixed-use area that serves the local neighbourhood. Section 8.10 B. states that the Subject Site "…is intended for the development of a mixed-use area that primarily serves the local neighbourhood context." The OP states that the implemented zoning by-law shall emphasize street-oriented development within the Subject Site.

The Subject Site is zoned RM3/CS5 which applies to multiple unit residential and local shopping centres. The City of Cambridge Zoning By-Law No. 150-85, Section 4.1.303B applies to the Subject Site and includes the following restrictions:

"1. The following uses shall be permitted in either a standalone building or a freestanding building or in a shopping centre:

(a) Any use permitted in the CS5[1] Zone including a foodstore with a maximum Gross Leasable Commercial Floor Area of 3,000 m^2 and a pharmacy having a maximum Gross Leasable Commercial Floor Area of 1800 m^2;

(b) No Commercial use permitted in the CS5 Zone shall have a Gross Leasable Commercial Floor Area that exceeds 1,000 m^2 except for as provided in section 1(a) above;

(c) A minimum of 1,500 m^2 of Gross Leasable Commercial Floor Area shall be constructed;

(d) Any use permitted in the RM3 Zone, except single detached and semi-detached dwellings; and,

(e) Any combination of uses in the CS5 and RM3 within the same building."

The Subject Site is intended to be developed as a Mixed-Use Main Street in City of Cambridge planning policies.

[1] The CS5 zoning permits a variety of retail, service and recreational commercial establishments. Non permitted uses include hotel or motel, funeral home, automobile service station or gas bar, adult entertainment establishment, wholesale warehouse, and detached or semi-detached one family dwelling.

2.2 Study Approach

In order to conduct this Retail Commercial Market Demand Study, TER has devised a detailed workplan to forecast the market demand of retail commercial uses on the Subject Site. TER's work plan includes primary research, consumer research, field inspections and a market demand analysis. The study approach is outlined below in greater detail:

- Review of site and access characteristics;
- Analysis of customer location data;
- Delineation of a Study Area;
- Inventory of retail, service and vacant space;
- Population forecasting;
- Review of commercial development applications within the Study Area;
- Conduct Commercial Needs Assessment; and,
- Review retail development trends and make recommendations related to location, design and format.

2.3 Basic Assumptions

TER has studied the market demand and retail opportunity of numerous proposed retail developments, many of which are now in operation throughout the province. TER understands the challenges associated with making forecasts and recognizes that deviations from historic patterns are likely to occur. Nonetheless, it remains our opinion that basic assumptions are necessary to conduct retail market demand analyses such as this one in the City of Cambridge. These basic assumptions are outlined below:

- The population forecasts are presumed to be accurate. If these forecasts prove to diverge significantly from the population levels realized, the conclusions of this report may require revision; and,

- All proposed and under construction commercial developments have been recognized in the TER analysis.

The report and its recommendations should be reviewed in light of these basic assumptions.

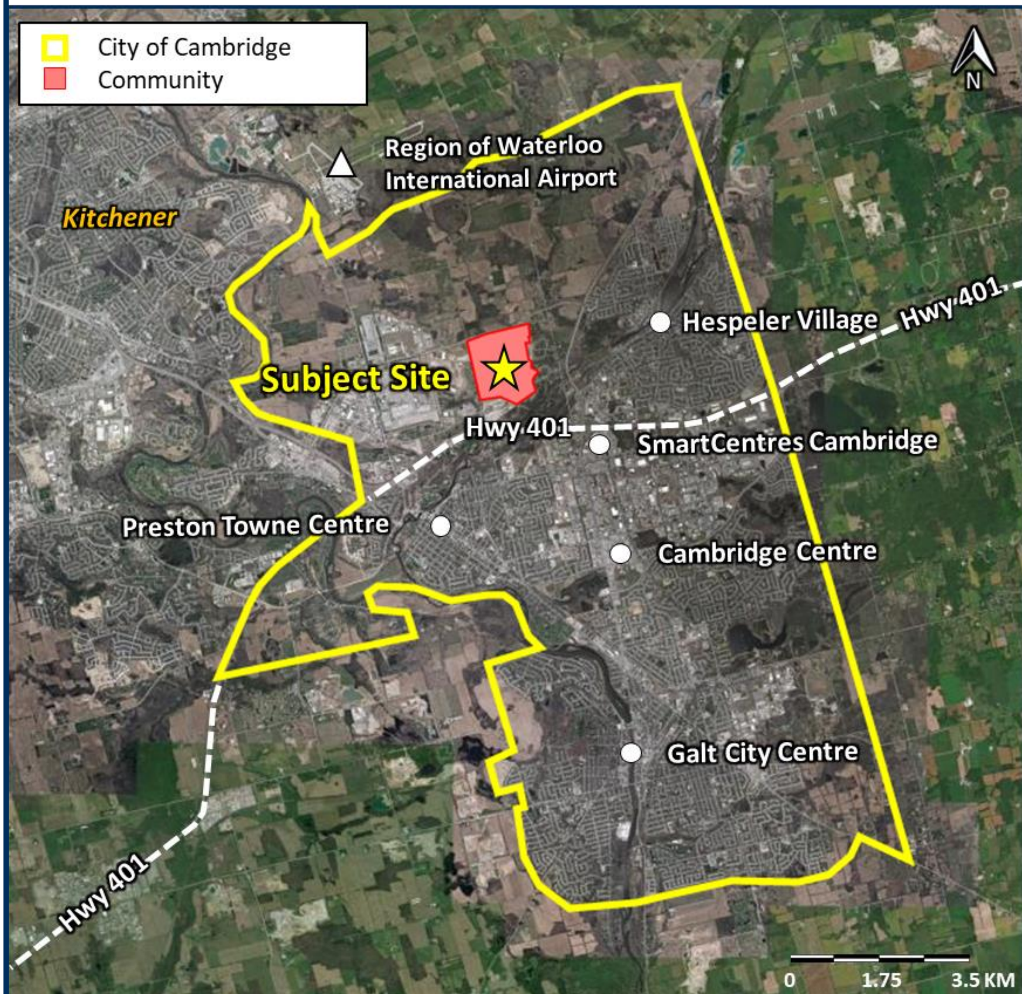
3 Review of Site and Surroundings

From the perspective of market demand, it is essential to review the 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 Site for retail commercial uses.

3.1 Site Location and Accessibility

Figure 3-1, shown below, illustrates the location of the Site in the context of its surrounding environment.

Figure 3-1: Subject Site Location



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

The following observations are made with respect to the Site's location:

- The Site is located in north Cambridge, approximately 900 metres north of Highway 401;

- Lands to the north are occupied by agricultural uses;

- To the west of the Subject Site is the Boxwood Business Campus, a new business park located within the 850 acre (344 hectare) Cambridge Business Park;

- To the south of the Subject Site are future employment uses and an existing industrial site occupied by Arriscraft;

- To the east of the Subject Site are future residential uses; and,

- The Subject Site is not located within an existing retail commercial node. The Subject Site is located approximately 5.1 kilometres from the Hespeler Village Core Area and 5.7 kilometres from the Tri-City Centre node.

Figure 3-2: Site and Access

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

The following observations are made with respect to the Site's accessibility:

- The Subject Site is located at the intersection of Speedsville Road and Equestrian Way;

- Equestrian Way is a local road which serves as the main entrance into the Community from Speedsville Road. There are four access points into the Community. It is anticipated that the majority of residents will access the subdivision from Maple Grove Road, to the north;

- Speedsville Road forms the western boundary of the Community. Speedsville Road is a two lane Collector Road that does not provide access to Highway 401, as there is a Speedsville Road overpass at Highway 401. It is our understanding that Speedsville Road is planned to be expanded to a Regional Road in the future;

- The Community is bound by Maple Grove Road to the north, a two lane Arterial Road;

- The Subject Site is located approximately a 6 minute drive from the Hespeler Road Highway 401 interchange. To access Highway 401, Subject Site customers would typically travel north on Speedsville Road, east on Maple Grove Road and south on Hespeler Road. Alternatively, they could travel south on Speedsville Road, east on Eagle Street North and north on Hespeler Road;

- At present, the closest bus stop is located on Maple Grove Road, approximately 1.7 kilometres from the Subject Site; and,

- Maple Grove Road is a Planned Transit Network in the OP. There is no transit planned for Equestrian Way or Speedsville Road.

3.2 Site and Access Conclusion

From a retail market demand perspective, the Subject Site is not in a location that maximizes the opportunity to serve the future local residents of the proposed Community. There are no existing or planned transit to serve the Site. The absence of residential uses to the west of the Site creates a 180 degree trade area. These site and access characteristics, in conjunction with proposed competition discussed in later sections of this report, limit the opportunity for retail commercial space, particularly in a retail main street configuration.

4 Retail Commercial Context

An inventory of all retail, service and vacant space in the City of Cambridge north of Highway 401 ("Study Area") was conducted by TER in February of 2020 and incorporated into this analysis.

4.1 Study Area Delineation

The Study Area defined in this report is based on TER professional experience, and examination of customer tracking data from other retail locations, and other factors.

TER has utilized cellular location services data from smartphones to identify the customer draw of existing retail commercial centres. This information assists us in determining customer volume, locational patterns and the geographic distribution of customers. For the purpose of this analysis, TER analyzed the Common Evening Location data for the following locations:

- Hillside Plaza – 101 Holiday Inn Drive;
- Woodland Park Plaza – 100 Jamieson Parkway;
- Zehrs Plaza – 180 Holiday Inn Drive; and,
- Hespeler Village Main Street.

These sites were analysed as they are retail commercial locations situated north of Highway 401 in the City of Cambridge. They represent a range of retail commercial uses, from main street to neighbourhood centre, to big box retail. The results of this analysis are presented in Appendix A and indicate that customers tend to be concentrated north of Highway 401, in the City of Cambridge. The results indicate that Highway 401 is a barrier to customer traffic and limits the attraction of customers located south of the Highway.

4.2 Current Inventory of Retail Commercial Space

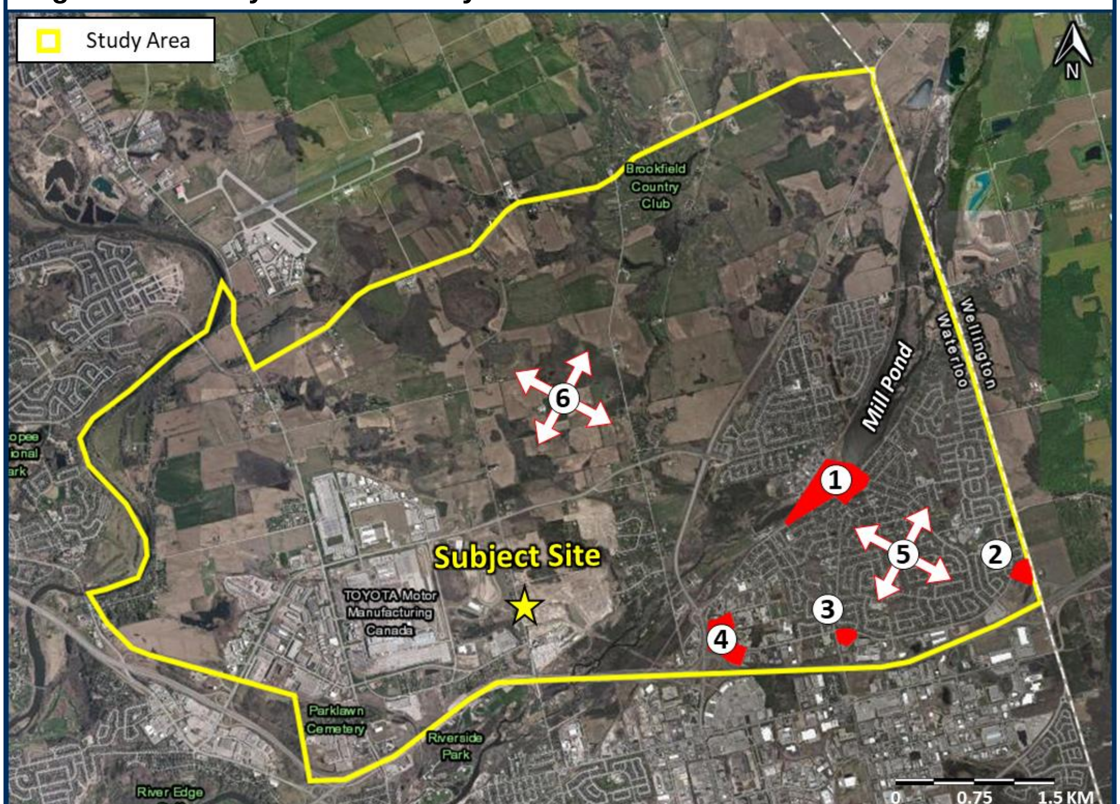
Figure 4-1, on the following page, indicates commercial nodes within the Study Area. Figure 4-2, which follows, summarizes the amount and distribution of retail commercial space in the Study Area.

The inventory of the Study Area can be summarized as follows:

- Overall, there is approximately 670,900 square feet (62,300 square metres) of retail, service and vacant space within the Study Area;
- The Study Area includes 625,300 square feet (58,100 square metres) of occupied retail and service space, and 45,600 square feet of vacant space;

- This vacant space represents a vacancy level of 6.8%. This vacancy level is within the balanced vacancy range of 5.0% - 7.5%;
- There are two supermarkets in the Study Area, Zehrs (59,300 square feet) and Food Basics (31,000 square feet);
- There is 213,600 square feet (19,800 square metres) of Non-Food & Beverage Retail (NFBR) space in the Study Area. The Sail sporting goods store represents one third of this space;
- Service space represents 43.5% of the total space in the Study Area. Entertainment & Recreation Services account for the largest share of service space in the Study Area. Entertainment & Recreation Services include large users such as Crunch Fitness, Sharks All-Star Cheer, Dynamo Gymnastics and Core Climbing. It is important to note that a significant portion of Entertainment & Recreation Services space is located within employment areas; and,
- Hespeler Village has a vacancy rate of 8.4%, this is considered above the balanced vacancy range of 5.0% - 7.5%.

Figure 4-1: Study Area Inventory Nodes



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

Figure 4-2: Summary of Retail and Service Space in the Study Area [1]

Nodes	Hespeler Village 1	Jamieson Estate Plaza 2	Woodland Park Plaza 3	Tri-City Centre / Surrounding 4	Other East of Mill Pond 5	Other West of Mill Pond 6	TOTAL STUDY AREA 1-6	*Percent Distribution*
Food & Beverage Retail (FBR)								
Supermarkets & Grocery Stores	0	0	31,000	59,300	0	0	**90,300**	*13.5%*
Convenience & Specialty Food Stores	3,700	2,600	1,800	0	1,600	1,900	**11,600**	*1.7%*
Beer, Wine & Liquor	0	0	0	17,800	0	0	**17,800**	*2.7%*
Food & Beverage Retail (FBR)	3,700	2,600	32,800	77,100	1,600	1,900	**119,700**	*17.8%*
Non-Food & Beverage Retail (NFBR)								
Department Stores	0	0	0	0	0	0	**0**	*0.0%*
General Merchandise	0	0	0	8,800	0	0	**8,800**	*1.3%*
Clothing, Shoes & Accessories	800	0	0	0	0	0	**800**	*0.1%*
Furniture, Home Furnishings & Electronics	2,000	0	0	0	0	3,500	**5,500**	*0.8%*
Pharmacies & Personal Care Stores	0	3,900	2,000	20,200	1,900	1,000	**29,000**	*4.3%*
Building & Outdoor Home Supplies	0	0	0	0	0	0	**0**	*0.0%*
Miscellaneous Retailers	12,300	4,100	0	108,300	44,800	0	**169,500**	*25.3%*
Automotive	0	0	0	0	0	0	**0**	*0.0%*
Subtotal Non-Food & Beverage Retail (NFBR)	15,100	8,000	2,000	137,300	46,700	4,500	**213,600**	*31.8%*
Service Space								
Food Services & Drinking Places	20,000	11,500	8,300	10,900	9,000	11,200	**70,900**	*10.6%*
Personal Care & Laundry Services	12,500	1,200	2,600	1,200	2,200	2,400	**22,100**	*3.3%*
Financial, Insurance, Legal & Real Estate Services	5,200	1,300	4,900	6,300	3,100	0	**20,800**	*3.1%*
Health Care & Social Assistance Services	4,300	7,300	3,200	8,700	10,400	0	**33,900**	*5.1%*
Entertainment & Recreation Services	5,600	0	3,800	25,000	44,200	29,300	**107,900**	*16.1%*
Other Services	20,100	2,600	0	0	5,100	8,600	**36,400**	*5.4%*
Subtotal Service Space	67,700	23,900	22,800	52,100	74,000	51,500	**292,000**	*43.5%*
Total Occupied Retail & Service Space	86,500	34,500	57,600	266,500	122,300	57,900	625,300	*93.2%*
Vacant	7,900	6,100	1,300	18,500	11,800	0	**45,600**	6.8%
Vacancy Rate (%)	*8.4%*	*15.0%*	*2.2%*	*6.5%*	*8.8%*	*0.0%*	***6.8%***	
Total Retail & Service Space	94,400	40,600	58,900	285,000	134,100	57,900	**670,900**	*100.0%*
Percent Distribution	*14.1%*	*6.1%*	*8.8%*	*42.5%*	*20.0%*	*8.6%*	*100.0%*	

Source: Tate Economic Research Inc.
[1] Based on inventory and site inspections completed by TER in February 2020. Rounded to the nearest 100 square feet.

4.3 Proposed Competition – 4045 Maple Grove Road

TER has reviewed development application information provided by the City. There is one development application within the Study Area that includes a retail commercial component. The proposed development is located at 4045 Maple Grove Road, at the corner of Maple Grove Road and Hespeler Road, approximately 3 kilometres from the Subject Site. The zoning by-law permits 863 residential units and up to 88,000 square feet of retail commercial space including a 48,000 square foot supermarket and a 18,000 square foot drug store. The zoning by-law has a minimum gross floor area for retail and service commercial uses of 11,000 square feet.

The development of 4045 Maple Grove Road represents a significant challenge for the Subject Site with respect to retail commercial opportunity. The development of 4045 Maple Grove Road would represent an intervening opportunity for local residents, as Maple Grove Road is the main east west access road to the Community. The development of the Maple Grove Road site would limit inflow of retail expenditures from beyond the Local Market Area and has been recognized in the retail commercial demand analysis.

4.4 Inventory of Retail Commercial Space Conclusion

There is a total of approximately 670,900 square feet of retail, service and vacant space in the Study Area. The vacancy level in the Study Area is 6.8%. This figure is within normal levels of a balanced market. There is one active retail commercial development application within the Study Area, at 4045 Maple Grove Road. The development of 4045 Maple Grove Road with retail commercial uses could represent a significant challenge for the Subject Site.

5 Commercial Needs Assessment

This section of the report establishes the appropriate ratios of retail commercial space per capita and forecasts the amount of commercial space required for future residents. This methodology is typically employed by TER when forecasting retail commercial demand in a greenfield setting.

The Subject Site is intended to be developed as a retail main street serving the local community. Based primarily on this intent and the access characteristics of the Site, TER has defined the subdivision as the Local Market Area. The Local Market Area is the area from which the Subject Site will draw the majority of its retail market support.

5.1 Population Forecasts

Figure 5-1, below, presents the population forecast for the Local Market Area. The population forecast for the Local Market Area is based on residential phasing figures provided by Rive Mill Development. TER has applied a persons per unit ("PPU") factor and estimated timing of development.

Figure 5-1: Local Market Area Population Forecast

	2019	2022	2024	2029
Local Market Area (1	700	2,400	4,400	8,200
Periodic Increase		1,700	2,000	3,800
Annual Increase		567	1,000	760

Source: Tate Economic Research Inc.
1) Population based on development phasing information provided by River Mill Development. Timing of development estimated by TER.

The following observations are made with respect to the population forecasts:

- The population of the Local Market Area in 2019 is estimated to be 700 persons; and,
- The build out population of the Local Market Area is forecast to be 8,200 persons. TER has assumed a build out horizon of 2029 for the Local Market Area.

5.2 Per Capita Needs Analysis Methodology

A per capita needs analysis provides a general assessment of the amount of commercial space that is required to serve a future population. The purpose of the analysis is to assess the demand for retail commercial space generated by Local Market Area residents. TER has derived per capita space ratios for the City of Cambridge from the City of Cambridge Comprehensive Commercial Review, prepared by Malone Given Parsons Ltd. in 2014 ("Cambridge CCR"). The resulting square foot ratios have been applied to the forecast population resulting in the amount of space required by Local Market Area residents. Retail and service commercial categories represented in this analysis are based on the Cambridge CCR.

This analysis assumes a balanced market and that per capita space ratios for the City of Cambridge correlate to future Local Market Area residents. TER has reviewed the Cambridge CCR and contrasted it with similar analyses conducted by our firm in other markets. Based on this review, it is our opinion that the Cambridge CCR figures are appropriate for incorporation into this per capita analysis.

TER has incorporated the potential development of retail commercial space at 4045 Maple Grove Road into this analysis. The proposed development at 4045 Maple Grove Road contemplates up to 88,000 square feet of retail commercial space including a supermarket and drug store.

The analysis focuses on the proposed build out population of the Local Market Area. As discussed previously, it is assumed by TER that the Local Market Area will include 8,200 persons and will be fully built out and occupied by 2029. It should be noted that the timing of the build out does not have a material impact on the amount of space required to serve the population.

5.3 Per Capita Commercial Needs Analysis

Figure 5-2, on the following page, illustrates the Per Capita Commercial Needs Analysis for the Local Market Area. The following observations are made with respect to the analysis:

- The total retail commercial space ratio for the City of Cambridge is 47.3 square feet per person;

- Overall, the build out population of the Local Market Area can support approximately 387,900 square feet of retail and service space. However, only a small portion of this space will be located within the Local Market Area. The Subject Site is intended to be developed as a main street serving the local community. As such, it is not considered an appropriate location for certain types of retail. Figure 5-2 reflects that there is no opportunity for Department Stores, Home and Auto Supply, Home Improvement and Furniture & Furnishings, among others, at the Subject Site;

- Inflow of expenditures from beyond the Local Market Area is recognized due to the Subject Site's locational characteristics and existing and proposed competition;

- After adjusting for outflow of certain expenditures, up to an estimated 25,000 square feet of retail commercial space is warranted at the Site to serve the build out population;

- The development at 4045 Maple Grove Road is contemplating a supermarket and drug store. Given this potential competition and the locational attributes of the Site, there is no opportunity for a full sized supermarket at the Subject Site. However, there may be demand for a smaller scale specialty grocer at the Subject Site. This store would be designed to service the convenience needs of the local residents or could provide a more specialized function to appeal to a wider market.

Figure 5-2: Per Capita Commercial Needs Analysis

Comprehensive Commercial Review [1]			Local Market Area				
2013 Population	132,700		2029 Population	8,200			
	Space	Per Capita	Total Space Supported	Site Capture Rate	Site Supported	Inflow	Total Space Demand on Site
Supermarkets & Grocery	531,400	4.0	32,800	15%	4,900	10%	5,400
Other Food	187,700	1.4	11,600	20%	2,300	10%	2,600
Total Food and Beverage Retail	**719,100**	**5.4**	**44,400**	**16%**	**7,200**		**3,000 to 8,000** [2]
Department Stores	544,900	4.1	33,600	0%	0	0%	0
WMC	0	0.0	0	0%	0	0%	0
HATBA	226,700	1.7	13,900	0%	0	0%	0
Other General Merchandise	230,000	1.7	13,900	10%	1,400	5%	1,500
Health and Personal Care	171,000	1.3	10,700	50%	5,400	5%	5,700
Clothing and Accessories	487,400	3.7	30,300	0%	0	0%	0
Furniture & Furnishings	504,600	3.8	31,200	0%	0	0%	0
Other DSTM	255,800	1.9	15,600	0%	0	5%	0
Home Improvement	507,700	3.8	31,200	0%	0	0%	0
Second Hand Merchandise	132,700	1.0	8,200	10%	800	0%	800
Liquor / Beer / Wine	58,200	0.4	3,300	15%	500	10%	600
Miscellaneous	27,200	0.2	1,600	0%	0	0%	0
Total Non Food and Beverage Retail	**3,146,200**	**23.7**	**194,300**	**4%**	**8,100**		**6,000 to 10,000** [2]
Restaurants	568,900	4.3	35,300	15%	5,300	10%	5,900
Repair/Maintenance	134,800	1.0	8,200	5%	400	0%	400
Personal & Laundry	208,200	1.6	13,100	30%	3,900	5%	4,100
Financial Services	145,800	1.1	9,000	30%	2,700	5%	2,800
Medical Services	313,700	2.4	19,700	30%	5,900	5%	6,200
Other Professional Services	129,800	1.0	8,200	5%	400	5%	400
Other Services	580,800	4.4	36,100	5%	1,800	5%	1,900
Entertainment & Fitness	332,300	2.5	20,500	30%	6,200	0%	6,200
Total Services	**2,414,300**	**18.2**	**149,200**	**18%**	**26,600**		**10,000 to 17,000** [2]
Total	**6,279,600**	**47.3**	**387,900**	**11%**	**41,900**		**15,000 to 25,000** [2]

Source: Tate Economic Research Inc.

1) City of Cambridge floor space derived from Malone Given Parsons Ltd. City of Cambridge Comprehensive Commercial Review (2014).

2) TER does not expect there will be opportunity to lease all retail and service categories examined. The ranges are intended as general paramteres for the Site.

5.4 Commercial Needs Assessment Conclusion

The commercial needs assessment indicates demand for additional retail commercial space generated by Local Market Area residents. There is limited demand for major retail oriented space and supermarket space. There is demand for a limited amount of retail space and there is market demand for service oriented space such as medical services and restaurant space. Development may be phased until market demand materializes post 2024.

6 Retail Main Street Influences and Trends

Main streets tend to have a historical basis and evolve over a long period of time. For example, in Cambridge, there are three Commercial Core Areas: Galt, Hespeler and Preston. These Commercial Core Areas were formerly the downtowns of three communities which amalgamated into the City of Cambridge. Their ongoing viability is influenced by factors such as centralized locations, accessibility, historic architecture and range of uses.

It is challenging to develop new retail main streets. Planning policies tend to support the creation of new retail main streets, reflecting smart growth principles such as mixed land uses, the creation of walkable communities, the provision of alternative transportation options and increased densities. Nonetheless, market realities of new retail main streets are challenging. It is difficult to point to successful examples of new retail main streets in the province.

6.1 New Retail Main Street Context

Historically, new retail space has been supplied in shopping centres with fields of ground level parking. The new reality, in many municipalities, including Cambridge, is that the combination of the limited number of commercial sites, high land values and smart growth legislation is resulting in intensification and mixed-use developments, often reflected in the planned development of new main streets, such as the one contemplated for Equestrian Way.

The retail component of retail main streets, when designed thoughtfully and tenanted with an understanding of the surrounding neighbourhood, provide numerous benefits to the surrounding community. These positive effects include:

1. The activation of the street edge or neighbourhood;
2. Providing retail goods and services in modern, efficient formats; and,
3. The ability to live and work in the same community.

6.2 Location Economics

The viability of ground floor retail in new retail main streets is usually only possible if the site and market attributes that contribute to retail success are present. An effective retail component of a main street requires the same attributes as a pure retail site.

Pedestrian and/or vehicular traffic is critical. It is our experience that the amount of retail space supported by the actual local residents of a main street development is typically overstated. The market support for the commercial space must extend well beyond the immediately adjacent demand generators.

6.3 Retail Trends

The retail sector is dynamic and constantly changing in response to the marketplace. From a demand perspective, E-commerce, including changes in the way consumers are shopping and where they are shopping, socio-economic conditions, diversifying lifestyle patterns and evolving demographics are some of the many factors that are influencing Canadian retailing. The most prominent trends influencing the market opportunity for the proposed retail commercial development are summarized below.

E-Commerce

In the retail real estate environment, the impact of E-commerce on existing retail nodes and the future demand for retail is perhaps the most discussed topic. The overall impact of E-commerce is a decline in the required amount of retail space per capita and therefore, decreased opportunity for “bricks and mortar” type retail space.

Blurring of Retail Channels

In the past, most retailers tended to concentrate on one particular line of merchandise. For example, grocery stores focused on food, and drug stores provided primarily health related products. Recent changes in retailing have resulted in a tendency to create a 'one-stop' shopping experience in order to increase market share. Many retailers, which previously offered specific product lines, now offer a much wider range of merchandise. These retailers include Shoppers Drug Mart, Walmart Supercentre, Canadian Tire and Winners, as well as many others. The impact in terms of retail development is that there are fewer tenants available to anchor retail centres and / or retail main streets.

Health & Wellness

Orange Theory Fitness – Cambridge ON

There has been an emergence in the health & wellness sectors represented by micro fitness studios and health stores. This trend has mostly been felt in the middle and high-end markets. Specialized health & wellness facilities, including spinning, rowing, yoga, pilates and others are becoming more prevalent in retail areas, including main streets.

Food & Beverage

As retail centres and main streets evolve, there is less of an emphasis on pure retail space and a greater emphasis on restaurants and other eating and drinking establishments. Perhaps the most visible change in the retail landscape is the significant increase in the number of food & beverage operators and the significant role that food & beverage operators are playing within planned commercial centres and as anchor draws. This sector includes small independent restaurants all the way up to larger food halls and specialty themed restaurants.

Retail Trend Conclusion – These retail trends point to challenges in developing a retail main street at the Subject Site. In a general sense, there is reduced requirement for retail space, there are less available anchors and other tenants. However, certain uses such as health & wellness and food & beverage are becoming more prevalent.

6.4 Lessons Learned

Based on our experience, the following observations are made with respect to critical success factors for retail components in a main street context:

- Most retail space requires parking – availability of ground floor parking contributes to retail success;
- Frontage onto streets is critical. Retail uses on side streets are challenging;
- Retailing on the second floor of a mixed-use building is challenging.
- Service commercial uses that are not pure retail are likely to play a major role in the success of a main street. These service uses, such as restaurants, personal services, fitness and daycares, are often suitable tenancies for main streets.

6.5 Implications for Main Street Development Conclusion

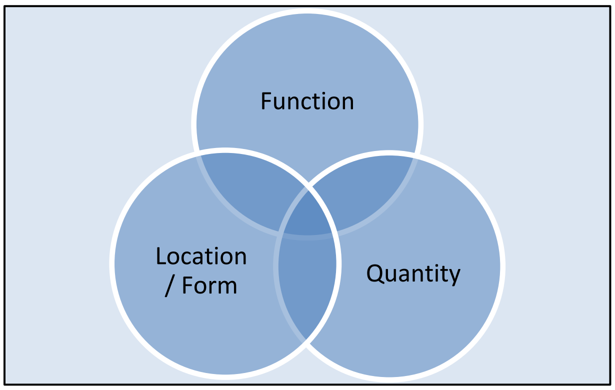
Main street development is evolving and remains challenging in markets such as Cambridge. Developing a successful retail main street is complex. Many factors must be recognized and balanced. Locational and accessibility attributes are paramount to the success of a retail component. The TER recommendations which follow, have recognized the opportunity for the Site in conjunction with the requirements for successful commercial development.

7 Site Recommendations

This section of the report utilizes the research and analysis from the previous sections to inform TER's recommendations with respect to the function, quantity and location of retail commercial space in the Site. The function, quantity and location of retail space are all interrelated, and the combination of factors lead to the potential tenant mix.

7.1 Function

Overall, it is the recommendation of TER that the Site be planned for convenience-oriented uses that focus on serving the immediate neighbourhood. This means that the majority of uses planned are supported by the surrounding population and do not require a wide trade area. Convenience goods are typically purchased more often with a smaller "basket of expenditure".



The location and access characteristics of the Site as well as the lack of competition in the immediate area provide the opportunity to cater to the local residents. There will also be opportunities for unique retailers that increase the draw beyond the local area.

This proposed function is supported by the following factors:

- There is a significant local population growth that can support convenience retail and services;
- The access characteristics of the Site are not conducive to capturing passing traffic;
- Destination retail areas, including major shopping centres, are already well established elsewhere in the City; and,
- A convenience function is recommended for the Site.

7.2 Quantity

There is considerable market demand for new retail commercial space that will be supported by residents. However, only a portion of this demand will be warranted at the Subject Site. The limitations of demand at the Site relate to the its locational attributes, such as access and exposure. Further qualifications may include parking, visibility, frontage, signage, etc.

The TER analysis has been generally guided by the following:

- Market opportunity may exist for a small scale food and / or drug store as one the primary anchor tenants at the Site;

- The opportunity to capitalize on the lack of competition near the Site to establish convenience oriented uses;
- Recognition that the typical services such as medical, dental, personal and financial services are all warranted based on the nearby population;
- There is an increased efficiency of retailers requiring less overall space / smaller units;
- Smaller unit sizes for anchor tenants and other spaces to reflect changing market conditions, particularly the effects of E-commerce;
- A focus on flexible retail spaces that can be adaptable or modified as markets change, in order to accommodate a wide array of retailers;
- An emphasis on pedestrian traffic, access, visibility and walkability; and,
- The creation of a mixed-use, complete community that addresses both future on-site residents and the local community.

Based on these factors, in conjunction with the market demand analysis, TER has recommended the following tenant mix:

Figure 7-1: Recommended Tenant Mix

	Recommended Range (GFA)			
	Sq.ft.	Sq.m.	Sq.ft.	Sq.m.
Food	3,000	280	8,000	740
Non Food / Other Retail	6,000	560	10,000	930
Restaurants	2,000	190	4,000	370
Health and Wellness	3,000	280	6,000	560
Financial Services	2,000	190	3,000	280
Other Services	3,000	280	4,000	370
Total Retail Commercial Space	**15,000 to 25,000 Sq.ft.**			
	1,390 to 2,320 Sq.m.			

Source: Tate Economic Research Inc.

These ranges should be considered general figures and are subject to adjustments to reflect individual tenant requirements and actual leasing conditions.

7.3 Location / Form Options

It is critical to assess the role of retail commercial development in the context of the overall development concept. TER is recommending Ground Floor Only as a retail development concept. Typically, retailers only operate on upper levels when there are constraints that prevent them from operating ground level locations. From the perspective of the potential tenant, it may be more desirable to consider operating on the ground floor only.

Grocery Store

A national supermarket operated by a major chain such as Loblaws, Metro or Sobeys is not likely to locate at the Site. However, a smaller specialized chain or an independent operator could be a viable option at the Site.

Examples of successful independent supermarkets in the Kitchener / Waterloo / Cambridge market include: Ben Thanh and New City in Kitchener, Vincenzo's and Goodness Me! in Waterloo, Market Fresh in Guelph. In Cambridge there are operators such as Di Pietro and Healthy Planet. These types of food stores would generate considerable traffic for other retailers on the Site and contribute positively to the economic viability of the development.

Healthy Planet– Cambridge, ON

The sizes of the actual food store would be dependent on the individual requirements of the operator. However, sizes are expected to range from approximately 3,000 square feet to up to 8,000 square feet.

Drug Store

A major drug store, such as Rexall, may consider this site appropriate in the long term. We note there are no Rexall drug stores located north of Highway 401 in the City of Cambridge. Depending on the operator and the format, the most effective size could range considerably from 5,000 to 8,000 square feet. We also note that a drug store could satisfy a portion of the demand for food store space at the Site, recognizing the blurring of retail channels that is occurring in this store category.

We anticipate that a major drug store would require frontage and signage on Speedsville Road. Other smaller independent operators could also be considered.

In addition, the format of the store could also vary, and may include medical offices or other associated services.

Financial Institutions

The market demand analysis indicated market support for one or more financial institutions. A major financial institution such as Scotiabank and CIBC may consider the Site, as they are not located north of Highway 401 in the City of Cambridge. In addition, the Site would also be suitable for other smaller financial institutions, such as trust companies and credit unions.

Restaurant / Quick Service Food

There is an opportunity for food & beverage operators at the Site. The scale of the Site provides the opportunity to provide operators meeting consumer needs in breakfast, lunch and dinner time periods. TER does not recommend nightclub / bar uses that could negatively impact the enjoyment of future residents.

A local or national brand coffee shop would be warranted at the Site. This type of use would provide service to the local neighbourhood and increase the activity levels at the Site.

Ancillary Tenant Mix

Consideration should be given to ensuring that uses promote activity at all times of the day and into the evening. There should be a focus on accommodating smaller foot prints given retail trends and operating costs.

There is an opportunity for commercial space in the health and fitness category such as micro fitness tenants. A fitness centre could also be considered as a use which does not require significant frontage or visibility from Speedsville Road.

Given the anticipated younger family demographic of the surrounding community, there will be market demand for a child care facility. This type of use may require extensive space but minimal frontage.

Other ancillary service tenants could include personal services such as dry cleaners, hair salons, travel agents, as well as real estate offices and other business services.

Flex Space – Live Work Units

Regardless of the ultimate design of the commercial space, there will portions of the ground floor that may not be considered optimal for retail commercial uses. These areas may be considered appropriate for live / work uses. This recommendation reflects the longer terms plans for the Community, which are anticipated to result in increased density and population growth. This type of use can evolve over time and provide more commercial potential in the future, if market demand for commercial uses increases.

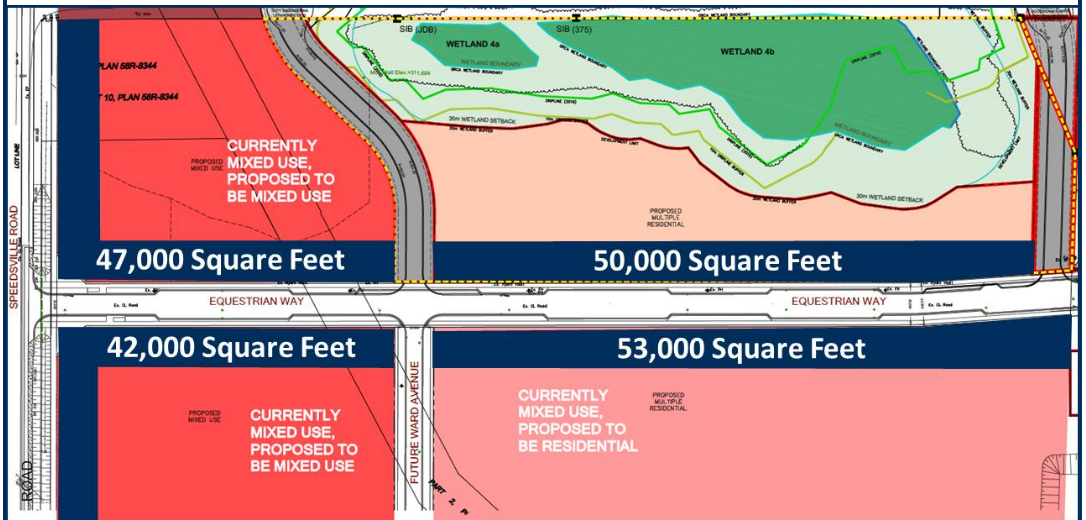
Location

TER has estimated the amount of retail commercial space that could potentially be accommodated on the Subject Site. This estimate is based on an assumed 50 foot depth of commercial space located on both sides of Equestrian Way and on the east side of Speedsville Road.

As shown in Figure 7-2, on the following page, there is a physical capacity for almost 200,000 square feet of retail commercial space under these assumptions. This physical capacity far exceeds TER recommended market opportunity for the Site.

As such, it is the recommendation of TER that retail commercial space be located on one corner of Equestrian Way and Speedsville Road. This corner could be located on the north or south side of Equestrian Way. This location would provide more than sufficient physical capacity for the recommended retail commercial space and would allow the Site to benefit from exposure to both Speedsville Road and Equestrian Way.

Figure 7-2: Subject Site Retail Location



Source: Tate Economic Research Inc.

7.4 Retail Market Demand Study Summary

There is opportunity to serve the local market area, due to the lack of other convenience retail facilities. However, the Site is limited by its locational attributes and by the anticipated competition of a new retail centre that is better situated to serve a wider market.

Based on accessibility characteristics of the Site, the surrounding competitive environment and the existing and future demand characteristics of the surrounding local residents, TER is recommending a small scale food and / or drug store should be planned as the primary anchor tenant of the development. Due to retailers' preferences to operate in ground floor locations and the potential alternative ground floor locations for retailers in the vicinity of the Site, the Site should be planned for ground floor retail commercial only. A single level commercial development of between 15,000 and 25,000 square feet is recommended for the Site. Retail commercial uses should be concentrated at the intersection of Equestrian Way and Speedsville Road to optimize access and visibility.

APPENDIX A – CELLULAR LOCATION SERVICES

The following appendix presents background information for the cellular location services data analyzed by TER in this report. TER has utilized cellular location services data from smartphones to identify the customer draw of existing retail commercial centres. This information assists us in determining customer volume, locational patterns and the geographic distribution of customers.

The cellular location services data is anonymized, permission-based data collected from location enabled mobile devices. Each smartphone has a Unique Device ID and a Common Evening Location ("CEL"). The Unique Device ID represents an identifier for each specific device, and the CEL is derived from where each device spends the majority of its time at night.

For the purpose of this analysis, TER analyzed the CEL data for the following locations:

- Hillside Plaza – 101 Holiday Inn Drive;
- Woodland Park Plaza – 100 Jamieson Parkway;
- Zehrs Plaza – 180 Holiday Inn Drive; and,
- Hespeler Village Main Street.

These sites were analysed as they are all retail commercial locations situated north of Highway 401 in the City of Cambridge. They represent a range of retail commercial forms, from main street to neighbourhood centre, to big box retail.

LIST OF FIGURES

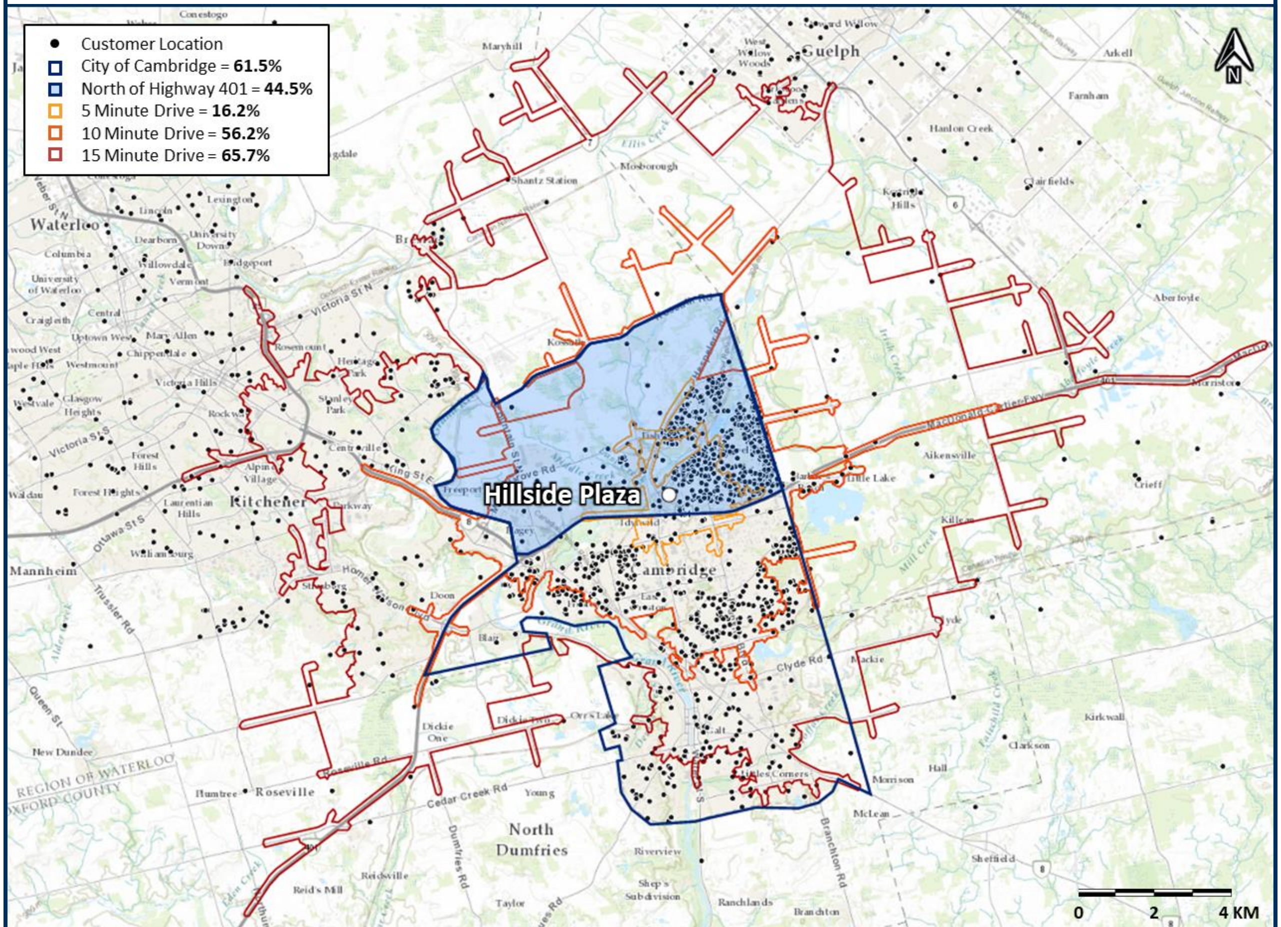
Figure A-1: Cellular Location Survey Results (1

	Hillside Plaza 101 Holiday Inn Dr	Woodland Park Plaza 100 Jamieson Pkwy	Zehrs Plaza 180 Holiday Inn Dr	Hespeler Village Main Street
City of Cambridge				
City of Cambridge	61.5%	65.4%	52.3%	58.8%
City of Cambridge North of 401	44.5%	43.9%	39.2%	45.1%
% of City of Cambridge	72.4%	67.2%	75.0%	76.7%
Walk / Drive Times				
10 Minute Walk	1.8%	5.6%	0.8%	17.2%
5 Minute Drive	16.2%	25.2%	12.5%	44.2%
10 Minute Drive	56.2%	60.2%	47.1%	52.6%
15 Minute Drive	65.7%	69.7%	56.8%	61.8%
Beyond 15 Minute Drive	34.3%	30.3%	43.2%	38.2%
Total Surveys Returned	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Tate Economic Research Inc.

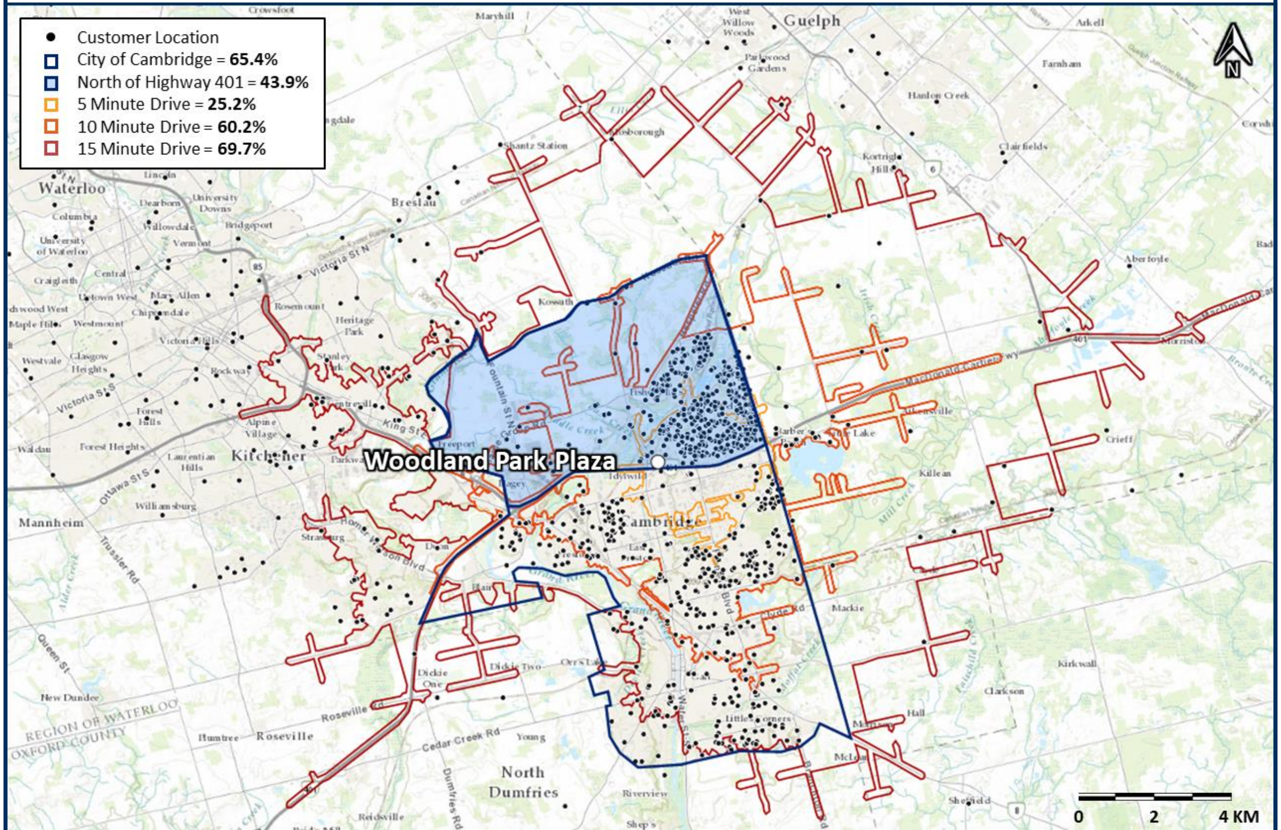
1) Cellular location services data was recorded between January 1, 2018 and January 1, 2020.

Figure A-2: Cellular Location Survey Results – Hillside Plaza



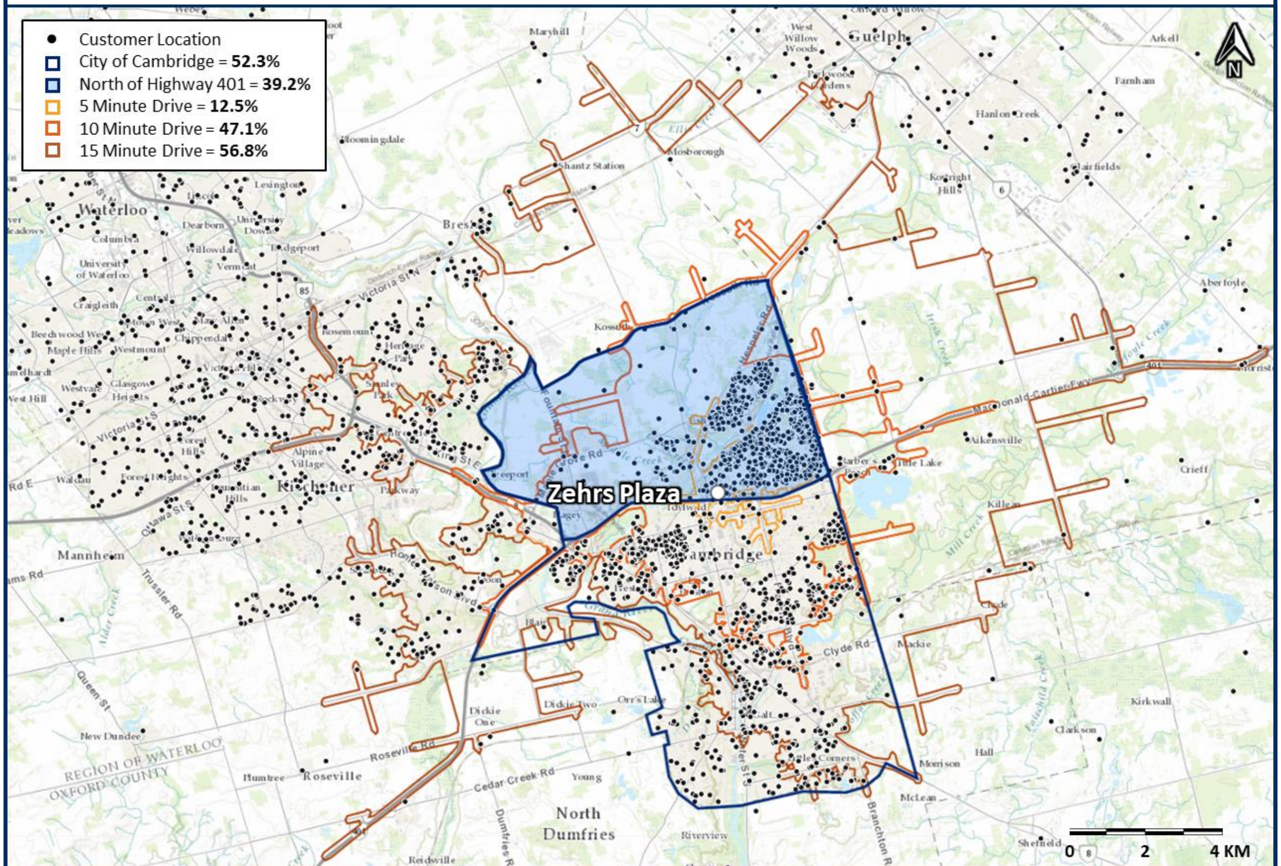
Source: Tate Economic Research Inc.; Basemap: ESRI ArcGIS

Figure A-3: Cellular Location Survey Results – Woodland Park Plaza



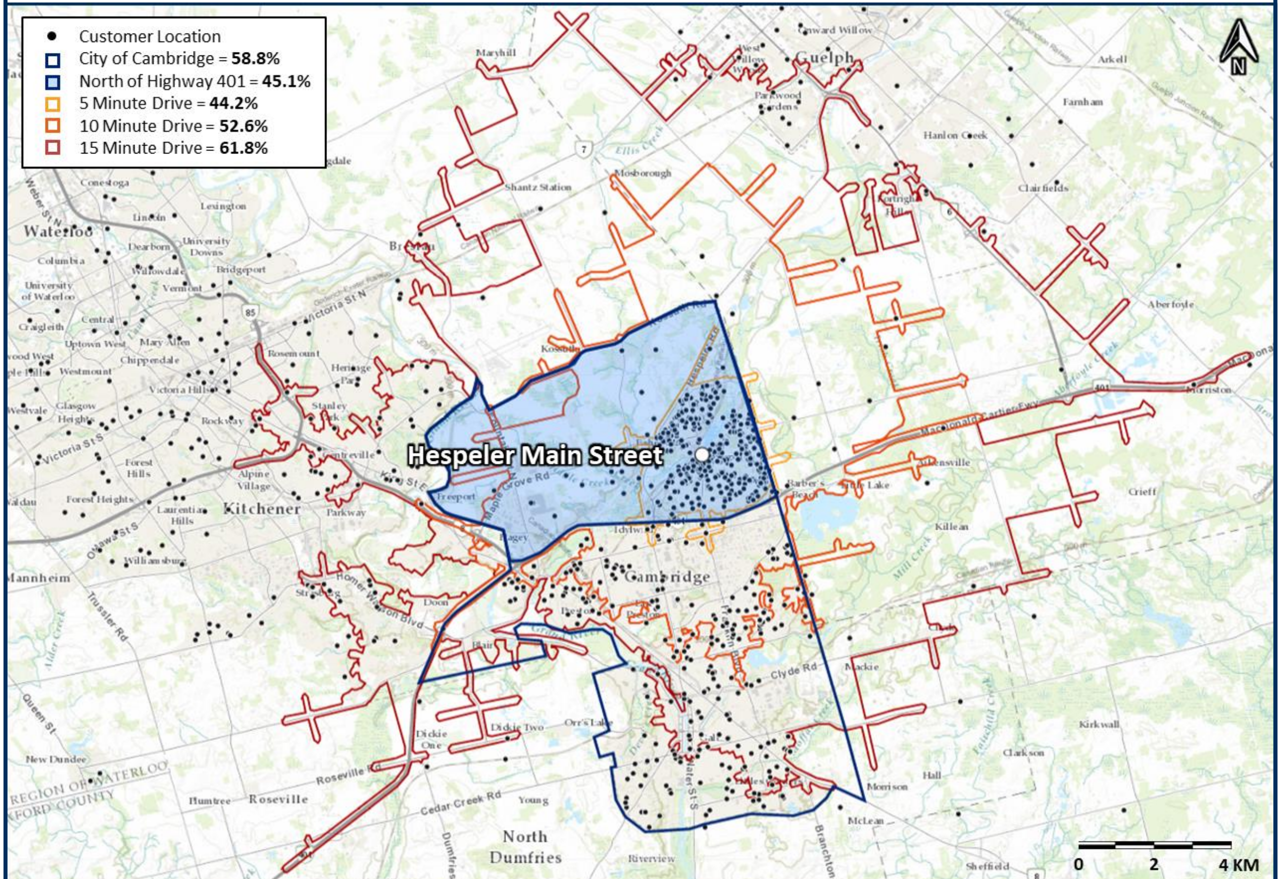
Source: Tate Economic Research Inc.; Basemap: ESRI ArcGIS

Figure A-4: Cellular Location Survey Results – Zehrs Plaza



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

Figure A-5: Cellular Location Survey Results – Hespeler Village Main Street



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