

855 Carling Avenue, City of Ottawa Retail Market Demand Overview

Prepared for: *Campbell Steel and Iron Works Limited*

July, 2010

TATE ECONOMIC RESEARCH INC.



TABLE OF CONTENTS

EXECUTIVE SUMMARY	I
1 INTRODUCTION	1
1.1 STUDY APPROACH.....	2
2 REVIEW OF DEVELOPMENT CONCEPT, SITE AND SURROUNDINGS	4
2.1 SITE DESCRIPTION AND LOCATION.....	4
2.2 SURROUNDING LAND USES	4
2.3 ACCESSIBILITY.....	5
2.4 SITE AND SURROUNDINGS CONCLUSION	5
3 TRAFFIC COUNTS	6
3.1 PEDESTRIAN COUNTS	6
3.2 VEHICLE COUNTS	7
3.3 TRAFFIC COUNT SUMMARY	7
4 RESIDENTIAL DEMAND FOR RETAIL SPACE	8
4.1 PER CAPITA RETAIL SPACE NORMS.....	8
4.2 PERMITTED RETAIL USES.....	8
4.3 RESIDENTIAL DEMAND ANALYSIS.....	8
4.4 RESIDENTIAL DEMAND CONCLUSION.....	9
5 OFFICE WORKER RETAIL DEMAND	10
5.1 TYPICAL OFFICE WORKER EXPENDITURES.....	10
5.2 OFFICE WORKER DEMAND ANALYSIS.....	10
5.3 OFFICE DEMAND CONCLUSION	11
6 RETAIL COMPETITION	12
6.1 CARLING AVENUE	12
6.2 PRESTON STREET BIA (LITTLE ITALY).....	12
6.3 OTHER RETAIL IN THE VICINITY.....	12
6.4 RETAIL COMPETITION CONCLUSION.....	13
7 GROUND FLOOR RETAILING SUCCESS FACTORS	14
7.1 VISIBILITY AND EXPOSURE.....	14
7.2 INGRESS AND EGRESS	14
7.3 PARKING	14
7.4 SYNERGIES WITH OTHER USES	15
7.5 SIGNAGE	15
7.6 SITE DESIGN AND LAYOUT.....	15
7.7 GROUND FLOOR RETAILING SUCCESS FACTORS CONCLUSION	15
8 CAMPBELL STEEL SITE'S POTENTIAL FOR GROUND FLOOR RETAILING	16
8.1 CONCLUSION.....	16
APPENDIX A – RETAIL SPACE PER CAPITA EXAMPLES	A-1



Executive Summary



Tate Economic Research Inc. (TER) was retained by Campbell Steel and Iron Works Limited (Campbell Steel) to investigate the market demand for retail space in a proposed multi storey building in the City of Ottawa. Campbell Steel controls a parcel of land located at the north east corner of Carling Avenue and Champagne Avenue South in central Ottawa. This parcel is approximately 2.2 acres (0.9 hectares) in size and its municipal address is 855 Carling Avenue (Campbell Steel Site or Site). Campbell Steel is proposing to develop the land for either high rise office uses or high rise residential uses. Either development concept will include two towers and underground parking.

The City's Planning Department has prepared a draft zoning by-law which requires that Campbell Steel include ground floor retail uses in either of the proposed development scenarios. Based on a review of conceptual plans for the development, TER estimates that up to approximately 15,000 square feet, gross leasable area, of retail space would be required on the site, according to the conditions recommended by the City.

Planning Department Guidelines

Campbell Steel filed an application with the City of Ottawa on June 3, 2009 to re-zone 855 Carling Avenue from MC[24] F(2.5) S129 and MC F(1.5) – Mixed Use Centre, to MC[24] F(4.1) to allow for adjustments to zoning performance standards to support an office and/or residential development. These adjustments include: a reduction in yard setback requirement along Carline Avenue, an increase in maximum building height and an increase in maximum floor space index.

Office and residential uses are currently permitted in the MC Zone. Ottawa's Planning Department prepared a Planning Report recommending approval of the proposed Zoning Amendment with several modifications, including the following:

“Only retail and commercial-type uses are permitted on the ground floor for that portion of a building along Carling Avenue for a depth of 21 metres from Carling;”

Furthermore, the recommended zoning by law indicates *“only the following uses are permitted on the ground floor of that portion of a building along Carling Avenue for a depth of 21 metres from Carling Avenue:*

*artist studio
bank
bank machine
bar*

*medical facility
museum
nightclub
personal service business*



cinema
community centre
community health and resource centre
convenience store
day care
instructional facility
library

post office
recreational or athletic facility
restaurant
retail food store
service and repair shop
theatre

This matter has been appealed by Campbell Steel to the Ontario Municipal Board. Campbell Steel has retained TER to provide commentary on the suitability of this site, within the context of the recommended development concepts, for ground floor retail and commercial uses.

Summary of Findings

This summary is intended to provide the reader with an overview of the report, its analyses and conclusions. For greater detail, the reader is referred to the main body of this report and the information contained in its appendices.

The proposed layout of the Site would provide limited vehicular access for retail uses.

- The retail uses are contemplated to be located at the street front edge of Carling Avenue.
- There will be no vehicular access from Carling Avenue to the Site. Access will be provided via Champagne Avenue and Hickory Street.

There is significant vehicular traffic on Carling Avenue, near the Site.

- The Site is located on the north side of Carling Avenue, a divided Arterial Main Street, with 3 lanes in each direction.
- The City of Ottawa's Traffic and Parking Operations Branch provides pedestrian, vehicle and bicycle counts. The vehicle counts indicate that approximately 10,600 vehicles go through the intersection of Carling Avenue and Champagne Avenue. This figure compares to an average of 10,833 vehicles in a variety of Central Ottawa Main Streets and Business Improvement Areas (BIAs). These counts represent an 8 hour period, which includes selected times between 7 AM and 6 PM.

There is limited pedestrian traffic near the Site.

- The City of Ottawa's pedestrian counts indicated that approximately 327 persons pass through the intersection of Carling Avenue and Champagne



Avenue. The 327 pedestrians were counted in the same time period as vehicles, outlined above.

- This figure (327) is less than 9% of the average pedestrian traffic in Central Ottawa Main Streets and BIAs analyzed by TER.

Residential development of the Site would generate limited market demand for the retail uses contemplated.

- As outlined above, there are restrictions on the types of retail and service uses proposed for the Campbell Steel Site.
- TER has estimated that there would be approximately 400 residential units on the Site, which could include approximately 800 residents. These residents would generate market demand for approximately 1,200 square feet of the types of commercial uses contemplated for the Site.

However, only a portion of this demand could be expected to be accommodated on the site, which makes the market demand for retail uses more limited than 1,200 square feet.

Similarly, development of the Site for office uses would generate limited market demand for the retail uses contemplated.

- TER has calculated that the office buildings, as proposed could include approximately 400,000 square feet, gross floor area. We estimate that this amount of floor area would include some 1,200 employees.
- These employees would spend approximately \$2.1 million annually on lunches, convenience goods, dinner and drinks at locations near this office. This expenditure volume represents approximately 6,000 square feet of retail and service space.
- However, only a portion of this demand could be accommodated on the Site, as other shopping options are available nearby.

The nearby area contains existing and proposed retail space that could serve occupants of the Campbell Steel Site.

- The Site is located approximately 100 metres from Preston Street, which includes Little Italy. There is over 200,000 square feet of ground floor retail and commercial space in Little Italy.



- There are other convenience stores and services located near the Site. Convenience retail and service space of approximately 5,000 square feet is also proposed nearby.
- The building occupants can be served by other retail locations near the Site and do not require the retail space being proposed by the City.

There are a number of site and design requirements for successful retail operations. The Site has limited attributes that would result in successful retailing.

- Exposure - The Campbell Steel Site, due its location on Carling Avenue, an Arterial Main Street, has significant vehicle traffic volumes. However, there is limited pedestrian traffic in the vicinity of the Site.
- Accessibility / Layout - Typically, customers require easy access to and from any retail site. The ingress and egress points proposed for the Campbell Steel Site are located on Champagne Avenue and Hickory Street. There are no access points to the Site on Carling Avenue. Therefore the access characteristics of the Site are considered poor for retailing.
- Parking - There is no parking permitted on Carling Avenue, at the southern portion of the Site where the proposed retail is to be situated. Because of the proposed layout of the Site, there will be no parking in front of the proposed retail space. The majority of parking (742 spaces) is to be provided in four underground levels and there are to be 58 surface parking spaces to be located in the northern portion of the Site. The parking is not directly adjacent to the retail uses.

Conclusion

It is the professional opinion of TER that 855 Carling Avenue is not appropriate for the retail space required by the proposed changes to Zoning By-Law 2008-250. Furthermore, it is our opinion that this space would not be marketable and is not required to meet the needs of future office employees or residents of the Campbell Steel and Iron Works Site.



1 Introduction



Tate Economic Research Inc. (TER) was retained by Campbell Steel and Iron Works Limited (Campbell Steel) to investigate the market demand for retail space in a proposed multi storey building in the City of Ottawa. Campbell Steel controls a parcel of land located at the north east corner of Carling Avenue and Champagne Avenue South in central Ottawa. This parcel is approximately 2.2 acres (0.9 hectares) in size and its municipal address is 855 Carling Avenue (Campbell Steel Site or Site). Campbell Steel is proposing to develop the land for either high rise office uses or high rise residential uses. Either development concept will include two towers and underground parking.

The City's Planning Department has prepared a draft zoning by-law which requires that Campbell Steel include ground floor retail uses in either of the proposed development scenarios. Based on a review of conceptual plans for the development, TER estimates that up to approximately 15,000 square feet, gross leasable area, of retail space would be required on the site, according to the conditions recommended by the City.

Planning Department Guidelines

Campbell Steel filed an application with the City of Ottawa on June 3, 2009 to re-zone 855 Carling Avenue from MC[24] F(2.5) S129 and MC F(1.5) – Mixed Use Centre, to MC[24] F(4.1) to allow for adjustments to zoning performance standards to support an office and/or residential development. These adjustments include: a reduction in yard setback requirement along Carline Avenue, an increase in maximum building height and an increase in maximum floor space index.

Office and residential uses are currently permitted in the MC Zone. Ottawa's Planning Department prepared a Planning Report recommending approval of the proposed Zoning Amendment with several modifications, including the following:

“Only retail and commercial-type uses are permitted on the ground floor for that portion of a building along Carling Avenue for a depth of 21 metres from Carling;”

Furthermore, the recommended zoning by law indicates *“only the following uses are permitted on the ground floor of that portion of a building along Carling Avenue for a depth of 21 metres from Carling Avenue:*

*artist studio
bank
bank machine
bar*

*medical facility
museum
nightclub
personal service business*



cinema
community centre
community health and resource centre
convenience store
day care
instructional facility
library

post office
recreational or athletic facility
restaurant
retail food store
service and repair shop
theatre

This matter has been appealed by Campbell Steel to the Ontario Municipal Board. Campbell Steel has retained TER to provide commentary on the suitability of this site, within the context of the recommended development concepts, for ground floor retail and commercial uses.

1.1 Study Approach

TER's designed a work plan based on primary research, field inspections and a market demand and impact analysis. This work plan is outlined below in greater detail:

- Review of Development Concepts, Site and Surroundings – TER reviewed the proposed development concepts in terms of accessibility, visibility, parking, loading, signage potential, synergies with other uses, etc. We also examined the Campbell Steel Site in terms of its location and appropriateness for the retail uses proposed.
- Pedestrian and Vehicle Counts – TER reviewed City of Ottawa data relating to pedestrian and vehicle traffic counts in the vicinity of the site. This information was compared to a number of other central Ottawa locations where ground floor retailing exists.
- Residential Demand For Retail Space – Based on an estimated number of units to be constructed in the residential concept, TER forecast the total number of residents on site. Based on typical retail space per capita standards, TER forecast the anticipated retail space supportable by residents.
- Office Worker Demand For Retail Space – TER forecast the anticipated number of employees on site, given the build out of the site as an office development. Based on published data prepared by the International Council of Shopping Centers, TER forecast the anticipated office worker expenditures generated by employees. This expenditure forecast was then converted into demand for ground floor retail and service space.
- Retail Competition - TER's reviewed the retail competition located near the Campbell Steel Site. In particular, TER focussed on the Preston BIA, also known as Little Italy. This information allowed us to comment on the retail



service level for existing and future residents/employees at the Campbell Steel Site.

- Review of Success Factors for Ground Floor Retail – Based on a literature review and TER’s professional experience, factors that contribute to the success of ground floor retail space were outlined.
- Campbell Steel Site’s Potential For Ground Floor Retail – Based on TER’s field research, analysis and a review of the research outlined above, TER developed a professional opinion regarding the market demand for retail uses, as proposed by the City’s zoning by-law.

The following sections of this report summarize the components outlined above.



2 Review of Development Concept, Site and Surroundings

From the perspective of market demand for retail commercial development, it is essential to review the Campbell Steel Site in terms of its access, visibility, surrounding land uses, and the road and transportation network. It is the purpose of this section of the report to determine the suitability of the Campbell Steel Site for retail commercial uses, from the market demand perspective.

2.1 Site Description and Location

The Campbell Steel Site totals approximately 2.2 acres and is situated at the northeast corner of Carling Avenue and Champagne Avenue as illustrated in the aerial photo and map shown on the following page. It is bounded by Carling Avenue to the south, Hickory Street to the north, Champagne Avenue to the west and the O-Train Corridor to the east. The Carling O-Train stop is located on the east side of the tracks and is below grade.

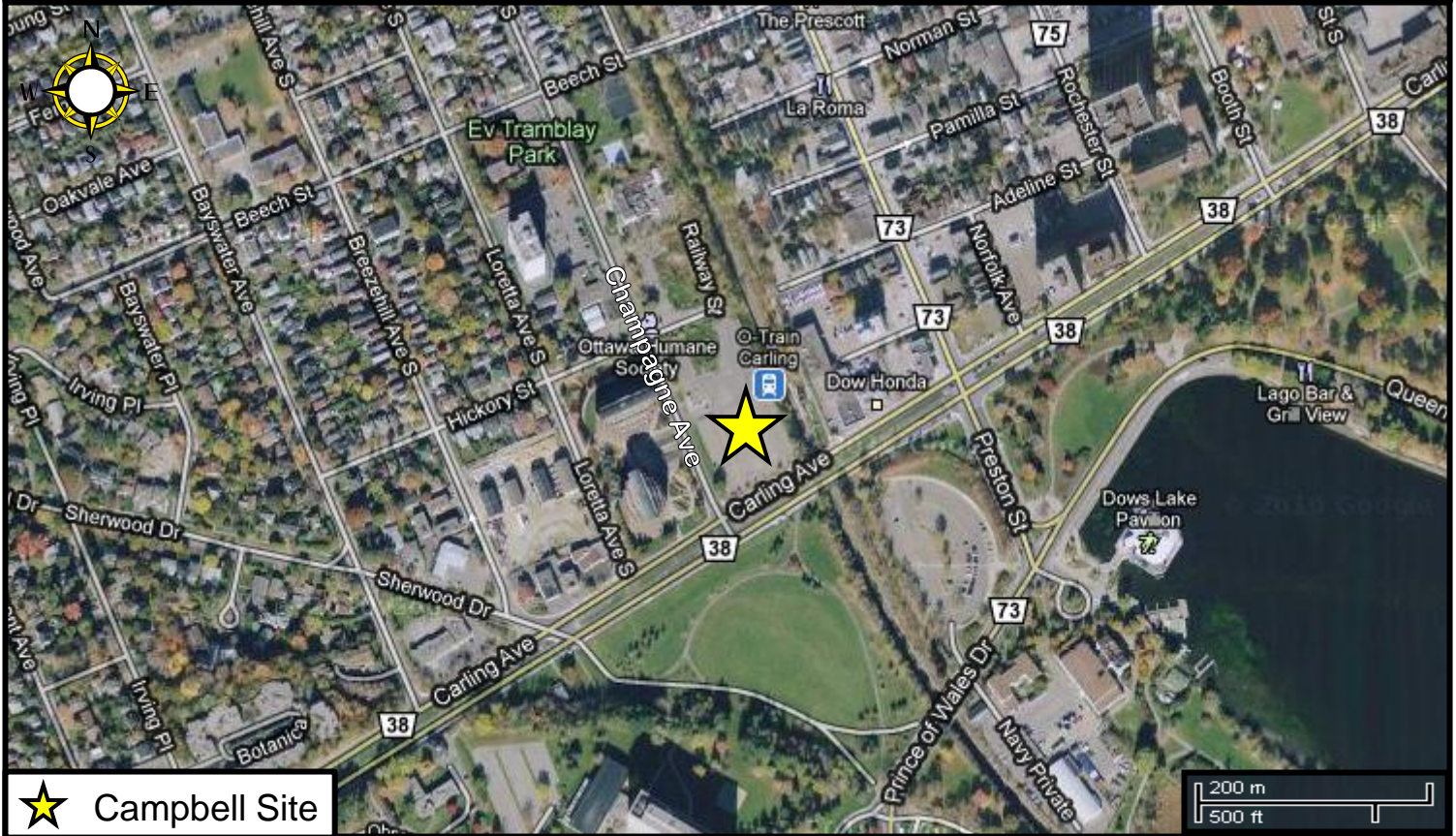
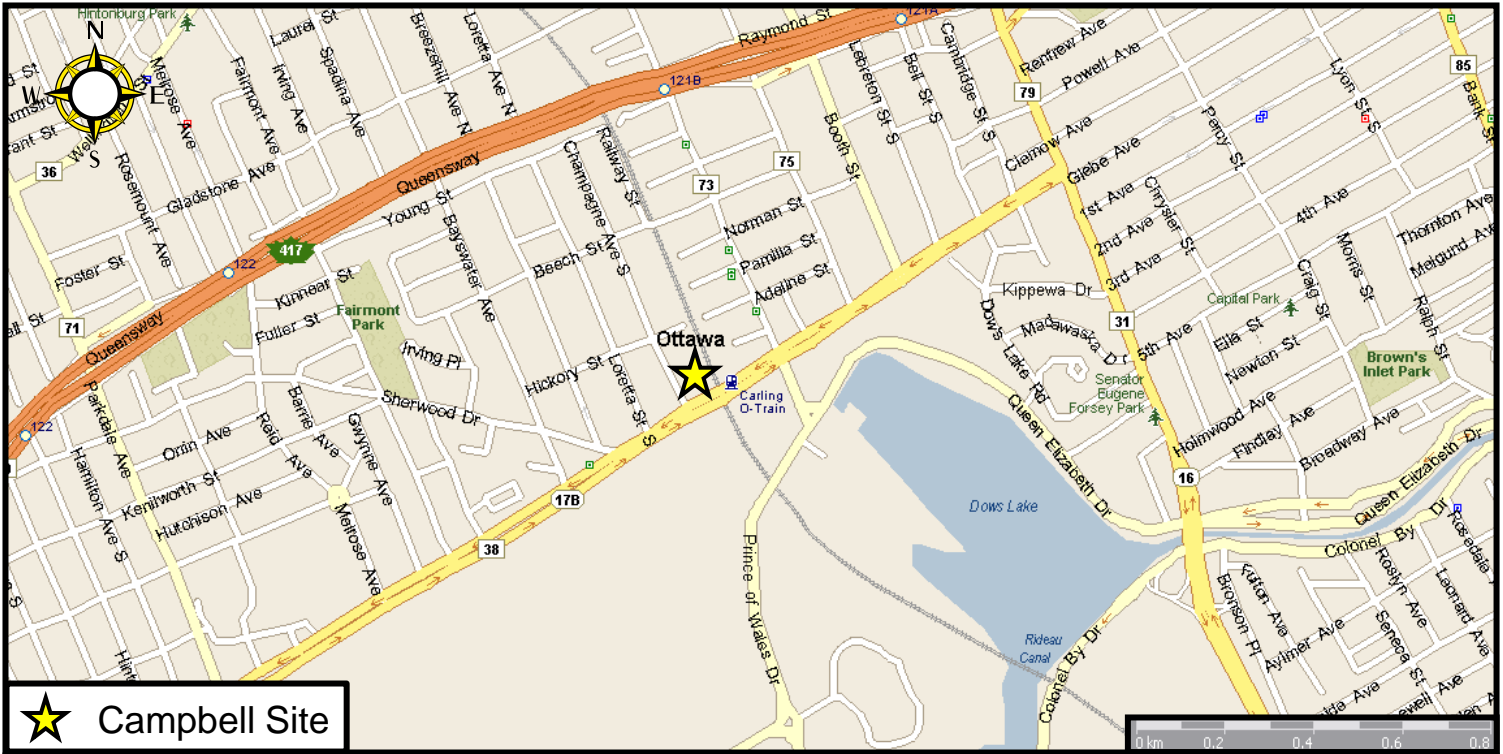
The Site is presently used for parking and includes approximately 300 spaces. This surface parking area primarily serves Civic Hospital employees. A shuttle bus transfers employees from the parking to the Civic Hospital located approximately 1 kilometre to the west, at the intersection of Carling Avenue and Parkdale Avenue.

2.2 Surrounding Land Uses

- **To the north** of the Campbell Steel Site is a vacant parcel of land that is the subject of a zoning application to increase height of the residential uses permitted on it. Further north, south of Beech Street is Ev Tremblay Park, which includes an outdoor swimming pool. At the north east corner of Beech Street and Champagne Avenue is Dirienzo's, a well known grocery and take-out food store.
- **To the east** of the Campbell Steel Site is the Carling O-Train Station. Further east is a Honda automobile dealership. At the corner of Carling Avenue and Preston Street is a CIBC branch. Preston Street includes a Business Improvement Area (BIA) and is also known as Little Italy. There is a wide range of retail and service uses located further to the north, on Preston Street.
- **To the south** of the Campbell Steel Site is green space. Further south is park land and to the southeast is Dow's Lake.
- **To the west** of the Campbell Steel Site, immediately across Champagne Avenue, is Dow's Lake Court, an office and conference facility. At the northwest corner of Loretta Avenue and Carling Avenue is a Rogers Showroom. To the north of the Rogers Showroom is a residential tower currently under development, and further to the north, south of Hickory Street,



SITE AND ACCESS



townhomes are under construction. Along Carling Avenue, further to the west are other retail and service uses, including Distinctive Audio, Sherwood Café and a Ukrainian Community Centre. West of Sherwood Drive is a strip plaza comprised of both retail and service uses.

In the context of 855 Carling Avenue, it is important to note that all of the retail stores to the west of the Site (outlined above) have direct access to Carling Avenue. The retail strip plaza has an entrance off of Sherwood Drive, immediately north of Carling Avenue. All of these retail uses have at-grade parking provided in front of the stores.

2.3 Accessibility

The office development concept plan is indicated on the following page. This two-tower concept is generally applicable to both the office and residential concepts. As indicated in the concept plan, retail commercial space is required by the proposed zoning by-law to be located within 21 metres of Carling Avenue.

This retail commercial space would front onto Carling Avenue and be highly visible to passing traffic. However, access is not permitted from Carling Avenue. Entrances are proposed from Champagne Avenue. There is one entrance in the southern portion of the Site to underground parking. The northern entrance to the site would lead to at-grade parking.

There is a traffic signal at the intersection of Carling Avenue and Champagne Avenue, which facilitates vehicle turning from eastbound Carling Avenue. Westbound Carling Avenue traffic is permitted a right turn onto Champagne Avenue.

2.4 Site and Surroundings Conclusion

There are retail uses on Carling Avenue in the vicinity of the Campbell Steel Site. However, these retailers provide parking in front of their stores and the majority are directly accessible from Carling Avenue. The Campbell Steel Site is challenged in terms of its accessibility. No entrances are proposed from Carling Avenue. No parking is proposed along Carling Avenue. Therefore, the Site is difficult for potential customers in vehicles to enter.



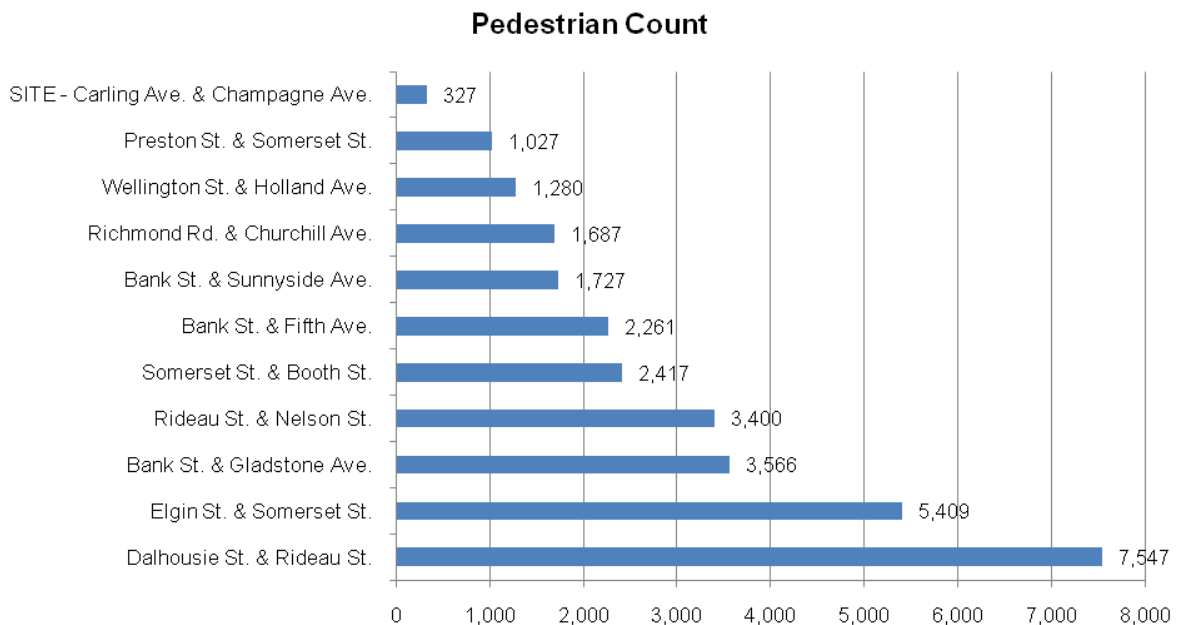
3 Traffic Counts

A primary factor influencing the viability of ground floor retail stores is pass-by traffic volumes. Both vehicle and pedestrian traffic volumes are important and will impact the performance of retail stores.

The City of Ottawa Traffic and Parking Operations Branch conducts vehicle, pedestrian and bicycle counts. TER requested this information for selected areas in Central Ottawa. The locations selected are indicated on the following map. The locations included Business Improvement Areas and Traditional Main Streets, in addition to the intersection of Carling Avenue and Champagne Avenue, adjacent to 855 Carling Avenue. The intersections analyzed were included because they are situated near successful retail locations in Central Ottawa. The traffic counts were provided to TER by Delcan.

3.1 Pedestrian Counts

TER has summarized the City of Ottawa pedestrian count data in the graph below.

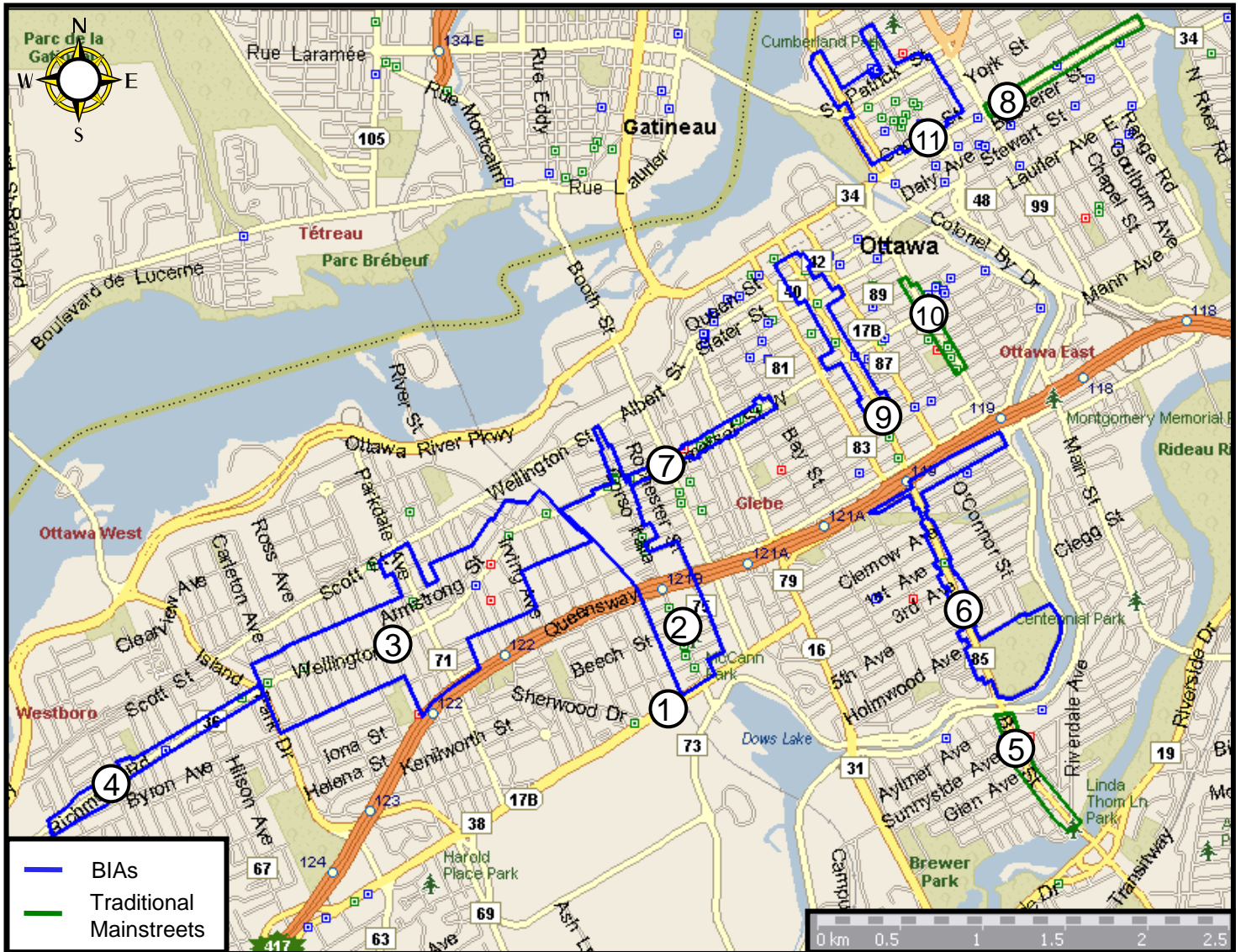


The above graph compares pedestrian traffic volumes at the intersection of Carling Avenue and Champagne Avenue with other locations in downtown Ottawa. The Site is adjacent to the intersection with the least pedestrian traffic of any area analyzed. The Site has less than one third of pedestrian traffic compared to the next lowest retailing area indicated above, the Preston Street BIA.

This low volume of pedestrian traffic is influenced by this area of Carling Avenue being “single-sided”, that is, only developed on the north side of the street. In addition, the



TRAFFIC COUNTS



Map#	Intersection	Area	Pedestrians	Vehicles	Bicycles	Total Intersection Traffic
1	Carling Ave. & Champagne Ave.	Subject Site - 855 Carling Ave.	327	10,641	247	11,215
2	Preston St. & Somerset St.	Preston St. BIA	1,207	8,981	197	10,385
3	Wellington St. & Holland Ave.	Wellington St. W. BIA	1,280	9,863	152	11,295
4	Richmond Rd. & Churchill Ave.	Westboro Village BIA	1,687	13,668	266	15,621
5	Bank St. & Sunnyside Ave.	Old Ottawa South - Traditional Mainstreet	1,727	12,739	535	15,001
6	Bank St. & Fifth Ave.	Glebe BIA	2,261	9,973	372	12,606
7	Somerset St. & Booth St.	Somerset St. Chinatown BIA	2,417	11,694	715	14,826
8	Rideau St. & Nelson St.	Rideau St. - Traditional Mainstreet	3,400	3,069	194	6,663
9	Bank St. & Gladstone Ave.	Bank St. Promenade BIA	3,566	12,070	502	16,138
10	Elgin St. & Somerset St.	Elgin St. - Traditional Mainstreet	5,409	10,326	403	16,138
11	Dalhousie St. & Rideau St.	Byward Market BIA	7,547	11,839	128	19,514

Note: Traffic counts were recorded in all directions at indicated intersections, over an 8-hour period.

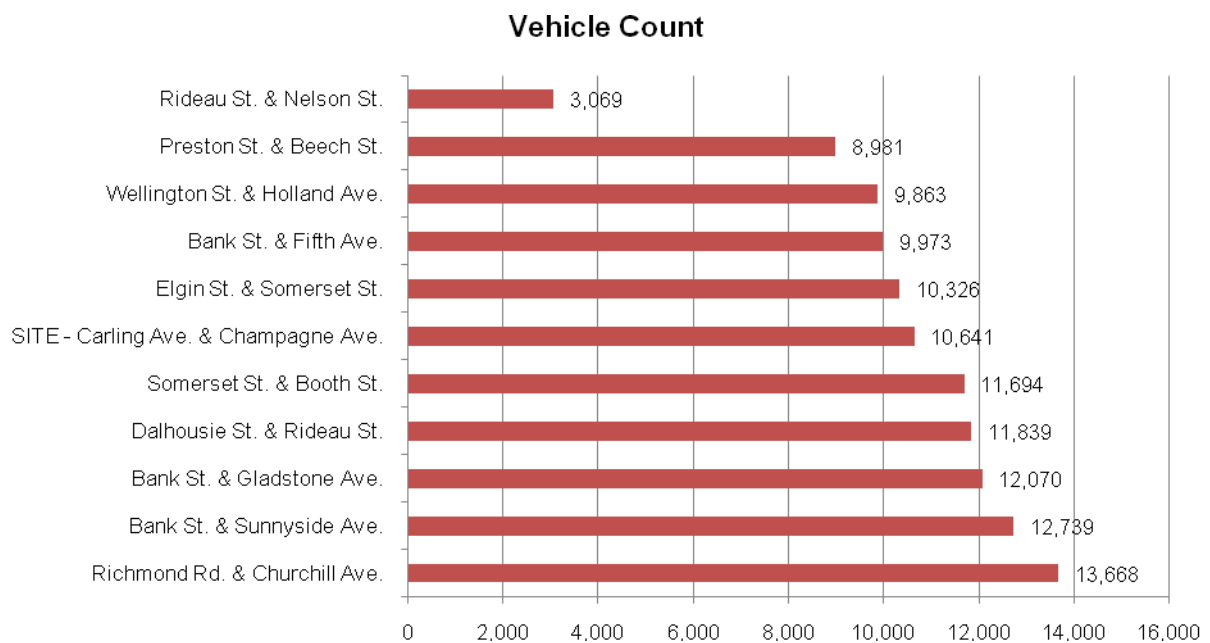


type of development and the arterial nature of Carling Avenue are not pedestrian friendly.

Compared to some of the more well known pedestrian shopping areas, such as the Byward Market (Dalhousie St. and Rideau St.), the Site has less than 5% of the pedestrian traffic. In terms of overall averages, the pedestrian count at the Carling Avenue and Champagne Avenue intersection is less than 9% of the average level indicated in the graph above.

3.2 Vehicle Counts

TER has summarized the City of Ottawa vehicle count data in the graph below.



The Site is near the median and mean, in terms of vehicle traffic, of all the areas surveyed. This vehicle count indicates that the potential retail will be located in a area that has good exposure in terms of passing vehicles, however, as noted in the previous section, there is no direct access provided to the retail space, nor is there any store front parking to be provided.

3.3 Traffic Count Summary

The Campbell Steel Site has the lowest amount of pedestrian traffic of any areas analyzed by TER. Therefore, its potential for success as a retail location is limited in terms of pedestrians. It is near the mid-point of the range for vehicle traffic. The Site will be highly visible from passing traffic, but due to the proposed design of the Site, vehicular access will be limited.



4 Residential Demand For Retail Space

One of the development concepts for the Campbell Steel Site includes two residential towers and multi-storey lofts. The development concept is indicated on the following page. This section of the report summarizes a demand analysis for retail space that could be supported by residents of the development.

If this concept is undertaken, it is anticipated that there will be approximately 400 high density units. It is TER's experience that a persons per unit factor of 2.0 is reasonable for this type of development. Therefore, it can be expected that the Campbell Steel Site will include approximately 800 residents.

4.1 Per Capita Retail Space Norms

TER has conducted inventories of retail and service space in many areas throughout the province, including Ottawa. These inventories typically include a listing of store types and sizes. This information can be compiled to determine typical ranges of retail and service space per capita. The following Table 1 indicates average space per capita figures by TER store classification. Greater detail, and the background for this Table, is provided in Appendix A.

4.2 Permitted Retail Uses

As indicated in the introduction of this report, there are restrictions on the types of uses permitted by the proposed zoning for the Campbell Steel Site. These uses are primarily what TER classifies as service uses, as outlined below:

- Personal Services
- Restaurants and Fast Food
- Financial Services
- Other Services

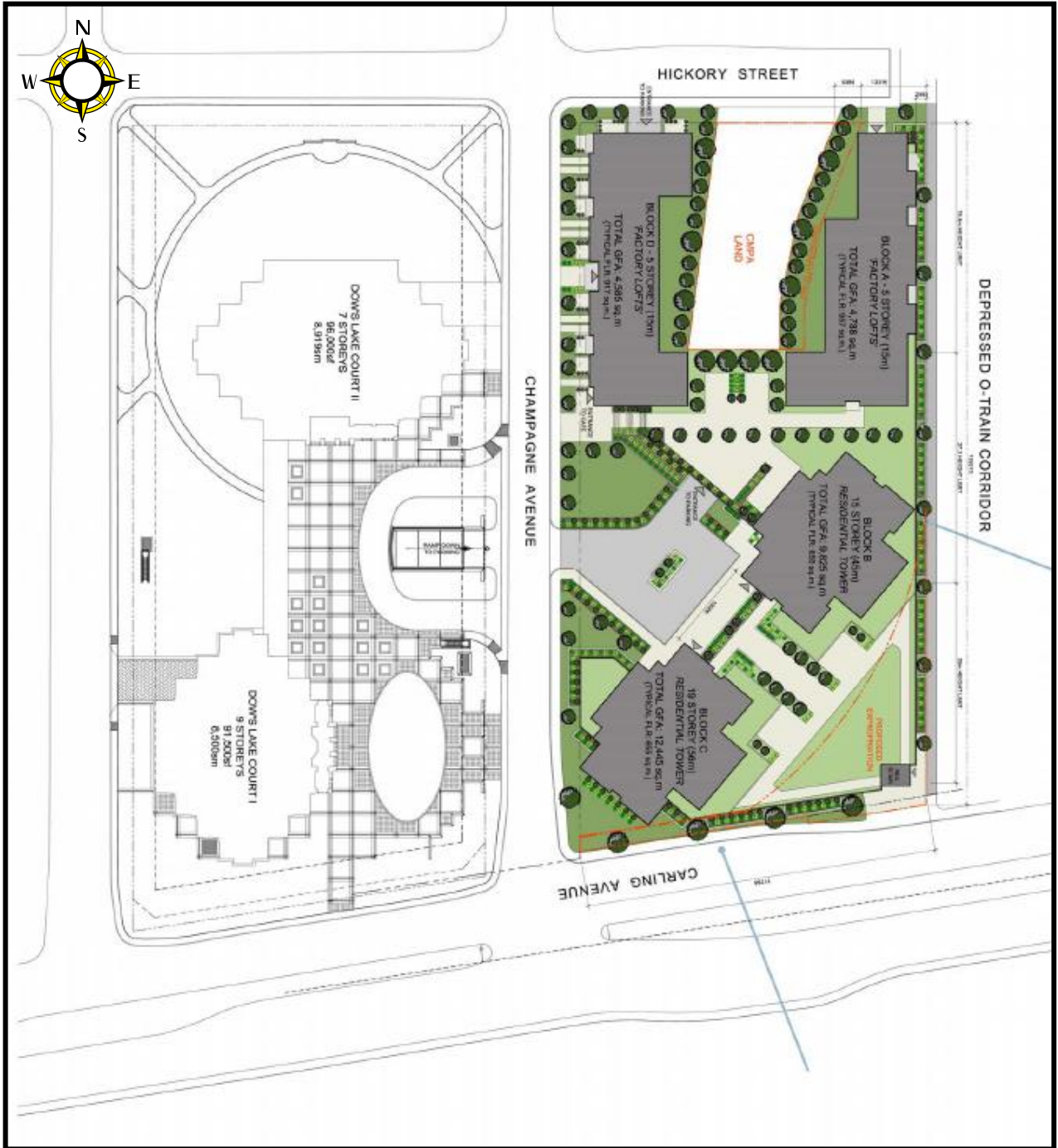
There are two retail uses permitted on the Campbell Steel Site, convenience store and retail food store. Overall, the permitted uses result in approximately 15 square feet of retail and service uses per capita.

4.3 Residential Demand Analysis

Based on an expected total of 800 residents on the Campbell Steel Site and 15 square feet per capita, it can be forecast that residents would support approximately 1,200 square feet of space of the permitted uses. It must be noted that this amount of space could be located on site, elsewhere in Ottawa or beyond.



RESIDENTIAL DEVELOPMENT CONCEPT



NOTE: The concept plans are for illustrative purposes only.



TABLE 1
855 CARLING AVENUE RETAIL MARKET DEMAND OVERVIEW



AVERAGE SQUARE FOOTAGE PER CAPITA RATIOS

	AVERAGE PER CAPITA
Food Oriented Retail (FOR)	
Supermarkets	3.5
Convenience & Specialty Food Stores	1.3
Sub-Total Food Oriented Retail (FOR)	4.8
Non Food Oriented Retail (NFOR)	
Department Stores	4.3
General Merchandise	2.5
Clothing, Shoes & Accessories	3.1
Furniture, Home Furnishings & Electronics	3.9
Pharmacies & Personal Care Stores	1.2
Building & Outdoor Home Supplies	2.1
Miscellaneous Retailers	3.7
Sub-Total Non Food Oriented Retail (NFOR)	20.8
Other Retail & Service Space	
Liquor, Beer & Wine	0.4
Food Services	5.0
Personal Services	1.1
Financial & Real Estate Services	0.8
Other Services	7.0
Sub-Total Other Retail & Service Space	14.3
Total Occupied Retail & Service Space	35.1
Vacant	2.1
Total Retail & Service Space	37.2

Source: TATE ECONOMIC RESEARCH INC.

4.4 Residential Demand Conclusion

There are anticipated to be approximately 400 residential units, housing 800 persons on the Campbell Steel Site. There are a limited range of uses permitted by the proposed zoning. Based on the TER analysis, approximately 1,200 square feet of these types of commercial uses could be supported by residents. However, only a small portion of this 1,200 square feet would be supportable in the building, as this calculation reflects total warranted space, regardless of its location. For example this space could be located in suburban Ottawa, downtown, or not in Ottawa at all. Based on this analysis, TER concludes that residents of the buildings cannot support the amount of space proposed on the Site.



5 Office Worker Retail Demand

One of the development concepts for the Campbell Steel Site includes two office towers. This section of the report summarizes an analysis of market support for retail space that could be generated by employees working at the Site.

If this concept is undertaken, it is anticipated that there will be approximately 400,000 square feet of office space in terms of gross floor area. The calculation to estimate the number of employees is indicated in the upper portion of the following Table 2.

To summarize, TER has estimated that approximately 90% of gross floor area will be gross leasable area.¹ At 90%, the gross leasable area of the office space is approximately 360,000 square feet. It is TER's experience that a typical floor space ratio per office employee is 300 square feet per employee. Based on a total of 360,000 square feet per employee, it can be expected that the Campbell Steel Site will include approximately 1,200 employees.

5.1 Typical Office Worker Expenditures

The most appropriate source of office work spending patterns was conducted by the International Council of Shopping Centers (ICSC). The report is entitled "Office Worker Retail Spending Patterns, A Downtown and Suburban Area Study" and was published in 2004. It summarizes survey data, conducted in five major markets in the United States. It is an update of previous research conducted by ICSC in 1987.

TER has incorporated the ICSC data into our analysis summarized in the lower portion of the following Table 2. The ICSC data indicated average office employee expenditures at between \$1,430 and \$1,530 per employee, on an annual basis. TER has increased these figures to approximately \$1,750 per employee, to reflect an adjustment for the ICSC data being gathered in 2003 and tabulated in US dollar terms.²

5.2 Office Worker Demand Analysis

Based on an expected total of 1,200 employees on the Campbell Steel Site and expenditures of \$1,750 per employee, TER estimates that employees would make approximately \$2.1 million on retail goods and services located near their office. TER applied a typical sales volume for retail and service space of \$350 per square foot to this expenditure volume. This calculation results in market support for approximately

¹The remaining 10% of the gross floor area is assumed to be occupied by stairwells, hallways, washrooms, etc.

²This figure is calculated as follows: Midpoint of annualized expenditures $((\$1,530 + \$1,430)/2 = \$1,480)$ multiplied by Consumer Price Index change from 2003 to 2010 (189 to 215 = 13.8% increase) = 2010 expenditures in USD $(\$1,480 * 1.138 = \$1,684)$. Converting USD to Canadian currency $(\$1\text{Cdn} = \$0.96\text{USD})$. $\$1,684 / .96 = \$1,754$. TER has rounded this figure to \$1,750.



TABLE 2
855 CARLING AVENUE RETAIL MARKET DEMAND OVERVIEW



OFFICE WORKER RETAIL DEMAND ANALYSIS ⁽¹⁾

Estimated Number of Employees			
Total Building GFA	400,000		
Conversion to GLA factor	90%		
Estimated GLA	360,000		
		Range	
Floor Space GLA Per Employee	250	300	350
Total Estimated Employees	1,440	1,200	1,029

Estimated Annual Spending Per Employee ⁽²⁾		
	Category of Office Type	
	Downtown Limited Retailing	All
Lunch ⁽³⁾	\$792	\$731
Convenience Goods	\$521	\$647
Dinner / Drinks	\$117	\$152
Total	\$1,430	\$1,530
Adjusted for inflation US expenditure data = \$1,750 / year		
Number of Employees at Site		1,200
Estimated Annual Expenditures Per Capita		\$1,750
Total Annual Expenditures		\$2,100,000
Estimated Typical Sales per Square Foot Level ⁽⁴⁾		\$350 per square foot
Supportable Retail / Service Space		6,000 square feet

Source: TATE ECONOMIC RESEARCH INC.

- 1) Based on ICSC "Office Worker Retail Spending Patterns, A Downtown and Suburban Area Study", Table L.2
- 2) Includes spending conducted "Closer to Office" only.
- 3) Annual estimate, factored by portion of workers who walk to lunch (60%).
- 4) TER estimate.

6,000 square feet of retail and service space. It must be noted that this amount of space could be located on site, elsewhere in Ottawa or beyond.

5.3 Office Demand Conclusion

It is anticipated that there will be approximately 400,000 square feet of office space on the Campbell Steel Site. TER estimates this space will include approximately 1,200 employees. These employees are forecast to spend approximately \$2.1 million annually on lunches, convenience goods and dinner / drinks. Based on the TER analysis, approximately 6,000 square feet of these types of commercial uses could be supported by residents. However, only a portion of this 6,000 square feet would be supportable in the building, as this calculation reflects the total warranted space based on office worker expenditures. This expenditure may occur along Carling Avenue or in the vicinity of the Campbell Steel Site. It is most likely that the market demand for retail and service uses, such as convenience retailing, lunches, dinner and drinks, will be satisfied by businesses located on Preston Street (Little Italy), which is discussed in greater detail in the following sections of this report.



6 Retail Competition

The purpose of this section of the report is to provide commentary on the retail and service space near the Campbell Steel Site.

6.1 Carling Avenue

Immediately across Champagne Avenue, is Dow's Lake Court, an office and conference facility. It includes a cafeteria designed to serve building occupants. At the northwest corner of Loretta Avenue and Carling Avenue is a Rogers Showroom. Along Carling Avenue, further to the west are other retail and service uses, including Distinctive Audio, Sherwood Café and a Ukrainian Community Centre. West of Sherwood Drive is a retail strip plaza comprised of both retail and service uses.

In the context of 855 Carling Avenue, it is important to note that all of the retail stores outlined above have direct access to Carling Avenue. The retail strip plaza has an entrance off of Sherwood Drive, immediately north of Carling Avenue. All of these retail uses have at-grade parking provided in front of the stores.

6.2 Preston Street BIA (Little Italy)

Ottawa's Little Italy is located primarily on Preston Street. It is located to the east of the O-Train tracks, from Wellington Street to Carling Avenue. Preston Street is located approximately 100 metres to the east of the Campbell Steel Site. The majority of the retail in this BIA fronts onto Preston Street and is located to the north of Carling Avenue. TER conducted an inventory of all retail and service space in the Preston Street BIA. This inventory included the names, store types and addresses of each ground floor commercial use. The inventory of space is summarized in Table 3, on the following page. In total, there is 218,100 square feet of retail and service space in the Preston Street BIA.

In terms of serving office workers or residents of the Campbell Steel Site, the BIA includes the following:

- Restaurants and fast food (41 units, 90,500 square feet);
- Convenience food (6 units, 7,500 square feet)
- Personal services (8 units, 9,700 square feet)
- Financial & Real Estate services (3 units, 9,400 square feet)

6.3 Other Retail in the Vicinity

There are existing retail uses located near the Site. To the north of the Site, at the north east corner of Beech Street and Champagne Avenue is Dirienzo's, a well known grocery and take-out food store. There is also a small convenience oriented plaza



TABLE 3
855 CARLING AVENUE RETAIL MARKET DEMAND OVERVIEW



PRESTON STREET BIA INVENTORY OF RETAIL AND SERVICE SPACE

	Preston Street BIA	# of Units
Food Oriented Retail (FOR)		
Supermarkets	0	0
Convenience & Specialty Food Stores	7,500	6
Sub-Total Food Oriented Retail (FOR)	<u>7,500</u>	<u>6</u>
Non Food Oriented Retail (NFOR)		
Department Stores	0	0
General Merchandise	0	0
Clothing, Shoes & Accessories	2,800	1
Furniture, Home Furnishings & Electronics	900	1
Pharmacies & Personal Care Stores	0	0
Building & Outdoor Home Supplies	42,600	7
Miscellaneous Retailers	2,900	3
Sub-Total Non Food Oriented Retail (NFOR)	<u>49,200</u>	<u>12</u>
Other Retail & Service Space		
Liquor, Beer & Wine	1,900	1
Food Services	90,500	41
Personal Services	9,700	8
Financial & Real Estate Services	9,400	3
Other Services	44,500	14
Sub-Total Other Retail & Service Space	<u>156,000</u>	<u>67</u>
Total Occupied Retail & Service Space	<u>212,700</u>	<u>85</u>
Vacant	5,400	4
Vacancy Rate (%)	2.5%	n.a.
Total Retail & Service Space	<u>218,100</u>	<u>89</u>

Source: TATE ECONOMIC RESEARCH INC.

¹⁾ Based on inventory and site inspections completed by TER in July 2009. Rounded to the nearest 100 square feet.

located at Sherwood Drive and Breezewood Avenue South, which includes Sherwood Market and Deli and other uses.

TER understands that convenience oriented retail space of approximately 5,000 square feet is to be included as a component of a residential community being planned by Starwood Developments to the north of the Campbell Steel Site. It is our expectation that this space would include parking and provide convenience oriented goods and services primarily to local residents.

6.4 Retail Competition Conclusion

There are existing retail uses in the vicinity of the Campbell Steel Site. The Preston Street BIA (Little Italy) is located nearby the site and offers a range of retail and service uses that are able to serve potential residents or employees on the Campbell Steel Site. All of the existing retail space offers parking and direct access to their storefronts.



7 Ground Floor Retailing Success Factors

There are a number of factors that can influence the success of street front retail development. The following list provides an outline of these factors:

- a. Visibility and exposure;
- b. Ingress and egress;
- c. Parking;
- d. Signage;
- e. Synergies with other adjacent uses; and,
- f. Site design and layout.

The following sections of this report expand on these factors and TER comments on the Campbell Steel Site in terms of these success factors.

7.1 Visibility and Exposure

In order for potential customers to be made aware of the retail offerings, the site must provide visibility and exposure to passing traffic. The Campbell Steel Site, due its location on Carling Avenue, an Arterial Main Street, has significant vehicle traffic volumes. However, there is limited pedestrian traffic in the vicinity of the Site.

The proposed location of the retail space fronting directly onto Carling Avenue would provide visibility and exposure to passing residents. There is a signalized intersection at Champagne Avenue and Carling Avenue. However, Champagne Avenue is less travelled than Carling Avenue where the speed limit is 60 kilometres per hour.

7.2 Ingress and Egress

Typically, customers require easy access to and from any retail site. The ingress and egress points proposed for the Campbell Steel Site are located on Champagne Avenue and Hickory Street. There are no access points to the Site on Carling Avenue. Therefore the access characteristics of the Site are considered poor for retailing.

7.3 Parking

Availability and amount of parking is influential to the success of retail. There is no parking permitted on Carling Avenue, the southern portion of the Site where the proposed retail is to be situated. There will be no parking in front of the proposed retail space, because of the proposed layout of the Site. The majority of parking spaces (742 spaces) are to be provided in four underground levels and 58 surface parking spaces are to be located in the northern portion of the Site. The parking is not directly adjacent to the retail uses.



7.4 Synergies with Other Uses

Most retailers tend to cluster together. Given the location of the O-Train tracks to the east of the Site, there is little potential for synergies with existing or future retail uses to the east of the Site. To the immediate west, retail space is limited to a cafeteria in the adjacent multi-story office building. To the south, the lands are undeveloped, and therefore contain no opportunities for synergies.

7.5 Signage

Most retailers have standardized signage requirements. Ground level retailer's desire for large, standardized signage is often in conflict with users of either multi-level residential or office uses located above.

Signage on the Campbell Steel Site would be highly visible to passing vehicular and pedestrian traffic. However, given that the majority of the parking is located to the north of the Site or underground, there is limited connectivity between signage and customer traffic at the proposed retail space.

7.6 Site Design and Layout

As outlined above, the retail space is proposed to front directly onto a sidewalk along Carling Avenue. There is no parking permitted on Carling Avenue in the vicinity of the Site. The parking for the property is proposed to the north of Site, not adjacent to the proposed retail uses. There is limited connection between parking and retailing.

Access to the Site is not provided from the primary vehicle route (Carling Avenue). Access and parking are not conducive to retailing.

7.7 Ground Floor Retailing Success Factors Conclusion

The Site provides the opportunity for good visibility to vehicles in the area. However, due to the limitations provided by low pedestrian traffic, limited signage, accessibility and parking, TER does not consider the Campbell Steel Site to be appropriate for retailing.



8 Campbell Steel Site's Potential For Ground Floor Retailing

This report has summarized TER's research into the market demand for retail space on the Campbell Steel Site, in the format proposed. It has been determined that there is significant vehicular traffic in the area and limited pedestrian traffic. However, the design of the Site, with limited parking and accessibility limits the ability of proposed retail uses to capitalize on the vehicular traffic.

If developed for residential uses, future residents would support a limited amount of retail space, in the categories recommended in the proposed zoning by-law. Similarly, if the Site is to be developed for office uses, future employees would also generate market demand for limited retail uses. However, this market demand is more appropriately served by other nearby locations, such as along Preston Street.

8.1 Conclusion

It is the professional opinion of TER that 855 Carling Avenue is not appropriate for the retail space required by the proposed changes to Zoning By-Law 2008-250. It is our opinion that this space would not be marketable and is not required to meet the needs of future office employees or residents of the Campbell Steel and Iron Works Site.



Appendix A – Retail Space Per Capita Examples



TABLE A-1
855 CARLING AVENUE RETAIL MARKET DEMAND OVERVIEW



AVERAGE SQUARE FOOTAGE PER CAPITA RATIOS

	Whitby 2006	Tillsonburg 2006	Guelph 2008	London 2006	Milton 2007	Georgetown 2007	Pickering 2008	Central Ottawa 2009	TOTAL	AVERAGE PER CAPITA
Food Oriented Retail (FOR)										
Supermarkets	504,900	65,400	423,100	487,233	148,800	272,600	278,700	116,200	2,296,933	3.5
Convenience & Specialty Food Stores	109,700	23,700	210,700	91,555	63,900	59,900	108,000	208,500	875,955	1.3
Sub-Total Food Oriented Retail (FOR)	614,600	89,100	633,800	578,788	212,700	332,500	386,700	325,700	3,173,888	4.8
Non Food Oriented Retail (NFOR)										
Department Stores	132,400	79,600	505,300	556,800	243,300	154,500	527,300	595,300	2,794,500	4.3
General Merchandise	244,900	67,000	262,300	511,553	120,700	92,600	282,000	26,700	1,607,753	2.5
Clothing, Shoes & Accessories	105,800	39,800	356,200	469,762	92,800	94,500	362,800	471,900	1,993,562	3.1
Furniture, Home Furnishings & Electronics	616,500	104,700	608,500	552,160	108,900	128,600	288,200	161,600	2,569,160	3.9
Pharmacies & Personal Care Stores	147,000	29,100	163,100	150,046	35,700	31,100	76,600	124,800	757,446	1.2
Building & Outdoor Home Supplies	293,000	87,100	291,000	273,200	251,800	44,100	85,400	67,700	1,393,300	2.1
Miscellaneous Retailers	318,400	63,700	586,300	454,027	142,700	83,100	368,700	392,100	2,409,027	3.7
Sub-Total Non Food Oriented Retail (NFOR)	1,858,000	471,000	2,772,700	2,967,548	995,900	628,500	1,991,000	1,840,100	13,524,748	20.8
Other Retail & Service Space										
Liquor, Beer & Wine	29,300	14,400	48,900	54,849	19,600	13,800	28,000	46,600	255,449	0.4
Food Services	402,900	95,400	621,700	398,261	219,200	146,000	299,700	1,064,400	3,247,561	5.0
Personal Services	99,700	22,800	141,200	87,093	51,100	55,900	92,900	198,800	749,493	1.1
Financial & Real Estate Services			275,000				95,200	167,100	537,300	0.8
Other Services	718,400	184,200	1,489,700	608,880	361,000	394,100	396,000	402,800	4,555,080	7.0
Sub-Total Other Retail & Service Space	1,250,300	316,800	2,576,500	1,149,083	650,900	609,800	911,800	1,879,700	9,344,883	14.3
Total Occupied Retail & Service Space	1,578,600	876,900	5,983,000	4,695,419	1,859,500	1,570,800	3,289,500	4,045,500	23,899,219	35.1
Vacant	177,100	91,900	303,700	378,291	119,800	52,800	92,000	182,700	1,398,291	2.1
Vacancy Rate (%)	4.5%	9.5%	4.8%	7.5%	6.1%	3.3%	2.7%	4.3%	5.1%	
Total Retail & Service Space	3,900,000	968,800	6,286,700	5,073,710	1,979,300	1,623,600	3,381,500	4,228,200	27,441,810	37.2

Source: TATE ECONOMIC RESEARCH INC.