

**Attachment #1**

*Phase 1 Draft Summary*

*Retail Strategy Report*



# RETAIL STRATEGY NEW WESTMINSTER

## PHASE 1 REPORT EXECUTIVE SUMMARY

FEBRUARY 25, 2022 | V.1 DRAFT FOR REVIEW  
IN COLLABORATION WITH HAPPY CITY LAB INC.

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## **INTRODUCTION**

The New Westminster Retail Strategy is intended as a guide for municipal staff, **local stakeholders** and elected officials to make strategic commercial land use decisions, informed by notable emerging trends, New Westminster's market position within the regional retail landscape, and clear analysis that identifies key opportunities now and in the future. This 'Phase 1' Report provides detailed discussion and analysis, the latter informed by primary research and data gathering, culminating in the presentation of both city-wide and area-specific demand (by category), supply (by category), and notable implications for land use and related policy. This report sets the stage for the second phase document to follow.

## **NOTABLE RETAIL TRENDS**

There are many current and emerging trends in the retail ecosystem that could have direct implications for the evolution of commercial areas and corridors in New Westminster. Greater detail on each can be found in the main report document.

## **OMNI-CHANNEL RETAIL ADAPTATION**

This refers to an approach marketing, selling, and serving customers in a way that creates an integrated customer experience. COVID-19 has led to a shift in the need for most businesses to adopt online strategies. At the same time, bricks-and-mortar business remain a critical element for most businesses. The future of sales and customer interaction will be increasingly in the online environment; however, the physical store will play a critical role for direct customer interface and distribution.

## **MICRO-WAREHOUSING / DISTRIBUTION / LOGISTICS**

The rise of e-commerce is driving the need for smaller warehousing options closer to customers. Some of these may take the form of dedicated storage facilities, while others may be embedded within existing commercial spaces (e.g., re-programming of internal space in a grocery store, or big box store). As the volume and importance of e-commerce increases, so must the efficiency and speed of online order fulfillment, while also taking the load off retailers storing and managing inventory.

## **GHOST KITCHENS & DARK STORES**

Ghost kitchens are industrial kitchens designed to make food for pick-up or delivery. A number of restaurant concepts have opened using ghost kitchens in recent years, with the goal of capitalizing on the growth in food delivery platforms. This trend was already emerging pre-COVID and has been rapidly accelerated since.

As restaurants and grocery stores pivot into partnerships with delivery operators, those delivery services themselves are expanding through the operation of their own 'dark store' warehouses, from which they offer free delivery of 2,000+ items. Dark stores are a term for retail grocery stores whose sole purpose is the fulfillment of pickup and delivery orders. They are typically being located in urban areas relatively near customers, are smaller than grocery stores, and stock a lower variety of products. Their sizes range from <2,000 square feet to >40,000 square feet.

For traditional large-scale grocery store operators, ghost kitchens have been a large source of growth since the onset of the pandemic. Online grocery sales – for delivery or curbside pickup – have increased dramatically over the past 2 years. In 2019, an online survey indicated that 15% of Canadians bought groceries online and picked them up in store. The same survey conducted in Q1 2021 showed that this figure had increased to 31%.<sup>1</sup> This type of pattern is leading to changes in the Canadian grocery industry.

## COMBINATION STORES

Small-scale manufacturing, with ancillary retail and /or service space, is a phenomenon that is on the rise, particularly in denser, more expensive urban environments. Its success requires more flexible zoning regulations to accommodate it. In some cities, this has taken the form of ‘craft districts’ where products are made and exported, but also sold on site. This can include apparel, homewares, sporting goods, musical instruments, and food & beverage. This type of small-scale manufacturing / retail / service is growing in demand, building on changing consumer for locally, ethically and sustainably sourced products.

Zoning bylaws are under increasing pressure to ensure they can accommodate artisanal producers that blur the lines between light industry, retail and service commercial. Many artisanal businesses would benefit from ‘performance-based’ regulation that judges appropriateness based on local impact rather than use.

## MICRO RETAIL

This concept may include multiple vendors ‘co-locating’ in a shared space, utilizing shared resources (e.g., one commissary kitchen, one seating area). A food hall is a good example of this concept. Or, it may encompass individual retail units that are much smaller than the average, likely under 500 square feet. The intent is to provide an entry-level “ for small businesses to establish a bricks-and-mortar location, without the financial requirements and risks typically expected in a standard retail lease. Micro units are typically set up for flexibility in lease term.

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<sup>1</sup> Statista, July 2021 data release.

# CITY-WIDE RETAIL INVENTORY

A complete inventory of all retail and service commercial business floor area across the City of New Westminster was prepared by way of extensive walking / driving field surveys, aided by GIS data outlining building footprint sizes, building heights, and in some cases, the sizes of individual commercial units. The field surveys were completed during the summer and fall of 2021. Each data point was reviewed, categorized and analysed to determine current spatial patterns across the City, and in each of the City's retail areas. Highlights from this survey are presented below.

## KEY DEFINITIONS

Each business point from the field survey has been assigned a 'category cluster' for ease of reporting and discussion. These category clusters, and the types of businesses included in each, are shown in the table below.

**Table A: General Retail and Service Commercial Category Definitions**

<b>Category Cluster</b>	<b>What is Included?</b>
<b>Arts, Culture, Entertainment, &amp; Recreation</b>	Performing arts venues and schools; fitness, recreation sports centres (gym, fitness, health); gambling; other amusement/ recreation.
<b>Comparison Retail</b>	Books, hobbies, toys, games, clothes, accessories, luggage, electronics, appliances, furniture, gifts, jewellery, lawn/garden/hardware, office supplies, pet store, shoe store, sporting goods, general merchandisers.
<b>Convenience Retail</b>	Grocery stores, specialty food stores (e.g., bakeries, fish markets, green grocers), convenience stores, liquor stores, pharmacies, florists, optical goods, supplements, gas station convenience stores.
<b>Restaurant Food &amp; Beverage</b>	Full-service restaurants, limited service restaurants (quick-serve), drinking places.
<b>Service Commercial</b>	Financial, legal, insurance, vehicle, real estate, photography, health, employment, travel, security, educational, social, hair, laundry / dry cleaning, tattoo/piercing, funeral, pet care, automotive
<b>Vacant</b>	Vacant and committed (i.e., business waiting for permits); Vacant and for sale / lease Vacant and under construction.

The Service Commercial category has been further divided into 8 sub-categories, as per Table B.

**Table B: Service Commercial Category Cluster Definitions**

<b>Category</b>	<b>What is Included?</b>
Automotive Services	Garages, auto service centres
Commercial Services	Photography, repair + maintenance, pet care, photography, printing
Education + Training Services	Technical schools, trades training, athletic instruction (e.g., gymnastics, martial arts, yoga)
Finance, Insurance, Real Estate (FIRE) Services	Banks, insurance brokers, real estate agencies, other consumer lending services
Health Services	Doctors, dentists, optometrists, physiotherapists, mental health, chiropractic, other
Personal Services	Hair care / esthetics, ear piercing, hair removal, massage, sauna, tattoo, dry cleaning, laundry
Professional Services	Accounting, tax preparation, bookkeeping, payroll services
Social Services	Childcare, family services, relief services, vocational services.

## INVENTORY

The City of New Westminster is home to approximately **3.22 million square feet of retail / service commercial floor area across 1,046 units**. Of that, just over 247,000 square feet were vacant (across 111 units) at the time of survey, for a vacancy rate of 7.7% on a floor area basis and 10.6% on a unit-count basis.

- **Arts, culture, entertainment**, and recreation businesses account for 2.9% of units (30) and over 7% of floor area (234,115 sq.ft.). These businesses tend to be larger, with an average unit size over 7,800 square feet.
- **Comparison retail** businesses account for over 15% of commercial units and 25% of commercial floor area across the City. The average unit size in this category is just under 2,800 square feet, excluding larger format categories like Building Materials and General Merchandise.
- **Convenience retail** businesses account for nearly 11% of commercial units and 14.5% of commercial floor area. This includes 13 “Supermarket and Other Grocery Store” businesses, 21 Specialty Food stores, 12 liquor stores, and 16 pharmacies / health and wellness stores. The average store size in this category is just over 4,200 square feet with grocery stores included, and just under 2,000 square feet with grocery stores excluded.
- **Restaurant Food and Beverage** businesses account for over 20% of businesses City-wide, and just over 12% of total floor space. There are 135 ‘quick serve’ restaurants and 73 ‘full service’ restaurants / bars. The average floor area of the quick serve units is smaller (1,160 sq.ft.), vs. just over 3,100 sq.ft. for full service businesses.
- The broad clustering of **Service Commercial** is, perhaps unsurprisingly, the category which encompasses the greatest number of commercial units and the largest proportion of total floor space in the City (40.5% and 33.2%, respectively). The 3 most prominent sub-categories are:
  - Education and training services (8.8% of floor area)
  - Health services (8.7% of floor area)
  - Finance, Insurance and Real Estate (4.7% of floor area).

Table C on the following page provides a breakdown of retail floor area by neighbourhood.

Table C: Retail Commercial Floor Area by Neighbourhood

Broad Commercial Category	Downtown	Uptown	Queensborough	12th	Sapperton	Connaught Heights	McBride Blvd
Arts, Culture, Entertainment, & Recreation	115,968	17,937	91,110	1,300	6,000	0	1,800
Comparison Retail	115,412	188,825	383,925	57,449	40,734	600	20,100
Convenience Retail	130,132	161,754	23,353	26,165	60,602	7,837	58,427
Restaurant Food & Beverage	132,018	91,213	60,714	46,484	40,918	3,800	20,359
Service Commercial	411,761	297,293	43,934	100,305	158,381	14,364	43,337
Automotive Services	0	837	0	4,592	8,600	0	444
Commercial Services	50,540	18,860	1,050	18,200	3,800	2,000	4,000
Education + Training	199,015	18,595	5,875	17,360	32,434	4,200	11,100
Finance, Insurance, Real Estate (FIRE)	48,542	81,675	5,634	4,300	6,000	0	3,700
Health Services	36,600	106,076	6,600	18,707	96,726	4,200	10,293
Personal Services	29,160	42,409	14,775	29,176	9,135	1,800	8,000
Professional Services	16,415	22,841	0	1,000	0	0	1,800
Social Services	31,489	6,000	10,000	6,970	1,686	6,364	4,000
Vacant	84,558	38,957	78,925	23,972	10,916	3,300	6,500
<b>Retail-Commercial Totals</b>	<b>989,851</b>	<b>795,979</b>	<b>681,961</b>	<b>255,675</b>	<b>317,552</b>	<b>29,901</b>	<b>150,523</b>
<b>Retail-Commercial net of Arts/Culture</b>	<b>873,883</b>	<b>778,042</b>	<b>590,851</b>	<b>254,375</b>	<b>311,552</b>	<b>29,901</b>	<b>148,723</b>



- Downtown and Uptown together account for 56% of the City's retail commercial floor area. Each area individually contains at least 50% of the City's floor area in the following categories:
  - Downtown:
    - Arts, Culture, Entertainment, Recreation: 50%
    - Education and Training Services: 69%
    - Commercial Services: 51%
  - Uptown
    - Finance, Insurance and Real Estate Services: 55%
- Downtown also accounts for 34% of the total vacant floor area in the City.
- Queensborough is home to just over one-fifth of the total floor area in the City, with particularly notable representation in the Comparison Retail category (48% of total) due to the presence of Queensborough Landing. Notably, Queensborough is also home to 32% of the City's vacant retail floor space.
- Sapperton and 12<sup>th</sup> are each primarily neighbourhood-oriented retail precincts serving their local trade areas, however each also caters to notable 'inflow' customer bases from beyond the local areas
  - Sapperton, home to Royal Columbia Hospital, is also home to a large clustering of related Health Service providers. The Service commercial category accounts for half of the total commercial floor area in Sapperton, and of that, 30% is used by various health service providers.
  - 12<sup>th</sup> Street has a well-balanced mix of retail and service commercial, plus a notable amount of niche comparison retail. The latter accounts for 22% of floor area in 12<sup>th</sup> (vs 13% in Sapperton).
  - Both Sapperton and 12<sup>th</sup> offer a variety of restaurant food and beverage options. These types of businesses account for 18% of the floor space on 12<sup>th</sup> Street, and 13% in Sapperton.
- McBride Boulevard's retail offerings are primarily clustered along 8<sup>th</sup> Avenue, and primarily offers convenience retail and service commercial (70% of total combined floor area). The main draw is Royal Square Mall
- Connaught Heights' retail offerings are very limited, containing 20 businesses in under 30,000 combined square feet. Most of this floor area is convenience retail and service commercial, the latter predominantly consisting of early childhood education and healthcare.

Overall, the retail landscape of New Westminster shows many signs of health and vitality, as well as instances of areas that struggle, or areas in transition.

- The 'skeleton' of New Westminster is the Uptown spine and the Downtown core, with the two areas together comprising more than half of the City's retail floor area and 59% of retail units. The areas also account for more than half of commercial vacancies.
- The Downtown is the primary home of the City's arts and culture sectors
- The strength of Uptown from a commercial mix standpoint extends its drawing power well beyond its immediate neighbourhood. This in turn limits the need (and opportunity) for retail in other areas, most notably along 12<sup>th</sup> Street.

- 12<sup>th</sup> Street has a healthy core area, but is increasingly under redevelopment pressure. While this redevelopment will bring more resident customers into the local trade area, the Uptown proximity (as well as proximity to southeast Burnaby) will continue to exert a large influence, which will limit the extent of opportunity in certain categories.
- Sapperton has a compelling tenant mix and serves its local trade areas (plus growing hospital precinct) well.
- Other areas serve niche roles within their local neighbourhoods.

## **OUTREACH & SURVEYS**

Primary research was conducted with business owners, operators, and retail customers in New Westminster through a combination of door-to-door business engagement, online surveys, and one-on-one interviews. At the time of writing there remain some outstanding inquiries to property owners. Additional interviews will be conducted over the coming months, with results of those summarized in the final report.

### **DOOR-TO-DOOR ENGAGEMENT**

Door-to-door engagement was conducted with retail businesses in the following areas:

- 6<sup>th</sup> Street and 6<sup>th</sup> Avenue, in Uptown
- 12<sup>th</sup> Street, in the West End neighbourhood
- Ewen Avenue, in Queensborough
- East Columbia Street, in Sapperton

Door-to-door engagement in the Downtown was paused due to current construction-related challenges.

The purpose of door-to-door engagement was primarily to learn about the diverse needs, concerns, goals and aspirations of business operators, beyond those typically most vocal. Highlights of feedback received in each area is provided below.

Details of conversations from each of the above sub-areas can be found in the main report document. Below we provide a summary of the key overall themes that were highlighted over the course of 23 individual conversations across the four sub-areas.

### **KEY THEMES**

- Generally, businesses were appreciative of the opportunity to engage face-to-face, and were appreciative that the City was actively engaging in this work.
- There was no significant frustration or complaints towards the City (taxes and costs aside).
- Lack of business association awareness / engagement by some businesses
- Many businesses noted a need to better understand the market / neighbourhood landscape, with newer businesses noting they would have benefited from greater insight prior to opening.
- Promotion / marketing would help newer / smaller businesses find more customers
- People are tired, but optimistic
- Construction disruptions are a pain point
- Ongoing development / redevelopment activity risks impacting, and possibly forcing out, longstanding businesses, particularly in Queensborough, 12<sup>th</sup> Street and Sapperton.

## SURVEYS

Three online surveys were run, targeting commercial property owners, local shoppers, and local businesses, with the survey links being active from June 18 to November 4<sup>th</sup>, 2021. The surveys were promoted in part through the face-to-face engagement and postcard drop-offs discussed above.

Response rates varied survey-to-survey:

- Local business survey: n= 29
- Local shoppers survey: n= 144
- Commercial property owners survey: n = 0

As the survey of property owners received zero responses, we sought commentary from select property owners through direct outreach. Feedback from those conversations is documented separately.

Subsections below present the results from the business and local shoppers' surveys. Below we provide a synopsis of some of the notable findings from the surveys.

### KEY FINDINGS:

The business surveys revealed that business owners are ranking business operating costs, staffing challenges and rental rates as significant challenges of their ongoing operations. In many cases these issues have been exacerbated by COVID-19, which has led to fewer customers, and has also sparked supply chain issues that have driven up costs of goods. Despite these challenges, many business owners have a sense of optimism. Nearly 60% of respondents indicated intent to either expand their business at its current location or keep their location and open another elsewhere in the City. Only 10% indicated intent to close their business.

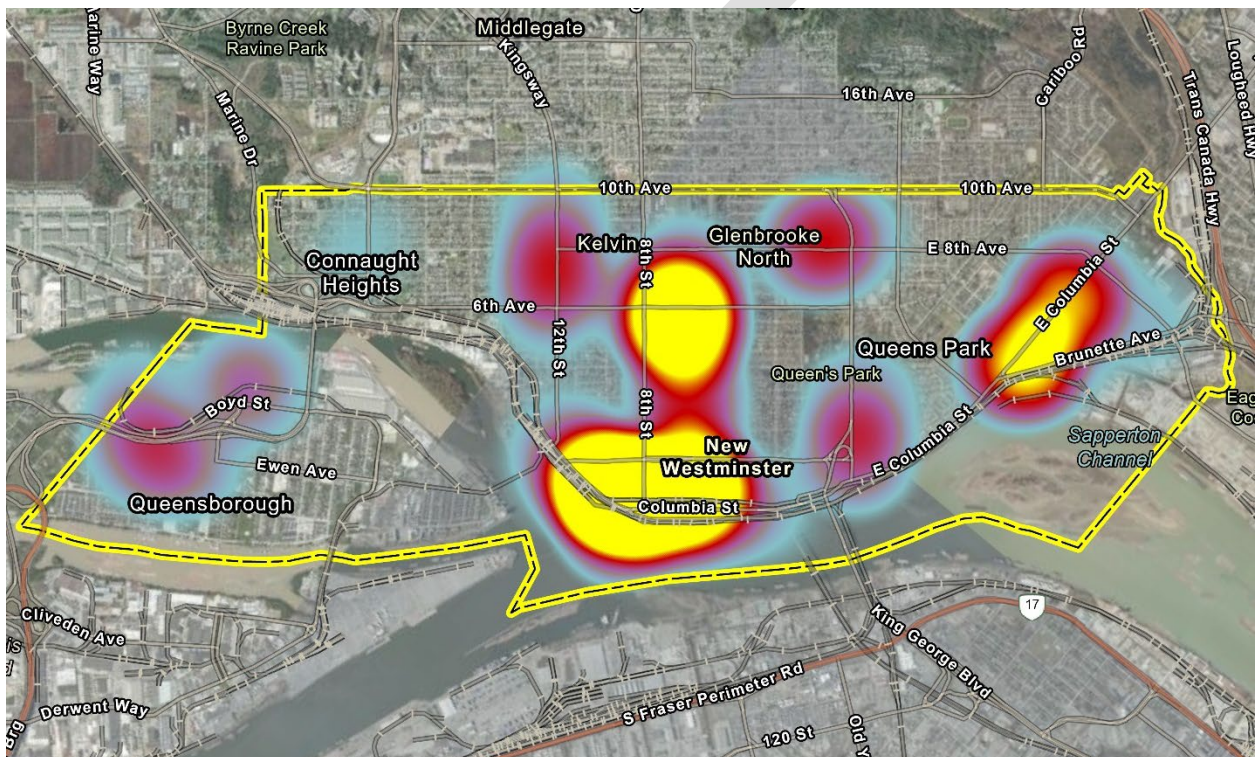
Shoppers surveys are helpful in testing capture rate assumptions, which are in turn used in the process of forecasting future demand by retail category (discussed in Section 6 and 7 below). Shoppers are much more likely to purchase day-to-day convenience goods in New Westminster than comparison retail goods, the latter showing particularly significant outflow in the categories of Furniture / Home Furnishings, Electronics / Appliances, Clothing / shoes / accessories, and Sporting goods hobbies books and music. In some cases, this outflow is simply a function of a lack of opportunity to spend their dollars locally. When polled on preferences, there was a strong desire to see more options in New Westminster in all of the above categories, with Clothing / shoes / accessories scoring highest, followed by Sporting Goods, hobbies, books and music. Interestingly, in the electronics / appliances category, over 50% of respondents said they are either happy to purchase outside New Westminster, or they would prefer to purchase online.

Shoppers are attracted to shopping areas that are physically attractive, safe, and offering a healthy mix of stores and services with consistent business hours that meet their needs. Shoppers also indicate a high level of agreement that supporting local independent businesses is important, provided that they are providing a high quality of goods and services, and a good customer service experience. There was concern over retail vacancies in some areas, and a desire for more unique shops and services to emerge in the City over time.

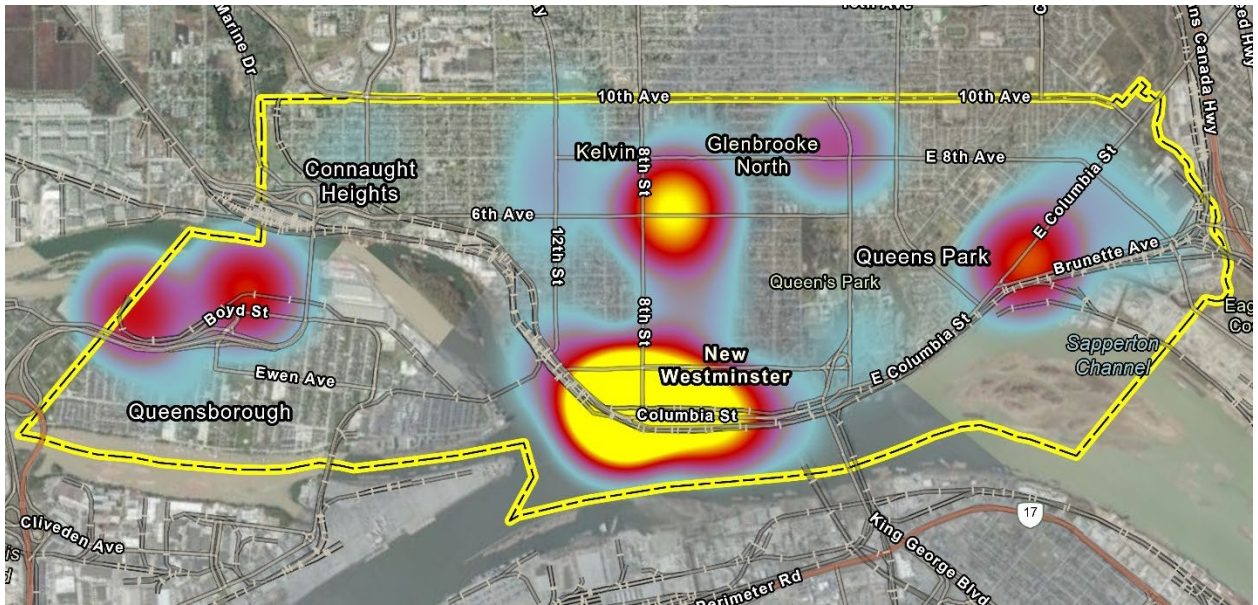
# MOBILITY DATA AND RETAIL TRADE AREA ANALYSIS

City-wide mobility data for the full calendar year of 2019 was used to help define both patterns of interactions with New Westminister's various retail-commercial areas (e.g. hot spots of commercial activity), as well as to support definition of a realistic retail trade area or geographic sphere of influence from a retail-commercial perspective.

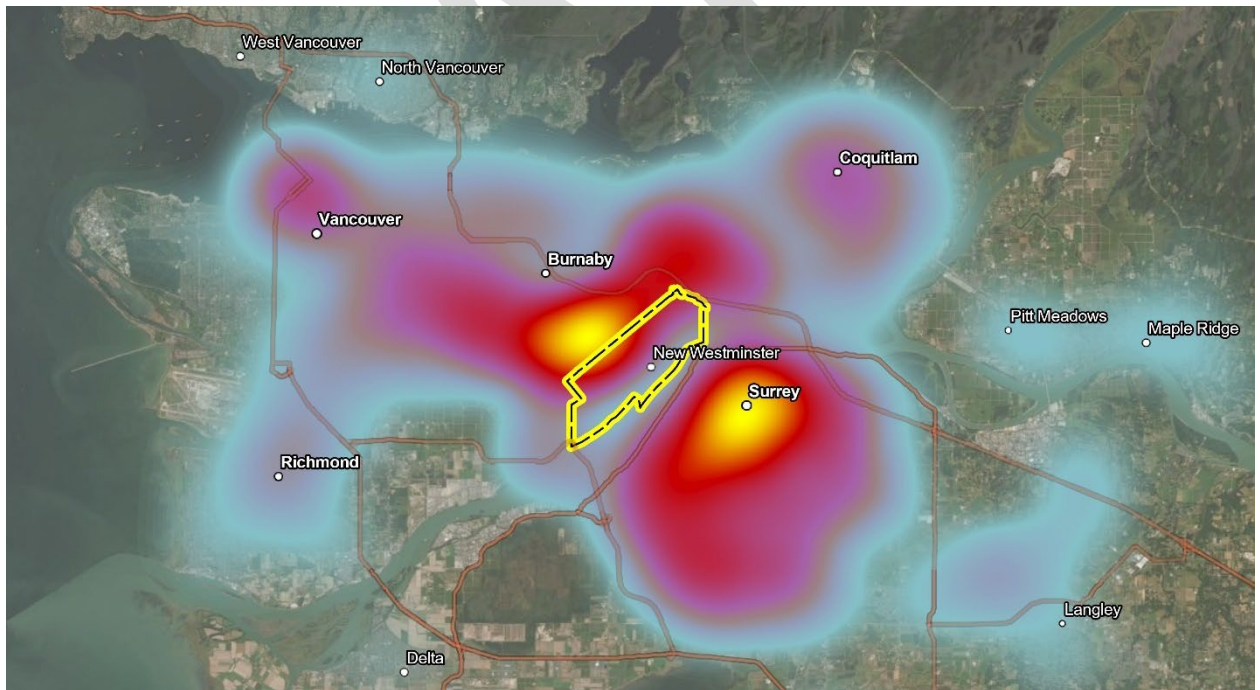
- a. **Commercial Visit Hotspots - New Westminister Residents:** Based on total number of visits throughout a calendar year, the top commercial area activity hotspots for New Westminister residents are Downtown, Uptown, and Sapperton. Both 6<sup>th</sup> Street and Columbia Street serve as the city's primary commercial spine. Other important activity nodes include Queensborough, 12<sup>th</sup> Street, and both Glenbrooke North and Victoria Hill.



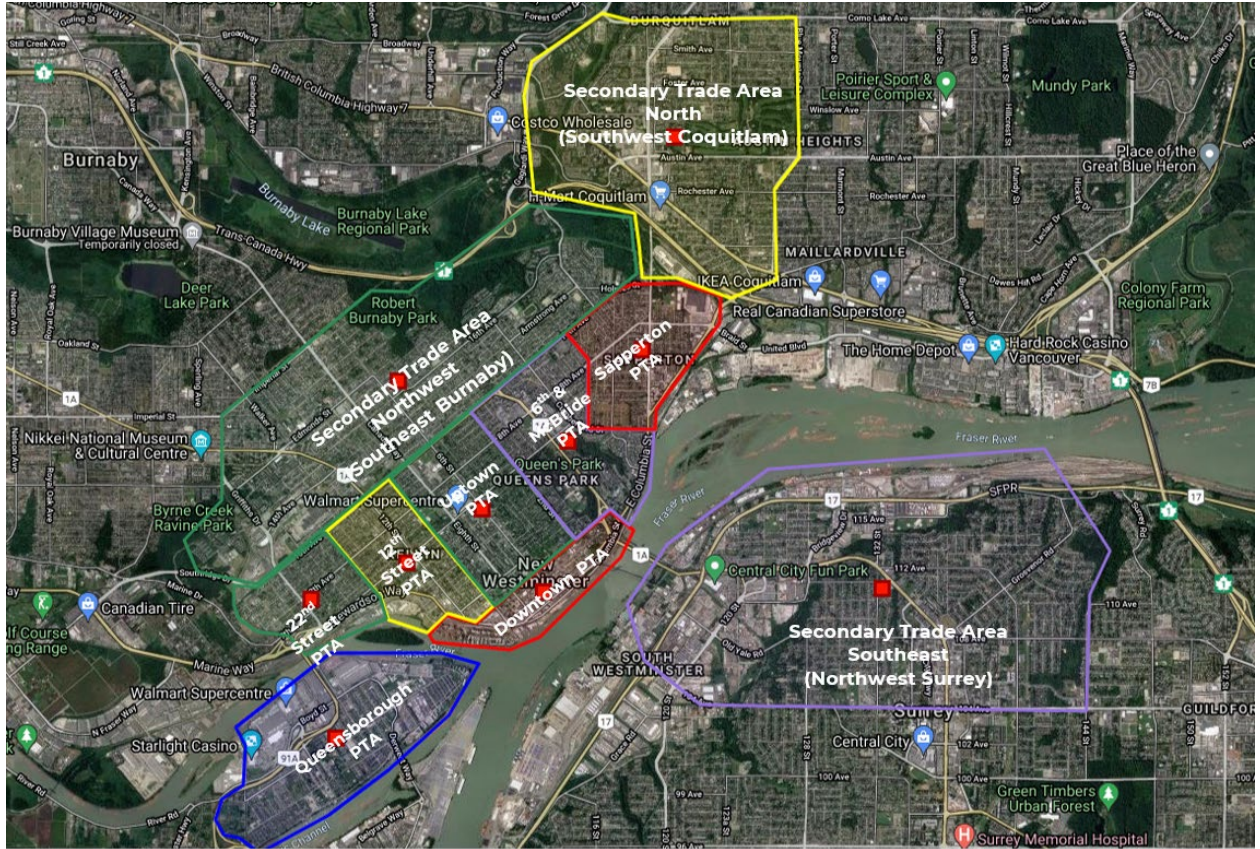
- b. **Commercial Visit Hotspots - New Westminister Visitors:** Non-residents of New Westminister are far more likely to visit Downtown and Uptown, followed by Queensborough and Sapperton, for retail-commercial purposes, relative to other more local-serving nodes.



- c. **New Westminister Retail Drawing Power:** New Westminister’s effective drawing power as a retail destination is better understood with a review of common-evening locations for non-resident visits to the city’s commercial areas. This review indicates that most non-resident visitors travel into the city from southeast Burnaby, southwest Coquitlam, and northwest Surrey.



- d. **New Westminister Retail Trade Area:** To best capture the City of New Westminister’s potential for retail-commercial spending and related businesses and organizations, the City itself was divided into a series of Primary Trade Areas (PTAs) – local area catchments with clearly differentiated local commercial offerings, as well as similarities in residential and market context. Beyond the city boundaries, three Secondary Trade Areas (STAs) were also established to capture high visitor areas in southeast Burnaby, southwest Coquitlam and northwest Surrey.



While New Westminster will continue to draw interest and visitation from well beyond this geographic trade area boundary, particularly in highly specialized categories such as specialty apparel, arts/culture and entertainment, it will continue to generate the vast majority of its retail-commercial spending from within this outlined trade area.

The estimated trade area population for 2021 is 198,300, of which 79,200 residents are within defined PTAs and 119,100 residents are within defined STAs. This total trade area population is expected to reach 215,500 residents by 2031 (88,400 PTA, 127,200 STA).

## RETAIL DEMAND VS. SUPPLY

Retail-commercial market demand was modeled for all New Westminster's major retail-commercial areas and the resulting floor area market support was then compared to each area's commercial inventory. The key findings for each major retail-commercial area are summarized as follows:

- **Downtown New Westminster:** Estimated market support for roughly 750,000 sq. ft. of commercial space in 2021, growing to 841,000 sq. ft. by 2031. This compares to current inventory of 874,000 sq. ft., including roughly 85,000 sq. ft. (or 10%) vacancy. Though short-term challenges, including the pandemic and construction activity have things more difficult ng for local businesses, the area is well positioned to develop a broader mix of local-serving specialty foods, restaurant, and arts/cultural/entertainment offerings to better cater to a growing resident and non-resident market.
- **Uptown:** New Westminster's Uptown area is the city's primary north-south commercial spine, and quantified market support indicates that the area is relatively healthy in terms of representation by category and overall vacancy estimated at about 4%. Tenant rosters and mix with the area's core shopping centres continue to evolve to meet shifting demographics and demand. While current inventory of nearly 780,000 sq. ft. indicates modest oversupply in some categories (local-service-commercial), there are clear opportunities for expanded specialty comparison retail and restaurant food and beverage offerings.
- **Queensborough:** New Westminster's Queensborough area features both local-serving neighbourhood commercial uses, as well as a destination open-format retail cluster (Queensborough Landing). As with most open-format shopping centres developed in the late 1990s and early 2000s, Queensborough Landing has experienced challenges in some comparison retail categories (e.g. clothing, electronics, home furnishings) as growth in spending at both general merchandise stores and at online retailers has grown over the past decade. Though current vacancy levels are significant, a shift to more local-serving service-commercial and convenience retail uses is likely to prove beneficial. Current inventory of roughly 591,000 sq. ft. indicates a current oversupply condition, which indicates potential for a shift to more non-traditional commercial and institutional uses.
- **Sapperton:** Sapperton is primarily a local-serving mixed-use commercial area that is also one of New Westminster's most important employment nodes, including major employers Royal Columbian Hospital, related medical-commercial businesses, TransLink and Coast Mountain Bus Company. Current inventory of roughly 312,000 sq. ft. is indicative of modest oversupply conditions over the immediate term, though this is expected to balance out over the coming decade, as new residents and employees are added to the market. The area's estimated vacancy is 3% to 4%, which is reasonable for an area of this scale.
- **12<sup>th</sup> Street:** The 12<sup>th</sup> Street commercial area is one of New Westminster's important specialty restaurant, specialty foods, and specialty retail nodes. Current commercial inventory of roughly 224,000 sq. ft. does indicate significant oversupply of commercial space over the immediate to medium terms. The area would benefit significantly from increased residential density, and a rationalization of total commercial space as new redevelopment projects are introduced.

## NEXT STEPS

- Preparation of “Phase 2” report, which will highlight City-wide and area-specific recommendations related to:
  - Commercial and business mix recommendations by area
  - Tenant attraction and retention considerations
  - Relevant development forms and concepts, including benchmarks from other relevant jurisdictions
  - Land use policy implications, including land designation and zoning
  - Measurable health indicators by area, for tracking purposes
- Highlighting potential future uses for new data sets and tools that have been acquired and created to support this City-wide retail strategy, particularly:
  - City-wide mobility data set for 2019 – which ideally should be complemented by a full-year dataset ‘post-COVID’ for tracking purposes
  - City-wide retail inventory, in ArcGIS, which can be tracked and updated to analyse change over time, and associated targeted interventions based on emerging trends.
  - Retail demand model, which can be adapted and updated, and which leverages the above-defined trade areas to project future opportunity by category.