

The following questions were submitted in relation to the development of Phase 1 report. Answers, in italics, are below.

Source of “retail space per capita” Ratios

What are these ratios based on and who determines the ratios?

- The analysis in the report is not based on retail-space-per-capita ratios; the trade area modeling is based by trade area. Using ratios is problematic and variable from area to area. Comparing per-capita ratios of towns / cities in completely different regional contexts, or that play different roles within their regions (e.g., major employment centre, other geographic influences) will have significant impact.*
- The model accounts for income levels, and how income differentials area to area will impact spending potential by category. The model is also driven by disposable incomes, not gross incomes. Spending potential by trade area account for these income differentials, and relative propensity to spend on given categories as incomes go up or down.*
- The consideration of mega changes in omni-channel retail was taken into consideration in the retail model, as outlined below.*
- The geographic position of New Westminster overall, and of each retail areas specifically, is accounted for in our trade area market capture estimates (by category), which account for the competitive influences (e.g. New West as being the “hole in the donut” for the retail sector with powerful regional centres in close proximity).*
- New West’s retail centres difficult task/ability to compete in certain sectors (i.e. soft goods), is therefore accounted for in our market shares.*

Oversupply of Retail Space

The report indicates New West has approximately 22 square feet of retail space per person (based on a population of ~80,000). On a national basis (Canada), that number is 16.8 square feet per person (2018). If that is accurate, the amount of oversupply is much greater than the report indicates, and for example why we’re seeing empty storefront at Queensborough Landing, conversion of Royal City Centre’s 2nd floor to medical office and Columbia Street having chronic vacancy, which drives down rental rates.

- Analyzing markets based on historical or comparative per-capita ratios is generally considered problematic and not recommended. For example, Nanaimo’s ratios of floor area per capita a few years back was at or around 45 sq.ft. per person because it is a major regional service centre. Similarly, Edmonton CMA had a 43.9 sq.ft. per capita ratio a few years back, again because of its role in the region (45.4m sq.ft. for 1.035m ppl). Sherwood Park, just east of Edmonton, had 73 sf per capita as of 2017 (35,000 population, 2.5m sf of space). The national ratio of 16.8, while interesting, is not very helpful for municipal-level retail market analysis, particularly for a city at the centre of a large region. The data driving those ratios are not based on an exhaustive*

inventory at a micro level, and may take into account a lot of floor areas that would be excluded from a retail study.

- *For context, at a high-level, our retail demand forecasting methodology / model takes into account:*
 - *Actual retail trade spending, per capita, by retail category, adjusted to trade area-specific populations (i.e., differentials in income levels, household sizes)*
 - *Elasticity (or inelasticity) of spending in each major retail category, when adjusting from provincial-level data to the local level.*
 - *In other words, spending patterns in some retail categories will vary considerably more as incomes increase or decrease - this represents “elastic” spending. Examples of some such categories are jewelry, clothing, and electronics.*
 - *More inelastic spending patterns tend to be observed in convenience-type retail goods (i.e., day-to-day essentials – groceries, gas, health / beauty products).*
 - *Elasticity factors, by retail category, are applied in the model, based on the differences in income levels between the province as a whole and each trade area.*
 - *Restaurant food & beverage spending is estimated per trade-area-specific data using national household spending data surveys.*
 - *Shifts by category to online spending vs. brick-and-mortar, based on trend data to date, and projections into the future from a variety of sources.*
 - *The above projections are repeated multiple times, for each of the trade areas across the City.*
 - *Once we project future spending in a given category (i.e. gross potential retail spending per annum), we then:*
 - *Estimate a market share at a given area (e.g., 12th, Uptown, Downtown etc.) from each trade area, based on actual competitive influences, realistic spending patterns, and observed movement patterns using cell phone data. This is the ‘net retail spending potential’.*
 - *Convert net spending potential to floor area support based on “productivity estimates” (\$ / sq.ft. / annum), which themselves are adjusted from regional level commercial shopping centre data (by category).*
 - *Generally, older lower quality space achieves lower sales per square foot, while newer higher quality space requires higher productivity rates to be viable.*

Blending of Retail and Office Space

Understanding that the lines are blurring between retail and office, but without a clear distinction between uses the results become increasingly difficult to interpret and become less meaningful.

- *For the inventory, major dedicated office spaces were excluded (e.g., Translink / Coast Mtn Bus offices). The only “office” space included in the inventory was that which could in theory be rented for non-office purposes, and second floor space along retail streets that contain various service commercial-type uses. As noted in the report, the inventory captured almost 1.1 million square feet of service commercial space (33.2% of total floor area).*

Functionally or Economically Obsolete Space

A lot of New West’s inventory is old and may no longer be suitable (e.g. poor building condition, low ceiling heights, inadequate electrical capacity, high upgrade costs). Does the inventory capture that?

- *The inventory captures all space (old and new), but does not separate out by quality or date of construction (except in a qualitative way). It is acknowledged that this is an issue in some areas. Incremental spending in any given study area will support less new space than old space (higher \$/sq.ft. required in newer space). So if older buildings are redeveloped, you may not need to replace all of it.*

“Healthy” Vacancy Rate

What is considered a rate that results in a balanced market where tenants have options, but where rental rates support new supply (without being enabled by the development of multi-res above)?

- *Generally 4-6% is a healthy range. 1-2% is too tight a market and above 6 or 7% is generally indicative of over supply or potential mismatch of types of supply with market opportunities. There are areas in transition with older spaces that are not really appropriate for a lot of new retailers.*

Population Growth Forecasts

What are the population growth forecasts for each specific area?

- *See Table 7-1 on page 83 of the report.*
- *These were taken into consideration in forecasting the demand for each area.*