

**MARKET FEASIBILITY  
AND IMPACT REPORT  
Ira Needles Mixed Use  
Commercial Centre Update**

Prepared for  
Ira Needles Commercial Centre Joint Venture

© JOHN WINTER ASSOCIATES LIMITED  
Suite 201, Two Wheeler Avenue  
Toronto, Ontario, M4L 3V2  
  
(416)-691-1870 Fax: 694-6258  
john.winter@sympatico.ca  
www3.sympatico.ca/john.winter

June, 2008

## EXECUTIVE SUMMARY

Ira Needles Commercial Centre (INCC) Joint Venture commissioned John Winter Associates Limited to:

- (a) update our market material with respect to the modifications in the proposed mixed-use Commercial Centre design on Ira Needles at University Avenue, in the Cities of Waterloo and Kitchener. Our *Market Feasibility and Impact Report, Ira Needles Commercial Centre*, dated December, 2005 has already been favourably peer reviewed by the City of Kitchener.

With less retail and much more office space, the new configuration of this mixed-use Commercial Centre holds out the prospect of (i) fewer retail implications, and (ii) much more employment (about 1,070 more jobs at build-out); and,

- (b) respond to a series of questions primarily from the City of Waterloo.

### INCC

The current concept of the Ira Needles mixed-use Commercial Centre is 1,080,200 square feet in size, anchored by two retailers (a department store with a major food department, and a *Lowes* home improvement centre) and two services (a health and fitness facility, and a multiplex cinema).

Forty-six percent of this mixed-use commercial project is allocated to the Waterloo lands (500,561 square feet). Only a third of the generic CRU (specialty stores and services, 128,848 square feet) is located on the Waterloo component.

The Waterloo lands are designated either Industrial (in the rear beside the former landfill) or Arterial Commercial. Today, Waterloo's approved Arterial Commercial component could accommodate some 300,000 square feet of commercial space.

A drop of 95,000 square feet of proposed "food" space has released potential for other food stores in the general vicinity.

### MARKET GROWTH

Using contemporary figures and a present-day space survey, this update report confirms the conclusions of our 2005 study: **there is a market for the INCC project**. This is largely due to:

1. Opening of Ira Needles and its link to the expressway has radically changed the spatial geography of the western suburbs.
2. Growth of the western suburbs. It is a common phenomenon that "retail follows residential". The primary zone around the project accommodates some 110,000 people and they are poorly served locally.
3. Current under-supply of retail. The level of service in terms of "square feet per capita" is considerably below standards applying even over a decade ago in this market area. Indeed in some commercial sectors, this deficiency is deteriorating.  
  
Only a development of the magnitude of INCC can bring the level of service in these western suburbs up closer to an adequate and acceptable level.
4. High leakage of expenditure outside the defined trade areas, particularly in the apparel and furnishings sectors, is some 21 to 28 percent (the household interview survey indicated). More commercial space closer to the intended consumers would reduce the length of shopping trips in this era of high gas prices.
5. Vacancy rate is extraordinarily low, 1.2 percent in the suburban malls. With demand high, there is virtually no space for a new retailer to put down first and last months rent, to enter this western market of Waterloo and Kitchener, and to solve the under-supply problem. For an adequate service level and an adequate vacancy level, new construction is urgently required.

INCC can be absorbed with no detrimental impact on other planned centres. The 110,000 core consumers will benefit with much better service and shorter shopping trips.

### MARKET SUPPORT

The market figures indicate that even with the limited array of as-of-right Arterial Commercial uses, there is a market for the total 501,861 square feet that has been allocated to the Waterloo lands. As-of-right are: the home improvement centre (*Lowes*), the restaurants, the offices, the furniture and furnishings stores, the fitness centre,

the financial institutions, the liquor and beer stores and the office supply store.

There is a market for the ancillary commercial space (the generic commercial space) with just this limited array of as-of-right Arterial Commercial uses.

The market figures indicate that even with the limited array of as-of-right commercial uses permitted on Industrial land, some 367,720 square feet of such uses could be supported if the land dimensions were adequate. As-of-right commercial within an industrial area are: the home improvement centre ( *Lowes*), the restaurants, the offices, the fitness centre and the office supply store.

While the entire space on the Waterloo side of the project could be in as-of-right uses, however, to create an integrated mixed-use development with the Kitchener side of the project, to enhance the consumer experience, to optimize the synergies among the uses, to improve the pedestrian flows within the complex, some minor amendments are sought to achieve design objectives, functional requisites and transit goals. These amendments include:

- A multi-plex cinema (not specifically permitted under the Cm3 zoning, but “places of entertainment and recreation” are to be encouraged, according to section 3.2.9.1.7 of the Waterloo Official Plan, under any Arterial Commercial designation);
- A few clothing stores to round out the mix in the generic commercial space on the northern portion of the development (much less apparel accessories space is envisaged here on the Waterloo portion than is currently found in the

Uptown); most apparel space may be located on the Kitchener side nearer the department store;

- A few miscellaneous stores to round out the mix in the generic commercial space on the northern portion of the commercial development; and,
- Permission for one or two dispensaries if some medical uses congregate in the Waterloo offices of the development.

What sets INCC apart from “power centres” is its strong representation of services, particularly offices. When developed as planned, some 19-21 percent of the development will be office space. This office space increases the density of the overall development; a greater intensity makes it more efficient in terms of land use and transit generation. The office space component raises the job creation to some 3,242 jobs at ultimate development (with a significant component of full-time jobs).

A combination of retail, office, service and entertainment, is a cutting-edge mixture, characteristic of the contemporary increase in density at the Gateway/Sports world/Deer Ridge area of southern Kitchener (where the office component may rise up to some 25 percent). Gateway Drive was the first “power centre” in Kitchener; with increased intensity, offices, entertainment and retail, Ira Needles—the most recent new format entry into the market—seeks to emulate these latest trends in urban design.

Ira Needles is also appropriately spaced, far from competing nodes of roughly similar size, such as the Conestoga Node (7,250 metres, 1.2 million square feet), the Fairview Node (10,000 metres, 1.4 million square feet) and Gateway Node (13,500 metres, 1.6 million square feet).

(Actual driving distances, according to Google Earth, can be some 40 percent higher).

## TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY .....	i
LIST OF APPENDICES .....	iv
LIST OF EXHIBITS .....	iv
1.0 INTRODUCTION .....	2
2.0 RECENT CHANGES .....	2
2.1 The Contemporary Development Context .....	2
2.2 The New Commercial Competition 2005-2008 .....	7
2.2.1 Uptown Waterloo .....	7
2.2.2 Sunrise SC .....	7
2.2.3 Ira Needles and Erb .....	8
2.2.4 Beechwood Centre .....	9
2.2.5 North East Quadrant of Ira Needles and University .....	9
2.2.6 Highland Hills is now largely a <i>Real Canadian Superstore</i> .....	9
2.2.7 The Vacant <i>Canadian Tire</i> .....	9
2.2.8 Conclusions about Changes 2005-08 .....	9
2.3 Potential New Competition 2008-2014 .....	10
2.3.1 Within the 5 km Zone .....	10
2.3.2 Outside the 5 km Zone .....	11
2.4 Updated Sales Information .....	11
3.0 MARKET PARAMETERS .....	11
3.1 Future Forecast Years .....	11
3.2 No Change to the Study or Trade Areas .....	13
3.3 Resident Population .....	13
3.4 2007 Retail Sales Data .....	13
4.0 FEASIBILITY CALCULATIONS .....	13
4.1 Department Store .....	17
4.2 Supermarket .....	18
4.3 Home Improvement Centre .....	20
4.4 Dispensaries .....	20
4.5 Apparel and Accessories .....	20
4.6 Furniture, Furnishings and Electronics Stores .....	21
4.7 Miscellaneous Retail Stores .....	22
4.8 2014 .....	23
4.9 Restaurants .....	24
4.10 Personal Services and Local Offices .....	24
4.11 Multi-plex Cinemas .....	25
4.12 Feasible Support Summarized in Square Feet .....	25
4.13 Conclusions about Feasibility .....	25
5.0 QUESTIONS FROM THE CITY OF WATERLOO .....	27
5.1 Question One .....	27
5.2 Question Two .....	33
5.3 Question Three .....	33
5.4 Question Four .....	34
5.5 Question Five .....	35
5.6 Question Six .....	36
5.7 Question Seven .....	47

5.8	Question Eight .....	55
5.9	Question Nine .....	58
5.10	Question Ten .....	59
5.11	Question Eleven .....	60

**LIST OF APPENDICES**

<u>APPENDIX E:</u>	REVISED FEASIBILITY TABLES, 2011 AND 2014
<u>APPENDIX G:</u>	REVISED OPINION: A MULTI-PLEX CINEMA
<u>APPENDIX I:</u>	DISCUSSION OF NEW COMMERCIAL PROPOSALS.

**LIST OF EXHIBITS**

	<u>Page</u>
A THE SUBJECT PROPERTY .....	1
B CURRENT CONCEPT OF THE IRA NEEDLES MIXED USE COMMERCIAL CENTRE, SF .....	4
C IRA NEEDLES MIXED USE COMMERCIAL CENTRE CONCEPT, 2005-2008 ..	6
D INVENTORY OF UPTOWN COMMERCIAL SPACE, 1988-2008 .....	9
E KNOWN FUTURE PROPOSALS BY ESTIMATED SPACE, SF .....	10
F ESTIMATES OF PER CAPITA SPENDING BY COMMODITY AND BY TRADE AREA, 2007-2014 .....	12
G POPULATION ESTIMATES BY TRADE AREA .....	14
H COMMERCIAL MIX, FIVE KM ZONE, 2005 AND 2008 .....	29
I COMMERCIAL SERVICE LEVEL IN TERMS OF SQUARE FEET PER CAPITA .....	30
J ZONE A RESIDENTS EXPENDITURES IN ZONE A .....	32
K COMPARISON OF EXISTING SUNRISE SC AND THE PROPOSED IRA NEEDLES MIXED USE CENTRE .....	32
L COMMERCIAL MIX, FIVE KM ZONE, 2005, 2008, CIRCA 2011 .....	34
M EMERGING WATERLOO COMMERCIAL HIERARCHY, CIRCA 2011 .....	37
N CONTEMPORARY COMMERCIAL STRUCTURE .....	38
O COMPARISON OF APPAREL AND ACCESSORIES .....	46
P SUMMARY OF PERMITTED COMMERCIAL USES	

	IN RELEVANT ZONING BY-LAWS .....	48
Q	CURRENT ZONING PROVISIONS AND SPACE ALLOCATIONS .....	49
R	WATERLOO: AS-OF-RIGHT ALLOCATIONS .....	50