

J. C. Williams Group

Retail Impact Study for Sydenham Heights Centre, Owen Sound



December 9, 2020

Prepared for:

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1 – Introduction

The following report has been prepared for Thompson Shopping Centres by J. C. Williams Group regarding the property (referred to as Sydenham Heights Centre) on the northeast corner of 16th Street East and 20th Avenue in Owen Sound, Ontario. A more complete description of the property can be found in Section 2 of this report.

In order to identify the requirements for this market study report, J. C. Williams Group and the Thompson Shopping Centres management have consulted extensively with the City of Owen Sound staff and with James Tate of Tate Economic Research, who acts for the City on matters related to retail development and redevelopment.

The key issues that City staff and Mr. Tate asked to be addressed in this report are as follows:

- i) *“Designated commercial property, suitable for the intended scale and type of development is not available within the Downtown Area.*
- ii) *Available commercial property in the Downtown is not economically viable for the intended scale and type of development.*
- iv) *The proposed development will not undermine the economic viability or planned function of a significant commercial component of the Downtown or impair the function of a designated commercial district as identified in this plan.*

In addition, we would request that the applicant address the recent development approvals in the East City Commercial Area (specifically drive thru restaurants) and how the applicant’s proposal may or may not impair the function of the designated commercial districts.”¹

The following report addresses these issues and documents an inventory of retail space in Downtown Owen Sound as was required as a prerequisite to adequately respond to the issues noted above.

¹ Letter dated August 23, 2020 from James Tate, Tate Economic Research to MHABC Planning, attention D. Aston

2 – Description of the Proposed Project

The subject property is located in the East City Commercial area on the northeast corner of 16th Street East and 20th Avenue, as pictured in Figure 1 below.



Figure 1 Location of subject property, Owen Sound

The development is envisioned as a site that primarily serves customers from the region who enter Owen Sound on Hwy 26 with various goods and services as well as local residents.

Figure 2 below shows a plan for the subject property at 16th Street East and 20th Avenue.

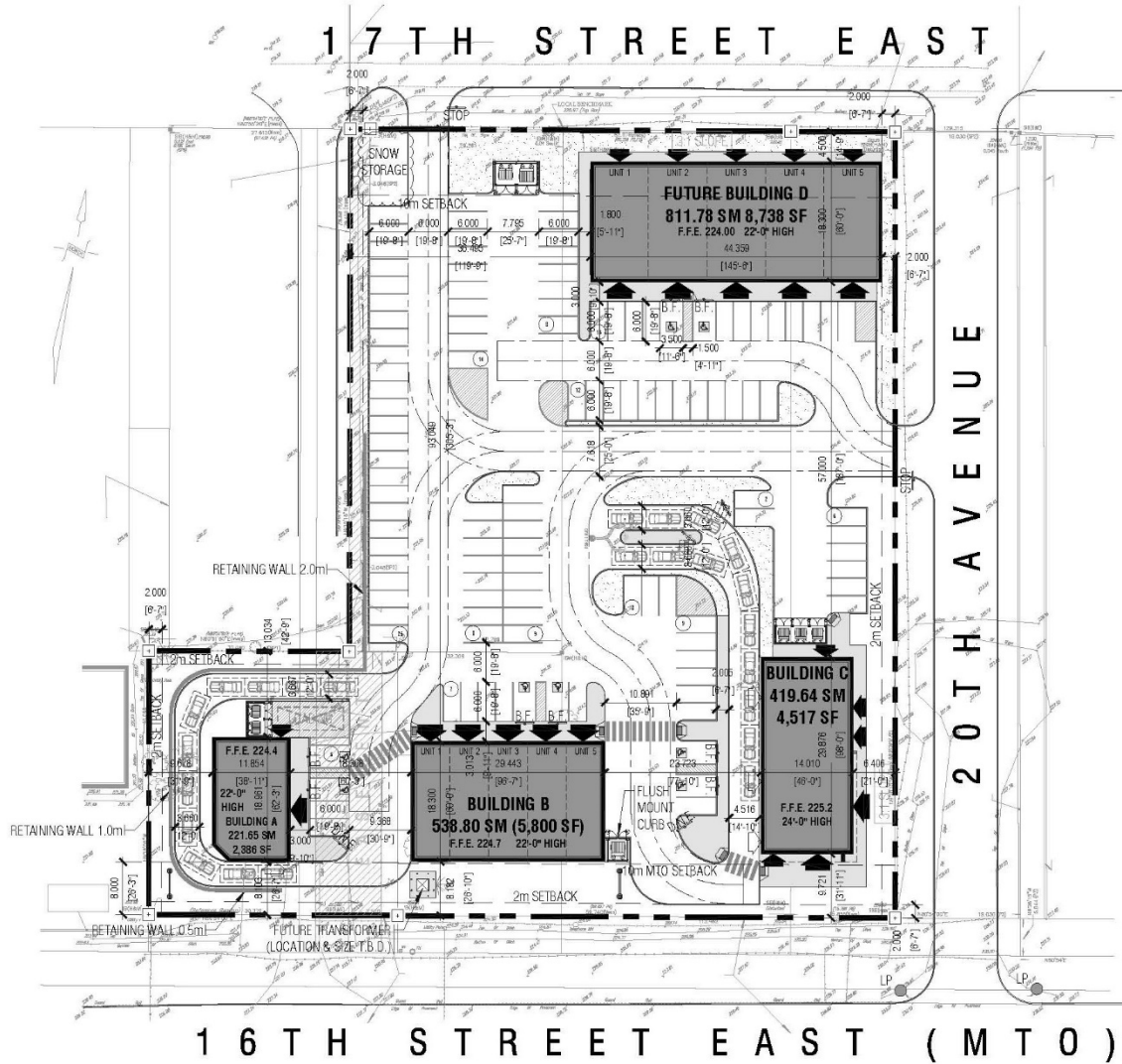


Figure 2 Site map

Data for the site is shown in Table 1 below.

	Square Feet	Square Metres	Acres
Total Site	119,782	11,128	2.748
Single Storey Commercial Building Areas	Square Feet	Square Metres	Coverage
Building A	2,386	221.65	1.99%
Building B	5,800	538.80	4.84%
Building C	4,517	419.64	3.77%
Building D	8,738	811.78	7.29%
Total Building Areas	21,440	1,991.87	17.90%

Table 1 Site data

Building A and Building C are designed as drive-thru restaurants focused on quick service eating options for the area. Drive-thru restaurants have become very popular because they allow travellers to avoid getting out of their vehicles. The time saved reduces potential contact with restaurant workers, providing a safer option. Building A will be just under 2,400 square feet and Building C will be approximately 4,500 – 5,000 square feet.

Drive-thru restaurants are not allowed Downtown, so these restaurants provide a very different function than the food service options available in Downtown Owen Sound. These restaurants are meant to provide additional options for restaurant operators who are looking for this kind of space in Owen Sound. There are only two restaurants on the site, located at the eastern and western edges of the site. They are meant to complement the other drive-thru restaurants along 16th Street East. Because there are only two restaurants, they do not constitute a cluster of restaurants that may otherwise compete with downtown. This was an issue on the Heritage Grove Centre site.

Building B will be built so it is visible from 16th Street East and will have tenants that require this visibility. Building D is built at the back of the site and will be available for tenants who do not require this visibility but may be looking for larger units, lower rents and/or opportunities for outdoor services such as those required by day care facilities. Both buildings have a 16 ft. clear height, curb pick-up potential and a large parking field for quick in-and-out convenience.

Neither Building B or D have assigned users and will only be built when tenants are available. The tenants in these buildings are meant to complement and service large format tenants, hotel guests, and regional hospital staff/visitors. These buildings in the East City Commercial area also offer space for retailers and service businesses that may require expansion space or that are new to the City.

The development is keeping the role envisioned for the East City Commercial area in the analysis section of the Owen Sound Retail & Commercial Policy Review. Relevant comments are noted below:

- *“The East City Area remains a major concentration of commercial development and a key retail destination in the City for the presence of large format retail space, attracting consumers from a wide region. This area is the logical location for concentrating commercial growth (16th Street/Highway 26 link).”²*

“East City Commercial

- *The East City area of the City is the appropriate node to expand/intensify retail and commercial development. This area has generally evolved to serve Owen Sound and the wider region. Survey results suggest the area is functioning as planned.*
- *The form and function of development in the East City area is appropriate, as it permits a range of commercial uses, while also permitting higher density residential. This designation should continue to accommodate future expansion as provided in Section 4.4 of the Official Plan.*
- *Survey results indicate there is demand for Big Box stores in Owen Sound. As the East City area is the appropriate node for larger format retail, consideration should be given to modifying policies to clarify the types of large format retail that are envisioned for this area (through the inclusion of a definition of large format retail and minimum store sizes).”³*

“Permitted uses within the East City Commercial designation include:

- *Limited smaller scale retail on underutilized or infill type lots, servicing commercial and personal uses, financial institutions and services, business, professional and medical offices, restaurants, entertainment and other community facilities such as day care centres, ancillary to and in support of large format retail and service commercial uses.”⁴*

² Retail & Commercial Policy Review Report, Tate Economic Research & MacNaughton Hermsen Britton Clarkson Planning, July 2018, page 61

³ Retail & Commercial Policy Review Report, Tate Economic Research & MacNaughton Hermsen Britton Clarkson Planning, July 2018, page 63

⁴ Pre-Consultation Review Schedule 'A', July 2020, page 2

3 – Growth Trends in the Region

The East City Commercial area is located in Owen Sound, but like many areas within Owen Sound, serves a good part of the Grey Bruce region. This section looks at the population trends within Owen Sound and the greater Grey Bruce region.

Owen Sound

Table 2 shows data taken from the Development Charge Background Study by Watson & Associates Economists, 2014. Since the Official Plan Update has not been made public yet, this is the latest official population growth data.

	Population Census excluding Undercount	Population Census including Undercount	Population Growth/Decline
2001	21,431	22,290	
2006	21,753	22,620	330
2011	21,688	22,560	-60
2014	21,582	22,450	-110
2024	22,742	23,710	1,260
Official Plan Target	23,942	24,900	1,190

Table 2 Population data⁵

These projections show an increase in population of the next five to ten years.



Figure 3 City of Owen Sound, property site marked

⁵ Development Charge Background Study, Watson & Associates Economists Ltd., December 29, 2014, page 3-4

Grey Bruce

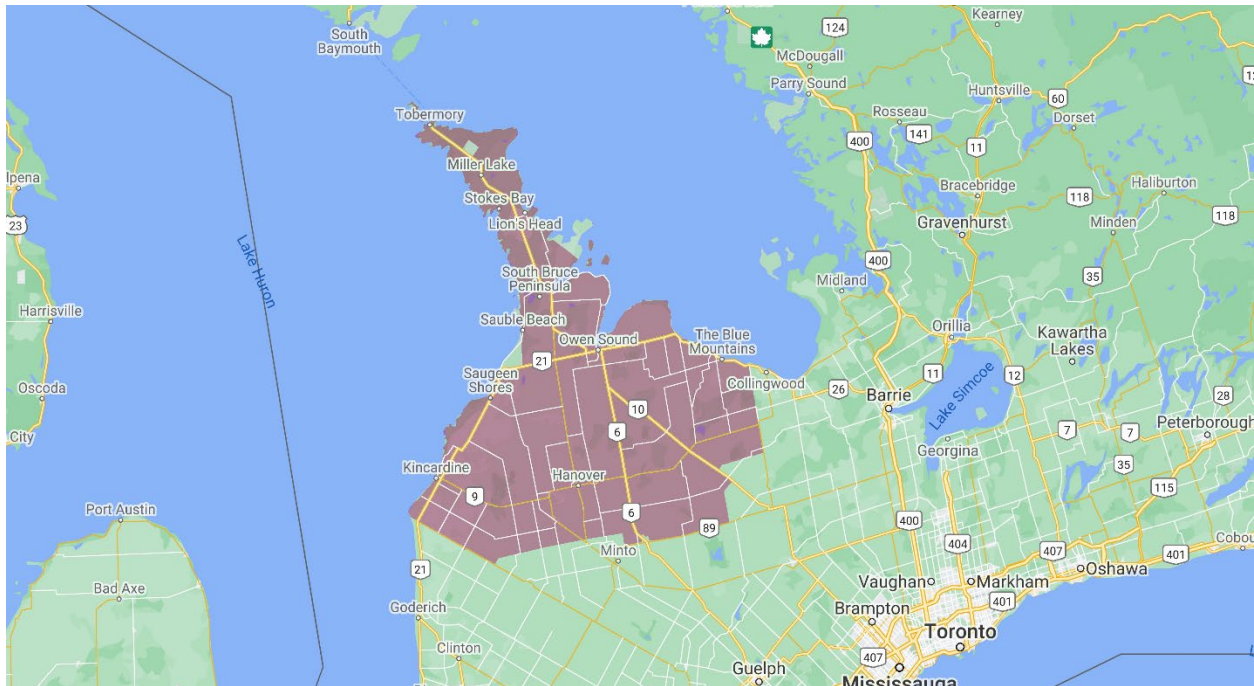


Figure 4 Grey-Bruce Region

Owen Sound is one of the largest municipalities in the Grey Bruce region and is an important service centre for northern and central Grey Bruce.

The total Grey Bruce population reported by Statistics Canada for 2016 was 162,000 compared to 158,700 in 2011, a 2% increase over five years. The eastern part of Grey Bruce, especially around Collingwood, has experienced significant growth. As real estate costs increase in this area, other parts of Grey Bruce could experience more demand for housing, thus increasing demand for retail farther north.

4 – Character and Amount of Retail Space in Downtown

Methodology

J. C. Williams Group conducted an on-site inventory of the retail space in Downtown Owen Sound on November 9th and 10th of 2020. Our inventory was based on a previous inventory conducted in 2001, provided by the City Planning Department. Square footage from the previous inventory was used for stores that remained the same regardless of changes in use. While the majority of buildings were the same as they were in 2001, some new buildings were assessed by a combination of physical building measurement and professional estimation. The new estimates make up less than 5% of the space.

The definition of Downtown Owen Sound was taken from the Official Plan, also provided by the City Planning Department. Figure 5 on the following page shows the area considered to be Downtown. It centres around 2nd and 3rd Streets East and 2nd and 1st Streets West. 10th, 9th, and 8th Avenues are the key East/West streets.

Evaluation of Downtown Owen Sound

The key reason to do this inventory is to assess the vulnerability for Downtown Owen Sound to new development, specifically the Thompson Centres' Sydenham Heights Centre. In order to do this, we have created a qualitative and quantitative assessment.

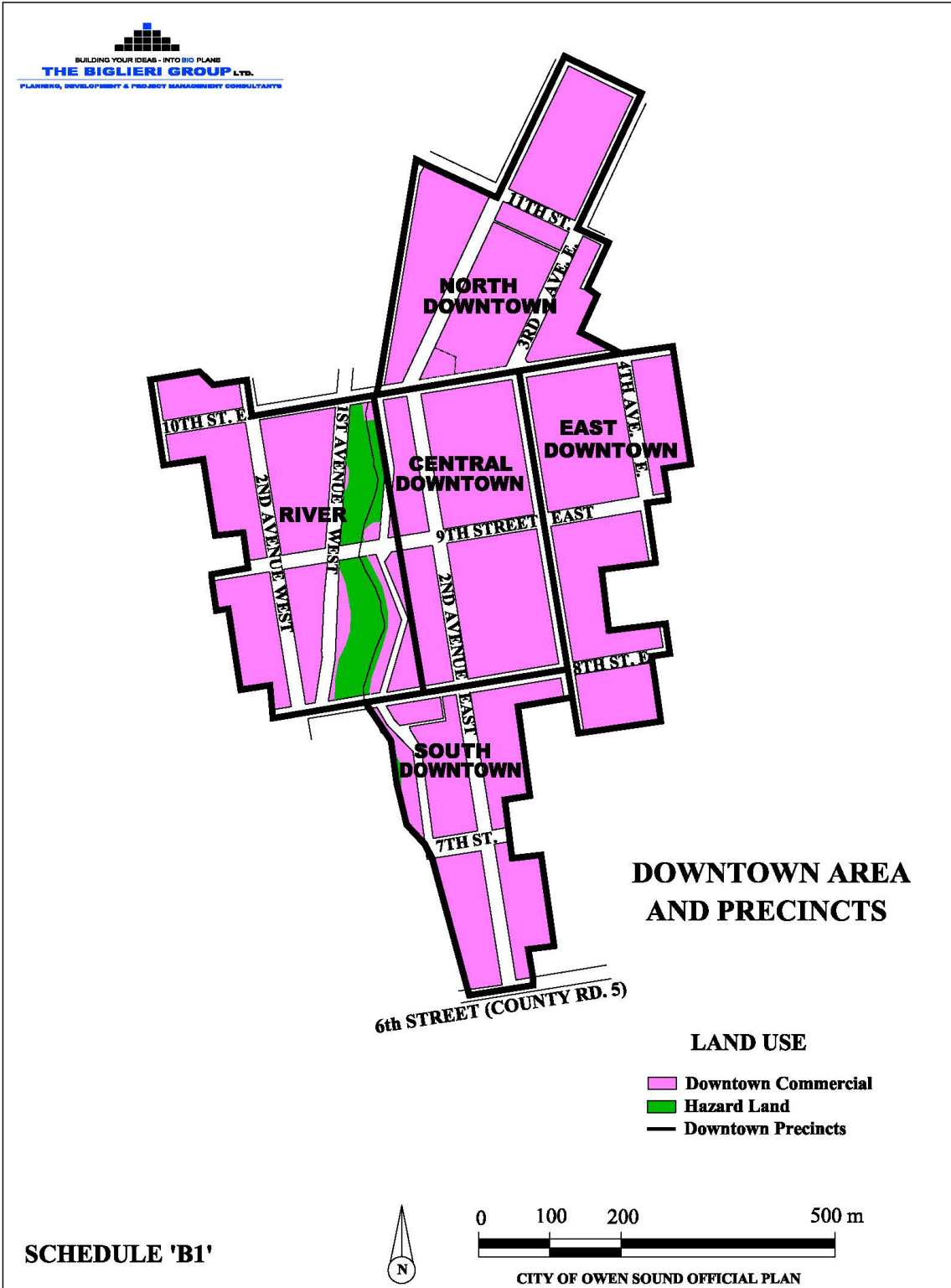


Figure 5 Downtown Area and Precincts, Owen Sound⁶

⁶ Provided by the City Planning Department.

Qualitative Assessment

Downtown Owen Sound has a relatively strong and vibrant retail core despite the challenges of the COVID-19-related lockdown which closed down non-essential stores and restaurants (except for take-out) for almost two months in early spring 2020. In addition, travel from out of province/out of country has been severely reduced since May.

Downtown Owen Sound merchants have also been impacted by the extended construction-related shut down of the 10th Street bridge that links East Downtown to West Downtown. Some merchants have had to deal with traffic disruption and construction fences in front of their stores for a good part of the summer.

From the inventory comparisons, it is clear that Downtown has lost a number of fashion merchants, but these have been replaced by some strong new retailers. Downtown has developed an interesting node of galleries and home décor retailers that have created an enjoyable experience that competes well with the big box stores and parking lots in other areas of the City. Supporting this gallery node are some unique local restaurants.

In addition, there have been new developments including the large, updated Shoppers Drug Mart and the Nortown Plaza that has provided new modern space. Also new to the area are an interesting array of lifestyle goods and services including athletic wear, bike shops, salons/spas, gyms, and workout locations.

On the negative side, there have been a number of notable closures such as a furrier, the previously mentioned apparel stores, and many smaller beauty salons that in some cases have turned over with new operators. There are some long-term vacancies where the spaces are in relatively poor condition. There are also a few clusters of vacancies that appear to be in the process of being redeveloped.

Despite these changes and the challenging business climate, the vacancy rate has remained virtually what it was in 2001 at 8%. This vacancy rate is considered very healthy.

Quantitative Assessment

Tables 3 and 4 below show the store counts and square footage by category from the 2001 and 2020 inventories. The stores have been categorized in a similar manner to the one used in 2001. We have added the category of Food Service which are primarily restaurants. DSTM is an acronym for Department Store Type Merchandise and refers to all stores that sell products other than food, hardware, or automotive products. Food retailers are referred to as FSRM. FSRM includes grocery stores as well as bakeries and other specialty food retailers. All other types of stores are referred to as Other and include a wide range of personal, professional and community services.

	2001 counts	2020 counts	% change
# of addresses	308	333	8%
Non-Vacant	280	289	3%
Other	194	192	-1%
DSTM	78	53	-32%
Vacant	28	44	57%
Food Service	-	24	-
FSRM	8	16	100%
Residential	-	4	-

Table 3 Store Inventory by Count

	2001 sq ft	% of total	2020 sq ft	% change	% of total
# of addresses	961,032		1,019,143	6%	
Non-Vacant	885,889	92.2%	933,059	5%	91.6%
Other	534,630	55.6%	584,393	9%	57.3%
DSTM	288,403	30.0%	225,839	-22%	22.2%
Vacant	75,143	7.8%	86,084	15%	8.4%
Food Service	n/a	0.0%	44,796	-	4.4%
FSRM	62,856	6.5%	78,031	24%	7.7%
Residential			-	-	
Avg. sq. footage per unit	3,164		3,229	2%	

Table 4 Store Inventory by Square Footage

There are over 330 retail businesses in Downtown Owen Sound, occupying more than 1 million square feet. This means that Downtown is clearly one of the most important retail nodes in the region. This number has increased from the 2001 inventory, adding 25 new locations. While some of the locations have been newly built, other locations have been converted from residential. This has occurred at the south end of 2nd Avenue East and in West Downtown. Most of these new additions from residential are occupied by professional or medical services rather than stores that sell merchandise.

As mentioned previously, there is 86,000 square feet of vacant space which is 8% of the current total space. This compares to 75,000 square feet of vacant space or 8% in 2001.

It is notable that DSTM space has had a significant drop. This is not surprising as this has been a trend throughout North America with shoppers buying more of these products online but also spending more on services. DSTM still accounts for almost a quarter of retail space in Downtown Owen Sound with 226,000 square feet of space.

The average size of stores has increased slightly from 3,164 in 2001 to 3,229 in 2020.

Conclusions

Our evaluation of Downtown Owen Sound is that it is strong and healthy both from a quantitative and qualitative point of view. It has been able to develop a lifestyle niche where the retail compliments the riverfront location and the many historic buildings that line its streets. This niche ensures that it is able to compete effectively not only with other retailers in Owen Sound but also with online shopping.

5 – Role of Non-Downtown Retail within Owen Sound

There are a number of retail locations in Owen Sound outside of downtown. Figure 6 below shows these key regions.

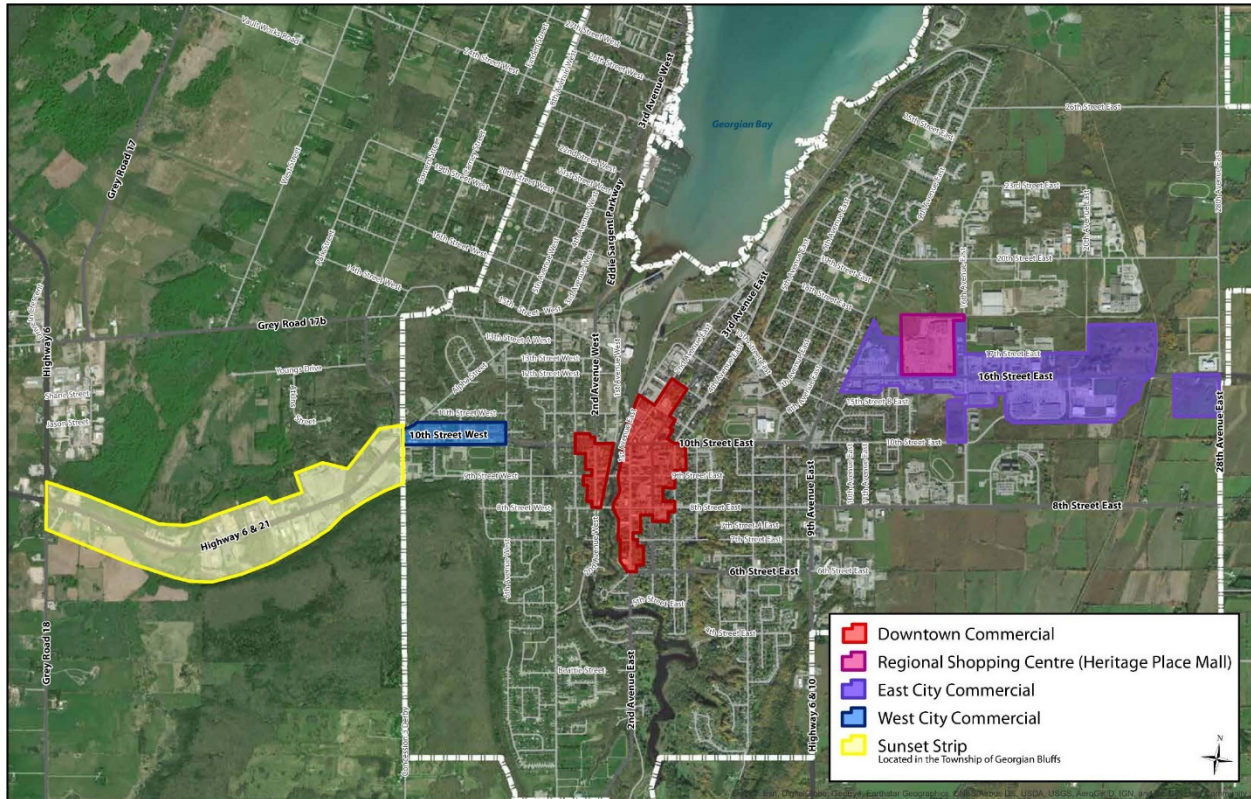


Figure 6 Map of Owen Sound Commercial Districts⁷

It is important that the residents of Owen Sound are well-served by strong retail districts that will increase their spend within the City and reduce the outflow of dollars to other areas and the internet. The different districts bring stores close to residents for convenience. Increased competition ensures that retailers reinvest in their stores, keeping them updated in order to remain relevant in the overall marketplace.

⁷ Retail & Commercial Policy Review Report, Tate Economic Research & MacNaughton Hermsen Britton Clarkson Planning, July 2018, page 37

East City Commercial

The East City Commercial area provides locations for retailers that would not otherwise be located in Owen Sound. Its location on a regional highway ensures a constant flow of traffic for retailers whose operations require this kind of location and the service/convenience needs of customers who are visiting large format retailers in the node. These businesses attract customers from throughout Owen Sound but also from around the larger Grey Bruce region.

As mentioned above in section 2, East City Commercial area is seen as a major concentration of commercial activity. This area provides opportunity for commercial growth within Owen Sound's borders without having to displace or demolish other operations. It is an ideal location for the Sydenham Heights Centre which expands the area without threatening other retail districts or existing areas within East City Commercial.

Development within East City Commercial

While most of the East City Commercial area is mostly fully built out, the Heritage Grove site which is located just east on 16th Street East from the Sydenham Heights Centre on the south side of this main arterial is partially developed. Heritage Grove has been developed primarily as a big box centre with tenants such as Winners, HomeSense and Michaels. An application approved in May 2020 completes the site and includes a hotel, gas bar, six restaurants and two unassigned units. Heritage Grove at full completion will have almost 200,000 square feet of space.

The plan for the site calls for a total of six restaurants which cover over 18,000 square feet. There are also patios assigned to five of the restaurants. The City has voiced a concern that this amount of space and number of units could create a cluster of restaurants that would compete with Downtown.

This development is significantly different in scale and character from the Sydenham Heights project. The Heritage Grove development is focused on capturing longer shopping visits as well as service travellers that stay at the hotel. The Sydenham Heights project is significantly smaller and is built around the fast-in-and-out aspects of the site. Because of these fundamental differences in the developments, it is our professional opinion that there is not an overlap between them.

Drive-Thru Restaurants

As mentioned previously, drive-thru restaurants have become the configuration of choice for many quick service operators because of their popularity with customers. While they had been growing in popularity pre-pandemic, they are in even more demand now. Meeting this demand will be critical to Owen Sound's ability to attract these kinds of operations. Drive-thru restaurants are not allowed in Downtown Owen Sound but are ideal in East City Commercial because shoppers there almost all arrive by car. They allow customers the convenience and safety of staying in their cars while picking up their food.

Heritage Grove has planned to have a drive-thru restaurant on site. It appears from its plans that this restaurant already has an operator which means that it will not be competing with the restaurants in the Sydenham Heights development but rather complementing them.

6 – Conclusions

It is clear from the data presented in this report that the Sydenham Heights development has met the tests in the Official Plan in relationship to new developments as follows:

- i) Designated commercial property, [is] suitable for the intended scale and type of development is not available within the Downtown Area.*

The Sydenham Heights development proposal is made up of almost 7,000 square feet or a third of the total area in drive-thru restaurants. These restaurants are not allowed in Downtown Owen Sound and so are not suitable to be located there.

The balance of the site consists of approximately 14,000 square feet or less than 1.4% of the total retail in Downtown Owen Sound. This space will not have any appreciable effect on the vacancies in the Downtown and will focus on service/convenience uses for shoppers in the immediate area.

- ii) *Available commercial property in the Downtown is not economically viable for the intended scale and type of development.*

As mentioned previously, drive-thru restaurants are not allowed in the Downtown and so this type of development is inappropriate for the Downtown.

- iv) *The proposed development will not undermine the economic viability or planned function of a significant commercial component of the Downtown or impair the function of a designated commercial district as identified in this plan.*

As outlined in section 4, Downtown Owen Sound is made up of more than 1 million square feet of retail space with an 8% vacancy rate. It has remained very strong through the past 20 years as new developments have been built outside the area. As well it has also seen redevelopment within its borders. All these facts suggest that it will continue to compete effectively with new development.

Because of the size and design of Sydenham Heights Centre, it is our professional opinion that this development will neither undermine the economic viability nor impair the function of Downtown Owen Sound.

Section 5 addresses the approved Heritage Grove project and compares this development to Sydenham Heights Centre. Because of the very different scale and role of these two developments in the East City Commercial, it is our professional opinion that Sydenham Heights Centre will not impair the function of Heritage Grove.