



Hamilton

CITY OF HAMILTON

PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Planning Division

TO: Chair and Members Planning Committee	WARD(S) AFFECTED: WARD 12
COMMITTEE DATE: May 15, 2012	
SUBJECT/REPORT NO: Review of Approved Applications ROPA-10-002, OPA-10-012, ZAC-10-035, and 25T-201005 for Lands Known as 1125-1185 Wilson Street West (Ancaster) (PED11102(a)) (Ward 12)	
SUBMITTED BY: Tim McCabe General Manager Planning and Economic Development Department	PREPARED BY: Kate Mihaljevic (905) 546-2424 Ext. 4424
SIGNATURE:	

RECOMMENDATION:

- (a) That the Retail Market Demand and Impact Analysis, prepared by urbanMetrics inc. for Trinity Development Group Inc., for lands known as 1125-1185 Wilson Street West (Ancaster), attached as Appendix "A" to Report PED11102(a), be received.
- (b) That the Peer Review of the above-noted market study, prepared by Robin Dee & Associates Real Estate Counsellors and Economists, attached as Appendix "B" to Report PED11102(a), be received.
- (c) That Council reaffirms its approval of Applications ROPA-10-002, OPA-10-012, ZAC-10-035, and 25T-201005 for 1125-1143 Wilson Street West (Ancaster), as noted by the recommendation of Report PED11102, approved by Council on July 7, 2011.

- (d) That Report PED11102(a), including the recommendations, be presented to the Ontario Municipal Board as the City's written recommendations further supporting the approval of ROPA-10-002, OPA-10-012, ZAC-10-035, and 25T-201005 for 1125-1143 Wilson Street West (Ancaster).

Background:

On June 21, 2011, staff presented a recommendation for approval for Regional Official Plan Amendment (ROPA-10-002), Town of Ancaster Official Plan Amendment (OPA-10-012), Town of Ancaster Zoning By-law Amendment (ZAC-10-035), and Draft Plan of Subdivision (25T-201005) to permit the development of a retail commercial node at Wilson Street West and Shaver Road. Planning Committee accepted staff's recommendation, which was subsequently approved by Council on July 7, 2011.

Based on the Council-adopted Official Plan Amendment and Zoning By-law, a maximum gross floor area of 30,980 sq. m. (333,465 sq. ft) is permitted. The market study tested a maximum gross floor of 39,485 sq. m. (425,000 sq. ft). The applicant has advised that the additional gross floor was incorporated into the market study in the event that the lands at 1185 Wilson Street are acquired by the applicant and incorporated into their overall development concept. Separate applications for an Official Plan Amendment and change in zoning would be required to redevelop the lands at 1185 Wilson Street for commercial uses beyond those currently permitted in accordance with the "C4-130" Zoning. Any future redevelopment proposal for 1185 Wilson Street will be assessed on the merits of the proposal.

Two appeals were received following Council's decision on the development applications submitted by the Trinity Development Group. The appeals have been scheduled to be heard by the Ontario Municipal Board from June 18 to July 13, 2012.

The City has settled the appeal of one of the two appellants, Canadian Tire Limited. The remaining appellant is Calloway Real Estate Investment Trust, the owner of the Ancaster Smartcentre (Walmart, Future Shop etc.). Among the grounds of appeal raised by Calloway was the absence of a market impact study.

Information:

A market study was commissioned following the submission of appeals to address the appellant's concerns. Trinity Development Group Inc. retained urbanMetrics inc. to complete a comprehensive market analysis to demonstrate the impact of the proposed commercial development on the existing commercial uses within the defined trade area. Planning staff facilitated a peer review, at the applicant's expense, to obtain an independent evaluation of the methodology used for the market study. Planning staff approached various peer review consultants to retain a quote to conduct the review, and Robin Dee & Associates was selected as the preferred consultant. Trinity

Development Group Inc. had provided both appellants with a copy of the market study at the same time it was presented to the City.

The urbanMetrics Report concludes that, as a result of the current strength of existing retailers and the rate of market growth expected in the future, the proposed development will not cause any critical sales impacts on existing retail facilities. Based on the findings of urbanMetrics, the proposed retail development proposed by Trinity is warranted, and would not adversely affect the economic health of existing nearby shopping districts, including the traditional core of Ancaster.

Robin Dee & Associates reviewed the urbanMetrics Report, and concluded that based on an assessment of the methodologies and standards of practice there was no evidence to demonstrate that the magnitude of impacts, the durations of the impacts, or the after impact sales performance levels pose a risk of closure to existing retailers in the Primary Zone. Therefore, there would be no reason to object to the proposed development simply on market grounds.

Based on the findings of the market study and peer review, it is recommended that Council reaffirm its decision to approve ROPA-10-002, OPA-10-012, ZAC-10-035, and 25T-201005 for 1125-1143 Wilson Street West (Ancaster) and advise the Ontario Municipal Board of this recommendation.

Conclusion:

As new information can be presented at an Ontario Municipal Board hearing, which may not have been available to the municipality at the time of its decisions, Council should have the opportunity to consider the findings of the market study and peer review and provide its written recommendations to the Ontario Municipal Board, based on the new information.

The new information, being the urbanMetrics study and the Robin Dee peer review, supports Council's approval of ROPA-10-002, OPA-10-012, ZAC-10-035, and 25T-201005 for 1125-1143 Wilson Street West (Ancaster).

Appendices:

- Appendix "A" - Retail Market Demand and Impact Analysis Study
- Appendix "B" - Peer Review of Retail Market Demand and Impact Analysis Study

:KM
Attachs. (2)

1 INTRODUCTION

urbanMetrics inc. has been retained by Trinity Development Group Inc. ("Trinity") to undertake a Retail Market Demand and Impact Analysis for a proposed retail development at 1125-1185 Wilson Street West in the Ancaster portion of the City of Hamilton. The site is located on the north side of Wilson Street West, to the west of Shaver Road.

The proposed development is expected to include a retail centre of approximately 425,000 square feet. This centre is expected to be anchored by a 142,000 square foot Lowe's Home Improvement Warehouse. Other components may include a department store and a supermarket, as well as a range of non-food store retail ("NFSR") stores and a selection of services.

This Retail Market Demand and Impact Analysis examines the potential impact of the proposed development on the existing and planned retail commercial structure in the City of Hamilton. The analyses and appendices contained in this report provide our detailed study findings and conclusions.

1.1 BACKGROUND

The subject site is currently designated Arterial Commercial. Many of the proposed uses, including Lowe's and several of the other retail and service uses, are permitted. Trinity submitted an application for approval of a Draft Plan of Subdivision and amendments to the Regional Official Plan, the Ancaster Official Plan and Zoning By-law 87-57 in order to increase the range of permitted uses to include a department store, a supermarket and other retail and service uses that are not currently permitted on the site.

City of Hamilton planning staff and Council supported and approved the subject amendments, subject to certain restrictions. However, Calloway Real Estate Investment Trust Inc. ("Calloway"), owners of the commercial centre located on the south side of Wilson Street known as the Ancaster SmartCentre, have appealed this approval to the Ontario Municipal Board. Calloway have expressed concerns as to the potential impact of the proposed development on the existing and proposed retail commercial structure in Hamilton, particularly on their existing centre, and that Trinity provided no market justification for their development.

This Retail Market Demand and Impact Analysis has been prepared in support of Trinity's proposed development. It assesses the potential impact of the development on the existing and planned retail commercial structure in the City of Hamilton, as contemplated by:

- Section 3.1.6 of the former Region of Hamilton-Wentworth Official Plan, which is still in force;

- Section 5.5.5.v of the former Town of Ancaster Official Plan, which is also still in force; and
- Sections E.4.2.1 and F.3.2.7 of the amalgamated City of Hamilton's recently approved Urban Hamilton Official Plan, which has been appealed to the Ontario Municipal Board and is not currently in force.

The precise configuration of the proposed development is not known at this time. In order to assess the effects of the various components that may be built at this location, two possible configurations of this development have been examined in this market study. The first configuration, which we refer to as Scenario A, is assumed to include:

- the 142,000 square foot Lowe's Home Improvement Warehouse;
- a 100,000 square foot department store;
- 90,000 square feet of other NFSR stores;
- a 50,000 square foot supermarket; and
- 43,000 square feet of services.

An alternative configuration of the proposed development, which we refer to as Scenario B, is assumed to include:

- the 142,000 square foot Lowe's Home Improvement Warehouse;
- 170,000 square feet of other NFSR stores;
- a 50,000 square foot supermarket; and
- 63,000 square feet of services.

1.2 APPROACH

We have implemented the following work plan in order to prepare this Retail Market Demand and Impact Analysis.

1. Site and Access Evaluation

We examined the subject site and assessed its suitability for the types of retail and service uses proposed in terms of its physical characteristics, accessibility and compatibility with surrounding land uses.

2. Trade Area Delineation

We conducted customer origin licence plate surveys at the Ancaster SmartCentre, which is located on the south side of Wilson Street West, across the street from the subject site, and in Downtown Ancaster, which extends some three to four kilometres to the east of the site.

The results of these surveys, together with our knowledge of local market characteristics, were used to delineate a Trade Area for the proposed development. The Trade Area represents the area from which this development is expected to obtain the majority of its sales support.

The Trade Area was divided into a Primary Zone and two Secondary Zones to account for differing income and expenditure patterns exhibited by residents living in these diverse areas. These differences are illustrated through the demographic analysis and the results of the telephone consumer survey undertaken as part of this study.

3. Inventory of Existing and Proposed Competition in the Primary Zone

We inventoried all retail stores located in the Primary Zone of the Trade Area, including all food store retail (“FSR”) and non-food store retail (“NFSR”) facilities. The inventory included all retail store categories proposed in the development at the subject site, including every department store, home improvement centre and supermarket.

The Primary Zone is the area that would be most directly affected by the proposed development, and so has served as the focus for our Retail Market Demand and Impact Analysis. Other major commercial areas located in the balance of the Trade Area and beyond were not inventoried, but their influence was recognized in our market analysis.

We also identified other planned and proposed retail developments in the Primary Zone and elsewhere in or near the Trade Area, based on publicly available information and discussions with City of Hamilton staff. These planned facilities were recognized in our market analysis.

4. In-Home Telephone Survey of Trade Area Residents

A consumer expenditure survey of 600 Trade Area residents was undertaken to determine the current shopping patterns of those living in each zone of the Trade Area. The survey included questions relating to all types of FSR and NFSR stores, as most of the new space at the proposed development is expected to be occupied by such facilities.

The survey results were used to estimate the market share and sales performance of existing stores in the market and to establish the current outflow of expenditures from the Primary Zone. These results served as key inputs into our market analysis.

5. Trade Area Population, Income and Expenditure Assessment

The population, per capita income and retail expenditures within the different zones of the Trade Area were estimated based on various sources, including Statistics Canada and City of Hamilton data. In our analysis, the total FSR and NFSR expenditure potential available from residents living in each zone of the Trade Area was forecast for various years of the study period. We used 2011 as the base year in our analysis, and assumed that 2014 would be the first full year of operation for the new stores developed in the project. Future years were

also considered, including 2016, 2019, 2021 and 2031, to assess the longer term impact of the proposed development.

6. Calculate Market Demand

Separate residual market analyses were undertaken for the specific FSR and NFSR categories that may be included in the proposed development in order to estimate the existing and future market opportunity available to the proposed retail facilities in this development. Both tenant mix scenarios that we assume may be developed at the subject site were examined, while other proposed retail developments in the Primary Zone were also considered.

The following methodology was used to complete the detailed market demand analysis for each tenant mix scenario:

- Existing Primary Zone shares (i.e. the portion of Trade Area residents' expenditures made at stores in the Primary Zone) were estimated based on the results of the in-home telephone survey.
- Future Primary Zone shares were forecast over the study period based on our estimates of the opportunity to increase local capture rates and reduce the outflow of expenditures to retail locations outside the Primary Zone.
- The residual potential in each store category, or the net additional growth in future expenditures, was calculated.
- Sales transfers from existing shopping facilities within the Primary Zone were estimated.
- Inflow sales from persons residing outside the Trade Area were estimated. This includes the potential expenditures available from employees working in the area, tourists and occasional visitors to the area.

7. Evaluate Impacts

Based on the foregoing analysis, we identified the potential impacts on specific stores or shopping areas within the Primary Zone that may be created by the stores proposed in the subject development and other possible retail developments in that zone. The issue of market impact was addressed in terms of impact on the planned function of the various shopping areas located throughout the Primary Zone, and in particular the Ancaster SmartCentre, whose owner has appealed the subject application to the Ontario Municipal Board.

1.3 ASSUMPTIONS

There are a number of underlying and basic assumptions upon which the validity of the findings presented in this report depend. Based on our considerable and long term experience

in the retail planning process, we recognize and appreciate the problems associated with making broad and generalized assumptions about future conditions.

In undertaking a market analysis, the intent is to make assumptions about the future that are intended to be a consultant's best estimate, given their market knowledge and use of survey research. Typically, a consultant is aiming for a margin of error in their analysis within the $\pm 5\%$ to 10% range. Survey research in itself usually has a margin of error of $\pm 5\%$; however it may be higher depending on the number of respondents answering specific questions. Of course no one can predict the future; however it is important that any assumptions be realistic and based on a thorough understanding of existing shopping patterns, inflow sales opportunities, market characteristics and economic conditions.

Undoubtedly, deviations from historic and current trends will take place in the future. However, basic assumptions are required regarding the possible extent of such deviations. These basic assumptions are:

- During the forecast period discussed in this report, a reasonable degree of economic stability will prevail in the Province of Ontario and specifically in the City of Hamilton.
- Estimates of future population change in the Trade Area have been based on historic trends and available municipal forecasts, which are assumed to be reliable for the purpose of this study.
- The official statistical sources utilized in this study, which are based largely on Statistics Canada publications that have been footnoted where used, are considered sufficiently accurate for the purposes of this analysis (i.e. for historic and current population, income and expenditures).
- All references to the Canadian dollar in this report dealing with present and future periods reflect its 2011 value. It is recognized that fluctuations in the absolute value of the dollar are likely to occur during the period covered by this study. It is assumed, however, that the relationship between per capita income and expenditure levels will remain more or less constant during the period analyzed. Since this study deals with future space additions, inflation must be eliminated, since it has no influence on the physical space used in retail facilities. However, real growth (excluding inflation) in expenditures has been acknowledged in this analysis.
- Based on our assessment of the time required to obtain planning approvals and construct the proposed development, the new facilities at the site are not expected to begin operating until well into 2013 at the earliest. Therefore, we have assumed that 2014 would be the first full year of operation for the proposed development.

If, for any reason, major changes occur which would influence the basic assumptions stated above, the recommendations contained in this study should be reviewed in light of these changed conditions and revised, if necessary.

8 CONCLUSIONS

This study has examined the impact of an approximately 425,000 square foot retail development proposed by Trinity Development Group Inc. for a 31.04 acre (12.56 hectare) site located at 1125-1185 Wilson Street West in the Ancaster portion of the City of Hamilton. The key findings of the study are summarized below:

- The site is located along the north side of Wilson Street West, approximately 500 metres west of Shaver Road. The site is currently designated Arterial Commercial, but is mostly occupied by agricultural uses. The land is generally flat and would be suitable for the retail and service facilities contemplated for the proposed development.
- The site is located across the street from the Ancaster SmartCentre, an established retail centre containing a Wal-Mart Supercentre, a Canadian Tire store and a number of other retailers and services. Agricultural uses and open space surround the site to the east, north and west, with the Ancaster Industrial Park located just west of the site. The proposed development would not conflict with the existing range of uses located in proximity to the site, and would complement the retail uses located across the street.
- The site is directly accessible from Wilson Street, which is the primary arterial route through Ancaster. The interchange between Wilson and Highway 403, located about one kilometre east of the site, provides regional accessibility from a broader area.
- The Trade Area of the proposed development, representing the geographic area from which the facilities at the development would derive the majority of their sales volume, extends: northeast to the combination of Highway 6, Highway 403 and the Niagara Escarpment; east to Trinity Church Road; south and west to the municipal border between the City of Hamilton and the County of Brant; and north to Concession 6 West. The Trade Area has been divided into three separate zones: the Primary Zone; Secondary Zone West; and Secondary Zone East.
- The population of the Trade Area is estimated at 258,800 persons in 2011 and is forecast to grow steadily to about 303,200 persons by 2031. The additional population in the Trade Area will generate demand for additional retail stores and services to meet the needs of local residents.
- Trade Area residents have an average per capita income level that is just 0.3% below the provincial average. This results in the Trade Area and each of its zones having average retail expenditure levels that are very similar to the provincial average.
- The Primary Zone presently includes more than 2.1 million square feet of retail space. Among the existing facilities are: two department stores (Wal-Mart and Zellers), one

home improvement centre (Home Depot), a Canadian Tire store and nine supermarkets. There are currently only 108,100 square feet of vacant retail and service space in the Primary Zone, resulting in a vacancy rate of 5.1%.

- A consumer expenditure survey of Trade Area residents revealed a high level of outflow from the Primary Zone. Outflow from the Primary Zone amounted to 43.5% for department stores; 52.9% for building and outdoor home supply stores; 56.2% for all other non-food store retail ("NFSR") stores; and 58.7% for supermarkets and grocery stores. The opportunity to recapture even a small portion of these outflow expenditures would provide a considerable level of market support for new facilities locating in the Primary Zone.
- Two alternative configurations of the new space at the proposed development have been evaluated by our retail market demand and impact analysis:
 - Scenario A would include a 142,000 square foot Lowe's Home Improvement Warehouse, a 100,000 square foot department store, 90,000 square feet of other NFSR facilities, a 50,000 square foot supermarket and 43,000 square feet of services.
 - Scenario B would include a 142,000 square foot Lowe's Home Improvement Warehouse, 170,000 square feet of other NFSR facilities, a 50,000 square foot supermarket and 63,000 square feet of services.
- Additional retail facilities are expected to be developed at three other locations in the Primary Zone: the Ancaster SmartCentre; Ancaster Crossing; and the Meadowlands Power Centre. It has also been announced that the existing Zellers store in the Primary Zone will be replaced by a Target department store in 2013. These changes were recognized in this study.
- A significant expansion of the retail facilities at the Clappison's Corners power node, located just outside the northern boundary of the Trade Area, was recently approved by the City of Hamilton. A considerable amount of additional retail and service space is expected in this area in the future.
- The various additional retail facilities in the Primary Zone and beyond, including the different components that may be developed at the subject site, have been evaluated in our retail market analysis. Although these new facilities will affect the performance of existing retailers, as a result of the current strength of existing retailers and the rate of market growth expected in the future, the proposed development will not cause any critical sales impacts on existing retail facilities.

Based on these findings, it is our professional opinion that the proposed retail development at the subject site is warranted and would not adversely affect the economic health of existing nearby shopping districts, including the traditional core of Ancaster.

Robin Dee & Associates
REAL ESTATE COUNSELORS & ECONOMISTS

April 13, 2012

Ms. Kate Mihaljevic, BES
Planner II, Development Planning Section (West)
Planning and Economic Development Department
City of Hamilton
71 Main Street West, 5th Floor
Hamilton, ON
L8P 4Y5

Dear Ms. Mihaljevic:

RE: Peer Review
Retail Market Demand and Impact Analysis
1125-1185 Wilson Street West
Ancaster, Ontario

As requested, I have reviewed the above-cited market study prepared by urbanMetrics inc. (UMI) for Trinity Development Group. In the course of the review, I have requested additional information and data from the consultant and received prompt responses. I set out below my comments as follows.

1. The Proposed Development

The subject site is located at 1125-1185 Wilson Street West in the Ancaster community in the City of Hamilton. The site is on the north side of Wilson Street West, west of Shaver Street and across the street from the Ancaster SmartCentre containing a large Walmart Supercentre.

The precise configuration of the development is not known at this time. To assess the market support for and the impacts of the various components that may be built, UMI have examined the following two development scenarios.

	<u>Scenario A</u>	<u>Scenario B</u>
	(Square Feet GLA)	
Lowe's Home Improvement Warehouse	142,000	142,000
Department Store	100,000	-
Non Food Retail Stores (NFSR)	90,000	170,000
Supermarket	50,000	50,000
Services	43,000	63,000
TOTAL	<u>425,000</u>	<u>425,000</u>

2. Scope of the Peer Review

In carrying out the peer review, I have not undertaken any independent research, such as, a licence plate survey at any existing retail operations/nodes in Ancaster, a telephone survey of the defined study area residents' shopping patterns for selected retail store types, or compiled an inventory of existing retail/service space in the study area. My approach has been to:

- a) examine the methodology employed in the conduct of any original research by UMI;
- b) examine the general methodology employed in the analysis of the market support base for additional retail/service space in the Primary Zone of the defined study area and the expected impacts of proposed additional facilities, including the development at the subject site, on existing Primary Zone operations.
- c) review key inputs employed in the analysis, such as, study area definition, population forecasts, per capita Non Food Retail Store(NFSR) and Food Store Retail(FSR) expenditure factors, shares of NFSR potential attributable to the various retail categories, supermarket share of FSR potential, and Primary Zone capture rates.
- d) if necessary in light of findings arising out of tasks a), b), and c) above, recast the analysis to reflect my own independent assessment of the market which can be expected in the study area over the medium term to support additional retail facilities;
- e) in the context of the forecast market base, examine the expected impacts of projected additional retail facilities in the Primary Zone on existing retail operations.

3. Peer Review Findings.

A. Original Research.

1. Licence Plate Survey

One of the key inputs in a market demand and impact study is the definition of the trade area for the proposed

project. The trade area for a retail/service project is typically defined to encompass the geographical area from which the project is expected to obtain between 75% and 95% of its sales support on a regular basis. Sales originating from beyond the defined trade area are defined as "inflow sales".

A survey conducted at the location of existing competition in the community is an accepted method of obtaining empirical data to support the trade area defined for analyzing the market support for a proposed project in the same community. The survey can take either of two forms: either an intercept survey of shoppers exiting existing retail facilities who are asked their place of residence and how much they have just spent, or a survey of the licence plates of shoppers exiting the stores. The place of residence of the shopper or the owner of the licence plate, based on data from the Ministry of Transportation, is plotted on a map and provides an accepted guideline for defining a trade area for the proposed facilities that will account for x% of its regular sales support.

A licence plate survey was conducted by UMI over a three-day period in August 2011 at two locations:

- At the existing Ancaster SmartCentre across the road from the subject site
- In Downtown Ancaster

I assume the licence plate survey was conducted in accordance with standard practice.

Some 370 licence plate numbers were recorded at each location. The recorded licence plate numbers were submitted to the Ministry of Transportation for conversion to corresponding dissemination area data and subsequently mapped by UMI to reveal the geographical distribution of shoppers. A Trade Area was defined and the survey results revealed that just over 60% and 70% of total shoppers at the Ancaster SmartCentre and in Downtown Ancaster respectively originate from within the defined Trade Area.

The defined Trade Area comprises three zones. The Primary Zone is the area surrounding the subject site and the area within which the future spending patterns of

residents will be most influenced by the proposed development of the subject site. Abutting the northwest boundary of the Primary Zone is the Secondary Zone West. The Secondary Zone East is located immediately east of the Primary Zone.

I concur with the Trade Area defined for the purposes of examining the market implications of the proposed development at the subject site.

2. Survey of Trade Area Residents' Expenditure Patterns

Another key input in a market demand and impact analysis is the base year estimate of the share of expenditure potential in the hands of Trade Area residents that flows to, or is captured by, existing facilities in the Primary Zone. This share flowing to the Primary Zone is commonly referred to as the Primary Zone capture rate.

It is important to employ an accurate base year Primary Zone capture rate since that will provide the basis for generating a defensible estimate of the base year or current total sales of existing space in the Primary Zone. The base year Primary Zone capture rate furthermore provides the point of departure for projecting what change in the future Primary Zone capture rate can reasonably be expected upon entry of expected new space in the Primary Zone.

The accepted method of obtaining defensible estimates of base year Primary Zone capture rates by retail category in the Trade Area would be to conduct a random telephone survey of Trade Area residents asking them by retail category where they have shopped in the recent past and how much they spent. Analysis of the results would provide an empirical measurement of the base year or current Primary Zone capture rate by store type.

In October 2011, UMI commissioned a random in-home telephone survey of some 600 Trade Area residents' shopping patterns for the various store types analyzed in the study. I believe the survey was conducted according to accepted standard practice and the results provide a reliable guide to base year Primary Zone capture rates by retail category.

3. Inventory of Competitive Space

In order to provide an assessment of the current Primary Zone retail inventory, UMI carried out a field survey in September/October 2011 of all retail stores located in the Primary Zone.

The Primary Zone in 2011 contained a total of 2.2 million square feet of retail space made up of 465,000 square feet of FSR stores, nearly 1.5 million square feet of NFSR space, 42,900 square feet of other retail stores. Vacant space amounted to 108,100 square feet, a vacancy rate of 5.1 % which is indicative of a healthy retail structure.

The largest concentration of retail space in the Primary Zone is the Meadowlands Power Centre (MPC) containing 823,000 square feet, equivalent to 39.2% of total Primary Zone retail space. The NFSR space at this location amounts to some 743,000 square feet, about half of total NFSR space in the Primary Zone. Major stores in the MPC include Home Depot (120,100 square feet), Costco warehouse membership club (116,900 square feet) and a Zellers department store (102,400 square feet).

The second largest concentration of retail space in the Primary Zone is across the street from the subject site in the Ancaster SmartCentre and the abutting Ancaster Crossing. This retail node accounts for 270,000 square feet of retail space composed almost entirely of NFSR space, including a Walmart SuperCentre (152,900 square feet) and Candian Tire (60,500 square feet).

The Primary Zone contains nine supermarkets that collectively occupy a total of 373,500 square feet of space and include the following banners:

- 2 Food Basics
- 2 Fortinos
- 1 Sobeys
- 3 Metro
- 1 No Frills

UMI has identified three other projects in the Primary Zone that are expected to add retail space to the existing inventory besides the development proposed at the subject site. These are:

Ancaster SmartCentre (20,000 sq.ft. NFSR and 5,000 sq.ft. services)

Ancaster Crossing (20,000 sq.ft. NFSR and 24,000 sq.ft. other retail)

Meadowlands Power Centre (30,000 sq.ft. NFSR)

Target Corporation has announced its intention to open Target department stores at many of the Zellers locations for which it acquired the leasehold interests early in 2011, including the Zellers store at the MPC. Although this will not add additional physical space, the conversion is expected to significantly improve the sales performance of this facility and has been recognized by UMI in their market demand and impact assessments of future NFSR operations in the Primary Zone.

It is not usual to cite and consider proposed retail developments outside the Primary Zone and the Trade Area in market studies of this type. However, in this instance UMI has identified the potential for an additional 653,000 square feet of retail/service space in the Clappison's Corners power node which is situated just outside the northern boundary of the Trade Area along both sides of Dundas Street east of Highway 6 in the community of Waterdown. The market study conducted by UMI recognizes that development of these facilities in Waterdown will influence the future spending patterns of residents in the Secondary Zone West.

I am satisfied that UMI has accounted for both existing retail facilities in the Primary Zone and those expected to enter the local market and influence future Trade Area spending patterns in the Primary Zone.

B. Study Methodology

The study methodology employed by UMI to evaluate the market support for, and the impacts of, the entry of new retail facilities into the local Primary Zone market in essence is a two step analysis.

Step one is to calculate total sales in the Primary Zone for the given retail category in the base year and at selected future forecast dates. Total base year sales are then subtracted from projected future sales to yield

estimates of the increase in sales over the base year, defined as Residual Potential. Residual Potential is then divided by appropriate sales per square foot planning factors to yield estimates of Warranted Additional Space in the Primary Zone at selected intervals over the forecast period. Warranted Additional Space estimates provide the basis for an initial assessment of the expected ease of entry of new space into the Primary Zone. Where the Warranted Additional Space exceeds the amount of new space anticipated in the Primary Zone beyond the base year, adverse impacts on existing operations in the Primary Zone across the board are not expected. Where the Warranted Additional Space is less than the amount of new space anticipated in the Primary Zone beyond the base year, adverse impacts on existing operators are expected and further analysis is required.

Step two of the study methodology is to prepare a directional impact analysis in which the sales per square foot performance levels of individual major retailers or individual retail nodes over the forecast period are estimated and the impacts on base year performance calculated. The results of the directional impact analysis provide the basis for drawing conclusions as to whether the proposed space additions in the local market are likely to place existing operators at risk of closure and thereby impair the planned function of the local retail structure.

The study methodology employed by UMI in this report reflects standard practice in studies of this kind.

D. Key Study Input Changes and Consequent Impacts

I have tested the mathematical accuracy of the UMI analysis by simply replicating the analytical tables in the report and found no issues. Subsequently I have used the same analytical model to trace the effects of modifying selected inputs as discussed below, adding the word "MODIFIED" to the TABLE #.

I have reviewed the inputs and assumptions employed by UMI in their market study and believe that the following changes are in order to provide an independent and more appropriate evaluation of both the expected market base available to support new space additions in the local Primary Zone market and their potential impacts on the

operations of existing facilities and the planned function of the retail structure.

1. Per Capita NFSR Expenditures and NFSR Potential - Scenario A

(See Figure 6-1 (MODIFIED))

At the time of undertaking their study, full-year retail trade statistics for 2011 were not available and UMI extrapolated available year-to-date data to estimate full-year expenditure for Ontario. I have inserted the full-year data for Ontario in Figure 6-1.

Real increases over the forecast period in per capita NFSR expenditures in each of the Trade Area zones above the base year 2011 level are calculated at 1.5% per annum (not compounded). That rate of increase was common in market studies prior to the 2008 financial crisis. Given the econic experience since 2008 and considering the current economic climate and all the uncertainty that it portends for the future, I believe it is appropriate to modify the usual assumptions in a study of this type concerning the expected increase in per capita NFSR expenditure levels beyond the base year selected for the analysis. Beyond 2011, NFSR per capita expenditures in the Trade Area are modified to increase at an annual compound rate of 1.0%.

While FSR per capita expenditure real increases at a rate of 0.5% per annum was commonly used prior to 2008, UMI have elected in this study to employ a rate of 0.25% per annum (not compounded). I concur with this decision.

2. Department Store Analysis Scenario A (See Figure 6-2 (MODIFIED))

Scenario A envisages a department store of some 100,000 square feet being developed at the subject site. Given the presence of Walmart across the street and the projected conversion of the existing Zellers in the MPC to a Target department store, it is appears safe to assume that the department store tenant will be a banner not currently operating in the Hamilton CMA. Under this assumption, recognizing that the contemplated changes in the department store competition in the Primary Zone will have their greatest influence on Primary Zone residents' department store spending pattern, we increased the expected future capture rate in the Primary Zone from 50%

to 57.5%. We have increased the sales per square foot planning factors for calculating Warranted Additional Department Store Space in the Primary Zone by \$50 per square foot across the board and have made a similar assumption with respect to the estimated sales performance levels assigned to the department store at the subject site and the Target store projected to enter the MPC.

3. Department Store Impact Analysis Scenario A (See Figure 6-3 (MODIFIED)).

The upshot of these input changes in the analysis is that the impact on the existing Walmart department store in the Primary Zone emerges in 2014 at -10.5% compared to -12.9% in the UMI analysis. By 2016, the impact on the Walmart store declines to -8%. The conclusion drawn from these modifications to the analysis is that even with the higher sales performances assigned to both the proposed department store at the subject site and the conversion of the Zellers store to a Target banner in the MPC, the existing Walmart is not expected to be at risk of closure.

4. Building and Outdoor Home Supply Store Analysis A (See Figure 6-4 (MODIFIED)).

The input changes in this table are the lower BOHSS expenditure potential due to the lower NFSR potential shown in Figure 6-1(MODIFIED) and an increase of \$50 per square foot in the sales assigned to the Proposed home improvement centre at the subject site.. With those changes, the average impact on existing BOHSS facilities in the Primary Zone emerges at -23.5% in 2014. This compares with the UMI estimate of -15.5%.

5. Building and Outdoor Home Supply Store Impact Analysis Scenario A (See Figure 6-5 (MODIFIED))

Turning to the directional impact analysis we note that in 2014 the estimated impact on the existing Home Depot in the Primary Zone in 2014 is -25.1% and -18.6% on all other Primary Zone BOHSS facilities. However, the resultant sales per square foot levels are shown at \$670 for the Home Depot and \$548 for the balance of BOHSS space in the Primary Zone. At these after impact performance levels, there is no risk of any closures in the Primary Zone that would impair the planned function of the retail structure.

6. Other NFSR Store Analysis Scenario A (See Figure 6-6 (MODIFIED)).

Other NFSR expenditures in this analysis are also more conservative than the UMI estimates. This in turn leads to lower estimates of Warranted Additional Square Feet of Other NFSR space beyond the base year. Average impact on all existing Other NFSR space emerges at -5.0% in 2014, slightly higher than the -3.4% shown in the UMI analysis.

7. Other NFSR Store Impact Analysis Scenario A (See Figure 6-6 (MODIFIED)).

In this directional impact analysis, the nodes showing the highest initial impacts in 2014 are the MPC and the Ancaster SmartCentre? Ancaster Crossing nodes at -6.8% and -5.9% respectively. None of the nodes including these two are at any risk of incurring closures that would impair the planned function of the retail structure.

8. Scenario B Analyses (See MODIFIED Scenario B Tables)

Scenario B development concept for the subject site envisages the department store component being replaced by additional NFSR and Services space. I have rerun the analyses for the BOHSS and the Other NFSR components of the project under Scenario B employing input modifications similar to those used in the Scenario A analyses.

The differences in impacts with the modified inputs compared to the UMI impacts are not material. With no critical impacts identified, there are no risks of closures expected in the BOHSS or Other NFSR retail groups under Scenario B.

E. Food Store Retail (FSR) Analysis

I noted earlier that in looking beyond the base year 2011, UMI assumes a real increase in per capita FSR expenditure of 0.25% per annum (not compounded) compared to the more typical rate of 0.5% per annum used in market studies prior to 2008. I believe this is an appropriate assumption for the analysis.

The Ontario per capita FSR expenditure figure in the UMI study based on partial-year statistics is \$2192. The figure based on full-year data is estimated at \$2187. The difference in these estimates is negligible and has no effect on the FSR analysis conclusions.

I have reviewed the other inputs in the FSR analysis and take no issue with any of them. As such, I concur with the proposed introduction of a 50,000 square foot supermarket at the subject site is not expected to create critical impacts on any of the existing supermarkets and grocery stores currently operating in the Primary Zone.

CONCLUSION

I have examined carefully the inputs employed by UMI in evaluating the market support for, and the expected impacts of, the proposed introduction of a commercial retail/service development containing some 425,000 square feet of rentable space. Where appropriate I have modified key inputs in the analysis, in general employing more conservative estimates with the result that my estimates of expected impact are higher than the UMI estimates. However, in no instances did I find the magnitude of the impacts, the durations of the impacts, or the after impact sales performance levels such as to pose a risk of closure to existing retailers in the Primary Zone. There would appear to be no reason to object to the proposed development on simply market grounds.

I trust that these comments will assist you in the preparation of your planning report on the Trinity Development Group Inc.'s application. If you have any questions, please call.

Yours truly,

Robin Dee & Associates

Robin Dee.