

SITE ECONOMICS LTD.

701 West Georgia Street - Suite 1500
Vancouver, BC V7Y 1C6 Canada
tel: 604.224.1369 / fax: 604.801.5911
email: info@siteeconomics.com
website: www.siteeconomics.com

April 1, 2011

City of Vancouver
City Wide & Regional Planning
604-873-7237
chris.clibbon@vancouver.ca

Attn: CHRIS CLIBBON PLANNER

Re: MARINE GATEWAY RETAIL IMPACT STUDY REVIEW, VANCOUVER, BC

Site Economics Ltd was contracted in February 2011 by the City of Vancouver to conduct a review of the Marine Gateway Retail Impact study completed on March 28 2011 by Coriolis Consulting Ltd. Further to this request, Site Economics Ltd. prepared a concise letter report which reviewed the project understanding, the method of analysis, estimates of supply and demand and provides comments on the conclusions.

This review letter will comment upon the report text according to section heading and section number.

2.0 SCOPE

2.1 The background context and report objectives are all stated in a reasonable manner. The focus of the report will be the anchor tenants: a supermarket, drugstore, liquor store and cinema.

2.2 The Marine Gateway project retail floor area which may have a neighbourhood impact is logically reduced to 206, 380 sq. ft. Removing the cinema for much of the analysis is reasonable as it is not a typical retail business. A series of other standard assumptions are made and they are all reasonable.

2.3 The study area is relatively large however it is understood to include the trade areas of all of the south Vancouver commercial areas and not just the trade area of the subject site (Marine Gateway). The subject site is only a neighbourhood shopping facility with limited structured parking available. It is thus too small and inconvenient to be a regional draw for a large number of south Vancouver residents. The rapid transit station function of the site (regardless of any retail) does not extend its influence over a 800 metre radius and thus site activity will be relatively localized.

Sales to residents of areas situated east of Fraser St. or west of Granville St. or north of 49st Ave. will likely be modest as these residents would have to drive past comparable competitive retail facilities to shop at the subject site. Industry standards indicate that consumers use the most conveniently located retail food stores at least some of the time. The distances are large and shoppers could travel in other directions or to Richmond and arrive at comparable and / or much larger retail facilities.

Map 1 clearly shows the retail areas and the moderate scale of the retail infrastructure. There is no mention that one reason the scale of retail space is moderate in South Vancouver is because of the large and well document outflow (or leakage) of retail sales expenditures to the City of Richmond. The outflow is mostly regional and destination type shopping, not convenience (neighbourhood) but there is some food retail outflow to the Richmond Costco, Richmond Real Canadian Superstore, Richmond T and T supermarket and Richmond Yaohan supermarket. There may be even more retail outflow if the Richmond Wal-Mart Super centre on Alderbridge Rd. (with an extensive food floor area) opens in 2014.

3.0 QUANTITATIVE ASSESSMENT

3.1. The \$340 sales per sq.ft. and 45 sq.ft.of retail space per capita may be a little high but they are still reasonable. The 20.7 sq.ft. of neighbourhood space per capita also appears to be a little high however this is a not critical to the analysis.

3.2.1 The population estimate is reasonable although growth of over 1,000 new persons per year may be high. New Cambie corridor density will occur but most will be located north of 49th Ave outside the trade area. In addition, some of the proposed high density rezoning proposed for the area are not certain to proceed and if they do may be smaller than proposed.

It is unusual to base the analysis on floor space rather than sales but this section is just an overview of the market context. Floor space is not the critical measure as real estate “space” will endure regardless of the level of business. Business sales are the critical metric when assessing retail impact.

The outflow figure for local neighbourhood retail at 20% is reasonable given the very limited scale of retail space located within the study area.

3.2. Existing and Planned retail supply estimates are all reasonable. The inventories of space are available and none of these figures are significantly different than other estimates.

An overview of supply and demand within the trade area reveals that there is far more demand than supply, and perhaps one third of total demand is served outside the study area. There is surplus demand for 590,000 additional sq. ft. over and above the existing 1,112,258 sq.ft. of neighbourhood serving retail space. This is a simple and reliable method of analysis and calculation as long as the analysis is using accurate figures as inputs. It is my opinion that the 20.7 sq.ft. of neighbourhood serving space is reasonable, if a little high and the conclusion that demand exceeds supply is valid. The analysis was conducted for a very large series of neighbourhood retail areas, not the subject sites trade area, and is thus not central to the main study findings.

3.3 The primary trade area has been clearly defined. It is very small extending only to the next major arterial roads. The population estimate is correct and there is very little retail space located within this local primary trade area.

3.4 The combined Marpole and Marine Gateway trade area is useful and the combined population of 37,345 persons as of 2015 is reasonable. The conclusion that the combined areas are underserved with retail space is reconfirmed and valid. Selecting such a small trade area tends to amplify the results of the analysis indicating an extreme state of “over” or in this case “under” supply. A more realistic primary trade area would likely be perhaps twice as large and extend to the next set of arterial roads.

3.5 The qualitative analysis which describes each of the existing commercial areas is reasonable and it reveals a low vacancy rate. It does not comment on the relatively low rental rates and by implication low sales in the largest competitive commercial areas, Granville St and Fraser St. Fraser St, has significant

customer traffic and is relatively vibrant. Granville St in particular has some significant problems in part due to the heavy volumes of commuter traffic.

3.6 The summary conclusion of this section, that demand exceeds existing and planned supply, is reasonable given the assumptions, however, the scale of the surplus demand may be slightly less than calculated. The surplus demand is enhanced by the larger than normal study area and the slightly larger than expected scale of retail sq.ft. per capita. The report findings are still valid and from a macro perspective the new floor space proposed for Marine Gateway is warranted by surplus demand. The trade area is clearly underserved by the limited existing retail facilities and the market could support the retail development proposed for the subject site.

Retail outflow as stated is extensive and readily evident. Increasing the scale of local retail space would reduce consumer travel to shops outside the community. The report is correct in implying that most sales which would go to the proposed new development at the subject site would come from reversing retail outflow or leakage. In general the section does determine that sales transfer to the new retail project from existing retail stores in south Vancouver should be relatively limited simply because there is an existing state of under supply. .

4.0 DETAILED ANALYSIS OF KEY RETAIL SECTORS

4.1 It is correct to focus on specific retail sectors rather than the macro level retail overview in Section 3.

4.1.1. It is correct to focus only on the supermarket and drugstore and to a much lesser extent the liquor store. The supermarket in particular is by far the most important anchor tenant which supports the surrounding commercial areas. The supermarket above all is the main factor in whether or not there will be a significant impact.

4.2.1 The analysis of the entire large scale study area was generally suitable in terms of population, supermarket spending per capita, overall supermarket demand and overall supermarket supply.

In general, the finding that there is retail demand for approximately 300,000 sq.ft. of supermarket space in 2015, within the very large study area is reasonable and correct.

In general, the inventory of 234,000 sq.ft. of existing supermarket space (supply) is correct including all of the Real Canadian Superstore (which accounts for over 50% of the inventory). The supply of supermarket floor space is relatively moderate compared to other mature urban areas in Metro Vancouver.

Exhibit 12A and 12B are important steps in the analysis. Supermarkets are critical anchors for commercial districts and their analysis is relatively easy as there is ample excellent data on supply and demand. In general this section outlines that supply and demand will be relatively balanced in 2015 after the Marine Gateway is complete and its proposed supermarket is added to supply. If supply and demand are reasonably balanced, even after a 20% rate of outflow and a new supermarket is added then it can be inferred with reasonable confidence that there will be no significant negative impact on the existing retail infrastructure. In this analysis there is balance and no evidence of potential impact, however this was done for the large “study” area and not an actual trade area.

4.2.4 This sub section provides an important assessment is for the small “trade” area bounded by Main Oak and 57th, an area which consists of residents in close proximity to the subject site (within 1 km). The analysis is the same as in the other sections and is generally reasonable.

It reveals that this small area could support floor space equal to the scale of the proposed supermarket and it would be in balance. The same 20% retail outflow rate is maintained. In reality a single store would never capture 80% of the market. This is a different analysis to the “study” area analysis and the leakage factor does not appear to be relevant. Regardless, the central and overriding issue is that this neighbourhood area consisting of some 15,000 residents has no local supermarket. The supermarket proposed for Marine Gateway would obviously fill that void. There would not only be little of no impact but there would be a reversal of retail outflow allowing residents to more of their shopping locally.

This method of using a small trade area for the analysis is not ideal. It tends to exaggerate the impact of local competition, either highlighting excess local supply or in this case excess local demand. A slightly larger trade area would be more balanced as it would include competitive supermarkets and a larger population base.

The report does not mention that surplus demand implies minimal impact but rather mentions that the proposed supermarket will enjoy inflow sales to local employees and transit – bus exchange users. This is reasonable and to be expected. The report does not mention that these bus users would typically come from the adjacent trade areas and most of these transit related sales would thus come from existing competitive stores.

In general the analysis is reasonable and makes the valid point that there is ample surplus demand for supermarket floor space. As of 2015 the local trade area could support approximately 44,000 sq.ft. of supermarket space and this almost exactly matches the 44,316 sq.ft. being proposed at Marine Gateway.

4.2.5 ANALYSIS OF THE MARPOLE TRADE AREA

This sub section assesses the most vulnerable commercial area. The proposed Marpole trade area is Oak to Macdonald to 49th Ave. and it encompasses just over 20,000 people. This is a reasonable assessment and these figures are subjected to the same form of analysis as other areas in Exhibit 16a and 16b. The proposed expanded Safeway and the small Choices together add up to an area which is roughly equal to the area supported by demand. Both supply and demand will be close to 60,000 sq.ft. the report concludes that there will be ample demand for existing facilities even if it does not mention anything about impact.

An important point which could have been made would be to mention that this Marpole trade area is skewed to the west and away from the proposed supermarket. There is only moderate trade area overlap as most residents of the Marpole trade area will continue to find these stores on Granville St much more convenient than Marine Gateway, which is well to the east, past several very busy arterial roads. As such any potential retail impact will be limited by consumers increasing tendency to shop locally and avoid increasingly congested traffic.

It is clear and well established that this specific small local trade area has very little retail floor space. The one noteworthy issue may be that because the trade area extends to Oak St, there would be some impact on the Granville St. Safeway but it would be minimal. The Safeway store in Marpole has an excellent location and little competition and performs well despite its small and outdated premise. Safeway enjoys a strong, market dominant, position and any minimal competitive sales impact from the proposed Marine Gateway retail would be further moderated if Safeway expands or renovates and becomes even more competitive.

4.3 DRUG STORE ANALYSIS

This retail impact analysis is essentially the same as the supermarket analysis only it uses drugstore supply and demand statistics.

The estimate of supply and demand for the entire study area in Exhibit 17 is reasonable. It shows just over 60,000 sq ft of drug store space is warranted by demand yet there is less than 42,000 sq.ft. of supply, indicating ample surplus demand for more space to be added.

This finding is after assuming retail outflow from the study area of 50%, which is relatively high, and thus supports the conclusion that there is insufficient supply of drugstore space.

There is no discussion of each local community but it is well known that Marpole has only one small local limited service pharmacy and there would be little or no impact on such a small store. The areas which may see some moderate competitive impact are those which have the larger stores such as Shoppers Drug Mart.

In general the analysis is reliable and correct in its finding of minimal impact, although the “study” area “trade” area used is large.

4.4 LIQUOR, BEER, WINE STORE ANALYSIS

The same analysis is conducted for the liquor store sales category. The supply and demand assessment is generally correct. It is noteworthy that almost two thirds of retail supply (31,000 sq.ft.) is located at the single Cambie St and 39th Ave. store, indicating opportunity for more convenient smaller stores.

In general the analysis is reliable and correct. In addition this tenant like the drugstore and other tenants will enjoy some sales to transit ridership.

5. 1 CINEMA

The cinema complex would serve a very wide geographic area, far beyond the study area boundaries. This strong regional draw is reflected in the market impact report.

The analysis is conducted at a high level and is for the number of theatre screens only. It is not based on the number of seats in each theatre and thus makes no differentiation between a very large cinema and a very small cinema. There are lists of every cinema and seat count at locations such as <http://movie-theatre.org/canada/bc/bc.htm>. The number of seats is often more important than the number of theatre screens and it is used for a viewer based supply and demand analysis rather than a number of theatre screens based analysis.

5.5 There is ample demand across the region and even in the sub region of Vancouver. The report correctly shows in a simple high level analysis which contrasts average spending and population with the supply of screens that there is demand for the proposed 11 cinema facility at Marine Gateway.

It is the case that the Oakridge shopping centre cinemas will close, according to the landlord. This pending closure will create a significant under supply of theatre screens in south Vancouver.

5.6 The report correctly concludes that there would be no impact sufficient to cause any existing theatre operations to close. The Park Theatre would be at the most risk, however it is distant from Marine Gateway. The Park has a different service area and it competes more with downtown Vancouver than with areas to the south. The Park also operates in a slightly different manner to the large chains such that it is differentiated and has its own market niche.

6. CONCLUSION

The report concludes in general and reasonably that the addition of the Marine Gateway retail facilities will not have a significant negative impact on existing commercial districts. It is clear that south Vancouver has less retail space than other comparable urban areas. In addition to a lack of retail supply the sales at this new retail facility would come primarily from reversing retail outflow (leakage) and not sales transference from the existing retail stores in south Vancouver.

I confirm that the report finding is valid and the Marine Gateway retail facility will not have a significant impact on existing Vancouver retailers. It will allow more south Vancouver residents to shop locally, within their own underserved urban community. Further it will allow the transit station to become a local focus of urban activity and likely enhance transit use.

- **In general the report data, methodology and conclusions, confirming only a minimal negative economic impact on existing retail, are suitable and correct.**

If you have any questions or require further information, please contact the undersigned.

Sincerely,



Richard Wozny
Site Economics Ltd.

APPENDIX 1 - ASSUMPTIONS & LIMITING CONDITIONS

This market, economic, land use or development report / study has been prepared at the request of the client for the purpose of providing an estimate of economic feasibility or impact, development strategy or range of possible market values. It is not reasonable for any person other than the person or those to whom this report is addressed to rely upon this without first obtaining written authorization from the client and the author of this report. This report has been prepared on the assumption that no other person will rely on it for any other purpose and all liability to all such persons is denied.

This report has been prepared at the request of the client, and for the exclusive (and confidential) use of the recipient as named herein and for the specific purpose and function as stated herein. The client has provided much of the site information and has represented that such material, such as ownership, rents, size, etc. is reliable. All copyright is reserved to the author and this report is considered confidential by the author and the client. Possession of this report, or a copy thereof, does not carry with it the right to reproduction or publication in any manner, in whole or in part, nor may it be disclosed, quoted from or referred to in any manner, in whole or in part, without the prior written consent and approval of the author as to the purpose, form and content of any such disclosure, quotation or reference.

Without limiting the generality of the foregoing, neither all nor any part of the contents of this report shall be disseminated or otherwise conveyed to the public in any manner whatsoever or through any media whatsoever or disclosed, quoted from or referred to in any report, financial statement, prospectus, or offering memorandum of the client, or in any documents filed with any governmental agency without the prior written consent and approval of the author as to the purpose, form and content of such dissemination, disclosure, quotation or reference.

If an estimate of economic, market or financial value of the real property / subject site which is assessed in this report is provided then it pertains to the approximate and general range of possible values of the freehold or fee simple, or leasehold or leased fee estate in the real property, based on vacant possession or subject to terms and conditions of the existing tenancy as described in this report. The property rights exclude mineral rights, if any.

An estimate of economic, market or financial value, if any, contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value; especially if there was no reason to doubt its accuracy. Other empirical data required interpretive analysis pursuant to the objective of this report. Certain inquiries were outside the scope of this mandate. In addition any economic or financial estimates in this report are approximations only and may vary from final and actual market values. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the following contingent and limiting conditions.

The property has been assessed on the basis that title to the real property is good and marketable.

The author of this report cannot accept responsibility for legal matters, questions of survey, opinions of title, hidden or unapparent conditions of the property, toxic wastes or contaminated materials, soil or sub-soil conditions, environmental, engineering or other technical matters which might render this property more or less valuable than as stated herein. If it came to our attention as the result of our investigation and analysis that certain problems may exist, a cautionary note has been entered in the body of the report.

The legal description of the property and the area of the site were obtained from sources which are deemed to be reliable. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.

The property, if any, has been described on the basis that the real property is free and clear of all value influencing encumbrances, encroachments, restrictions or covenants except as any be noted in this report and that there are no pledges, charges, lien or social assessments outstanding against the property other than as stated and described herein.

The property if any, has been described on the basis that there are no outstanding liabilities except as expressly noted herein, pursuant to any agreement with a municipal or other government authority, pursuant to any contract or agreement pertaining to the ownership and operation of the real estate or pursuant to any lease or agreement to lease, which may affect the stated value or saleability of the subject property or any portion thereof.

The interpretation of any leases and other contractual agreements, pertaining to the operation and ownership of the property, as expressed herein, is solely the opinion of the author and should not be construed as a legal interpretation. Further, any summaries of these contractual agreements, which may appear in the Addenda, are presented for the sole purpose of giving the reader an overview of the salient facts thereof.

The property, if any, has been described on the basis that the real property complies in all material respects with any restrictive covenants affecting the site and has been built and is occupied and being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto. (It is recognized there may be work orders or other notices of violation of law outstanding with respect to the real estate and that there may be certain requirements of law preventing occupancy of the real estate as described in this report. However, such possible circumstances have not been accounted for in the reporting process.)

Investigations have been undertaken in respect of matters which regulate the use of land. However, no inquiries have been placed with the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The subject property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of this property. To be certain of such compliance, further investigations may be necessary.

The property, if any, has been assessed and possibly valued in a general analysis on the basis that all rents referred to in this report are being paid in full and when due and payable under the terms and conditions of the attendant leases, agreements to lease or other contractual agreements. Further, it is assumed that all rents referred to in this report represent the rental arrangements stipulated in the leases, agreements to lease or other contractual agreements pertaining to the tenants' occupancy, to the extent that such rents have not been prepaid, abated, or inflated to reflect extraordinary circumstances, and are fully enforceable notwithstanding that such documentation may not be fully executed by the parties thereto as at the date of this reporting, unless such conditions have been identified and noted in this report.

The data and statistical information contained herein were gathered from reliable sources and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.

Any estimated economic or market or financial value does not necessarily represent the value of the underlying shares, if the asset is so held, as the value of the shares could be affected by other considerations. Further, the estimated market value if any does not include consideration of any extraordinary market value of the property, unless the effects of such special conditions, and the extent of any special value that may arise there from, have been described and measured in this report.

Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a co-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership.

In the event of syndication, the aggregate value of the limited partnership interests may be greater than the value of the freehold or fee simple interest or leasehold interest in the real property, by reason of the possible contributory value of non-realty interests or benefits such as provision for tax shelter, potential for capital appreciation, special investment privileges, particular occupancy and income guarantees, special financing or extraordinary agreements for management services.

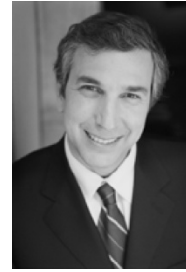
Should the author of this report be required to give testimony or appear in court or at any administrative proceeding relating to this report, prior arrangements shall be made therefore, including provisions for additional compensation to permit adequate time for preparation and for any appearances which may be required. However, neither this nor any other of these contingent and limiting conditions is an attempt to limit the use that might be made of this report should it properly become evidence in a judicial proceeding. In such a case, it is acknowledged that it is the judicial body which will decide the use of this report which best serves the administration of justice.

Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this report, cannot necessarily be relied upon as any other date without the subsequent advice of the author of this report. All macro economic data has been obtained from reliable sources however major changes in the economy are possible which could move entire markets and a reported value, if any, would move up or down with that market. The report typically assumes stable background economic conditions.

If any economic, market or financial value or measure has been expressed herein it is in Canadian dollars.

APPENDIX 2 - SITE ECONOMICS LTD.

Richard Wozny, Principal



Experience

Richard has conducted over 450 development and financial studies of shopping centres and commercial districts. He has worked on the development of thousands of acres of residential and industrial projects, and over 400 store location and feasibility studies for retailers. Richard combines a creative and worldly project vision with pragmatic and detailed analysis.

Past Employment

Richard's past work experience includes: Vice President and Manager of Advisory Services, Cushman & Wakefield LePage Inc., from 2000 to 2009; Principal, Site Economics Ltd., from 1990 to 2000; Manager of Retail Development for Western Canada, Marathon Realty Company Ltd., from 1987 to 1990; and Senior Consultant for Shopping Centre Developments, Thomas Consultants Inc., from 1984 to 1987.

Education

Richard completed a Masters Degree in Regional Science at the University of Pennsylvania, Philadelphia, PA, in 1984, a Masters Degree in Religion at Temple University, Philadelphia, PA, in 1982, and a Bachelors Degree in Philosophy at the University of British Columbia, Vancouver, BC, in 1978.

Strategic Real Estate Services

- Market Analysis
- Financial Analysis and Site Valuation
- Highest and Best Use Studies
- Development Feasibility Studies
- Development Strategies & Optimization
- Supply and Demand Assessments
- Absorption and Price Assessments for Major Developments
- Proforma / Discounted Cash Flows
- Property Acquisition and Disposition Strategies
- Strategic Review of Redevelopment Options
- Shopping Centre / Downtown Revitalization
- Market Impact Studies for Major Developments
- Market Input for Land Use Planning
- Site Selection and Location Assessment for Retailers and Landowners

Site Economics Ltd.

Suite 1500 – 701 West Georgia Street

Vancouver, BC V7Y 1C6 Canada

tel: 604.224.1369 / fax: 604.801.5911

email: rwozny@siteeconomics.com / website: www.siteeconomics.com