

J.C. WILLIAMS GROUP

# Lansdowne Park

## Retail Leasing Report

**August 30, 2012**

*J.C. Williams Group Limited*

*17 Dundonald Street, 3rd Floor, Toronto, Ontario M4Y 1K3. Tel: (416) 921-4181 Fax: (416) 921-4184 info@jcng.com www.jcng.com*

*1230-1010 de la Gauchetière West, Montréal, Québec H3B 2N2 Tel: (514) 510-0711 Fax: (514) 510-8071*

*350 West Hubbard Street, Suite 240, Chicago, Illinois 60654 Tel: (312) 673-1254*

*Member of the EBELTOFT GROUP - International Expertise in Retail Service Business*

## 1.0 Summary

This report is prepared for the City of Ottawa pertaining to the leasing progress by Ottawa Sports and Entertainment Group OSEG through the Trinity Development Group (Trinity) for the Lansdowne Park redevelopment. To date, Trinity is leasing the retail areas according to the vision and retail mix established and approved by City Council. In addition, a significant proportion of the tenancies is signed or is in the final stages of being signed. The risk assessment for the City of Ottawa is low.

Currently, 73% is leased or in final negotiations with strong tenants. This is a good position to be in at this stage of the development.

## 2.0 Our Mandate

J.C. Williams Group completed the Retail Strategy for Lansdowne and City Council approved it in June 2010. J.C. Williams Group continued to work on the City's behalf to ensure the leasing of the project adhered to the overall vision and guidelines. The role of "keeper of the vision," based on City Council's direction on the nature, theme, scope, scale, and overall environment, follows the desire to develop an "interesting and unique urban village" at Lansdowne Park. In January 2012 (February status update report), J.C. Williams Group provided an amended Retail Strategy for Lansdowne based upon agreed definitions of the retail categories and target ranges. The overall vision remained the same as in June 2010.

In addition, J.C. Williams Group assessed the qualitative risk factors for the City associated with the lease negotiations based on a five point scale, where four is fully leased and zero is retail use is to-be-determined.

Other roles included writing Section 13 on retail for the Lansdowne Design Guidelines Manual, commenting on the retail zoning and heritage implications of the Aberdeen Way right of way width, as well as preparation of materials for a possible OMB hearing.

### 3.0 Review – Lansdowne Opportunity

It is agreed that Lansdowne Park should be more than a uni-dimensional retail development. Beyond retail, it should provide a multi-use experience that includes: sports, special events, an urban park, recreation activities, residential homes, office space, and a farmers' market. It would become a unique urban village with interesting stores, cafés, restaurants, services, cinemas, and entertainment along with spaces to host programmed events and activities. The retail component will be approximately 360,000 square feet (OSEG's portion of the retail leasable areas excluding the Aberdeen Pavilion and the Horticultural Building).

The urban village will be linked to the Glebe's Bank Street retail shops and cafés and will enhance its pedestrian foot traffic, act as a complementary anchor to the existing businesses, and offer Glebe residents stores and services that complement, or may be missing along, Bank Street. When the Glebe's retail is combined with that of Lansdowne Park, it will create a unique shopping district with a stronger regional drawing power than at present.

### 4.0 Completing the Report

Since August 2011, J.C. Williams Group has continued to meet regularly in person and via conference calls with Trinity related to the retail leasing of Lansdowne Park. J.C. Williams Group met with Trinity at their offices on a bi-weekly basis to receive updates on the leasing schedule, the retailer locations in the development, and other issues such as Aberdeen Way, overall design, store entrances, pedestrian flow, horizontal and vertical circulation, as well as negotiations with the City and other stakeholders such as the Glebe BIA on specific issues. Conference calls and email were used throughout the process to keep Trinity and the J.C. Williams Group abreast of the current understanding and issues that needed to be addressed.

In addition, the J.C. Williams Group also participated in the regular Principles and Agents meetings scheduled by the City Manager's Office on issues specific to the retail mix and leasing. Some of these meetings were in person in Ottawa but most were via conference calls.

At the City's request, J.C. Williams Group met with members of the Glebe BIA and went through an item-by-item list of issues and concerns, which was documented and discussed. OSEG (including Trinity), the Glebe BIA, and the City were committed to ensuring an effective working relationship; their efforts have resulted in a Memorandum of Understanding between OSEG, the Glebe BIA, and the City of Ottawa on the major issues associated with Lansdowne Park, including the retail mix.

Meetings were also held in Ottawa with the City Manager's Office and City staff as well as a meeting and follow-up report with the Glebe BIA.

A full range of discussion throughout the process has taken place and the highlights of which are summarized in this report including:

- Size of retail units
- The number of storefronts that should be along any one block
- The pedestrian flow and movement
- The width of Aberdeen Way and view corridors
- Height and massing of the buildings
- The role of clothing and fashion-type stores in the development and the different sub-categories that could be present
- The leasing process and when independent retailers will lease space (an important consideration in the leasing process and key to making Lansdowne unique – this consideration is elaborated upon later)
- The size and makeup of the retail spaces
- Role of second level retail and how to make it accessible
- The cinema location and ensuring an active ground level street presence with the inclusion of retail stores at the base
- Horizontal and vertical pedestrian circulation.

### *Amended Retail Mix*

In February 2012 (based on J.C. Williams Group's January 2012 report), a modified Retail Strategy was presented to City Council and approved. The refined retail strategy provided enhanced clarity on the ranges and benchmarks for the retail-leasing program and ensured that all major parties agreed to the retail definitions and terms (e.g., leisure retail, clothing stores, etc.). The definitions were developed and mutually agreed upon through a dialogue between the City, OSEG and Trinity, and the Glebe BIA.

**Table 1: Amended Retail Mix**

Category	Range %	Range GLA (based on 360,000 Square feet)	Examples
Food and Beverage	15% to 25%	54,000 to 90,000	Whole Foods, LCBO, pastry shop, chocolatier
Food Service	15% to no max.	54,000	Restaurants and cafés
Cinema	15%	54,000	
Sports (goods, apparel, services)	10% to 20%	36,000 to 72,000	Nike, Puma, SportChek, Sporting Life
Health, Spa, Wellness Goods and Services	10% to 15%	36,000 to 54,000	Fitness club, yoga, registered massage therapy, GNC, pharmacy
Home Furnishings, Electronics	5% to 15%	18,000 to 54,000	Crate & Barrel, Restoration Hardware, Future Shop
Fashion	0% to 15%	0 to 54,000	H&M, J. Crew, Liz Claiborne
Lifestyle	5% to 15%	18,000 to 54,000	Anthropologie
Leisure Wear	5% to 15%	18,000 to 54,000	Lululemon, Roots, Eddie Bauer
Other Services	5% to 10%	18,000 to 36,000	Banking, travel, etc.

*Note: the listing is an example of retailers and does not imply or infer that these are selected tenants for Lansdowne Park but are only used to help clarify the definitions of the retail categories.*

### **Rationale for Amended Retail Mix**

The retail mix set “general guidelines” that were to “encourage and support flexibility and experimentation to allow retailers [and Lansdowne Park] to grow and adapt to changing consumer trends.” The intent of the June 2010 report was always to include food stores at  $\pm 25\%$ , restaurants/cafes at  $\pm 20\%$ , cinemas at  $\pm 15\%$ , sports, leisure, fashion at  $\pm 15\%$ , health and fitness at  $\pm 15\%$ , and services at  $\pm 10\%$ . The objective was to create an interesting diversity in the retail mix that complements the Glebe’s mix of retail offering while adhering to the requirement that this not become a typical (big box) shopping centre or regional shopping centre.

In discussions with the Glebe BIA following June 2010, the intent was clarified and it was agreed that fashion was a supportable category and it was separate from sporting apparel, leisurewear, and lifestyle convergence retailers. It was also agreed that the fashion category would be capped. This is a practical guideline because: a) it does permit diversity, b) these types of retailers are more likely to take hard-to-lease multi-level and second floor space, and c) this percentage does not compare to the dominant fashion component of a regular shopping centre.

Retail development is fluid and constantly changing. Lansdowne Park needs the flexibility to be able to stay current. Since the process began, the three major shopping centres in Ottawa have announced a combined total of over one million square feet of expansion plans. Continued global economic uncertainty, particularly in Europe, has had an effect here in Canada as many international retailers are adjusting their expansion plans. The result is that there are increased opportunities for retailers to expand into Ottawa while at the same time many international retailers (many from Europe such as Crate & Barrel) have limited their expansion plans. More retail location choices and fewer retailers looking have led to a very competitive situation for leasing retail space in Ottawa.

Overall, the amended retail mix is very much aligned with the overall intent and vision set out in the June 2010 Strategic Retail Planning Report. The result continues to satisfy the original evaluation criteria including the following:

- Encourage mixed-use retail at ground level
- Complement an urban park
- Enhance Glebe retailers
- Be sustainable
- Be flexible in use – retail uses change but buildings stay
- Be authentic
- Be leasable while balancing commercial revenue with community vision
- Connect with Bank Street, the Urban Park, the NCC lands, and the Rideau Canal
- Appeal to target markets – sports attendees, farmers’ market shoppers, local residents, park attendees, special event attendees, families, tourists, etc.
- Build on ideas of family connectivity, health and well-being (interactive rather than just participatory)
- Respect heritage, the Aberdeen and Horticultural buildings, view corridors, NCC, and Parks Canada
- Be active 365 days of the year
- Will not be a regional shopping centre, fake village, or rowdy entertainment zone.

It also satisfies the additional requirements that the retail mix should:

- A. Be interesting – different from the norm (40% new to Ottawa, new concepts, or strong local retailers)
- B. Be functional – but distinctly new
- C. Include cultural retail concepts – people place for social interaction and experiential retailing.

Signed retailers such as Whole Foods and Empire Cinema fit into these categories as being interesting, unique to Ottawa, functional but distinctly new, as well as cultural.

## 5.0 Retail Leasing Program – Risk Assessment

A significant issue throughout the leasing process is attracting retailers who will provide a solid covenant that OSEG (including Trinity) feels confident about waiving its condition on financial viability of the retail component and signing the legal partnership agreements with the City of Ottawa.

Trinity, on behalf of OSEG, has provided J.C. Williams Group with a continued updated list of those retailers that have:

- Signed lease agreements
- Very strong interest in and are negotiating details
- Offers/proposals out
- Additional prospects (preliminary interest).

Together with Trinity, each retail lease and space has been assigned a lease risk factor based on a five-point scale as follows:

- 4 – Signed lease
- 3 – Negotiating offer
- 2 – Offer, proposal out
- 1 – Additional prospects
- 0 – Use still to be determined

From OSEG's (including Trinity's) perspective, they must feel confident that they can lease space to quality tenants that fit in with the modified retail strategy of February 2012. During 2012 and up to August 2012, the retail leasing risk assessment indicated that there was continued good to strong retail leasing negotiations for approximately 73% of the total leasable area (signed and negotiating offer)

During the past few months, J.C. Williams Group and OSEG (including Trinity) have expressed concerns about the changing leasing opportunities within Canada and, in particular, Ottawa. The current economic and competitive conditions make the situation fluid. The July 2012 announcement that Nordstrom department store would be locating in Rideau Centre is part of that fluidity. However, at this time, J.C. Williams Group can report that OSEG (including Trinity) is in a good position. Especially given the situation that there are two to three years until opening and that construction is yet to start which is a "must see" for many retailers (particularly American retailers that were affected by the 2008-09 recession in the United States) before they sign a lease.



In reviewing the Lansdowne Park Leasing Schedule, the following should be noted:

- It is desirable that a certain amount of space be unleased so that new retail concepts and good local tenants can be accommodated shortly after opening.
- The situation is obviously fluid and can be influenced by key tenant insistence on specific co-tenancies.

The Ottawa retail scene is about to shift again. As stated, Sears sold its Rideau Centre location back to Cadillac Fairview to be leased to Nordstrom, and the Rideau Centre is adding approximately 200,000 square feet (including parking). Therefore, ± 400,000 square feet of retail space will be coming onto the market in Downtown.

While not a “fait accompli,” this potential scenario would make Rideau Centre dominant and would hurt St. Laurent Shopping Centre and Bayshore Shopping Centre. Lansdowne’s retail village is clearly that of a unique, non-regional mall and special lifestyle place.

Overall, at our regular meetings with Trinity (on OSEG’s behalf) I am impressed with the diligence they are using in their leasing.

As well, numerous smaller retail spaces are available and will be easy to lease once the partnership is entered into and the construction commences. These spaces are currently un-leased which was anticipated and is to be expected at this stage in the leasing process. OSEG wants to secure the best small independent stores possible for Lansdowne. However, local and smaller retailers will make their location decision most likely 12 months prior to the completion date for the retail component of the redevelopment. This dynamic results from the reality that most small, local businesses do not possess the financial ability to commit to pre-leasing as early as larger retailers and certainly not two or more years prior to occupancy.

OSEG recognizes the importance of the inclusion of unique, local retailers to ensuring a distinctive, diverse and interesting retail mix is achieved at Lansdowne. OSEG is engaged with the Glebe BIA and will be actively pursuing this important retail market segment through the implementation of a number of initiatives targeted at attracting and retaining this retail category.

While a risk remains that some of the retail space will not be leased before commissioning of the retail space, Trinity (on OSEG’s behalf) has several proposals out to very interested retailers and there are always new retail entrants into the market.

Table 2 on the following page documents the leasing plan as per the retail categories and the 40% goal of interesting new to Ottawa, interesting local, functional but superior, and cultural type retailers. This includes new concepts such as Whole Foods and the Empire Cinema (the cinema is also cultural) and other new flagships and best of retailing concept stores.

The total signed leases account for approximately 90,000 square feet and total signed and negotiated leases account for 264,530 square feet (73% of 360,000 square feet).

The chart notes the minimum requirements for each category and where OSEG (including Trinity) is with respect to leasing. Trinity is well positioned to meet these goals. Comments are included where additional emphasis on leasing should be placed to reach the minimum goals established.

Please let me know if additional information is required.

Respectfully submitted,

A handwritten signature in black ink that reads "John Williams". The signature is written in a cursive, flowing style.

John Williams

Table 2: Lansdowne Park Leasing Schedule

Status	Est Sq. Ft.	Total Interesting, Superior, and Cultural	Food and Beverage	Food Service	Cinema	Sports - Goods, Apparel, Services	Health, Spa, Wellness Goods and Services	Home Furnishings, Electronics	Fashion	Lifestyle	Leisure Wear	Other Services
<b>Signed Offer</b>	<b>90,000</b>	<b>90,000</b>	<b>40,000</b>	<b>0</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>% of Total Signed</i>		52%	23%	0%	29%	0%	0%	0%	0%	0%	0%	0%
Negotiating Offer	174,530	94,330	12,000	36,800	0	42,500	20,430	0	23,000	0	0	11,000
<b>Total Signed and Negotiating Offer</b>	<b>264,530</b>	<b>184,330</b>	<b>52,000</b>	<b>36,800</b>	<b>50,000</b>	<b>42,500</b>	<b>20,430</b>	<b>0</b>	<b>23,000</b>	<b>0</b>	<b>0</b>	<b>11,000</b>
<i>% of Total Signed and Negotiating Offer</i>		70%	20%	14%	19%	16%	8%	0%	9%	0%	0%	4%
Offer/Proposal Out	44,900	6,000	1,200	11,700	0	0	3,500	1,500	16,500	0	6,700	3,800
<b>Total Signed, Negotiation, Offer/Proposal Out</b>	<b>309,430</b>	<b>190,330</b>	<b>53,200</b>	<b>48,500</b>	<b>50,000</b>	<b>42,500</b>	<b>23,930</b>	<b>1,500</b>	<b>39,500</b>	<b>0</b>	<b>6,700</b>	<b>14,800</b>
<i>% of Total Signed, Negotiating, Offer/Proposal Out</i>		62%	17%	16%	16%	14%	8%	0%	13%	0%	2%	5%
Additional Prospects	73,600		2,500	16,700		12,000	2,700	27,200	5,000	5,000	2,500	
<b>Total Signed, Negotiation, Offer/Proposal Out, and Additional Prospects</b>	<b>383,030</b>	<b>190,330</b>	<b>55,700</b>	<b>65,200</b>	<b>50,000</b>	<b>54,500</b>	<b>26,630</b>	<b>28,700</b>	<b>44,500</b>	<b>5,000</b>	<b>9,200</b>	<b>14,800</b>
<i>% of Total Signed, Negotiating, Offer/Proposal Out, and Additional Prospects</i>		50%	15%	17%	13%	14%	7%	7%	12%	1%	2%	4%
City of Ottawa Goals Sq. Ft.		40%	54,000 to 90,000	54,000	54,000	36,000 to 72,000	36,000 to 54,000	18,000 to 54,000	0 to 54,000	18,000 to 54,000	18,000 to 54,000	18,000 to 36,000
Over or Below Minimum (positive number indicates more leasing may be required; negative number indicates category may have been achieved minimum requirement)			1,700 sq. ft. beyond min target	11,200 sq. ft. beyond min target	4,000 sq. ft. to go to reach min target	18,500 sq. ft. beyond min target	9,370 sq. ft. to go to reach min target	10,700 sq. ft. beyond min target	9,500 sq. ft. until max target reached	13,000 sq. ft. to go to reach min target	8,800 sq. ft. to go to reach min target	3,200 sq. ft. to go to reach min target
Comment on Achieving Goals		Good	Good	Good	Good	Good	Increase	Good	Increase but mindful of max	Increase	Increase	Increase

Note, the total square footage is larger than the leasable space as there may be two retailers being considered for the same unit