

SOURCE: Google Earth

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Metrics**

# **WESTMOUNT SHOPPING CENTRE**

## Office Market Needs Analysis

London, Ontario

Prepared for McCOR Management East Inc.

August 29, 2022



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Metrics

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August 29, 2022

Mr. Luc Corneli  
21 St. Clair Avenue East, Suite 500  
Toronto, ON  
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Dear Luc:

**RE: Westmount Shopping Centre – Office Market Needs Analysis (London, Ontario)**

urbanMetrics inc. is pleased to submit this Office Market Needs Analysis, in support of a pending Official Plan and Zoning By-law Amendment (“OPA”, ZBA”) to redevelop the lands known municipally as 735 Wonderland Road South – hereafter referred to as the subject site – in the City of London, Ontario. The proposed development on the subject site is a mixed-use development, including 898 residential units, 40,000 m<sup>2</sup> of office space, and 17,000 m<sup>2</sup> of retail/service commercial space.

The subject site is identified in the London Plan as a *Shopping Area*, which limits the amount of office space permitted. The market analysis conducted in this study has examined the suitability of the subject site for office uses, identified the challenges for existing and potential future retail uses on the subject site, office market trends in the City of London, and the fiscal and employment benefits that will be derived with approval of the proposed development.

It has been a pleasure conducting this study on your behalf, and we look forward to discussing the results of our findings with you.

Yours truly,

A handwritten signature in black ink, appearing to read "D. R. Annand".

Douglas R. Annand CMC, PLE  
Partner  
dannand@urbanMetrics.ca

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# 1.0 Introduction

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## 1.1 Background

Westmount Shopping Centre is an existing two storey shopping centre located in southwest London on Wonderland Road South and is comprised of approximately 496,000 ft<sup>2</sup> (46,000 m<sup>2</sup>) of leasable space. The current owners of this centre are proposing a mixed-use development that will largely be located on top of the existing shopping centre, with the conversion of the upper levels of the shopping centre to house office space. This proposed re-development would be comprised of 898 residential units (24 townhouses, 437 <2 bedroom and 437 >2 bedroom units), and approximately 431,000 ft<sup>2</sup> (40,000 m<sup>2</sup>) of office commercial space (including the conversion of existing shopping centre space on the second level), and 183,000 ft<sup>2</sup> (17,000 m<sup>2</sup>) of retail/service commercial space. The current *Shopping Area* designation that applies to the centre does not permit large scale office uses.

## 1.2 Purpose

An Official Plan amendment is required in order to permit the mixed-use development being proposed by the proponent which would include the proposed residential development and the significant increase in the office space.

This study is intended to provide a professional, third-party assessment of market need for the amount of office space being proposed as part of the re-development scheme. It sets out to answer the following questions:

1. Will the proposed development threaten the viability of the downtown office market?
2. Is there market demand for office space on the subject site?
3. Is there market demand for retail uses on the subject site?
4. What fiscal and employment benefits would the proposed development bring to the City of London?

## 1.3 Approach

The following describes the major work steps that have been undertaken by urbanMetrics in preparing this *Office Market Needs Analysis* for the Westmount Centre.



1. Site and Access Assessment

We have evaluated the suitability of the subject site for office uses with respect to its location within London’s transportation network, its relationship with surrounding land uses as well as its compatibility with the other components that comprise the potential re-development.

2. Planning Context

We have reviewed the PPS, The London Plan, and the area Secondary Plan to assess whether the proposed re-development meets the settlement area policies related to office uses.

3. Office Market Trends

We have reviewed office market trends in the downtown and suburbs of London to evaluate the current and future demand for office space in these two areas of the City.

4. Retail Demand

We have analyzed the current and future supply of retail commercial space in the area directly to the south of the subject site as this space has created significant retail competition for the existing retail uses on the subject site, which has led to the current high level of vacancy at Westmount.

5. Employment and Fiscal Benefits

We have carried-out an employment and fiscal benefits analysis to illustrate how the expansion of office space and the addition of residential development at Westmount will increase the amount of office and work from home employment in this part of the city and provide financial benefits in terms of planning fees, development charges and property taxes to the City that would not be available if the city restricts the amount of office and residential proposed on the subject site.

6. Evaluation and Summary

Finally, we have summarized the results of our Office Market Needs Analysis and provided our professional opinion as to whether the expanded office uses being proposed as part of the re-development plan are warranted and appropriate and whether this development will impact the future office market in London and in particular in the Downtown core.



## 1.4 Assumptions

There are a number of underlying and basic assumptions upon which the validity of the analysis and findings presented in this report depend. While deviations from historic and current trends can be expected to take place in the future, core assumptions are required to determine the extent of such deviations. The assumptions used in the preparation of this report are summarized below.

- The Official Plan and Secondary Plan documents reviewed in this report are up-to date and reflective of the current policy regime in the City of London.
- The data sources used are sufficiently accurate for the purposes of our analysis (CoStar data, CBRE reports, Vacant Land Inventory etc.)
- The proposed development will not change significantly in terms of floor area and composition from the concept we have evaluated in our analysis.

## 2.0 Site Context

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## Key Findings

- The subject site has excellent transit access, and access to Highway 401 and Highway 402 via Wonderland Road South, which are important factors in attracting potential office tenants.
- The subject site is largely surrounded by residential and institutional uses, which would be compatible with the uses proposed in the planned Westmount re-development.
- There is an extensive amount of existing and proposed commercial development located a short distance to the south of the subject site, which is competing with current retail uses on the subject site and has resulted in its current high vacancy rate.

## 2.1 Site Location and Characteristics

The subject site is located at the northwest corner of Viscount Road and Wonderland Road South as shown in Figure 2-1. The site contains the Westmount Shopping Centre, which is composed of a large two-storey central mall and movie theatre surrounded by extensive surface parking but excludes the several stand-alone smaller buildings located along Wonderland Road South and Viscount Road. The site currently operates as a shopping centre and contains a variety of retail, service, and office uses, with over 496,000 square feet (46,000 square metres) of leasable space, though the retail component of the centre has struggled in recent years as additional competitive commercial development has been developed and approved to the south of the Westmount Centre. Based on an examination of the current tenant list, at least 40% of the currently leased floor space can already be considered office space, suggesting that there is already significant demand for office space on the Westmount site.<sup>1</sup> Significant office tenants at Westmount include the City of London Realty Services, London Health Sciences Centre, and MPAC as existing major office tenants.

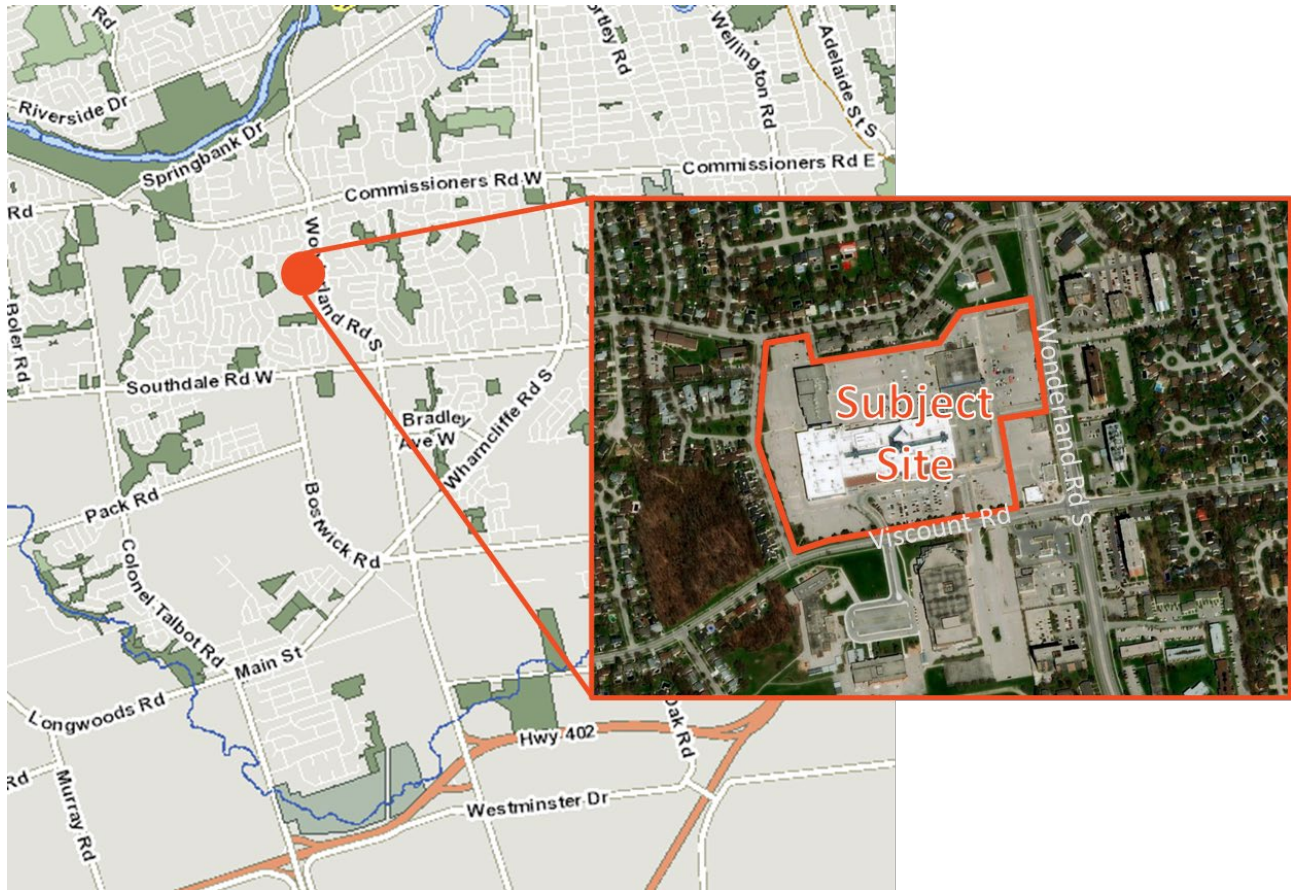
The subject site is located in a largely residential neighbourhood. The land uses surrounding the subject site are:

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<sup>1</sup> Note that the current zoning lists medical/dental offices and institutions as separate uses from office. For this analysis we considered these uses to be office uses, in keeping with the more general description of office space in the official plan.

- **North:** residential townhouses adjacent to the subject site, with single-detached houses on the far side of Village Green Avenue. The Westmount Presbyterian Church is also located to the north of the eastern portion of the subject site.
- **East:** The subject site is bordered by Wonderland Road South to the east, with high-rise residential uses on the far side. Single-detached houses are located to the east of these high-rise residential uses.
- **South:** The subject site is bordered by Viscount Road to the south. Retail uses are present to the south of the subject site along Wonderland Road South with a single high-rise residential building on the southeast corner of Wonderland Road South and Viscount Road. Institutional uses (Saunders Secondary School, Westmount Public School, St Rose of Lima Catholic School, and Childcare facilities) are located on the south side of Viscount Road. Further south are single-detached homes, Westmount Park, high-rise residential uses, and an extensive commercial strip that stretches along Wonderland Road South.
- **West:** The subject site is bordered by Woodcrest Boulevard to the west, with townhomes on the far side of this road. Further west are the Viscount Woods green space, townhomes, and single-detached houses.

Figure 2-1: Subject Site



SOURCE: urbanMetrics inc., with ESRI imagery and London City Map context. Image for reference purposes only.

These surrounding land uses are unlikely to be impacted by the increased amount of office space being proposed onsite, and office uses on the subject site would introduce additional job opportunities within walking or cycling range for both the new onsite-residents and the surrounding community.

## 2.2 Site Access

The subject site is well situated to serve automobile traffic, with large amounts of surface parking and vehicle access via two entrances on Viscount Road to the south and two on Wonderland Road South to the East. Wonderland Road South is a major corridor, providing access to Highway 401 and Highway 402 to the south, as well as to a number of major east-west road corridors.

The subject site has pedestrian access from Viscount Road to the south, Wonderland Road South to the east, Wood Crest Boulevard to the west, Village Green Avenue to the north, and the Wonderland Road South and Viscount Road intersection to the southeast. The surrounding residential, institutional, and commercial uses are generally accessible by foot, however limited pedestrian crossings and the existing road layout do hinder access in some areas.

The subject site has very good transit access, with six bus stops on the subject site, a further two stops on Viscount Road, and two bus stops on Wonderland Road South. These stops serve four routes, Route 7, Route 10, Route 15, and Route 24. For maps of these routes see Appendix A. These routes provide access to large portions of the city, including a large number of connecting routes with the downtown core. This excellent transit access is an important factor in making Westmount Centre a very viable location in attracting future office tenants.

- Route 7: Provides east-west access through the city with connection to the downtown core. This route runs from the subject site to downtown London, and east to Argyle Mall on the east side of the city.
- Route 10: Provides access to the inner suburbs of the City of London and runs south from Western University to the subject site, before running east on Southdale Road and then north along Highbury Avenue.
- Route 15: Provides access to the downtown core and runs from the subject site east along Viscount Road and then northeast to the downtown core.
- Route 24: Provides east-west access to southern London and runs from Colonel Talbot Road to the subject site, and east along Commissioners Road.

The downtown has a large number of bus routes which provide access to the rest of the city, and the two planned Bus Rapid Transit (BRT) routes will intersect in the downtown. The downtown has superior transit access compared to the subject site, and this is likely to continue to support existing office users and future office tenants in the downtown core, however the presence of excellent transit access that exists in the vicinity of Westmount Centre is likely to contribute to office uses being viable on the subject site as well. The subject site has superior road access compared to the downtown, as Wonderland Road South is a major road, and provides access to the 400-series highways, for office employees and customers residing or travelling from outside the city.

# 3.0 Policy Context

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## Key Findings

- The proposed development would support active transport, which the PPS supports. The PPS also directs major employment and commercial uses to sites served by transit, such as subject site.
- Major office uses are directed to the Downtown, and to a lesser degree to Transit Villages, while the subject site is currently designated as a Shopping Area.
- The subject site shares many characteristics with Transit Villages, however the high residential density in the proposed development would help support greater amounts of office space than in Transit Villages and help create a balanced complete community.

The office market is influenced by provincial and local planning policy. In particular the 2020 Provincial Policy Statement (PPS), the 2016 City of London Official Plan (“The London Plan”), and various secondary plan policies influence the location and form of office space.

## 3.1 Provincial Policy Statement (PPS)

The PPS does not directly address office space however it encourages active transportation and transit use to access commercial land uses in policy 1.8.1b and 1.8.1.c.

Policy 1.8.1.b states that planning authorities shall:

*“promote the use of active transportation and transit in and between residential, employment (including commercial and industrial) and institutional uses and other areas”*

Policy 1.8.1.c states that planning authorities shall:

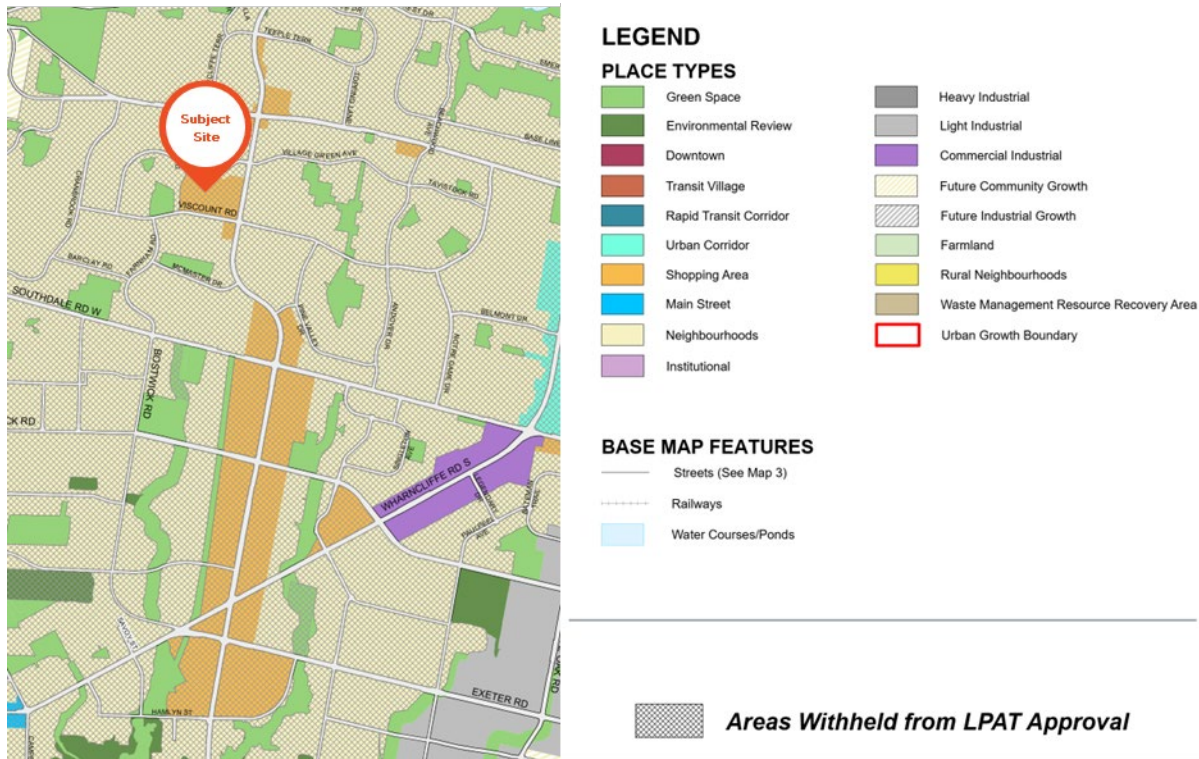
*“focus major employment, commercial and other travel-intensive land uses on sites which are well served by transit where this exists or is to be developed, or designing these to facilitate the establishment of transit in the future”*

With the Westmount centre so well connected by the existing road and transit system it is strategically located as an excellent location in attracting a range of office tenants.

## 3.2 City of London Official Plan Place Types

The London Plan is the City of London’s Official Plan and was passed in 2016 though appeals to portions of the plan are ongoing, including the portion of the land use map that includes the subject site. The subject site is designated as a *Shopping Area* as shown in Figure 3-1, however this location has been “withheld from LPAT approval”.

Figure 3-1: Official Plan Place Types Map



SOURCE: urbanMetrics Inc., with legend and map from “The London Plan Map 1 – Place Types”, and site identification by urbanMetrics.

The London Plan defines the scale of office based on the amount of office space within a building:

- **Small Scale Office:** a building with 2,000m<sup>2</sup> (21,528 ft<sup>2</sup>) or less of office uses.
- **Medium Scale Office:** a building with 2,000m<sup>2</sup> to 5,000m<sup>2</sup> (21,528 ft<sup>2</sup> to 53,820 ft<sup>2</sup>) of office uses.
- **Large Scale Office:** a building with more than 5,000m<sup>2</sup> (53,820 ft<sup>2</sup>) of office uses.

The proposed development on the subject site would contain a mix of small, medium, and large-scale offices. The amount of office space will be spread amongst the various buildings in the proposed development.

Active mobility is a goal for all planning and development, and municipal initiatives, as stated in policy 193.5:

*“A built form that is supportive of all types of active mobility and universal accessibility.”*

As shown in Figure 3-2, within Place Types permitting office uses, only the *Downtown* does not specifically limit the amount of office space. *Transit Villages* are the only other Place Type permitting large amounts of office uses with a limit of 20,000 m<sup>2</sup> (215,278 ft<sup>2</sup>) per *Transit Village*. Office space is directed to the *Downtown* or areas with good transit access which in our opinion would include the Westmount Centre.

**Figure 3-2: Maximum Permitted Office Space**

Place Type	Maximum Office Space Per Building	Maximum Office Space Per Area
Downtown	-	-
Shopping Area	-	2,000 m <sup>2</sup> (21,528 ft <sup>2</sup> )
Transit Village	5,000 m <sup>2</sup> (53,820 ft <sup>2</sup> )	20,000 m <sup>2</sup> (215,280 ft <sup>2</sup> )
Rapid Transit Corridor & Urban Corridor	5,000 m <sup>2</sup> (53,820 ft <sup>2</sup> )	5,000 m <sup>2</sup> (53,820 ft <sup>2</sup> )
Main Street	2,000 m <sup>2</sup> (21,528 ft <sup>2</sup> )	-
Neighbourhoods	-	2,000 m <sup>2</sup> (21,528 ft <sup>2</sup> )
Institutional	Only ancillary uses	Only ancillary uses
Industrial	2,000 m <sup>2</sup> (21,528 ft <sup>2</sup> ) service office	-

SOURCE: urbanMetrics Inc., based on the London Plan. Does not include site specific policies or secondary plans and does not include office associated with other uses.

## Downtown

The London Plan directs all major office uses to the Downtown, as stated in Policy 128:

*“At the top of the hierarchy for these centres, the Downtown will offer rich cultural opportunities and a wide variety of services that will be offered to those who live throughout the city as well as those living Downtown. With the exception of offices that are directly ancillary to industrial uses, our large*

*office spaces will be directed to the Downtown to ensure its long-term health and vibrancy.*

Consistent with this, office uses larger than 5,000 m<sup>2</sup> (53,820 ft<sup>2</sup>) are directed to the *Downtown* in order to protect the office market in this Place Type, as stated in policy 799.14:

*Direct large-scale office developments, greater than 5,000m<sup>2</sup>, to the Downtown to prevent the deterioration of the important Downtown office market while still allowing for a reasonable supply of office uses outside of the Downtown.*

There are several uses apart from office which are permitted in the *Downtown* Place Type as outlined in policies 795 and 800.1, including residential, retail, service, education venues, hotels, convention centre facilities, and high-order convention centre facilities.

Policy 795 states:

*“Our Downtown will be the hub of our economy’s business community, containing the city’s largest office buildings and a complex blend of professional and business service functions that collectively create dynamic synergies. Our vibrant Downtown restaurants, entertainment venues, hotels, and convention centre facilities, combined with the highest-order communications infrastructure, will be attractive to those who work Downtown and those businesses that seek out the best and the brightest employees”*

Policy 800.1 states:

*“A broad range of residential, retail, service, office, cultural, institutional, hospitality, entertainment, recreational, and other related uses may be permitted in the Downtown Place Type.”*

As there is only one area with the *Downtown* Place Type, and this area is relatively small with limited vacant land, the need for each permitted use must be balanced with one another. In particular, the requirement of all office space greater than 5,000 m<sup>2</sup> (53,820 ft<sup>2</sup>) locate in the *Downtown* is likely to limit the ability to accommodate other uses in this area.

## Shopping Area

In the *Shopping Area* Place Type which is the current Official Plan designation on the subject site, permitted uses include commercial, recreational, service, social, educational, government, institutional, residential uses, and office uses.

Policy 871 states:

*“Shopping Areas will constitute an important part of London’s complete communities, providing commercial centres with a wide range of retail, service, business, recreational, social, educational, and government uses within easy walking distance [from] neighbourhoods. Over time, many of these centres will re-format to become mixed-use areas that include retail, service, office and residential uses. These centres will also become more pedestrian, cycling, and transit-oriented, and less automobile-dominated in their design. Shopping Areas will differ in size and function, ranging from neighbourhood-oriented centres of a small to medium scale, to very large centres that attract residents from several neighbourhoods or even the city as a whole.”*

This policy recognizes that over time these Shopping Areas, such as Westmount Centre will re-format with office and residential uses, which is precisely what is being proposed on the subject site. The main issue as addressed below is the scale of office space permitted within any Shopping Area Place Type.

Policy 877.1 states:

*“A broad range of retail, service, office, entertainment, recreational, institutional, and residential uses may be permitted within the Shopping Area Place Type.”*

Policy 789.4 states:

*“Shopping Areas are distributed throughout the city to offer a relatively broad range of commercial, office, and residential uses at a moderate intensity. These centres may act as hubs for neighbourhoods.”*

As with other Place Types, office uses in the *Shopping Area Place Type* is limited, with a maximum of 2,000 m<sup>2</sup> (21,528 ft<sup>2</sup>) of office space in any individual *Shopping Area*, with policy 878.6 stating:

*“Total aggregate office uses will not exceed 2,000 m<sup>2</sup> within a Shopping Area Place Type.”*

The proposed re-development will include 14,558 m<sup>2</sup> (156,700 ft<sup>2</sup>) of newly built office space, in addition to the 25,442 m<sup>2</sup> (273,856 ft<sup>2</sup>) of office space that will be located in the existing Westmount Shopping Centre building. Two of the proposed buildings would be considered a small-scale office and three would be considered a medium-scale office use under the Official Plan definitions, assuming the buildings to be located on top of the existing mall are considered separate buildings. The office space in existing mall building would be considered a large-scale office use. The proposed development would be in keeping with the re-formatting to mixed use areas that are transit and pedestrian friendly

as mentioned in Policy 871. However, the limits on permitted office space also have the potential to inhibit this centre’s transformation by restricting service, institutional, government, and professional office uses which require office space.<sup>2</sup> Preventing additional office space on the subject site would also limit the potential benefits to active transportation that complete communities offer, as a greater number of onsite residents would need to commute elsewhere.

It should be noted that the definition of office is not consistent across official plan and zoning by-law documents. In the Zoning By-Law Z.-1 “OFFICE” means a building, or part thereof, containing one or more offices including professional or service offices and all other forms of offices except medical/dental offices” (s. 2). The London Plan does not define “office” but does define the distinct category of “Office - General office uses – a broad category of offices, including professional, service, medical and others sub-categories of office use.” (p.468). When urbanMetrics refers to office space we include all types of office space, which includes office space used by institutional, medical/dental, financial, and government users.

## Transit Village

In addition to the *Downtown* Place Type, significant office uses are also permitted in the *Transit Village* Place Type. Policy 806 states:

*“Our Transit Villages will be exceptionally designed, high-density mixed-use urban neighbourhoods connected by rapid transit to the Downtown and each other. They will be occupied by extensive retail and commercial services and will allow for substantial office spaces, resulting in complete communities. Adding to their interest and vitality, Transit Villages will offer entertainment and recreational services as well as public parkettes, plazas and sitting areas. All of this will be tied together with an exceptionally designed, pedestrian-oriented form of development that connects to the centrally located transit station.”*

Policy 811.1 states:

*“A broad range of residential, retail, service, office, cultural, institutional, hospitality, entertainment, recreational, and other related uses may be permitted in the Transit Village Place Type.”*

The meaning of “substantial office spaces” is clarified in policy 8.13.5, which limits total office space in any individual *Transit Village* to 20,000 m<sup>2</sup> (215,278 ft<sup>2</sup>), and

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<sup>2</sup> Note that these uses could also be permitted as distinct uses, however this prescriptive approach is likely to limit the variety of office uses available to residents.



5,000 m<sup>2</sup> (53,820 ft<sup>2</sup>) in any individual building. Note that this policy 813.5 is under appeal and is not in force, however it states:

*“In aggregate, no more than 20,000 m<sup>2</sup> of office space will be permitted within any Transit Village Place Type. Individual buildings will not contain more than 5,000 m<sup>2</sup> of office space.”*

There is a total of four *Transit Villages* in the City of London located to the north (4.4 km), east (2.7 km), west (2.5 km), and south (5.3 km) from the *Downtown*. A total of 80,000 m<sup>2</sup> (861,113 ft<sup>2</sup>) of office space is permitted across all four *Transit Village* areas. We note that while the proposed development is not on a *Rapid Transit Corridor*, it is located 4.1 km from the *Downtown* and would contain residential, retail, and office uses, and can be considered a complete community. Overall, the subject site would share many characteristics with the *Transit Village* Place Type.

*Transit Villages* are considered to be Protected Major Transit Station Areas with a minimum density of 150 residents and jobs per hectare and 45 units per hectare, as stated in Policies 815A, 815B, and 815D:

*“815A\_ All Transit Villages are identified as Protected Major Transit Station Areas, as shown on Map 10. (LPA 30).*

*815B\_ Each Transit Village Protected Major Transit Station Area will be planned to achieve a minimum number of 150 residents and jobs combined per hectare. (LPA 30)*

*815D\_ Within the Transit Village Protected Major Transit Station Areas, the minimum density is 45 units per hectare for residential uses or a floor area ratio of 0.5 for non-residential uses”*

The proposed development would have an estimated density of 130 residents per hectare and 220 jobs per hectare for a total of 350 residents and jobs per hectare, with 80 units per hectare, and a non-residential floor area ratio of just over 0.5. We note that the residential and non-residential density for the proposed development is significantly higher than the minimum density of *Transit Villages*.



## 4.0 The London Office Market

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## Key Findings

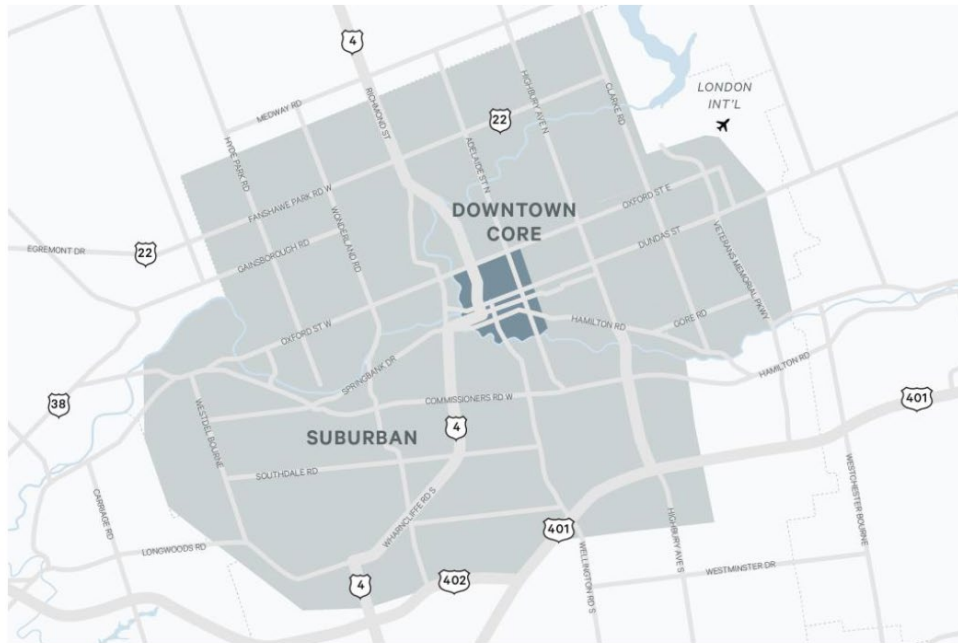
- Class B and C office space is in very low demand in the downtown core, while class A office space is in much higher demand in the downtown core.
- Demand for Class A office space in the downtown core has softened over the last few quarters but based on historical trends will likely remain much stronger than Class B and C space in the core in the future as the influence of COVID eases.
- Class B and C office space is in high demand in the suburbs, which would include the Westmount site.
- Directing Class B and C office space to the core is unlikely to be successful due to market forces, and should be directed to locations in the suburbs, such as the subject site. Class A space should be the focus of a healthy downtown core office market.

## 4.1 Office Market

To evaluate the market for office space in the City of London, and particularly on the subject site, we have reviewed time-series data related to several key metrics. These metrics include total office space, vacancy rates, and rental rates. These metrics are based on CBRE Group Inc. (“CBRE”) quarterly office market reports for the City of London. The metrics assess two geographies: the Suburban submarket and the Downtown Core submarket. For reference purposes, the boundary delineated for each geography by CBRE is shown in Figure 4-1.

Figure 4-1: CBRE City of London Suburban and Downtown Submarkets

## Market Area Overview



SOURCE: CBRE Q2 2022 London Office Market Report

As shown in Figure 4-2 class C office space in the downtown core has had extremely high vacancy rates of between 40%-50% for many years, with COVID-19 recently having a slight impact. In contrast, class B office space located in downtown has had a relatively stable vacancy rate of just under 20% pre-COVID-19, with vacancy rates increasing steadily over the course of the pandemic to around 30%. Class A office space in the downtown core had been experiencing a declining vacancy rate pre-COVID, and this trend continued until Q4 of 2021, after which a slight increase in the vacancy rate took place to around 15%. Overall, for all classes of office space, the downtown core has a vacancy rate of 25.9% in Q2 2022. For reference purposes, a vacancy rate of 8% to 10% is considered healthy in a normal market.

This suggests that there is very low demand for Class C space in the Core, and that this trend is unlikely to change, while demand for Class B office space in the core is also relatively soft. However, the market demand for Class A space in the core is relatively strong compared to the two other classes, and this is expected to continue in the future. Despite the continuing impact that increasing levels of work from home will have on future demand.

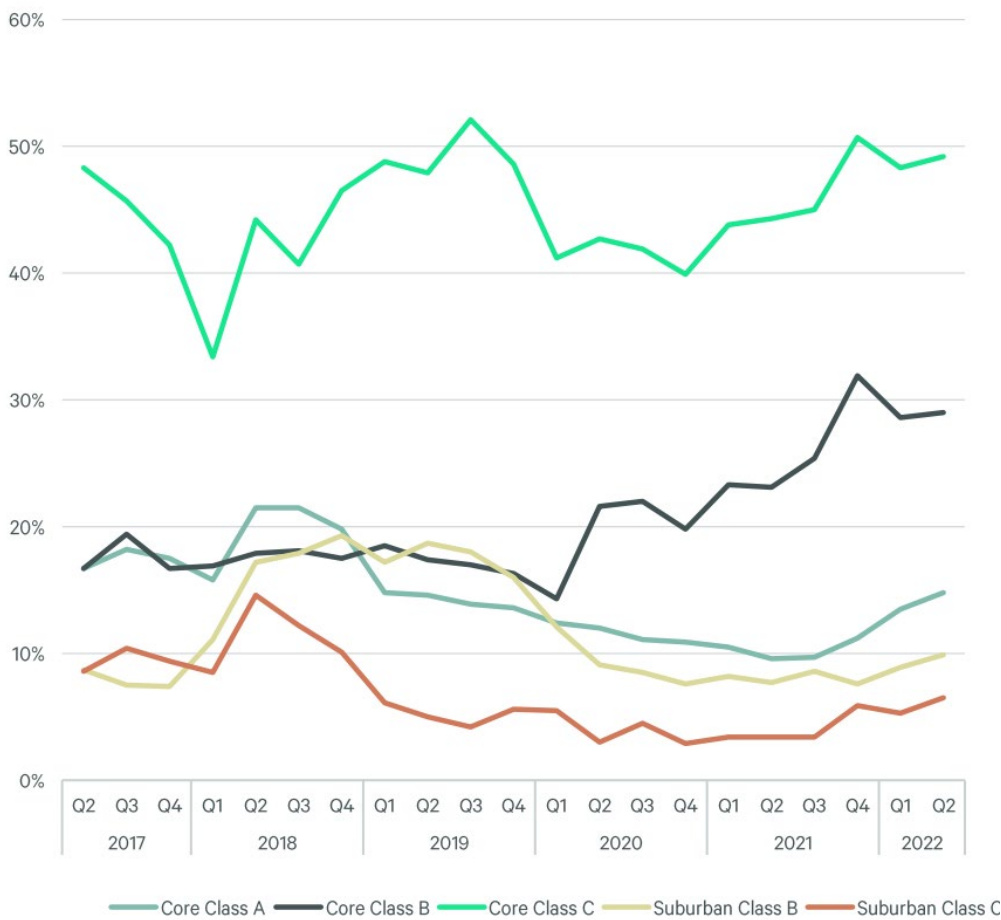
There has been a slight negative absorption of office space in the core of 28,000 ft<sup>2</sup> (2,601 m<sup>2</sup>) in Q2 2022, with the vast majority (24,000 ft<sup>2</sup>, 2,230 m<sup>2</sup>) occurring in class A space, in

keeping with the rise in vacancy rates. The degree to which this continues will likely depend on shifting work from home rates and the impacts of COVID, however based on historical trends the demand for Class A Core office space will likely remain much stronger than the other Classes in the core.

The suburbs experienced declining vacancy rates from mid 2018 until Q2 of 2020, after which they stabilized, and in Q2 2022 the average vacancy rate was 9%, much lower than in the downtown core.

These trends indicate that there is much greater demand for office space in the suburbs than in the downtown core, however this is almost entirely due to the lack of demand for Class B and C office space that is located downtown. Adding additional office space to the downtown core is unlikely to attract tenants unless it is Class A space, and Class B and C office should be permitted to develop in the suburbs where there is very high demand, and that would include the proposed office space at Westmount.

Figure 4-2: Downtown and Suburban London Office Vacancy Rates



Source: CBRE Research, Q2 2022.

SOURCE: “Figure 2: Historical Core Versus Suburban Vacancy by Class (%)”, from CBRE Q2 2022 London Office Market Report

While Class B and Class C office vacancies have increased, rental rates have remained relatively flat for several years, and with the relative resilience of Class A vacancy rates, rental rates for this type of space actually increased over the course of COVID-19, with a small drop in Q2 2022. This suggests that the Class A office space in the downtown core is in high demand while other classes are not in high demand in the core. The vast majority of office space in London is located in the downtown core.

The net asking rents for suburban and core office space are compared in Figure 4-3, with core office space costing \$13.64 and suburban space priced at \$12.74. Of note, Class A core office space has a significantly higher rental rate of \$15.06/ft<sup>2</sup> while Class C core office space has a lower rental rate of \$12.87/ft<sup>2</sup>, almost the same as the overall suburban

office rental rate. This is further evidence that there is low demand for Class C office space in the core, as there is almost no price premium for a more central location compared to the suburban market dominated by Class B and C office space. This is another factor that has contributed to the relative stability in the suburban London office market.

**Figure 4-3: City of London Office Market Rental Rates, Inventory, and Absorption**

FIGURE 3: Historical Rental Rates (\$PSF)



Source: CBRE Research, Q2 2022.

FIGURE 4: Q2 2022 Office Market Statistics

Submarket	Inventory (SF)	Vacancy Rate (%)	Under Construction (SF)	Quarterly Net Absorption (SF)	Avg. Net Asking Lease Rate (\$PSF)
Core	4,766,661	25.9%	0	-37,516	\$13.64
Suburban	1,605,465	9.0%	0	-16,617	\$12.74
<b>London Total</b>	<b>6,372,126</b>	<b>21.7%</b>	<b>0</b>	<b>-54,133</b>	<b>\$13.54</b>

Source: CBRE Research, Q2 2022.

SOURCE: “Figure 3: Historical Core Versus Suburban Vacancy by Class (%)” & “ Figure 4: Q2 2022 Office Market Statistics”, from CBRE Q2 2022 London Office Market Report.

## 5.0 Retail Demand

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## Key Findings

- A significant portion of available commercial land is located a short distance south of the site along Wonderland Road South.
- This area is likely to accommodate over 80,000 m<sup>2</sup> (861,113 ft<sup>2</sup>) of retail space at full build out and this space will continue to compete with the remaining retail uses on the subject site.

According to the City of London 2021 Development Charges Background Study Update draft dated June 2020, the projected growth in retail GFA between 2021 and 2044 is expected to amount to 5,925,900 square feet (550,532 square metres), with office space growing by 2,332,600 square feet (216,706 square metres) over that period.

As shown in Figure 5-1 the 2021 London Vacant Land Inventory identified 142 ha of commercial land which is vacant or has the potential for development, and an additional 176 ha of land with a commercial designation with active development applications.<sup>3</sup> This land is not evenly distributed across the City of London, as shown in Figure 5-2. Around 84% of the vacant commercial land in the City of London is located in the three planning districts directly to the south of the subject site (Bostwick, Lambeth, and Longwoods), with approximately 26% of this potential commercial land located in each of these three districts. See Appendix B for a list of the vacant and potential development land in each planning district.

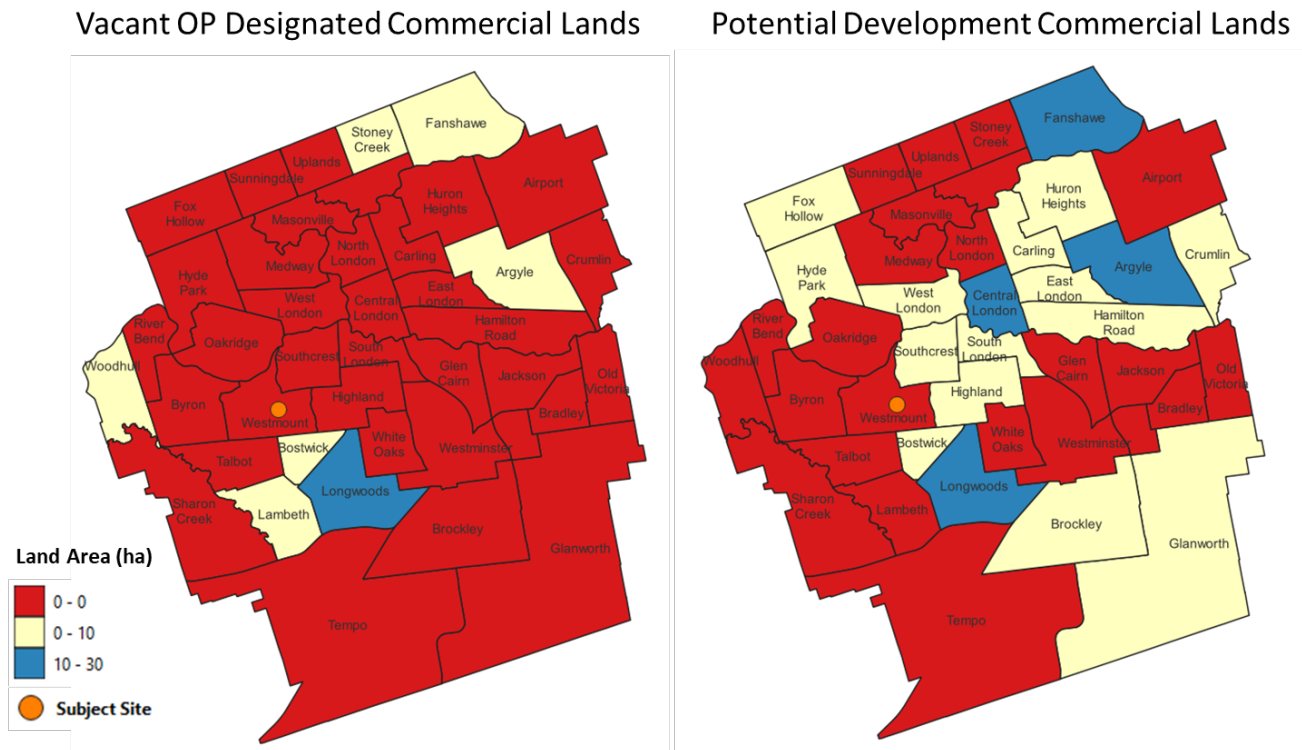
**Figure 5-1: 2021 City of London Vacant Land Inventory - Commercial Land**

<b>Planning Stage</b>	<b>Land Area (ha)</b>
1. Registered Subdivision Plans	30.20
2. Registered Reference Plans	9.01
3. Draft Approved Subdivision Plans	22.44
4. Submitted Under Review Subdivision Plans	19.33
8. Potential Development	113.95
9. Official Plan Designations	28.16
10. Site Plans	94.77
<b>Total</b>	<b>317.86</b>

SOURCE: urbanMetrics Inc., with data from 2021 City of London Vacant Land Inventory.

<sup>3</sup> Many parcels permit institutional, industrial, or residential land uses in addition to commercial.

Figure 5-2: City of London Vacant and Developable Commercial Land Area by Planning District



SOURCE: urbanMetrics Inc., with data from 2021 City of London Vacant Land Inventory and “Planning Districts” shapefile from City of London Open Data.

The majority of the commercial land identified in the Vacant Land Inventory is located in the planning districts of Bostwick, Longwoods, and Lambeth which are located less than 4 km south of the subject site along Wonderland Road South as shown in Figure 5-3. While we have been unable to locate planning documents which would indicate what is currently being proposed for most of the identified sites, we note that all lands on either side of Wonderland Road south between Southdale Road East and Hamlyn Street are designated as *Shopping Area* in the London Plan and as *Wonderland Road Community Enterprise Corridor* in the Southwest Area Secondary Plan. Retail is permitted in both of these designations.

It should be noted that commercial development in the *Wonderland Road Community Enterprise Corridor* is limited to 100,000 m<sup>2</sup> (1,076,391 ft<sup>2</sup>) with a maximum of 20,000 m<sup>2</sup> (215,278 ft<sup>2</sup>) of that space being office. As such it can be expected that on full build-out there will be at least 80,000 m<sup>2</sup> (861,113 ft<sup>2</sup>) of retail and service uses in close proximity to the Westmount Centre. These uses will increase the competition with Westmount and

reduce any future retail and service opportunities on the subject site. CoStar data indicates that within these three planning districts there is already at least 1.6 million ft<sup>2</sup> (144,300 m<sup>2</sup>) of retail space in buildings over 10,000 ft<sup>2</sup> which has already impacted the existing retail facilities that still operate at Westmount.

**Figure 5-3: Bostwick, Lambeth, and Longwoods Commercial Lands - Vacant Lands Inventory**



SOURCE: urbanMetrics Inc., with data from 2021 City of London Vacant Land Inventory and “Planning Districts” shapefile from City of London Open Data.

## 6.0 Employment & Fiscal Benefits

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## Key Findings

- The proposed development is expected to accommodate an additional 1,317 jobs onsite.
- The proposed development would contribute \$27 million in one-time fees (development charges, building permit fees, and planning fees).
- The proposed development is expected to contribute an additional \$3.4 million in property taxes to the city annually.

## 6.1 Subject Site Employment

The proposed development would add an additional 1,317 employees to the subject site as shown in Figure 6-1. This is largely the result of the additional office space being proposed, as well as from the work-from-home employment expected from onsite residents.

Therefore, as shown in Figure 6-1, the addition of the proposed new office space at Westmount has a significant benefit by substantially increasing the number of job opportunities in this portion of the city for local area residents which would also reduce the number of auto or transit-oriented trips for employees who currently or in future will work in the Downtown core.

Figure 6-1: Employment Yields

**Existing**

Use	Space	Employment Density	Employees
Existing Mall	496,200 Sq Ft	425 sq ft / employee	1,168
Building Operations	496,200 Sq Ft	60,000 sq ft / employee	9
<b>Total Employees Accommodated on Subject Site</b>			<b>1,177</b>

**Conceptual Development**

Use	Space	Employment Density	Employees
Work-from-Home	1,470 residents	8.5% of population	126
Office	430,600 Sq Ft	225 sq ft / employee	1,914
Commercial Retail/Service	182,200 Sq Ft	425 sq ft / employee	429
Building Operations	1,459,600 Sq Ft	60,000 sq ft / employee	25
<b>Total Employees Accommodated on Subject Site</b>			<b>2,494</b>

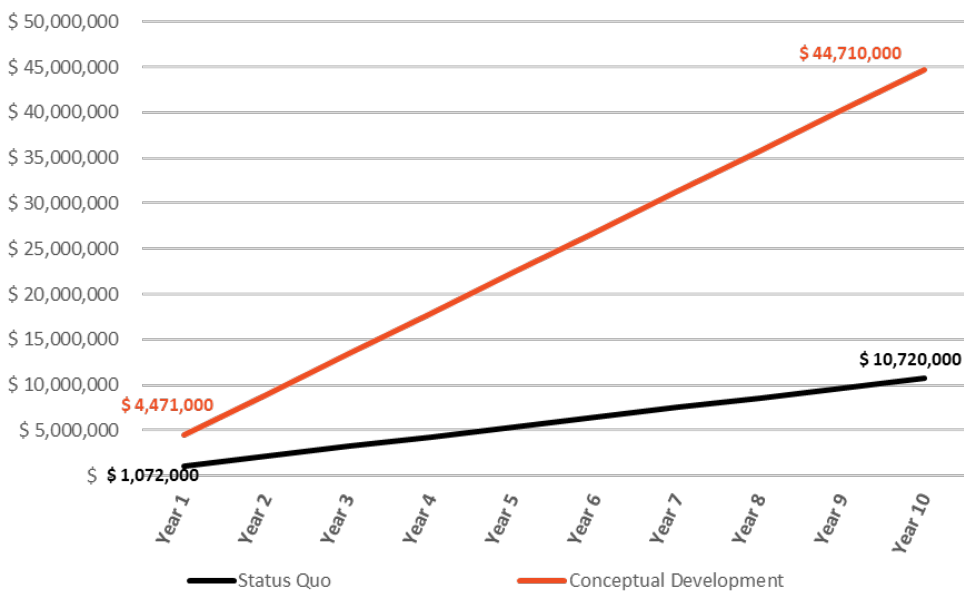
SOURCE: urbanMetrics Inc. Commercial employment density based on 2021 DC background study. The 2021 DC background study only has one number for both retail and office space so we have used a employment density of 225 sq ft of space per employee based on professional experience. The Work-from-Home rate is based on 2021 Ontario-wide return-to work survey data from Statistics Canada. Existing shopping centre and proposed non-residential floor area based on leasable area as provided by client.

## 6.2 Subject Site Fiscal Benefits

The proposed development would provide substantial fiscal benefits over the current use, as shown in Figure 6-2. In total, one-time initial benefits such as planning application fees, building permit fees, and development charges would amount to an estimated \$27.7 million dollars, with the bulk of this coming from development charges for the residential portion of the site. The proposed development would also significantly increase the tax revenue payable to the City of London, with an increase of \$3.4 million dollars of tax revenue a year. A significant portion of this increase is the result of the additional office space.

Figure 6-2: Subject Site Fiscal Benefits

SOURCE OF BENEFIT	INITIAL BENEFIT	ANNUAL BENEFIT
<b>PLANNING APPLICATION FEES</b>	<b>\$ 94,900</b>	
Combined Official Plan & Zoning Bylaw Amendment	\$ 21,000	
Site Plan Approval	\$ 68,479	
Subdivision Approval	\$ -	
Condominium Approval	\$ 5,421	
<b>BUILDING PERMIT FEES</b>	<b>\$ 6,796,720</b>	
Residential	\$ 6,529,000	
Office	\$ 267,720	
<b>DEVELOPMENT CHARGES</b>	<b>\$ 20,850,000</b>	
Residential	\$ 17,353,000	
Non-residential	\$ 3,497,000	
Credit for Existing Buildings	\$ -	
<b>PROPERTY TAX</b>		<b>\$ 4,471,000</b>
Residential		\$ 2,985,000
Commercial/Shopping Centre		\$ 442,000
Office		\$ 1,044,000
<b>TOTAL</b>	<b>\$27,700,000</b>	<b>\$4,471,000</b>



SOURCE: urbanMetrics Inc. Property tax excludes education rate. Assumes no exemptions for the proposed development but is based on current assessment for status quo. Net increase in non-residential floor area used to calculate DC and Planning fees, and only new non-residential space considered for building permit fees.

# 7.0 Conclusion

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The subject site is well situated for the proposed increase in the office component of the redevelopment project, with good transit and road access, and a significant number of on-site and surrounding residential uses that will potentially represent employment in the offices located on site. The current City of London official plan and secondary plan policies do not permit significant office uses on the subject site and direct major office uses to the *Downtown* in order to preserve the integrity of the downtown office market. As such, an Official Plan Amendment is necessary to allow the proposed redevelopment of the Westmount Centre.

Despite the current planning framework, there is a high office vacancy rate in the downtown core and low vacancy rate in the suburbs particularly for Class B and C space, indicating a higher demand for suburban office space, and weaker demand for core office space in these two space classes. However, there is high demand for Class A office space in the downtown core, with a lower vacancy rate and higher rents. As older and less desirable buildings (Class B and C) in the core are retrofitted or replaced, and as new class A office space is added to the core, vacancy rates in this area are likely to decline and rental rates rise. At the same time, demand for class B and C office space in the suburbs indicates there is considerable demand for office space on the subject site.

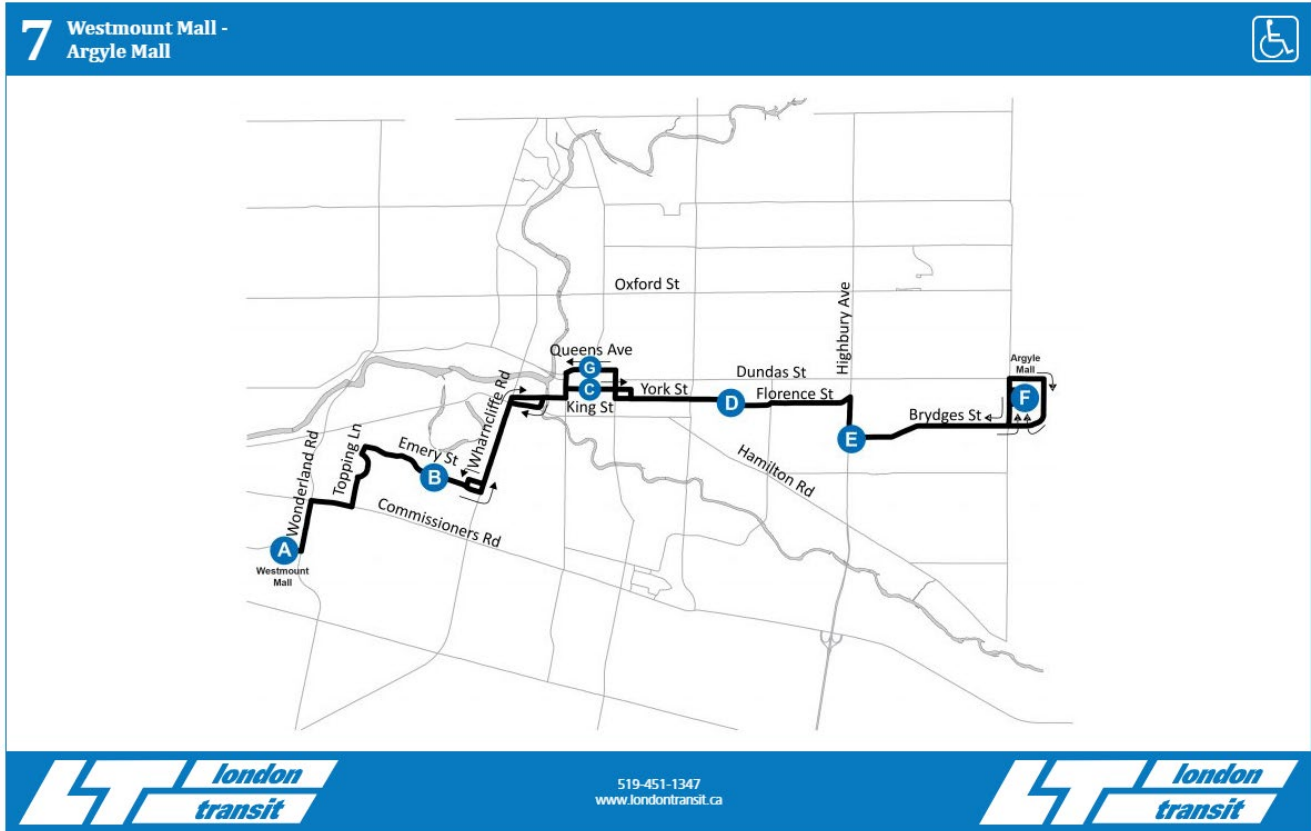
Additionally, it is likely that the significant amount of existing and potential retail commercial space and commercial vacant land in close proximity to the subject site will create increasing amounts of competition as they are built out, making the retail uses less viable in the future likely resulting in potentially increasing levels of retail vacancy in Westmount Centre.

Finally, the proposed redevelopment of the Westmount Shopping Centre will result in significant employment, taxation, and development charge benefits for the city, and represents an opportunity to spur economic growth and broaden the tax base.

## **Appendix A London Transit Bus Routes**

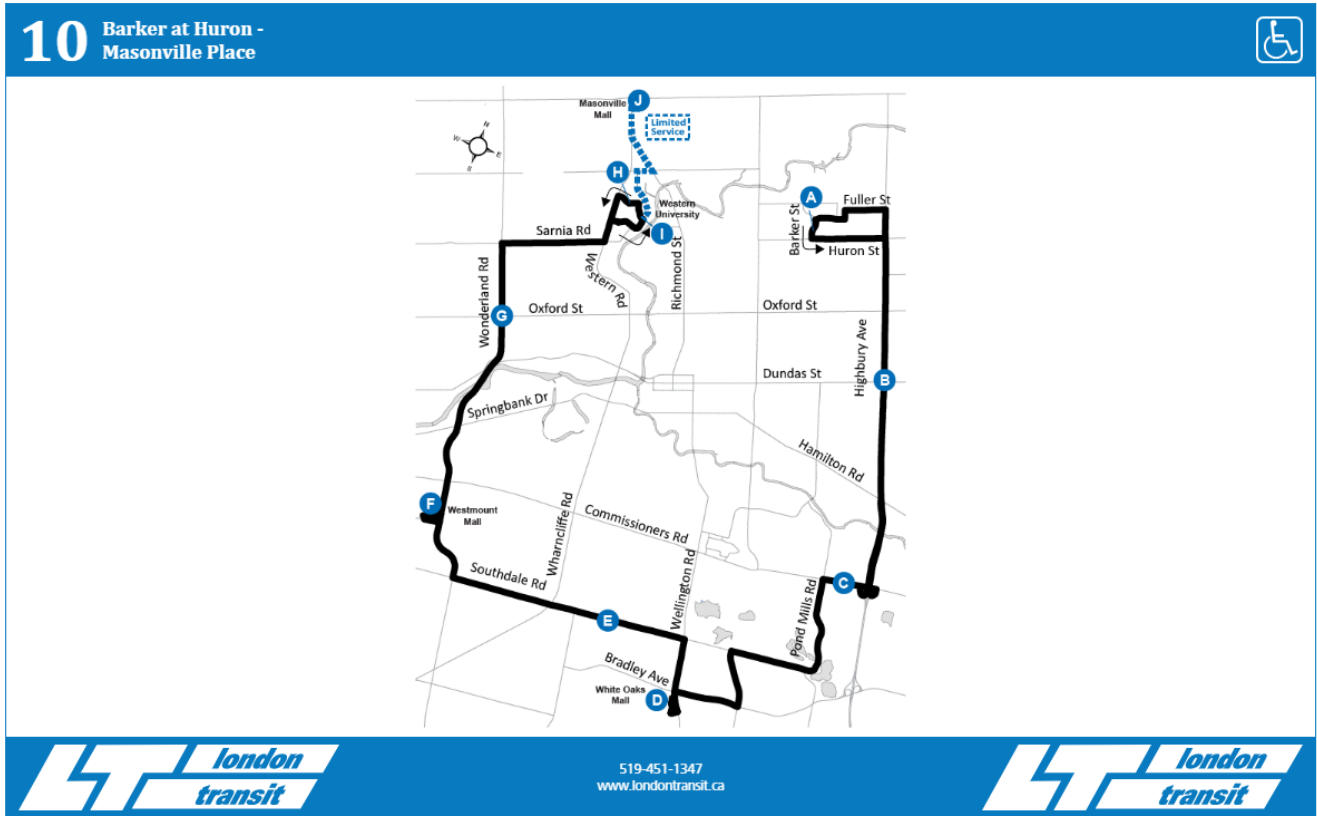
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Figure A - 1: London Transit Bus Route 7



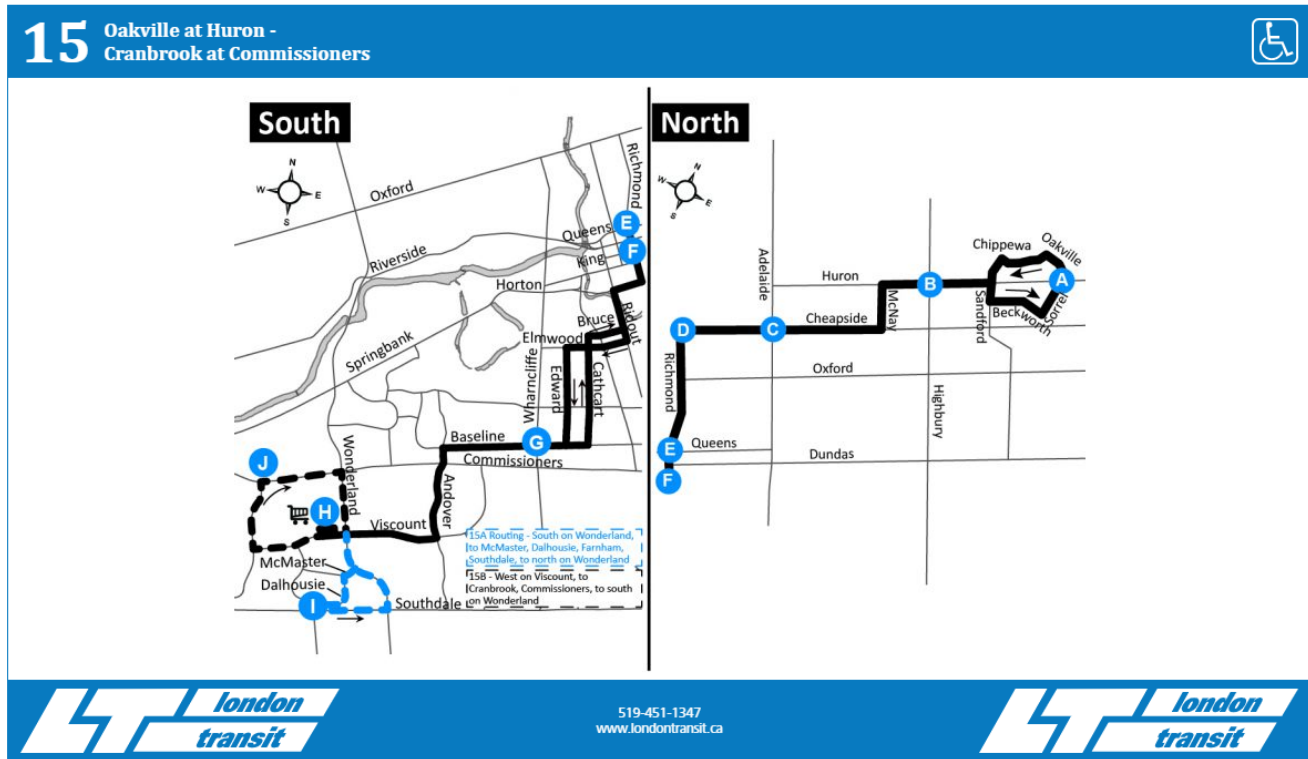
SOURCE: London Transit

Figure A - 2: London Transit Bus Route 10



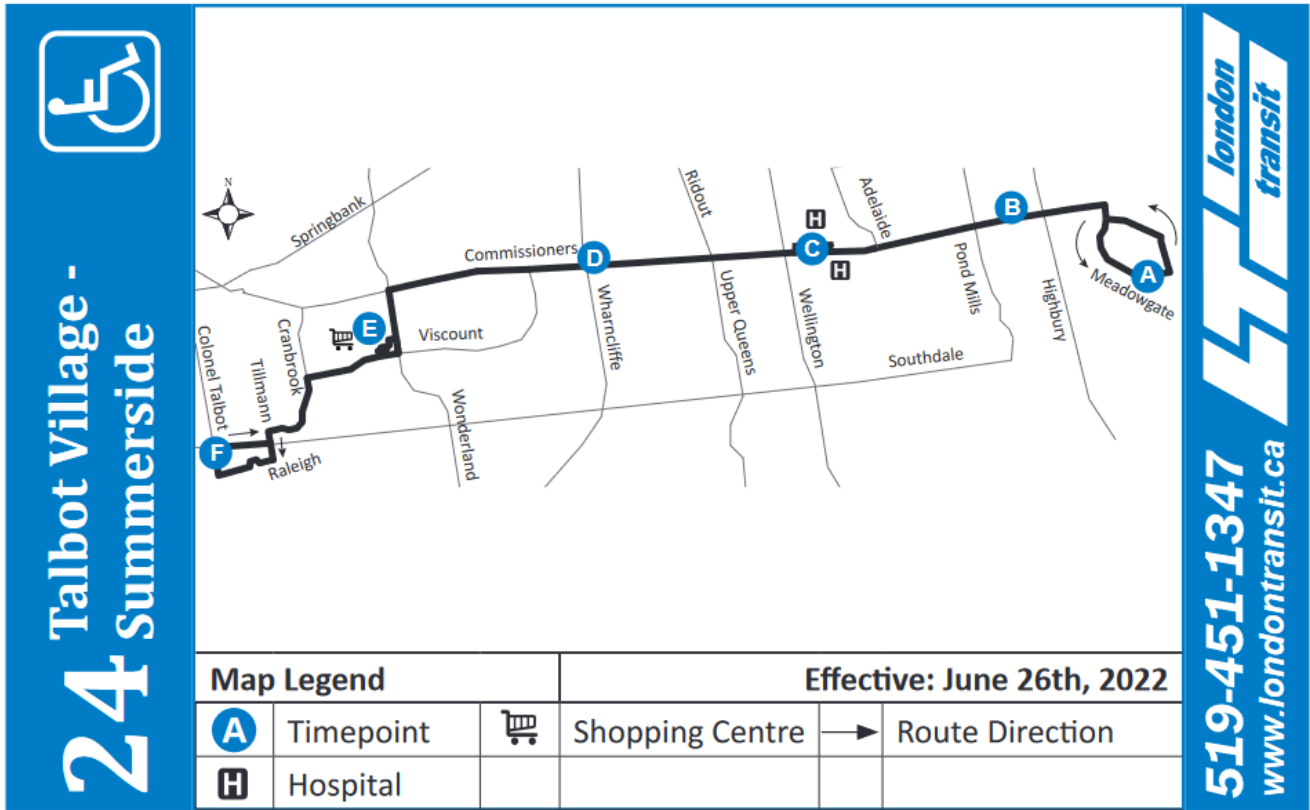
SOURCE: London Transit

Figure A - 3: London Transit Bus Route 15



SOURCE: London Transit

Figure A - 4: London Transit Bus Route 24



SOURCE: London Transit

## **Appendix B Vacant Land Inventory**

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Figure B - 1: Vacant and Developable Commercial Land

<b>Planning District</b>	<b>Potential Commercial Development (ha)</b>	<b>Commercial Official Plan Designation (ha)</b>
Argyle	13.38	0.08
Bostwick	7.36	0.27
Brockley	9.43	0
Carling	0.31	0
Central London	15.64	0
Crumlin	3.19	0
East London	1.93	0
Fanshawe	10.57	1.68
Fox Hollow	8.4	0
Glanworth	3.31	0
Glen Cairn	0	0
Hamilton Road	5.1	0
Highland	0.79	0
Huron Heights	1.35	0
Hyde Park	8.79	0
Jackson	0	0
Lambeth	0	6.28
Longwoods	22.76	17.01
River Bend	0	0
Southcrest	0.48	0
South London	0.07	0
Stoney Creek	0	2.23
Sunningdale	0	0
Talbot	0	0
Uplands	0	0
West London	1.09	0
Westminster	0	0
Woodhull	0	0.61
<b>Total</b>	<b>113.95</b>	<b>28.16</b>

SOURCE: urbanMetrics Inc., with data from 2021 City of London Vacant Land Inventory.