

APPENDIX B

Summary of Market Rental Evaluation Denman Garden Inn

1. Leased in Current Condition

If the space was leased in its current condition with little improvements and not exposed to national tenants, a rental rate between \$21.00-\$24.00 could be expected. (Potential rent - \$56,175-\$64,200)

2. Improving the Premises

If the Board was willing to improve the space and aggressively market it over several months, a rental rate between \$25.00-\$30.00 ft² could be anticipated from a national or well established restaurant tenant. (Potential rent - \$66,875 -\$80,250)

Improvements would include updating the interior, relocating or renovating the washrooms, modernizing the store front and patio, improving accessibility to community centre patrons and providing additional signage. The costs of these improvements would likely be approximately \$100,000 but the increased rental rate would in effect amortize these costs.

3. Retail versus Restaurant Use

If retail use was targeted for the premises there would likely be more difficulty in obtaining a retail rent comparable to that received elsewhere on Denman Street. The consultant believes this is due to the setback which for a restaurant can be partially used as a patio. Traditional retailers prefer clear frontage and exposure to attract business more so than restaurants.

For retail use, the space is oddly configured with the rear section (kitchen) having minimal use for display and sales purposes. The area of 2,675 ft² is much larger than typical space in the area and retailers may have difficulty supporting rent on this large space. A rental rate in the region of \$20.00 ft² is suggested with relocation of the washrooms and improved signage needed. (Potential rent - \$53,500)

4. Potential for Smaller Unit

Another option is the possibility of retaining the kitchen at the rear for use by the Community Centre and only leasing the front portion of approximately 1500 ft². The setback still limits retail use but a smaller restaurant operation such as a coffee shop/deli might be feasible. Potential rent would depend on tenant improvements but could be around \$25.00 ft² (\$37,500)

The smaller size of space may also appeal to quasi-office use such as medical or dental, resulting in higher rents, although the work required to achieve such a tenancy may be more expensive.

Likewise, the practicality of using just the kitchen space for programmable purposes might have limited value for potential uses.