

How Omni-Channel and Autonomous Vehicles Will Impact Commercial Real Estate

John C. Williams, MBA
Senior Partner
J.C. Williams Group Limited
Toronto, Montreal and Chicago

Dr. Tony Hernandez, PhD
Director
Centre for the Study of
Commercial Activity



Need for Retail Space is Shrinking

Omni-channel is impacting in-store shopping and need for store space

- Online shopping
- Click and collect



Driverless vehicles:

- Create parking space take-back
- Impact distribution first
- Change shopping patterns

Autonomous Vehicles' Impact is Around the Corner

- Speed of change to mass use is about 15 years
- Faster in 2020s?



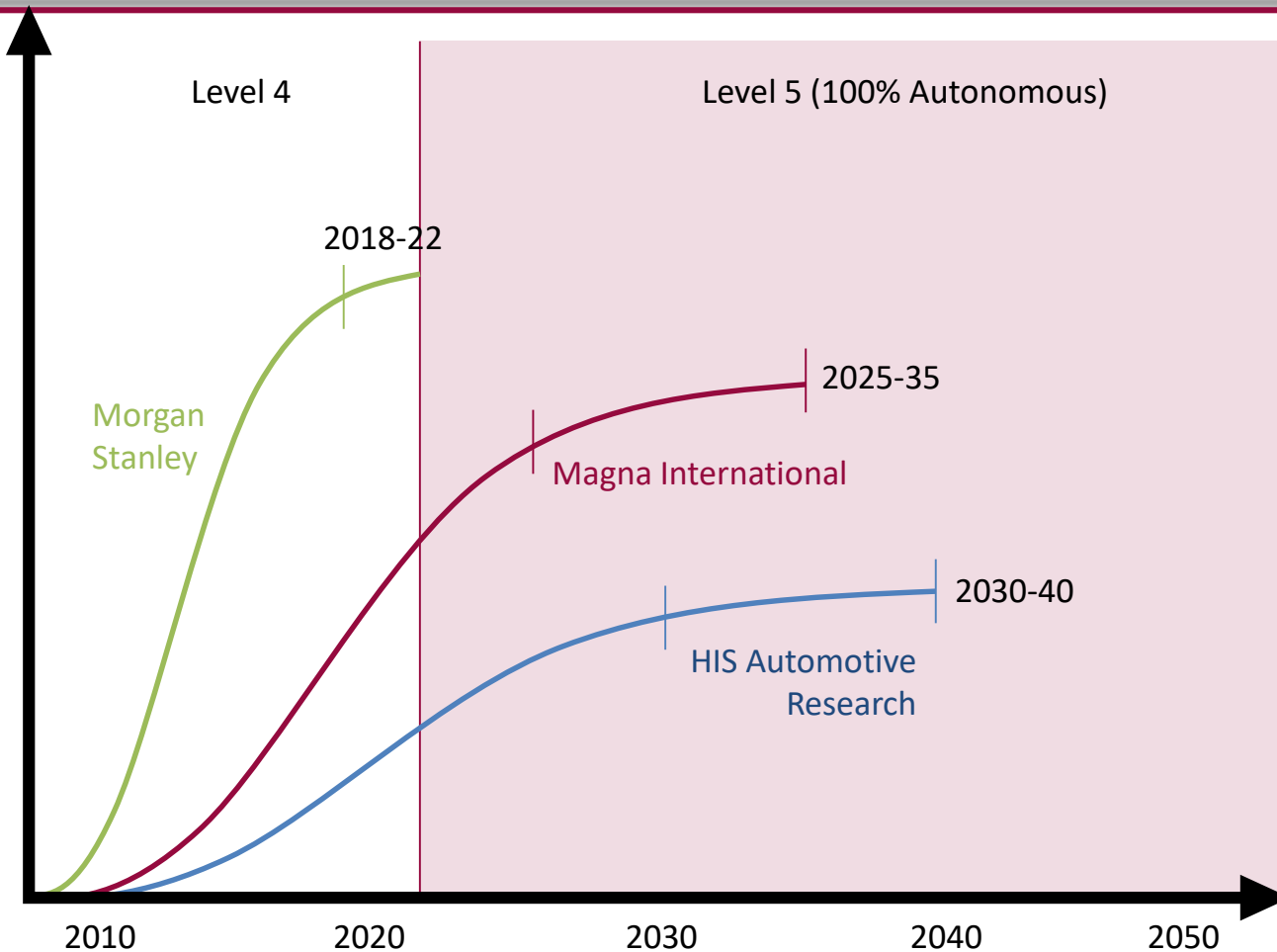
13
years!



What...? Give up my car?

- Some people cannot grasp the idea of not:
 - owning,
 - insuring,
 - maintaining,
 - fuelling,
 - trading-in,
 - worrying about kids driving,
 - having a garage, etc.
 - driving the commute,
 - paying for parking
 - but only using their car $\approx 3\%$ of the time

When will AV Happen?



Level 4: car needs no driver, but will not be capable of driving everywhere.

Audi	2020
Nvidia Technology	2018/20
Delphi	2019
Ford	2020 (level 4)
Volkswagen	2019
GM	2020 – or sooner
BMW	2021
Tesla	2023

Parking Space Take-Back: Large Community Centre

- The B or C class mall is often referred to as being “under threat,” particularly if in the trade area of A or AA mall.
- Actual Case Study:

Site is 30 acres or	1,306,800 feet ²
Current retail is Sobeys, Walmart, mall area, pad restaurant	405,000 feet ²
Park, circulation, services	900,800 feet ²

- So $\pm 70\%$ of the site is not directly revenue producing, but it is “tied up” in parking spaces-to-retail area ratio requirements

Parking Space Take-Back: Large Community Centre

- Reclaim the 20 acres for residential, office and retail space as the market can absorb it
- Space plans
 - Parking and circulation 270,000 feet²
 - 30% of net space
 - Available for re-use 630,000 feet²

Parking Space Take-Back: Proposed Space Use

Residential	<u>70% of Take Back</u>	440,000 feet ²
Low use	1/3	147,000 feet ²
Mid	1/3	147,000 feet ²
Tower	1/3	147,000 feet ²

- Residential Income
 - If coverage is three times 440,000 feet² or 1,320,000 and net square foot rent is \$2.50 income:
 - **New net income \$3,300,000**
- **Land value if sold: \$16,500,000**

Suburban Office Tower

- Scenario: Suburban Office
 - 1 tower, 20,000 SF per floor
 - 20 floors = 400,000 SF
 - Present parking at 2 spaces per 1,000 SF
 - 400 spaces x \$300 per space per month
 - Loss of \$1,440,000 or \$6,000,000 capital value

Parking Space Take-Back Potential



Example: Woodbine and Steeles

- There is a 1:1.13 ratio between building space and parking space
- 35% of the entire area is dedicated to parking space
- More than 40% of the office space is dedicated to parking
- Only 4.85% of the warehouse land is dedicated to parking

 Parking space
 Buildings

Ramifications of Parking Take-Back

Retail Direct Impact and Wipeout:

1. Auto dealers and auto malls
2. Auto parts and tire stores
3. Gas stations, local service garages
4. On-street parking, commercial parking
5. Auto-rental and car share rental at airports
6. Offices for rental, insurance, legal
7. Revenue airports, hospitals, campuses, clubs