

BUSI 401 – Answer Guide 8

CHAPTER 12: Retail Properties

1. Answer: 2

Option (2) is correct; steel frame construction is common in department stores as large spans are often required to provide an open retail area. Option (1) is incorrect; concrete frames are an alternative to steel frames for construction of department stores, but concrete frames are less common because they are expensive to form and pour and, require columns placed at short intervals, thereby reducing span widths. Option (3) is incorrect; glulam beams and steel posts were common in the construction of large area store superstructures in the 1970s. Option (4) is incorrect; structural masonry is rarely used for large store construction because it is costly.

2. Answer: 1

Option (1) is false; mega-stores with unfinished ceilings will typically use ducted supply air distribution systems with minimal ducting. Option 2) is true; rooftop HVAC units are suitable for both. Options 3) and 4) are true. Modern day department stores use escalators both as means of customer transport and a marketing tool.

3. Answer: 3

Option (3) is correct; community shopping centres are usually anchored by a junior department store. Option (1) is incorrect; community shopping centres typically have a gross leasable area (GLA) ranging from 100,000 to 400,000 square feet. Option (2) is incorrect; community centres will have a mix of convenience and general retail merchandising. Option (4) is incorrect; these centres will typically serve an area of 5 – 10 kilometres.

4. Answer: 1

Option (1) is not an option. Location is a key consideration for the retailer in determining a ventures financial feasibility and success versus segmentation. Retail properties are segmented or catalogued according to size and format in meeting a particular market's needs.

5. Answer: 3

Option (3) is correct; zoning and land use plans explain the local and official community plans, zoning, and parking bylaws, and other characteristics of land use. Land title registry defines ownership, [option (1)]. A survey plan provides information regarding location of any easements, street frontages, property lines, site dimensions and lot area. It does not provide information on official development plans [option (2)]. The building plan is an aspect of background property research, but defines the property's characteristics, not land use plans or bylaws [option (4)].

6. Answer: 4

Option (4) is false; although the average parking stall width has been declining in recent years, the recommended average parking stall width is 9.0 feet to reduce the incidence of accidents. The other options are true.

7. Answer : 1

2,300 ($250 \times 6 + 25 \times 8 + 60 \times 10$)

8. Answer: 4

Narrow range of products with wide assortment.

9. Answer: 1

Statement A is true; power centres occupy an area in the range of 250,000 and 600,000 square feet. Statement B is false; power centres have a typical trade area between 8 and 15 kilometres. Statement C is false; the home improvement store may be co-branded with a food and drink retailer, but would not co-brand with a discount department store as these types of tenants would require very different types of space. Statement D is false; anchor tenants vary in their preference to lease or own based on their business model.

10. Answer: 2

Functional obsolescence due to trend changes and loss of market appeal lead to the renovation of shopping centres. The other options would not require a major renovation.

11. Answer: 2

Statements B and D are true; Madison would perform a micro analysis for the area's land uses and zoning regulations (Statement B), and she would also analyze the demographic composition in each suburb (Statement D). Statement A is false; Madison will not complete a macro analysis of pedestrian traffic levels as this is an example of micro research. Statement C is false; Madison would not perform an analysis of the area and topography of each site in each location as this would be an example of site analysis.

12. Answer: 2

Option (2) is correct; comparative shopping is more difficult in open format properties as most tenants will offer very different products and services. Enclosed areas are much more effective for comparative shopping. Option (1) is incorrect; in an open format property, rental rates are generally lower than those in enclosed properties. Option (3) is incorrect; accounting costs will not be higher in enclosed sites as there are very few common or shared areas in these properties. Option (4) is incorrect; tenant exposure is heightened as visibility to "drive" traffic is much higher than exposure for tenants in enclosed properties.

13. Answer: 3

Power centre (minimal, if any, common area).

14. Answer: 4

Their name or brand serves to attract other tenants and customers to the retail centre.

15. Answer: 4

The retail gross leasable area does not allocate common area to the tenants for the base rent or common area charges.

16. Answer: 2

Option (2) is correct; only department stores are based on three basic types of layout: grid, racetrack or free-form. In general, though the basic construction of a contemporary store is similar to big-box store and the difference being in the superior interior finishes. Option (1) is incorrect; neither two-storey department stores nor large-area retail stores require elevators for the transportation of customers. Rather elevators are only installed for freight use and escalators for customers use. Option (3) is incorrect; both large-area retail store and department stores are required to have a reinforced concrete substructure.

17. Answer: 1

Statements B and C are true.

18. Answer: 4

Equitable allocation of proportionate share of expenses is difficult. The other options are correct, but would not present an operational challenge.

19. Answer: 2

The economic life is the period over which the improvements contribute to property value and is impacted by the changes in trends and purchasing power whereas; the other options impact its physical life: the period that a building is expected to last.

20. Answer: 2

Option (1) is false since the appraiser is not qualified to complete a risk assessment, rather if there is a concern, an expert should be consulted. Option (3) is false as there is no commonly accepted property inspection form for retail properties. All properties are unique.