Commercial Retail Gap Analysis

Prepared for:
The Corporation of the Town of The Blue Mountains
September 14, 2020
Company Overview

Sameer Patel, Vice President

Developers  Municipalities  Asset Owners  Expropriation  Retailers

Focused Market Analysis

TATE ECONOMIC RESEARCH INC. is a Toronto based market research firm that specializes in real estate related market evaluations and demographic analysis. Tate Research serves a variety of public and private sector clients across Canada. The firm has extensive experience in market analysis and strategic advisory as it relates to all facets of real estate development and land use planning.
Recent Engagements
Mandate

The Town of The Blue Mountains is currently in the process of creating a new Economic Development Strategy to guide the Town Economic Development priorities through 2020 – 2025.

The strategy is being developed in collaboration with the Town’s Economic Development Advisory Committee. Through the strategy work, the need to complete a Commercial Retail Gap Analysis was identified. The findings from the Commercial Retail Gap Analysis will be incorporated into the final Economic Development Strategy.
Research Tasks

We conducted extensive research which included the following tasks:

• Review of Official Plan and Background Reports;
• Examination of Retail Trends and Best Practices;
• Inventory of Retail, Service and Vacant Space;
• Analysis of Customer Location Data;
• Delineation of a Trade Area;
• Population Forecasting;
• Examine Trade Area Socio-Economic Characteristics; and,
• Quantify Trade Area Demand and Retail Commercial Gaps.
Covid – 19 and the Current State of Retail

Based on field observations in September 2020 and our professional judgement, the following provides an update to our Covid-19 assessment:

- For the most part the **Town has fairied well with respect to retail vacancies**. Our inspections in September 2020 have not indicated a significant change from the April 2020 levels.

- We would draw a distinction between the Town fairing well and retailers fairing well. **The potential for additional closures remains high**. We anticipate that there may be a number of inventory issues for non-food retailers as summer comes to an end and the potential for the inability to appropriately stock stores for the winter due to cash flow issues.

- Similarly, food oriented retailers and restaurants will face potential head winds with the colder weather approaching and the inability to offer outdoor seating for more cautious customers.

- **Over the longer term, the outlook for retail in the Town is positive**. It has been influenced by remote working trends brought on by Covid-19. Anecdotally, we understand that many seasonal residents are increasingly converting to permanent residents with the ability to effectively work remotely. The resulting benefit to the retail environment will be positive as long as there is still a sufficient number of tourists and seasonal residents who typically have a higher discretionary spend then permanent residents.

Overall, the observations and recommendations presented in this report remain valid.
Retail Function

Thornbury Inventory

- Building & Outdoor Home Supplies: 44,900
- Supermarkets & Grocery Stores: 39,600
- Miscellaneous Retailers: 15,100
- Clothing, Shoes & Accessories: 9,400
- Pharmacies & Personal Care Stores: 9,200
- Beer, Wine & Liquor: 8,000
- Furniture, Home Furnishings & Electronics: 6,600
- Convenience & Specialty Food Stores: 2,700
- General Merchandise: 0
- Food Services & Drinking Places: 34,000
- Other Services: 23,700
- Health Care & Social Assistance Services: 19,400
- Financial, Insurance, Legal & Real Estate Services: 9,800
- Entertainment & Recreation Services: 8,700
- Personal Care & Laundry Services: 7,500

Function Distribution by Size:
- Convenience: 32%
- Destination: 64%
- Destination / Convenience: 21%

Function Distribution by Units:
- Convenience: 60%
- Destination: 50%
- Destination / Convenience: 18%
Retail Function
Clarksburg & Other

Clarksburg & Other Town Inventory

- Building & Outdoor Home Supplies: 2,800
- Supermarkets & Grocery Stores: 27,200
- Miscellaneous Retailers: 500
- Clothing, Shoes & Accessories: 5,200
- Pharmacies & Personal Care Stores: 18,300
- Beer, Wine & Liquor: -
- Furniture, Home Furnishings & Electronics: 11,000
- Convenience & Specialty Food Stores: 19,700
- General Merchandise: -
- Food Services & Drinking Places: 3,600
- Other Services: 2,200
- Health Care & Social Assistance Services: 4,700
- Financial, Insurance, Legal & Real Estate Services: 700
- Entertainment & Recreation Services: -
- Personal Care & Laundry Services: -

Function Distribution by Size
- Convenience: 40%
- Destination: 51%
- Destination / Convenience: 9%

Function Distribution by Units
- Convenience: 40%
- Destination: 48%
- Destination / Convenience: 12%
## Retail Function

### Blue Mountain Village

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building &amp; Outdoor Home Supplies</td>
<td>-</td>
</tr>
<tr>
<td>Supermarkets &amp; Grocery Stores</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous Retailers</td>
<td>-</td>
</tr>
<tr>
<td>Clothing, Shoes &amp; Accessories</td>
<td>17,500</td>
</tr>
<tr>
<td>Pharmacies &amp; Personal Care Stores</td>
<td>1,700</td>
</tr>
<tr>
<td>Beer, Wine &amp; Liquor</td>
<td>-</td>
</tr>
<tr>
<td>Furniture, Home Furnishings &amp; Electronics</td>
<td>600</td>
</tr>
<tr>
<td>Convenience &amp; Specialty Food Stores</td>
<td>7,000</td>
</tr>
<tr>
<td>General Merchandise</td>
<td>-</td>
</tr>
<tr>
<td>Food Services &amp; Drinking Places</td>
<td>61,000</td>
</tr>
<tr>
<td>Other Services</td>
<td>-</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance Services</td>
<td>-</td>
</tr>
<tr>
<td>Financial, Insurance, Legal &amp; Real Estate Services</td>
<td>-</td>
</tr>
<tr>
<td>Entertainment &amp; Recreation Services</td>
<td>1,900</td>
</tr>
<tr>
<td>Personal Care &amp; Laundry Services</td>
<td>2,800</td>
</tr>
</tbody>
</table>

## Function Distribution by Size

- Convenience: 13%
- Destination: 17%
- Destination / Convenience: 70%

## Function Distribution by Units

- Convenience: 15%
- Destination: 67%
- Destination / Convenience: 18%
Thornbury Customer Draw
Socio-Economic Characteristics
Socio-Economic Characteristics - Urban

- Population: 6,052
- Average Household Size: 2.2
- Average Age: 53
- Household Average Income: $143,895

PRIZM Segments:
- Emptying Nests: 57.3% of Households (1,559 households)
- Satellite Burbs: 14.5% of Households (394 households)
- Heartland Retirees: 6.9% of Households (187 households)

Households by Income:
- Bars show comparison to The Blue Mountains.
Gap vs. Existing Space

Based on Demand Generated by Blue Mountains Population, there is NOT enough of these types of stores.

Potential gap based on inflow being greater than outflow

Based on Demand Generated by Blue Mountains Population, there is enough of these types of stores.
Trends

THE DIVERGING RETAIL MARKET
The Demise of the “Middle”

The diverging retail market can generally be described as follows: There are a growing number of households placing a greater emphasis on value retailing. The price of the product or service is often noted as the most important determinant of where people shopped. This emphasis on value has given rise to wide spectrum of off price and discount retailers. At the lower end, retailers such as Wal-Mart and Dollarama are thriving. At the upper end of the off-price market, Nordstrom Rack and Saks Off 5th have entered the Canadian market.

Conversely, in the major Canadian urban centres, the high-end market is also thriving with many premium brands opting to open their own retail stores as opposed to allowing department stores to be the sole point of distribution. In addition, there is also a robust market for high end independent stores. This trend is evident in the VECTOM markets, however in the rest of the country this portion of the market is largely non-existent. The Town of The Blue Mountains diverges from this trend, capitalizing on the high end market, with many boutique upscale shops and stores.

The overriding consumer led factor affecting the retail environment is the diverging retail market. The most often cited reason for this diverging retail market is the growing income gap which has led to stagnating demand for stores in the middle of the market.

<table>
<thead>
<tr>
<th>Value Retailers</th>
<th>Upscale Retailers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giant Tiger</td>
<td>Harry Rosen</td>
</tr>
<tr>
<td>Food Basics</td>
<td>Walmart</td>
</tr>
<tr>
<td>Value Village</td>
<td>Gap</td>
</tr>
<tr>
<td>Sobeys</td>
<td>Michaels</td>
</tr>
<tr>
<td>Farm Boy</td>
<td>Lee Valley</td>
</tr>
<tr>
<td>Dollarama</td>
<td>Saksv2</td>
</tr>
<tr>
<td>Pet valu</td>
<td>Toys4U</td>
</tr>
<tr>
<td>Loblaws</td>
<td>Marshalls</td>
</tr>
<tr>
<td>Best Buy</td>
<td>DSW</td>
</tr>
<tr>
<td>Winners</td>
<td>NORDSTROM rack</td>
</tr>
<tr>
<td>HomeSense</td>
<td>Saksv5</td>
</tr>
</tbody>
</table>

Off-Price Retailers

Winners
Trends

EXPERIENTIAL RETAIL

Transactional shopping purchases are being made on-line when it’s convenient to the shopper. Therefore, when a consumer goes shopping in a physical store, the expectation is for an “experience” that cannot be replicated on-line. This experience may be fulfilled through unique, or constantly changing offerings at retailers or through the physical design of centres. The emergence of experiential retail is further bolstered by advances in technology which allow for stores to provide interactive experiences linked to social media platforms such as Instagram and Snapchat.

ROOTS “The Cabin” (Toronto, Ontario)
The 'Cabin' store model features a dedicated jacket and bag customization workshop, and an enhanced fitting room lounge experience. Elevated leather and footwear sections offer customers a full range of seasonal footwear, jackets and bags. An omni-channel shopping experience is provided where guests can review online product reviews, search inventory at any store throughout Canada, place a ship to home order or pick-up and try on their ship to store roots.com orders.

Many Hands of Meaford (Meaford, Ontario)
Many Hands of Meaford is an artisan market and café located downtown Meaford. Many Hands of Meaford offers locally made arts and crafts, jewelry, woodworking, produce and a café. The market provides programming such as workshops and live music. The store utilizes online platforms such as their website and Facebook to showcase goods and promote events.
Trends

FOOD & BEVERAGE TRENDS

Gather Grocery (Thornbury, Ontario)

Gather Grocery is a specialty food store that opened in November 2019 in Thornbury. Gather Grocery focuses on environmentally sustainable healthy food, offering fresh produce, bulk dry goods and health and wellness products. The store is zero waste, customers fill their own containers with desired goods and pay by weight. This includes both dry and liquid goods. Gather Grocery sources locally made goods which change daily.

Mad Dogs Coffee and Vinyl Café (Collingwood, Ontario)

Mad Dogs Coffee and Vinyl Café is located downtown Collingwood, offering fair trade coffee, teas and lattes. This coffee house has a wide variety of new and used records available for purchase and listening.

Fig & Feta Greek Eatery and Market (Collingwood, Ontario)

Fig & Feta is an authentic Greek eatery and market which opened in 2017 in downtown Collingwood. In addition to dine in and takeout options, Fig & Feta offers premade meals, baked goods and products sourced from Greek such as beverages, oils, pastas and other food products.
Trends

THE RETAIL HUSTLE

A new type of retail diversification is occurring in the independent and small chain retail space with the diversification of uses. The diversification of uses serves to create a unique experience that differentiates them from on-line offering while at the same time protecting against the ebbs and flows of a retail business by offering a variety of product lines and services that also increase the ability of the retail store to be productive at various ‘off peak’ times of the day and week.

**Smitty’s Bike Shop**  
(Thornbury, Ontario)

“Perfect location to stop in for a coffee or get a bike!”

“Offering Canadian made bicycles, pro tune-ups, premium apparel, and quality accessories. Now featuring an espresso bar and outdoor patio to recharge, or relax after a great ride.”

**Ward 14**  
(Ottawa, Ontario)

“Cocktail Bar meets Vintage shop.”

Ward 14 is a unique cocktail bar and shop that sells vintage décor. The merchandise sold within Ward 14 is used as decoration until it is sold, meaning that the design of Ward 14 stays as inventive as its merchandise.

**Backroads London**  
(London, Ontario)

“Welcome to BackRoads Brews & Shoes. A place to experience something different. Elevate your run with our wide selection of footwear and niche clothing. At our bar, choose from a wide selection of Ontario Craft Beer or select from our Wines, local Booch flavours, O-Joes Coffee and snacks.”

**Good Neighbour**  
(Toronto, Ontario)

“We’re your local Leslieville fashion curator & coolhunters.”

“We sell clothes, footwear, outerwear, housewares, gifts, potions, magic beans, kids-wear, razors, jewelry, accessories, and more.”
Summary of Findings

Retail / Service Function

- The retail environment is healthy in terms of vacancy rate.
- The retail and service offering is positioned within the middle / upper middle segments of the market and is characterized by a number of independent boutique stores and services.
- The tenant mix is functional and provides a level of service to the surrounding population. There are no clear gaps in the market with the exception of a general merchandise store;
- There are a mix of convenience and specialty stores. The convenience oriented stores such as Foodland, LCBO and Pharmasave provide general coverage within their respective categories. The specialty oriented stores cater to the local community as well as the seasonal residents.
- Over half of the retail and service space is retail oriented. This ratio of retail to service space is atypical and represents a greater emphasis on retail space.
- Based on our assessment of the businesses, there are a mix of long established and new businesses. There is also a high level of market knowledge in terms of retail trends and the understanding of experience.
- The Town of The Blue Mountains is unique in that it is able to maintain a higher end offering which is atypical of non VECTOM markets. Typically, the path of least resistance in smaller markets is to cater to the value end of the spectrum as there are a number of retailers (characterised mostly by General Merchandise stores) that are willing tenants.
Summary of Findings

Customer Demographic

- The population in the “urban” areas of the Town along the shoreline have increased by 27% since 2006.
- This increase in population has been accompanied by a high average household income.
- Many of the current residents are transplants from large urban areas and appreciate a curated level of retail and service that provides similarities to their original retail areas.
Recommendations

• Whether intentional or organic, the overall function of the retail and service mix within the Town is directed towards the middle and upper middle clientele demographic. We recommend that this direction continue and that the Town, Chamber and BIA continue to foster an environment where independent boutiques and services feel valued and welcome;

• While we recognize that there is a segment of the market that can benefit from value oriented retailers, expanding the breadth of value oriented retail in the Town will be limited by the population demand;

• The permanent population of approximately 7,800 cannot support some of the more common national tenants being requested in the business and resident surveys. This would include a Canadian Tire store or an additional supermarket which would not likely be warranted at this time;

• There are opportunities in the market based on the expenditure profile of the population. These opportunities are within the following categories:
  o General Merchandise;
  o Furniture, Household Furnishings and Electronics;
  o Clothing & Accessories;
  o Personal Services; and,
  o Pharmacies & Personal Care.

• While these gaps exist from an expenditure point of view, we would caution that many of these categories are also susceptible to the impact of e-commerce. Therefore, in terms of tenant recruitment, strong operators with multiple product lines and services (i.e. the Retail Hustle trend) should be sought.
Recommendations

- The largest gap exists in the General Merchandise category. General Merchandise stores are typified by dollar stores, which based on our recommended direction would not necessarily be a fit in the market. However, there are a number of independent boutique types of General Merchandise stores that could occupy this category. Examples include Likely General (www.likelygeneral.com) and Good Neighbour (www.goodnbr.com).

- There are specific stores that could be added / supplemented to the market:
  - An additional bike / recreational store;
  - An additional home furnishing / décor store; and,
  - A small electronics store (could also include a camera component).

- Anecdotally, it has been stated that the Town is unaffordable and that residents go to neighbouring municipalities to fulfill some of their shopping needs. Based on the cellular data and assessment of the inventory, this is likely correct. However, the Town has a very good foundation of stores and a reputation as a higher end shopping destination. This type of environment is sought after in many smaller communities and therefore, it is our recommendation to accept the demographic profile of the existing residents and cater to the majority of them, as there is not enough population based demand to support a broad range of retail and service offerings.

- We recognize that there is concern regarding outflow of expenditures to neighbouring municipalities such as Collingwood and that our recommendations will do little to stem this outflow. However, the Town is also the recipient of inflow of expenditures. For example, the cellular data indicates that 18% of the Foodland customers originate in Meaford.

- Finally, it is our opinion that the trend of “urban transplants” to the Town will continue and that the current retail offering will have even greater support in the future.
Actions / Implementation Plans

The actions / implementation plans identified in this section address the current realities of operating in the economic confines due to Covid-19 as well as provide plans over the longer term when the economy has stabilized.

- Unfortunately, there will be some stores that may not be able to reopen due to the economic impacts of Covid-19. We would recommend that the Town, as part of its economic development plan, prepare a summary of this report as a guidepost to future tenant types. This may include the preparation of a marketing brochure for the Town highlighting its strengths, such as the high income resident population.

- There may be an opportunity for the Town to lease a vacant storefront and create a space for pop-up retail use from Toronto or Barrie. The program could be run through the BIA. The goal is to foster new tenants into the downtown through exposing them to the market during peak season. Retail recruitment is a powerful tool. The Town or BIA could prepare a target list of stores in neighbouring municipalities that fit the criteria presented in this report. This would also provide landlords with options when looking to lease new space.

- Some retail stores are downsizing due to retail economics. The Town is well positioned with respect to the current average size of retail units. However, if an application is presented to the Town for smaller units or subdividing space, the Town should balance their decision with the benefits to retail viability of smaller units.

- Over the longer term, marketing plans should be developed that embrace the Town’s niche status and highlight high profile retail and services tenants such as Fabbrica. The existence of Fabbrica in Thornbury is a significant endorsement of the market from one of Canada’s most accomplished restauranteurs.