



PREDA

PEACE REGION ECONOMIC DEVELOPMENT ALLIANCE

RETAIL MARKET OVERVIEW

& TRADE AREA PROFILES

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Prepared by:

**CUSHING
TERRELL**
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PREFACE

Cushing Terrell Architecture Inc. (“Cushing Terrell”) of Langley, BC was commissioned to prepare a Retail Market Overview & Trade Area Profile report for the Peace Region Economic Development Alliance (PREDA), consisting of community retail trade area profiles and drive time specific retail trade area profiles to analyze the retail market of the Peace Region.

The objective of this report is to document the current state of the retail market in the Peace Region, and identify trends and potentials for future retail development opportunities. Development trends impacting the retail industry and the potential for retail development in the Region were determined by profiling the respective trade areas of the following Municipal Districts (M.D.) and Counties:

- Big Lakes County
- Birch Hills County
- Clear Hills County
- County of Grande Prairie
- County of Northern Lights
- Mackenzie County
- M.D. of Fairview
- M.D. of Greenview
- M.D. of Peace
- M.D. of Smoky River
- M.D. of Spirit River & Saddle Hills County
- Northern Sunrise County

Furthermore, drive-time specific retail trade area profiles were created for the following communities:

- Eaglesham
- Fairview
- Falher, McLennan, & Donnelly
- Fox Creek
- Grimshaw
- High Level
- High Prairie
- Hythe
- La Crete
- Manning
- Nampa
- Peace River
- Sexsmith
- Spirit River
- Valleyview
- Worsley

The study was carried out over the period of February 2016 to August 2016, and entailed the undertaking of on-site fieldwork as well as supplemental research to gain a thorough understanding of the retail market in the Peace Region.

Reference material for this report was obtained from, but is not limited to: Peace Region Economic Development Alliance; the Towns of Sexsmith, Peace River, Falher, Fairview, Grimshaw, High Level, Spirit River, Fox Creek, Valleyview, High Prairie, and Hines Creek; the Villages of Rycroft, Hythe, and Berwyn; the Municipal Districts of Fairview, Spirit River, Peace, Greenview, and Smoky River; the Counties of Clear Hills, Birch Hills, Northern Lights, Northern Sunrise, Mackenzie, Grande Prairie, and Saddle Hills; Statistics Canada; Pitney Bowes; Alberta Community Profiles; and Cushing Terrell Architecture Inc.

Any tenant references made in the report are for illustrative purposes only and should not be taken as guarantees that they will locate in the Peace Region, but rather that they could represent compatible “target” retailers. This analysis was conducted by Cushing Terrell as an objective and independent party, and is not an agent of the Region by virtue of this, or any subsequent study to be conducted on this matter.

As is customary in an assignment of this type, neither our name nor the material submitted may be used without the expressed permission of PREDA or Cushing Terrell Architecture Inc.

-Cushing Terrell Architecture Inc. 2016



Demographic Methodology Statement (Pitney Bowes January 2016)

The data used in this document, as provided by Pitney Bowes, is adapted from Statistics Canada, Census Profile and Topic Based Tabulations, 2011, and National Household Survey Profile Data and Semi-Custom Data, 2011. Methodological information is extracted from Pitney Bowes' Canadian Demographic Data January 2016 Product Guide. Pitney Bowes' estimates and projections for Canada are updated annually. The reference date for the data is always July 1, which is considered the midpoint for the reference year. The reference date should be considered an annual midpoint and not, strictly speaking, the population number for a location on July 1. This methodology statement describes procedures used by Pitney Bowes and its team of demographers to produce the basic variable types including total population and population characteristics such as age and sex, as well as total households and household characteristics such as income and consumer expenditure potential. Processes are also in place to validate the data against independent sources and to assure data quality in terms of demographic, geographic, and mathematical consistency. Pitney Bowes' demographers, geographers, and statisticians responsible for producing this data update have over 25 years of experience in producing demographic estimates and projections for the U.S. and Canada. The methodologies used to develop and update the Canadian demographic estimates and projections build on this expertise using a combination of traditional demographic techniques as well as innovative processes, which take advantage of proprietary resources.

Pitney Bowes - Canada Estimates & Projections (E&P)

Estimates and projections are available for July 1 2016, 2019, 2021, and 2026. Aggregate and average household income are available for 2016, 2019, and 2021. Household income distributions are now available for 2011 and 2016. Aggregate and average household expenditure for consumer goods and services is available for the current year only. The 2011 census information is used as the benchmark for the population and household estimates and projections in this release.

In general and using National Household Survey (NHS) inputs, data are created at the smallest geographic level – dissemination area – then rolled up to all higher geographic levels via a set of correspondence tables. However, in order to assure consistency of small area estimates with higher level provincial and national estimates, the estimation and projection methodology involves a combination of top-down methods (national to census subdivision), using traditional demographic techniques, and bottom-up methods (dissemination area to census subdivision) using demographic techniques along with proprietary spatial modeling techniques. Significant efforts are applied to the task of integrating the latest Statistics Canada and Canada Post data into the Pitney Bowes demographic update process.

Pitney Bowes - Canada Expenditure Potential (CanEx2016)

The Pitney Bowes Expenditure Potential database provides dollar estimates of the amount of money spent annually, in aggregate, on detailed categories of consumer expenditures. The estimates are based on coefficients developed from the linkage of Statistics Canada's Survey of Household Spending with Pitney Bowes' PSYTE HD Canada segmentation system. The Canada Expenditure Potential database is developed using Statistics Canada's Survey of Household Spending (SHS) and Pitney Bowes' PSYTE HD Canada cluster system. The survey respondents are geocoded by Statistics Canada to their dissemination area (DA) of residence. Then, Statistics Canada aggregates and tabulates all SHS data by PSYTE HD Canada cluster. Coefficients are derived by Pitney Bowes such that, when applied against an independently derived estimate of aggregate household expenditures at the DA level, an estimate of detailed consumer expenditures is generated.

Respondents to Statistics Canada's SHS questionnaire recall amounts spent on several hundred consumer goods and services, during the previous calendar year. Several features of the survey assist the respondents in recalling their expenditures. Statistics Canada summarizes expenditure data of approximately 14,000 full-year households by PSYTE HD Canada cluster for detailed consumer expenditure variables based on reference material that Pitney Bowes has provided. Pitney Bowes analyzes these data to discern patterns and correlates to estimate missing values using a range of statistical methods. Expenditure estimates are modeled for small areas based on national Canada Expenditure Potential average household expenditure data (proportions) by PSYTE HD Canada cluster, and Pitney Bowes' current household, income and expenditure estimates.

Stats Canada & Visible Minorities

The *Employment Equity Act* defines visible minorities as "persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour" (<http://www12.statcan.gc.ca/nhs-enm/2011/ref/dict/pop127-eng.cfm>).

In Pitney Bowes' reports, Aboriginal peoples are listed under *Ethnic Origins* rather than *Visible Minorities*. Due to the specific reports used in this study that do not include *Ethnic Origins*, Aboriginal peoples counts are not included, but can be approximately deduced by subtracting Total Visible Minorities from the Total Population Estimate.



Retail Development Fundamentals

Retail development, whether in smaller communities such as those found throughout the Peace Region, or larger markets like those on the fringe of a larger secondary/urban market like Grande Prairie, are driven by critical business fundamentals that must be acknowledged and considered when identifying retail opportunities. By way of a checklist, these include:

- Population characteristics of the consumer base;
- The reality that retail follows consumers;
- Consistent and high shopper traffic is a pre-requisite for most retailers;
- The consumer base must demonstrate sufficient buying power to be of interest to retailers;
- Chain retailers have a limited number of prototypical store formats that they are willing to operate. Deviating from these established formats is done only as a last resort in circumstances where demand for a location by a retailer or developer is high;
- Most retailers require sites with convenient access, high visibility, and ample parking;
- Most retailers expand in well-defined geographic areas that coincide with their distribution networks and their familiarity with consumer preferences;
- Most retailers have established criteria for site selection. For example, Shoppers Drug Mart typically requires a population of 10,000 people in order to build a 15,000 sf store;
- The clustering of compatible retailers has become the norm;
- Astute retailers will not accept “low rent” in compensation for an untested market;
- Retailers cannot generally survive rent-to-sales ratios in excess of 15%. Retailers have a threshold level of sales they know they must achieve to be profitable; and
- Retailers attempt to maximize profitability by operating the fewest number of stores possible in any market to avoid sales transference.



2.0 INTRODUCTION - PEACE REGION COMMUNITY TRADE AREA PROFILE

Cushing Terrell Architecture Inc. (“Cushing Terrell”) was selected by the Peace Region Economic Development Alliance (PREDA) to provide a Retail Market Overview for the Region and its various communities. This project entailed a documentation and review of the following specific locales and their current retail composition:

- Big Lakes County
- Birch Hills County
- Clear Hills County
- County of Grande Prairie
- County of Northern Lights
- Mackenzie County
- Municipal District of Fairview
- Municipal District of Greenview
- Municipal District of Peace
- Municipal District of Smoky River
- Municipal District of Spirit River & Saddle Hills County
- Northern Sunrise County

Each of these areas has its own unique retail characteristics ranging from very localized to regional in trade area and consumer base. Accordingly, the purpose of this document will be to highlight the retail activity that is occurring both in the region and locally, as well as understanding the trends elsewhere that could shape future opportunities in the Region. Importantly, this information provides all of the essential market information that can help prospective new retailers as well as providing a platform of information that can be used in the creation of business plans for new business startups or entrepreneurs.

3.0 PEACE REGION RETAIL SNAPSHOT

The Peace Region is located in northwestern Alberta, over 400 kilometres and 4 hours away from Edmonton, and is largely open space with rural and urban development dispersed throughout the geographical area. Retail mainly takes the form of establishments located on the main streets of communities’ downtowns, and along major highways that pass through populated areas. Economically speaking, activities in the region are centred around agriculture, oil & gas, forestry, and tourism. The benefits of an economy oriented around various sectors is it allows for strength and resiliency in times of economic distress in a particular sector. The falling prices of oil are a present reality for many communities in Alberta including areas in the Peace Region, however that is not the sole force providing sustenance in the area.

Many busy highways pass through the Region, as well as railways and regional airports, creating a high level of connectivity with the surrounding area and beyond. Provincial Highways that connect the Region with other major centres in Alberta and British Columbia include Highways 2, 49, and 35. Having convenient access to transportation networks is a crucial requirement for many retailers, especially when considering predominantly rural areas such the Peace Region.



The median age in the Region is 34.1 years, which is lower than the Provincial median of 36.7 years. Of the total Peace Region population, 26% is in the age bracket of 25-44, a cohort representing both the family building stage as well as the income earning stage. A young family demographic is an important prerequisite for many retailers looking at entering a market or establishing another location in an existing market.

Another substantial age bracket is the 5-19 group, at 23% of the total population. Having a large youth population provides an “up and coming” demographic that has the potential to provide employment in the entry-level retail job sector, as well as adding to the overall vibrancy and diversity of a community. Preventing an out-migration of youth is a challenge many communities face, and can be mitigated through the provision of amenities, shops, and services that are attractive to a wide variety of age groups.

4.0 PEACE REGION RETAIL PROFILES

The following pages present a snapshot of the core retail communities within the Peace Region (excluding the City of Grande Prairie), providing a comprehensive analysis of their Retail Trade Areas and a framework for future growth, as well as retail opportunities.

The trade areas for each designated community have been created using 15-minute drive times to illustrate the most critical market segment: the Local Trade Area. The Town of Peace River was given a trade area of 30-minutes to portray the effect its larger and more substantial retail offerings has on the region. The drive time trade area for each community does not discount the ability for each respective area to draw from a much wider trade area given locational criteria such as being the only retail venue for an even greater distance. Additionally, drive times do not discount adjacent communities with retail offerings, and the effect this can have on shopping preferences for individuals.

Population data, current estimates, and forecasts are derived from Pitney Bowes data, and do not necessarily reflect the impact that potential Area Structure Plans or other development may have on population growth in the communities. Regardless, they are provided as a benchmark against which future demand can be quantified and gauged against, depending upon whether population change is faster or slower than forecasted.

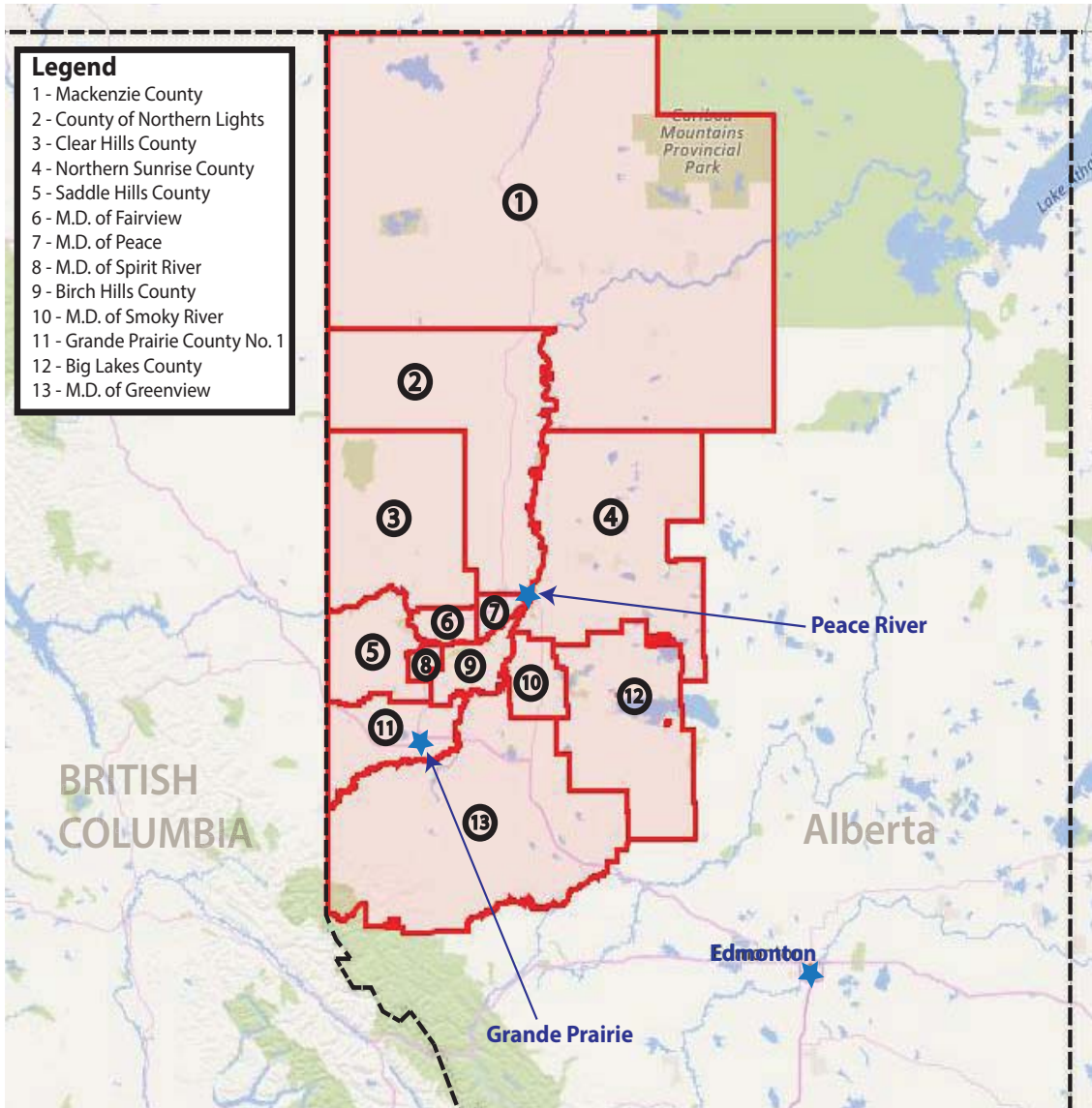


FIGURE 4.0
Peace Region Transportation Routes



FIGURE 4.1

Peace Region County/Municipal Districts Map



(including all counties & towns, but excluding City of Grande Prairie)

Peace Region Population Estimate 2016: 112,828 | Population Forecast Estimate 2019: 111,919

Peace Region Population Growth 2016 - 2019: -0.8%

Avg Household Income: \$100,185

Avg Persons per Household: 2.8

Total Retail Spending (2016 est): \$800 Million

Total Estimated Retail Inventory: 2.16 m sf (excl Beaverlodge & Clairmont) / 2.44 m sf (incl Beaverlodge & Clairmont)

Total Estimated Retail Vacancy: 129,250 (6.0%)

Current Retail Space Per Capita Ratio: 19.2 sf / capita (excl Beaverlodge & Clairmont) / 21.7 sf / capita (incl Beaverlodge & Clairmont)

TABLE 4.0

Peace Region Population Profile (incl Beaverlodge & Clairmont)

	Key Demographics	Peace Region		Alberta
		Count	%	
POPULATION	2011 Census	109,585		3,790,185
	2016 Population Estimate	112,828		4,191,020
	2019 Population Projection	111,919		4,346,671
	% Population Change (2011-16)	3.0%		10.6%
	% Population Change (2016-19)	-0.8%		3.7%
HOUSEHOLDS	2016 Households	39,097		1,611,399
	Change in Households (percent)			
	2011 to 2016	3.1%		11.6%
	2016 to 2019	0.1%		4.3%
	2019 to 2021	0.0%		3.2%
	2021 to 2026	-0.1%		7.5%
	Persons per household	2.9		2.6
	2016 Total Household Maintainers	39,097		1,611,399
	Under 25 years	2,136	5%	76,592
	25 to 34 years	6,910	18%	311,692
	35 to 44 years	7,693	20%	333,715
	45 to 54 years	8,485	22%	322,220
	55 to 64 years	7,454	19%	299,121
	65 to 74 years	4,273	11%	163,708
75 years and over	2,146	5%	104,351	
FAMILIES	2016 Families	32,463		193,721
	Married couples	22,052	68%	161,643
	Without children at home	9,928	31%	117,548
	With children at home	12,124	37%	85,309
	Common-law couples	5,347	17%	67,047
	Without children at home	2,388	7%	95,943
	With children at home	2,960	9%	90,723
	Lone-parent families	5,064	16%	90,723
	Average Persons Per Family	3.0		2.8
	Average Children Per Family	1.2		1.0



(including all counties & towns, but excluding City of Grande Prairie)

TABLE 4.1

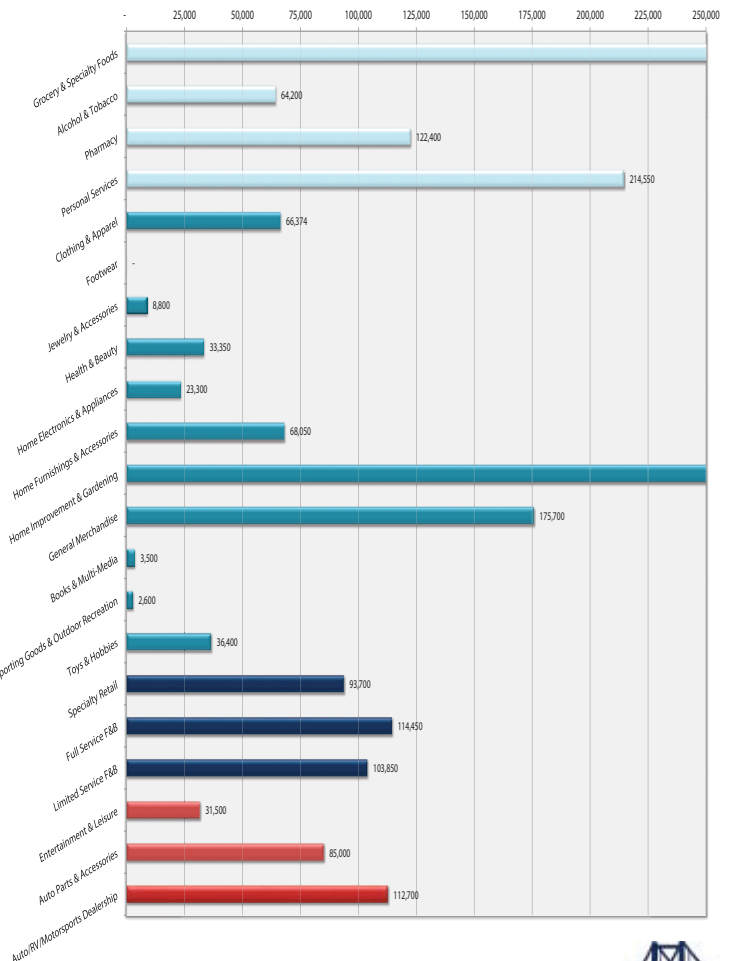
Peace Region Household Retail Expenditures (incl Beaverlodge & Clairmont)

Key Demographics	Peace Region	Alberta
	\$ / HHld / Yr	
Grocery & Specialty Foods	\$7,502	\$7,914
Full & Quick Service Restaurants	\$1,893	\$2,352
Home & Personal Electronics & Appliances	\$2,781	\$3,267
Personal Services	\$1,448	\$1,649
Specialty Retail	\$1,027	\$953
Home Improvement & Gardening	\$947	\$793
Home Furnishings & Accessories	\$1,555	\$2,064
Clothing & Apparel	\$2,230	\$2,766
Footwear	\$691	\$787
Jewelry & Accessories	\$338	\$515
Pharmacy	\$1,018	\$829
Health & Beauty	\$659	\$755
Books & Multimedia	\$476	\$589
Toys & Hobbies	\$341	\$402
Sporting Goods & Recreation	\$377	\$461
Entertainment & Leisure	\$1,191	\$1,568
Alcohol & Tobacco	\$1,942	\$1,733
Auto Parts & Accessories	\$222	\$162
Auto/RV/Motorsports Dealerships	\$5,937	\$5,494

TABLE 4.2

Peace Region Estimated Retail Inventory Summary by Category (excl Beaverlodge & Clairmont)

Merchandise Category	Existing Inventory (SF)	Existing Inventory (%)
Grocery & Specialty Foods	396,250	18.3%
Alcohol & Tobacco	64,200	3.0%
Pharmacy	122,400	5.7%
Personal Services	214,550	9.9%
Clothing & Apparel	66,374	3.1%
Footwear	-	0.0%
Jewelry & Accessories	8,800	0.4%
Health & Beauty	33,350	1.5%
Home Electronics & Appliances	23,300	1.1%
Home Furnishings & Accessories	68,050	3.1%
Home Improvement & Gardening	276,800	12.8%
General Merchandise	175,700	8.1%
Books & Multi-Media	3,500	0.2%
Sporting Goods & Outdoor Recreation	2,600	0.1%
Toys & Hobbies	36,400	1.7%
Specialty Retail	93,700	4.3%
Full Service F&B	114,450	5.3%
Limited Service F&B	103,850	4.8%
Entertainment & Leisure	31,500	1.5%
Auto Parts & Accessories	85,000	3.9%
Auto/RV/Motorsports Dealership	112,700	5.2%
VACANT	129,250	6.0%
TOTAL	2,162,724	100.0%



(including all counties & towns, but excluding City of Grande Prairie)

TABLE 4.3

Peace Region Households Profile (incl Beaverlodge & Clairmont)

Key Demographics	Peace Region		Alberta	
	Count	%		
HOUSEHOLDS & HOUSEHOLD INCOME	Persons per household	2.8	2.5	
	Number of Households	39,097	1,611,399	
	Under \$5,000	620	1.6%	22,006
	\$5,000 to 9,999	782	2.0%	26,596
	\$10,000 to 14,999	1,197	3.1%	39,748
	\$15,000 to 19,999	1,756	4.5%	58,832
	\$20,000 to 29,999	2,684	6.9%	88,640
	\$30,000 - 39,999	2,862	7.3%	94,720
	\$40,000 - 49,999	2,980	7.6%	101,078
	\$50,000 to 59,999	2,892	7.4%	103,165
	\$60,000 - 79,999	4,692	12.0%	173,266
	\$80,000 - 99,999	4,678	12.0%	182,137
	\$100,000 - 124,999	4,390	11.2%	193,721
	\$125,000 - 149,999	3,278	8.4%	161,643
	\$150,000 - 174,999	2,185	5.6%	117,548
	\$175,000 - 199,999	1,467	3.8%	85,309
	\$200,000 - 249,999	984	2.5%	67,047
	\$250,000 and over	1,651	4.2%	95,943
Median Household Income	\$ 76,095		\$ 90,723	
Average Household Income	\$ 100,185		\$ 119,320	
VISIBLE MINORITIES	Total Visible Minority Population	2,347	2.0%	765,658
	South Asian	482	0.0%	193,810
	Chinese	157	0.0%	170,080
	Black	190	0.0%	84,832
	Filipino	1,120	1.0%	129,122
	Latin American	132	0.0%	43,357
	Arab	60	0.0%	39,223
	Southeast Asian	0	0.0%	45,484
	West Asian	0	0.0%	16,173
	Korean	113	0.0%	16,036
	Japanese	88	0.0%	8,296
	Visible minority, n.i.e.	0	0.0%	4,037
	Multiple visible minorities	5	0.0%	15,208
	Not a visible minority	108,328	98.0%	3,341,205



(including all counties & towns, but excluding City of Grande Prairie)

TABLE 4.4

Peace Region Labour Profile (incl Beaverlodge & Clairmont)

	<i>Key Demographics</i>	Peace Region		Alberta
		Count	%	
LABOUR FORCE & OCCUPATIONS	Age 15+ by Labour Force Activity	82,820		3,338,043
	In the labour force	55,849	67.4%	2,396,406
	Not in the labour force	26,972	32.6%	941,637
	Participation Rate	67.4%		71.8%
	Labour Force by Occupation	55,849		2,396,406
	Management	9,468	17.0%	271,959
	Business & Finance	8,441	15.1%	441,775
	Natural Sciences	824	1.5%	177,395
	Health	1,530	2.7%	106,103
	Educ, Gov't, & Religion	4,081	7.3%	221,004
	Art, Culture, Rec, & Sport	102	0.2%	13,199
	Sales & Service	9,349	16.7%	580,832
	Trades & Transportation	16,927	30.3%	502,748
	Primary Industry	3,625	6.5%	43,414
	Processing & Manufacturing	1,240	2.2%	32,685
	Not Applicable	263	0.5%	5,292
HOUSING & DWELLINGS	Private Dwellings by Structure Type	39,097		1,611,399
	Single-detached house	29,487	75.4%	1,020,844
	Semi-detached house	733	1.9%	85,511
	Row house	871	2.2%	113,977
	Apartment; < 5 storeys	1,493	3.8%	228,899
	Apartment; 5+ storeys	64	0.2%	71,868
	Apartment; duplex	163	0.4%	37,800
	Single-attached house	53	0.1%	1,032
	Movable dwelling	6,233	15.9%	51,468
	Private Dwellings by Tenure	39,097		1,611,399
	Owner	30,117	77.0%	1,208,241
Renter	6,130	15.7%	391,435	
Band housing	2,849	7.3%	11,723	

