

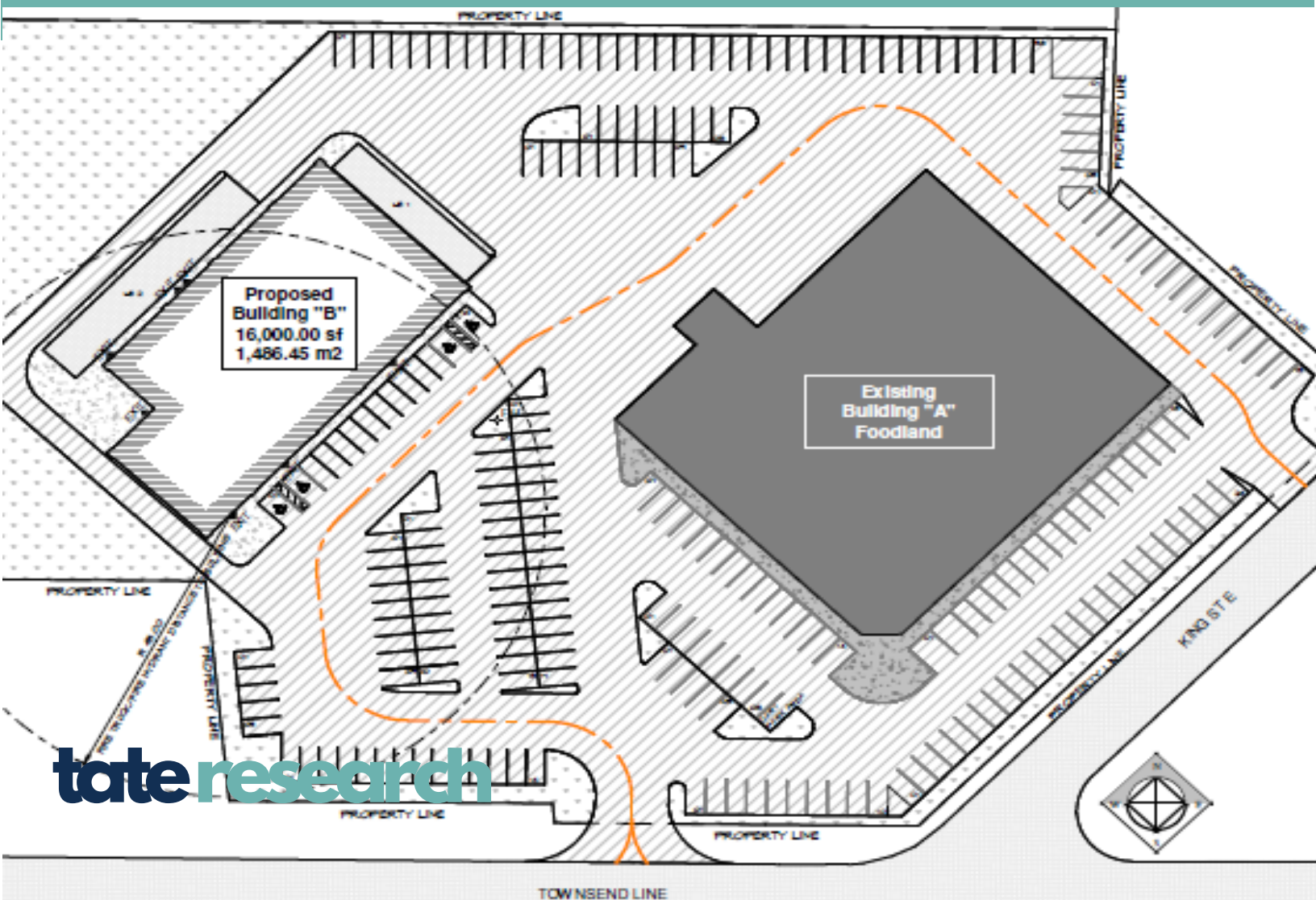
Retail Market Demand and Impact Assessment

Townsend Line & King Street, Forest Municipality of Lambton Shores

September 13, 2024

Prepared for: Delmart Holdings Inc.

Prepared by: Tate Research





Mr. Dave DelChiara
Managing Partner
Delmart Holdings Inc.
110 Mcnab Street
Forest, ON N0N 1J0

September 13, 2024

Re: Retail Market Demand and Impact Assessment
Townsend Line & King Street, Forest
Municipality of Lambton Shores

Dear Mr. Delchiaro:

Delmart Holdings Inc. ("Delmart") is proposing to expand the retail commercial offerings in the community of Forest, Ontario. Forest is located within the Municipality of Lambton Shores ("Lambton Shores" or "Municipality"). One of the Municipality's requirements to permit the proposed expansion is a Retail Market Demand and Impact Assessment.

Delmart has retained Tate Research ("TR") to undertake market research and analysis to address the requirements of the Municipality, as they relate to retail market demand and impact. This letter report summarizes the development proposal, the requirements of the Municipality, the analysis and the findings of the TR analysis. This letter is presented in the following format:

1. Project Background
2. Municipal Requirements
3. Inventory of Competitive Space
4. Analysis of Vacant Units
5. Economic Viability Review
6. Impact Assessment
7. Conclusion

The OP policies relating to the retail commercial areas and the requirements for a Commercial Inventory are summarized below:

6.1.2 All Downtowns should be intensively used and oriented to enable pedestrian rather than car traffic. It is the municipality's goal to achieve a high occupancy rate in its Downtowns. To achieve this goal, Section 6.4, of the Plan does not permit new retail stores, merchandise service shops, financial institutions and offices to locate in Highway Commercial areas until a 90% occupancy rate is achieved in the Downtowns.

6.4.2 Policies

- No new retail stores, personal service shops, merchandise service shops, offices and financial institutions with less than 500 m² of floor area are permitted in the Highway Commercial area. To ensure a healthy and vibrant downtown all uses of this type will be directed to downtowns and will not be permitted to locate in a highway commercial area until 90% of the floor space in the downtown is occupied.*
- Highway Commercial areas in Forest will not be expanded until vacancy rates in the downtown increase to 90% occupancy.*
- Major new uses require a market analysis showing that the use is economically viable over the long-term and will have no adverse impacts on existing commercial areas and uses, especially the downtown. The analysis must be prepared by a properly qualified individual and will be peer reviewed at the request of Lambton Shores at no cost to the Municipality.*

It is the intention of this TR report to address policies 6.1.2 and 6.4.2 of the OP.

3 Inventory of Retail Commercial Space

Downtown Forest is a geographic area that is defined, through mapping, in the OP, as seen in Figure 2, on the following page. In order to determine the occupancy rate of the Downtown, TR conducted an inventory of commercial space in Downtown Forest, including all retail, service and vacant space. This inventory was conducted in person by TR staff and was undertaken in March 2024.

Figure 2: Downtown Forest Boundary



Source: Tate Research; Basemap: ArcGIS.

Figure 3, below, summarizes the amount and distribution of retail commercial, service commercial and vacant space in Downtown Forest.

Figure 3: Downtown Forest Inventory

TR Categories	Square Footage
Automotive	9,300
Beer, Wine & Liquor	3,400
Building & Outdoor Home Supply	22,600
Clothing, Shoes & Accessories	3,400
Convenience & Specialty Food Stores	4,400
General Merchandise	13,700
Miscellaneous Retailers	10,900
Pharmacies & Personal Care	6,500
Services: Entertainment & Recreation	7,600
Services: Financial, Insurance, Legal & Real Estate	20,300
Services: Food Services & Drinking Places	12,300
Services: Health Care & Social Assistance	20,200
Services: Other	25,200
Services: Personal Care & Laundry	13,700
Vacant	15,800
Total	189,300

Source: Tate Research.

Data from in-person field work undertaken on March 27, 2024.

The following observations are made with respect to the inventory of commercial space:

- Overall, there is approximately 189,300 square feet of retail, service and vacant space within Downtown Forest²;
- There are four categories that include over 20,000 square feet of space. These categories are Building & Outdoor Home Supply, Services: Financial, Insurance, Legal & Real Estate, Services: Health Care & Social Assistance, and Services: Other.
- There is 15,800 square feet of vacant commercial space in Downtown Forest, representing a vacancy rate of 8.3%.
- There is 173,500 square feet of occupied space representing an occupancy rate of 91.7%.

With respect to the retail commercial proposed on the Site, the units proposed are a Pet Valu pet store which would be classified as a Miscellaneous Retailer, a Dollarama dollar store which would be classified as a General Merchandise store and an unnamed quick service restaurant which would be classified as a Food Service and Drinking Place. Based on the results of the inventory, it is noted that there are no pet or pet supply stores in Downtown Forest. Furthermore, there is a Dollar Haven dollar store and a Red Apple general merchandise store that total 13,500 square feet in the General Merchandise category. It is noted that there are four store categories, each of which comprise more than 20,000 square feet, indicating there are other store categories, beyond General Merchandise, that anchor Downtown Forest.

As observed above, occupancy rate in Downtown Forest is over the 90% threshold that is required to permit retail expansion on Highway Commercial lands. As such, this inventory addresses Section 6.1.2 of the OP.

4 Analysis of Vacant Units

TR reviewed the vacant units in Downtown Forest to determine if there were reasonable opportunities for the proposed uses at the Subject Site to occupy

² In the inventory summarized in Figure 3, TR has excluded residential uses, and included all commercial uses, including Dinyer Mini Storage. The Dinyer Mini Storage represents approximately 12,400 square feet. Mini Storage facilities are not typically included in TR's definition of retail commercial space. However, it is noted that Section 6.1.2 of the OP refers to "a 90% occupancy rate" and does not specify types of space. If Dinyer Mini Storage is excluded from the inventory, the occupancy rate is 91.1%.

existing vacant units. There are 9 vacant units (15,800 square feet) in Downtown Forest. TR has inspected each of these units in person.

In our opinion, none of these vacant units would be suitable for the tenants proposed on the Site. We note that the Dollarama is proposed at 10,000 square feet and the Pet Valu is to be 4,000 square feet.

Photos of the vacant units in Downtown Forest are indicated in Figure 4, below.

Figure 4: Vacant Downtown Units



Source: Tate Research.

Photos from in-person field work on March 27, 2024 and Google Earth Images.

The vacancies range from 900 square feet to 4,700 square feet. Only one unit is larger than 2,000 square feet. Therefore, none of these units could accommodate the proposed 10,000 square foot Dollarama.

The 4,700 square feet vacant unit is also indicated in Figure 5, below. Although comparable in size to the proposed 4,000 square foot Pet Valu, it is not considered appropriate for the proposed Pet Valu, as outlined below:

- It is not located on the main street (King Street);
- It is an older building that may not be suitable for modern retailing due to its condition; and,

- It has limited parking.

Figure 5: 2 Clyde Street Unit



Source: Tate Research.
Photos from Google Earth Images dated October 2023.

Overall, it is not a location that would be considered for a retailer such as Pet Valu. This type of retailer would require the parking, visibility, access and synergies with other retail uses that is provided at the Delmart Site.

This analysis has indicated that there are no vacant units in Downtown Forest that TR considers appropriate for the uses proposed at the Site.

5 Economic Viability Review

Section 6.4.2 of OP states: *Major new uses require a market analysis showing that the use is economically viable over the long-term.* TR has addressed this requirement at a 'high level' in this section of the report. Firstly, it is noted that the term 'major new use' is not defined in the OP, however, in this context, the proposed Dollarama could be considered a 'major new use'.

TR considers the proposed Dollarama to be economically viable. The chain has experienced tremendous growth in recent years. There were 990 stores, nationally, in 2016. This figure has increased to almost 1,400 stores by 2021³.

³ Centre for the Study of Commercial Activity, Toronto Metropolitan University, "Dollar Store Dominance: The Market Reach of Dollarama", 2021, Page 2.

Currently there are over 1,550 stores⁴. It is also noted there are limited examples of Dollarama store closures.

Population growth is typically a main driver of demand for new retail commercial space. Forest is located within Lambton Shores. Growth forecasts are available for Lambton Shores and are summarized below.

According to the 2022 Development Charges study (“DC Study”), population in Lambton Shores is forecast to increase from 12,213 persons in 2021 to 14,517 persons in 2031. Further growth to 16,882 persons is forecast to 2041⁵.

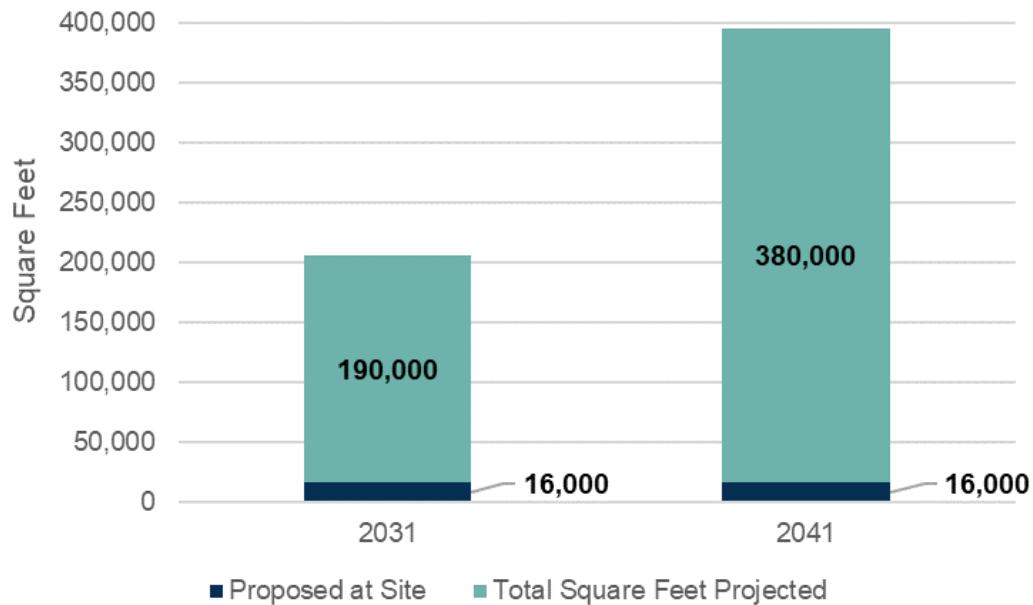
The DC Study also includes a forecast of “Annual Gross Floor Area Growth By Sector”. This forecast indicates an increase of 17,840 square metres (approximately 190,000 square feet) in “Commercial – Population Related” space from 2022 to 2031. Retail commercial uses, such as those proposed on the Site, are included in this sector. A further increase of 17,840 square metres (190,000 square feet) is forecast from 2031 to 2041⁶. This forecast commercial space growth, and the amount of space proposed at the Subject Site, is indicated in Figure 6, on the following page.

Based on these forecasts, Lambton Shores is anticipating population growth and a related increase in demand for commercial floor space. The proposed development at the Site can meet a portion of this demand and the forecast growth contributes to the economic viability of the development. Given this forecast growth and the proven track record of Dollarama, the proposed retail commercial uses are considered economically viable.

⁴ Dollarama Quarterly Report “Dollarama Confirms Fiscal 2025 First Quarter Results Release Date and Hosting of Virtual Annual Shareholders Meeting”, May 16, 2024, Page 1.

⁵ The Municipality of Lambton Shores, 2022 Development Charges Background Study & By-law, prepared by DFA Infrastructure International Inc., dated December 8, 2022. Appendix B: Growth Projections, “Projected Population Growth & Annual Growth” and “Projected Population Growth & Annual Growth (Beyond 10 Years to Build Out)”.

⁶ Ibid. Appendix B: Growth Projections, “Projected Employment Population & Floor Space Growth (Next 10 Years)” and “Projected Population Growth & Annual Growth (Beyond 10 Years to Build Out)”.

Figure 6: Lambton Shores Commercial Floor Space Growth Until 2041

Source: Tate Research.

Based on the Municipality of Lambton Shores, 2022 Development Charges Background Study & By-law, prepared by DFA Infrastructure International Inc., dated December 8, 2022. Appendix B: Growth Projections, "Projected Employment Population & Floor Space Growth (Next 10 Years)" and "Projected Population Growth & Annual Growth (Beyond 10 Years to Build Out)".

6 Impact Assessment

The OP includes a requirement for an analysis that demonstrates the development "...will have no adverse impacts on existing commercial areas and uses, especially the downtown.

It is noted by TR that retail planning typically does not consider individual stores, rather it addresses areas, such as the Downtown, as noted in the OP test. As the proposed development is to include both a Dollarama store and a Pet Valu, TR has specifically addressed these types of stores in the analysis that follows.

Pet Stores

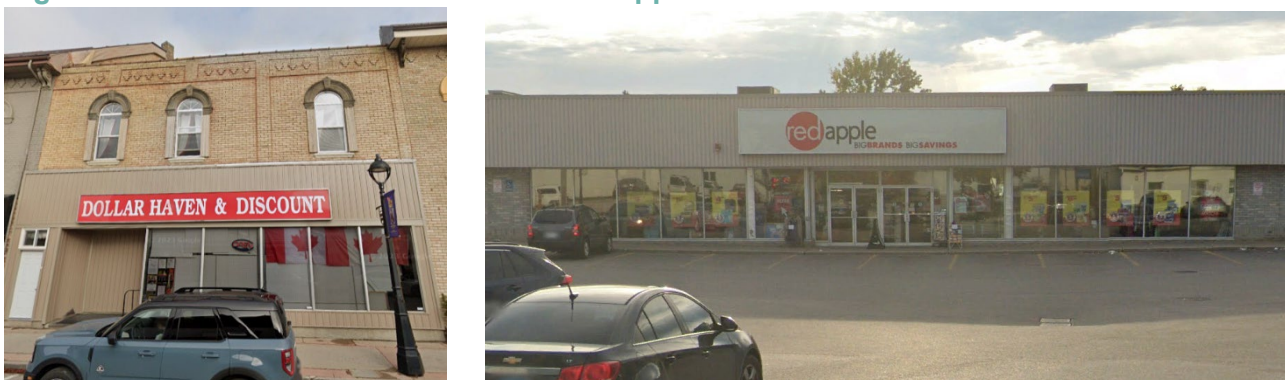
There are no pet stores or pet food stores operating in Downtown Forest, or in all of Forest. However, there are stores that sell pet supplies, such as Canadian Tire, Foodland, and others. TR does not foresee any significant impact on the operations of any existing retailers in Forest, as a result of the introduction of the proposed Pet Valu.

General Merchandise Stores

Dollarama is classified by Statistics Canada, Retail Trade as a General Merchandise store. Similarly classified stores in Downtown Forest include Dollar Haven & Discount (“Dollar Haven”) and Red Apple.

These stores are indicated in Figure 7, below:

Figure 7: Dollar Haven & Discount and Red Apple



Source: Tate Research. Retrieved from Google Street view.

Dollar Haven, located at 16 King Street in Downtown Forest, operates in 2,400 square feet. It is a chain with 13 stores⁷ that span south western Ontario. Dollar Haven stores offer a typical selection of dollar store merchandise stores; however, they also sell higher end items that would not be found in a dollar store such as Dollarama, including sheets, pillow cases, crafts, and head phones. Price points of Dollar Haven merchandise range from \$1 up to around \$30 (for pots and pans.)

Red Apple, located at 6 Main Street South in Downtown Forest, operates in 11,300 square feet. According to their website⁸, Red Apple is a national chain that operates 143 stores across Canada. Red Apple merchandise focuses on “Food, Fashion and Home” and includes “Candyworks Candyshop.” The Red Apple website states: *“Our commitment to offering exceptional value means we provide a wide range of products for less. From cool electronics to pet food and accessories, stylish footwear, essential basics for the whole family, charming accessories, versatile stationery, trendy toys, and even seasonal products – our store is your go-to destination for incredible deals. Join us in exploring a world of affordability without compromise, where quality and savings intersect to make*

⁷ Business Analyst Data Axle Point of Interest search.

⁸ <https://www.redapplestores.com/about.htm>.

your shopping experience truly outstanding.” Price points of Red Apple merchandise range from \$1 up to around \$350 (for televisions).

Role of General Merchandise Stores in Downtown Forest

There is 189,300 square feet of retail commercial space in Downtown Forest. This retail commercial space is comprised of 74 units. Dollar Haven & Discount at 2,400 square feet (1.3%) and Red Apple at 11,300 square feet (5.9%) represent 7.2% of the total retail commercial space within Downtown Forest.

Based on its size, Red Apple can be considered an anchor tenant of Downtown Forest. It is also noted that there are other anchor tenants, such as CIBC, TD Canada Trust, RBC, Prout Building Centre, LCBO, Pharmasave, etc.

Dollarama is similar in size to Red Apple and is considerably larger than Dollar Haven. Based on this size, Dollar Haven may play a more convenience oriented role in the marketplace, relative to Dollarama and Red Apple.

There is considerable overlap in the types of merchandise available at Dollar Haven, Red Apple and the proposed Dollarama. However, it is noted that Dollar

Figure 8: Location of General Merchandise Stores in Forest



Source: Tate Research. Basemap: ArcGIS.

Haven and Red Apple are located in Downtown Forest, approximately 1 kilometre from the Site, as indicated in Figure 8. This distance from Dollarama provides the opportunity for the downtown stores to serve a localized market.

Pricing is another point of differentiation between Dollarama and the existing stores. Dollarama does not offer any merchandise priced at greater than \$5. This pricing point differentiates Dollarama from Dollar Haven and Red Apple, as they both offer merchandise that is considerably more expensive, including up to \$30 at Dollar Haven and up to \$350 at Red Apple.

It is also noted that Dollar Haven and Red Apple have been operating, and presumably competing, for many years. The addition of Dollarama will add a third element to this marketplace.

Overall, it is TR's opinion that the addition of the proposed retail commercial space at the Site will not have an adverse impact on the planned function of existing commercial areas, including Downtown Forest. It has been demonstrated that there is a significant increase in warranted retail commercial space forecast in Lambton County and that there is differentiation in terms of location, merchandise mix, size, and price points between Dollarama and the existing General Merchandise stores in Downtown Forest.

7 Conclusion

The OP states: *"Section 6.4, of the Plan does not permit new retail stores, merchandise service shops, financial institutions and offices to locate in Highway Commercial areas until a 90% occupancy rate is achieved in the Downtowns."*

Section 6.4 of the OP states:

Highway Commercial areas in Forest will not be expanded until vacancy rates in the downtown increase to 90% occupancy.

Major new uses require a market analysis showing that the use is economically viable over the long-term and will have no adverse impacts on existing commercial areas and uses, especially the downtown. The analysis must be prepared by a properly qualified individual and will be peer reviewed at the request of Lambton Shores at no cost to the Municipality.

The retail commercial inventory undertaken by TR indicates an **occupancy rate of 91.7%**. Additional **retail commercial space is warranted** in Lambton Shores and the Subject Site can meet a portion of this demand. The proposed

development is forecast to be **economically viable**. It is forecast to have **no adverse impacts** on the planned function of existing commercial areas, including Downtown Forest.

Therefore, based on this criteria, this analysis supports the proposed expansion of the Delmart Highway Commercial lands, as proposed by Delmart.

Thank you for this opportunity to prepare this retail market demand and impact assessment. If you have any questions regarding this letter, please do not hesitate to contact Jamie Tate at 416 723 7907 (cell phone) or via email at jtate@tateresearch.com.

Yours truly,
TATE RESEARCH



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