

Retail Gap Analysis Final Report



Prepared for: Town of Sylvan Lake
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SCOPE OF STUDY & PROJECT BACKGROUND

MXD Development Strategists Ltd. of Vancouver, Canada ("MXD") was commissioned by the Town of Sylvan Lake in May 2015 to conduct a Retail Gap Analysis for the Town of Sylvan Lake.

The overall goal of the Retail Gap Analysis is to define the retail voids in the local Sylvan Lake market by understanding the retail categories that are experiencing spending leakage due to a low supply within the trade area. Pinpointing these leakage categories signals how the retail market in Sylvan Lake can position itself in the future. The Gap Analysis also provides direction for a high-level retail development strategy, with recommendations on retail formats, locations, and potential retailers that would fit the Sylvan Lake market.

REPORT STRUCTURE

MXD conducted research between April 2015 and June 2015, to gain an understanding of the Sylvan Lake and regional retail market.

Research was conducted through field work in Sylvan Lake, and Red Deer in April, and supplemented with meetings with developers, commercial brokers, and leasing agents over a two month period.

To respond to the work program process, this report is presented in the following sections:

- **Section 1** – Location and Demographic Analysis: A brief overview of the Town of Sylvan Lake's spatial location, demographics, tourism, and economics.
- **Section 2** – Current Retail Supply: An overview of the retail markets in Sylvan Lake and nearby Red Deer.
- **Section 3** – Retail Gap Analysis: Analysis and findings of the Sylvan Lake retail gap analysis.
- **Section 4** – Summary and Recommendations: A summary of the retail gap analysis, implications, recommendations, and potential future retail tenants.
- **Section 5** – Next Steps: A review of next steps required following the Retail Gap Analysis.

1

LOCATION & DEMOGRAPHIC ANALYSIS

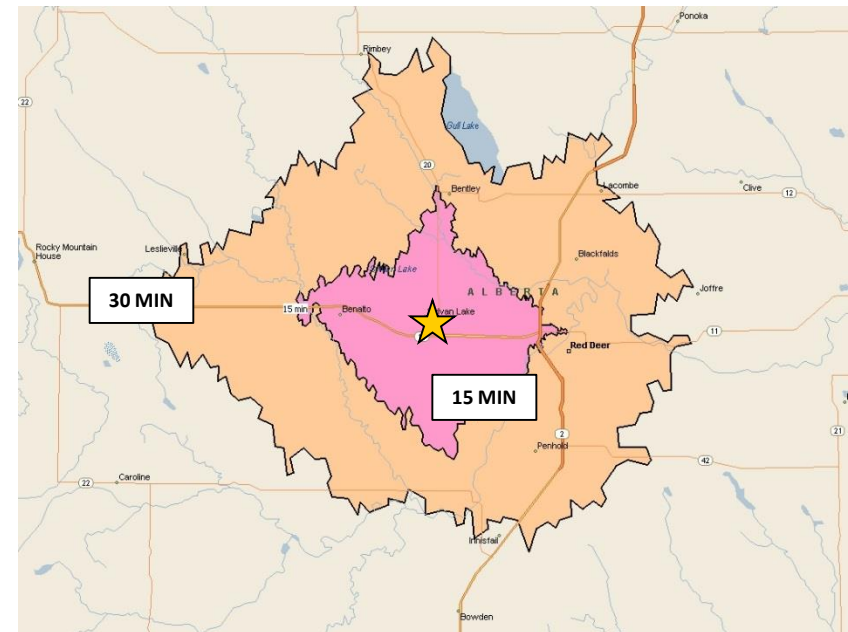
Location & Demographic Analysis

Sylvan Lake Location

The Town of Sylvan Lake is located 18 kilometers west of Red Deer, or approximately a 15 minute drive by car. Its central location makes it equidistant from both Calgary and Edmonton. The strategic location of the town along the southern shore of Sylvan Lake provides an influx of tourism during the summer months, especially during July and August, allowing the town to capture nearly one million visitors annually.

With such close proximity to Red Deer, Sylvan Lake has grown into a bedroom community of sorts, with 38% of residents commuting out of Sylvan Lake for work on a daily basis. This has allowed Sylvan Lake to maintain its small town setting with the adjacency to larger city amenities in Red Deer nearby.

Figure 1.1 Drive Time from Sylvan Lake



Source: MapPoint 2013

Location & Demographic Analysis

Sylvan Lake Population

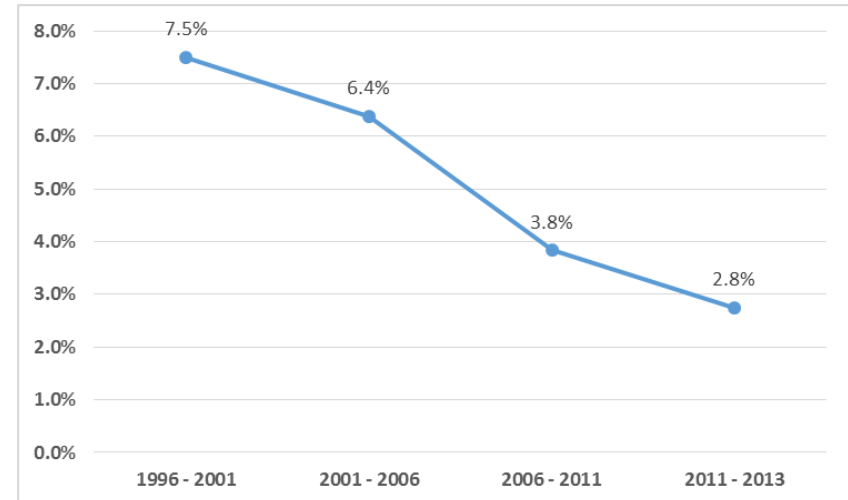
Sylvan Lake has a 2015 population of 14,350 residents. The Town has seen rapid growth over the past fifteen years, nearly doubling its population of 7,496 in 2001. This has allowed it to be one of the fastest growing towns in Canada, but has recently seen a slowdown in population growth over the past several years, returning to more sustainable norms that align with the Province of Alberta's average growth rate.

According to Sylvan Lake annexation documents, the Town has a 2043 projection of 50,108 residents, which is a 4.48% average annual growth rate. This projection indicates that the Town would see a return of higher population growth than the provincial average.

With Sylvan Lake now conducting a bi-annual municipal census, accurate annual population readings can now be compiled for more accuracy. Annual municipal census' allow the Town to plan accordingly for housing, employment, and retail in a much more detailed fashion.

Sylvan Lake is also very young compared to the rest of the province. The Town's median age is 31.8 years old, with the Alberta median at 38. This displays a very youthful and family oriented environment, corresponding to the small town values it holds.

Figure 1.2 Average Annual Population Growth for Sylvan Lake



Source: Red Deer Region, Sylvan Lake Municipal Census, Census Canada

Location & Demographic Analysis

Sylvan Lake Economy

Much like many cities and towns in Alberta, Sylvan Lake has a strong focus towards the oil & gas industry, with major supporting employment in retail and health care.

The highest growth in employment since 2011 is within the trades sector, including transport and equipment operators and other related occupations. This has shown in the growing industrial area in the northeast portion of the town.

The 2014 estimated labour force is 8,503 employees. According to the Town's economic profile, the catchment area for labour is not only the town itself, but a 45 minute drive ranging from Ponoka to the north, Innisfail to the south, and Rocky Mountain House to the west.

With a quickly growing population, it will be important for Sylvan Lake to continue to provide new job opportunities for residents in a diversified economy.

Key Industries in Sylvan Lake

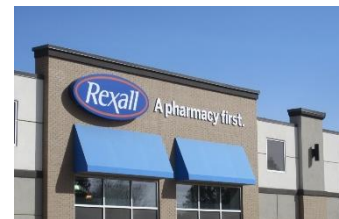
OIL & GAS EXTRACTION



LIGHT MANUFACTURING



RETAIL TRADE



HEALTHCARE & SOCIAL ASSISTANCE



CONSTRUCTION



PROFESSIONAL, SCIENTIFIC & TECHNICAL SERVICES



Location & Demographic Analysis

Sylvan Lake Tourism

Due to its lakefront location, sandy beach, and pristine location, the Town of Sylvan Lake has a robust tourism sector with approximately 1 million visitors on an annual basis. Speaking with various stakeholders, the majority of visitors come to Sylvan Lake in July and August, with approximately 760,000 visitors during the summertime.

Visitors are typically day-trippers who stay along the waterfront and in the Waterfront Commercial District. The Town has recently taken steps to improve the waterfront with enhancements to Lakeshore Drive and Centennial Park.

The Town of Sylvan Lake continues to assess and implement methods to create a four season destination so that visitor days are spread more evenly throughout the year.

Retail and restaurants rely on spending throughout the year, and typically cannot depend on high fluctuations of seasonal expenditures. Thus future retail constructed in Sylvan Lake should be focused towards local residents, which will then benefit from added visitor expenditures during the summer months.



2

CURRENT RETAIL SUPPLY

Current Retail Supply

Regional Retail Market

With a 2015 population of 100,807 residents, Red Deer has a mature and established retail market. There are a variety of enclosed malls, power centres, strip centres, and a vibrant downtown. According to Soderquist Appraisals Ltd., there was approximately 4.25 million square feet of organized retail in Red Deer as of 2013. This equates to 43 square feet of retail per resident. 40 square feet of retail per resident is typical of regional prairie cities such as Saskatoon, and Regina. The City of Edmonton is slightly lower, at 32 square feet of retail per capita.

Table 2.1 Red Deer Retail Statistics (2013)

Retail Type	Total Area (sf)	Vacant Area (sf)	Vacancy Rate (sf)
Enclosed Malls	1,053,611	88,694	8.4%
Strip Malls	2,267,329	79,885	3.5%
Power Centres	926,240	4,567	0.5%
Total	4,247,180	173,146	4.08%

Source: Soderquist Appraisals Ltd., 2013

Overall vacancy rates are below the 5% threshold, indicating a strong retail market. There are four main nodes for retail in Red Deer: Downtown, 67th Street and Gaetz Avenue, 28th Street and Gaetz Avenue, and QEII Gasoline Alley. The majority of retail is in strip centres, followed by enclosed malls. The abundance of retail in auto-oriented retail environments demonstrates a void of hybrid-style pedestrian retail centres that have a mix of uses.



Regional Retail Market

The close proximity of Sylvan Lake to Red Deer, the the recent upgrades to Hwy 11, and a wider variety of retail offering, allows residents of Sylvan Lake the choice of shopping in Red Deer on a daily basis. Most retail in Red Deer is only a 15 to 18 minute drive from Sylvan Lake.

Retail such as Wholesale Club, Costco, The Bay, Sears, H&M, and Chapters are all destination type stores with large regional trade areas. They have the ability to pull consumers from Sylvan Lake, generating retail leakage for their appropriate retail categories.

The population size of Sylvan Lake signifies that there is a low likelihood of these retailers establishing themselves in the Sylvan Lake market in the near future. Fashion and department stores such as H&M and The Bay typically locate in enclosed malls, and Costco usually requires a minimum threshold of at least 50,000 residents in a city, but normally targets 100,000. The close proximity to Sylvan Lake also demonstrates that their trade areas would overlap, cannibalizing sales. Accordingly, these retail stores will continue to be competition for Sylvan Lake.

Figure 2.1 Red Deer Major Organized Retail Map

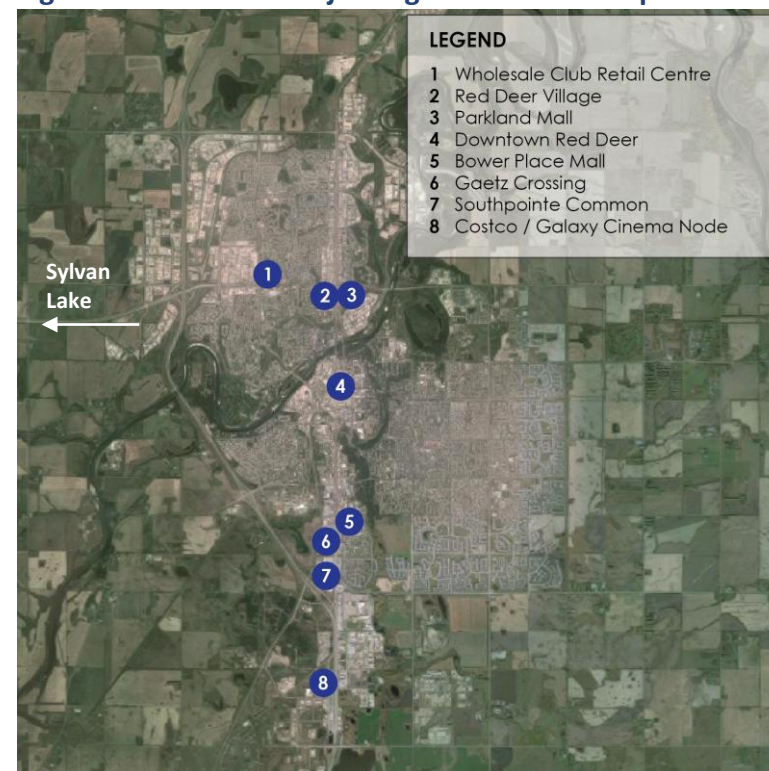


Table 2.2 Red Deer Major Organized Retail Characteristics

Name	Number on Map	Retail Type	Drivetime from Sylvan Lake	Major Anchors
Wholesale Club Retail Centre	1	Big Box	13 min	Wholesale Club
Red Deer Village	2	Strip Centre	15 min	Canadian Tire, Sobeys
Parkland Mall	3	Enclosed Mall	15 min	Walmart Supercentre
Downtown Red Deer	4	Downtown	20 min	Real Canadian Superstore
Bower Place Mall	5	Enclosed Mall	18 min	The Bay, Sears, H&M
Gaetz Crossing	6	Power Centre	18 min	Chapters, Petland
Southpointe Common	7	Power Centre	18 min	Walmart Supercentre, The Home Depot, London Drugs
Costco/Galaxy Cinema Node	8	Big Box	18 min	Costco, Galaxy Cinema

Current Retail Supply

Regional Retail Market

The largest retail vacancy in Red Deer is the 118,646 square foot space previously occupied by Target at Bower Place Mall. Speaking with leasing agents of the mall, the former Target space will be backfilled with several new tenants, although there is currently no timeline in place. To fully occupy the space, a large amount of retail absorption will need to occur with tenants either not currently in the Red Deer market, or those looking for larger spaces.

The “Gasoline Alley” retail node along Highway 2 on the southern edge of Red Deer is where most new retail product is being constructed, primarily in big box form. Current retail and entertainment includes Costco, Galaxy Cinemas, Staples, and Ashley Furniture, among others. Its location along Highway 2 allows potential customers from Sylvan Lake bypass the traffic of the Red Deer urban area.

Downtown Red Deer provides a robust mix of independent shops and restaurants. This includes clothing, shoes, outdoor recreation, health & beauty, and many services for people working in or visiting the area. The Downtown Business Association ensures that there is a varied mix of retail offering, and a cohesive nature among the businesses. The Association operates a weekly Downtown Farmers Market that hosts Central Alberta food producers. The market runs from May to October every Wednesday and Saturday.



Sylvan Lake Retail Supply

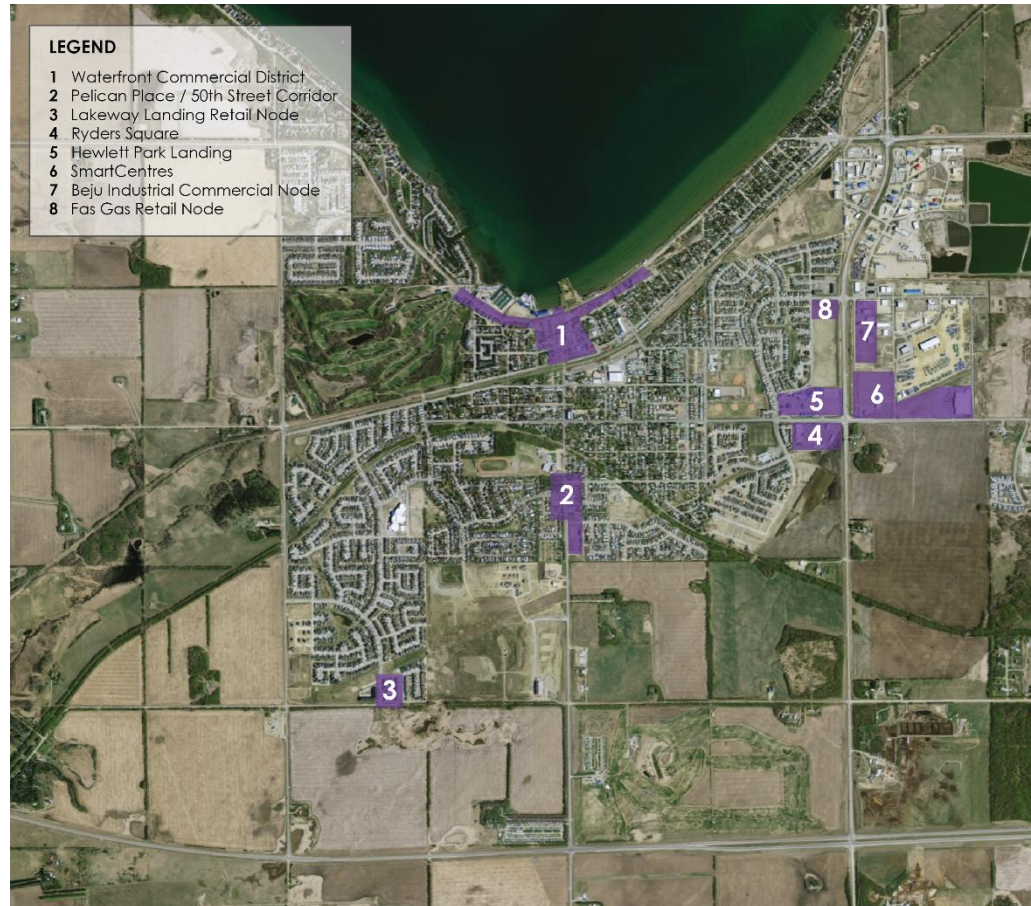
There is approximately 551,000 square feet of occupied retail space in Sylvan Lake. This translates to approximately 38 square feet of retail per capita, similar to that of Red Deer. Small prairie towns typically have closer to 30 square feet of retail per capita, demonstrating that Sylvan Lake has become more self sufficient for retail, with less reliance on Red Deer for shopping basics.

The current organized retail supply in Sylvan Lake is primarily focused towards two major nodes, Waterfront Commercial District, and the intersection of 47th Avenue and Highway 20.

Waterfront Commercial District is primarily independent retailers, services, along with various food & beverage options including pubs, restaurants, and ice cream shops. Many of the establishments in the Waterfront Commercial District target themselves towards visitors to Sylvan Lake, with few marketing to local residents.

The large commercial node at 47th Avenue and Highway 20 has grown over the past decade to meet the daily needs of town residents. Three commercial centres provide ample shopping and services, including a Walmart Supercentre, Canadian Tire, No Frills, Rona, and Sobeys. This node contains nearly 75% of all retail in Sylvan Lake.

Figure 2.2 Sylvan Lake Major Organized Retail Map



Sylvan Lake Retail Supply

Ryders Square

There is approximately 85,000 square feet of retail space at Ryders Square. The eight-building retail centre is anchored by a Sobeys and full-size Shoppers Drug Mart. It is a busy retail centre which offers the highest architectural standards in Sylvan Lake focused towards craftsman style with brick and stucco. The only access points are off of Highway 20, due to a retention pond along 47th Avenue, however the signalized intersection is a strength. Low vacancy is a strength.



Hewlett Park Landing

140,000 square foot retail centre built in 2001, Hewlett Park Landing was the first large-scale organized retail centre in Sylvan Lake. Anchored by No Frills and Rona, it has approximately 8 to 10% vacancy as of May 2015. The age and configuration of the centre makes it difficult to compete with the newer Ryders Square across the street, and Smart Centres to the east.



SmartCentres

The largest retail centre in Sylvan Lake, approximately 185,000 square feet has been currently constructed, with a full build-out expected of 316,000 square feet. It is anchored by a Walmart Supercentre and Canadian Tire. The site configuration and phasing of development has created an awkward shopping experience as there is currently a large vacant space between the Walmart and other retailers of the centre. Absorption for the smaller inline tenants has been slow since the power centre opened in 2008. SmartCentres will wait to develop these pads of inline retail until demand from national retailers is warranted, or they are sold off to individual retailers.



Current Retail Supply

Sylvan Lake Retail Supply

Waterfront Commercial District

Located along the lakeshore, the Waterfront Commercial District is primarily independent retailers, restaurants, and services. Retail fronts the water with a mixture of older and newer buildings. An ongoing effort by Council to revitalize the district through visual aesthetics will create a more pleasant retail environment. Many of the retail and restaurants in the district are targeted towards the large influx of visitors to Sylvan Lake during the summer months. External pressure from newer organized retail centres outside of the district has impacted potential new tenants moving into this node, in its current state. Leasehold improvements and façade renovations would contribute to creating a more competitive retail environment for the Waterfront Commercial District.

Other organized retail in Sylvan Lake is more convenience oriented in nature, serving nearby residents of housing subdivisions. The small retail node in Lakeway Landing is the only organized retail on the west side of town, displaying a strong retail slant towards the eastern edges. With a large influx of residential development occurring on the west side, and the impending annexation, there may be a need for further retail on the west side of Sylvan Lake in the future.



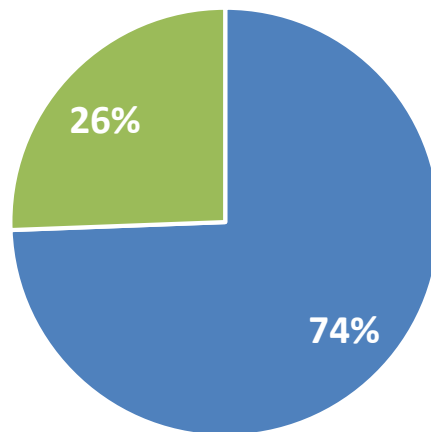
Current Retail Supply

Sylvan Lake Retail Supply

Retail Inventory Allocation

The Highway 20 and 47th Avenue node is where 74% of all retail inventory in Sylvan Lake is located. This has created a disproportionate amount of retail in the northeast corner of the town. With much of the future residential expansion occurring in the southern and western quadrants of the town, residents will need to drive across the town for much of their shopping needs.

Figure 2.3 Retail Inventory Allocation



■ Hwy 20 & 47th Ave Node Retail Inventory ■ All Other Sylvan Lake Retail Inventory



Sylvan Lake Retail Supply Character Images



Cobbs Block Central



Independent Retail in the Waterfront
Commercial District



Movie Theatre



Canadian Tire - SmartCentres



Ryders Square



Hewlett Park Landing

Sylvan Lake Retail Supply

The adjoining table displays the Town of Sylvan Lake's retail inventory with approximate square footages. It also includes the percentage of total inventory for each retail category. It is important to note that stores are listed multiple times within various retail categories due to multiple retail offerings.

For example, the Walmart Supercentre has grocery, clothing, shoes, home electronics, and automotive, among other categories. If a store primarily sells or caters to a single retail category, it is placed in the appropriate retail category.

Personal services includes such services as dry-cleaning, tailors, mobile phone communications, internet access providers, photocopying & printing, among others.

MXD calculated approximately 45,000 square feet of vacant space which is not included in the existing inventory since vacant space does not constitute a retail category. Including vacant space, Sylvan Lake has 596,029 square feet of retail space. This translates to a 7.5% overall vacancy rate for the town.

Table 2.3 Town of Sylvan Lake Retail Inventory

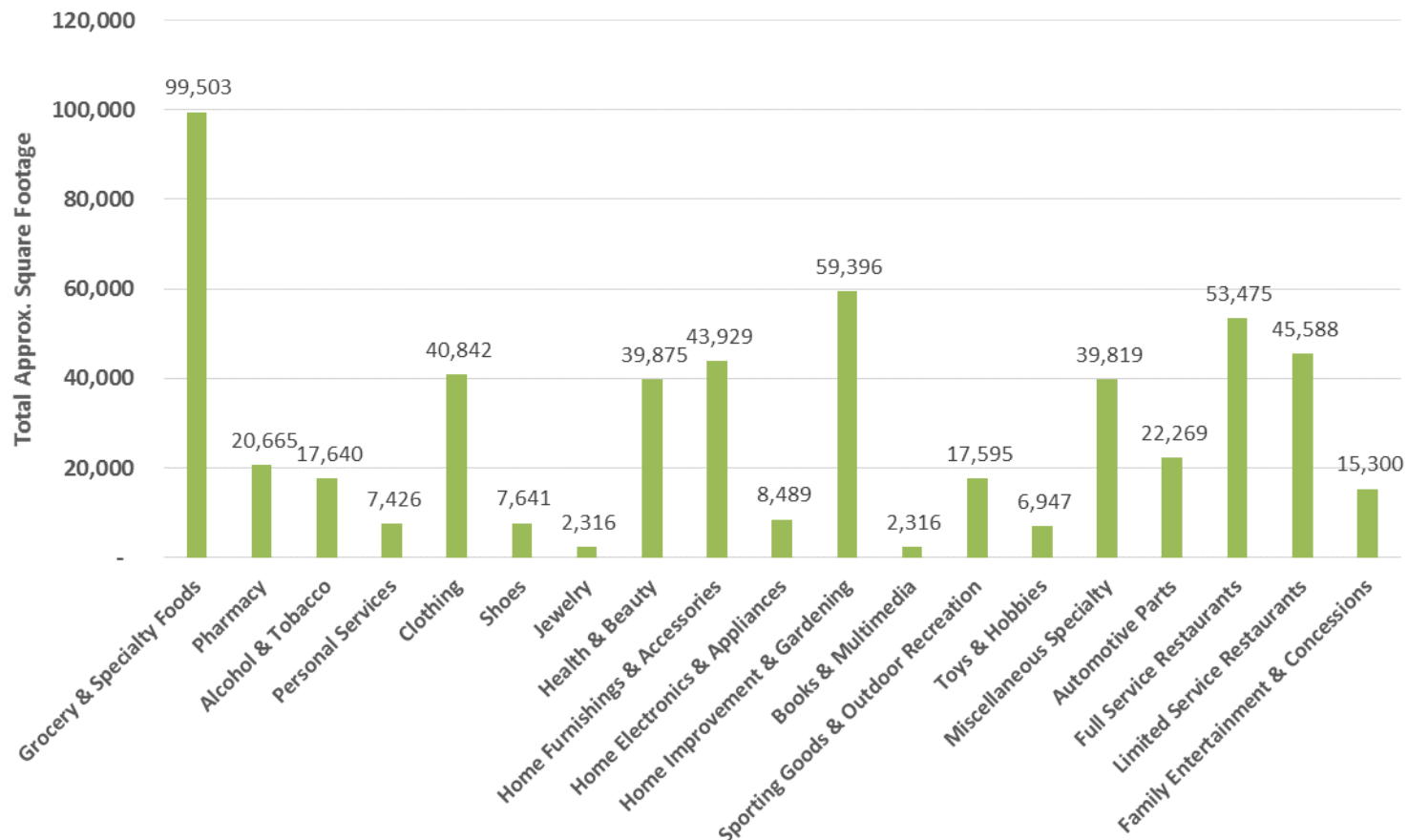
Retail Category	Approx. Supply (SF)	Existing Inventory %	Number of Stores Per Retail Category
Grocery & Specialty Foods	99,503	18.1%	14
Pharmacy	20,665	3.8%	5
Alcohol & Tobacco	17,640	3.2%	7
Personal Services	7,426	1.3%	5
Clothing	40,842	7.4%	10
Shoes	7,641	1.4%	4
Jewelry	2,316	0.4%	1
Health & Beauty	39,875	7.2%	23
Home Furnishings & Accessories	43,929	8.0%	8
Home Electronics & Appliances	8,489	1.5%	3
Home Improvement & Gardening	59,396	10.8%	6
Books & Multimedia	2,316	0.4%	1
Sporting Goods & Outdoor Recreation	17,595	3.2%	4
Toys & Hobbies	6,947	1.3%	1
Miscellaneous Specialty	39,819	7.2%	14
Automotive Parts	22,269	4.0%	3
Full Service Restaurants	53,475	9.7%	19
Limited Service Restaurants	45,588	8.3%	24
Family Entertainment & Concessions	15,300	2.8%	2
TOTAL	551,029	100%	

Source: MXD Development Strategists Ltd., supplemented by information from leasing agents and brokers

Current Retail Supply

Sylvan Lake Retail Supply

Figure 2.4 Town of Sylvan Lake Retail Inventory



Intermunicipal Development Plan

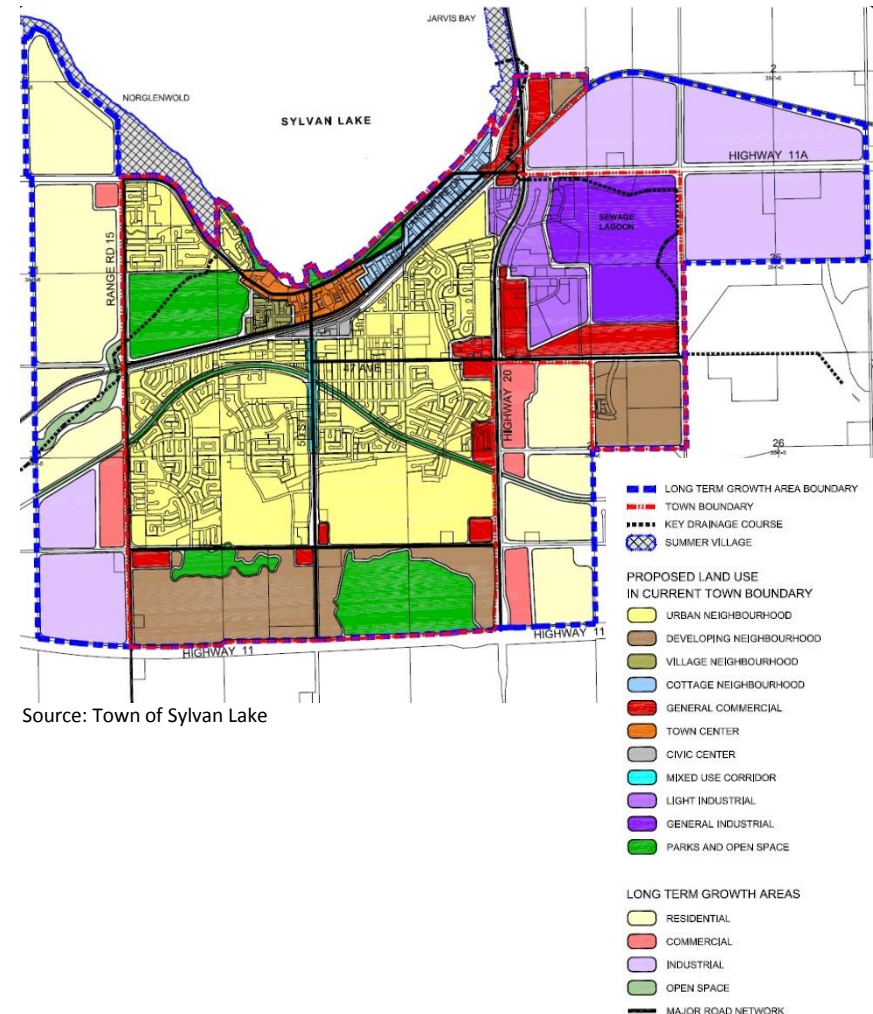
The Sylvan Lake / Red Deer County Intermunicipal Development Plan displays the potential future town boundary for Sylvan Lake. It also shows the planned areas for commercial space (in red), with most of these zones currently for agricultural uses, but could change zoning designations over time.

According to the IDP, future commercial growth will occur along Highway 20, fronting Highway 11, and along 60th Street across from Lakeway Landing.

With the continued growth of Sylvan Lake over the past fifteen years, the Town has taken progressive steps in ensuring that there will be committed residential and commercial space for future growth into the long-term.



Figure 2.5 Intermunicipal Development Plan



Source: Town of Sylvan Lake

Summary & Implications

The retail supply in Sylvan Lake demonstrates its community retail approach with a slant to visitor spending along the lakeshore. The retail offering provides the essential needs for the town, especially based around grocery, pharmacy, home improvement and restaurants.

Sylvan Lake has seen a large expansion of retail occur over the past decade to keep pace with the growing population, especially the development of the Ryders Square and SmartCentres retail projects. 50th Street has also seen expansion recently with Pelican Place, and the redevelopment of Cobbs Block.

The Town has an estimated retail inventory of 551,000 square feet of space, and a vacancy rate of approximately 7.5% which demonstrates a healthy retail environment in its current state. The Waterfront Commercial District has an approximate vacancy of 15,000 square feet.

Since annual population growth has decreased to more stable levels over the past few years, and the town has a retail per capita of 38 square feet per person, Sylvan Lake should remain cautious in developing *“too much too quickly”*; especially with 130,000 square feet of retail to still be constructed at the SmartCentres site.

The lack of retail on the growing west side of town presents opportunities for a community retail hub that would serve local residents.

Red Deer will continually be a threat for larger scale retail shopping in enclosed malls, big box stores (Costco, Best Buy), and entertainment (Galaxy Cinema) due to its close proximity.

There will be future opportunities for retail expansion in the Town of Sylvan Lake, but it must be constructed in a strategic manner from a retail category and spatial aspect to ensure the highest viability for the projects. Rather than construct *“more of the same”* and cannibalize tenants from current retail developments or the Waterfront Commercial District, the gap analysis will analyse where gaps in the retail market are occurring, and which retail categories would be best to pursue in the future.

3

RETAIL GAP ANALYSIS

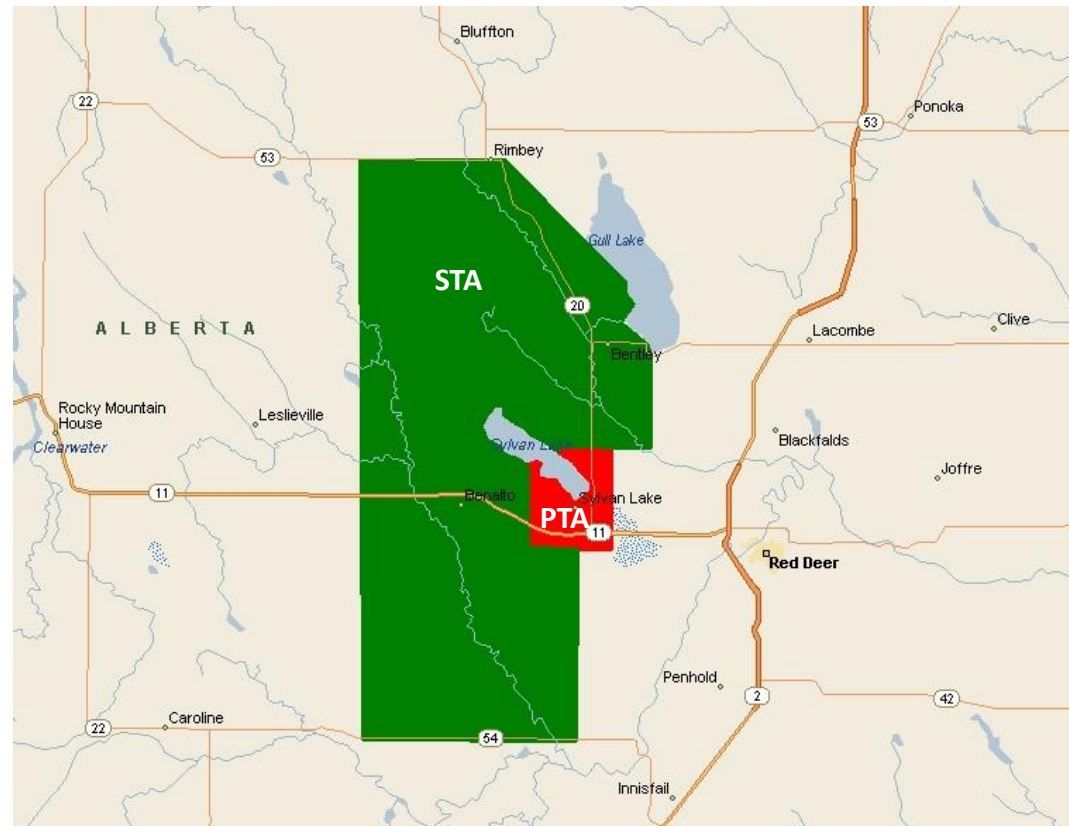
Methodology

This section quantifies the amount of retail square footage that can be supported within Sylvan Lake, and determines retail categories that are either oversupplied or undersupplied in the market. For retail categories that are calculated to be undersupplied, recommendations are provided on potential tenant opportunities.

A primary trade area (PTA) consists of an area that is essentially within the boundaries of the Town, and adjacent villages such as Norglenwold and Jarvis Bay. The secondary trade area (STA) is more rural in nature, consisting of areas to the north, south, and west of Sylvan Lake. Including visitor inflow spending, these are the areas where the majority of retail spending dollars will originate from.

The amount of retail floorspace required for each category is calculated by determining the annual sales expenditures for the PTA, STA, and visitors to Sylvan Lake, and then applying an ICSC (International Council of Shopping Centres) industry standard retail sales productivity that quantifies the required sales performance.

Figure 3.1 Trade Areas



Retail Gap Analysis

Retail Demand by Trade Area

The Primary Trade Area (PTA) which consists largely of those living within the boundaries of Sylvan Lake has a retail sales expenditure of \$186.7 million in 2015. The total retail demand for the PTA is 464,042 square feet of leasable space. The retail categories with the highest spending / demand are grocery, personal services, clothing, and home furnishings & accessories.

Table 3.1 Primary Trade Area Retail Demand (2015)

Retail Category	2015 Sales Expenditures	Retail Sales Productivity (\$psf)	Floorspace Demand (SF)
Grocery & Specialty Foods	\$56,894,858	\$500.00	113,790
Pharmacy	\$4,373,465	\$600.00	7,289
Alcohol & Tobacco	\$12,415,860	\$800.00	15,520
Personal Services	\$11,138,906	\$250.00	44,556
Clothing	\$13,726,580	\$325.00	42,236
Shoes	\$4,184,992	\$300.00	13,950
Jewelry	\$3,082,530	\$500.00	6,165
Health & Beauty	\$10,025,478	\$600.00	16,709
Home Furnishings & Accessories	\$11,488,616	\$275.00	41,777
Home Electronics & Appliances	\$16,930,206	\$550.00	30,782
Home Improvement & Gardening	\$5,679,585	\$250.00	22,718
Books & Multimedia	\$2,467,276	\$300.00	8,224
Sporting Goods & Outdoor Recreation	\$2,058,783	\$300.00	6,863
Toys & Hobbies	\$2,090,441	\$300.00	6,968
Miscellaneous Specialty	\$9,253,342	\$250.00	37,013
Automotive Parts	\$2,895,620	\$375.00	7,722
Full Service Restaurants	\$10,624,304	\$500.00	21,249
Limited Service Restaurants	\$6,458,936	\$500.00	12,918
Family Entertainment & Concessions	\$949,235	\$125.00	7,594
TOTAL	\$186,739,015		464,042

Retail Gap Analysis

Retail Demand by Trade Area

The Secondary Trade Area (STA) consists of more rural areas and smaller towns to the north and west of Sylvan Lake, such as Benalto and Eckville. The STA has retail sales expenditure of \$99.7 million in 2015. Since the primary trade area of Sylvan Lake is unable to capture all retail spending of those living in the STA, a capture rate was applied for each retail category. The total inflow sales that Sylvan Lake can reasonably capture is \$15.6 million. The retail demand for the STA is 35,630 square feet of leasable space. The retail categories with the highest spending / demand are grocery, personal services, home improvement and gardening, and alcohol and tobacco.

Table 3.2 Secondary Trade Area Retail Demand (2015)

Retail Category	2015 Sales Expenditures	Retail Sales Productivity (\$psf)	STA Capture Rate (%)	Inflow Sales	Floorspace Demand (SF)
Grocery & Specialty Foods	\$31,981,331	\$500.00	20%	\$6,396,266	12,793
Pharmacy	\$2,987,837	\$600.00	30%	\$896,351	1,494
Alcohol & Tobacco	\$7,755,770	\$800.00	25%	\$1,938,943	2,424
Personal Services	\$5,607,545	\$250.00	15%	\$841,132	3,365
Clothing	\$6,214,159	\$325.00	5%	\$310,708	956
Shoes	\$1,998,077	\$300.00	5%	\$99,904	333
Jewelry	\$1,211,891	\$500.00	2%	\$24,238	48
Health & Beauty	\$4,591,339	\$600.00	10%	\$459,134	765
Home Furnishings & Accessories	\$4,570,949	\$275.00	10%	\$457,095	1,662
Home Electronics & Appliances	\$8,016,245	\$550.00	10%	\$801,624	1,457
Home Improvement & Gardening	\$5,920,137	\$250.00	15%	\$888,021	3,552
Books & Multimedia	\$1,261,047	\$300.00	5%	\$63,052	210
Sporting Goods & Outdoor Recreation	\$806,570	\$300.00	10%	\$80,657	269
Toys & Hobbies	\$1,091,073	\$300.00	5%	\$54,554	182
Miscellaneous Specialty	\$6,017,110	\$250.00	10%	\$601,711	2,407
Automotive Parts	\$1,990,725	\$375.00	15%	\$298,609	796
Full Service Restaurants	\$4,597,255	\$500.00	20%	\$919,451	1,839
Limited Service Restaurants	\$2,774,075	\$500.00	15%	\$416,111	832
Family Entertainment & Concessions	\$306,724	\$125.00	10%	\$30,672	245
TOTAL	\$99,699,859			\$15,578,232	35,630

Retail Gap Analysis

Retail Demand by Trade Area

Visitor retail demand was calculated by employing visitor spending data from the “Economic Impact Assessment of Sylvan Lake Tourism 2014” document. Annual visitor numbers to Sylvan Lake were grown out by 2.91% on an annual basis. The retail sales expenditure for visitors in 2015 is \$41.1 million. The total retail demand is 99,443 square feet of leasable space. The retail categories with the highest spending / demand are full service and limited service restaurants, family entertainment, and grocery.

Table 3.3 Visitor Retail Demand (2015)

Retail Category	2015 Sales Expenditures	Retail Sales Productivity (\$psf)	Floorspace Demand (SF)
Grocery & Specialty Foods	\$4,235,449	\$500	8,471
Pharmacy	\$493,450	\$600	822
Alcohol & Tobacco	\$699,055	\$800	874
Personal Services	\$411,209	\$250	1,645
Clothing	\$1,233,626	\$325	3,796
Shoes	\$328,967	\$300	1,097
Jewelry	\$205,604	\$500	411
Health & Beauty	\$822,417	\$600	1,371
Home Furnishings & Accessories	\$205,604	\$275	748
Home Electronics & Appliances	\$164,483	\$550	299
Home Improvement & Gardening	\$53,145	\$250	213
Books & Multimedia	\$164,483	\$300	548
Sporting Goods & Outdoor Recreation	\$330,680	\$300	1,102
Toys & Hobbies	\$328,967	\$300	1,097
Miscellaneous Specialty	\$822,417	\$250	3,290
Automotive Parts	\$82,242	\$375	219
Full Service Restaurants	\$17,969,817	\$500	35,940
Limited Service Restaurants	\$10,526,941	\$500	21,054
Family Entertainment & Concessions	\$2,056,043	\$125	16,448
TOTAL	\$41,134,600		99,443

Retail Gap Analysis

Retail Demand all Trade Areas

This illustrates the combined demand from the Primary Trade Area, Secondary Trade Area (with applied capture rate), and Visitor spending. The total retail expenditure for 2015 is estimated at \$327.57 million. The total retail demand is 599,115 square feet of space. The retail categories with the highest demand are grocery, full service restaurants, personal services, clothing, and home furnishings & accessories. This is visually displayed on Table 3.4.

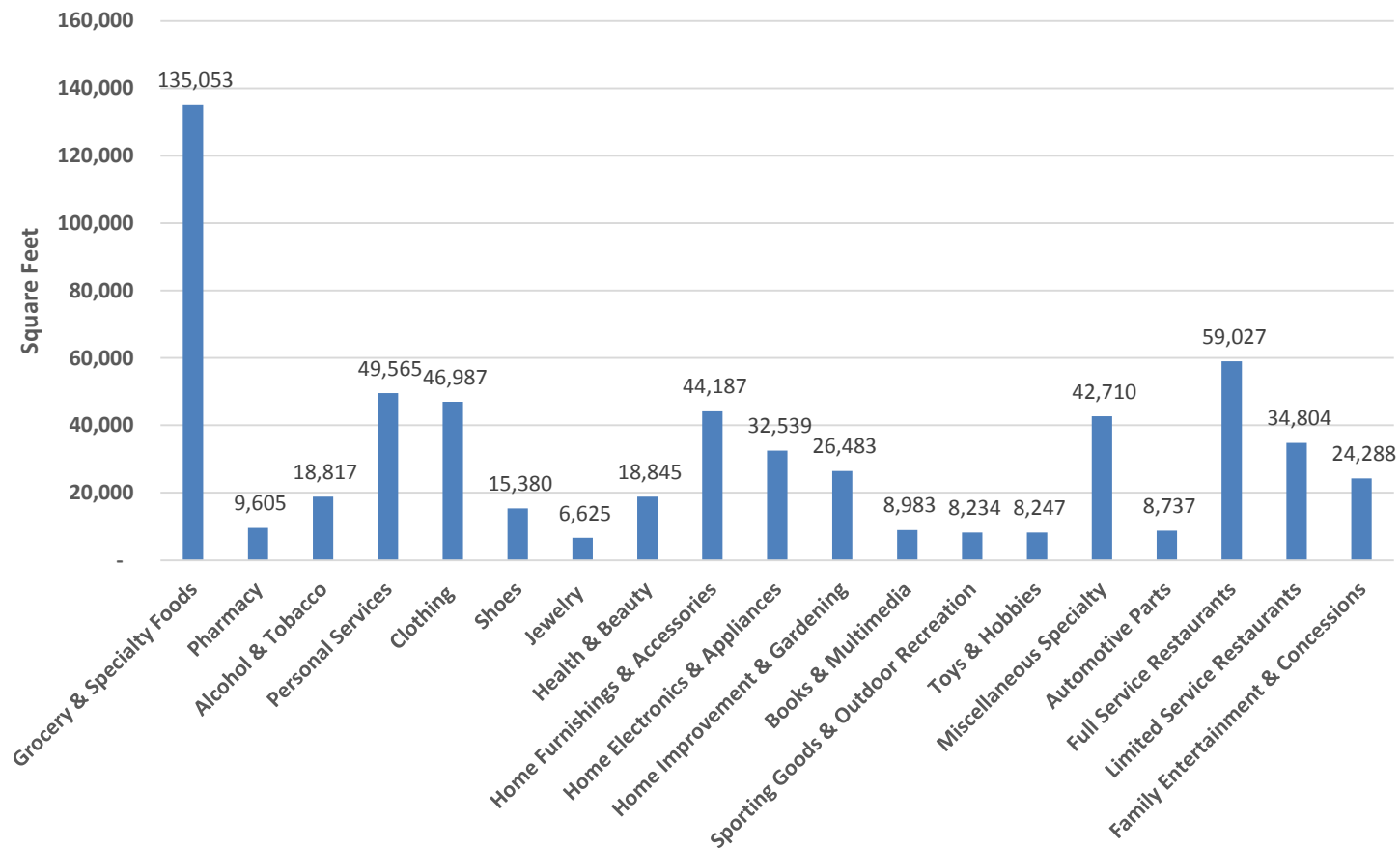
Table 3.4 Total Retail Demand (2015)

Retail Category	2015 Sales Expenditures	Retail Sales Productivity (\$psf)	Floorspace Demand (SF)
Grocery & Specialty Foods	\$93,111,638	\$500	135,053
Pharmacy	\$7,854,752	\$600	9,605
Alcohol & Tobacco	\$20,870,685	\$800	18,817
Personal Services	\$17,157,660	\$250	49,565
Clothing	\$21,174,365	\$325	46,987
Shoes	\$6,512,035	\$300	15,380
Jewelry	\$4,500,025	\$500	6,625
Health & Beauty	\$15,439,234	\$600	18,845
Home Furnishings & Accessories	\$16,265,169	\$275	44,187
Home Electronics & Appliances	\$25,110,935	\$550	32,539
Home Improvement & Gardening	\$11,652,867	\$250	26,483
Books & Multimedia	\$3,892,807	\$300	8,983
Sporting Goods & Outdoor Recreation	\$3,196,033	\$300	8,234
Toys & Hobbies	\$3,510,480	\$300	8,247
Miscellaneous Specialty	\$16,092,870	\$250	42,710
Automotive Parts	\$4,968,587	\$375	8,737
Full Service Restaurants	\$33,191,376	\$500	59,027
Limited Service Restaurants	\$19,759,952	\$500	34,804
Family Entertainment & Concessions	\$3,312,003	\$125	24,288
TOTAL	\$327,573,474		599,115

Retail Gap Analysis

Retail Demand all Trade Areas

Total Retail Demand (2015)



Retail Gap Analysis

Retail Demand

Comparing the current leased retail supply in Sylvan Lake to the calculated demand, reveals a shortage of 48,086 square feet of retail. With approximately 45,000 square feet of vacant retail space in the Town as of May 2015, this retail gap could be absorbed without constructing any new space. The numbers in red in the column below “Residual Supply/Demand” signify a categorical retail gap, while the numbers in black denote an oversupply for a certain retail category, compared to the demand from the PTA, STA, and visitor spending.

Table 3.5 Supply Versus Demand (2015)

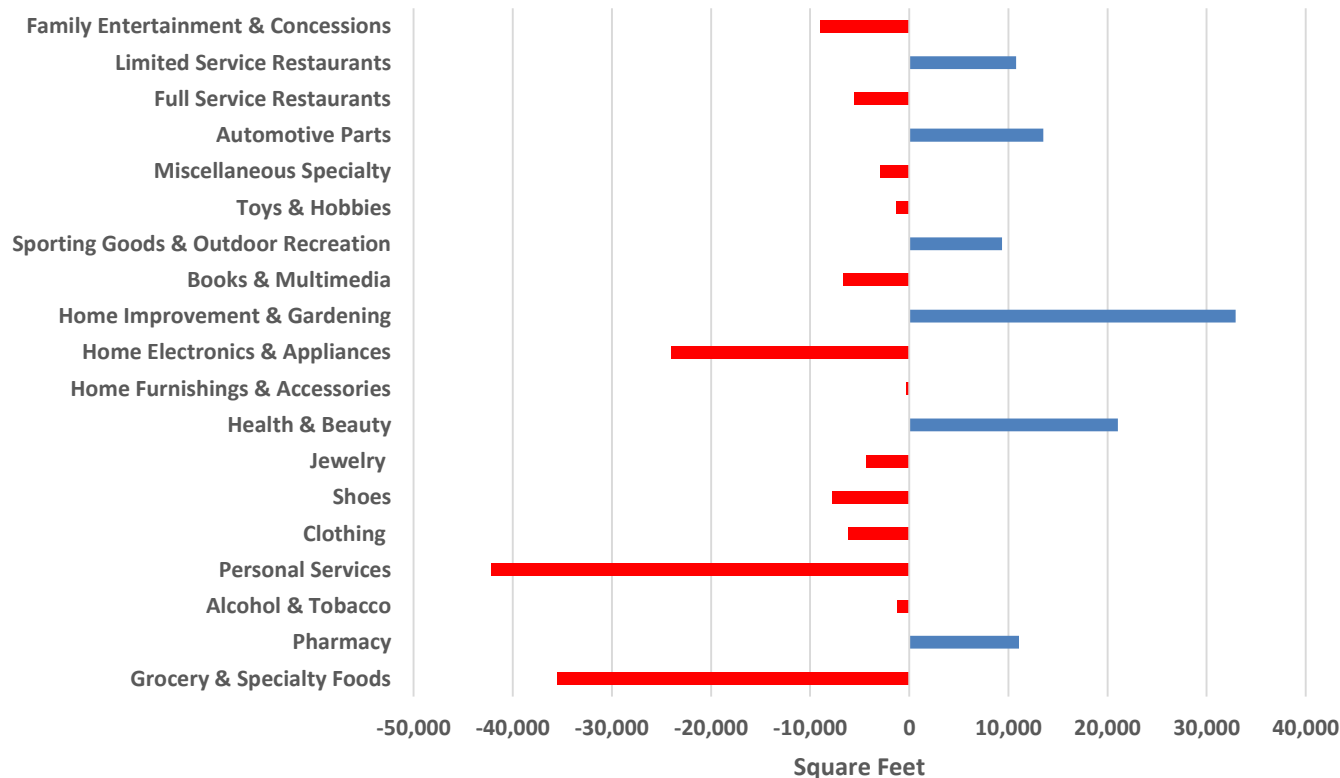
Retail Category	Sylvan Lake Retail Supply (\$F)	Sylvan Lake Retail Demand (\$F)	Residual Supply / Demand
Grocery & Specialty Foods	99,503	135,053	-35,550
Pharmacy	20,665	9,605	11,059
Alcohol & Tobacco	17,640	18,817	-1,177
Personal Services	7,426	49,565	-42,139
Clothing	40,842	46,987	-6,145
Shoes	7,641	15,380	-7,739
Jewelry	2,316	6,625	-4,309
Health & Beauty	39,875	18,845	21,030
Home Furnishings & Accessories	43,929	44,187	-258
Home Electronics & Appliances	8,489	32,539	-24,050
Home Improvement & Gardening	59,396	26,483	32,913
Books & Multimedia	2,316	8,983	-6,667
Sporting Goods & Outdoor Recreation	17,595	8,234	9,361
Toys & Hobbies	6,947	8,247	-1,300
Miscellaneous Specialty	39,819	42,710	-2,891
Automotive Parts	22,269	8,737	13,531
Full Service Restaurants	53,475	59,027	-5,552
Limited Service Restaurants	45,588	34,804	10,784
Family Entertainment & Concessions	15,300	24,288	-8,988
TOTAL	551,029	599,115	-48,086

Retail Gap Analysis

Retail Demand

The categories with a significant retail shortage include personal services, grocery, home electronics & appliances, and family entertainment & concessions. Categories with an oversupply of retail compared to calculated spending patterns include home improvement & gardening, health & beauty, automotive parts, pharmacy, sporting goods, and limited service restaurants.

Figure 3.3 Supply Versus Demand (2015)



Retail Gap Analysis

Retail Leakage

Retail leakage analyses the sales expenditures entering or flowing into Sylvan Lake from the Secondary Trade Area and Visitor spending, against the sales expenditures leaving or flowing out of Sylvan Lake. The categories with the highest retail leakage are home electronics & appliances, personal services, and grocery. Categories that experience high levels of inflow spending from outside Sylvan Lake include full service and limited service restaurants, and grocery. Based on these calculations, Sylvan Lake currently experiences a net positive inflow of \$677,048, displaying that a higher level of retail spending is entering Sylvan Lake rather than leaving.

Table 3.6 Current Retail Leakage

Retail Category	2015 Inflow Sales Expenditure	2015 Outflow Sales Expenditure	Inflow Versus Outflow
Grocery & Specialty Foods	\$10,631,715.15	\$17,775,053	-\$7,143,338
Pharmacy	\$1,389,801.44	\$0	\$1,389,801
Alcohol & Tobacco	\$2,637,997.19	\$941,858	\$1,696,140
Personal Services	\$1,252,340.41	\$10,534,747	-\$9,282,406
Clothing	\$1,544,333.84	\$1,997,277	-\$452,943
Shoes	\$428,870.74	\$2,321,652	-\$1,892,782
Jewelry	\$229,842.12	\$2,154,593	-\$1,924,750
Health & Beauty	\$1,281,551.12	\$0	\$1,281,551
Home Furnishings & Accessories	\$662,699.22	\$70,840	\$591,859
Home Electronics & Appliances	\$966,107.93	\$13,227,419	-\$12,261,311
Home Improvement & Gardening	\$941,165.61	\$0	\$941,166
Books & Multimedia	\$227,535.81	\$2,000,144	-\$1,772,608
Sporting Goods & Outdoor Recreation	\$411,337.10	\$0	\$411,337
Toys & Hobbies	\$383,520.53	\$389,957	-\$6,437
Miscellaneous Specialty	\$1,424,128.26	\$722,721	\$701,408
Automotive Parts	\$380,850.51	\$0	\$380,851
Full Service Restaurants	\$18,889,267.88	\$2,776,072	\$16,113,196
Limited Service Restaurants	\$10,943,052.01	\$0	\$10,943,052
Family Entertainment & Concessions	\$2,086,715.54	\$1,123,451	\$963,265
TOTAL	\$56,712,832.43	\$56,035,784	\$677,048

Retail Gap Analysis

Retail Leakage

Due to the proximity of Sylvan Lake to Red Deer, there are certain retail categories that will continue to experience retail leakage or outflow spending. With Red Deer approaching a population of 100,000 residents, the city acts as a regional hub for larger scale retail operations, obtaining retail leakage from surrounding towns in Central Alberta. Retailers that “pull” consumers from Sylvan Lake to Red Deer include but are not limited to:

Grocery: Costco, Wholesale Club, Real Canadian Superstore



Personal Services: Bell, Rogers, Fido, Shaw, Hakim Optical



Home Electronics & Appliances: Best Buy, The Brick, Visions Electronics, Trail Appliances



Retail Gap Analysis

Retail Demand 2020

Residual retail supply and retail demand was calculated at five year intervals to understand the retail categories that will potentially be oversupplied or undersupplied if the current retail supply in Sylvan Lake stays constant. Assumptions were a 4.48% annual PTA growth rate, a 0.5% annual STA growth rate, a 2.91% annual visitor growth rate, and an annual expenditure growth rate of 2.0%. The oversupplied categories are then compared to those that are undersupplied, displaying the retail gap. By 2020, the retail gap will be 115,428 square feet. Grocery and personal services are retail categories that will be the highest in demand.

Table 3.7 Supply Versus Demand (2020)

Retail Category	Sylvan Lake Retail Supply (SF)	Sylvan Lake Retail Demand (SF)	Residual Supply / Demand
Grocery & Specialty Foods	99,503	149,534	-50,031
Pharmacy	20,665	10,646	10,018
Alcohol & Tobacco	17,640	20,820	-3,180
Personal Services	7,426	54,806	-47,380
Clothing	40,842	52,068	-11,226
Shoes	7,641	17,035	-9,395
Jewelry	2,316	7,335	-5,019
Health & Beauty	39,875	20,875	19,000
Home Furnishings & Accessories	43,929	48,823	-4,894
Home Electronics & Appliances	8,489	35,940	-27,452
Home Improvement & Gardening	59,396	29,250	30,146
Books & Multimedia	2,316	9,945	-7,630
Sporting Goods & Outdoor Recreation	17,595	9,146	8,449
Toys & Hobbies	6,947	9,160	-2,213
Miscellaneous Specialty	39,819	47,320	-7,501
Automotive Parts	22,269	9,658	12,611
Full Service Restaurants	53,475	66,973	-13,498
Limited Service Restaurants	45,588	39,482	6,106
Family Entertainment & Concessions	15,300	27,640	-12,340
TOTAL	551,029	666,457	-115,428

Retail Gap Analysis

Retail Demand 2025

By 2025, the retail gap will be 190,548 square feet if the current retail supply stays constant. The retail categories with the highest demand, and thus the categories that will experience the highest leakage to Red Deer and other cities includes grocery, personal services, home electronics & appliances, full service restaurants, and clothing. With 131,000 square feet of retail space still be constructed at the SmartCentres project at Hwy 20 and 47th Avenue, a large portion of the demand could be absorbed into this development.

Table 3.8 Supply Versus Demand (2025)

Retail Category	Sylvan Lake Retail Supply (SF)	Sylvan Lake Retail Demand (SF)	Residual Supply / Demand
Grocery & Specialty Foods	99,503	165,588	-66,085
Pharmacy	20,665	11,802	8,863
Alcohol & Tobacco	17,640	23,037	-5,397
Personal Services	7,426	60,606	-53,180
Clothing	40,842	57,707	-16,865
Shoes	7,641	18,872	-11,231
Jewelry	2,316	8,122	-5,807
Health & Beauty	39,875	23,127	16,747
Home Furnishings & Accessories	43,929	53,948	-10,019
Home Electronics & Appliances	8,489	39,698	-31,210
Home Improvement & Gardening	59,396	32,307	27,089
Books & Multimedia	2,316	11,012	-8,696
Sporting Goods & Outdoor Recreation	17,595	10,162	7,434
Toys & Hobbies	6,947	10,177	-3,230
Miscellaneous Specialty	39,819	52,436	-12,617
Automotive Parts	22,269	10,675	11,593
Full Service Restaurants	53,475	76,023	-22,548
Limited Service Restaurants	45,588	44,810	779
Family Entertainment & Concessions	15,300	31,469	-16,169
TOTAL	551,029	741,577	-190,548

Retail Gap Analysis

Retail Demand 2030

By 2030, Sylvan Lake would see a retail gap of 274,374 square feet if the current retail supply remained constant. By this point, all retail categories would see a gap except for pharmacy, health & beauty, home improvement, sporting goods, and automotive parts. This also signifies that these retail categories could be oversupplied for the next fifteen years in Sylvan Lake, even with substantial growth in population and visitors.

Table 3.9 Supply Versus Demand (2030)

Retail Category	Sylvan Lake Retail Supply (SF)	Sylvan Lake Retail Demand (SF)	Residual Supply / Demand
Grocery & Specialty Foods	99,503	183,389	-83,885
Pharmacy	20,665	13,085	7,579
Alcohol & Tobacco	17,640	25,493	-7,853
Personal Services	7,426	67,023	-59,597
Clothing	40,842	63,967	-23,125
Shoes	7,641	20,909	-13,268
Jewelry	2,316	8,995	-6,679
Health & Beauty	39,875	25,626	14,249
Home Furnishings & Accessories	43,929	59,613	-15,684
Home Electronics & Appliances	8,489	43,850	-35,361
Home Improvement & Gardening	59,396	35,683	23,713
Books & Multimedia	2,316	12,195	-9,879
Sporting Goods & Outdoor Recreation	17,595	11,293	6,302
Toys & Hobbies	6,947	11,309	-4,362
Miscellaneous Specialty	39,819	58,113	-18,294
Automotive Parts	22,269	11,801	10,467
Full Service Restaurants	53,475	86,336	-32,861
Limited Service Restaurants	45,588	50,880	-5,291
Family Entertainment & Concessions	15,300	35,843	-20,543
TOTAL	551,029	825,403	-274,374

4

SUMMARY & RECOMMENDATIONS

Summary & Recommendations

Retail Gap Implications

Sylvan Lake has a healthy retail market with under 10% vacancy. It has approximately 551,000 square feet of occupied retail space, and 45,000 square feet of vacant space. Its 38 square feet per capita is slightly high for a sub-20,000 resident town, especially with Red Deer only a fifteen minute drive away. The higher supply of retail is justified due to strong expenditure inflow from the approximately one million annual visitors. 13% of retail expenditures come from visitors. Retail categories such as full service restaurants, limited service restaurants, alcohol & tobacco, and speciality retail have all benefited from inflow spending.

As displayed in Table 3.6 (Current Retail Leakage), the majority of retail categories experience outflow if only analysing the primary trade area. This indicates that there is presently a reliance on inflow spending from the secondary trade area and visitors to sustain the current retail supply. Increases in tourism in the coming years will only benefit the inflow spending dollars.

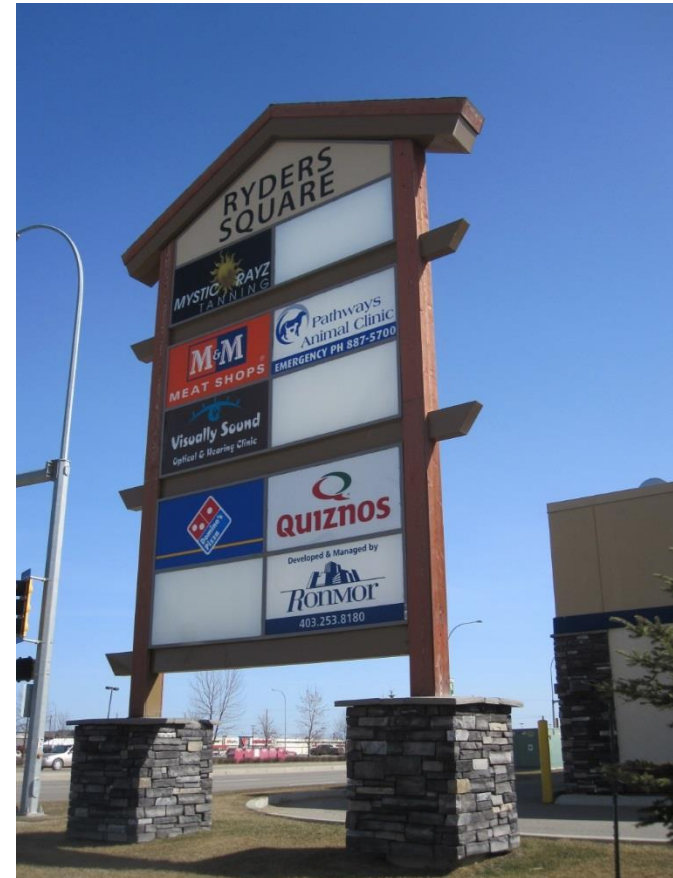
Although various retail categories such as grocery and home electronics are undersupplied in Sylvan Lake and experience leakage to Red Deer, retailers like Costco or Best Buy who are present in Red Deer draw from a large regional trade area including Sylvan Lake.

There are also several retail categories where there is ample supply for the local residents. These include pharmacy, health & beauty, home improvement, sporting goods, automotive parts, and limited service restaurants. Home improvement displays an oversupply in the market, but is justified by the Rona that supplies building materials to residential developers within Sylvan Lake and Red Deer. Recent entry of national chains into the local market has ensured that supply will cover demand into the coming years.



Recommendations

- In the short term, focus on categories that will continue to benefit from increased visitor spending such as full service restaurants, and family entertainment.
- Additionally, prioritize categories that will meet the everyday needs of the growing local population such as grocery and personal services, reducing outflow spending.
- Attempt to promote retail development on the west side of Sylvan Lake, to not only create balance in the retail landscape, but reduce shopping drive time for residents.
- Retailers entering the market in categories that are currently oversupplied in Sylvan Lake such as pharmacy and health & beauty should ensure that they offer market differentiation so that direct sales are not cannibalized.
- Encourage new retail formats that move away from typical “big box”, towards smaller-scale retail neighbourhood villages that feature pedestrian friendly designs and strong architectural features.
- Create short-term and long-term retail strategies for the Waterfront Commercial District, allowing it to become a highly desirable location for retail based around year-round tourism.
- Create short term retail strategies for the waterfront, including façade improvement and leasehold improvement programs to catalyse change.
- Continue to promote local businesses and retail entrepreneurship.



Summary & Recommendations

Potential Target Tenants

The next five years will see an expected 3,000 new residents in the Town of Sylvan Lake. New retail is likely to be constructed and leased to meet the increase in retail demand. The following regional and national retailers are potential target tenants that are not yet in the Sylvan Lake market, are expanding retail operations, and could feasibly enter the market in the next several years:

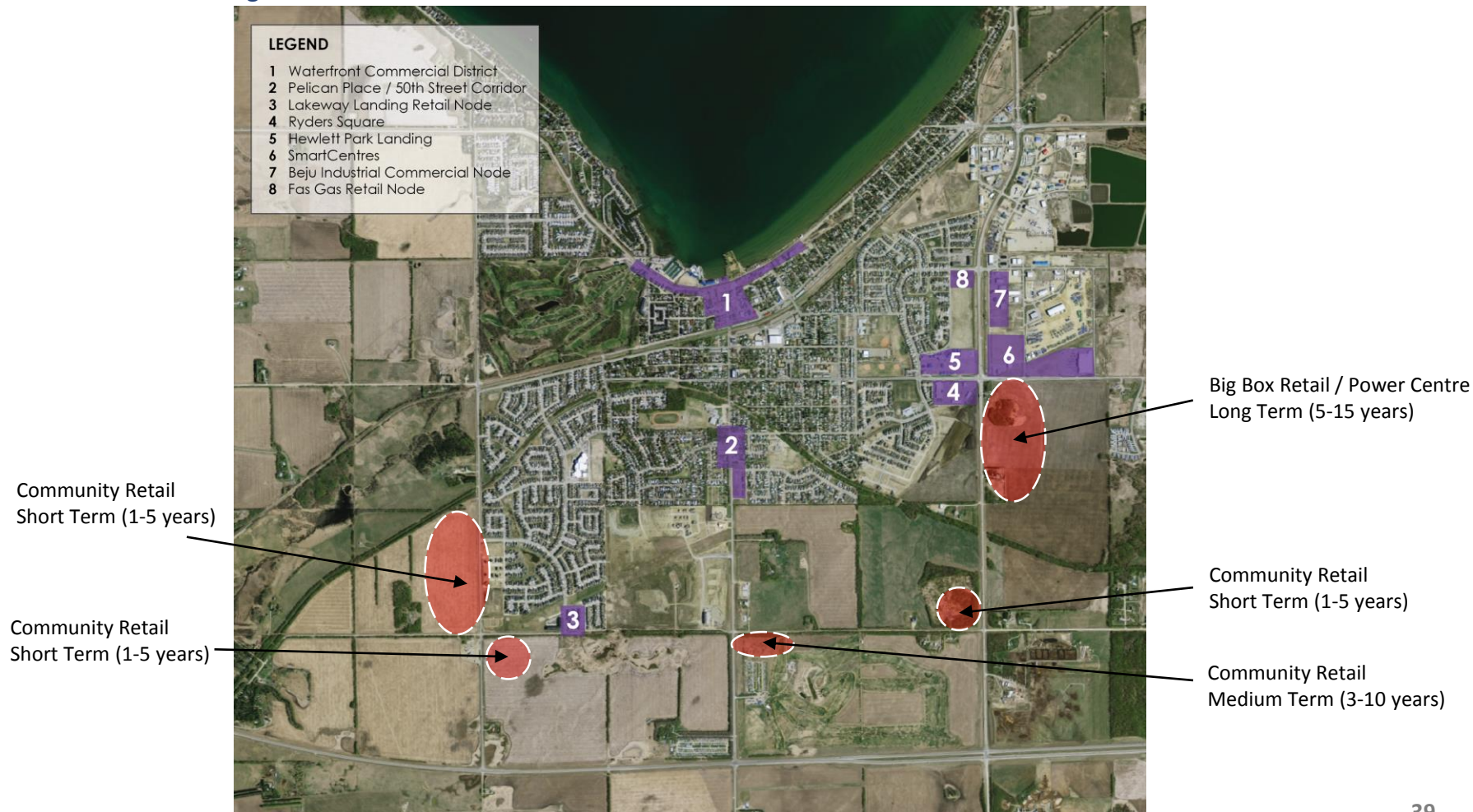


Summary & Recommendations

Future Retail Locations

Potential future retail development locations based off of the intermunicipal development plan, annexation documents, current zoning, and the results of the retail gap analysis. Areas and development timelines are approximate.

Figure 4.1 Future Retail Locations



5

NEXT STEPS

Next Steps

- Following the submittal of the Phase 1 “Retail Gap Analysis” for the Town of Sylvan Lake, MXD will conduct the following under a separate scope and fee budget:
 - Full-level retail strategy based on Phase 1 “Retail Gap Analysis” findings.
 - Create development and revitalization profiles for commercial retail nodes in Sylvan Lake including implementation techniques.
 - Study how other uses can complement retail to capture tourist spending dollars.