

Retail Development Overview District of Sechelt, B.C.

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District of Sechelt

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EXECUTIVE SUMMARY

The objective of this study is to provide a summary of the retail market and how economic conditions and development trends might impact the District of Sechelt. The study can be outlined as follows:

- Location analysis of the area
- Retail development trends
- Retail demand, demographics and new warranted retail development

The District of Sechelt is the main urban centre on the Sunshine Coast. It is also centrally located within the regional District. As such it is the most likely future site of any new regional retail facility that may be proposed to serve the entire region.

The area is relatively isolated from Greater Vancouver due to the lack of direct road access, however a very large proportion of its residents' retail shopping takes place outside the Sunshine Coast Regional District. It is a major retail trend to try to shop locally within one's own community as possible and this should be encouraged by allowing new local retail development.

The central issue for this study is to address what, if any, new retail is warranted and if it is, where it could logically be located. This question is answered based on urban economic geography and assuming industry standard economics where consumers want to maximize convenience and selection yet minimize cost.

The retail trade area is a physically attractive urban and rural. It is relatively slow growing due to its isolation from metro Vancouver. Economic and population growth on the Sunshine Coast will be slower than the B.C. average due to limited growth in employment opportunities. Retail jobs should be encouraged as much as possible given the lack of alternatives and the green initiatives encouraging residents of communities to both work and shop locally.

Retail industry trends as they relate to Sechelt are:

- There is ample demand for a new supermarket, perhaps in a downtown Sechelt location or at Wilson Creek.
- There is ample demand for a department store and home centre perhaps near the Canadian Tire in the Wilson Creek area.
- These anchor tenants are the main engines of growth in retail development. Examples include Walmart, Home Depot and Price Smart.
- The region has severe retail outflow where a large proportion of residents' retail spending takes place outside the local community, supporting development, taxes and jobs elsewhere.
- Downtown type retail is gaining strength as many consumers enjoy street front retail. Retail development is warranted in downtown Sechelt as the area has an excellent existing infrastructure.

- Large format retailers will prefer to locate either downtown if possible (on a minimum 8 acre site), or on a traditional large suburban site on a highway or an intersection. It would be very difficult to assemble such a large site in the downtown area and the largest that could be assembled is likely closer to 4 acres. The only viable locations for large format store would be at Wilson Creek or on the Band Lands, adjacent to downtown. Only one major retail centre will likely be built in the next ten years in the regional district and wherever it is will likely become the centre of low cost retail. The District should secure this centre in order to ensure new jobs, generate significant new taxes and maintain planning control.

1.0 SECHELT LOCATIONAL ASSESSMENT

1.1 INTRODUCTION

This study was commissioned in May 2009 and was carried out from May to August 2009. The work was undertaken to assess the economic context of possible new retail development which may occur in the District of Sechelt. In order to complete this study, the market was assessed, as well as retail development trends and local retail demand generated by the community.

1.2 LOCATION

The study area is the District of Sechelt and the wider Sunshine Coast Regional District. Due to the lack of a land connection to Metro Vancouver and the layout of development and transportation patterns it is clear that most everyone living on the peninsula can shop anywhere on the peninsula (with the benefit of private vehicle travel). The most likely and convenient location for a regional retail facility is within the District of Sechelt as it has the largest population base and is central to the wider area.

**FIGURE 1.1
THE REGIONAL STUDY AREA**



Figure 1.1 illustrates the Sunshine Coast Regional District while Figure 1.2 provides more detail on the road network and urban area of the District of Sechelt. It is clear a Wilson Creek location is able to serve the entire District more effectively than Downtown can.

**FIGURE 1.2
THE DISTRICT OF SECHELT MAP**

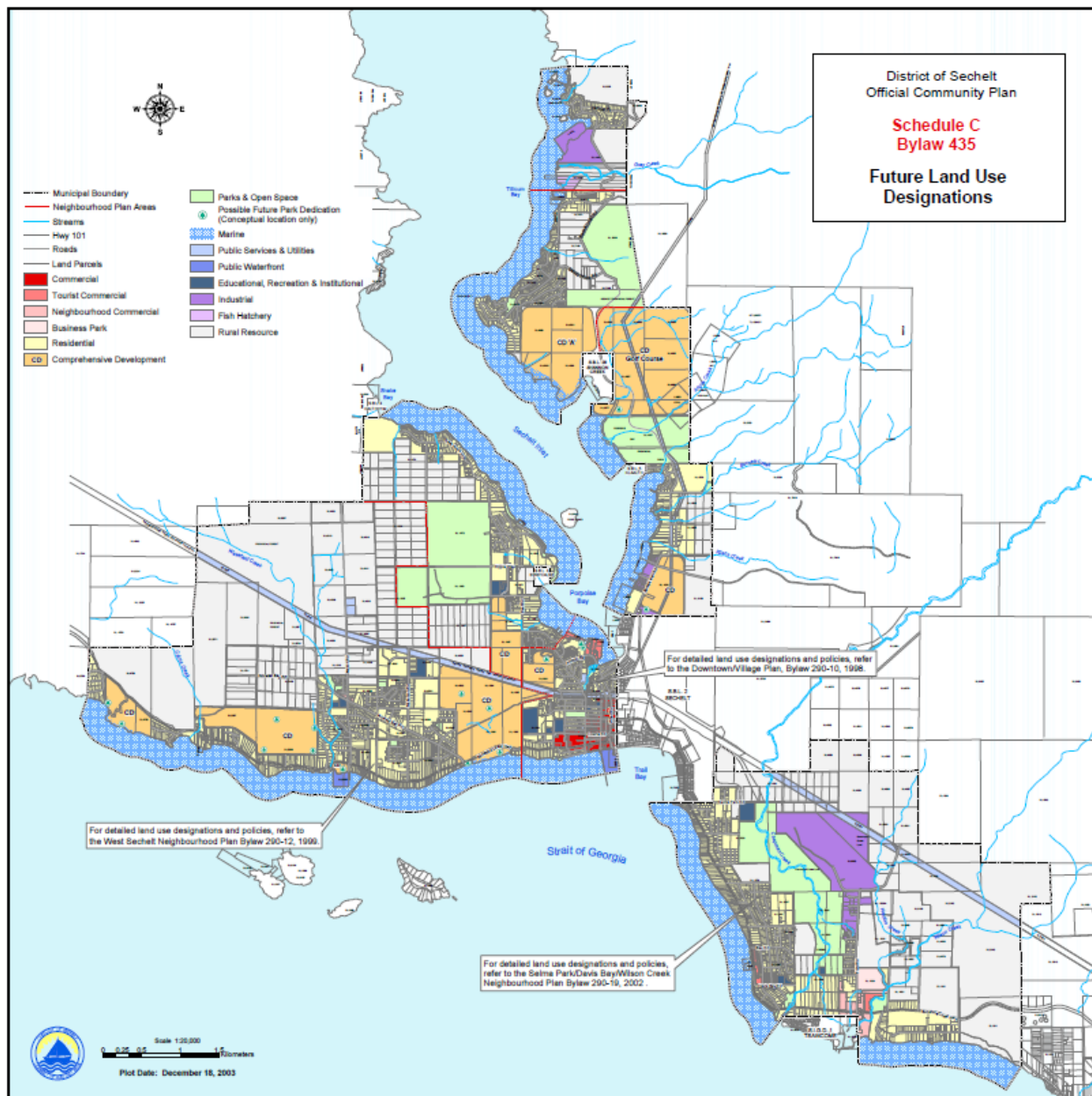


The District and Regional District has very limited retail and that which exists is focused on neighborhood and community oriented centres such as supermarkets, drugstores, food service, food retail, personal and financial services, etc. These are typical of residents' everyday needs. There is a lack of regional retail which sells comparison goods such as apparel (Winners or The Gap), appliances (Future Shop) or department stores (Wal-Mart) that are common to enclosed regional shopping malls.

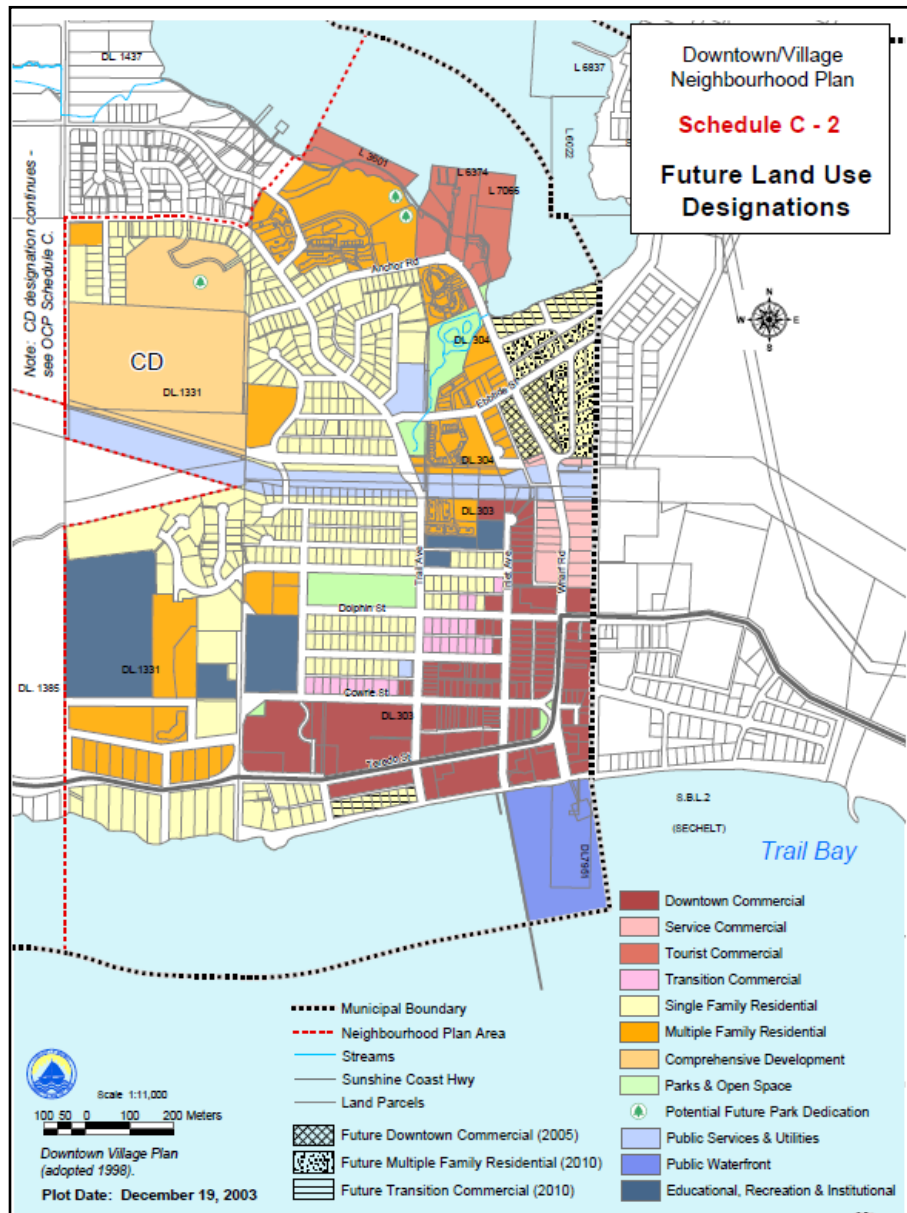
1.3 LAND USE PLANNING

Figure 1.3 shows the longer term land use designation for the District of Sechelt. This provides for most of the retail / commercial in the core downtown area. Other commercial areas are Neighbourhood Retail identified in the Wilson Creek area. Figure 1.4 shows a more detailed land use designating plan for the downtown core area. Most commercial is located along the Sunshine Coast Highway between Warf Road and Shorncliffe Avenue. These areas are designated as Downtown Commercial. Some of the areas to the north are designated as Service Commercial and Transitional Commercial. This downtown location is central to both the population of the District and the Regional District.

**FIGURE 1.3
DISTRICT FUTURE LAND USE DESIGNATIONS**



**FIGURE 1.4
DOWNTOWN DISTRICT LAND USE DESIGNATIONS**



The 2003 District of Sechelt Official Community Plan includes a number of statements with regards to retail in the community, specifically the District of Sechelt:

- Encourages conventional retail uses to locate in the Downtown and discourage them from locating in areas designated “Tourist Commercial.”
- Encourages the development of a vibrant downtown by allowing for the concentration of commercial and residential development within the Downtown area.
- Should pursue further commercial revitalization initiatives in the Downtown, in cooperation with the business community, Chamber of Commerce and other agencies representative of interests in the Downtown.
- Discourages continuous commercial type ‘strip’ development along all roads.

The 2003 Downtown / Village Neighbourhood Plan includes the following statements about downtown retail / commercial:

Downtown Commercial - This area is Sechelt’s “main street” shopping, cultural and administrative services area. This designation is intended to bring residents to the downtown to increase the vibrancy of the area. The downtown commercial designation includes:

- The complete range of retail, service, financial, office, institutional, accommodation, leisure, recreation, and meeting facilities.
- Commercial and mixed-use buildings where multiple family dwellings are located above the ground floor commercial space.
- A maximum gross density of 85 dwelling units per hectare (34 dwelling units per acre) of parcel area.
- A minimum parcel area of 400 m².

Transition Commercial - This designation is intended to allow for small-scale commercial development in the downtown, while providing a geographic transition between commercial areas, and adjacent residential and waterfront areas. The transition commercial designation includes:

- Small stores, personal and business services and restaurants.
- Building heights up to two floors plus rooflines and residential setbacks from property lines.
- Dwelling units auxiliary to ground floor commercial space to a maximum gross density of 40 dwelling units per hectare (16 units per acre).
- A minimum parcel area of 400 m² and a maximum parcel area of 850 m².

Service Commercial - This designation is intended to maintain the existing functional commercial uses such as automobile dealers and repair shops. The service commercial designation includes:

- A complete range of light industrial, warehousing, repair shops and retail uses including the sale and servicing of automobiles.
- A minimum parcel area of 1000 m².

These OCP statements in general support retail and other commercial development in the downtown. However, large retailers will only locate in the downtown if adequately size parcels, with necessary access and visibility, are available. These parcels should be minimum of 8 acres in size, and relatively flat. If such sites cannot be found, a location beyond the downtown on relatively flat and visible sites will be considered.

1.4 SUITABLE SITES

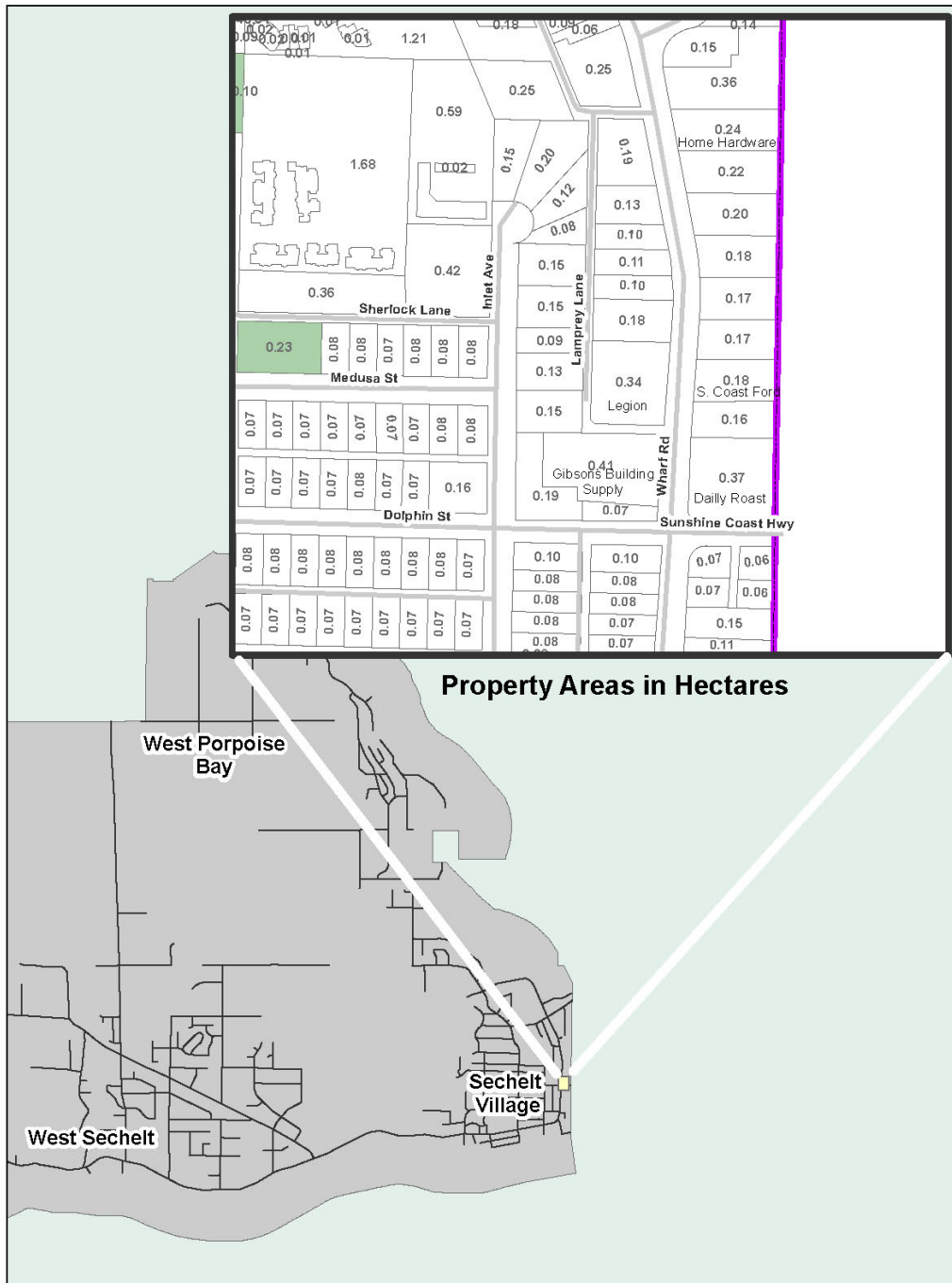
In general, retail requires high visibility locations with excellent access. The sites should also be essentially flat with no excessively expensive servicing or fill issues.

There are essentially two potential locations for larger scale regional retail facilities if they were to locate in the District of Sechelt, as shown on Figures 1.5 and 1.6, and explained below. The total assembly potential downtown is likely to be only 5 to 8 acres, whereas the Wilson Creek areas site is much larger and could accommodate an approximately 15 acre development.

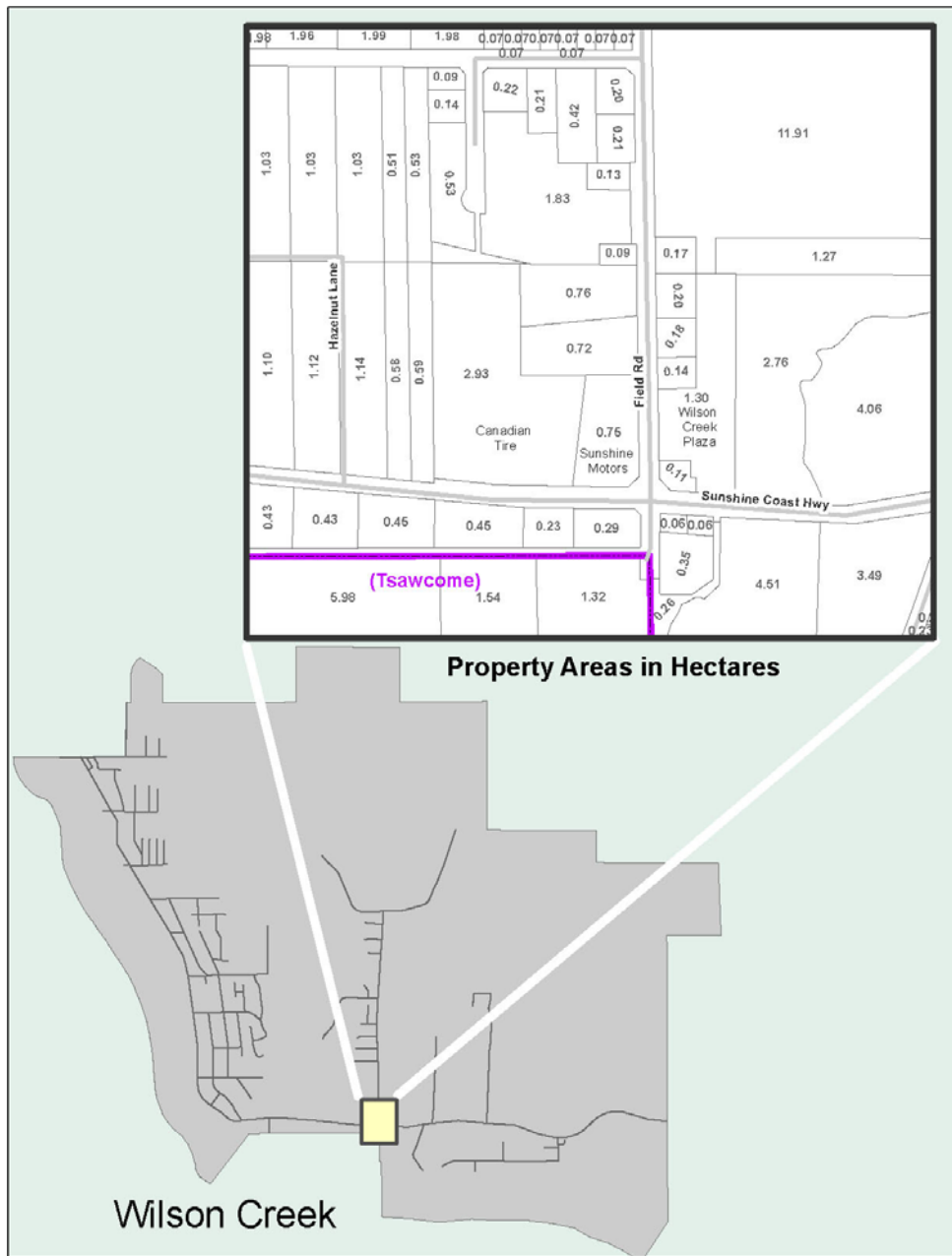
- On the northwest and northeast corners of Wharf Road and the Sunshine Coast Highway in downtown are two potential larger scale redevelopment sites, currently occupied by building supplies and other moderate improvements. This complex site assembly and feasibility of a mixed use project may not be possible until after 2016, if ever. Also these sites are too small for the larger scale tenants such as Wal-Mart and Home Depot, which would require well over 10 acres. Despite these considerations, the location could be suitable for a supermarket anchored shopping facility.
- In the Wilson Creek area, near the Sunshine Coast Highway and Field Road (near the Canadian Tire). There are a number of sites on Field Road in this area that are viable but have poor visibility as they are off the highway. This location is outside of the downtown core and further away from the majority of the Sechelt population, however it is close to an existing regional serving retail and has good highway access. Although this location is outside of the main centre of the community, there is existing population to the immediate west and it is closer to the (smaller) communities of Roberts Creek and Gibsons. Only a major retail anchor could locate on these lands as they would have to be able to generate a very strong consumer draw in order to operate successfully from such a remote location.
- In terms of small scale tourist and entertainment commercial a small mixed use project with restaurant anchors should be developed on the downtown waterfront. The location should be at the south end of an arterial such as Wharf Road or in a location which is easily identifiable and visible while also being attractive.

Alternative sites are also possible, including those beyond the municipal boundaries of the District of Sechelt. However, although such lands may be less expensive and larger parcels may be available, they would offer a poor location and likely higher servicing costs. Additionally, important to consider is that any development located on the Indian Reserve would be leased instead of free hold title ownership. This would be considered a negative feature for larger retailers who generally prefer clear ownership of their properties. They also prefer free hold title over strata title ownership. The band lands are thus more competitive if retailers have few options. It is likely that one large retail project will be developed and it should be located on District lands in order for the community to be able to secure the taxes generated by such a project and to ensure some planning control.

**FIGURE 1.5
DOWNTOWN SITE**



**FIGURE 1.6
WILSON CREEK SITE**



2.0 RETAIL INDUSTRY TRENDS

2.1 INTRODUCTION

This section of the report outlines various trends and standards within the retail development industry. The key issue to note for Sechelt is that downtown community streets are making a strong comeback and new stores such as Wal-Mart and Home Depot are locating in virtually all medium sized communities.

The main development implications are:

- The District should allow more and larger scale retail so residents can shop locally.
- There is ample surplus demand for a home improvement centre and a department store and these store chains should be encouraged to enter the community. The stores should be located on highly visible flat sites (such West of Canadian Tire) or just behind sites which are visible (North of Canadian Tire) on Field Road.
- There should be mixed use projects at the key intersections of downtown (Wharf Road) and these may be large enough to support a supermarket anchor or at least a large drugstore.
- Such types of larger format retail stores will locate in the downtown core if land is available; they would need at least 8 acres, and ideally more.
- There should be more waterfront restaurants to allow residents and tourist easier access.
- Anchor tenants have various categories of store sizes to fit the market. Small scale to large scale or 80,000 sq.ft. to 200,000 sq.ft. for Wal-Mart, for example.

2.2 CLASSIFICATION OF SHOPPING CENTRES

It is important to have an understanding of the basic nature of retail areas and shopping centres. Recent retail development trends have focused on open shopping centres, street-front retail, high density mixed use centres and freestanding large scale stores. In general, 50% of each centre's floor space is occupied by the anchor tenant and 50% by small shops and store. The ratio is lower for busy locations such as downtown and higher at remote locations which need the anchors to act as a destination and bring customers to the site.

An anchor tenant is a large scale typically chain store which has a AAA covenant (a solid financial firm where there is little or no risk of default) and generates extra customer traffic for nearby stores (i.e. a supermarket chain).

The standard retail classifications are as follows. It is important to note that Sechelt is limited to convenience oriented centres and perhaps a power centre but could not support a larger retailer.

Strip Centre: A strip centre is an attached row of stores or service outlets managed as a coherent retail entity, with on-site parking conveniently located in front of the stores.

Neighbourhood Centre: This centre is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighbourhood and is typically anchored by a supermarket. This is the largest retail centre on the Sunshine Coast.

Community Centre: A community centre typically offers a wider range of apparel and other soft goods than does the neighbourhood centre. It is anchored by a supermarket and small proportional department store. The problem with this type of project is that it is not focused. It is not convenient yet and it is not large enough to be a destination. Most of these centres have been redeveloped into smaller retail facilities with only a supermarket and the surplus land turned into housing.

Lifestyle Centre: A centre that generally imitates a traditional street front retail district with sidewalks, streets and pedestrian areas. This is typical in new suburbs where consumers want alternatives to standard power centres and large unattractive parking lots. These centres try to offer a more appealing shopping destination with interesting stores and architecture. They mix food, personal services and convenience shopping with apparel and accessories. There are few of these in Canada to date, such as a small portion of Park Royal Shopping Centre in West Vancouver.

Regional Centre: This centre type provides general merchandise (a large percentage of which is made up of apparel retailers) and services in full depth and variety. The anchor tenants are typically full-line department stores, promotional department stores, supermarkets and various big box tenants.

Super-regional Centre: Similar to a regional centre, but because of its larger size, a super-regional centre has more anchors, a deeper selection of merchandise, and draws from a larger population base.

Fashion/Specialty Centre: A centre composed mainly of upscale apparel shops, boutiques and craft shops carrying selected fashion or unique merchandise of high quality and price. These centres do need to be anchored, although sometimes restaurants or entertainment can provide the draw of anchors. The physical design of the centre is very sophisticated, emphasizing a rich decor and high quality landscaping.

Power Centre: A centre dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or "category killers". Sechelt could afford a small power centre.

Theme/Festival Centre: These centres typically employ a unifying theme that is carried out by the individual shops in their architectural design and, to an extent, in their selection of merchandise. The biggest appeal of these centres is for tourists, as restaurants and entertainment facilities can anchor them. These centres, tend to be adapted from older, sometimes historic, buildings, and can be part of mixed-use projects. The locations tend to have some sort of natural feature such as water, or a tourist attraction. Granville Island in Vancouver is an excellent example.

Outlet Centre: Usually located in rural or, occasionally, in tourist locations, outlet centres consist mostly of manufacturers outlet stores selling their own brands at a discount price. These are not a factor in Canada as such malls have not been established.

In terms of street-front retail districts they tend to be in the following general categories:

- **Historic Heritage District and Retail Area.** These tend to be tourist-oriented such as Gastown in Vancouver.

- **Neighbourhood Commercial Street.** These retail centres are typical of urban areas across North America, and are where local residents obtain most of their food, services and other convenience needs. This is often the dominant form of commercial development in a community the size of Sechelt.
- **Fashion District.** These areas have overcome the initial negative competitive impact of enclosed malls and many are now thriving. It is the strength of these street front retail areas which inspires Lifestyle mall developers who are trying to emulate the best elements of streetscapes in a single master planned project.
- **Entertainment District** or precinct with cinemas, restaurants/cafes, and nightclubs.
- **Business-Serving Retail** such as on many downtown streets. These areas are dominated by restaurants and personal or business services. Downtown Sechelt could capture some of the economic activity which would enhance its more traditional role by increasing the number of customers and expanding the sources of customers to include non-destination shoppers such as local employees.

In summary, the District of Sechelt has convenience centres, neighbourhood centres, commercial districts and several freestanding anchors such as Canadian Tire. It does not have a department store or larger scale shopping centre. This is unusual for a region as large as the Sunshine Coast. There is clearly very significant retail leakage to Metro Vancouver

The following table provides an overview of each type of shopping centre. Neighbourhood centres have an average size of 90,000 sq.ft. across North America, including the United States where most centres are larger. They never exceed 150,000 sq.ft. in size including all office space.

Each commercial property has a role and function and fits within a certain category. This hierarchy is important as it clearly shows Sechelt lacks retail scale and variety. At a minimum, Sechelt could add a power centre type project with a department store anchor. Such a project would satisfy demand for the long term so only one project would go ahead, either at Wilson Creek or the Band Lands. If it goes to Wilson Creek, the District would get the taxes and be able to ensure an attractive design.

**TABLE 2.1
SHOPPING CENTRE TYPES AND CATEGORIES – NORTH AMERICA**

TYPE	CONCEPT	SQ. FT. (Inc. Anchors)	ACREAGE	TYPICAL ANCHOR(S)		ANCHOR RATIO*	PRIMARY TRADE AREA**
				NUMBER	TYPE		
NEIGHBORHOOD CENTER	Convenience	30,000 - 150,000	3 - 15	1 or more	Supermarket	30 - 50%	3 miles
COMMUNITY CENTER	General Merchandise; Convenience	100,000 - 350,000	10 - 40	2 or more	Discount dept. store; super-market; drug; home improvement; large specialty/discout apparel	40 - 60%	3 - 6 miles
REGIONAL CENTER	General Merchandise; Fashion (Mall, typically enclosed)	400,000 - 800,000	40 - 100	2 or more	Full-line dept. store; jr. dept. store; mass merchant; disc. dept. store; fashion apparel	50 - 70%	5 - 15 miles
SUPERREGIONAL CENTER	Similar to Regional Center but has more variety and assortment	800,000+	60 - 120	3 or more	Full-line dept. store; jr. dept. store; mass merchant; fashion apparel	50 - 70%	5 - 25 miles
FASHION/SPECIALTY CENTER	Higher end, fashion oriented	80,000 - 250,000	5 - 25	N/A	Fashion	N/A	5 - 15 miles
POWER CENTER	Category-dominant anchors; few small tenants	250,000 - 600,000	25 - 80	3 or more	Category killer; home im- provement; disc. dept. store; warehouse club; off- price	75 - 90%	5 - 10 miles
THEME/FESTIVAL CENTER	Leisure; tourist-oriented; retail and service	80,000 - 250,000	5 - 20	N/A	Restaurants; entertainment	N/A	N/A
OUTLET CENTER	Manufacturers' outlet stores	50,000 - 400,000	10 - 50	N/A	Manufacturers' outlet stores	N/A	25 - 75 miles

* The share of a center's total square footage that is attributable to its anchors
**The area from which 60 - 80% of the center's sales originate

Source: International Council of Shopping Centers

2.3 NEIGHBOURHOOD SHOPPING CENTRES

Neighbourhood shopping centres provide merchandise for daily living needs. They include convenience goods such as food, drugs, financial service (banks) and personal services (beauty salons). A supermarket is the principal tenant in this type of shopping centre and is often complemented by a drugstore. This is the most important type of retail in the area.

The following table represents the average operating results and other data for 21 Canadian neighbourhood shopping centres. The average Canadian neighbourhood centre is 61,452 sq.ft. with the largest one being 86,775 sq.ft. and including office space. It is neither advised, nor possible for a neighbourhood centre anywhere in the region to exceed 80,000 sq. ft. in size.

A typical neighbourhood centre is approximately 60,000 sq.ft. in size and generates sales of just over \$500 per sq.ft. of gross leasable area.

Food stores such as supermarkets comprise almost half (46.5%) of neighbourhood shopping centre floor space. Other categories are food service (9.0%), personal service (8.4%), drugstores (6.5%), other miscellaneous retail (5.9%), and general merchandise stores (4.7%).

The District could likely accommodate another neighbourhood shopping centre and perhaps a power centre but not one of the larger types of retail projects. It is expected that this centre could locate downtown. The west Sechelt area could accommodate a convenience centre (1 acre) but a neighbourhood centre would be difficult to justify without a 4 or 5 acre site right on the highway and at the gateway to the

community. Stores and other retail and service businesses require local residents as customers and also some drive by traffic as customers in order to be feasible, that is why retail always good visibility and access. If the west Sechelt commercial site is internal to the sub-division then potential sales would likely not be enough to warrant the development of a new supermarket.

**TABLE 2.2
CANADIAN NEIGHBOURHOOD SHOPPING CENTRES
CENTRE SIZE, SALES AND OPERATING RESULTS**

Number of Centers in Sample: 21	Average	Median	Lower Decile	Upper Decile	Median	Lower Decile	Upper Decile	Number Reporting
Center Size								
Square Feet								
Total floor space (GLA and all other floor area)	61,452	57,021	36,129	86,775				21
Center Sales								
Dollars per Square Foot of GLA								
All tenants	\$501.60	\$504.89						5
Operating Results								
Dollars per Square Foot of GLA								
Percent of Total Receipts								
	\$	\$	\$	\$	%	%	%	
Total Operating Receipts	18.68	17.86	11.26	26.93	100.00	100.00	100.00	21
Total rent	12.76	11.33	7.97	18.44	69.60	54.05	77.09	21
Total common area charges	4.06	3.43	1.41	8.33	18.19	10.75	37.23	21
Total other charges	2.79	2.90	1.08	4.06	15.46	8.16	21.71	1
Total miscellaneous income	0.12	0.09	0.01	0.29	0.44	0.05	1.52	14
Total Operating Expenses	6.94	6.90	3.30	10.24	39.93	30.21	46.96	21
Total maintenance and housekeeping	1.98	2.13	0.86	2.80	9.66	6.60	17.33	20
Total advertising and promotion	0.09	0.06			0.21			5
Total real estate taxes	3.41	3.55	1.98	5.35	17.41	15.05	27.33	21
Total insurance	0.13	0.13	0.08	0.24	0.61	0.40	1.52	21
Total general and administrative	1.29	1.10	0.43	2.57	6.72	2.86	14.97	20
Net Operating Balance	11.84	11.11	6.60	17.36	60.07	53.04	69.79	21
Note: GLA for operating results is adjusted as described in Chapter 2.								
Note: Because data are means, medians, and deciles, detailed amounts do not add to totals. No median figures are shown if fewer than five values were reported for any income or expense category, and no lower and upper decile amounts are shown if fewer than ten values were reported.								

Source: The Urban Land Institute

2.4 RETAIL DEVELOPMENT TRENDS

As with any retail market study, it is important to address a number of important retail development trends influencing the study area.

- Regional enclosed malls have lost retail market share over the past 15 years. They tend to be costly to operate and inconvenient to shop at for the majority of customers. This is due to such factors as their lack of convenience for many residents within the mall's large regional trade area. This is a declining form of retail development and very few have been built in North America since 1990. Despite this they have maintained dominance over some segments of the industry, particularly apparel. Without a large apparel selection, this type of retail development is not effective. Without full line department store anchors, this type of development is inconvenient without the end benefit of shopping there. Regional malls can rely on infrequent but substantial shopping trips by rural residents in the same way Sunshine Coast residents shop at Park Royal in West Vancouver.
- Malls can be ineffective premises for retailers due to their inconvenient locations and/or inconvenient space within mall area plans. Internal-only locations with weak exposure to major arterials do not offer sufficient visibility for retailers seeking the maximum exposure to potential consumers. Weak locations tend to become relatively weaker over time, while strong locations tend to increase in strength. This trend is benefiting some street-front commercial areas and at the same time highlighting the inherent weaknesses in other areas. Internal mall corridors and mall entrances should make tenant premises convenient to consumers, not inconvenient. Stand alone anchors or anchors with just a few ancillary stores are becoming ever more common. They are typically not found in malls, but each store unit is built by the end users such as home centres and department stores. Trail Bay Mall Works as an effective anchor for downtown but is unusual and counter to this industry trend.
- Commercial streets are increasingly attractive locations for retailers as they offer maximum customer convenience and independence from mall landlords. They also allow retailers to become an integral part of customers' ever more differentiated lifestyles. Mass marketing is growing less effective than in the past and customers seek more unique and socially diverse experiences. This is applicable to Sechelt and the downtown which warrants full support.
- Street-front retailing is making a major comeback, in part, because it is convenient and it offers a number of unique and interesting owner-operator tenants. The large chains are all trying to get locations on good, high traffic streets in order to get closer to their customers, both physically and in terms of their lifestyle. This trend is only expected to grow as it gains its strength from the ever more pressing need for convenience with respect to the local population base.
- There is strong demand from supermarkets for in-fill sites in inner-urban areas. The supermarkets tend to thrive with the associated denser population base and higher traffic volumes that such locations provide. This would spin off benefits to the immediate area and make related businesses viable. The major drawback is that there are few large vacant sites in the downtown areas.

- Big-box specialty retail anchors which sell product lines such as: books, crafts, toys, office supplies, computers, electronics, sporting goods, shoes, pet supplies, home furnishings and furniture, and home improvement merchandise, have grown to dominate shopping centre development. The big-box stores now seek out some street-front retail locations in urban markets and can modify their floor plans. These tenants tend to locate on their own stand alone sites when possible. These stores typically have only minimal competition with downtowns as they sell very different merchandise.
- Modern malls have high anchor-to-CRU (commercial retail unit) ratios. This trend is evident in virtually every recent development. Street-front commercial districts, with their more numerous, finer grain retail, are being differentiated from malls, and offer a favourable and complementary shopping alternative. Dozens of retail impact studies have been conducted when large new stores enter older communities and in general there has not been any measurable impact.
- Neighbourhood centres anchored by supermarkets and drugstores play a very strong role within the local community. They generate high and consistent rental revenue and have low associated leasing risk. These are a very popular form of retail development and the region will need another one of these with a little more growth.
- Prototype stores have a variety of sizes and Sechelt would be suitable for the smallest scale. This applies to almost all potential anchor tenants.
- Most new retail projects are inner urban, mixed use and high density. Many new urban projects have a substantial multi-family component. In general, retail is ever more specialized and should be focused on specific customer needs. There is less speculation building than in the past.
- The wholesale to retail industry, typified by stores such as Costco, is still doing very well.
- The large discount chains are doing better than full price chains in the recession. Wal-Mart has done relatively well and taken major steps to “improve” and “green” their practices and image.
- Internet shopping is still growing steadily and is serving an even bigger function in the market.

3.0 RETAIL DEMAND AND DEMOGRAPHICS

3.1 INTRODUCTION

The municipalities and electoral areas of the Regional District are the District of Sechelt, Town of Gibsons, Sechelt Indian Government District, and Electoral Areas A, B, D, E and F. The focus of this study is the District of Sechelt, the primary and most central urban area. In economic terms however, the entire region functions like one large market where residents can shop anywhere. They are more inclined to drive further for items where there is a wide selection and price variability such as for apparel or appliances. Consumers travel shorter distances for most perishable food items and convenience goods. It is clear that the trade area for most goods is the entire Sunshine Coast Regional District.

3.2 DEMOGRAPHICS

The Sunshine Coast Regional District trade area population was 27,730 in 2006, and it is expected to grow to 30,098 by 2011 and 31,643 by 2016. This is a conservative average of 390 persons living in 200 new homes per year.

The local trade area population, including Sechelt, is as follows:

Sechelt - (District of Sechelt + Indian Band - 10,000

Electoral Area B	2,600
1/2 Electoral Area D	1,500
Total	14,100

The population growth in Sechelt, the primary trade area, is expected to be 2% per year.

The population has a larger older age demographic (ages 45 years and older) with fewer younger and middle aged people than the provincial average. The median age is significantly higher than the provincial average at 48.5 years, compared to 39.7 years. This indicates a substantial senior component that does less retail shopping and is more cautious about prices than the average consumer. Sechelt has a particularly old population base.

Household income distribution is skewed towards levels below \$40,000, relative to the provincial income levels. Household median and average incomes are slightly lower than the provincial averages, at \$47,897 (compared to \$52,448) and \$58,867 (compared to \$63,000), respectively.

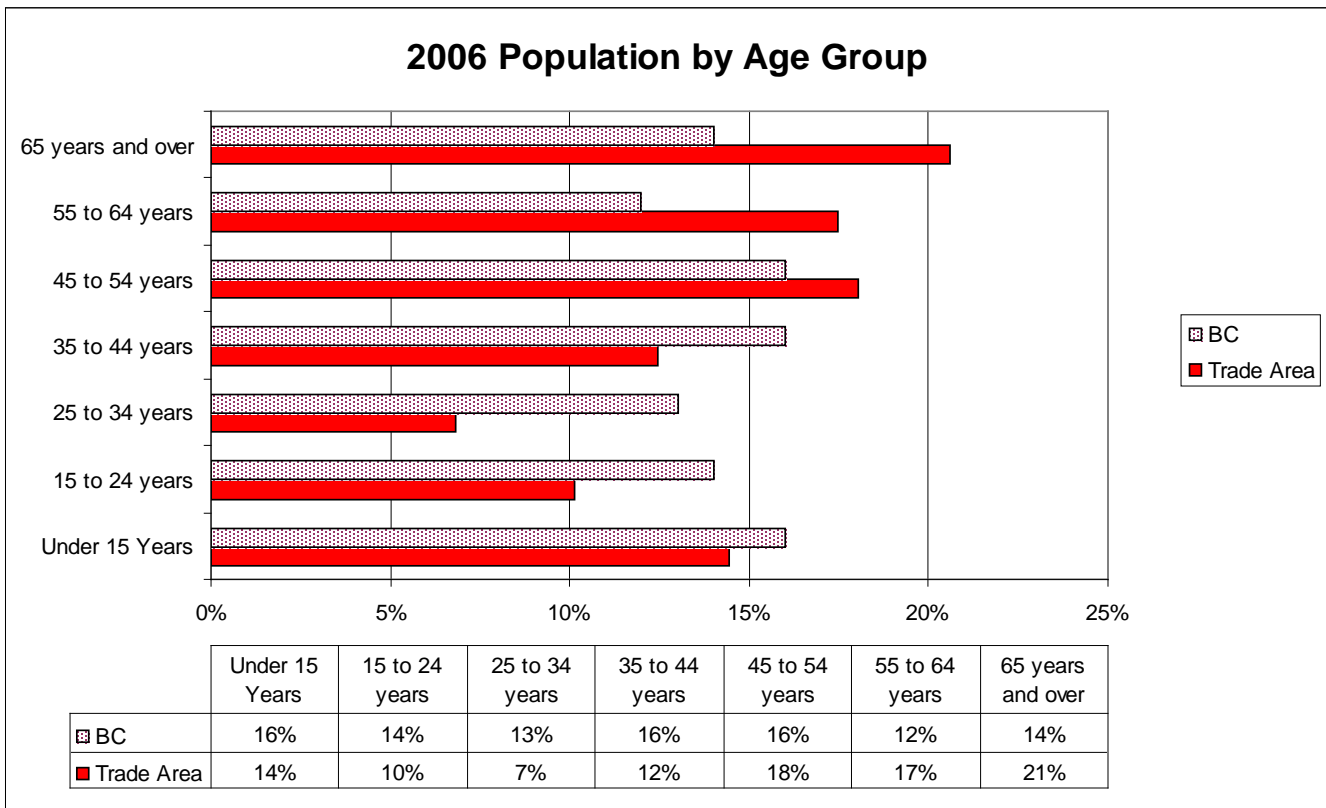
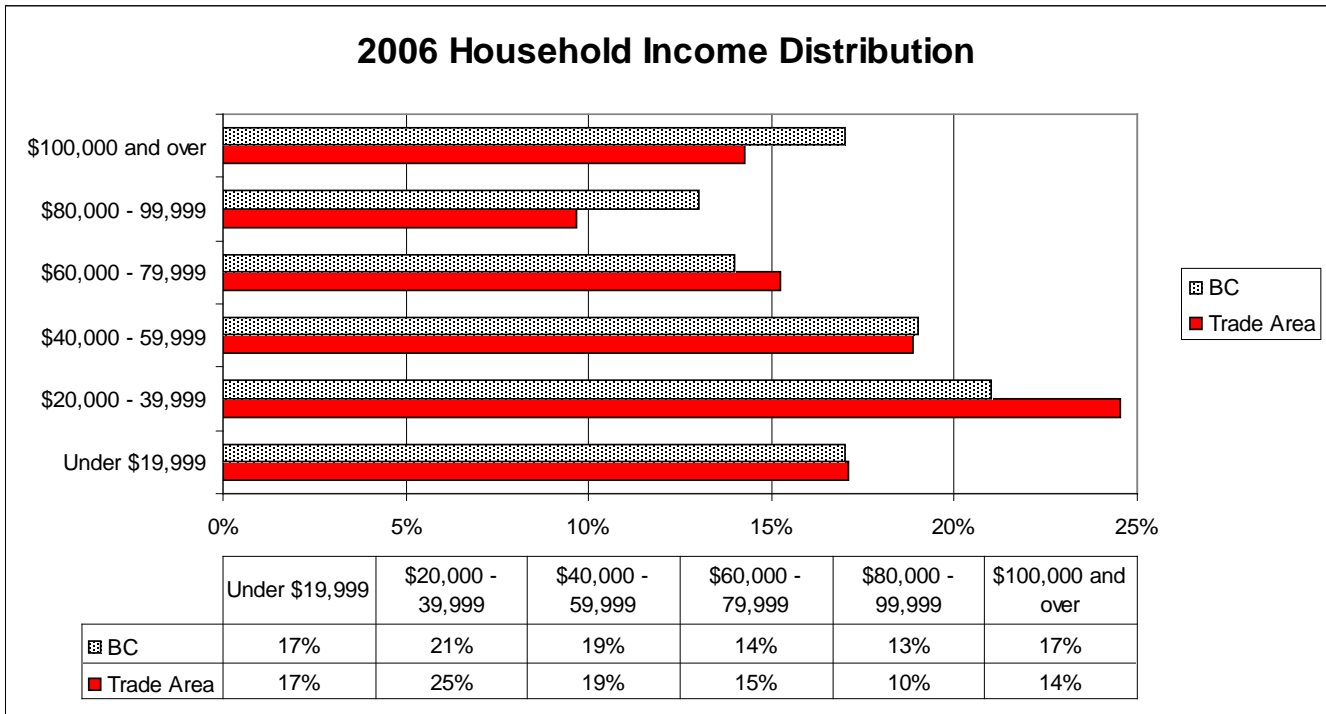
The majority of dwellings, 81%, are owner occupied, indicating a well established community. There are very few young renters.

The following demographic tables and charts are derived from the 2006 Canadian census and MapInfo.

TABLE 3.1
SUNSHINE COAST REGIONAL DISTRICT (TRADE AREA) DEMOGRAPHIC PROFILE

Demographics	Trade Area		B.C.
2006 Population	27,730		
2011 Population	30,098		
2016 Population	31,643		
2006 Population Age Groups			
Under 15 Years	4,005	14%	16%
15 to 24 years	2,805	10%	14%
25 to 34 years	1,890	7%	13%
35 to 44 years	3,455	12%	16%
45 to 54 years	5,000	18%	16%
55 to 64 years	4,850	17%	12%
65 years and over	5,705	21%	14%
Median Age	48.5		39.7
2006 Household Income			
Households	12,180		
Under \$19,999	2,085	17%	17%
\$20,000 - 39,999	2,990	25%	21%
\$40,000 - 59,999	2,300	19%	19%
\$60,000 - 79,999	1,855	15%	14%
\$80,000 - 99,999	1,175	10%	13%
\$100,000 and over	1,735	14%	17%
Median Income	\$ 47,897		\$ 52,448
Average Income	\$ 58,867		\$ 63,048
Employment income	70%		76%
Government transfer payments	13%		12%
Other	18%		12%
2006 Dwellings	12,170		
Owned Dwellings	9,810	81%	66%
Rented Dwellings	2,330	19%	33%
Single detached houses	9,790	80%	55%
Semi-detached/row/duplex	1,150	9%	16%
Apartments	700	6%	26%
Average value of dwellings	\$ 443,066		\$ 230,645
Persons per household	2.2		2.5
2006 Education			
Total Population 15 years and over	23,480		
Without university degree	19,635	84%	82%
With bachelors degree or higher	3,845	16%	18%

**TABLE 3.2
TRADE AREA INCOME AND AGE PROFILE**



3.3 RETAIL EXPENDITURE POTENTIAL (Demand)

Retail demand has been calculated to determine whether the market is in balance or is undersupplied or oversupplied. Retail demand is calculated based upon average spending per capita multiplied by the trade area population. Based on this simple formula, retail demand for the trade area was over \$377 million in 2008, and it is expected to grow to \$395 million by 2011 and \$426 million by 2016. Each category by store type is listed below in Table 3.3.

By dividing retail demand by the averages sales per sq. ft. for each type of store the appropriate level of supply can be matched with demand.

For example, there is \$43 million worth of department store and general merchandise expenditures generated by residents. If these stores would be profitable and successful at an average of \$300 in sales per sq ft this means there is demand for over 140,000 sq ft of this type of store. In other words, Sunshine Coast residents support over 140,000 sq ft of general merchandise space elsewhere, likely in Greater Vancouver. From another perspective, a store of this size could be developed before it would begin to have a negative impact on competitive stores because most of its sales would come from reversing retail outflow. Currently there are very few general merchandise stores within the regional trade area.

The local Sechelt primary trade area generates demand for 67,000 sq ft of general store type merchandise (department store ie. Wal-Mart), slightly less than half of the regional trade area.

Another example store category is supermarkets which will generate almost \$70 million worth of retail expenditures or retail demand in 2011 from local residents. These stores would ideally require sales of at least \$400 per sq ft.

This means the regional district could support 175,000 sq ft of supermarket floor space. There is far less than this locally or across the region despite food retail shopping typically being a local activity. Currently there are just the Claytons, IGA and Extra Foods in the Sechelt area and Super Valu and IGA in the Gibsons area and one more small supermarket in the regional district. These stores combined do not add up to much more than 120,000 sq.ft., meaning there clearly is ample demand for another large new supermarket. For example, a Price Smart supermarket would likely be very interested in opening a new store within the District.

The retail outflow to Greater Vancouver is greatest for the large scale items where price and selection are very important and worth the drive. These include the auto, furniture, appliance, electronics, and home centre categories and also the apparel category. It is very difficult for a moderate sized community in relatively close proximity to a large city to stop the retail outflow for these store categories.

TABLE 3.3
TOTAL TRADE AREA RETAIL DEMAND BY STORE CATEGORY

Trade Area Expenditure Potential by Trade Group	2008	2011	2016
Total, all trade groups	\$ 377,561,400	\$ 395,107,188	\$ 425,878,046
New car dealers	\$ 65,014,782	\$ 68,036,107	\$ 73,334,744
Used and recreational motor vehicle and parts dealers	\$ 13,508,840	\$ 14,136,614	\$ 15,237,571
Gasoline stations	\$ 44,127,132	\$ 46,177,779	\$ 49,774,094
Furniture stores	\$ 8,551,329	\$ 8,948,721	\$ 9,645,645
Home furnishings stores	\$ 6,891,806	\$ 7,212,077	\$ 7,773,752
Computer and software stores	\$ 1,657,434	\$ 1,734,457	\$ 1,869,536
Home electronics and appliance stores	\$ 14,029,264	\$ 14,681,223	\$ 15,824,593
Home centres and hardware stores	\$ 19,319,045	\$ 20,216,828	\$ 21,791,310
Specialized building materials and garden stores	\$ 5,635,288	\$ 5,897,168	\$ 6,356,438
Supermarkets	\$ 66,247,701	\$ 69,326,321	\$ 74,725,440
Convenience and specialty food stores	\$ 6,374,932	\$ 6,671,184	\$ 7,190,734
Beer, wine and liquor stores	\$ 19,498,162	\$ 20,404,268	\$ 21,993,348
Pharmacies and personal care stores	\$ 20,786,765	\$ 21,752,754	\$ 23,446,854
Clothing stores	\$ 16,443,349	\$ 17,207,494	\$ 18,547,610
Shoe, clothing accessories and jewellery stores	\$ 5,125,870	\$ 5,364,076	\$ 5,781,829
General merchandise stores	\$ 41,016,078	\$ 42,922,151	\$ 46,264,918
Sporting goods, hobby, music and book stores	\$ 12,221,410	\$ 12,789,355	\$ 13,785,387
Miscellaneous store retailers	\$ 11,112,205	\$ 11,628,604	\$ 12,534,237
Total excluding new, used and recreational motor vehicle and parts dealers	\$ 299,037,770	\$ 312,934,460	\$ 337,305,724

TABLE 3.4
SECHELT TRADE AREA RETAIL DEMAND BY STORE CATEGORY

Trade Area Expenditure Potential by Trade Group	2008	2011	2016
Total, all trade groups	\$ 182,346,831	\$ 196,201,476	\$ 223,282,949
New car dealers	\$ 31,399,501	\$ 33,785,224	\$ 38,448,561
Used and recreational motor vehicle and parts dealers	\$ 6,524,222	\$ 7,019,930	\$ 7,988,883
Gasoline stations	\$ 21,311,613	\$ 22,930,862	\$ 26,095,983
Furniture stores	\$ 4,129,945	\$ 4,443,737	\$ 5,057,101
Home furnishings stores	\$ 3,328,462	\$ 3,581,358	\$ 4,075,689
Computer and software stores	\$ 800,473	\$ 861,293	\$ 980,176
Home electronics and appliance stores	\$ 6,775,565	\$ 7,290,370	\$ 8,296,652
Home centres and hardware stores	\$ 9,330,315	\$ 10,039,229	\$ 11,424,932
Specialized building materials and garden stores	\$ 2,721,615	\$ 2,928,403	\$ 3,332,607
Supermarkets	\$ 31,994,951	\$ 34,425,915	\$ 39,177,686
Convenience and specialty food stores	\$ 3,078,834	\$ 3,312,762	\$ 3,770,019
Beer, wine and liquor stores	\$ 9,416,821	\$ 10,132,308	\$ 11,530,859
Pharmacies and personal care stores	\$ 10,039,164	\$ 10,801,936	\$ 12,292,915
Clothing stores	\$ 7,941,470	\$ 8,544,860	\$ 9,724,298
Shoe, clothing accessories and jewellery stores	\$ 2,475,587	\$ 2,663,681	\$ 3,031,346
General merchandise stores	\$ 19,809,101	\$ 21,314,189	\$ 24,256,163
Sporting goods, hobby, music and book stores	\$ 5,902,445	\$ 6,350,910	\$ 7,227,519
Miscellaneous store retailers	\$ 5,366,744	\$ 5,774,507	\$ 6,571,556
Total excluding new, used and recreational motor vehicle and parts dealers	\$ 144,423,105	\$ 155,396,320	\$ 176,845,502

Source : Statistics Canada, Mapinfo, Site Economics Ltd

Existing retail facilities in Sechelt and across the Sunshine Coast are not adequate to serve the growing population base. While suitable in terms of age and layout the existing retail facilities are often not ideal. A major step should be taken to improve the commercial infrastructure by supporting new, well designed and attractive retail facilities. Demand and development will be limited to one large project which would strongly impact the region. Such a project would stop a significant amount of retail leakage (outflow) to Metro Vancouver.

4.0 CONCLUSION

The primary conclusion is that the District of Sechelt should encourage new and larger forms of retail development in order to bring retail supply more into line with retail demand.

The area is relatively isolated from Greater Vancouver due to the lack of road access, however a very large proportion of its residents' retail shopping takes place outside the Sunshine Coast Regional District. Large scale stores are clearly needed and warranted and surplus demand is so great there would not be any measurable impact on existing stores.

National chain department stores and home centres and supermarkets are all warranted for development within this community. These stores should be accommodated in the short term as the problem with insufficient retail facilities will only get worse with population growth.

The downtown area of Sechelt is attractive and viable and it should be supported through clear and supportive land use designations and zoning, design guidelines, and policies which focus retail onto a few major streets, not allowing it to spread out and adding new anchor stores as possible. Sechelt should reflect both economic conditions and development trends in its planning and support:

- Large scale retail in Wilson Creek. Such a site is likely as good as or better than any other sites in The District.
- The redevelopment of key downtown sites.
- Retailers would choose Wilson Creek or the Band Land locations and major anchors will not wait. They would satisfy the demand for the long term (ie. 10 years) in one development. The tax base could be secured for the District or lost for the long term to the Band Lands.
- The Regional District has less retail space per capita than almost any other comparably sized community. The scale has reached the point where large anchor retailers such as Wal-Mart, Home Depot and Price Smart are warranted.

APPENDIX 1 - ASSUMPTIONS & LIMITING CONDITIONS

1. This market, economic, land use or development report / study has been prepared at the request of the client for the purpose of providing an estimate of economic feasibility or impact, development strategy or range of possible market values. It is not reasonable for any person other than the person or those to whom this report is addressed to rely upon this without first obtaining written authorization from the client and the author of this report. This report has been prepared on the assumption that no other person will rely on it for any other purpose and all liability to all such persons is denied.
2. This report has been prepared at the request of the client, and for the exclusive (and confidential) use of the recipient as named herein and for the specific purpose and function as stated herein. The client has provided much of the site information and has represented that such material, such as ownership, rents, size, etc. is reliable. All copyright is reserved to the author and this report is considered confidential by the author and the client. Possession of this report, or a copy thereof, does not carry with it the right to reproduction or publication in any manner, in whole or in part, nor may it be disclosed, quoted from or referred to in any manner, in whole or in part, without the prior written consent and approval of the author as to the purpose, form and content of any such disclosure, quotation or reference.
3. Without limiting the generality of the foregoing, neither all nor any part of the contents of this report shall be disseminated or otherwise conveyed to the public in any manner whatsoever or through any media whatsoever or disclosed, quoted from or referred to in any report, financial statement, prospectus, or offering memorandum of the client, or in any documents filed with any governmental agency without the prior written consent and approval of the author as to the purpose, form and content of such dissemination, disclosure, quotation or reference.
4. If an estimate of economic, market or financial value of the real property / subject site which is assessed in this report is provided then it pertains to the approximate and general range of possible values of the freehold or fee simple, or leasehold or leased fee estate in the real property, based on vacant possession or subject to terms and conditions of the existing tenancy as described in this report. The property rights exclude mineral rights, if any.
5. An estimate of economic, market or financial value, if any, contained in this report is founded upon a thorough and diligent examination and analysis of information gathered and obtained from numerous sources. Certain information has been accepted at face value; especially if there was no reason to doubt its accuracy. Other empirical data required interpretive analysis pursuant to the objective of this report. Certain inquiries were outside the scope of this mandate. In addition any economic or financial estimates in this report are approximations only and may vary from final and actual market values. For these reasons, the analyses, opinions and conclusions contained in this report are subject to the following contingent and limiting conditions.
6. The property has been assessed on the basis that title to the real property is good and marketable.
7. The author of this report cannot accept responsibility for legal matters, questions of survey, opinions of title, hidden or unapparent conditions of the property, toxic wastes or contaminated materials, soil or sub-soil conditions, environmental, engineering or other technical matters which might render this property more or less valuable than as stated herein. If it came to our attention

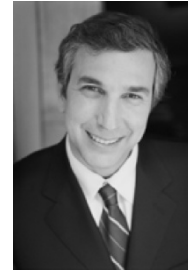
as the result of our investigation and analysis that certain problems may exist, a cautionary note has been entered in the body of the report.

8. The legal description of the property and the area of the site were obtained from sources which are deemed to be reliable. Further, the plans and sketches contained in this report are included solely to aid the recipient in visualizing the location of the property, the configuration and boundaries of the site and the relative position of the improvements on the said lands.
9. The property, if any, has been described on the basis that the real property is free and clear of all value influencing encumbrances, encroachments, restrictions or covenants except as any be noted in this report and that there are no pledges, charges, lien or social assessments outstanding against the property other than as stated and described herein.
10. The property if any, has been described on the basis that there are no outstanding liabilities except as expressly noted herein, pursuant to any agreement with a municipal or other government authority, pursuant to any contract or agreement pertaining to the ownership and operation of the real estate or pursuant to any lease or agreement to lease, which may affect the stated value or saleability of the subject property or any portion thereof.
11. The interpretation of any leases and other contractual agreements, pertaining to the operation and ownership of the property, as expressed herein, is solely the opinion of the author and should not be construed as a legal interpretation. Further, any summaries of these contractual agreements, which may appear in the Addenda, are presented for the sole purpose of giving the reader an overview of the salient facts thereof.
12. The property, if any, has been described on the basis that the real property complies in all material respects with any restrictive covenants affecting the site and has been built and is occupied and being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto. (It is recognized there may be work orders or other notices of violation of law outstanding with respect to the real estate and that there may be certain requirements of law preventing occupancy of the real estate as described in this report. However, such possible circumstances have not been accounted for in the reporting process.)
13. Investigations have been undertaken in respect of matters which regulate the use of land. However, no inquiries have been placed with the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in this report. The subject property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of this property. To be certain of such compliance, further investigations may be necessary.
14. The property, if any, has been assessed and possibly valued in a general analysis on the basis that all rents referred to in this report are being paid in full and when due and payable under the terms and conditions of the attendant leases, agreements to lease or other contractual agreements. Further, it is assumed that all rents referred to in this report represent the rental arrangements stipulated in the leases, agreements to lease or other contractual agreements pertaining to the tenants' occupancy, to the extent that such rents have not been prepaid, abated, or inflated to reflect extraordinary circumstances, and are fully enforceable

notwithstanding that such documentation may not be fully executed by the parties thereto as at the date of this reporting, unless such conditions have been identified and noted in this report.

15. The data and statistical information contained herein were gathered from reliable sources and are believed to be correct. However, these data are not guaranteed for accuracy, even though every attempt has been made to verify the authenticity of this information as much as possible.
16. Any estimated economic or market or financial value does not necessarily represent the value of the underlying shares, if the asset is so held, as the value of the shares could be affected by other considerations. Further, the estimated market value if any does not include consideration of any extraordinary market value of the property, unless the effects of such special conditions, and the extent of any special value that may arise therefrom, have been described and measured in this report.
17. Should title to the real estate presently be held (or changed to a holding) by a partnership, in a joint venture, through a co-tenancy arrangement or by any other form of divisional ownership, the value of any fractional interest associated therewith may be more or less than the percentage of ownership appearing in the contractual agreement pertaining to the structure of such divisional ownership.
18. In the event of syndication, the aggregate value of the limited partnership interests may be greater than the value of the freehold or fee simple interest or leasehold interest in the real property, by reason of the possible contributory value of non-realty interests or benefits such as provision for tax shelter, potential for capital appreciation, special investment privileges, particular occupancy and income guarantees, special financing or extraordinary agreements for management services.
19. Should the author of this report be required to give testimony or appear in court or at any administrative proceeding relating to this report, prior arrangements shall be made therefore, including provisions for additional compensation to permit adequate time for preparation and for any appearances which may be required. However, neither this nor any other of these contingent and limiting conditions is an attempt to limit the use that might be made of this report should it properly become evidence in a judicial proceeding. In such a case, it is acknowledged that it is the judicial body which will decide the use of this report which best serves the administration of justice.
20. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of market value expressed herein, as of the effective date of this report, cannot necessarily be relied upon as any other date without the subsequent advice of the author of this report. All macro economic data has been obtained from reliable sources however major changes in the economy are possible which could move entire markets and a reported value, if any, would move up or down with that market. The report typically assumes stable background economic conditions.
21. If any economic, market or financial value or measure has been expressed herein it is in Canadian dollars.

APPENDIX 2 - PROFESSIONAL RESUME



SITE ECONOMICS LTD.

Richard Wozny, Principal

Experience

Richard has conducted over 300 development and financial studies of shopping centres and commercial districts. He has worked on the development of thousands of acres of residential and industrial projects, and over 400 store location and feasibility studies for retailers. Richard combines a creative and worldly project vision with pragmatic and detailed analysis.

Past Employment

Richard's past work experience includes: Vice President and Manager of Advisory Services, Cushman & Wakefield LePage Inc., from 2000 to 2009; Principal, Site Economics Ltd., from 1990 to 2000; Manager of Retail Development for Western Canada, Marathon Realty Company Ltd., from 1987 to 1990; and Senior Consultant for Shopping Centre Developments, Thomas Consultants Inc., from 1984 to 1987.

Education

Richard completed a Masters Degree in Regional Science at the University of Pennsylvania, Philadelphia, PA, in 1984, a Masters Degree in Religion at Temple University, Philadelphia, PA, in 1982, and a Bachelors Degree in Philosophy at the University of British Columbia, Vancouver, BC, in 1978.

Strategic Real Estate Services

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 - Development Strategies and Optimization
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 - Proforma / Discounted Cash Flows
 - Property Acquisition and Disposition Strategies
 - Strategic Review of Redevelopment Options
 - Shopping Centre / Downtown Revitalization
 - Market Impact Studies for Major Developments
 - Market Input for Land Use Planning
 - Site Selection and Location Assessment for Retailers and Landowners
-

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