



City of
Peterborough

TO: Members of the Planning Committee

FROM: Malcolm Hunt, Director of Planning And Development Services

MEETING DATE: March 30, 2009

SUBJECT: Report PLPD09-007
Retail Market Analysis (2008)

PURPOSE

A report to release the Retail Market Analysis (2008) prepared for the City of Peterborough by urbanMetrics Inc. and to provide a summary of the key findings.

RECOMMENDATIONS

That Council approve the recommendations outlined in Report PLPD09-007 dated March 30, 2009, of the Director of Planning and Development Services, as follows:

- a) That the Retail Market Analysis dated March 11, 2009, prepared by urbanMetrics Inc. be received.
- b) That the Retail Market Analysis be formally released as a Planning Study for the City of Peterborough and that staff consult the findings of the study to guide the evaluation of commercial development applications.
- c) That the Retail Market Analysis form part of the background research for the Official Plan Review to be conducted over the next 12 months and that staff report through that process on the implications of the findings of the Retail Market Analysis on the Commercial Land Use Policies of the City of Peterborough.

BUDGET AND FINANCIAL IMPLICATIONS

There are no direct Budget and Financial Implications arising out of the approval of the recommendations.

GENERAL

Planning Report PLPD09-007 summarizes the key findings of the urbanMetrics Retail Market Analysis, dated March 11, 2009 and outlines the context for the completion of this important body of research. The complete report consists of two (2) volumes: the Retail Market Analysis and the Appendices. The Retail Market Analysis has been included as an attachment to the staff report. The Appendices have not been printed but are available for viewing on the City's Web Site, filed with the reports under the March 30, 2009 Planning Committee agenda. Representatives of urbanMetrics will be in attendance at the Planning Committee meeting to present their findings and answer questions of members of Planning Committee.

BACKGROUND

The CPR 2000 Program:

The ***Retail Market Demand Study*** dated September, 2000 and prepared by Robin Dee and W. Scott Morgan, as background to the City of Peterborough Commercial Policy Review (CPR 2000), projected market demands for new retail floor space as follows:

By 2006 – 63,608.7 m² (684,701 sq. ft.)
By 2011 – 74,921.4 m² (806,474 sq. ft.)
By 2021 – 98,385.2 m² (1,059,044 sq. ft.)

The 5-year increment between 2001 and 2006 projected a significant growth potential that was not replicated to the same extent for the balance of the forecast period. The 2001 to 2006 forecast did not reflect an unusual population growth, or enhanced expenditure or income profile for the market place in the early years of the forecast period. Rather the aggressive forecast was justified for two reasons:

1. The local market growth had been artificially constrained during the 1990's to safeguard the fragile health of the Downtown and hence new retailers could not easily locate in Peterborough even though the market demand was present.
2. The 2000 Commercial Policy was all about restoring the historic regional retail role of the City of Peterborough. For the previous decade the absence of

many retailers from the local market place meant Peterborough shoppers were spending their dollars elsewhere. The Retail Analysis (2000) found that **\$60,000,000** in retail expenditures were annually leaking to other markets. The objective of the CPR 2000 program was to repatriate those sales back to Peterborough by permitting the entry of larger format retail stores.

In response to the forecast of warranted floor space, the CPR 2000 program sought to redesignate sufficient land area for commercial purposes to accommodate the forecasted need. While the forecast period extended to 2021, the CPR 2000 process only assigned retail land-use designations to cover the forecast period to 2011. As one extends the forecast period, conclusions become increasingly vulnerable to error. Commercial land use designations are powerful determinants of urban form and community growth patterns. Therefore, it was deemed prudent to be cautious.

As a general rule, the CPR 2000 program designated 1 acre for retail commercial purposes for every 10,000 sq. ft. of warranted floor space. As a result, approximately 80 acres of land was designated for retail purposes distributed through retail nodes, including the downtown. The land area requirement for a membership warehouse club was **in addition** to the warranted floor space projections. In the view of the retail experts, the entry of such a retail facility would induce as much new sales activity in Peterborough as it drew out of existing Peterborough stores. In other words, Costco or equivalent was not seen as simply redistributing the existing market pie but rather making the market pie bigger, and thus it was regarded to be an integral component of the CPR 2000 retail strategy.

The Retail Market Analysis (2008)

The 2008 Retail Market Analysis was not undertaken on the premise that the current official plan policy direction is broken or that there are obvious flaws with the market forecast of the 2000 Analysis. Rather, the 2008 Study was initiated out of an abundance of caution. There was a need to test the assumptions employed during the 2000 Retail Market Analysis after seven years and to respond accordingly. The 2000 Retail Analysis relied on 1996 Census data. The 2008 study has the added benefit of drawing from both the 2001 Census and the recently released 2006 Census. The census contributes valuable expenditure, income and population data – all are necessary to generate reliable forecasts. As referenced in Report PLPD06-009, prepared in response to the rezoning application for the expansion of Lansdowne Place, Peterborough had come close to realizing the 2011 forecast of warranted floor space of approximately 806,500 sq. ft. by 2006.

“The introduction of additional retail space at the Lansdowne Place Mall has been assessed to determine whether it is in keeping with the projected market demand for the City of Peterborough as expressed in the Retail Market Demand Study, prepared in 2000. Staff prepared an inventory of retail space opportunity, created by City approvals of zoning amendments, since the introduction of the new commercial policies in September, 2000. Based on this inventory, the City

has granted approvals that have resulted in an increase of retail floor space by approximately 41,452 m² (446,200 sq. ft.) since 2000. The proposed expansion of the Lansdowne Place Mall from 26,110 m² (281,055 sq. ft.) to 41,500 m² (446,717 sq. ft.) includes an increase in retail floor space of approximately 14,300 m² (153,929 sq. ft.). The approval of this application will increase the total retail floor space added to the inventory (since 2000) to 55,752 m² (600,129 sq. ft.) which is within the projected mid range demand for the year 2011 of 74,921 m² (806,474 sq. ft.).”

Planning Report PLPD06-009

The current Retail Market Analysis (2008) is yet another major research effort that is influenced by the **Place to Grow** population forecasts. As time passes, and the Growth Plan undergoes its planned review in 2011, new population assignments are expected not only for Peterborough but many municipalities in the regional trade area. This may necessitate a revisiting of the longer-term forecasts; however, the Growth Plan review is not anticipated to have significant impacts on the short-term conclusions of the Retail Analysis (2008).

Since the last Retail Market Analysis was completed for the City of Peterborough in 2000, Stats Canada has revamped the classification system for retail and commercial business activity. This was necessitated in part due to the sweeping changes in the traditional forms of commercial land use over the last two decades. Gone is the label “department store-type merchandise” (DSTM). This concept has been the backbone of the Peterborough retail hierarchy as conveyed through the Official Plan for over 30 years. For comparative purposes relative to the 2000 Retail Market Analysis, Urban Metrics has reorganized the 2000 research to reflect the new classification system, where this was possible.

Given the passage of time since the Retail Market Analysis (2000) it was also appropriate to move the upper end of the forecast period from 2021 to 2026.

Key Findings – Demographic and Economic Characteristics

1. The Retail Analysis (2008) continues the long accepted practice of acknowledging the understated population forecast of the Census due to ‘non-reporting’ and other anomalies. Based on the 2001 under-reporting estimate of 3.789% the City population in 2006 was estimated to be 77,800 and the balance of the County 59,900. When the Retail Analysis was completed the estimate of non-reporting from the 2006 was not yet available from Stats Canada.
2. The average per capita income in the City is 14% below that for the province as a whole although income growth has exceeded the average for Ontario between the 2001 and 2006 census years. Per capita income is an important element in determining the retail expenditure potential of Trade Area residents.

3. The 'mature' demographic profile of the Trade Area will influence spending habits. Young adults spend a higher proportion of income on fashion, entertainment and recreation merchandise. During the 'family years' spending shifts to housing and items related to childrearing. As families grow and age the spending includes a greater share on furnishings and décor. In the retirement phase overall spending needs are generally reduced however there is a tendency to replace quantity with quality.
4. In terms of Labour Force Composition, 82% of the City labour force is employed in service-based industries (education, finance, health, retail, government etc.) and approximately 16% in construction and manufacturing. This compares to 77% and 20% respectively for the Province. This labour force composition can be a positive quality during a period economic weakness as service-based employment is generally more stable than manufacturing employment.

Key Findings – Retail Trends

1. During the CPR 2000 process the City developed a policy response to the emergence of new format retail stores. This has enabled the **City as a whole** to increase its market share within the overall region but with a decline in the **Downtown** market share. The community challenge will be to prevent the further erosion of the Downtown's retail share and to support investment in neighbourhood commercial services, which has all but disappeared in preference for large stores that serve the region.
2. During the past decade, the retail industry has continued to change. Fashion retailers are now mainstays in 'power centre' environments where once they were the bread and butter of the shopping mall. Food retailing has moved from the large 40,000 sq ft stores of the early 90's to the super-sized stores of 100,000 sq. ft. plus. Food stores are looking more like general merchandise stores. General merchandise stores are looking more like food stores.
3. Consumers will continue to look for more from large format retail developments, including fashion and restaurant tenants. Additionally, consumers will demand that the rather stark appearance and experience of these developments focus more on style, architecture and mixed uses, including residential.

Key Findings – Trade Area Characteristics

1. Using a new licence plate survey urbanMetrics has validated the trade area limits used in the 2000 Retail Market Analysis completed in 2000. The Trade Area has a primary zone and a secondary zone. The Primary Trade Area for the City is the City itself. The Secondary Trade Area is the Peterborough County and adjacent portions of the City of Kawartha Lakes and Northumberland County.

2. While license plate surveys have limitations, they can be a helpful guide to understand who shops Peterborough. On a typical day retail stores in Peterborough are patronized as follows: 48.5% from City residents, 25% from Peterborough County residents, 7% from the balance of the Secondary Trade Area and 19.5% from outside the Trade Area.
3. The large inflow of shopping from outside the Trade Area of almost 20% is attributed to a large seasonal population in the summer months and a very large student population for the balance of the year. The inflow dollars have a positive impact on the warrants for retail floor space.
4. The Trade Area population is forecasted to increase from 214,400 in 2006 to 240,900 by 2026.

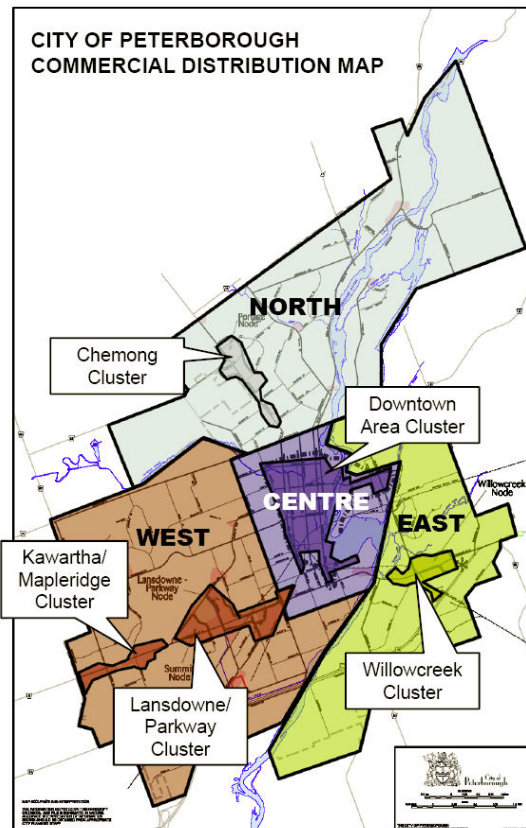
Key Findings – Consumer Survey Research

1. The City of Peterborough captures 99.6% of all Food Store shopping expenditures by City residents and 72.5% by Peterborough County residents. This attests to the strength of Peterborough's draw.
2. For Non-food expenditures the draw is also very strong with 90.4% of expenditures from City residents and 82.5% from Peterborough County residents. The capture rates from the balance of the Trade Area drops considerably.
3. The 3 City department stores, Sears, Wal-Mart and Zellers, capture in excess of 95% of all department store shopping dollars within the City and County.
4. The General Merchandise retail category includes retailers such as Canadian Tire, Dollar Stores, Variety stores and Costco. The survey was conducted **before** the entry of Costco in the Peterborough market place and accordingly the General Merchandise capture rates by City stores are markedly lower at 50% or less. However, City residents surveyed reported that Costco expenditures made up 40% of their "General Merchandise" expenditures. With the opening of Costco, those expenditures will no longer go to the Ajax Costco store but stay within Peterborough.
5. Compared to the 2000 Retail Market Analysis, the 2008 Study reveals some very positive trends. Outflow or shopping dollar leakage is always of great interest as it represents expenditures that are not being made in Peterborough and therefore are not available to support the local retail sector. The 2000 Study determined that, unlike previous surveys, the loyalty of the Peterborough shopper was waning because there were so many attractive retail options within driving distance. As a result the 2000 study found that **\$60.0 million** in annual

expenditures had eroded from Peterborough stores. This translates to **\$70.7 million** expressed in 2007 dollars. The CPR 2000 process set out to restore the traditional dominance of Peterborough in the regional market. An important test of the success of the CPR 2000 program comes from the new research on outflow. Overall, within the Primary Trade Area (the City) the outflow has been reduced from 13.6% of all retail sales in 2000 to 9.4% in 2007. Within the Secondary Trade Area the outflow has been reduced from 74% to 46.3%. These statistics predate the opening of Costco and the expanded Lansdowne Place. Expressed in terms of dollars the repatriation of sales to Peterborough stores is significant.

OUTFLOW REDUCTION SINCE 2000	
Recaptured expenditures from Primary Trade Area	\$15.7 million
Recaptured expenditures from Secondary Trade Area	\$185.3 million
Total Outflow Reduction (2000 – 2007)	\$201.0 million
Add estimate of recapture due to Costco opening	\$45.0 million
Estimate of Total Outflow Reduction (2000 to 2008)	\$246.0 million

Key Findings – Commercial Space Inventory



The Retail Analysis (2008) included an inventory of commercial floor space, conducted in August 2007, and profiled according to four geographic districts: Centre, East, West and North.

The City has a total of 4.2 million square feet of retail **and** service commercial space with the majority of the space being located in the West and Centre Districts, at 40.8% and 36.6% respectively. The North District has 17.7% while the East is limited to 4.9% of all retail and service space. The major categories of **Service** commercial space include: Entertainment and Recreational Activities, Food and Drinking Places, Health Care and Social Services and Personal Care Services. Service commercial floor space has not been included in previous City retail studies.

1. During the period between 2000 and 2007, a total of 670,100 square feet of Food Store Retail (FSR), Non-Food Store Retail (NFSR) and Vacant Retail Space has been added to Peterborough across the 4 geographic districts as follows:

District	Food	Non-Food	Vacant	Total
Centre	14,250	35,300	-(97,350)	-(46,000)
North	11,750	166,350	97,450	275,550
East	---	63,900	14,300	81,100
West	-7,850	302,500	47,450	359,450
Total	21,850	568,050	61,850	670,100

There has been a contraction of the total amount of retail space in the **Centre District** due to the conversion of traditional retail space for non-retail uses. The redeployment of retail space in Peterborough Square to office uses and the conversion of ground floor retail space to restaurants are two examples. On the other hand, the **Centre District** showed a contraction in the amount of vacant retail space between 2000 and 2007, the only District to experience this positive trend. The **West District's** NFSR growth represents over half of all NFSR growth in the city during this period. The **North District** continues to demonstrate a growing strength as envisioned by City Planning policies by attracting 40% of all growth during this period. The **East District** experienced only moderate gains in new retail floor space.

2. Within each District commercial space is highly concentrated within clusters. In fact, these clusters represent 86% of all retail space in the City. Furthermore, retail activity is largely concentrated in three (3) of the five (5) clusters; Lansdowne/Parkway, Downtown and Chemong. This too reflects the Peterborough policy tradition – a geographically dispersed retail offering and once disbursed, a concentration within designated shopping nodes.
3. Another measure of change in retail structure is the changing share of total retail activity in each District or Cluster between 2000 and 2007. As evidenced by the table above there has been significant retail growth in Peterborough since 2000 but none of the new growth has been added to the **Centre District**. As other Districts grow and the **Centre District** remains static, the **Centre District** experiences a declining market share.

Change in Retail Floor Space Market Share (2000-2007)			
District	2000	2007	Change
Centre	39.5%	28.8%	(-10.7%)
North	13.9%	20.2%	6.3%
East	2.9%	5.0%	2.1%
West	43.6%	45.9%	2.3%
Total	100.0%	100.0%	0

Some of the change in the **Centre District's** retail composition is due to the ongoing evolution of Downtown from a regional retail role to that of a multifunctional centre. Accordingly, traditional retail space has been redeployed as office or clinic floor space and service space such as restaurants. While the **Centre District** is still the main location of service functions and a strong retail cluster, the District has lost significant market share, particularly within the non-food retail category.

- Simply looking at the spatial distribution of retail growth is only part of the story. Comparing spatial distribution to population distribution and growth also explains why the distribution may be justifiable and be better positioned to serve a growing City.

Population and Retail Floor Space Distribution, 2007					
District	Population	Food	Non Food	Service	Overall
Centre	23.0%	19.3%	30.0%	54.7%	37.3%
North	22.5%	20.0%	17.9%	12.2%	16.2%
East	13.9%	10.2%	3.6%	4.0%	4.4%
West	40.6%	50.6%	48.4%	29.1%	42.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The **West District** share of City population is in balance with its overall share of retail floor space. The **Centre District** is over-represented but understandably so given its historic role and its ongoing role as a major employment area. The **North and East Districts**, relative to the population, are somewhat under-served. Food Store space is a key indicator of the availability of convenience-oriented retail. The percentage of food store retail floor space closely mirrors the population distribution in each District.

Key Findings – Approved and Designated Development

1. The Retail Analysis (2008) predates the construction of Costco and the expansion of Lansdowne Place. Therefore, several large developments in the urbanMetrics inventory of approved retail development are now occupied or under active construction. The CPR-2000 process also designated sites in strategic areas of the city for retail purposes to achieve a “healthy interaction and balance”, a key principle of the existing Official Plan policy context. These sites remain designated for retail purposes in the Official Plan, however, to date there has been limited development interest expressed in them and accordingly most of these sites are not yet zoned. Large areas of the **Centre District** are both designated and zoned for more intensive retail commercial development. This opportunity has not been inventoried as part of the urbanMetrics study; however should development proposal be advanced for these **Centre District** properties, all such proposals would be readily accepted.

Designated Retail Commercial Development			
District	Designated and Approved	Designated Only	Total
Centre	(not inventoried)	(not inventoried)	(not inventoried)
North	44,000	145,000	189,000 sq. ft.
East	106,610	245,000	351,610 sq. ft.
West	375,830	38,700	414,530 sq. ft.
Total	526,440	428,700	955,140 sq. ft.

2. By 2026 the population of Peterborough is anticipated to grow by 7,900 persons and, due to a declining household size for the entire population over the same period, it is anticipated that 8,800 new dwelling units will be required. In response to the Provincial Growth Plan “Places to Grow”, 25% of new housing units will be developed in the **Centre District**, 35% in the **North District** and 25% in the **East District**. The **West District**, with limited physical space in which to grow will have the lowest share of future growth at 15%.
3. The future growth of the **Centre District** will need to be supported by new commercial growth in the **Centre District**. A share of future growth should be reserved for this purpose.

Key Findings – Warranted Retail and Service Space

1. **Food Store Retail:** Food Store retail includes supermarkets, grocery stores, convenience stores and specialty food stores. The Retail Analysis (2008) has found that the average sales per square foot for Peterborough food stores are \$620 and that this sales index is **above** the industry norm of \$525.
2. **Non Food Store Retail:** Non-Food retail includes stores selling department store type merchandise such as general merchandise stores, apparel stores, and home furnishings, as well as pharmacies, and building supply stores. The Retail Analysis (2008) has found that average sales per square foot for Peterborough stores are achieving an average sales performance level of \$416 and that this sales index is also **above** industry norms.
3. **Selected Retail and Services:** These commercial activities include the major categories of entertainment and recreational, finance, food services and drinking establishments, and personal services. Excluded are health care services, local serving offices and automotive uses. The Retail Analysis (2008) assumed a proportionate increase as population increases over the forecast period as well as a modest increase in the per capita ratio each year of the forecast period.
4. **Summary of Additional Warranted Retail Space**

Forecast of Warranted Space 2011-2026 (sq. ft.)				
	2011	2016	2021	2026
Food Store	101,600	131,900	159,900	185,200
Non-Food Store	445,000	717,000	959,500	1,179,100
Selected Retail & Service	94,400	204,300	318,600	429,800
Total	641,000	1,053,200	1,438,000	1,794,100

Key Findings – Demand and Supply Reconciliation

1. The Retail Analysis (2008) has forecasted a justification for new retail and service space to 2026 of approximately 1.8 million square feet and an approved and/or designated supply of approximately 955,100 sq. ft. This produces an unfulfilled demand of approximately 839,000 sq. ft. Recent development has begun to address the 1.8 million sq. ft. of forecasted demand as follows:

New Supply Since Retail Analysis (2008) (sq. ft.)				
	FSR	NFSR	Service	Total
Lansdowne Place	43,000	100,000	11,000	154,000
Parkway Centre	-	15,600	1,200	16,800
Costco	-	145,000		145,000
Shopper's - Chemong	-	17,000		17,000
Total New Supply	43,000	277,600	12,200	332,800

Although a Costco Store is classified as NFSR use, urbanMetrics has estimated that 60% of the sales will be derived from FSR related merchandise. This may need to be factored into the assessment of new food store entries.

2. Based on the geographic distribution of approved and designated development the market share of retail floor space in the **Centre District** will continue to decline over the study period. Since the population targets allocate 25% of citywide growth to the Central Area over the study period, new commercial development should be more closely linked to **local** population growth. This is also holds for the **East District**.
3. In the future, the aging of the baby boom population and higher fuel costs will increase the demand for services rather than retail merchandise and there will be a greater emphasis on more locally accessible retail outlets. For these reasons, planning should strive to accommodate a greater balance between large formats and local serving retail facilities, including neighbourhood shopping centres, convenience centres, mixed-use developments and main streets.
4. Presently there is a reasonable balance of existing retail space in the City by geographic district, although the **East District** is somewhat underserved. By contrast, the approved and designated retail sites are not as balanced. Therefore, future retail space should focus on:
 - a. Reinforcing the Centre District as a multi-purpose retail destination;
 - b. Maintaining and expanding the convenience retail functions of the Centre District;
 - c. Encouraging residential and office intensification in the Centre District to enhance the scope and vitality of downtown retailers;
 - d. Expanding the availability and type of retail and services in the East District;
 - e. Ensuring future retail growth in each District is justified by population growth; and,
 - f. Seeking opportunities that enhance the availability of local serving facilities at the neighbourhood level throughout the City.

SUMMARY

The CPR-2000 planning process was a proactive response to the trends in retail development and the regional trade area's changing loyalties. The new commercial opportunities afforded through the CPR-2000 process were measured and strategic. Only sufficient land to accommodate the forecasted warrants for retail growth to 2011 was designated in locations that upheld the Official Plan's strategic principle of "healthy interaction and balance". The Retail Market Analysis (2008), prepared by urbanMetrics serves as a report card on the effectiveness of the proactive policy approach adopted by the City in 2000.

The success of the CPR-2000 process is quite striking. The competitive retail offering now available in Peterborough has not only stemmed the **\$60 million** expenditure leakage but has repatriated **an additional \$140 million** in expenditures to Peterborough stores. Since the data collection phase of the Retail Market Analysis was complete in 2007, Costco has opened and the Lansdowne Place expansion has commenced. UrbanMetrics has estimated that Costco alone has repatriated **an additional \$45-\$50 million** in expenditures to the Peterborough market and that this number will rise further as the Lansdowne Place expansion is completed.

The Retail Market Analysis has also raised caution flags going forward. The new retail growth that Peterborough experienced over the past 7 years has been distributed across the city with the exception of the Centre District. Consequently the Centre District is losing market share. In addition, the Retail Market Analysis has presented the new challenge to provide retail commercial services at the local or neighbourhood level in order to support the planning principles of the provincial Growth Plan at a time when the retail industry is making bigger stores and fewer of them.

The Retail Market Analysis forecasts new warrants for Non-Food Store Retail floor space to 2026 but a limited availability for new Food Store Retail floor space to 2011. The findings of the Retail Market Analysis will guide the evaluation of new development applications until the Official Plan Review process is completed.

Submitted by,

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Attachments: Retail Market Analysis

