
Town of Hanover

Commercial Review

Prepared For:

The Town of Hanover

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Purpose Of The Study

Hanover has a long and established tradition of providing retail shopping and commercial services to its own residents and to the surrounding communities. The Town's regional service commercial role however, is being challenged by increased commercial growth in neighbouring urban communities, specifically in Owen Sound to the North, Listowel to the south, Goderich to the west, and Orangeville to the east. Recent and on-going commercial development in these neighbouring communities have had the affect of shrinking Hanover's trading area.

The Town of Hanover is responding to this challenge. In recent years there has been increasing pressure on the Town to permit expansions and additions to its commercial floor space in order to meet the competitive challenge and assert the Town's role as a regional service centre. These pressures have resulted in:

- the expansion and renovation program to the County Fair Plaza;
- the current development of a 45,000 square foot Canadian Tire store at the north east intersection of 10th Street and 24th Avenue;
- the approved development of a 75,000 square foot Walmart department store and ancillary retail, situated on 10th Street in the Township of Bentinck immediately east of the Town's municipal boundaries; and
- the proposed development of a 23 acre parcel of land located on the north side of 10th Street and east of 24th Avenue, situated in Hanover bordering the Town's municipal boundary.

It has become clear to Town Council that the whole issue of Hanover's commercial future needs to be examined in detail, particularly so as these proposed additions could effectively double Hanover's retail floor space over the next 5 to 10 years. In addition, the Town must also consider that the Walmart development application is for a site immediately outside of its municipal jurisdiction. In July 1997, the Town of Hanover retained Malone Given Parsons Ltd. to:

- Assess the market demand for additional retail space required by Hanover's trade area population over the next 10 years.
- Assess the ability of the existing and planned but unbuilt commercial inventory to accommodate future retail demand.
- Determine the amount, type, location, and timing of future retail space that will be required and which can be supported without unacceptable levels of impact on Hanover's existing commercial facilities.
- Identify any future requirements for additional retail and determine where these could best be accommodated

Methodology

The methodology employed in this market report is a form of residual analysis which compares the potential market which is available to a given market place with the existing supply of competitive floor space. The analysis provides a qualitative and quantitative focus on three strategic retail categories: supermarkets, department stores, and other retail stores selling one or more merchandise categories that can be found in department stores (such as clothing, housewares, automotive supplies, sporting goods, furnishings, consumer electronics, etc.).

Because of Hanover's unique service commercial function within a large rural market place, and because of the importance of the commercial decisions to be made, this market study has involved a substantial collection of primary data including:

- a detailed commercial inventory of Hanover and 10 surrounding communities;
- an origin survey of approximately 1200 Hanover customers (determined by way of a licence plate postal code trace);
- a consumer telephone survey of approximately 600 households in Hanover and surrounding municipalities; and
- a survey of Hanover merchants, with approximately 75 respondents.

The study process has involved the collection and analysis of data from several secondary sources including: Grey and Bruce Counties, the Town of Hanover, and Statistics Canada.

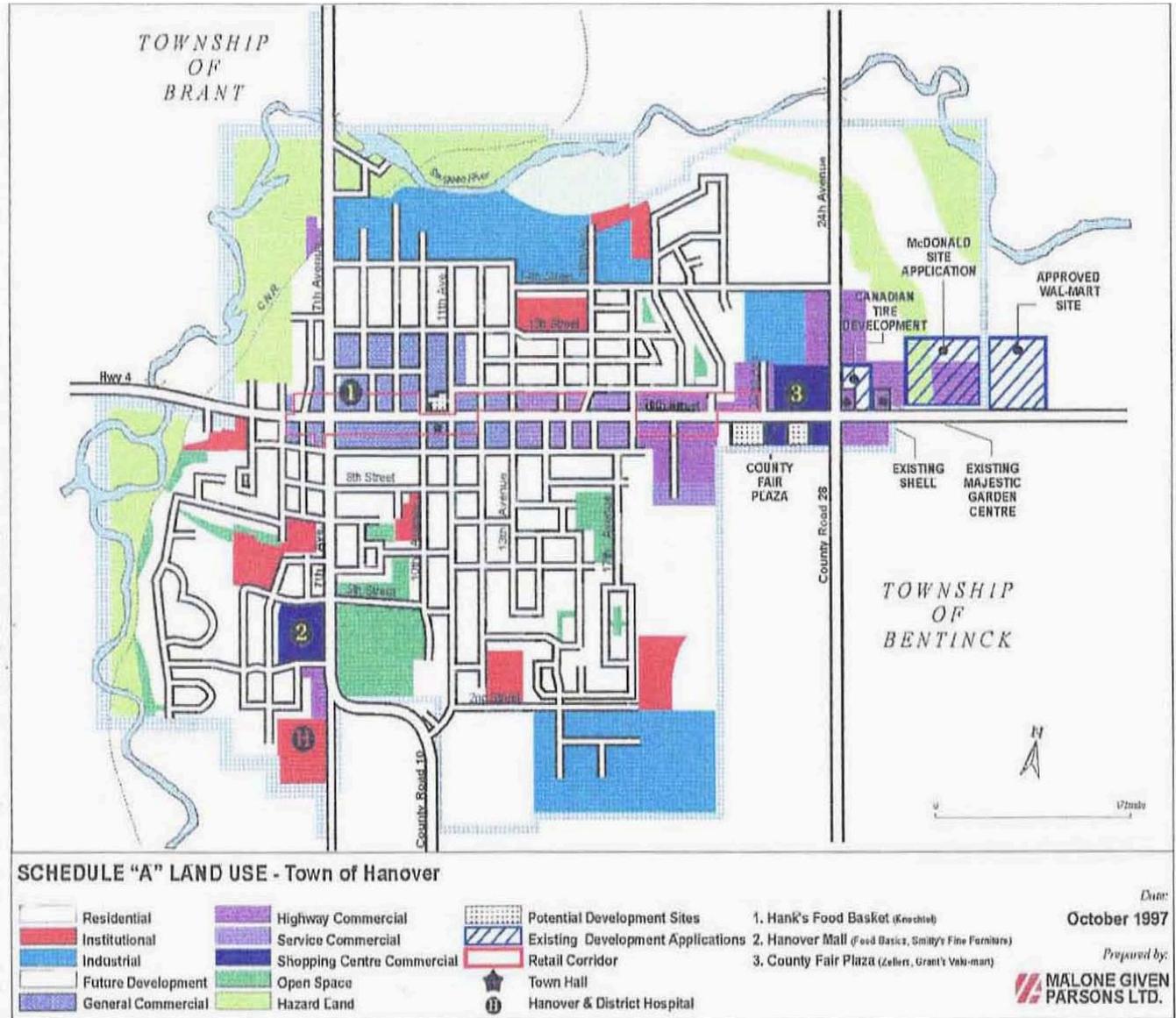
Commercial Development Considerations

The Town of Hanover is currently experiencing major changes to its commercial structure and potential service commercial role. In light of these commercial development pressures, the Town must consider:

- the expansion of the County Fair Plaza;
- the current development of a 45,000 square foot Canadian Tire store at the north east corner of 10th Street and 24th Avenue;
- the approved development of a 75,000 square foot Walmart department store and ancillary retail located in Bentinck Township, immediately east of Hanover's municipal boundary;
- the proposed development of a 23 acre parcel of land situated in Hanover on the north side of 10th Street, east of 24th Avenue;

Town of Hanover

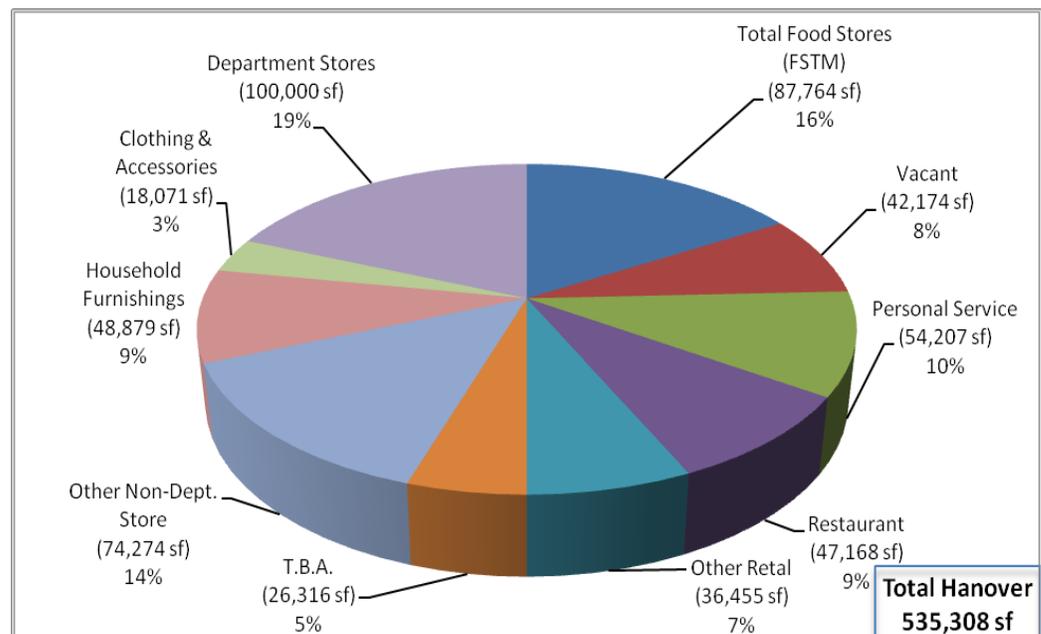
- the existing and future role of Hanover's downtown Core Area; and
- the existing and future role of Hanover Mall.



Hanover Land Uses and Potential Commercial Development Sites

Commercial Context

MGP undertook a commercial inventory of Hanover and 10 other neighbouring communities. Hanover is the dominate service and commercial centre in this part of south western Ontario. The inventory identified approximately a half a million sq. ft. of retail and service commercial floor space within the Town itself. FSTM and DSTM retail uses comprise the majority of commercial space in Town accounting for approximately 335,300 sq. ft. Personal service and restaurants account for a further 101,400 sq.ft. of commercial space. An update of the commercial inventory in January 1998 indicates that Hanover's commercial vacancy rate has dropped below 8%.



Summary of Hanover Commercial Floor Space, Updated January 1998.

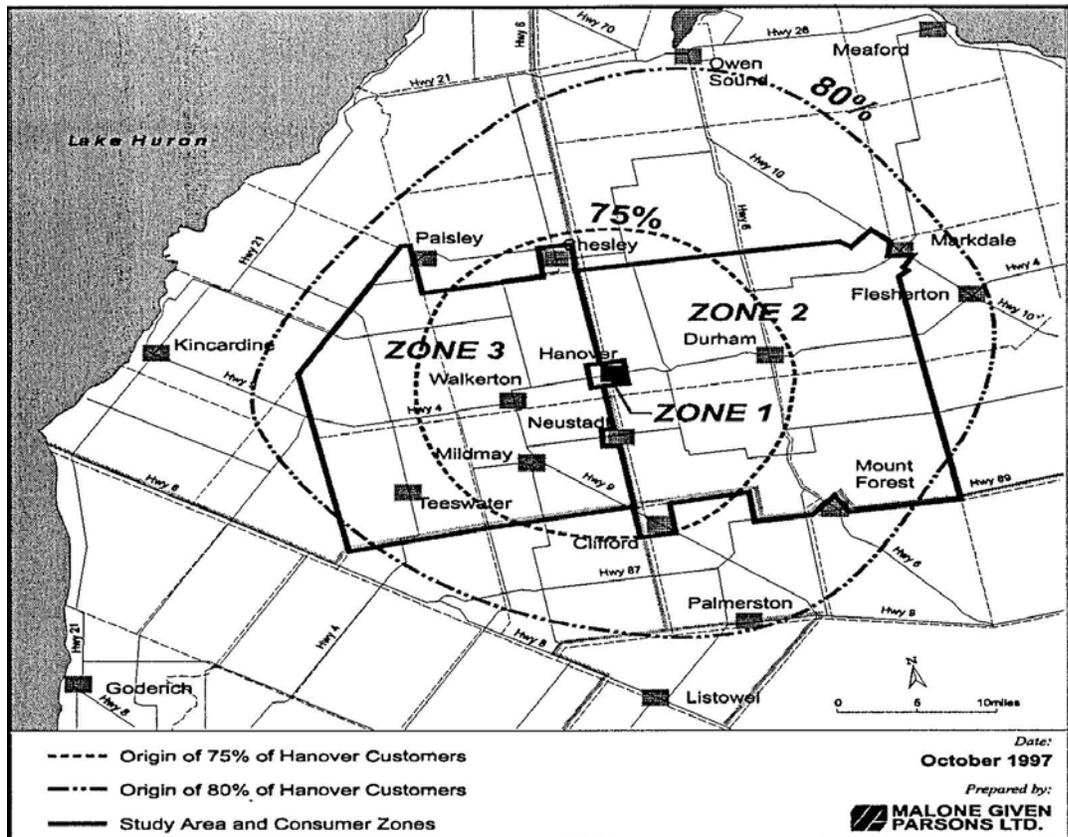
The Town of Walkerton, situated approximately 10 kilometres west of Hanover, has a commercial inventory of approximately 209,000 sq. ft., less than half of that of Hanover's. The next largest representation of commercial floor space in the region is in Mount Forest, located some 40 kilometres south east of Hanover, which has a commercial inventory on the order of 177,000 sq.ft

Trading Patterns

A customer origin survey of some 1200 consumers in Hanover, recorded over a three day period in July 1997, demonstrated that the Town of Hanover has a strong regional service commercial role. In summary:

- Hanover has a wide geographic area of commercial influence extending north to Owen Sound, south to Palmerston, east to Flesherton, and west to Kincardine;
- Hanover's geographic market area of influence has a population base which approaches 100,000 people;

- however, the majority of Hanover's commercial trade (75% to 80%) originates from within a narrower market area which has a population base on the order of 40,000 people; and
- it would appear that Hanover's commercial trading area is shaped to some extent by on-going commercial developments in Owen Sound, Listowel, Goderich, and Orangeville



Origin of Hanover Consumers

The customer origin survey enabled us to establish a study area from within which we could administer a consumer telephone survey. In total, some 600 households were contacted and questioned regarding their retail shopping habits and expenditure patterns. In summary:

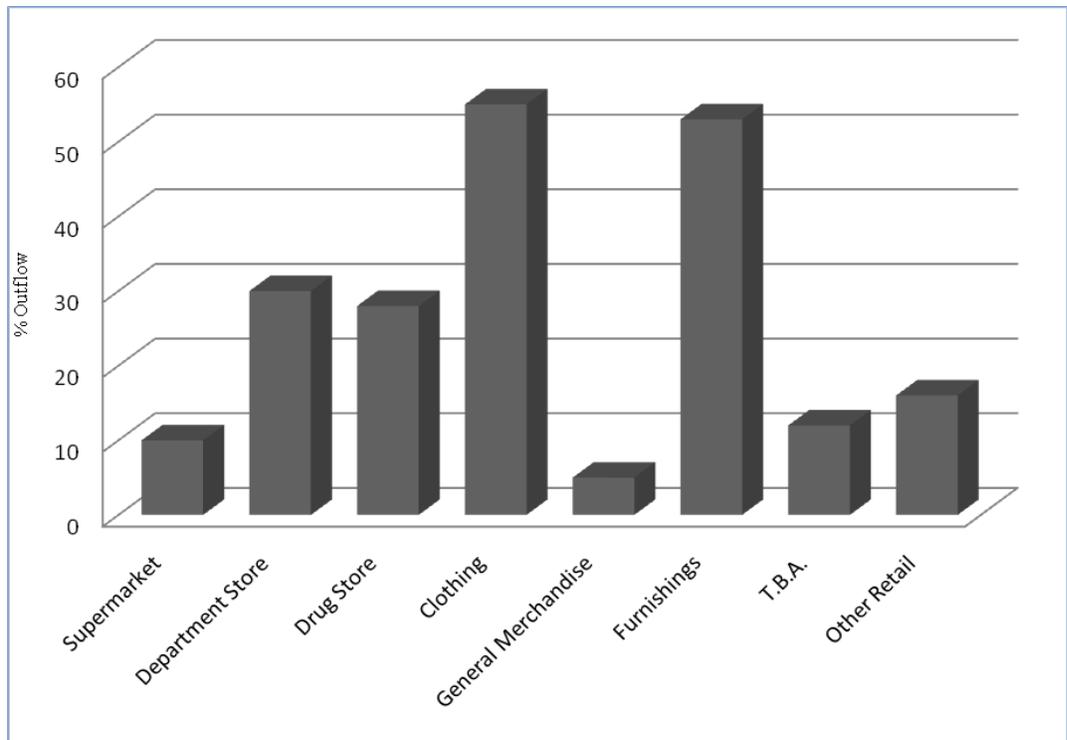
- the survey results confirm Hanover's role as a regional retail and service commercial centre to a large rural/agricultural population base;
- survey results indicate that over 60% of recorded trade to Hanover's retail establishments originates from market areas beyond the Town's boundaries. This inflow of recorded expenditures is even higher for DSTM retail.

Town of Hanover Residents – Retail Trade Balance (1996)

	Hanover Supermarkets		Hanover Dept. Stores		Other Hanover Non-Dept. Stores		Total Hanover Retail	
Captured by Hanover Stores	\$7.36	92%	\$2.77	69%	\$9.42	70%	\$19.55	77%
Outflow of \$ to Other Markets	\$0.64	8%	\$1.25	31%	\$4.04	30%	\$5.93	23%
Total Hanover \$	\$8.00	100%	\$4.02	100%	\$13.46	100%	\$25.48	100%

Results of the consumer survey suggest however, that the Town may have an incomplete commercial structure, lacking regional serving commercial facilities of the kind found in the neighbouring communities of Owen Sound and Orangeville. This is demonstrated by the high expenditure outflow in some retail categories from Hanover to other market areas.

- Almost 1 out of every 4 dollars spent by Hanover residents is spent in some community other than Hanover. This expenditures outflow is greatest in the DSTM category where approximately 30% leaves Town.



Outflow of Expenditures from Hanover to Other Markets

- Expenditure outflow from Hanover is highest in the department store (30%), clothing (55%), and home furnishings (53%) retail categories, and lowest in supermarket (10%), general merchandise (5%), and TBA (12%) retail.

- The City of Owen Sound is the primary recipient of Hanover's expenditure outflow. Owen Sound captures approximately 20% of Hanover's department store spending, and 12% of its non-department store DSTM spending.
- In total dollar volume, we estimate that approximately \$5.9 million in FSTM and DSTM expenditures leaves the Town of Hanover for other markets.

Hanover Market Share

The consumer survey results provide an indication of market share for the Town of Hanover as a whole by tracing the flow of recorded expenditures.

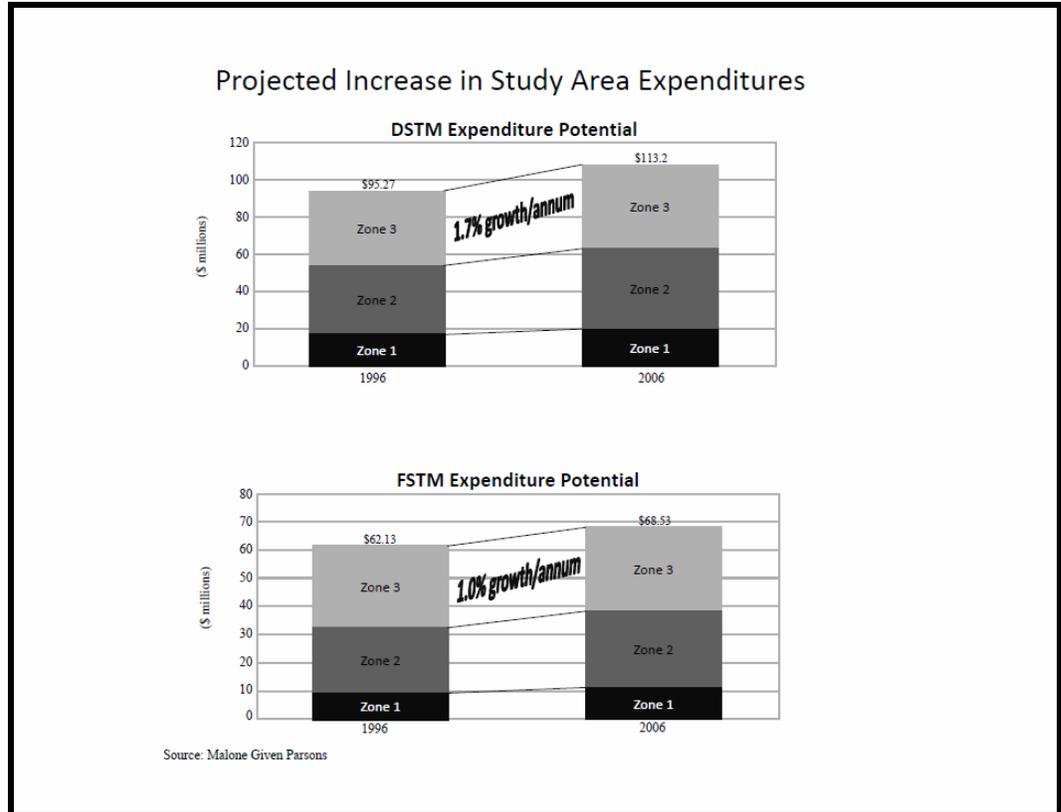
- Survey results suggests that Hanover's 3 supermarkets retain approximately 90% of the Town's supermarket expenditure potential. Further, the three stores capture approximately 30% of the supermarket expenditure potential of consumer zone 2, and 25% of consumer zone 3.
- Survey results indicate that Hanover's Zellers department store captures approximately 70% of the Town's department store expenditure potential, 45% of consumer zone 2, and 45% of consumer zone 3.
- Hanover's non-department store DSTM retail capture approximately 70% of the Town's expenditure potential and approximately 20% from both consumer zone 2 and 3.

Consumer Context

The Town of Hanover is a service commercial centre to a large geographic market area with a population base approaching 100,000 people. However, the majority of trade comes from within a much smaller geographic area of influence.

- The study area, from within which the majority of trade to Hanover is estimated to originate, has a current population base on the order of 40,200 people. The Town of Hanover is estimated to have a population on the order of 6,844.
- The study area is projected to grow at a moderate rate of approximately 0.5% per annum. By the year 2006, the study area is projected to attain a population total of 42,210 of which 7,125 will reside within Hanover.
- The study area's per capita income level of \$14,778 (upon which spending power is calculated) is below the Ontario average of \$19,193. Hanover's per capita income level is somewhat higher, currently on the order of \$16,538 per person.
- Per capita income levels impact upon per capita expenditures. As a result, study area per capita retail expenditures (\$2,358 in DSTM and \$1,543 in FSTM) are below the Ontario average (\$2,850 for DSTM and \$1,580 for FSTM).

In applying per capita expenditures to estimated population levels, the aggregate expenditures by consumer market can be calculated.



Study Area Expenditure Potential – Existing and Projected

- Currently, the study area is projected to have a DSTM expenditure potential of approximately \$95.3 million, of which Hanover accounts for \$17.5 million. The FSTM expenditure potential is estimated at \$62.1 million, of which Hanover accounts for \$10.7 million.
- The study area's DSTM expenditure potential is projected to increase to approximately \$113.2 million by 2006, while FSTM expenditures will increase to some \$68.5 million by 2006.

Market Demand

A variation of the residual analysis approach is utilized to assess market demand, identifying the market potential which cannot be satisfied by existing facilities and which could be accommodated by future commercial development within Hanover.

The technique recognizes that new facilities would change the potential capture of expenditures by residents of the study area and potential to attract more consumers from a wider market area, increase market share retention within Hanover, as well as increase the level of inflow.

The analysis focuses on three retail categories:

- supermarket retailing
- department store retailing
- non-department store DSTM retailing

Supermarket Demand

Hanover's 3 supermarkets appear to be performing well. In applying consumer survey results to the estimated FSTM expenditure potential for the study area, Hanover's three supermarkets are estimated to have an average sales performance of approximately \$416/sq .ft.

Our analysis indicates that there will be a residual demand for warranted supermarket store space in Hanover of up to 22,000 square feet by 2006.

The analysis indicates that expanded Your Independent Grocer (YIG) will satisfy the short term market demand for additional supermarket store space in Hanover.

Additional supermarkets, over and above the expanded YIG, will not be required over the next 5 to 10 years in Hanover, however, expansions to existing food stores could be supported,

Department Store Demand

The existing Zellers department store in the County Fair Plaza is currently undergoing a renovation and expansion which will see the store increase in size by some 20,000 sq.ft. to be completed this year.

In addition to the expanded Zellers, there is the possible development of a 75,000 square foot Walmart department store for a site on 10th Street, immediately east of the Town's boundaries situated in the Township of Bentinck. The Walmart site has secured development approval and can proceed at any time.

In testing the market for an expanded Zellers and a new Walmart department store, we determined that market is tight, but can ultimately support both the Zellers and a new Wal-Mart. Two department stores will strengthen Hanover's regional draw and the competition will benefit trade area consumers.

Non-Department Store DSTM Demand

Hanover's non-department store DSTM market, with a total inventory of approximately 160,000 sq.ft., is relatively healthy with sales performance levels on par with industry averages.

The consumer survey reveals that there is a relatively high non-department store expenditure outflow from Hanover, which can be interpreted to mean there is a market opportunity for additional retail - aimed at retaining and redirected expenditures back to Hanover.

In adjusting market shares to reflect the introduction of new non-department store DSTM retail, along with the current expansion to the County Fair Zellers store, we calculate a residual demand for over 140,000 square feet of additional warranted non-department store DSTM by 2006.

Our analysis indicates demand will be greatest in the:

- home and auto supplies category (i.e. Canadian Tire type of store)
- furniture and furnishings, and
- semi-durables

There will be limited demand for additional apparel, general merchandise and drug store retailing.

*Service
Commercial
Demand*

As Hanover continues to grow in size and expands its commercial function, there will be an increased demand for additional service commercial uses. Demand is expected to be strongest in the restaurant and personal service categories.

We estimate that there will be a residual demand within Hanover for approximately 25,000 to 35,000 sq.ft. of additional service commercial space by the year 2006.

Recommendations

Promote commercial expansion to strengthen Hanover's regional role:

- focus on regionally oriented commercial;
- build on existing strengths;
- protect and strengthen the downtown;
- plan to accommodate up to 270,000 square feet of new commercial floor space within next 5 to 10 years (over and above the expansion to County Fair Plaza);