

**Commercial Market Needs
Assessment, Three Sisters
Mountain Village, Canmore,
Alberta**

Independent Real Estate Intelligence

FINAL REPORT

June 19, 2020



**Commercial Market Needs Assessment,
Three Sisters Mountain Village, Canmore,
Alberta**

Prepared for:

**Three Sisters Mountain Village Properties Ltd. c/o
QuantumPlace Developments Ltd.**

Prepared by:

Altus Group

33 Yonge Street Toronto Ontario M5E 1G4

Phone: (416) 641-9500 Fax: (416) 641-9501

economics@altusgroup.com

altusgroup.com

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EXECUTIVE SUMMARY

BACKGROUND

Altus Group Economic Consulting (“Altus Group”) was retained by Three Sisters Mountain Village Properties Ltd. (“TSMV”) to prepare a commercial market needs assessment related to the proposed Three Sisters Village (“Three Sisters Village ASP”) and Smith Creek Area Structure Plans (“Smith Creek ASP”) for the Three Sisters Mountain Village lands (“subject site”) located in the Town of Canmore (“Town”), Alberta. This commercial market needs assessment would also be applicable to other areas in Three Sisters lands outside these specific ASPs.

TSMV is proposing to develop approximately 1,051,000 square feet of total retail and service commercial space across the entire project, with some 602,000 square feet proposed within the Three Sisters Village ASP, 199,000 square feet proposed within the Smith Creek ASP, and an additional 250,000 square feet of commercial space in the existing Stewart Creek ASP.

The Three Sisters Village ASP proposes approximately 188,000 square feet of Indoor Recreation space, a portion of which may be used for a Town facility (civic use) by the general public. Indoor Recreation is not considered a retail or service commercial use and therefore is not part of the scope of this study. Moreover, hotel or accommodation developments are also not included as part of this scope.

The development of the ASPs for the subject site require a commercial market needs assessment to fulfill a technical report requirement for submission to the Town, as well as help TSMV better understand the impacts of additional commercial development at the subject site on the Town of Canmore.

This analysis was substantively prepared prior to the onset of the global COVID-19 pandemic and represents data, trends and information available at that time. While we cannot guarantee that impacts on demographics and the economy that might come about because of the pandemic won't impact this report's findings, the analysis and forecast horizon in this report is sufficiently long-term that these effects are likely to be minimal.

SUMMARY OF FINDINGS

The following summarizes Altus Groups' findings pertaining to the commercial market needs assessment for the proposed development:

The subject property is geographically located a reasonable distance from Canmore's Town Centre to need and support its own distinct critical mass of retail and service commercial uses. The proposed development is suitably positioned and scaled to support its proposed amount of commercial space and intended uses.

- The subject site is located between 3 to 10 kilometres from the Town Centre, with currently limited transit and challenging pedestrian and cycle connectivity between the Town Centre and Three Sisters lands. Three Sisters Village aims to deliver a walkable, pedestrian and cycle-friendly mixed-use village centre and community, appropriate for a critical mass of smaller-scale local independent retailers and service commercial uses to serve the immediate residents and broader visitor accommodations that reduces reliance on personal vehicles.
- Vehicular access and connectivity to the overall subject site is good due to its proximity to the Trans-Canada Highway, which would make Smith Creek an attractive and suitable location for a critical mass of highway-oriented commercial uses as well as light industrial, creative manufacturing uses.
- The build out of TSMV's residential offerings and associated population are key to providing the market support needed for the proposed commercial spaces. The proposed 3,070-4,980 units in Three Sisters Village (5,800-10,000 estimated population), 840-1,730 residential units in Smith Creek (2,200-4,500 estimated population) and some 240 units of employee housing in Stewart Creek alone could accommodate an estimated additional 8,000-14,500 people.
- This subject site population estimate could ultimately support some 240,000-630,000 square feet of total commercial space based on typical commercial service level benchmarks of 30-45 square feet per capita. The higher range population estimates are reflective of a fully occupied TSMV during peak seasonal times.
- When accounting for the future population growth of Canmore and expected accommodation guests, visitor and tourist populations, the proposed approximately 1,050,000 square feet of space at the subject site would sufficiently meet the future demand for commercial space from future resident and visitor growth. This proposed commercial space would not

considered to be overbuilding beyond what Canmore is estimated to be capable of absorbing over the forecast period.

There will exist ample market demand and future expenditure potential in the Canmore market trade area to support additional retail and service commercial uses by 2046.

- In 2018, the trade area had an estimated total expenditure potential of approximately \$731.9 million, comprised of \$85.7 million of food store expenditures, \$215.2 million of non-food store expenditures, \$284.0 million in food & beverage expenditures and an estimated \$190.1 million in service commercial expenditures.
- Based on forecast trade area population, income and expenditure growth (permanent and non-permanent residents, visitors and tourists) total expenditure potential of the market trade area is estimated to grow by some \$909.6 million over the 2018-2046 forecast period. This is comprised of approximately \$69.7 million of potential additional food-store expenditures, \$302.5 million of potential non-food store expenditures, \$347.3 million of potential food & beverage expenditures and \$190.1 million of potential service commercial expenditures.
- This translates to a total supportable retail space estimate of approximately 2.84 million square feet in 2046, or an additional supportable 1.59 million square feet of total retail and service commercial space between 2018-2046.
- The total additional supportable commercial space is estimated to comprise of some 104,200 square feet of food store space, 626,100 square feet of non-food store space, 359,900 square feet of food & beverage space, and 496,700 square feet of service commercial space.

The proposed total commercial space at the subject site would be adequately absorbed by the market trade area upon full build-out, and based on forecast market demand is not considered to be overbuilding beyond Canmore's capability to support the extent of commercial space. In addition, TSMV is not expected to have a significant impact on the existing market given that residual commercial space in all categories is forecast to continue to be warranted by 2046.

- In 2018 the Town of Canmore had approximately 1.26 million square feet of supportable commercial space compared to a commercial inventory of some

1.35 million square feet of space, resulting in an oversupply of approximately 93,000 square feet of overall commercial space as discussed below. However, by 2021 there is estimated to be approximately 1.36 million square feet of supportable space, which will result in a warranted demand for some 45,700 square feet of additional commercial space.

- Of the total 2.84 million square feet of total supportable commercial space in 2046, after accounting for the existing inventory of 1.35 million square feet and excluding the 34,900 square feet of vacant space, it is estimated that the market trade area could warrant and need to accommodate an additional approximately 1.53 million square feet of retail and service commercial space. Including the 34,900 square feet of currently vacant space, **this results in a forecast estimate of approximately 1.49 million square feet of actual required commercial space in Canmore over the 2019 to 2046 forecast period**, based on current market trends and information.
- For the purposes of this study, assuming TSMV is completed by 2046, after accounting for the proposed approximately 1,051,400 square feet of commercial space at the subject site, as well as current under construction and approved commercial supply of some 71,400 square feet, **it is estimated that there will continue to be a residual demand for approximately 371,000 square feet of total commercial space in Canmore by 2046.**

Market Impact Analysis for Additional Retail and Service Commercial Uses at the Subject Site

| | <u>2019- 2046</u> <i>Sq. Ft.</i> |
|---|-------------------------------------|
| Required Retail and Service Commercial Space ¹ | 1,528,700 |
| Vacant Commercial Space to be Absorbed | <u>34,900</u> |
| Total Required Commercial Space | 1,493,800 |
| Total Under Construction & Approved Commercial Supply ² | <u>71,400</u> |
| Remaining Available Required Commercial Space | 1,422,400 |
| Three Sisters Village Proposed Commercial GFA Total Retail and Service Commercial Space ³ | 1,051,400 |
| Residual Supportable Total Retail and Service Commercial Space | 371,000 |

¹ Additional supportable commercial space identified in Figure 25

² Derived from Figure 19

³ As provided by Client as of February 2020, excludes indoor recreation space

Note: Numbers rounded to the nearest 100 square feet

Source: Altus Group Economic Consulting

In terms of major commercial categories, the retail gap analysis identified a current undersupply of food-store and food & beverage spaces and a short-term oversupply of non-food store and service commercial spaces. In the medium to long-term, the market trade area exhibits warranted demand for all retail and service commercial uses.

- When compared to estimated supportable commercial space in 2018, the current 2019 inventory identified an undersupply of some 202,200 square feet of food & beverage space. This is likely attributed to Canmore's positioning as a tourist destination and the high number of day and overnight trip visitors. Alternatively, there exists an oversupply of 60,600 square feet of non-food store space, and 200,200 square feet of service commercial space. Food store space was found to be in relative market balance, although demand for food-store space is expected to grow in the short term to require an additional grocery store on the south side of the Bow River.
- By 2021 it is projected that there will no longer be an oversupply of total commercial space in the market trade area, and instead approximately 45,700 square feet of total commercial space will be required. Food & beverage uses are likely to continue to warrant the most space in 2021 with some 157,500 square feet, with the market trade area also expected to demand an estimated 8,400 square feet of additional food-store space. The oversupply of non-food store and service commercial space in the market trade area are likely to continue to persist by some 20,900 square feet and 99,300 square feet respectively in 2021.
- By 2026, it is forecast that the market trade area will no longer be oversupplied with non-food store space, instead warranting an estimated 73,600 square feet of non-food store space, although certain service commercial uses are anticipated to continue to be oversupplied by some 46,000 square feet. Service commercial uses serving the day-to-day convenience needs of residents would be more essential to the build-out of TSMV compared to financial, legal and real estate services for example.
- By 2031, space in all commercial categories will no longer be oversupplied and by 2036 a total of 654,800 square feet of commercial space is forecast to be warranted in the market across all categories. The market trade area is anticipated to warrant some 48,400 square feet of food store space; an estimated 237,500 square feet of non-food store space; approximately 343,400 square feet food & beverage space, as well as 54,500 square feet of warranted service commercial space.

- By 2046, a total of approximately 104,600 square feet of food-store space, 565,400 square feet of non-food store space, 562,200 square feet of food & beverage space, and an estimated 296,500 square feet of service commercial space will be warranted in the market trade area.

Commercial uses envisioned for the Three Sisters Mountain Village ASPs (Three Sisters Village, Smith Creek and Stewart Creek) are to be differentiated from the retail and commercial characteristics of Canmore Town Centre, and are anticipated to complement rather than compete with one another.

- Three Sisters Mountain Village intends to deliver an innovative mix of commercial, office and flex commercial-industrial uses, including independent retailers, mixed-use retail and service commercial spaces as well as a mixed-use light industrial area envisioned for creative manufacturing, breweries/distilleries and local businesses that are looking for streetscape friendly flexible commercial-industrial spaces.
- Three Sisters Village is envisioned to be strategically positioned as a mixed-use resort centre community and pedestrian friendly retail area, focused on leisure & recreation, health, wellness and lifestyle oriented commercial uses, facilities, activities and experiences.
- Smith Creek is envisioned as a new vibrant, cohesive and comprehensively planned community that will serve Canmore and immediate residents and visitors of TSMV by providing a variety of housing options and diversity of amenities with many of the conveniences and essential services needed for daily living. A commercial and light industrial hub at the eastern end of the Smith Creek district will provide for diversification and local service provision, overall strengthening the Town's position as a highly desirable place to live, work play and raise a family.
- Further, two commercial developments in Stewart Creek ASP Area adjacent to the Three Sisters Trans-Canada interchange add to the diversification and local food & beverage, retail and service commercial offerings of the overall TSMV project.
- Considering that tourism, lifestyle, health & wellness are the major economic bases of Canmore, the mix of these types of commercial tenanting opportunities will help position both the Three Sisters Mountain Village Resort and the Town of Canmore as a key getaway and destination for Albertans, domestic as well as overseas visitors.

The development of commercial spaces within TSMV should occur in phases that follows the build-out of the residential offerings and reflects the level of retail market support at future forecast years, to ensure balanced market conditions are maintained.

- Due to the size and scale of the overall TSMV development and its three ASP Plan Areas, the construction of commercial and retail developments are anticipated to occur in phases via market forces that will reflect the gradual residential population build out of Three Sisters Village, Smith Creek and Stewart Creek and associated extent of supportable commercial space.
- Based on the analysis of supportable and warranted commercial space over the 2019-2046 forecast period as shown in the table below, the market trade area could absorb an initial phase of some 250,000 square feet of commercial space developed in TSMV by 2026. A second phase of some 186,000 square feet could be absorbed in the market by 2031, followed by a third phase of approximately 219,000 square feet by 2036, for a total build-out of some 655,000 square feet of commercial space. Of the remaining 400,000 square feet of proposed commercial space, 200,000 square feet would be anticipated to be developed by 2041 and another 200,000 square feet by 2046.
- Ultimately, the future demand for retail and commercial developments will be influenced by overall market demand and support for residential developments and population growth, in addition to increased visitor and tourism.

**Market Support for Commercial Space,
5 Year Periods, 2021-2046**

| Year | Supportable | Phased Period |
|--------------------|------------------|---------------|
| | Commercial Space | Grow th |
| <i>Square Feet</i> | | |
| 2021 | 46,000 | 46,000 |
| 2026 | 250,000 | 204,000 |
| 2031 | 436,000 | 186,000 |
| 2036 | 655,000 | 219,000 |
| 2041 | 1,043,000 | 388,000 |
| 2046 | 1,529,000 | 486,000 |

Source: Altus Group Economic Consulting

CONCLUSION

Based on the analysis provided in this report, it is the professional opinion of Altus Group that **the proposed development and total 1,050,400 square feet of commercial space in the Three Sisters Village and Smith Creek districts, as well as the Stewart Creek commercial area will be warranted** in the short to long term given market conditions, forecast population, income and expenditure potential growth, as well as the existing and future commercial inventory.

The analysis of future potential supportable retail and service commercial space concludes that **by 2046, the market trade area of the subject site will require an estimated additional 1.49 million square feet of total retail and commercial space in Canmore.** This includes an estimated additional 104,600 square feet of food-store space; 565,400 square feet of non-food store space; 562,200 square feet of food & beverage space, and 296,500 square feet of service commercial space that could be adequately absorbed by the market by 2046, including an estimated 34,900 square feet of vacant commercial space in 2019.

Accounting for the proposed approximately 1,050,400 square feet of commercial space at the subject site and the 71,400 square feet of under construction or recently approved commercial developments, **by 2046 there is estimated to be a residual demand of approximately 371,000 square feet of total commercial space warranted in the market trade area,** to be accommodated in the downtown or other commercial areas in Canmore. This suggests that rising demand from residential and visitor growth in the market trade area should be sufficient to support the additional proposed commercial space in the long term, which is to be developed in a phased approach that reflects associated market conditions and demand.

What is being proposed with respect to the overall retail and service commercial space in TSMV could be adequately supported by the forecast resident and visitor growth of Canmore and its market trade area. Given the analysis of known existing, new and future commercial space in Canmore, and based on forecast market support **Canmore is not considered to be overbuilding beyond its capability to absorb the associated commercial space proposed for TSMV.**

The overall TSMV and respective ASPs also take into consideration the longer-term tourism vision and strategic goals for Canmore Kananaskis and the Province of Alberta more broadly. The proposed development concept of a resort centre and the intended mix of commercial uses for TSMV appropriately meet the policies set

out in the (commercial sections of the) Canmore MDP and are in alignment with the goals and recommended target markets and marketing strategy posed by the 2019-2029 Canmore Kananaskis Community Tourism Strategic Plan. **Three Sisters Village, Smith Creek and Stewart Creek each have their distinct commercial characteristics and intend to serve uniquely different yet complementary target markets and customers while safeguarding the commercial function and viability of the Town Centre, resulting in minimal impacts over the long term beyond normal competitive forces.** The Three Sisters Mountain Village, Town Centre and other commercial districts will function collaboratively and cooperatively to support the continued and future growth of the local economy and tourism sector in Canmore.