



Market Gap Analysis

Township of Hornepayne
March 2024

Completed for:

Prepared by:

FBM





Land Acknowledgment

FBM would like to respectfully acknowledge that the Township of Hornepayne is located on Treaty 9 Territory which encompasses the traditional lands of Ojibwe / Chippewa, Oji-Cree, Mushkegowuk (Cree), Algonquin, and Metis Peoples.

We are all treaty people.

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HORNEPAYNE

CAUTION
PLEASE DO NOT
CLIMB ON BEARS



WELCOME TO
The Geographic
Centre of Ontario
N 49° 15.672'
W 84° 43.949'



1.0 Introduction

1.1 Scope of Study

FBM Planning Ltd. (“FBM”) was commissioned by the Township of Hornepayne to conduct a Market Gap Analysis for the community of Hornepayne. The study was carried out over the period of September 2023 to March 2024 and included on-the-ground fieldwork undertaken in October 2023 to document the current inventory and surrounding competitive offering.

The objective of this study was to document current business inventory in Hornepayne and define the realistic Trade Area for which it serves. The purpose of this research was to establish a solid foundation and baseline for determining the depth of business opportunities, associated gaps in the market provision of shops and services, and to determine what type of retail could fill these gaps as part of the Township’s efforts to diversify and grow its businesses. The end result is to bolster the retail market in retail areas by retaining or attracting a greater market share of resident, visitor and passing motorists’ spending in the community.

FBM does not warrant that any estimates contained within the study will be achieved over the identified time horizons, but that they have been prepared conscientiously and objectively on the basis of information obtained during the course of this study.

Also, any tenant references made in the report are for illustrative purposes only and should not be taken as guarantees that they will locate in the study communities but rather they could represent compatible “target” category types to pursue either for local businesses or external regional businesses over the next decade.

This analysis was conducted by FBM as an objective and independent party. As is customary in an assignment of this type, neither our name nor the material submitted may be included in a prospectus, or part of any printed material, or used in offerings or representations in connection with the sale of securities or participation interest to the public, without the expressed permission of the Township of Hornepayne or FBM.

2.0 Retail Market Assessment

2.1 Introduction

The Township of Hornepayne lies approximately 500km northwest of Toronto and is located in the Algoma District.

Situated on Highway 631, Hornepayne is surrounded by several major hubs in the region, including White River (1 hr), Hearst (1.5 hr), Wawa (2 hrs), and Sault Saint Marie (4.5 hrs).

A primary challenge for Hornepayne lies in the fact that many of the current residents must travel in excess of 1 1/2 hours to communities such as Hearst or Wawa in order to obtain basic day-to-day commercial shops and services. Though the population of Hornepayne is currently just over 1,000 the community has a substantive household income and thus discretionary spending profile that is not being captured in the community by even the most basic of offerings.

Not only does Hornepayne benefit from being a major employee hub for CN rail and the Hornepayne Community Hospital (with a number of hospital departments/services), but it is also a twice weekly (once eastbound and once westbound) servicing pit stop for Via Rail, during which time passengers are able to leave the train to stretch their legs and walk the nearby Township. Additionally, the community has a strong family dynamic as evidenced by both a bilingual English French Catholic School as well as a relatively new K-12 Community School. The mere presence of a Catholic School combined with employment opportunities at CN Rail suggests a significant opportunity for attracting new immigrant families who could set up roots in the community.

There is currently a disconnect between the offering of commercial spaces with the demographics and spending profile of the community, which will be documented in this study and its core findings. While the population base overall is small, the opportunity is much larger for retaining local spending, particularly in categories such as conveniences and food & beverage.

Recent developments in town, most notably the construction of a new 46-room Studio 6 hotel with potentially ancillary development, represents a significant step forward for Hornepayne, which can go a long way towards fulfilling the missing gaps and opportunities identified in this study, however small or focused they may be.

2.2 Trade Area

Identifying the Trade Area is important for understanding the total market potential available to current and future retailers, particularly any franchisees that could be pursued since that is most likely to be the case for Hornepayne. The local residential base has particular demographic and spending habits that provide insight as to the type of compatible retail tenants, the amount of retail floorspace supportable in the market, and the current inflow or outflow of retail sales, and for which categories such inflow or outflow exists.

Major considerations in defining the Retail Trade Area also help sensitize potential market share inputs of corresponding Trade Area retail spending. Some trade area factors may have greater relevance to Hornepayne (e.g. #1 below) given its more remote location, but in general key determinants include:

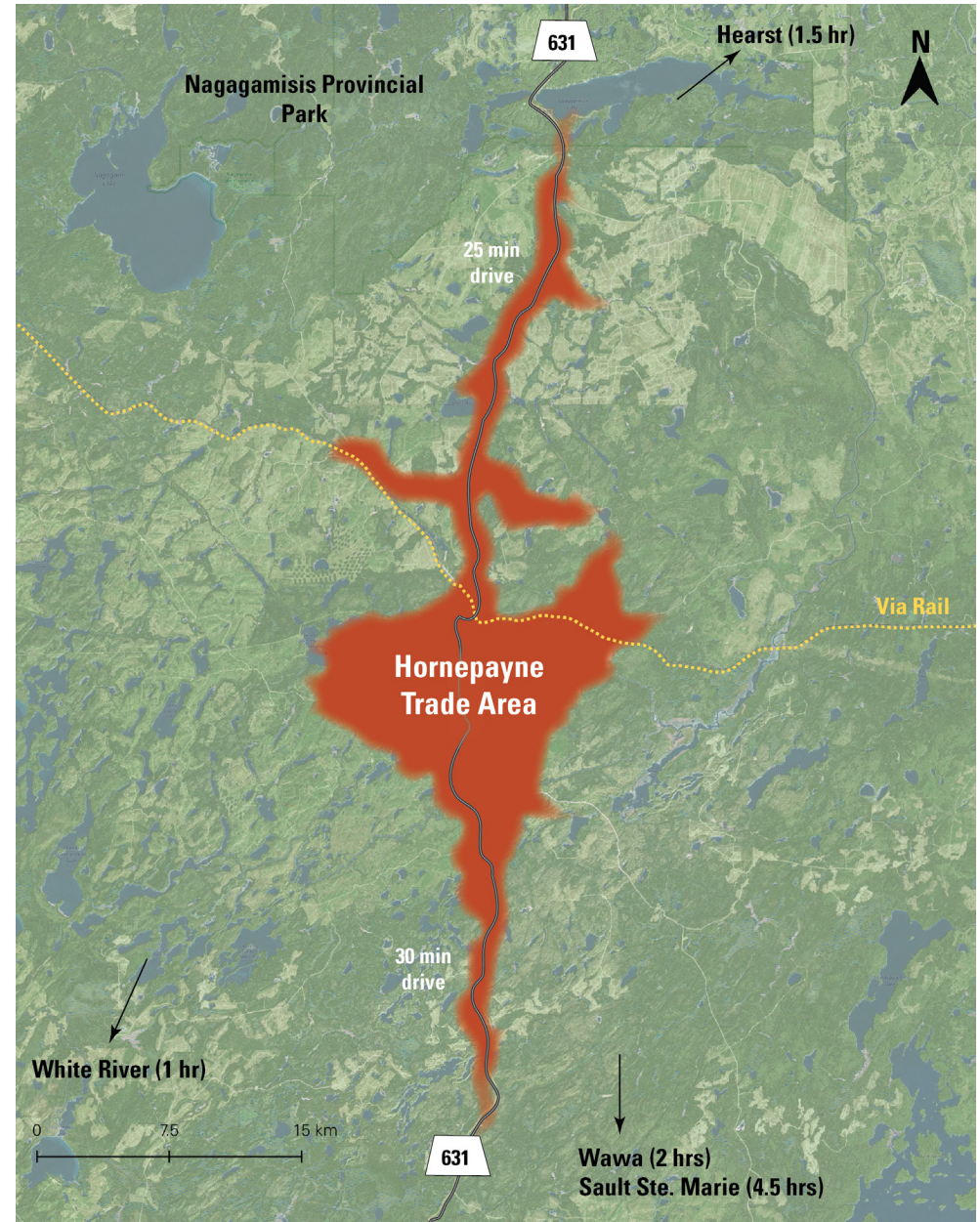
1. *Transportation networks, including streets and highways, which affect access, drive times, commuting and employment distribution patterns;*
2. *Major infrastructure projects, both planned or under development, which could affect future travel patterns;*
3. *Overall community development vision, including an understanding of key nodes' characteristics;*
4. *Local and regional competitive environment, present and future;*
5. *Proposed generative uses (retail, cultural, civic, etc.) and their relationship within the wider market;*
6. *Significant natural and man-made barriers (e.g. water features, highways, industrial areas);*
7. *De facto barriers resulting from notable socioeconomic differentiation; and*
8. *Patterns of existing and future residential and commercial development.*

For this particular study, the Retail Trade Area is delineated utilizing a combination of drive times and competitive forces. The Trade Area extends beyond the boundary of the Township within a 60-minute drive time. This drive time recognizes the current competitive nature of Hearst as a primary destination for Hornepayne residents today.

The Trade Area for Hornepayne is detailed in **Appendix A** and illustrated in **Figure 2-1**. Note that the Trade Area shape is in an irregular shape due to limited transportation corridors in this area.

Figure 2-1. Hornepayne Trade Area

(Source: FBM)



Demographic Profile and Projections

The most recent Statistics Canada Census release as well as Manifold Data Mining Inc., a leading supplier of demographic and consumer expenditure information, was used to tabulate population estimates and growth forecasts for the identified Trade Area. These forecasts represent a snapshot based on demographic models and do not account for future planning realities that may influence population growth.

Estimated for the end of year **2022**, Hornepayne's Trade Area population is **1,068**. Notably, **98.68%** of the population were categorized as a Rural Handymen lifestyle cluster (Described in **Figure 2-2**).

"Rural Handymen" Cluster

This cluster accounts for 8.9% of the Trade Area population compared to the Canadian share of 4.3%. Population in this cluster average between 55-64 years of age and usually work in blue collar industries, owning older homes and North American branded vehicles, particularly SUVs and pickup trucks. They have an active social life that includes outdoor motorized recreation with friends and family and like their other trade area counterparts shop at more value-oriented stores like Giant Tiger, Walmart and Tim Hortons. This age cohort shops frequently at both online and physical stores and their adventurous/outdoorsy lifestyle lends itself to many discretionary acquisitions for home and personal recreation. The population in this cluster are typically involved in blue collar industries, owning older homes and pickup trucks.

Figure 2-2. Dominant Lifestyle Cluster in Hornepayne Trade Area

(Source: Manifold Data Mining Inc.)

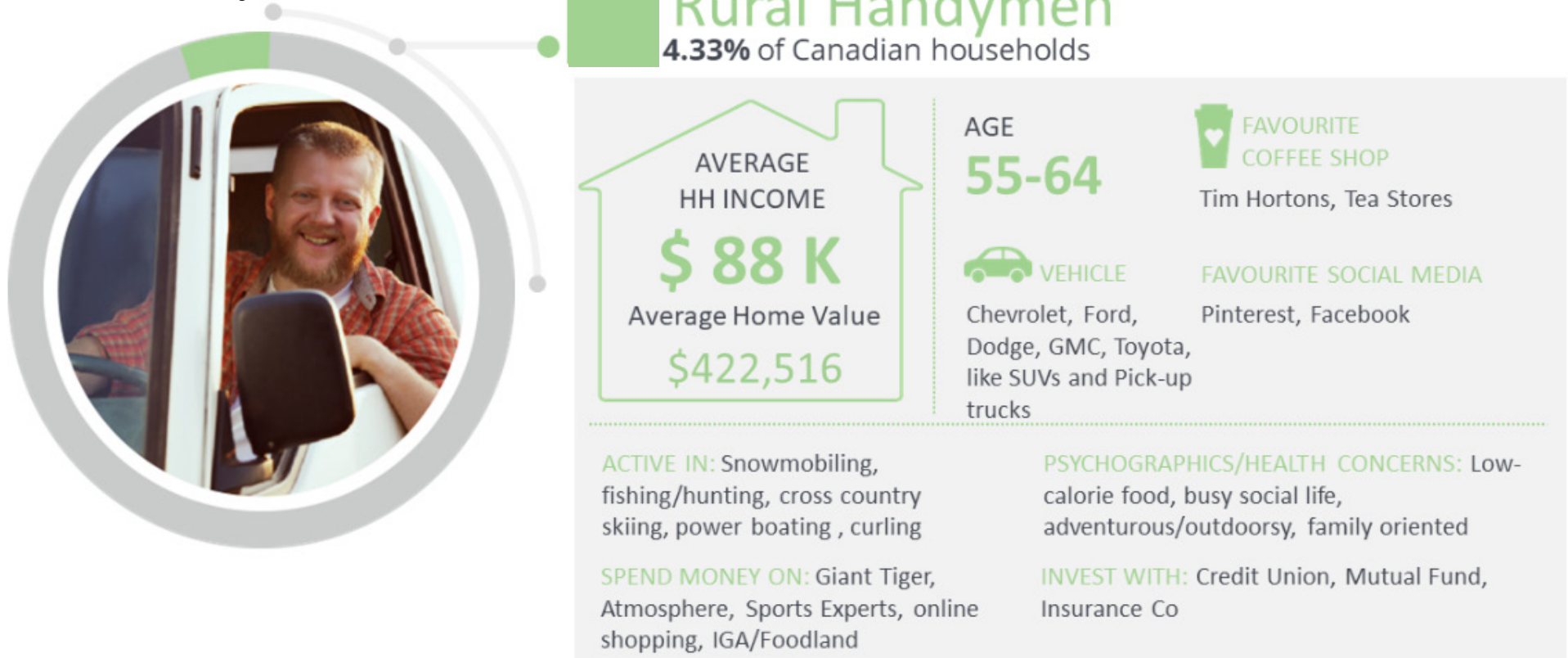


Figure 2-3. Major Industry Opportunities in Hornepayne (Fieldwork Photos, October 2023)

(Source: Photos courtesy of FBM)



Hornepayne Municipal Airport



Hornepayne JK-12 High School



Ontario Provincial Police



CN Rail Office



Hornepayne Community Hospital



Hornepayne Lumber & Co-Gen Plant

While factors such as house values and activities may be different depending on economic and geographic contexts, these descriptions offer a general sense of consumers' spending habits and lifestyle in the Trade Area.

The population is expected to increase to 1,098 in the next five years and 1,120 in the next ten years. The population in the Trade Area is demographically similar to Ontario with a slightly higher percentage of people aged between 15-24.

In terms of education, 35.05% of the population have a post-secondary certificate, diploma, or degree, which is lower than the Ontario benchmark (55.38%).

Approximately 55% of the commuters use vehicles to work (either as a driver or a passenger), which is similar to the Ontario benchmark. Notably, 13.98% of the commuters walk to get to the workplace, which is higher than that of the Ontario benchmark (4.23%). A concurrent Business Retention Expansion & Attraction Study (BREA) is being conducted at the same time as this study. The BREA study will dive deeper into the labour force and employment attributes, but a snapshot based on current Manifold Data Mining statistics reveals the following:

Labour Force / Key Industries

Key industries in this Trade Area included:

- Transportation and Warehousing (22.50%)
- Manufacturing (19.15%)
- Health Care and Social Assistance (13.09%)

Major employers in Hornepayne include CN Rail, Hornepayne Community Hospital, Ontario Provincial Police and Hornepayne Lumber (**Figure 2-3**).

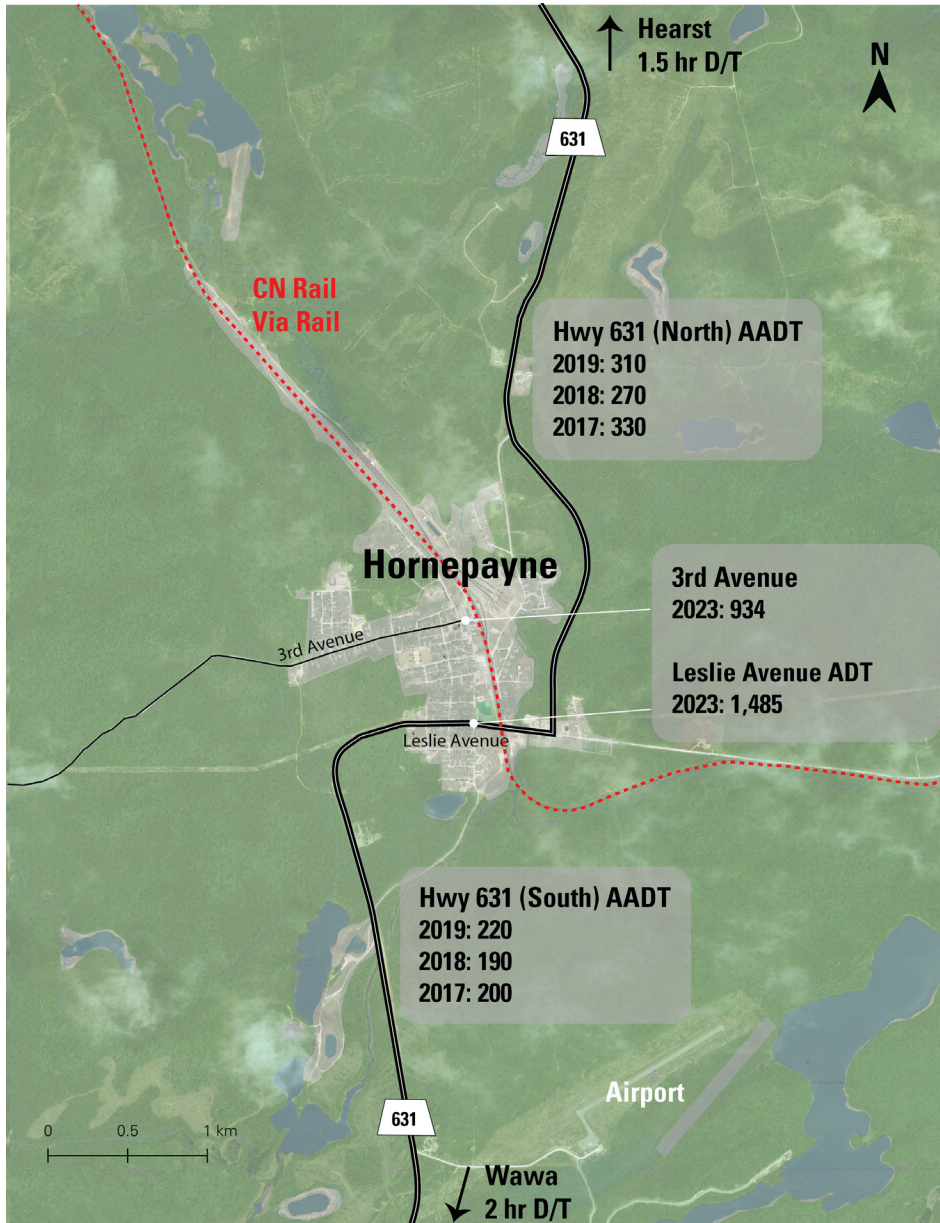
Transportation

Transportation attributes are an essential foundation to meeting demand in the retail sector. An understanding of these attributes can help create the necessary conditions for attracting and retaining businesses and residents to locate in a community.

- *Regional Road Network:* The Township of Hornepayne is along the corridor of Highway 631, offering access to Hearst in the north and White River in the southwest. **Figure 2-4** presents traffic counts on Highway 631 as provided by the Ministry of Transportation in Ontario (MTO). Overall, traffic counts on Highway 631 showed a slight increase in volume in 2019 compared to 2018. However, more recent traffic data will be needed to explore the impacts due to COVID-19 and whether the travel patterns were changed after the pandemic. The northern portion of the Highway has higher traffic volumes than the southern portion, suggesting that visitors to Hornepayne often come from the northern communities.
- *Local Road Network:* While the regional vehicle movements to and through Hornepayne may not show robust volumes, the localized traffic movements are higher on an average daily basis whereby it is fair to note that the Average Daily Traffic (ADT) in Hornepayne is in the range of 1,500 vehicles along the primary artery in town.
- *Via Rail:* Another critical mode of transportation is Via Rail. Hornepayne has a Via Rail train station, which is located near the central commercial district. A unique factor of this particular mode of travel is that Hornepayne is a twice weekly (once eastbound and once westbound) pit stop for the Via Rail. This is not a dedicated station, but rather a staffing and servicing stop that does also allow for passengers to exit the train for a brief time and as such, can visit or walk the local main street.
- *Air:* Hornepayne is serviced by Hornepayne Municipal Airport, located south of Highway 631. This is a smaller airport, but is used for Via Rail staffing and some destination hunting/fishing excursions.

Figure 2-4. Hornepayne Traffic Counts Map

(Source: FBM with data from the Corridor Map provided by the Ministry of Transportation in Ontario, 2017-2019, and Liveable Cities Vehicle Count Report, Sept 2023)



2.3 Spending

Detailed information of retail spending within the Trade Area was collected from Manifold Data Mining Inc., a leading supplier of demographic and consumer expenditure information, using 2023 year end data. This raw data was then aggregated into more realistic and understandable traditional retail spending categories.

Trade Area Resident Household Spending

Each of the major five categories of spending (Convenience, Comparison, Leisure, Auto and Online Sales) was assessed at a detailed category-by-category level then aggregated into major categories as summarized in **Figure 2-3** and detailed in **Table 2-1** for the Hornepayne Trade Area.

The Hornepayne Trade Area spending, as illustrated in **Table 2-1** is estimated at \$22 million in 2023 and is forecast to surpass \$24 million by 2033 (refer to **Appendix B**). Realizing that Hornepayne is a more remote retail location, it is not surprising that an estimated \$1.4 million in household spending or 7% of the total is in online shopping, while a further \$350,000 is estimated to be spent by passing motorists or other visitors to the community.

Since it is not realistic for Hornepayne to attract significant interest for bigger ticket household or personal fashion items in physical stores (as opposed to online shopping), **Figure 2-3** summarizes the total spending into 3 major categories - Conveniences, Comparison (synonymous with Department Store Type Merchandise), and Leisure (including Food & Beverage). This breakdown reveals that day-to-day convenience spending (including Personal Services) is estimated at almost \$21,300 per household equating to an annual total of just under \$10 million (\$9.92 m). This particular category is one where spending should normally be captured locally and in physical stores.

In contrast, Comparison spending is estimated to be approximately \$14,650 per household for an annual total of \$6.6 million. The online portion of that total is estimated to be 17% and it could reasonably be assumed that this figure may be closer to 20% given the drive time required to the nearest shopping destination.

The Leisure category accounts for a total spending potential of almost \$2.9 million within which the most significant spending is the Quick Service F&B (\$1.3 million or 45%). When considering Hornepayne's

Figure 2-5. Hornepayne Expenditure Summary

(Source: Manifold Data Mining Inc. and FBM)



current retail inventory (see following section), this represents the greatest near-term opportunity for Hornepayne since there is no competition for online spending and the market is significantly absent of this category.

2.4 Retail Inventory

Retail in Hornepayne is primarily located along Front Street near Via Rail train station at the intersection of Third Ave. Key tenants include G & L Variety Store, Hornepayne Home Hardware, and McKinnon’s Freshmart. A complete business inventory of Hornepayne community is provided in **Figure 2-7**.

Hornepayne has a total ground level retail-specific inventory (**Table 2-2**) of approximately 16,408 sf. While the vacancy would seem to be high, the spaces currently vacant are not foreseen as dedicated retail spaces and may be subject to other adaptive re-use. In particular, the former LCBO space was downsized and relocated as part of a licensee agreement inside of Cindy’s This & That convenience store. The former Northern Store (180 Front Street) and LCBO (36 Fifth Ave) buildings were purchased by Rideout Bay Development.

The Northern Store building has plans to be repurposed with apartment suites while the LCBO building is available as build-to-suit for another potential commercial or light industrial business opportunity.

When applying the current occupied retail inventory to the local population estimate of 1,010 residents the resulting per capita space ratio works out to approximately 15 sf per capita.

Referring to **Figure 2-6**, this figure falls in line with comparable rural village or rural town profiles. The estimates in the per capita space continuum diagram is based on factual data and analysis from over 50 retail market profiles from across Canadian communities of varying sizes.

From this analysis, it could reasonably be forecast that Hornepayne could support approximately 20 sf per capita and thus approximately exhibits a currently floorspace residual demand of just under 4,000 sf (3,792 sf).

2.5 Retail Demand

Figure 2-6. Retail Space Per Capita Continuum

(Source: FBM & Key Planning Strategies)

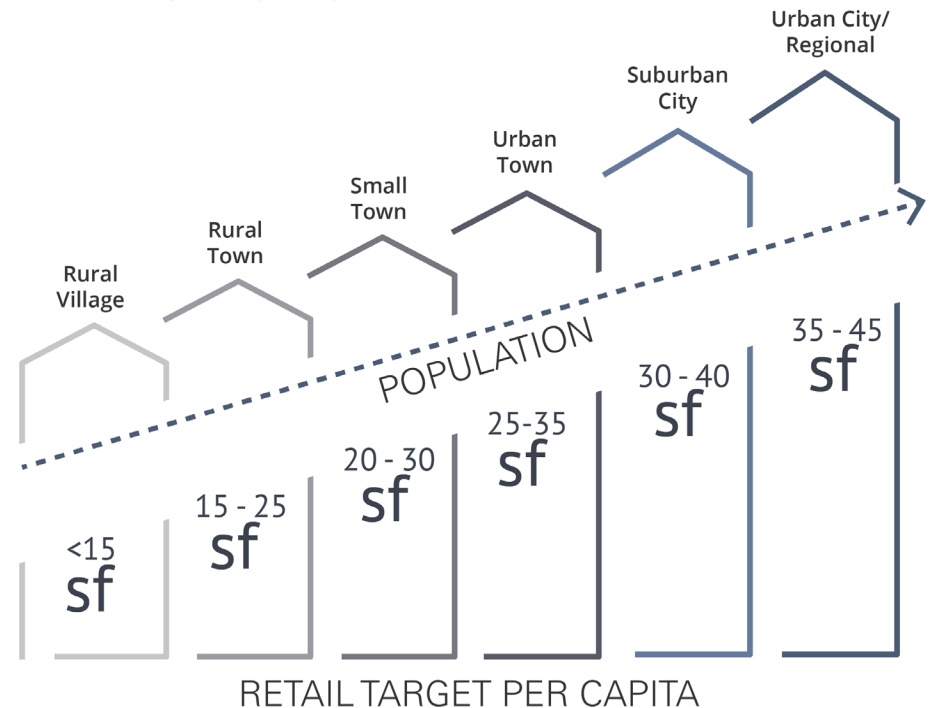


Table 2-1. Hornepayne Trade Area (Resident AND Visitor) Retail Spending Summary 2023 Y/E Estimate

(Source: Manifold Data Mining Inc. and FBM)

Retail Spending by Merchandise Category		2023 Y/E HORNEPAYNE TRADE AREA							HORNEPAYNE TRADE AREA TOTAL Aggregate Retail Spending Including Online & Miscellaneous
		ANNUAL Estimated Online Spending Share	ANNUAL Estimated Online Household Spending	ANNUAL Estimated Online Aggregate Spending	ANNUAL Household Retail Spending	ANNUAL Aggregate Household Retail Spending	Estimated Miscellaneous Inflow (visitors, Highway Motorists)	Estimated Miscellaneous Inflow (visitors, Highway Motorists)	
Conveniences	Grocery & Convenience	5%	\$667	\$300,059	\$13,336	\$6,001,173	5%	\$300,059	\$6,301,231
	Pharmacy	0%	\$0	\$0	\$1,600	\$720,002	1%	\$7,200	\$727,202
	Alcohol & Tobacco	0%	\$0	\$0	\$2,327	\$1,047,210	2%	\$20,944	\$1,068,155
	Personal Services	0%	\$0	\$0	\$4,047	\$1,821,253	0%	\$0	\$1,821,253
Comparison	Fashion & Accessories	15%	\$443	\$199,392	\$2,954	\$1,329,282	0%	\$0	\$1,329,282
	Jewelry	5%	\$12	\$5,407	\$240	\$108,149	0%	\$0	\$108,149
	Health & Beauty	5%	\$86	\$38,698	\$1,720	\$773,955	0%	\$0	\$773,955
	Home Furniture & Décor	20%	\$337	\$151,484	\$1,683	\$757,422	0%	\$0	\$757,422
	Appliances & Electronics	20%	\$905	\$407,275	\$4,525	\$2,036,375	0%	\$0	\$2,036,375
	Home Improvement & Gardening	15%	\$161	\$72,478	\$1,074	\$483,188	0%	\$0	\$483,188
	Books & Media	30%	\$113	\$50,642	\$375	\$168,806	0%	\$0	\$168,806
	Sporting Goods	20%	\$51	\$23,008	\$256	\$115,042	0%	\$0	\$115,042
	Toys & Hobbies	20%	\$51	\$23,163	\$257	\$115,816	0%	\$0	\$115,816
	Specialty Retail	20%	\$313	\$140,868	\$1,565	\$704,342	0%	\$0	\$704,342
Leisure	Quick Service F&B	0%	\$0	\$0	\$2,858	\$1,286,296	0%	\$0	\$1,286,296
	Restaurants & Pubs	0%	\$0	\$0	\$1,993	\$896,925	2%	\$17,939	\$914,864
	Arts & Entertainment	0%	\$0	\$0	\$1,297	\$583,810	0%	\$0	\$583,810
	Fitness & Leisure	0%	\$0	\$0	\$210	\$94,322	0%	\$0	\$94,322
Auto	Auto Parts & Accessories	10%	\$49	\$21,896	\$487	\$218,960	2%	\$4,379	\$223,339
	Auto/RV/Motorsports Dealership	0%	\$0	\$0	\$5,605	\$2,522,025	0%	\$0	\$2,522,025
TOTAL CATEGORIES		7%	\$3,187	\$1,434,372	\$48,410	\$21,784,354	2%	\$350,521	\$22,134,874

Figure 2-7. Hornepayne Business Inventory Map

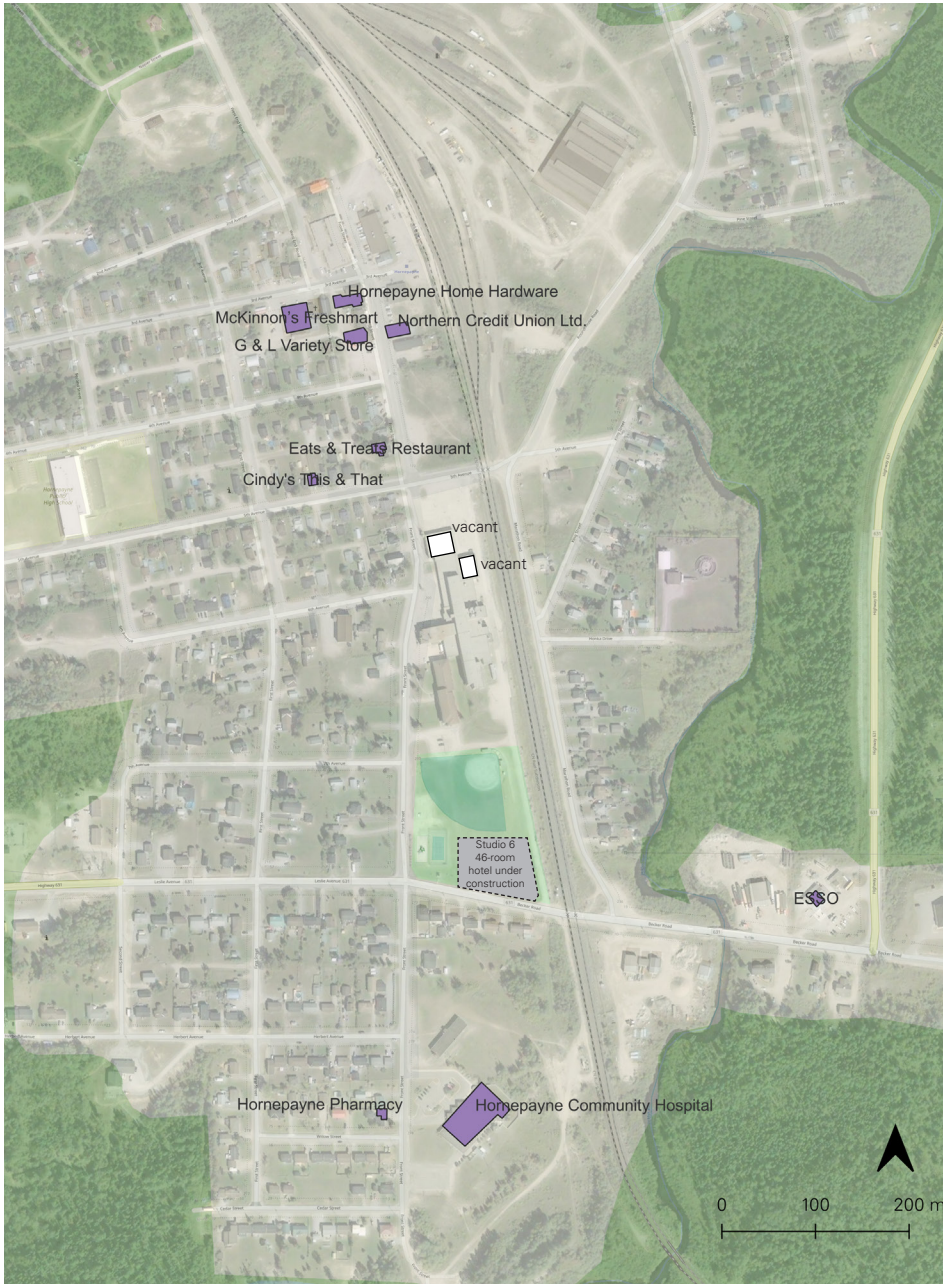


Table 2-2. Hornepayne Retail Inventory Summary

(Source: Manifold Data Mining Inc. and FBM)

RETAIL MERCHANDISE or BUSINESS CATEGORY	General Classification	ALL NODES FLOORSPACE (sq. ft.)	ALL NODES FLOORSPACE MIX (%)	TRADE AREA PER CAPITA (sq. ft. per person)
VACANT	N/A	12,200	38.5%	12.1
GROCERY, CONVENIENCE & SPECIALTY FOODS	Retail	10,718	33.8%	10.6
PROFESSIONAL & FINANCIAL SERVICE	Non-Retail	2,840	9.0%	2.8
HOME IMPROVEMENT & GARDENING	Retail	1,500	4.7%	1.5
SPECIALTY RETAIL	Retail	1,357	4.3%	1.3
FULL-SERVICE F&B	Retail	1,033	3.3%	1.0
PHARMACY	Retail	500	1.6%	0.5
ALCOHOL, TOBACCO & CANNABIS	Retail	500	1.6%	0.5
HOME FURNISHINGS & DÉCOR	Retail	500	1.6%	0.5
TOYS & HOBBIES	Retail	300	0.9%	0.3
AUTO PARTS & ACCESSORIES	Auto	250	0.8%	0.2
MEDICAL & WELLNESS SERVICE	Non-Retail	0	0.0%	0.0
AUTO SERVICE	Auto	0	0.0%	0.0
AUTO/RV/MOTORSPORTS DEALERSHIP	Auto	0	0.0%	0.0
LIMITED-SERVICE F&B	Retail	0	0.0%	0.0
FASHION & FOOTWEAR	Retail	0	0.0%	0.0
BEAUTY & PERSONAL CARE	Retail	0	0.0%	0.0
PERSONAL SERVICE	Retail	0	0.0%	0.0
SPORTING GOODS & OUTDOOR RECREATION	Retail	0	0.0%	0.0
HOME ELECTRONICS & APPLIANCES	Retail	0	0.0%	0.0
FITNESS & LEISURE	Retail	0	0.0%	0.0
BOOKS, MEDIA & VIDEO GAMES	Retail	0	0.0%	0.0
JEWELRY	Retail	0	0.0%	0.0
ARTS & ENTERTAINMENT	Retail	0	0.0%	0.0
TOTAL - all streetfront inventory		31,698		
Retail ONLY Floorspace (excluding Medical & Wellness, Professional, Auto & Vacant)		16,408		

Table 2-3. Hornepayne Retail Leakage and Market Share Analysis

(Source: FBM)

Retail Spending by Merchandise Category		2023 Estimated Market Share HORNEPAYNE INFLOW / LEAKAGE			Potential Floorspace Target by Increased Market Share			
		Current Estimated Retail Sales Estimate	Current Estimate of Inflow or Leakage	Current Estimated Market Share of Retail Spending	Target Market Share	Target Retail Sales Estimate	Net Gain Retail Sales	Net Gain Retail Floorspace
Conveniences	Grocery & Convenience	\$4,030,700	-\$2,270,531	64%	70%	\$4,410,862	\$380,162	1,056
	Pharmacy	\$180,000	-\$547,202	25%	50%	\$363,601	\$183,601	510
	Alcohol & Tobacco	\$312,500	-\$755,655	29%	60%	\$640,893	\$328,393	525
	Personal Services	\$0	-\$1,821,253	0%	20%	\$364,251	\$364,251	2,698
	Fashion & Accessories	\$0	-\$1,329,282	0%		\$0	\$0	0
	Jewelry	\$0	-\$108,149	0%		\$0	\$0	0
	Health & Beauty	\$0	-\$773,955	0%		\$0	\$0	0
Comparison	Home Furniture & Décor	\$82,500	-\$674,922	11%	11%	\$82,500	\$0	0
	Appliances & Electronics	\$0	-\$2,036,375	0%		\$0	\$0	0
	Home Improvement & Gardening	\$300,000	-\$183,188	62%	62%	\$300,000	\$0	0
	Books & Media	\$0	-\$168,806	0%		\$0	\$0	0
	Sporting Goods	\$0	-\$115,042	0%		\$0	\$0	0
	Toys & Hobbies	\$45,000	-\$70,816	39%	39%	\$45,000	\$0	0
	Specialty Retail	\$166,050	-\$538,292	24%	24%	\$166,050	\$0	0
Leisure	Quick Service F&B	\$0	-\$1,286,296	0%	50%	\$643,148	\$643,148	2,680
	Restaurants & Pubs	\$162,698	-\$752,166	18%	40%	\$365,945	\$203,248	968
	Arts & Entertainment	\$0	-\$583,810	0%		\$0	\$0	0
	Fitness & Leisure	\$0	-\$94,322	0%		\$0	\$0	0
Auto	Auto Parts & Accessories	\$117,188	-\$106,151	52%	55%	\$122,837	\$5,649	25
	Auto/RV/Motorsports Dealership	\$0	-\$2,522,025	0%		\$0	\$0	0
TOTAL CATEGORIES		\$5,396,636	-\$16,738,239	24%	34%	\$7,505,086	\$2,108,450	8,462

Figure 2-8. Hornepayne Retail Inventory Images (October 2023)

(Source: Photos courtesy of FBM)



G & L Variety Store



Hornepayne Home Hardware



Northern Credit Union



ESSO



McKinnon's Freshmart



Cindy's This & That

Inventory Market Share Methodology

The first methodology, as summarized in **Table 2-4** takes the current inventory estimate of 16,408 sf and divides this into the spending demand based on a 100% market share capture to determine the full market demand attributable to Hornepayne's trade area spending. In the case of Hornepayne, it is not realistic based on the resident population base only that all that demand could be met in the community. Therefore, from this figure it can be reasonably calculated that the current Hornepayne inventory of 16,408 sf accounts for a market share of only 16% of the potential achievable inventory, which is very low but not unexpected given the nature of the local inventory.

Based on this calculated "current market share by inventory" estimate, a "target potential market share" of supportable inventory is applied at 25% to reflect conservative, yet achievable growth in the market. The resulting difference between the "target" and the "current" inventory equates to an "unmet potential" figure, which may also be referred to as "residual demand". This high-level methodology suggests an unmet potential of just over 9,000 sf (9,054 sf).

Inventory Market Share Sales Methodology

The second methodology, as detailed in **Table 2-3** and summarized in **Table 2-4** calculates the current estimated retail sales generated by the Township's current retail inventory and divides this into the total retail spending potential of the market. The resulting difference illustrates the magnitude of sales leakage or outflow in dollars.

Therefore, from this figure it can be reasonably calculated that there is currently an estimated leakage of \$16.7 million in Hornepayne. The current Hornepayne inventory of 16,408 sf therefore accounts for a market retention of sales of only 24% of the spending potential, which is low but not unexpected since the current residents are clearly spending their money in Hearst, Wawa, Sault Ste. Marie or Timmins.

The majority of the local spending capture is in the Grocery & Convenience and Alcohol categories, which exhibit a sales retention rate of 60 to 70%.

Table 2.4 reveals that if Hornepayne were to increase its market share of trade area spending by 10% from 24% to 34% over the next decade, there could be additionally supportable demand for just under 8,500 sf (8,462 sf) of new retail space.

While this represents a 10-year forecast in conjunction with population growth, it is not inconceivable given the absence of retail in the community, combined with the current spending profile that demand could be met much sooner and in specific categories such as Quick Service F&B and Personal Services.

Per Capita Floorspace Methodology

The third methodology, as summarized in **Table 2-4**, recognizes the “current calculated per capita floorspace” of 15 sf and applies a “target per capita” floorspace of 20.0 against the estimated population growth by 2033. This results in demand for approximately 6,200 sf.

Blended Average Summary

By applying a blended average to each of the previously quantified methodologies, the resulting demand estimate for Hornepayne is in the range of 8,000 sf. of new retail space that could be supported by Hornepayne’s resident trade area and its other miscellaneous sources of inflow spending.

Table 2-4. Hornepayne Retail Demand Summary

(Source: FBM)

			HORNEPAYNE DEMAND ESTIMATE (10-year target to 2033)
Inventory Market Share Inventory Methodology	Current inventory (sf)		16,208
	Current market share by inventory	16%	
	Target potential fair market share	25%	25,262
	Unmet Potential of fair market share(sf)		9,054
Inventory Market Share Sales Methodology	Current inventory (sf)		16,208
	Current market share by category sales	24%	
	Target market share by category	34%	
	Unmet Potential of fair market share(sf)		8,462
Per Capita Floorspace Methodology	Current per capita floorspace est (sf/capita)	15	
	Target per capita (sf/capita)	20	
	Target retail based on per capita (sf)		22,400
	Unmet potential of per capita (sf)		6,192
TOTAL Resident + Misc Floorspace Demand (sf)		Blended Average	7,903

3.0 Summary

3.1 Introduction

This section highlights the key findings of the Market Gap Analysis as well as documenting some general retail trends that are noteworthy and relevant to Hornepayne’s locational, demographic and economic contexts.

3.2 Developing Successful Retail

According to ICSC’s **“Developing Successful Retail in Secondary and Rural Markets”**, targeted retail recruitment should reach out to those retailers or developers who may not have discovered a respective community yet. The process for attracting businesses must be tempered by reality and cognizant of:

- Paying attention to the geographic base of operations for retailers. Do not expect retailers to deviate significantly from their base of operations to serve a small community;
- Accepting that most retailers have established minimum trade area populations or income thresholds for success based on years of operating experience;
- Understanding that the limited consumer spending in small communities simply cannot support some retailers offering specialized merchandise assortments;
- Being realistic about how business opportunities in a respective community ranks against other opportunities in front of the retailer; and
- Understanding co-tenancy requirements retailers’ have established as predictors of success.

Overall, commercial real estate continues to shift to meet the rapidly changing tastes and needs of target markets. Consumers now value uniqueness, and they are quick to switch their brand allegiance. Emerging trends require new developments to be adaptable and flexible, and relevant and retain their consumer base.

One of the most critical aspects to being proactive and understanding whom to target starts with creating a business case based on some statistical foundation. A statistical business case is typically required to explain the merits of a community. It is important to first establish an understanding of the communities before promoting any specific site option.

Accordingly, Hornepayne was profiled to illustrate and document the following statistical facts:

- Geographic delineation of the retail trade area that reflects a realistic drive time or market penetration;
- Demographic and economic profiles of the trade area population;
- Growth projections for the trade area population;
- Annual retail spending;
- Sales performance of key retail categories;
- Current estimated retained market share of trade area spending; and
- Current supportable retail space.

Retail Development Fundamentals

Retail development, whether in smaller communities such as those found throughout the northern Ontario region, are driven by critical business fundamentals that must be acknowledged and considered when identifying retail opportunities.

By way of a checklist, these include:

- Population characteristics of the consumer base;
- The reality that retail follows consumers;
- Consistent and high shopper traffic is a prerequisite for most retailers;
- The consumer base must demonstrate sufficient buying power to be of interest to retailers;

- Chain or franchise retailers have a limited number of prototypical store formats that they are willing to operate, which in traditional smaller or rural markets means requiring new space or a new development that suits their small market prototype. Deviating from these established formats is done only as a last resort in circumstances where demand for a location by a retailer or developer is high;
- Most retailers require sites with convenient access, high visibility, and sufficient parking or maneuverability for vehicles;
- Most retailers expand in well-defined geographic areas that coincide with their distribution networks and their familiarity with consumer preferences;
- Most retailers have established criteria for site selection. In a general sense for a more remote or secondary market, a typical benchmark would apply to a 30-minute drive time and would be dependent upon the level of competition in a respective market. On a smaller scale and where limited competition exists, typical “fast food” retailers may enter an under-served market if they are the first to enter under which circumstances they are likely to seek restrictive covenants or non-compete radius clauses to limit competition for a period of time.
- Clustering of compatible retailers a norm;
- Retailers cannot generally survive rent-to-sales ratios in excess of 15%. Retailers have a threshold level of sales they know they must achieve to be profitable; and
- Retailers attempt to maximize profitability by operating the fewest number of stores possible in any market to avoid sales transference.
- Smaller markets will typically require some level of assurance that potential franchisees have the stability and wherewithal to succeed including financing and staffing, and this may include leveraging existing franchise partners in other nearby markets.

3.3 Retail Positioning & Opportunity

The analysis of Hornepayne’s retail environment combined with an overview of the trade area demographics reveals a current disconnect with regard to the commercial offering and the health and wealth of resident spending and incomes.

The analysis has shown that Hornepayne suffers from a significant outflow or leakage of retail spending both to physical stores in other markets beyond an hour and a half drive time or via online shopping. As a result the local commercial environment is missing some critical low hanging opportunities that could go a long way to capturing retail spending as well as creating local employment or business opportunities.

While the overall scale of demand is in the range of 8,000 sf and thus not large, the opportunity itself is significant in that there is limited competition locally in the areas of quick and full-service food & beverage (40% of floorspace demand) as well as personal services (50% of floorspace demand) as summarized in **Figure 3-1**.

The quick service food & beverage sector represents the most pressing and immediate opportunity whereby there are a number of branded franchise formats that should be pursued, particularly for a site location that could have a drive-through or have frontage along Hwy 631/Leslie Avenue.

With the soon-to-be-completed 46-room Studio 6 hotel along this corridor, the most logical opportunity would be to create a small retail development with a drive through component and up to 3 or 4 smaller commercial retail units (CRUs).

Scale is everything for the Hornepayne opportunity to be realized and successful, and for the demand to be achievable in attracting employees etc. The reality of the market is that likely only one, or two at most of the identified target franchise brands would enter the market, but regardless the spin-off effect on other local businesses would be positive so long as they respond with proper proactive marketing. The analysis has revealed that there is more than sufficient spending power and desire to spend locally if the opportunity is presented and available.

Figure 3-1. Retail Positioning Summary & Target Markets



Convenience
Floorspace Demand

Local or Franchise Brand
Personal Service, Prepared Meals



Comparison/DSTM
Floorspace Demand

Local Retailer
Specialty Retail, Thrift Boutique



Leisure/F&B
Floorspace Demand

Franchise Brand
Quick-Service F&B - max two (2), but likely one (1) for foreseeable future



Appendix A: Detailed Trade Area Demographics

Source: FBM & Manifold Data Mining Inc, 2022/2023

Index	Description
>= 180	Extremely High
>=110 and <180	High
>=90 and <110	Similar
>=50 and <90	Low
<50	Extremely Low

Attribute	Benchmark: Ontario		Hornepayne: 60 min. DT		
	value	percent	value	percent	index
Summary					
SUMMARY					
Total population	15,000,400		1,068		
Total population age 15 and over	12,701,400		910		
Total number of private households	5,745,140		450		
Average number of persons in private households	2.57		2.32		90
POPULATION AGE					
Population age 0-14	2,298,980	15.33%	158	14.83%	97
Population age 15-24	1,891,940	12.61%	148	13.86%	110
Population age 25-34	2,080,900	13.87%	157	14.68%	106
Population age 35-44	1,951,460	13.01%	132	12.35%	95
Population age 45-54	1,877,820	12.52%	132	12.38%	99
Population age 55-64	2,073,310	13.82%	158	14.83%	107
Population age 65+	2,825,940	18.84%	182	17.07%	91
EDUCATION					
Total population aged 15 years and over by highest certificate, diploma, or degree	12,701,400		910		
No certificate, diploma, or degree	2,203,280	17.35%	280	30.76%	177
High school diploma or equivalent	3,464,580	27.28%	311	34.18%	125
Post-secondary certificate, diploma, or degree	7,033,510	55.38%	319	35.05%	63
Apprenticeship or trades certificate or diploma	766,716	6.04%	69	7.55%	125
College, CEGEP or other non-university certificate or diploma	2,639,140	20.78%	173	18.97%	91
University certificate or diploma below bachelor level	293,061	2.31%	23	2.51%	109
University certificate, diploma, or degree at bachelor level or above	3,334,590	26.25%	55	6.02%	23
Bachelor's degree	2,188,290	17.23%	20	2.21%	13
INCOME					
Average household income \$	\$109,992		\$124,792		113
Average income population age 15 and over (\$)	\$54,047		\$61,507		114
Population with income Under \$10,000 (including loss)	1,678,630	13.22%	107	11.78%	89
Population with income \$10,000 to \$19,999	2,049,490	16.14%	95	10.39%	64
Population with income \$20,000 to \$29,999	1,649,410	12.99%	84	9.18%	71
Population with income \$30,000 to \$39,999	1,341,920	10.57%	57	6.30%	60
Population with income \$40,000 to \$49,999	1,183,980	9.32%	82	8.98%	96
Population with income \$50,000 to \$59,999	955,698	7.52%	66	7.25%	96
Population with income \$60,000 to \$69,999	754,294	5.94%	78	8.56%	144
Population with income \$70,000 to \$79,999	583,228	4.59%	56	6.21%	135
Population with income \$80,000 to \$89,999	459,698	3.62%	61	6.69%	185
Population with income \$90,000 to \$99,999	392,123	3.09%	45	4.94%	160
Population with income \$100,000 and over	1,098,500	8.65%	140	15.35%	177
Population with income \$100,000 to \$149,999	638,818	5.03%	118	13.00%	258
Population with income \$150,000 and over	459,685	3.62%	21	2.35%	65

Index	Description
>= 180	Extremely High
>=110 and <180	High
>=90 and <110	Similar
>=50 and <90	Low
<50	Extremely Low

Attribute	Benchmark: Ontario		Hornepayne: 60 min. DT		
	value	percent	value	percent	index
PROJECTIONS					
Annual population growth in the period: Next 5 years		1.12%		0.56%	50
Annual household growth in the period: Next 5 years		1.12%		1.33%	119
Annual population growth in the period: 5 to 10 years from current year		1.06%		0.38%	36
Annual household growth in the period: 5 to 10 years from current year		1.06%		1.25%	118
POPULATION GROWTH					
Current year total population	15,000,400		1,068		
5-Year Projections - Total population	15,859,300		1,098		
10-Year Projections - Total population	16,716,200		1,120		
HOUSEHOLD GROWTH					
Current year total number of households	5,745,150		450		
5-Year Projections - Total number of households	6,074,220		481		
10-Year Projections - Total number of households	6,401,810		511		
HOUSEHOLD INCOME GROWTH					
Current year average household income	\$109,992		\$124,792		113
5-Year Projections - Average household income	\$126,049		\$154,713		123
10-Year Projections - Average household income	\$145,586		\$199,656		137
Employment					
CLASS OF WORKER					
Total labour force 15 years and over by class of worker	8,275,730		648		
Class of worker - Not applicable	350,395	4.23%	0	0.06%	1
All classes of worker	7,925,330	95.77%	648	99.94%	104
Employees	6,982,170	84.37%	608	93.86%	111
Self-employed	943,160	11.40%	39	6.08%	53
MODE OF TRANSPORTATION					
Total employed labour force 15 years and over who commute to work by mode of transportation	6,473,020		470		
Car, truck, van, as driver	4,627,530	55.92%	326	50.23%	90
Car, truck, van, as passenger	399,822	4.83%	32	4.97%	103
Public transit	929,110	11.23%	0	0.01%	0
Walked	350,023	4.23%	91	13.98%	330
Bicycle	88,581	1.07%	0	0.00%	0
Other method	77,957	0.94%	21	3.30%	351

Index	Description
>= 180	Extremely High
>=110 and <180	High
>=90 and <110	Similar
>=50 and <90	Low
<50	Extremely Low

Attribute	Benchmark: Ontario		Hornepayne: 60 min. DT		
	value	percent	value	percent	index
Labour Force					
LABOUR FORCE INDUSTRY					
Total labour force population aged 15+ years -					
North American Industry Classification System (NAICS) 2017					
Industry - not applicable	8,275,730		648		
All industries	350,395	4.23%	0	0.06%	1
11 Agriculture, forestry, fishing, and hunting	7,925,330	95.77%	648	99.94%	104
21 Mining, quarrying, and oil and gas extraction	120,889	1.46%	21	3.19%	218
22 Utilities	41,236	0.50%	1	0.13%	26
23 Construction	71,772	0.87%	32	4.94%	568
31-33 Manufacturing	521,438	6.30%	20	3.12%	50
41 Wholesale trade	767,978	9.28%	124	19.15%	206
44-45 Retail trade	323,560	3.91%	0	0.05%	1
48-49 Transportation and warehousing	885,761	10.70%	53	8.15%	76
51 Information and cultural industries	360,675	4.36%	146	22.50%	516
52 Finance and insurance	474,087	5.73%	18	2.84%	123
53 Real estate and rental and leasing	191,528	2.31%	33	5.12%	89
54 Professional, scientific, and technical services	191,656	2.32%	0	0.03%	1
55 Management of companies and enterprises	680,929	8.23%	1	0.10%	1
56 Administrative and support, waste management and remediation services	18,158	0.22%	0	0.00%	0
61 Educational services	366,720	4.43%	20	3.06%	69
62 Health care and social assistance	630,868	7.62%	44	6.78%	89
71 Arts, entertainment, and recreation	859,120	10.38%	85	13.09%	126
72 Accommodation and food services	162,495	1.96%	0	0.03%	2
81 Other services (except public administration)	441,303	5.33%	17	2.66%	50
91 Public administration	324,754	3.92%	0	0.05%	1
	490,406	5.93%	32	4.95%	83
Occupation					
OCCUPATION					
Total labour force 15 years and over by occupation	8,275,730		648		
Occupation - not applicable	350,395	4.23%	0	0.06%	1
All occupations	7,925,330	95.77%	648	99.94%	104
0 Management occupations	941,521	11.38%	34	5.23%	46
1 Business, finance, and administration occupations	1,336,820	16.15%	102	15.71%	97
2 Natural and applied sciences and related occupations	641,412	7.75%	0	0.05%	1
3 Health occupations	535,615	6.47%	23	3.49%	54
4 Occupations in education, law and social, community and government services	1,023,420	12.37%	35	5.44%	44
5 Occupations in art, culture, recreation, and sport	237,415	2.87%	0	0.02%	1
6 Sales and service occupations	1,684,660	20.36%	129	19.86%	98
7 Trades, transport and equipment operators and related occupations	1,008,810	12.19%	226	34.92%	286
8 Natural resources, agriculture, and related production occupations	131,309	1.59%	20	3.10%	195
9 Occupations in manufacturing and utilities	384,352	4.64%	79	12.12%	261

Appendix B: Detailed Resident & Miscellaneous Inflow Spending

Hornepayne 2023, 2028 & 2033

(Source: FBM & Manifold Data Mining Inc, 2023/2024)

Retail Spending by Merchandise Category		HORNEPAYNE TRADE AREA + MISCELLANEOUS INFLOW SPENDING									% Change 2023 to 2032
		2023			2028			2033			
		HORNEPAYNE Miscellaneous Retail Spending	HORNEPAYNE TRADE AREA Total Retail Spending	HORNEPAYNE TOTAL + Miscellaneous Resident Spending	HORNEPAYNE Miscellaneous Retail Spending	HORNEPAYNE TRADE AREA Total Retail Spending	HORNEPAYNE TOTAL + Miscellaneous Resident Spending	HORNEPAYNE Miscellaneous Retail Spending	HORNEPAYNE TRADE AREA Total Retail Spending	HORNEPAYNE TOTAL + Miscellaneous Resident Spending	
Conveniences	Grocery & Convenience	\$300,059	\$6,001,173	\$6,301,231	\$300,059	\$6,741,795	\$7,041,854	\$315,365	\$7,527,630	\$7,842,994	24.5%
	Pharmacy	\$7,200	\$720,002	\$727,202	\$7,200	\$808,859	\$816,059	\$7,567	\$903,141	\$910,709	25.2%
	Alcohol & Tobacco (Incl Cannabis)	\$20,944	\$1,047,210	\$1,068,155	\$20,944	\$1,176,450	\$1,197,394	\$22,013	\$1,313,578	\$1,335,591	25.0%
	Personal Services	\$0	\$1,821,253	\$1,821,253	\$0	\$2,046,019	\$2,046,019	\$0	\$2,284,507	\$2,284,507	25.4%
	Fashion & Accessories	\$0	\$1,329,282	\$1,329,282	\$0	\$1,493,333	\$1,493,333	\$0	\$1,667,398	\$1,667,398	25.4%
	Jewelry	\$0	\$108,149	\$108,149	\$0	\$121,495	\$121,495	\$0	\$135,657	\$135,657	25.4%
	Health & Beauty	\$0	\$773,955	\$773,955	\$0	\$869,471	\$869,471	\$0	\$970,818	\$970,818	25.4%
Comparison	Home Furniture & Décor	\$0	\$757,422	\$757,422	\$0	\$850,898	\$850,898	\$0	\$950,080	\$950,080	25.4%
	Appliances & Electronics	\$0	\$2,036,375	\$2,036,375	\$0	\$2,287,690	\$2,287,690	\$0	\$2,554,346	\$2,554,346	25.4%
	Home Improvement & Gardening	\$0	\$483,188	\$483,188	\$0	\$542,820	\$542,820	\$0	\$606,092	\$606,092	25.4%
	Books & Media	\$0	\$168,806	\$168,806	\$0	\$189,639	\$189,639	\$0	\$211,744	\$211,744	25.4%
	Sporting Goods	\$0	\$115,042	\$115,042	\$0	\$129,240	\$129,240	\$0	\$144,304	\$144,304	25.4%
	Toys & Hobbies	\$0	\$115,816	\$115,816	\$0	\$130,109	\$130,109	\$0	\$145,275	\$145,275	25.4%
	Specialty Retail	\$0	\$704,342	\$704,342	\$0	\$791,267	\$791,267	\$0	\$883,499	\$883,499	25.4%
Leisure	Quick Service F&B	\$0	\$1,286,296	\$1,286,296	\$0	\$1,445,041	\$1,445,041	\$0	\$1,613,478	\$1,613,478	25.4%
	Restaurants & Pubs	\$17,939	\$896,925	\$914,864	\$17,939	\$1,007,617	\$1,025,556	\$18,854	\$1,125,067	\$1,143,920	25.0%
	Arts & Entertainment	\$0	\$583,810	\$583,810	\$0	\$655,860	\$655,860	\$0	\$732,308	\$732,308	25.4%
	Fitness & Leisure	\$0	\$94,322	\$94,322	\$0	\$105,963	\$105,963	\$0	\$118,314	\$118,314	25.4%
Auto	Auto Parts & Accessories and Fuel	\$4,379	\$218,960	\$223,339	\$4,379	\$245,983	\$250,362	\$4,603	\$274,655	\$279,257	25.0%
	Auto/RV/Motorsports Dealership	\$0	\$2,522,025	\$2,522,025	\$0	\$2,833,276	\$2,833,276	\$0	\$3,163,527	\$3,163,527	25.4%
TOTAL CATEGORIES		\$350,521	\$21,784,354	\$22,134,874	\$350,521	\$24,472,825	\$24,823,346	\$368,401	\$27,325,417	\$27,693,818	25.1%
TOTAL (excluding Auto Parts & Accessories & Auto/RV/Motorsports Dealerships)		\$346,141	\$19,043,369	\$19,389,510	\$346,141	\$21,393,567	\$21,739,709	\$363,798	\$23,887,236	\$24,251,034	25.1%

Appendix C: Hornepayne Retail Inventory

Hornepayne Retail Inventory

(Source: FBM 2023)

NAICS 2-DIGIT	NAICS GENERAL CODE	NAICS 6-DIGIT	NAICS DETAILED CODE	RETAIL MERCHANDISE or BUSINESS CATEGORY	TENANT NAME	CIVIC STREET #	STREET ADDRESS	SIZE (SF)
44-45	Retail trade	445120	Convenience stores	Alcohol, Tobacco & Cannabis	LCBO (inside Cindy's This & That)			500
72	Accommodation & food services	722511	Full-service restaurants	Full Service F&B	Eats & Treats (was Hungry Bear Pub & Diner)	113	Front Street	1,033
44-45	Retail trade	445120	Convenience stores	Grocery, Convenience & Specialty Foods	G & L Variety Store	83	Front Street	2,065
44-45	Retail trade	445110	Supermarkets and other grocery retailers	Grocery, Convenience & Specialty Foods	McKinnon's Freshmart	44	Third Avenue	8,153
44-45	Retail trade	457120	Other gasoline stations	Grocery, Convenience & Specialty Foods	ESSO (convenience store only)	18	Ontario 631N Bldg 2	500
				Auto Parts & Accessories	ESSO (auto parts)	18	Ontario 631N Bldg 2	250
				Specialty Retail	Hornepayne Home Hardware	69	Front Street	357
				Toys & Hobbies	Hornepayne Home Hardware	69	Front Street	300
44-45	Retail trade	444140		Home Furnishings & Décor	Hornepayne Home Hardware	69	Front Street	500
44-45	Retail trade	444140	Hardware retailers	Home Improvement & Gardening	Hornepayne Home Hardware	69	Front Street	1,500
44-46	Retail trade	456110	Pharmacies and drug stores	Pharmacy	Hornepayne Pharmacy	333	Front Street	500
52	Finance & insurance	522321	Central credit unions	Professional & Financial Service	Northern Credit Union Ltd.	84	Front Street	2,840
44-45	Retail trade	459420	Gift, novelty and souvenir retailers	Specialty Retail	Cindy's This & That	39	Fifth Avenue	1,000
	VACANT		VACANT	VACANT	VACANT (former LCBO)	36	Fifth Avenue	4,200
	VACANT		VACANT	VACANT	VACANT (former Northern Store)	180	Front Street	8,000



FBM

