

Retail and Service Needs Study

1250 South Service Rd. (Dixie Outlet Mall)

Mississauga, ON

December 6, 2022

Prepared for: Slate Asset Management

Prepared by: Tate Economic Research Inc.



Steven Dejonckheere
Vice President
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121 King St W, Suite 200
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December 6, 2022

Re: Retail and Service Needs Assessment Study
1250 South Service Road, Dixie Outlet Mall
Mississauga, ON

Dear Mr. Dejonckheere:

Tate Economic Research Inc. is pleased to submit this Retail and Service Needs Assessment Study examining the proposed mixed-use development at 1250 South Service Road (Dixie Outlet Mall). We look forward to discussing the results with you.

Yours truly,

TATE ECONOMIC RESEARCH INC.



Sameer Patel
Vice President



James Tate
President

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1 Introduction

Slate Asset Management (“Slate”) is proposing to intensify their commercial mixed-use site located at 1250 South Service Road in the City of Mississauga with high density residential uses. The site is currently occupied by Dixie Outlet Mall (“Dixie Mall” or “Mall”).

1.1 Development Concept and Mandate

Dixie Mall is a shopping centre that evolved from a strip plaza in the 1950s to an enclosed shopping centre operating since the 1980s. Currently, Dixie Mall is a 570,000 square foot enclosed shopping centre with over 100 tenants consisting primarily of outlet and off-price, chain and independent retailers. In addition, there are several chain and independent service providers. Major tenants within the Mall include an 85,000 square foot Treasure Hunt liquidation centre, a 60,000 square foot No Frills supermarket, a 50,000 square foot Fantastic Flea Market, and a 40,000 square foot Winners clothing store.

Slate is proposing to convert a portion of the current enclosed mall and associated parking into three residential blocks consisting of five residential towers (“Site” or “Subject Site”). The five residential towers will result in approximately 1,220 to 1,360 units.

Notwithstanding Slate’s lands are the portion of Dixie Outlet Mall excluding the No Frills and Treasure Hunt we are assessing the entire mall lands to provide the City with complete understanding of the impact of the proposed change to the total enclosed mall and the new residential intensification on the mall property.¹

To realize this proposed development, approximately 13.5% or 78,700 square feet of the Dixie Outlet Mall gross leasable area will be demolished for the residential development.² The tenancy of this 78,700 square feet has evolved over the years. In 2001 the entire 78,700 square feet was a Sears Liquidation Centre. Since the closure of the Sears, the space has been reconfigured into smaller units that have been tenanted by various uses. Currently, there are three larger units between 18,000 – 24,300 square feet comprising clothing stores and

¹ Dixie Outlet Mall includes No Frills and Treasure Hunt, both of which are integrated with Dixie Outlet Mall but under different land ownership (Choice Properties Limited Partnership).

² TER utilizes Gross Leasable Area statistics from the perspective of market impact and commentary on the function of the mall.

several smaller units, including some vacant units. None of the four major tenants (Treasure Hill, No Frills, Fantastic Flea Market and Winners) will be impacted by the intensification.

Figure 1-1: Development Concept



Source: Tate Economic Research (top) Giannone Petricone Associates (bottom)

Tate Economic Research (“TER”) has been retained to examine the impact of demolishing a portion of Dixie Mall to accommodate high density residential uses. More specifically, the mandate is to examine whether the retail and service level will be detrimentally impacted.

1.2 Study Approach

TER has approached the mandate from the basis of the impact of the reduction of retail and service space on the function of Dixie Mall. This approach included the following:

- Review of the Official Plan policies: TER examined the Official Plan policies with respect to Dixie Mall and whether the reduction in retail and service space would result in a change in function.
- Review of current retail function: TER examined the planned and current function of Dixie Mall from a retail service perspective.

1.3 Basic Assumptions

This report and its recommendations should be reviewed considering the basic assumptions, which are outlined below:

- Development projects, especially large-scale development such as the one examined in this report, typically occur over a long period of time. In some cases, concept to buildout can take 5 to 15 years or longer. The retail environment is in a constant state of change and market conditions may change as the development progresses. Therefore, the background and recommendations of this report should be read in the context of the prevailing trends at the time it was written. TER reserves the right to adjust the recommendations in the future should market conditions deem it necessary.
- This report utilizes primary and secondary data sources as well as information provided by the client. We strive to ensure the secondary data used is accurate, however, we cannot guarantee the validity of the methodology and therefore cannot guarantee the accuracy of these secondary data sources. TER reserves the right to adjust the recommendations of this report should new secondary data sources be revealed.

- This report is intended for the uses outlined in the mandate. No parts of this report may be replicated or used for any other purpose than that stated in the mandate without the written consent of TER.

2 Official Plan Context

TER's Retail and Service Needs Assessment is conducted in the context of relevant policies in the City of Mississauga. The following section of the report provides an overview of the planning policies that may be applicable to the Site.

2.1 City of Mississauga Official Plan

The City of Mississauga Official Plan October 21, 2021 Office Consolidation ("OP"), City Structure indicates that the Site is within the "Neighbourhood" designation. Policies relevant to this report include Sections 5.3.5.2, 5.3.5.3 and 5.3.5.4 which are indicated below:



5.3.5.2 Residential intensification within Neighbourhoods will generally occur through infilling and the development of existing commercial sites as mixed use areas.

5.3.5.3 Where higher density uses are proposed, they should be located on sites identified by a local area review, along Corridors or in conjunction with existing apartment sites or commercial centres.

5.3.5.4 Redevelopment of Mixed Use sites that result in a loss of commercial floor space will not be permitted unless it can be demonstrated that the planned function of the existing non-residential component will be maintained after redevelopment.³

The Subject Site is designated Mixed Use in the OP. The planned function of lands designated Mixed Use, as stated in Section 11.2.6.2 of the OP, is to "...provide a variety of retail, service and other uses to support the surrounding residents and businesses. Development on Mixed Use sites that includes residential uses will be required to contain a mixture of permitted uses."⁴

³ It should be noted that Slate has appealed this policy as it related to this specific property.

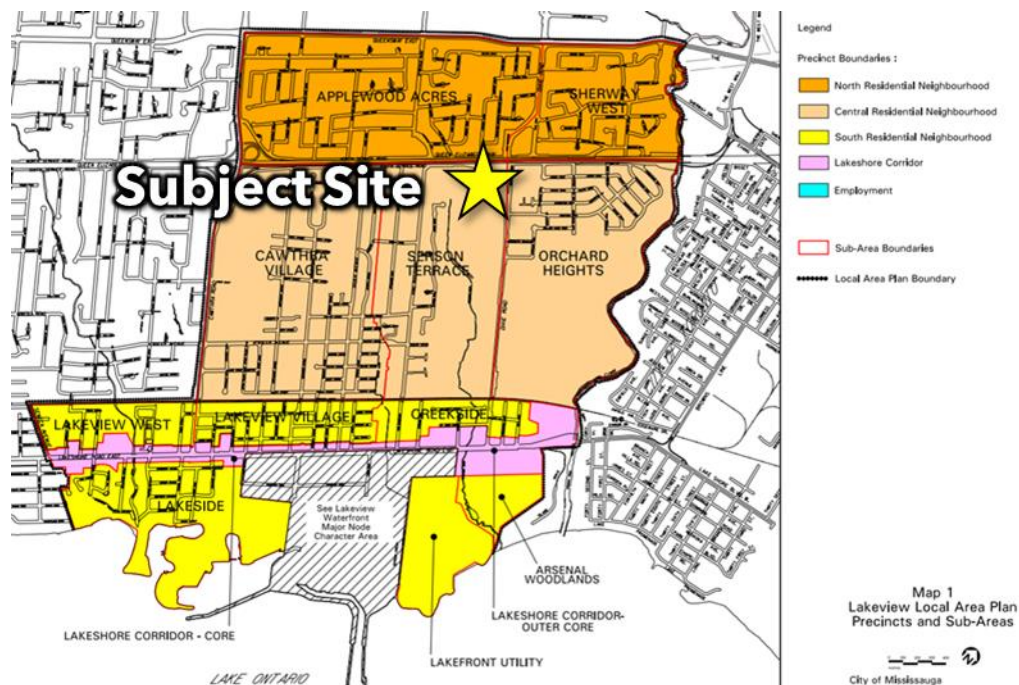
⁴ It should be noted that this policy has also been appealed by Slate as it relates to this specific property.

The Mixed Use designation permits a variety of retail commercial uses, including:

- Financial institution;
- Personal service establishment;
- Restaurant;
- Retail store; and,
- Secondary office.

The Subject Site is located within the Lakeview Local Area Plan (“Lakeview LAP”). The Lakeview LAP is shown in Figure 2-1, below, and includes lands identified in the City Structure as a Neighbourhood Character Area.

Figure 2-1: Lakeview LAP Precincts and Sub-Areas



Source: Tate Economic Research Inc. based on City of Mississauga Lakeview Local Area Plan Map 1 (2018), annotated by TER.

Section 5.1 of the Lakeview LAP outlines guiding principles and states in Section 5.1.3: “Support complete communities through compact, mixed use development and a pedestrian oriented mainstreet that offers a range of culture, residential and employment opportunities.”

Section 2.0 Lakeview Character Areas indicates that the Subject Site is located in the Central Residential Neighbourhood Precinct. Section 2.2.6 states:

“Lakeview has a number of commercial uses. Some of these larger commercial areas include, but are not limited to, the Dixie Outlet Mall and Applewood Village Plaza...”

The Lakeview LAP does not provide specific commercial demand policies that need to be addressed in this Retail and Service Needs Assessment Study. In addition, TER notes that the draft implementing OPA will be revising the current policies, however, the upcoming implementing OPA will not impact the approach or findings of this report.

2.2 Official Plan Context Conclusions

The Subject Site is designated Mixed Use in the OP, which permits a variety of uses, including residential, retail and office. The draft implementing OPA will continue to designate portions of the Site as Mixed Use. The Subject Site is located within the Lakeview LAP which contemplates the redevelopment of Dixie Mall as a mixed-use community.

3 Dixie Mall Function

Dixie Mall is a 570,000 square foot enclosed shopping centre. Major tenants within the Mall include an 85,000 square foot Treasure Hunt liquidation centre, a 60,000 square foot No Frills supermarket, a 50,000 square foot Fantastic Flea Market, and a 40,000 square foot Winners clothing store.

The following section of the report discusses the existing draw and retail function of Dixie Mall and forecasts the resulting retail function after a reduction in size of the Mall.

3.1 Dixie Mall Community Service Level

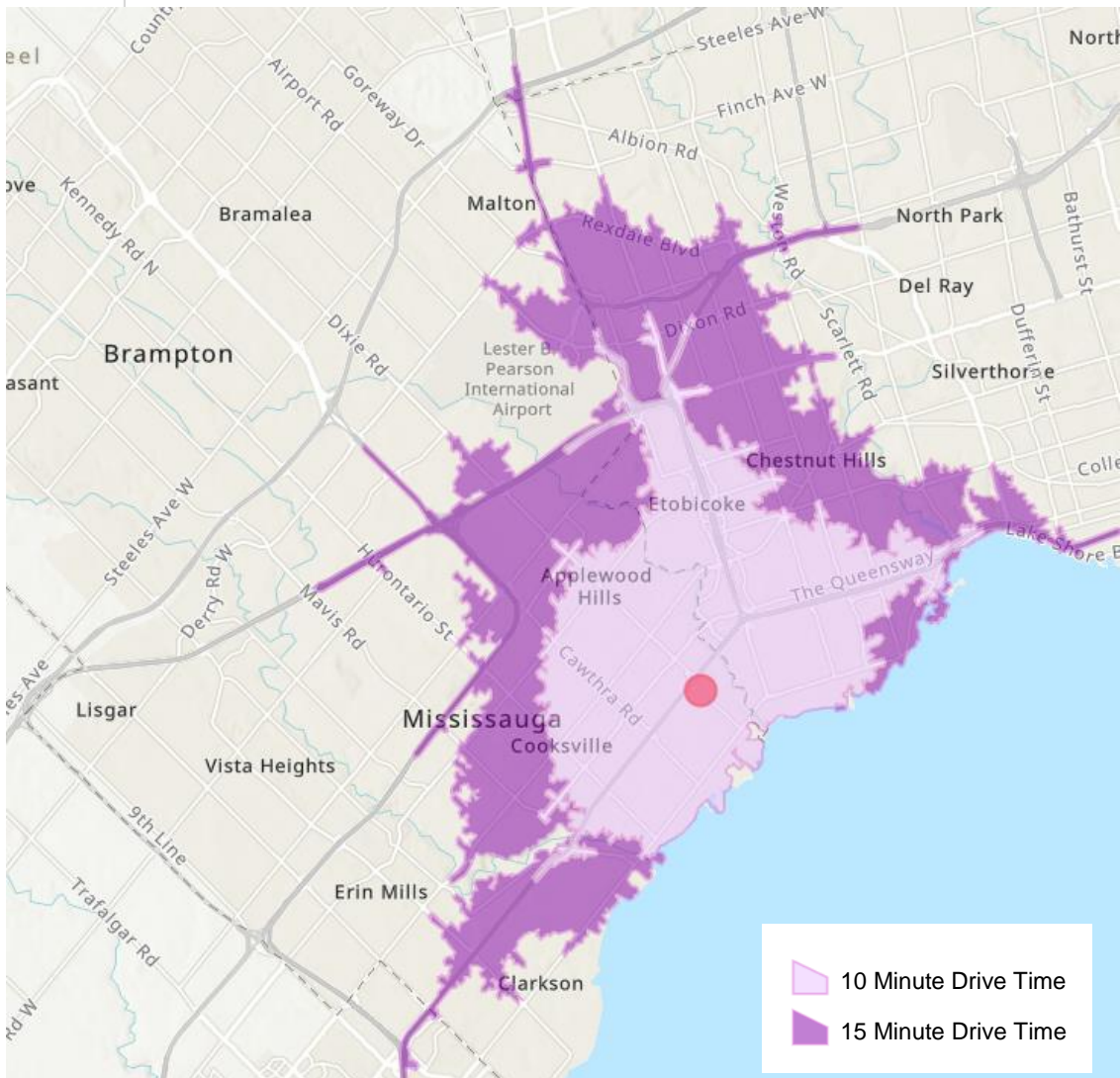
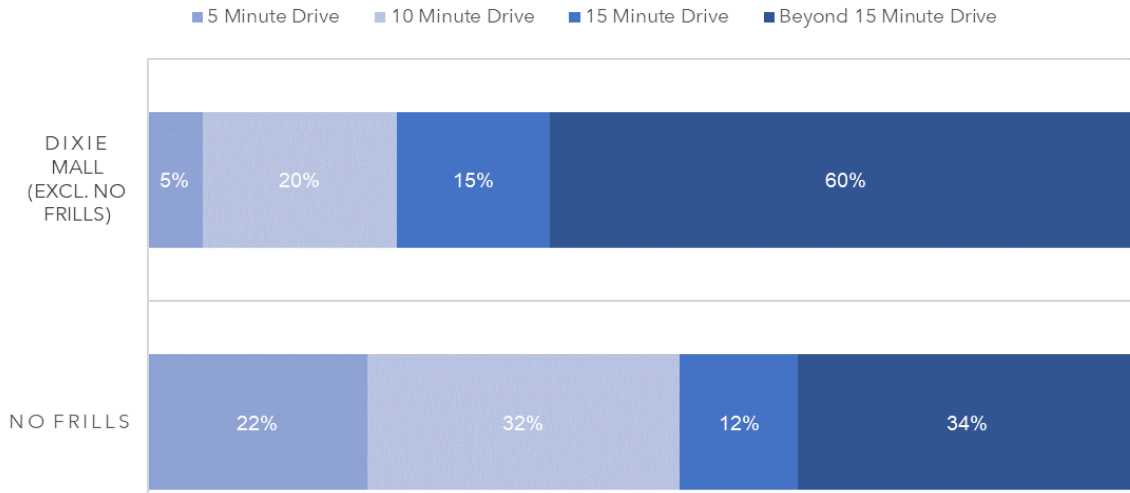
TER has utilized mobility data to quantify the customer draw of Dixie Mall. This analysis examines Dixie Mall shoppers (excluding the No Frills supermarket customers) and No Frills shoppers separately to assess their function individually.

The mobility data is anonymized, permission-based data collected from location enabled mobile devices. Each smartphone has a Unique Device ID and a Common Evening Location (“CEL”). The Unique Device ID represents an identifier for each specific device, and the CEL is derived from where each device spends the majority of its time at night. Information was gathered between January 1, 2019 and December 31, 2019. TER did not examine cellular location services data for 2020 or 2021 due to the impacts of the Covid-19 Pandemic on the shopping environment and consumer behaviour.

The results of the cellular location services data are summarized in Figure 3-1, on the following page, and are summarized below:

- The majority (66%) of No Frills customers live within a 15 minute drive of the Subject Site;
- Conversely, the majority (60%) of Dixie Mall customers live beyond a 15 minute drive of the Subject Site; and,
- Over 50% of No Frills customers live within a 10 minute drive of the Subject Site. This compares to the remainder of Dixie Mall which derives 25% of its customers from within a 10 minute drive.

Figure 3-1: Dixie Mall Customer Draw



Source: Tate Economic Research Inc.

This analysis has demonstrated that Dixie Mall has a destination function, drawing support from a broad geographic area. The destination function of Dixie Mall is supported by the presence of destination oriented retailers and in particular, clothing stores.

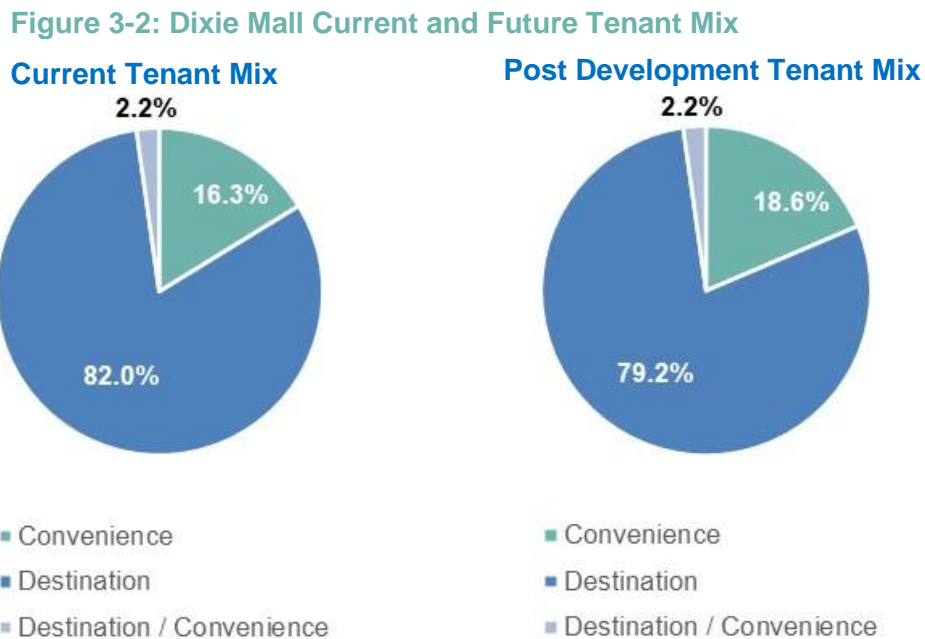
Conversely, the No Frills supermarket has a local draw, serving residents of the surrounding residential neighbourhood. The proposed development on the Subject Site will retain the convenience oriented function of Dixie Mall and will continue to serve residents of the surrounding neighbourhoods.

3.2 Existing and Future Tenant Mix

This section of the report examines the change in the tenant mix and whether that change will result in a change in the customer draw analyzed in the previous section.

Figure 3-2 examines the retail function of Dixie Mall and is summarized below:

- Overall, the function of Dixie Mall is destination oriented. Approximately 80% of occupied space at Dixie Mall consists of destination oriented tenants.



Source: Tate Economic Research Inc. based on data from Cushman and Wakefield.

- There is approximately 100,000 square feet of convenience and destination / convenience oriented space at Dixie Mall.
- The majority of convenience oriented space is occupied by a 60,000 square foot No Frills supermarket and a 10,000 square foot Dollarama.
- The remainder of convenience oriented space is primarily composed of fast food restaurants in both a food court setting and other offerings, as well as services such as hair and nail salons.

Figure 3-2 also examines the future tenant mix of Dixie Mall assuming that tenants are not relocated:

- Of note is that despite the reduction in the size of the Dixie Mall's GLA of approximately 13.5% or 78,700 square feet the resulting function is largely unchanged.
- The proportion of space that is convenience oriented has increased from 16.3% to 18.6%. Conversely, the proportion of space that is destination oriented has decreased from 82.0% to 79.2%.

3.3 Dixie Mall Function

It is the opinion of TER that a reduction in the gross leasable area of Dixie Mall will not result in a change to the function or customer draw of the mall. The reduction represents a decrease of 13.5% and will not be disruptive to the mall operations based on its end cap location.

Therefore, from the perspective of retail and service needs, the redevelopment of a portion of Dixie Mall will not impact the service levels of the surrounding community and the larger area that frequent the mall for more unique offerings.

4 Retail and Service Level Conclusion

Based on the analysis contained within this report, TER has made the following observations:

- The reduction in retail and service space for the development of high density residential is consistent with the Official Plan, which envisions the site as a mixed-use development and permits residential development.
- The reduction in retail and service space will not result in a significant change in the retail and service function of Dixie Mall. Therefore, the retail and service function will remain largely unchanged.
- The main component of the local area draw of the mall, No Frills, will remain on site unchanged.
- The proportion of destination oriented space will decrease slightly from 82.0% to 79.2% and therefore the larger customer draw of the mall will likely remain unchanged.
- The reduction will not be disruptive to the operation and flow of the remaining mall as the demolished space is located at the end of the mall.
- Through lease expiries and renewals there may be an opportunity to accommodate some of the tenants from the demolished section of the mall into the remaining space.

Overall, it is the opinion of TER that the proposed residential intensification of the Site with a corresponding decrease in retail and service space should be approved on the basis of market function.