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BACKGROUND

Area Research Associates has evaluated the optimum square footage of supermarket space in Truckee that can be profitably supported by trade area residents and visitors as well as assessed potential impacts on local supermarkets from the proposed opening of three new supermarkets in town, including the potential for store closings.

There are currently three major supermarkets that directly serve the trade area and all are healthy businesses operating at varying levels of profitability. The three proposed new supermarkets include:

- a recently approved 35,000 square foot Nugget (conventional supermarket with a quality/service orientation) to be located within the planned Railyard development east of the intersection of Donner Pass Rd & the planned Church Street Extension
- a proposed 40,000 square foot Raley's (conventional supermarket with a quality/service orientation) to be located at the southeast corner of Hwy 287 & Soaring Way
- a proposed 17,579 square foot specialty grocer (supermarket offering a smaller assortment of private label or non-mainstream brands) to be located at the southwest corner of Donner Pass Rd & Vista Ave

In order to assess the likelihood of store closings from the opening of three proposed supermarkets in Truckee, the present study utilized a multi-step process that began with conducting a detailed inventory of major existing and proposed stores that could reasonably be affected by the project. In particular, by gathering size and sales data for these stores, we were able to measure their likely current profitability against standard benchmarks. We then made use of an industry-standard gravity model to project how each store's sales would be affected by the proposed new projects. Sales impacts from the new market entries were not distributed uniformly across local stores but depended on each facility's distance from the site, type of operation, individual appeal and competitive offering. Using those results, we were then able to examine the resulting profitability level of each store in the trade area after the additional new projects opened and make an assessment of its viability for remaining in operation. Specific details on this methodology can be found on page 3.

CONCLUSIONS

Based upon our projected sales distribution following the opening of three new supermarkets in Truckee, and our knowledge of the sales levels necessary to maintain profitable operations, we project that three of the six future supermarkets in Truckee - Save Mart 627, New Moon Natural Foods & Raleys - will operate at sales levels that are below typical break-even profitability (see detailed store-level projections on page 8). Our assessment of these three unprofitable stores is as follows:

- Save Mart will close This unit anchors the Crossroads shopping center, a 100,000 square foot neighborhood shopping center located on Hwy 89 a short distance south of I-80. The store is currently operating profitably. After opening of the 3 proposed new supermarkets, it is projected to experience a cumulative impact that would reduce its profitability to 33% below break-even threshold. Population growth will do little to help this unit since it would be operating at 32% below break-even by 2021, certainly not providing enough incentive for it to continue operation.
- New Moon Natural Foods will close This store is a cotenant in the Donner Plaza shopping center, a strip center containing approximately 30,000 square feet of largely small shops and offices. New Moon is currently operating profitably. The proposed opening of all 3 proposed supermarkets will drop profitability at this unit to 27% below break-even levels. Population growth over the next 4 years will only minimally improve this impact, and because this store is an independent operator it will not have the sustainability of a large, chain supermarket.
- Raley's will probably continue to operate at sales levels below optimal standards Given the significant capital investment made by Raley's, it is unlikely that this store will close even if it operates at a loss. Moreover, this is a large chain that can carry unprofitable stores based on the strength of the corporate operations.

Based upon the current supermarket sales being generated in the trade area, we estimate that one additional supermarket can be supported in the existing Truckee market without triggering the possibility of store closures.

It is possible that some of the new market entries are committed to their project under the assumption that other proposed projects would back out. If this were not the case with all the new entries, the likelihood of multiple store closings increases as well as the possibility that urban decay could result.

It should be noted that the present study has not attempted to quantify the additional effect that online shopping is expected to have on existing supermarket sales in the trade area. Most supermarket chains expect increasing sales encroachment on their brick & mortar operations from this phenomenon in the near future. This shift in retail trade will put further pressure on supermarket profitability and add to any loss of sales that comes with the opening of other traditional competitors, thus increasing the likelihood of store closings.

METHODOLOGY FOR ASSESSING LIKELIHOOD OF STORE CLOSINGS

Sales Impacts To assess how the project would impact sales at area supermarkets, we made use of the SITESPLUS® gravity model. This is the standard approach for projecting sales in the supermarket industry and required that we first gather population and spending data at the neighborhood level and conduct a detailed review of operating conditions at all existing major supermarket competitors. The resulting data was then imported into the gravity model to create a market simulation of the area reflecting where each store is drawing business from. This method (see pages 11-14) not only enables predictions of future sales at a given site but provides detailed information on how sales will be redistributed at individual existing and future competitors, depending on their operating performance, store type and relative proximity to the site.

Sales at supermarkets in Truckee vary considerably throughout the year as a result of the large influx into the Lake Tahoe area. Our market simulation model is based on store sales during the slack period - the slowest retail period of the year when tourist sales are at a minimum and the bulk of store sales are generated from full time residents. This period is normally in late Fall before the beginning of ski season and in Spring after the end of the season. Based on our analysis of seasonal sales swings, average year round sales at supermarkets in the trade area are 45% higher than during the slack period.

Our projections of sales for Nugget and Raley's rely on specific knowledge of their chain performance in various markets throughout California. No particular specialty grocer has been named at this point so the range of possible stores for this proposal could include operators such as Trader Joe's, Sprouts, Grocery Outlet or Aldi's. Our analysis of store data on sales and square footage of these operators found a range of average sales per square foot between \$411 to \$1,938. For the purposes of the present analysis then, we have taken the mid-range level of operating efficiency of these operators and assumed that for the proposed specialty supermarket.

Profitability Assessment

According to updated data from by Statista¹, sales of \$490 per square foot represent an average level of operating efficiency for a supermarket in California. However, this figure alone is insufficient to assess profitability of a given store, particularly in an industry where profit margins typically represent only 1% - 2% of total sales, leaving stores vulnerable to even small changes in operating performance. Furthermore, profitability is highly dependent on store type. Conventional supermarkets such as Save Mart and Safeway have higher pay scales, greater service offerings and expanded product selection, all of which are offset by higher profit margins. In contrast, limited assortment formats buy excess inventory from suppliers at reduced costs, pay lower wages than union stores and utilize a minimal staff to service their operation. Stores that emphasize quality and service typically have even higher levels of labor than standard conventional stores. Finally, newer stores typically must pay higher costs for real estate than stores that have been established in their market for years on long term leases.

We have previously had access to proprietary operating information at several major California supermarket chains for studies to specifically analyze the threshold at which stores are able to maintain profitability. Through this work, we have compared different types of stores in order to identify average levels of operating efficiency and specific break-even points that separate profit and loss. These figures are all expressed in sales per square foot, where the average profitability of all supermarket formats is approximately \$490 per square foot. In contrast to this average profitability figure, the break-even threshold between profit and loss for a conventional store is approximately \$370/square foot, or about 25% below the average sales per square foot.

It should be noted that a break-even level does not mean that a store will always close if the sales per square foot fall below this threshold. In fact, because these are averages, stores do occasionally continue to

¹ Statista, 2016. Updated using 2017 Bureau of Labor CPI data

METHODOLOGY FOR ASSESSING LIKELIHOOD OF STORE CLOSINGS

operate below these levels depending upon a host of other factors such as occupancy costs, lease terms, overhead costs, store specific labor and profit margins and long term growth prospects. Furthermore, a supermarket chain might leave a store open that by itself is losing a small amount of money if it still contributes to other aspects of the chain's larger operation, such as participation in advertising or placement of its private label products. Nevertheless, our data indicates that the more that sales drop below a store's break-even threshold, the greater likelihood there is that it will close. For a number of reasons, this typically does not happen immediately; for example, if a store were subject to a continued operation clause for the remainder of its lease term. Nevertheless, once a retailer has passed deep into unprofitability, it is generally only a matter of time before they are forced to close.

Through a combination of field methods, including discussions with store employees, we assessed the annual sales volume and facility size of each of the 3 existing supermarket competitors in the trade area and thus were able to gauge current operating efficiency as expressed in sales per square foot. This information was compared to industry benchmarks in order to determine the likely current profitability of individual supermarkets and to identify specific units that might be at risk from the proposed new supermarket entries in Truckee. We then utilized the gravity model to project how sales at area supermarkets would be redistributed if this store were to open. The resulting projected sales figures were used to determine new levels of operating efficiency for all stores after project opening, enabling us to measure their expected viability and assess the likelihood of any store closures.

STUDY ASSUMPTIONS

Population Growth & Major Changes to Road Network

1. Over the forecast period, the full-time resident population in the trade area will increase at an average annual rate of 0.8% as outlined in the table on page 9 of this report. This is somewhat faster than historical growth over the past decade. Overall growth rates within the primary trade area are based on forecasts and information provided by local and regional planning officials and are apportioned to the map sector level on the basis of specific planned and approved projects.
2. Pioneer Trail will be extended west as a minor arterial to connect with Northwoods Boulevard in the vicinity of Lausanne Way.
3. Bridge Street will be extended northwest from the downtown area as a minor arterial to connect with the planned new Pioneer Trail extension.

Facility Features

4. The planned Nugget supermarket will contain 35,000 total square feet. Specialty departments at this unit will include bakery, deli, floral, service meat & seafood, a prepared foods kitchen, salad bar, vitamins & supplements and a coffee/juice bar. The product offering will feature an assortment of both conventional and organic items.
5. The proposed Raley's supermarket will contain 40,000 total square feet. Specialty departments at this unit will include a pharmacy, service meat & seafood, bakery, deli, floral, salad bar and a prepared foods cafe. The product offering will feature an assortment of both conventional and organic items.
6. The proposed specialty grocer will contain 17,579 total square feet. It will offer a more narrow assortment of supermarket items than found in conventional stores, emphasizing lower prices on largely private label products. The store would have no specialty departments.

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

IMPACT ON AREA SUPERMARKETS

Existing Market Conditions Table 1 indicates key operating characteristics of the 3 existing major supermarket operations in the Truckee primary trade area.

Table 1: Existing Supermarkets in Truckee Trade Area

| Name | Location | Current 2017 Marketplace | | | | | |
|-----------------|--------------------------|--------------------------|-------------|----------------|--------------|----------------------|----------------|
| | | Average Annual Sales | Square Feet | Sales per s.f. | Store Type | Break Even Threshold | +/- Break Even |
| Save Mart 627 | SWC Hwy 89 & Deerfield | \$ 16,000,000 | 30,300 | \$528 | Conventional | \$370 | 43% |
| Safeway 1266 | NEC Hwy 89 & Donner Pass | \$ 48,000,000 | 40,300 | \$1,191 | Conventional | \$370 | 222% |
| New Moon | SWC Hwy 89 & Donner Pass | \$ 4,000,000 | 7,500 | \$533 | Natural | \$400 | 33% |
| Nugget | SEC Church & Donner Pass | \$ - | Closed | \$0 | Conventional | \$450 | - |
| Raley's | SEC Hwy 267 & Soaring | \$ - | Closed | \$0 | Conventional | \$450 | - |
| Specialty Super | SWC Donner Pass & Vista | \$ - | Closed | \$0 | Specialty | \$600 | - |
| Total - | | \$ 68,000,000 | 78,100 | - | | | |
| Average - | | \$ 22,666,666 | 26,033 | \$871 | | | |

Discussions with store personnel and a review of the resulting inventory of data shown above indicates that all existing trade area supermarkets are currently operating at healthy levels of profitability. These facilities have a combined total of 78,000 square feet.

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Town of Truckee, California**

IMPACT ON AREA SUPERMARKETS

Nugget Opens in Railyard Development Table 2 indicates sales impacts projected by the SITESPLUS model on existing supermarkets after currently approved market changes.

Table 2: Projected Truckee Supermarket Sales after Nugget Opens

| Name | Location | Projected 2017 Marketplace | | | | | |
|-----------------|--------------------------|----------------------------|-------------|----------------|--------------|----------------------|----------------|
| | | Average Annual Sales | Square Feet | Sales per s.f. | Store Type | Break Even Threshold | +/- Break Even |
| Save Mart 627 | SWC Hwy 89 & Deerfield | \$ 10,816,626 | 30,300 | \$357 | Conventional | \$370 | -4% |
| Safeway 1266 | NEC Hwy 89 & Donner Pass | \$ 31,353,442 | 40,300 | \$778 | Conventional | \$370 | 110% |
| New Moon | SWC Hwy 89 & Donner Pass | \$ 3,056,400 | 7,500 | \$408 | Natural | \$400 | 2% |
| Nugget | SEC Church & Donner Pass | \$ 29,120,862 | 35,000 | \$832 | Conventional | \$450 | 85% |
| Raley's | SEC Hwy 267 & Soaring | \$ - | Closed | \$0 | Conventional | \$450 | - |
| Specialty Super | SWC Donner Pass & Vista | \$ - | Closed | \$0 | Ltd Assort. | \$300 | - |
| Total - | | \$ 74,347,330 | 113,100 | - | | | |
| Average - | | \$ 18,586,832 | 28,275 | \$657 | | | |

Even before the two additional proposed supermarkets open in Truckee, supermarkets in the trade area will experience a significant drop in operating profitability as a result of the opening of Nugget. This change will increase the total supermarket square footage in Truckee over current levels by 45%. Projected sales cannibalization will place Save Mart slightly below the break even range of profitability with New Moon slightly above this level. Both Nugget and Safeway are expected to operate very profitably in this initial scenario.

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

IMPACT ON AREA SUPERMARKETS

Nugget Opens in Railyard Development / Raley's & Specialty Grocer Open Table 3 indicates sales impacts projected by the SITESPLUS model on existing supermarkets from currently approved market changes plus the opening of both proposed new supermarkets.

Table 3: Projected Supermarket Sales after Nugget, Raley's & Grocery Outlet Open

| Name | Location | Projected 2017 Marketplace | | | | | |
|-----------------|--------------------------|----------------------------|-------------|----------------|--------------|----------------------|----------------|
| | | Average Annual Sales | Square Feet | Sales per s.f. | Store Type | Break Even Threshold | +/- Break Even |
| Save Mart 627 | SWC Hwy 89 & Deerfield | \$ 7,515,350 | 30,300 | \$248 | Conventional | \$370 | -33% |
| Safeway 1266 | NEC Hwy 89 & Donner Pass | \$ 21,272,900 | 40,300 | \$528 | Conventional | \$370 | 43% |
| New Moon | SWC Hwy 89 & Donner Pass | \$ 2,200,724 | 7,500 | \$293 | Natural | \$400 | -27% |
| Nugget | SEC Church & Donner Pass | \$ 20,626,855 | 35,000 | \$589 | Conventional | \$450 | 31% |
| Raley's | SEC Hwy 267 & Soaring | \$ 15,132,242 | 40,000 | \$378 | Conventional | \$450 | -16% |
| Specialty Super | SWC Donner Pass & Vista | \$ 13,417,668 | 17,579 | \$763 | Ltd Assort. | \$600 | 27% |
| Total - | | \$ 80,165,740 | 170,679 | - | | | |
| Average - | | \$ 13,360,957 | 28,447 | \$470 | | | |

The addition of three new supermarkets in Truckee will more than double the total supermarket square footage in town compared to current levels. As a result of these developments, all existing supermarkets in the trade area will experience a significant drop in operating profitability. Two of the existing stores will be pushed below break-even levels - one to 33% below break-even and another to 27% below break-even.

After projecting how future growth might mitigate the impact of this opening (see Table 5 on page 10), we found that impacted store sales (in constant 2017 dollars) would only increase by about 3% by 2021. Thus, there would be insufficient future potential in the trade area for either Save Mart or New Moon to justify weathering an extended period of losses.

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

TRADE AREA DEMAND TRENDS

Future population growth can benefit supermarkets that have lost sales volume to new competitors by increasing the supply of available customers. The rate of this growth will help a retailer determine the time frame they may require before a return to earlier levels of profitability. In order to gauge population trends, we first gathered historical data on population growth to put current growth into a larger context. Table 4 summarizes population levels from 2000 to 2021 within the town of Truckee and in the surrounding unincorporated areas that comprise the remainder of the trade area. This information was used to provide a trade area level population forecast for the next four years. The population totals were then apportioned down to individual map sectors based on known development activity and availability of land designated for long term residential development.

Table 4: Historical & Projected Population Growth in Trade Area

| | Year | Town of Truckee Portion | Unincorporated Portion | Total Trade Area | Change from Previous Period | Avg. Annual Growth |
|-----------|------|-------------------------|------------------------|------------------|-----------------------------|--------------------|
| ACTUAL | 2010 | 16,137 | 1,200 | 17,337 | - | - |
| | 2011 | 16,013 | 1,196 | 17,209 | (128) | -0.7% |
| | 2012 | 15,785 | 1,192 | 16,977 | (232) | -1.3% |
| | 2013 | 15,545 | 1,188 | 16,733 | (244) | -1.4% |
| | 2014 | 15,528 | 1,184 | 16,712 | (21) | -0.1% |
| | 2015 | 15,581 | 1,180 | 16,761 | 49 | 0.3% |
| | 2016 | 15,736 | 1,176 | 16,912 | 151 | 0.9% |
| | 2017 | 15,861 | 1,172 | 17,033 | 121 | 0.7% |
| PROJECTED | 2018 | 15,984 | 1,172 | 17,156 | 123 | 0.7% |
| | 2019 | 16,160 | 1,173 | 17,333 | 177 | 1.0% |
| | 2020 | 16,315 | 1,173 | 17,488 | 155 | 0.9% |
| | 2021 | 16,479 | 1,174 | 17,653 | 165 | 0.9% |

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

PROJECTED GROWTH IN FUTURE POTENTIAL

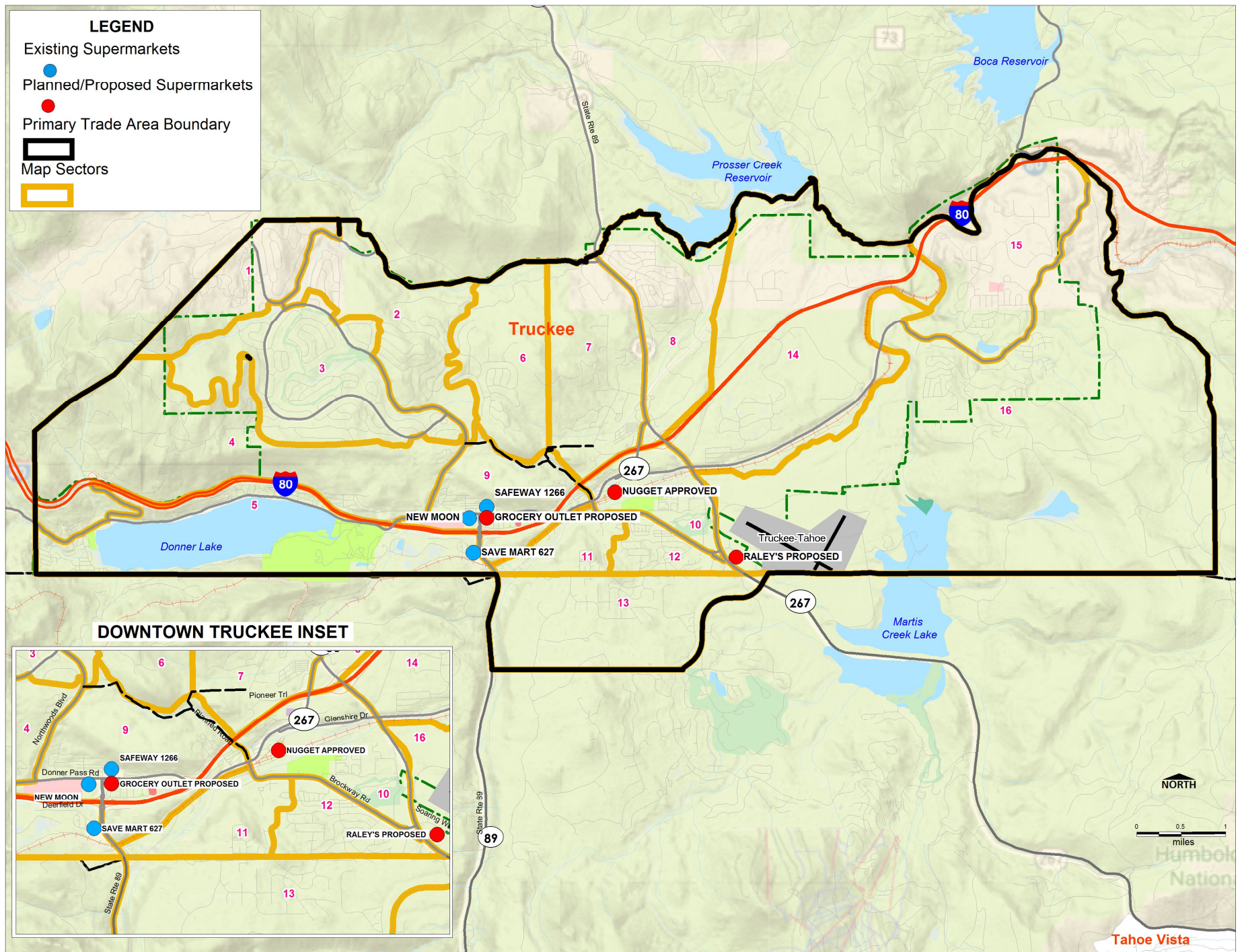
Table 5 uses a combination of market shares after store openings and population increase at the map sector level to project how area supermarket sales will grow in future years of the forecast period.

**Table 5 - Projected Sales Growth Based on Map Sector Market Shares
Supermarkets in Truckee Trade Area**

| Store Name | Total Area | December 2017 | | December 2019 | | December 2021 | |
|-----------------|------------|------------------------|-------------|------------------------|-------------|------------------------|-------------|
| | | Projected Annual Sales | Sales /SqFt | Projected Annual Sales | Sales /SqFt | Projected Annual Sales | Sales /SqFt |
| Save Mart 627 | 30,300 | \$ 7,515,350 | 248 | \$ 7,594,480 | 251 | \$ 7,675,480 | 253 |
| Safeway 1266 | 40,300 | \$ 21,272,900 | 528 | \$ 21,468,640 | 533 | \$ 21,681,081 | 538 |
| New Moon | 7,500 | \$ 2,200,724 | 293 | \$ 2,221,813 | 296 | \$ 2,243,971 | 299 |
| Nugget | 35,000 | \$ 20,626,855 | 589 | \$ 20,916,374 | 598 | \$ 21,257,189 | 607 |
| Raley's | 40,000 | \$ 15,132,242 | 378 | \$ 15,460,981 | 387 | \$ 15,851,822 | 396 |
| Specialty Super | 17,579 | \$ 13,417,668 | 763 | \$ 13,559,091 | 771 | \$ 13,708,953 | 780 |
| Totals | 170,679 | \$ 80,165,740 | | \$ 81,221,379 | | \$ 82,418,495 | |
| Averages | 28,447 | \$ 13,360,957 | 470 | \$ 13,536,897 | 476 | \$ 13,736,416 | 483 |

Despite some modest improvement in profitability as a result of projected population increase within the trade area, both Save Mart & New Moon still remain well below normal profitability range through the end of the extended forecast period. The proposed Raley's would still be about 12% below the break-even threshold by 2021 so might possibly decide to continue operation until they reach more profitable levels.

Impacts on Existing Area Supermarkets from Proposed New Supermarkets Truckee, California



**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

FORECAST MODELING DATA

The trade area for the SITESPLUS market simulation includes the entire town of Truckee and adjacent developed portions of unincorporated Placer and Nevada counties surrounding the town on all sides. Mountainous terrain and sparse population limit the trade area boundaries on all sides. Sales at supermarkets in Truckee vary considerably throughout the year as a result of a large influx of tourists that changes continually along with the seasonal attractions of the greater Lake Tahoe area. Based on the varying levels of this sales fluctuation, we estimate that tourists account for an additional 45% of total annual supermarket sales beyond the portion of business that is derived from local residents.

The trade area is subdivided into 16 population map sectors – small area neighborhoods where residents have roughly similar shopping alternatives. For each of the map sectors, current and future populations were determined and annual per capita supermarket expenditures were calculated using tables derived from Bureau of Labor Consumer Expenditure Survey and U.S. Census demographic data. This data was then entered into the SITESPLUS system to represent the “demand” side of the market simulation as indicated in Table 6 below.

**Table 6: Population & Supermarket Expenditure by Map Sector
Truckee Supermarket Trade Area**

| Map Sector | 2016 Median HH Income | Average HH Size | Annual Per Capita Supermarket Expenditure | 2017 Pop | 2019 Pop | 2021 Pop |
|------------|-----------------------|-----------------|-------------------------------------------|--------------|--------------|--------------|
| 1 | \$76,885 | 2.4 | 3,047 | 415 | 421 | 422 |
| 2 | \$69,077 | 2.3 | 2,993 | 742 | 709 | 701 |
| 3 | \$93,721 | 2.2 | 3,216 | 1,413 | 1,373 | 1,363 |
| 4 | \$76,885 | 2.4 | 3,047 | 610 | 606 | 605 |
| 5 | \$56,672 | 2.2 | 2,896 | 1,050 | 1,077 | 1,082 |
| 6 | \$52,235 | 2.4 | 2,848 | 506 | 536 | 541 |
| 7 | \$52,235 | 2.4 | 2,848 | 777 | 809 | 815 |
| 8 | \$97,270 | 2.6 | 3,057 | 1,440 | 1,481 | 1,488 |
| 9 | \$47,063 | 2.7 | 2,693 | 1,006 | 1,014 | 1,015 |
| 10 | \$67,358 | 2.8 | 2,774 | 1,123 | 1,168 | 1,425 |
| 11 | \$62,547 | 2.7 | 2,794 | 803 | 839 | 846 |
| 12 | \$65,890 | 2.8 | 2,802 | 1,784 | 1,826 | 1,834 |
| 13 | \$98,199 | 2.6 | 3,082 | 968 | 1,005 | 1,012 |
| 14 | \$128,864 | 2.5 | 3,115 | 648 | 688 | 696 |
| 15 | \$82,281 | 2.8 | 2,896 | 1,798 | 1,764 | 1,756 |
| 16 | <u>\$88,166</u> | <u>2.6</u> | <u>3,042</u> | <u>2,000</u> | <u>2,017</u> | <u>2,022</u> |
| Total - | - | - | - | 17,083 | 17,333 | 17,623 |
| Avg. - | \$75,911 | 2.5 | 2,947 | - | - | - |

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

FORECAST MODELING DATA

To create the “supply” side of the simulation, supermarket sales volumes, sizes, store types and location data were also entered into the SITESPLUS software. The combination of data layers enabled us to calculate likely market shares for every store in the model, each of which is “balanced” against sales volumes and populations to ensure an accurate real-world simulation. Once the model was balanced, new market entries could be added to determine how market shares and sales would be re-distributed among all stores within the trade area. Table 7 below indicates SITESPLUS-derived existing market conditions.

In order to match residential demand with store sales derived primarily from this population only, our model is built initially on slack period sales. An additional 45% is added on top of these slack period figures to account for the extra sales generated by tourist influx into the trade area.

Table 7 - Current Marketplace

| Store Name | Total Area | Current 2017 | | Projected 2017 | | Sales /SqFt | Draw | Image | PTA Change | |
|-----------------|------------|---------------|------------------|----------------|------------------|-------------|------|-------|------------|-----|
| | | Slack Period* | Annualized Sales | Slack Period* | Annualized Sales | | | | Dollars | % |
| Save Mart 627 | 30,300 | \$ | 11,034,504 | \$ | 11,034,504 | \$ 364 | 90 | 81 | 0 | 0.0 |
| Safeway 1266 | 40,300 | \$ | 33,103,460 | \$ | 33,103,460 | \$ 821 | 90 | 129 | 0 | 0.0 |
| New Moon | 7,500 | \$ | 2,758,600 | \$ | 2,758,600 | \$ 368 | 90 | 92 | 0 | 0.0 |
| Nugget | Closed | \$ | | \$ | | \$ - | 90 | 135 | 0 | 0.0 |
| Raley's | Closed | \$ | | \$ | | \$ - | 80 | 125 | 0 | 0.0 |
| Specialty Super | Closed | \$ | | \$ | | \$ - | 85 | 150 | 0 | 0.0 |
| Totals | 78,100 | \$ | 46,896,564 | \$ | 46,896,564 | | | | | |
| Averages | 26,033 | \$ | 15,632,188 | \$ | 15,632,188 | \$ 600 | | 100 | | |

* Average year-round sales are 45% higher than slack period sales shown above

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

FORECAST MODELING DATA

Table 8 indicates SITESPLUS-derived market shares for each of the current supermarkets in the trade area.

**Table 8 - Current Marketplace
Market Share by Map Sector for Existing Supermarkets**

| Map Sector | Save Mart 627 | Safeway 1266 | New Moon | Nugget | Raley's | Specialty Super |
|---------------|------------------|--------------|------------|------------|------------|--------------------|
| 1 | 17.9 | 58.3 | 5.0 | 0.0 | 0.0 | 0.0 |
| 2 | 18.6 | 57.9 | 4.8 | 0.0 | 0.0 | 0.0 |
| 3 | 19.0 | 57.3 | 5.0 | 0.0 | 0.0 | 0.0 |
| 4 | 20.2 | 55.9 | 5.2 | 0.0 | 0.0 | 0.0 |
| 5 | 19.7 | 56.3 | 5.3 | 0.0 | 0.0 | 0.0 |
| 6 | 18.4 | 58.2 | 4.7 | 0.0 | 0.0 | 0.0 |
| 7 | 17.3 | 59.4 | 4.5 | 0.0 | 0.0 | 0.0 |
| 8 | 16.9 | 59.8 | 4.5 | 0.0 | 0.0 | 0.0 |
| 9 | 19.5 | 57.3 | 4.5 | 0.0 | 0.0 | 0.0 |
| 10 | 21.7 | 54.7 | 4.9 | 0.0 | 0.0 | 0.0 |
| 11 | 23.2 | 53.2 | 4.9 | 0.0 | 0.0 | 0.0 |
| 12 | 22.7 | 53.7 | 5.0 | 0.0 | 0.0 | 0.0 |
| 13 | 23.5 | 52.9 | 4.9 | 0.0 | 0.0 | 0.0 |
| 14 | 16.8 | 60.0 | 4.6 | 0.0 | 0.0 | 0.0 |
| 15 | 16.3 | 60.5 | 4.6 | 0.0 | 0.0 | 0.0 |
| 16 | <u>16.4</u> | <u>60.3</u> | <u>4.6</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Totals | 19.1 | 57.4 | 4.8 | 0.0 | 0.0 | 0.0 |

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

FORECAST MODELING DATA

Table 8 indicates SITESPLUS-derived market conditions after Nugget opens.

Table 9 - Projected Marketplace After Approved Market Changes
Nugget Opens

| Store Name | Total Area | Current 2017 | Projected 2017 | Sales /SqFt | Draw | Image | PTA Change | |
|-----------------|------------|--------------------------------|--------------------------------|-------------|------|-------|-------------|-------|
| | | Slack Period* Annualized Sales | Slack Period* Annualized Sales | | | | Dollars | % |
| Save Mart 627 | 30,300 | \$ 11,034,504 | \$ 7,459,742 | \$ 246 | 90 | 81 | -3,574,762 | -32.4 |
| Safeway 1266 | 40,300 | \$ 33,103,460 | \$ 21,623,063 | \$ 537 | 90 | 129 | -11,480,397 | -34.7 |
| New Moon | 7,500 | \$ 2,758,600 | \$ 2,107,862 | \$ 281 | 90 | 92 | -650,738 | -23.6 |
| Nugget | 35,000 | \$ - | \$ 20,083,353 | \$ - | 90 | 135 | 20,083,353 | N.A. |
| Raley's | Closed | \$ - | \$ - | \$ - | 80 | 125 | 0 | N.A. |
| Specialty Super | Closed | \$ - | \$ - | \$ - | 85 | 150 | 0 | N.A. |
| Totals | 113,100 | \$ 46,896,564 | \$ 51,274,021 | | | | | |
| Averages | 28,275 | \$ 7,816,094 | \$ 8,545,670 | \$ 453 | | 100 | | |

Average year-round sales are 45% higher than slack period sales shown above

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

FORECAST MODELING DATA

Table 10 indicates SITESPLUS-derived market shares for area stores after Nugget opens.

**Table 10 - Projected Marketplace
Market Share by Map Sector for Existing & Approved Supermarkets**

| Map Sector | Save Mart 627 | Safeway 1266 | New Moon | Nugget | Raley's | Grocery Outlet |
|---------------|------------------|--------------|------------|-------------|------------|-------------------|
| 1 | 14.5 | 46.7 | 4.5 | 20.1 | 0.0 | 0.0 |
| 2 | 14.6 | 44.8 | 4.2 | 22.3 | 0.0 | 0.0 |
| 3 | 15.7 | 47.0 | 4.5 | 18.6 | 0.0 | 0.0 |
| 4 | 17.2 | 47.2 | 4.8 | 16.6 | 0.0 | 0.0 |
| 5 | 16.9 | 48.0 | 4.9 | 16.0 | 0.0 | 0.0 |
| 6 | 13.9 | 43.0 | 3.9 | 25.0 | 0.0 | 0.0 |
| 7 | 10.0 | 30.3 | 2.9 | 42.5 | 0.0 | 0.0 |
| 8 | 9.7 | 30.3 | 2.9 | 42.8 | 0.0 | 0.0 |
| 9 | 16.0 | 46.4 | 4.0 | 19.3 | 0.0 | 0.0 |
| 10 | 10.6 | 28.6 | 2.9 | 43.6 | 0.0 | 0.0 |
| 11 | 14.8 | 32.9 | 3.6 | 34.5 | 0.0 | 0.0 |
| 12 | 12.0 | 27.5 | 3.2 | 43.0 | 0.0 | 0.0 |
| 13 | 14.4 | 31.3 | 3.5 | 36.5 | 0.0 | 0.0 |
| 14 | 9.3 | 29.3 | 2.8 | 44.3 | 0.0 | 0.0 |
| 15 | 8.3 | 29.4 | 2.8 | 45.2 | 0.0 | 0.0 |
| 16 | <u>8.3</u> | <u>29.0</u> | <u>2.8</u> | <u>45.5</u> | <u>0.0</u> | <u>0.0</u> |
| Totals | 12.2 | 35.2 | 3.5 | 34.8 | 0.0 | 0.0 |

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

FORECAST MODELING DATA

Table 11 indicates SITESPLUS-derived market conditions after Nugget, Raley's and a specialty grocer open.

**Table 11 - Projected Marketplace
Nugget, Raley's & Grocery Outlet Open**

| Store Name | Total Area | Current 2017 | Projected 2017 | Sales /SqFt | Draw | Image | PTA Change | |
|-----------------|------------|--------------------------------|--------------------------------|-------------|------|-------|-------------|-------|
| | | Slack Period* Annualized Sales | Slack Period* Annualized Sales | | | | Dollars | % |
| Save Mart 627 | 30,300 | \$ 11,034,504 | \$ 5,183,000 | \$ 171 | 90 | 81 | -5,851,504 | -53.0 |
| Safeway 1266 | 40,300 | \$ 33,103,460 | \$ 14,670,965 | \$ 364 | 90 | 129 | -18,432,495 | -55.7 |
| New Moon | 7,500 | \$ 2,758,600 | \$ 1,517,741 | \$ 202 | 90 | 92 | -1,240,859 | -45.0 |
| Nugget | 35,000 | \$ - | \$ 14,225,417 | \$ 406 | 90 | 135 | 14,225,417 | N.A. |
| Raley's | 40,000 | \$ - | \$ 10,436,029 | \$ 261 | 80 | 125 | 10,436,029 | N.A. |
| Specialty Super | 17,579 | \$ - | \$ 9,253,564 | \$ 526 | 85 | 150 | 9,253,564 | N.A. |
| Totals | 170,679 | \$ 46,896,564 | \$ 55,286,717 | | | | | |
| Averages | 28,447 | \$ 7,816,094 | \$ 9,214,453 | \$ 324 | | 100 | | |

Average year-round sales are 45% higher than slack period sales shown above

**Impacts on Existing Area Supermarkets from Proposed New Supermarkets
Town of Truckee, California**

FORECAST MODELING DATA

Table 12 indicates SITESPLUS-derived market shares for all existing, planned and proposed supermarkets.

**Table 12 - Projected Marketplace
Market Share by Map Sector for Approved & Proposed Supermarkets**

| Map Sector | Save Mart 627 | Safeway 1266 | New Moon | Nugget | Raley's | Specialty Super |
|---------------|------------------|--------------|------------|-------------|-------------|--------------------|
| 1 | 11.0 | 33.7 | 3.7 | 14.8 | 5.6 | 21.2 |
| 2 | 11.1 | 32.7 | 3.5 | 16.5 | 7.1 | 19.1 |
| 3 | 12.0 | 34.2 | 3.7 | 13.8 | 5.6 | 20.6 |
| 4 | 13.1 | 34.3 | 3.9 | 12.3 | 5.7 | 20.6 |
| 5 | 12.7 | 34.4 | 4.0 | 11.6 | 5.1 | 22.1 |
| 6 | 10.6 | 31.3 | 3.2 | 18.5 | 8.5 | 17.8 |
| 7 | 6.7 | 20.1 | 1.9 | 28.7 | 20.1 | 12.5 |
| 8 | 6.5 | 20.0 | 1.9 | 28.9 | 19.9 | 12.8 |
| 9 | 12.3 | 34.2 | 3.3 | 14.4 | 6.9 | 18.7 |
| 10 | 6.6 | 17.7 | 1.8 | 27.5 | 25.5 | 10.7 |
| 11 | 10.5 | 22.7 | 2.6 | 24.3 | 15.9 | 13.9 |
| 12 | 6.9 | 15.4 | 1.9 | 24.7 | 31.3 | 9.8 |
| 13 | 9.2 | 19.4 | 2.3 | 23.1 | 23.7 | 12.3 |
| 14 | 6.2 | 19.5 | 1.9 | 30.1 | 19.8 | 12.6 |
| 15 | 6.0 | 21.2 | 2.0 | 33.3 | 12.2 | 15.3 |
| 16 | <u>5.4</u> | <u>18.5</u> | <u>1.8</u> | <u>29.7</u> | <u>21.2</u> | <u>13.4</u> |
| Totals | 8.5 | 24.0 | 2.5 | 23.5 | 16.2 | 15.2 |

ABOUT AREA RESEARCH ASSOCIATES

Area Research Associates (ARA) was established in 1992 and provides site location expertise to the supermarket and other convenience-oriented industries. Tom Brennan, a partner at ARA since 1996, has been involved in the field of site location research since 1977, when he began work for A & P in New Jersey. Since that time, he has worked as a consultant to a number of national and international companies requiring services in facility sales forecasting, site selection, market strategy, consumer research and software development.

From 1980 to 1989, Tom worked as a consultant to Smith's Food & Drug of Salt Lake City and was responsible for identifying new opportunities for store development in major market areas of Arizona, New Mexico and Nevada. During that time, he also conducted extensive studies in consumer attitudes and shopping behavior in order to refine techniques in store location research. Assignments in the Middle East in the early 1980's led to the development of the first major Western-style supermarket in the Sultanate of Oman as well as new supermarket facilities in Dubai, United Arab Emirates.

While working as a consultant with Retail Systems, Inc. in Minneapolis, Tom headed their Los Angeles office with primary responsibility for servicing retail and convenience-oriented clients in the western part of the United States. He has directed site location research for the northwestern division of Safeway, Inc. and has conducted market studies for all their remaining divisions. In addition to working with many major supermarket, retail, medical and convenience-oriented chains across the United States, Tom's clients have included numerous real estate developers and REITs.

Tom holds a Bachelor of Science degree in Cognitive Psychology from Tufts University in Medford, Massachusetts.