

CONFIDENTIAL INFORMATION

Report Date: June 13, 2018
Field Research Date: May 2018

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EXECUTIVE SUMMARY

- The City of Salem, a small community in southern New Jersey, is not currently directly served by a contemporary grocery store. The town's only supermarket, local independent, Incollingos, closed September of 2017. That vacant facility is the focus of this feasibility analysis.
- Salem grocery shoppers are currently traveling to stores outside the trade area in either Pennsville, Bridgeton, or to a lesser extent, Woodstown. The three stores in Pennsville, which include a relatively high volume Acme, are the most proximate to Salem. The stores in Bridgeton are not as conveniently accessed, but do feature a cluster that includes a ShopRite and Aldi. Acme operates a single store in Woodstown.
- The strongest store serving the trade area is the ShopRite located in Bridgeton. The store is an older facility that generates almost \$1M/week in sales (\$19.03/SF). Acme operates stores in Pennsville and Woodstown that generate a collective average weekly volume of almost \$550K. Both are older tired facilities. The two Walmarts (Pennsville and Bridgeton) are Division 1 stores that feature relatively large grocery areas, but no fresh meat or produce. The Bridgeton Aldi is an older store that was temporarily closed at the time of our fieldwork for a major remodel.
- Our analysis indicates that approx. 2/3 of the available grocery dollars are being spent at the stores that serve the trade area. Clearly, a portion of that potential is being spent at the convenience stores in Salem, or at any number of small grocers outside the trade area, particularly in Bridgeton. The relatively high leakage level has been addressed in the forecast analysis.
- The subject site is the vacant former Incollingos Great Value facility. The store anchored an older strip shopping center situated on the eastern edge of the community. The 23,683 total SF facility was part of a tenant lineup that currently features Dollar Tree, Metro PCS, TD Bank and Mama Mia's Pizzeria.
- The site is located along Broadway Rd (SR 49), a well-traveled route that links Salem residents with the three (3) Pennsville grocery stores. Route 49 also provides easy access to the older/downtown portion of Bridgeton, which features a number of small independent grocery operators. The cluster of stores that includes ShopRite is situated on the northern fringe of the city.

Store Name	Sales Area	Year 1	Year 1 \$/Sq. Ft.	Year 2	Year 2 \$/Sq. Ft.	Year 3	Year 3 \$/Sq. Ft.	FIT Power
Discount	15,000	\$150,000	\$10.00	\$155,000	\$10.33	\$160,000	\$10.67	90
Discount	20,000	\$175,000	\$8.72	\$180,000	\$9.12	\$190,000	\$9.22	90

Site Evaluation	0	4
North Access		
South Access		
East Access		
West Access		
Ingress/Egress		
North Visibility		
South Visibility		
East Visibility		
West Visibility		
North Pop Density		
South Pop Density		
East Pop Density		
West Pop Density		



Traffic Controls:

TBD

Street Conditions:

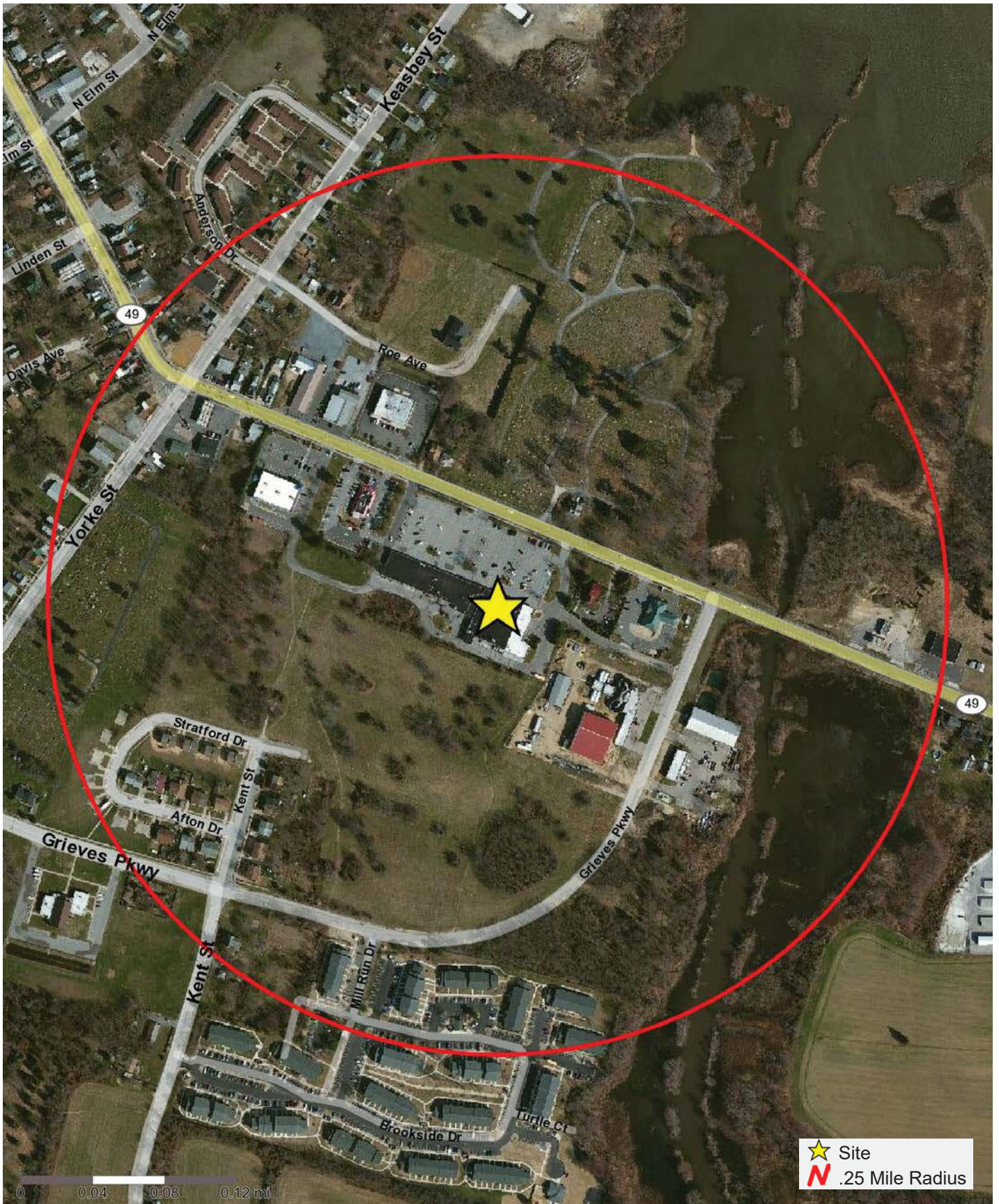
The site is located on the south side of Broadway Rd (SR 49), just east of its intersection with Yorke St. Broadway Rd is a well-traveled artery that provides direct access to the three Pennsville area grocery stores nearest to Salem.

Cotenants:

Dollar Tree, Mama Mia's Pizzeria, Metro PCS, TD Bank

Comments:

The proposed grocer would occupy the space vacated by Incollingos Great Value, a former local independent that recently closed. The proposed store would anchor a small strip neighborhood center that features a Dollar Tree and local pizzeria among its remaining tenants.



Sales Potential

Assume Store Opens 2020:	<u>Site 3000.1</u>	<u>Site 3000.2</u>
After Open 1 Year	\$150,000	\$175,000
After Open 2 Years	\$155,000	\$180,000
After Open 3 Years	\$160,000	\$190,000
After Open 4 Years	\$165,000	\$190,000
After Open 5 Years	\$165,000	\$195,000
Projected Primary Trade Area Market Share	20.86%	21.87%
Assumed Store Size - Sales Area	15,000	20,000
Assumed Power	86	86
Calculated FIT Power	90	90
Estimated Annual Inflation Rate	1.5%	
Additional Estimated Annual Acceptance Rate		
2nd Year Ending	3.0%	
3rd Year Ending	5.0%	

Primary Trade Area Forecast Details

Population Data

Jun 2021	12,045
Jun 2022	12,050
Jun 2023	12,056

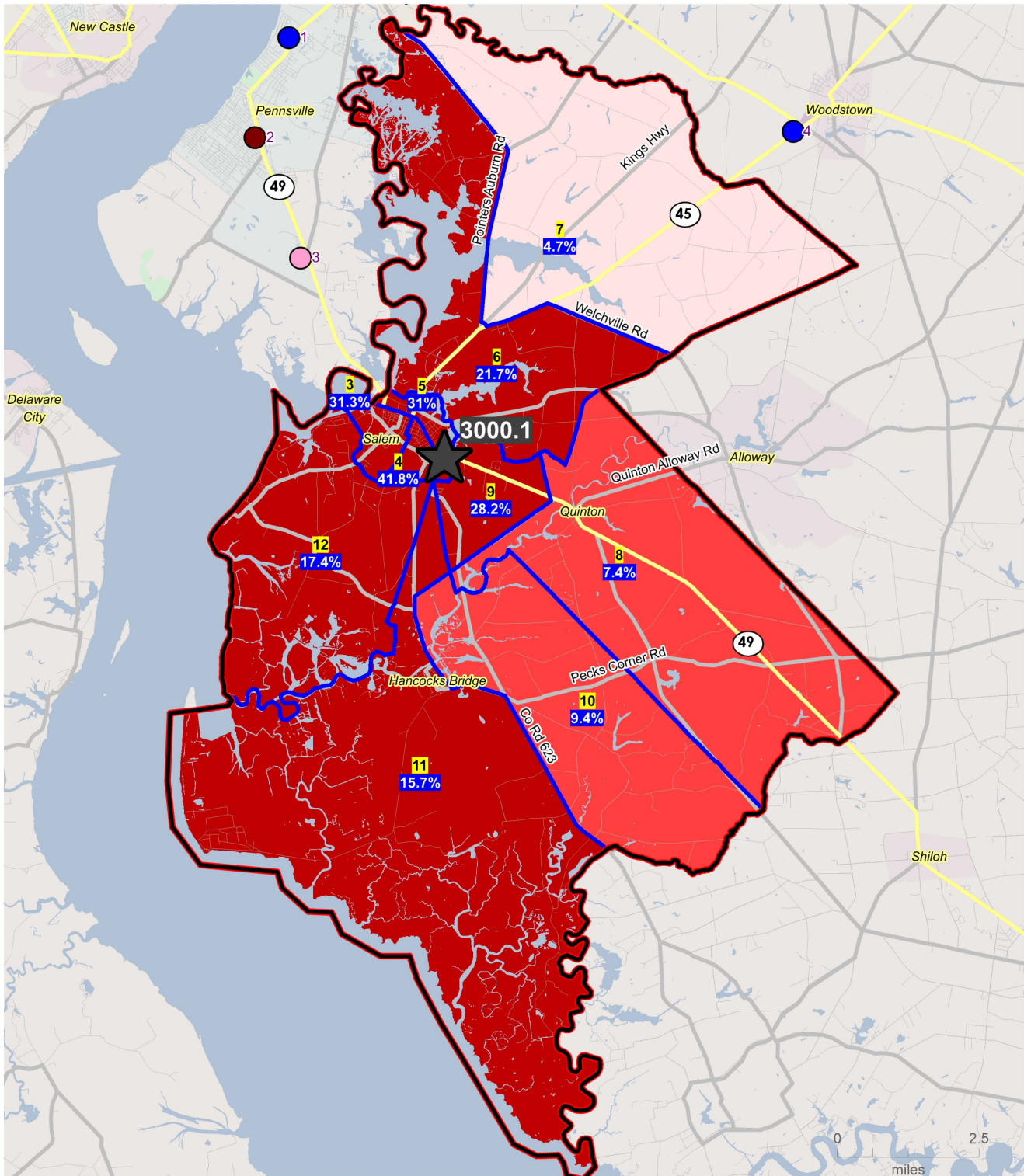
2016 Radius Population

Within 1 Mile	3,903
Within 2 Miles	6,241
Within 3 Miles	7,522

5 Year Projected Population Growth -2.7%

Estimated Household and Conventional Supermarket Data

Average Persons/Household	2.46
Average Household Income	\$66,918
Avg. Weekly Per Capita Expenditure	\$51.30
Total \$ Available	\$607,476



<p>Sector Key</p> <p>Projected Market Share %</p>	<ul style="list-style-type: none"> ★ - Site ● - Acme ● - Aldi ● - Save-A-Lot ● - ShopRite ● - Walmart 	<p>Projected MS % By Population Sector</p> <ul style="list-style-type: none"> ■ 10% to 42% ■ 7% to 10% ■ 5% to 7% ■ 3% to 5%
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Salem, New Jersey

Site: SWC of Broadway Rd & Grieves Pkwy



Source of Volume (000's) Discount Site

Primary Sources of Projected Volume	Address or Intersection	Map Key	FIT Store Power	Straight Line Dist. From Site	Size (Sq. Ft.)*		Sales As of Field Research Date	2021 Volume			
					Sales Area	Est. Total Area		+Pop Grwth, Infl. & Comp. Chngs.	Contribution To Site	Resulting Volume	
Company Stores:											
Discount	SWC of Broadway Rd & Grieves Pkwy	3000.1	90	-	15,000	20,833	-	-	-	-	\$150
Existing Competition:											
Acme	EC of N Broadway & South Rd	1	129	7.90 mi	35,500	49,306	\$600	\$626	\$24	3.8	602
Save-A-Lot	NEC of South Broadway & Dunn Lane	2	60	6.55	10,800	15,000	85	89	8	9.0	81
Walmart	SWC of S Broadway & Hook Rd	3	85	4.33	25,000	34,722	275	285	48	16.8	237
Acme	WC of US Rte 40 & SR 45	4	116	8.42	32,000	44,444	485	505	12	2.4	493
ShopRite	SWC of N Pearl St & Corwell Dr	5	149	14.87	48,620	67,528	925	962	14	1.5	948
Walmart	NWC of SR 77 & Northwest Ave	6	78	14.80	25,000	34,722	250	260	3	1.2	257
Average Power			103								\$109
Proposed Competition:											
Aldi	NWC of Cornwell Rd & SR77	999	105	14.88	12,000	16,667	0	210	3	1.4	207

Sales Potential (000's)	
Assume Store Opens 2020	
2021 - After Open 1 Year	\$150

Sales Transfers from Company Stores	\$0
Sales Transfers from Competition	\$112
Total Sales Transfer	\$112
Percent of Sales Explained After One Year	74.7%

*Area devoted to Food Group.

Note: Sales effects based on gravity model analysis.



Salem, New Jersey

Site: SWC of Broadway Rd & Grieves Pkwy



Current Stores Summary

Map Key	Store Name	Address or Intersection	City	Volume	SSQFT	SFSQFT	PWSA	Curve	FIT Power
3.0	Walmart	SWC of S Broadway & Hook Rd	Pennsville	\$275,000	\$11.00	25,000	60	47	85
2.0	Save-A-Lot	NEC of South Broadway & Dunn Lane	Pennsville	\$85,000	\$7.87	10,800	30	52	60
1.0	Acme	EC of N Broadway & South Rd	Pennsville	\$600,000	\$16.90	35,500	20	49	129
4.0	Acme	WC of US Rte 40 & SR 45	Woodstown	\$485,000	\$15.16	32,000	12	52	116
6.0	Walmart	NWC of SR 77 & Northwest Ave	Bridgeton	\$250,000	\$10.00	25,000	8	39	78
5.0	ShopRite	SWC of N Pearl St & Corwell Dr	Bridgeton	\$925,000	\$19.03	48,620	8	38	149
Average				\$436,667	\$14.81	29,487	23	46	103



Salem, New Jersey

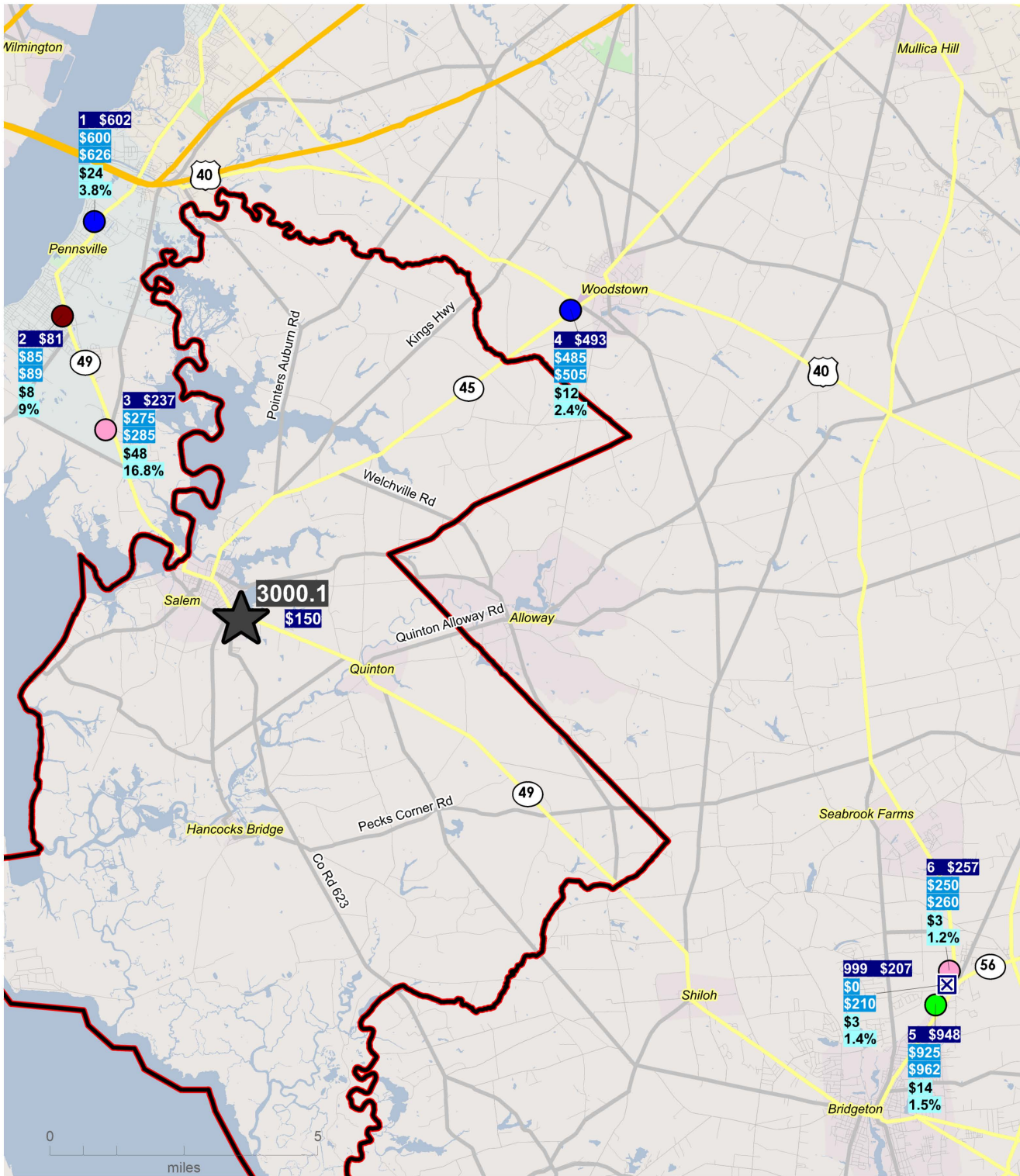
Site: SWC of Broadway Rd & Grieves Pkwy



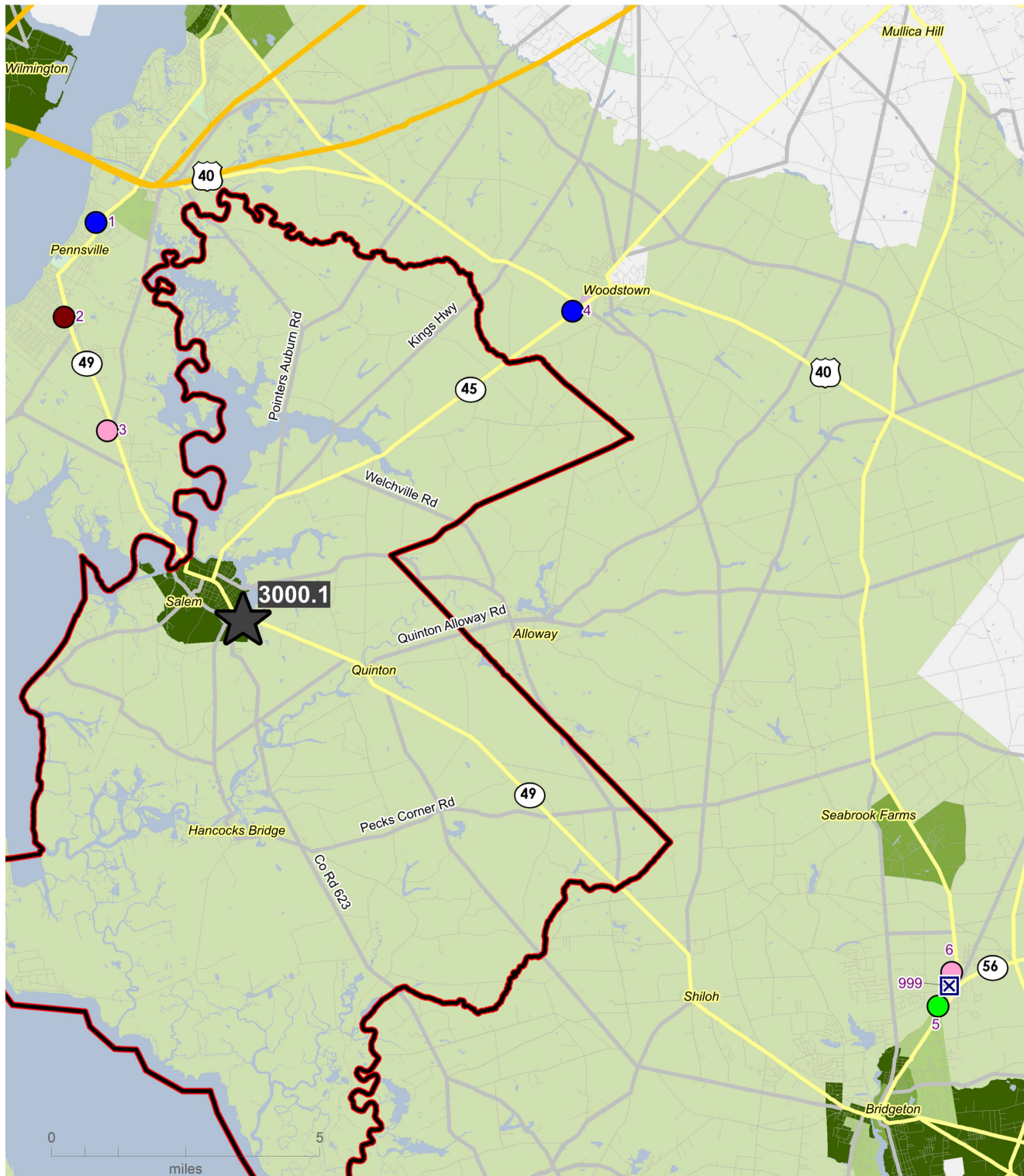
Projected Stores Summary

Map Key	Store Name	Address or Intersection	City	Volume	SSQFT	SFSQFT	PWSA	Curve	FIT Power
3.0	Walmart	SWC of S Broadway & Hook Rd	Pennsville	\$237,000	\$9.48	25,000	60	47	85
2.0	Save-A-Lot	NEC of South Broadway & Dunn Lane	Pennsville	\$81,000	\$7.50	10,800	30	52	60
1.0	Acme	EC of N Broadway & South Rd	Pennsville	\$602,000	\$16.96	35,500	20	49	129
4.0	Acme	WC of US Rte 40 & SR 45	Woodstown	\$493,000	\$15.41	32,000	12	52	116
6.0	Walmart	NWC of SR 77 & Northwest Ave	Bridgeton	\$257,000	\$10.28	25,000	8	39	78
5.0	ShopRite	SWC of N Pearl St & Corwell Dr	Bridgeton	\$948,000	\$19.50	48,620	8	38	149
999.0	* Aldi	NWC of Cornwell Rd & SR77	Bridgeton	\$207,000	\$17.25	12,000	8	35	105
3000.1	Discount	SWC of Broadway Rd & Grieves Pkwy	Salem	\$150,000	\$10.00	15,000	85	65	90
3000.2	Discount	SWC of Broadway Rd & Grieves Pkwy	Salem	\$175,000	\$8.72	20,000	85	65	90
Average				\$371,875	\$14.59	25,490	29	47	102

* Store Changes



	Mapkey Projected Volume Forecast	★ - Site
	Field Research Volume	● - Acme
	Forecast Volume inc. Competitive Changes	● - Aldi
	\$ Transferred to Site	● - Save-A-Lot
	% of Volume Transferred	● - ShopRite
	● - Walmart	

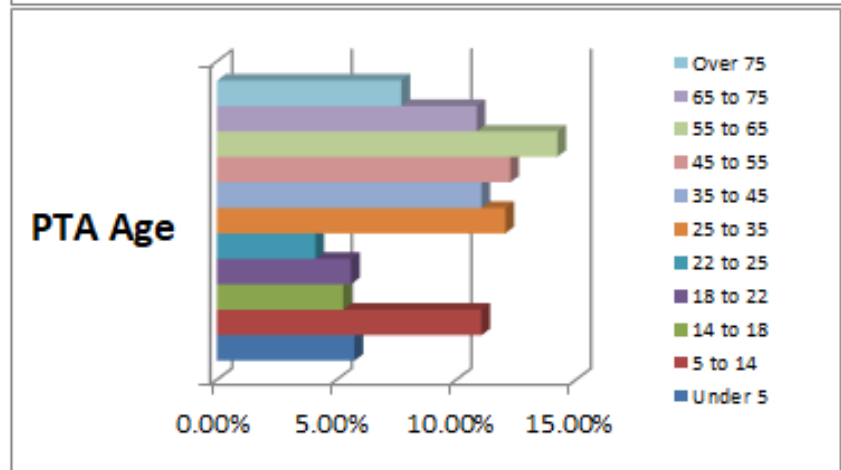
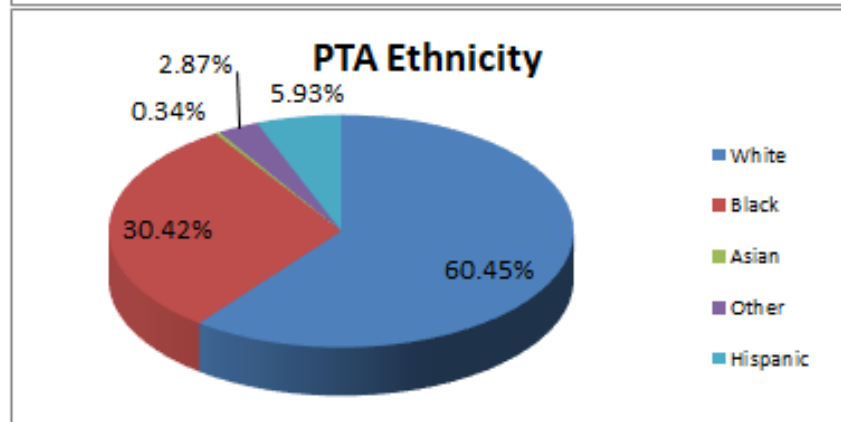
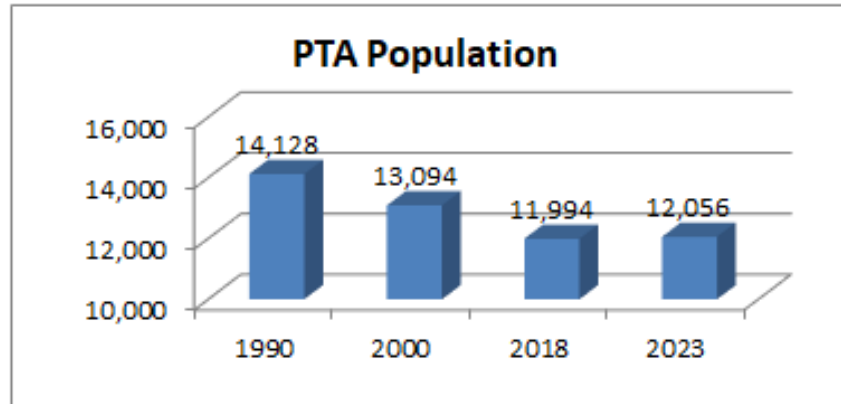


<ul style="list-style-type: none"> ★ - Site ● - Acme ● - Aldi ● - Save-A-Lot ● - ShopRite ● - Walmart 	<p>FIT Score: Discount Operator By Block Group</p> <ul style="list-style-type: none"> 120 and Above - Excellent 110 to 120 - Very Good 100 to 110 - Good 80 to 100 - Below Average
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Demographics

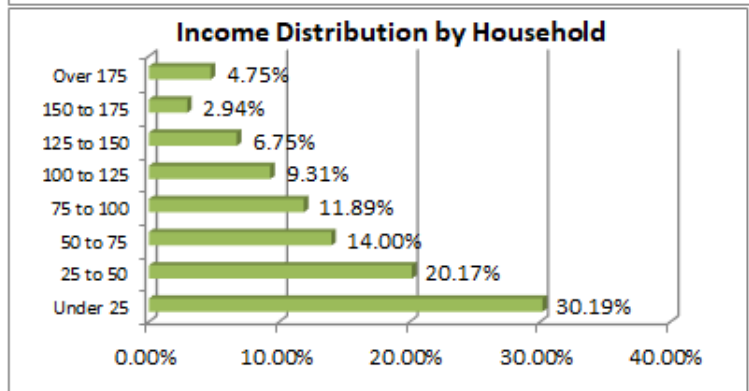
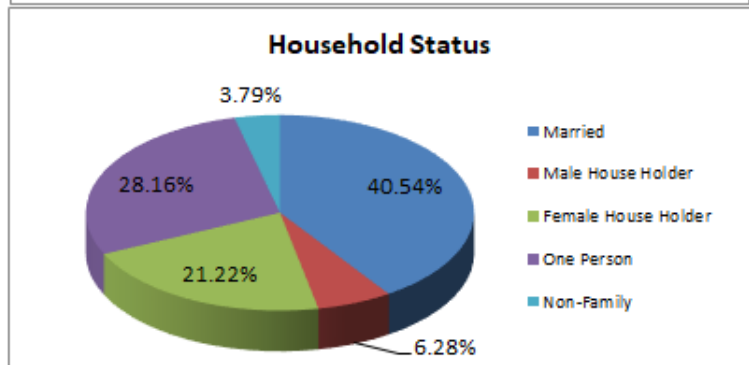
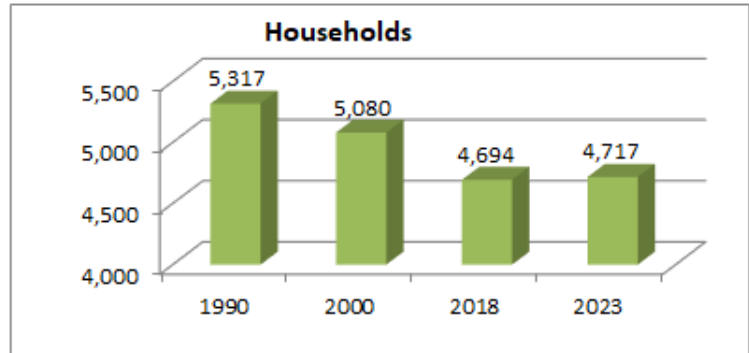
Population Profile: Growth / Ethnicity / Sex / Age

Salem, NJ	
Population	Site 3000.1 TA
1990	14,128
2000	13,094
2018	11,994
2023	12,056
Growth Trend	
1990-2000	-7.32
2000-2023	-7.93
Ethnicity	
White	60.45%
Black	30.42%
Asian	0.34%
Other	2.87%
Hispanic	5.93%
Sex	
Male	48.89%
Female	51.11%
Age	
Under 5	5.75%
5 to 14	11.06%
14 to 18	5.28%
18 to 22	5.61%
22 to 25	4.12%
25 to 35	12.06%
35 to 45	11.06%
45 to 55	12.26%
55 to 65	14.23%
65 to 75	10.86%
Over 75	7.71%
Average	40.7



Housing Profile: Growth / Status / Income

Salem, NJ	
Site 3000.1 TA	
Households	
1990	5,317
2000	5,080
2018	4,694
2023	4,717
Growth Trend	
1990-2000	-4.46
2000-2023	-7.15
2018 Family Household Status	
Married	40.54%
Male House Holder	6.28%
Female House Holder	21.22%
One Person	28.16%
Non-Family	3.79%
2000 Income Summary	
Average	\$45,842
Per Capita	\$18,151
2017 Income Summary	
Average	\$66,918
Per Capita	\$27,179
2017 Annual Income by Household	
Under 25	30.19%
25 to 50	20.17%
50 to 75	14.00%
75 to 100	11.89%
100 to 125	9.31%
125 to 150	6.75%
150 to 175	2.94%
Over 175	4.75%



Population Profile: Occupation / Education

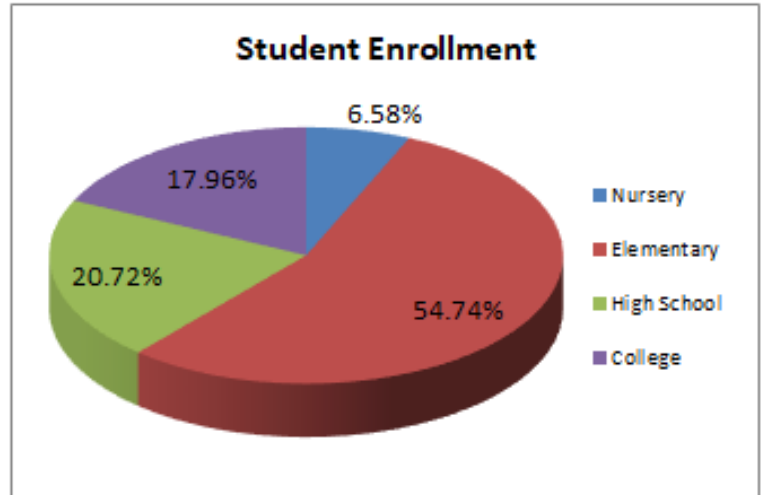
Salem, NJ
Site 3000.1 TA
Population
 2018 11,994

Enrolled 24.19%
 High School or Better 57.59%

2018 Student Enrollment

Students Enrolled 2,901

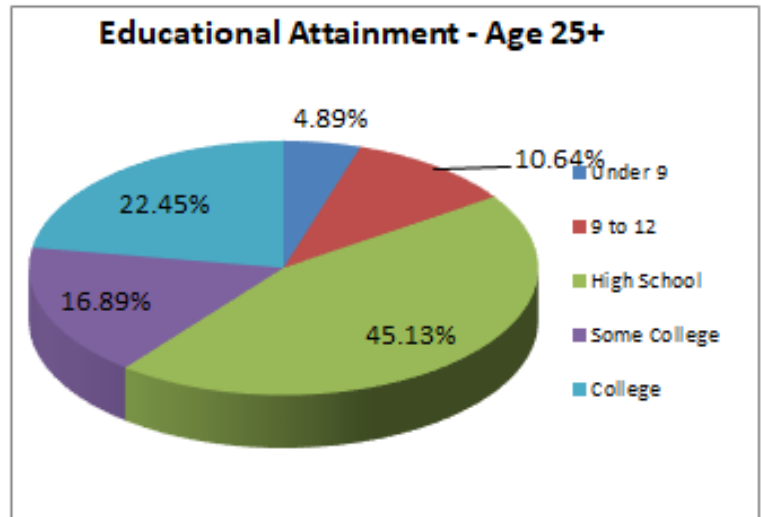
Nursery 6.58%
 Elementary 54.74%
 High School 20.72%
 College 17.96%



2018 Educational Attainment - Age 25+

Population Age 25+ 8,177

Under 9 4.89%
 9 to 12 10.64%
 High School 45.13%
 Some College 16.89%
 College 22.45%



Group Quarters

Apr. 1990 617
 Apr. 2000 230
 Jan. 2018 431
 Jan. 2023 431
 Jan. 2028 431

Assumptions and Notations

The projection and data within this marketing package takes into account the following assumptions:

1. Annual inflation will remain at 1.5%.
2. New store pricing will be competitive & consistent with company price model.
3. New store will offer the level of customer service offered in other company stores.
4. The proposed new facility will achieve acceptance levels consistent with other company stores.
5. The store will maintain competitive hours of operation.
6. Advertising will reach customers in the Primary Trade Area.
7. The store will maintain adequate stock for advertised and unadvertised items.
8. The economy will remain stable for the study time frame.
9. No competitive changes, other than cited in this report, will occur during the timeframe of this report. The likelihood of additional competitive changes increases with the passage of time.
10. "After Open 1 Year" represents the store's potential at the end of the first full year of operation and includes known competitive changes and the listed growth factor for population and inflation. In addition, the 2nd and 3rd year estimates include the listed acceptance (maturation) factor based on analogs for similar stores.

All population, demographic, and lifestyle data provided by:



MTN Retail Advisors believes the information contained in this report to be accurate and sound. Client acknowledges that while it believes the services of MTN Retail Advisors will be a valuable tool in real estate and site location decision-making, it also understands that an important part of said services involves subjective judgment which is dependent upon the correctness of the information made available to MTN Retail Advisors. Therefore, Client fully acknowledges its understanding that MTN Retail Advisors does not guarantee any result from the use of the analysis or other services performed nor shall MTN Retail Advisors be responsible for any loss incurred as a result of the use of said analysis and services.

Glossary of Terms

Leakage	The portion of the potential grocery dollars within the trade area that is not captured by the identified stores. This term is sometimes referred to as <i>float</i> .
Market Share	The percent of the potential obtained from the total available grocery dollars in a given area.
Model	A model is a collection of data that represents a study area on one specific date. Most models include data about stores, population, and trade area dynamics.
PCW	Per Capita Weekly Expenditure - This is the monetary amount that the average person is expected to spend on a specific commodity (such as food) over a specified week.
Potential	The total amount of dollars available for the purchase of a specified type of goods within a given population. Normally, the potential can be calculated by multiplying the PCW times the population.
Power	A measure of a stores performance in relation to other stores of similar size and format. An average store would have a power of 100. This term is sometimes referred to as <i>image</i> or <i>flavor</i> .
PWTA	Percent Within Trade Area - This is a percentage from 0 to 100 which measures the amount of store volume that is captured from within the trade area.
Sector	A discrete geographic unit with known boundaries. Most analysts prefer to use census tracts (or a portion) as one sector. This provides a known starting point for population and a verifiable boundary.
Trade Area	Geographic boundary outlined within a study.

FIT

The Excel-based FIT program identifies how well a store format fits the demographic profile of an individual trade area. It is a computer program that can address the segmentation-blind weak-point of traditional gravity models, and update them to cope with the proliferation of highly-differentiated grocery store formats.

Essentially, the FIT program breaks down the single, all-encompassing POWER or IMAGE estimate to its two (2) core elements:

1. The specific appeal of the store format to different socio-economic groups, i.e. ethnic, income, age, and household size categories.
2. The (residual) POWER/IMAGE of the store, i.e. the qualities of its site characteristics (access, parking, and visibility), store operations, merchandising, etc.

The FIT program has been developed by DSR Marketing Systems Inc. (DSR) and Richards Consulting LLC through the analysis of Image Audit consumer research surveys conducted throughout the U.S. and Canada over the last ten (10) years. The development of this unique proprietary database has enabled the direct linkage of demographics, store formats, and shopping patterns.

FIT incorporates data on the following thirteen (13) grocery store formats:

1. Club - BJs Wholesale, Costco Wholesale, Sams Club
2. Conventional - Albertsons, Giant, Safeway, Stop & Shop
3. Discount - Dollar General Market, Grocery Outlet
4. Hispanic - Amigos, Fiesta Foods, Mi Tienda, Vallarta
5. Natural/Organic - The Fresh Market, MOMs, New Seasons, PCC
6. Quality/Service - Harris Teeter, Wegmans
7. Supercenter - Fred Meyer, Meijer, Super Target, Walmart SC
8. Warehouse Store - Buy For Less, Cub Foods, Food 4 Less, WinCo
9. Aldi
10. Save A Lot
11. Sprouts
12. Trader Joes
13. Whole Foods

ABOUT MTN RETAIL ADVISORS

MTN Retail Advisors, LLC is a premier site location company specializing in locating and validating sites for grocery store anchored developments. MTN Retail Advisors works directly with developers and grocery retailers, assisting in the site location process. MTN is comprised of former supermarket-employed site location analysts, skilled in the process of locating and validating future development opportunities. Additionally, MTN Retail Advisors employs an experienced Demographic/Residential analyst, skilled in assessing characteristics unique to each specific trade area and a GIS (Geographic Information Systems) specialist, skilled in high level mapping techniques. With a combined experience of over 60+ years in the supermarket site location industry, MTN Retail Advisors have the knowledge and skills essential to validating supermarket locations.

METHODOLOGY

MTN Retail Advisors utilizes the same processes and strategies as employed internally within the supermarket industry. The site evaluation process is a three-tiered process of 1) fieldwork data gathering; 2) computer gravity-model simulation of the existing market; and 3) computer gravity-model simulation of the projected market.

Fieldwork Data

The process of fieldwork includes visiting all major grocery competition within the defined trade area as a means of recording the physical attributes of each facility (sales area size, total store size, store features) and extracting weekly sales volumes. Additionally, MTN Retail Advisors reviews the market for grocery-related competitive changes anticipated to occur within the trade area.

Simulation of Existing Market

Upon completion of the fieldwork evaluation of existing grocery store competition and residential housing activity, MTN Retail Advisors enters the pertinent store/demographic data into a computer market simulation model. This model now represents the current grocery study area and is utilized to evaluate detailed market shares for each store based on a block group level geography. The model allows MTN to determine the overall strength of each individual grocery competitor and access the specific trade area of each store. General market characteristics, such as total grocery trade area potential, specific total chain volume with market shares and demographic assessments, are also determined. All of this information is used to simulate the existing grocery market for the trade area.

Simulation of Projected Market

Once the existing grocery market is simulated, the information is forwarded to a tactical, or projected, market scenario. Within the computer gravity-model analysis, all known grocery-related competitive activity is incorporated allowing projected market shares and trade area volume impacts to be determined for existing and planned grocery stores. Following the market share assignment for all existing and planned grocery competition, the computer gravity-model is utilized to extract market share opportunities for all applicable grocery operators within the defined trade area.

Specific Grocery Operator/Market Considerations

Given the features that differentiate niche supermarket operators (primarily the natural/organic foods selection) from conventional supermarket operators, special attention is given to the potential sites selected for these unique operators. Conventional grocery operators, such as Safeway and Giant Food, have considerably smaller trade areas, due to their generic offerings and the presence of more competition. Conversely, a Whole Foods, The Fresh Market, or Trader Joes experiences much larger trade areas with their destination type format. Throughout the computer-gravity model process, MTN Retail Advisors carefully weighs the ability for each facility to attract customers beyond the typical two or three mile trade area.