RETAIL MARKET ANALYSIS

UH Bauer Graduate Real Estate Program

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CDS, President

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Why Do a Retail Market Analysis ?

- Determine land use
- Determine amount of space to include
  - Total square footage
  - Space configuration and parking
- Target tenant types
- Project lease rates
- Assess synergies with land use mix

CDS COMMUNITY DEVELOPMENT STRATEGIES

Market Analysis Key Components

- Demand for retail space (users)
- Competitive supply

COMMUNITY DEVELOPMENT STRATEGIES

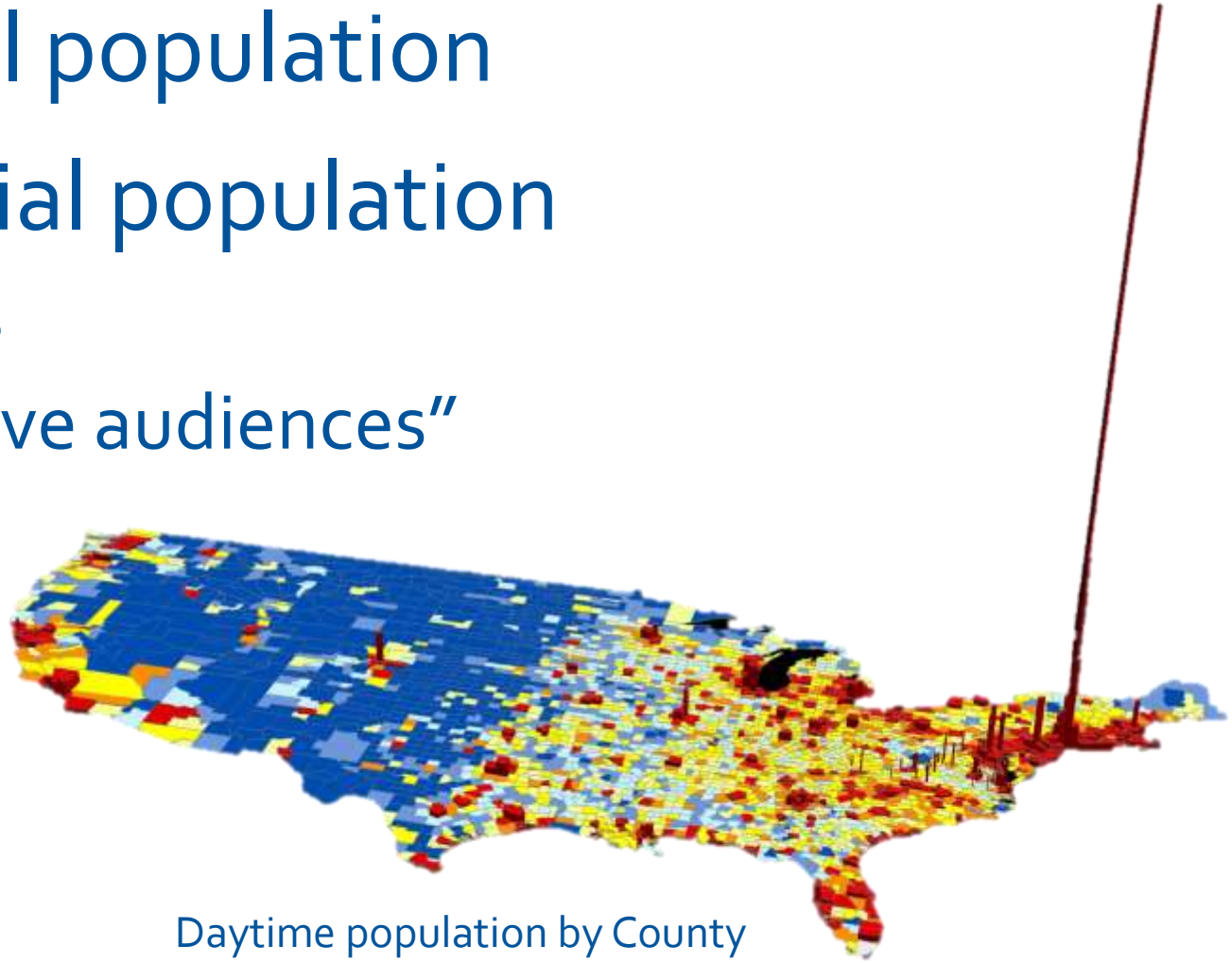
The Demand Side:

- Retail needs **tenants / users**…
- And tenants need **customers**

COMMUNITY DEVELOPMENT STRATEGIES

Principal Sources of Customers

- Market area residential population
- Daytime / nonresidential population
  - Employees and businesses
  - Students / patients / "captive audiences"
- Convenience / traffic
- Tourist / visitor



Daytime population by County
2010 US Census

COMMUNITY DEVELOPMENT STRATEGIES

Residential Market Area

- Differs by retail type
  - Regional
  - Community
  - Neighborhood
  - Unique / "destination"
- Metro, radius, drive time
- Population and household characteristics

COMMUNITY DEVELOPMENT STRATEGIES

Residential Demographics

- Population / household totals and trends
  - Existing and projected
  - Census / demographic services, local development information
- Buying power, needs, and preferences

COMMUNITY DEVELOPMENT STRATEGIES

Key Demographic Characteristics

Demographic Characteristics

Demographic Overview

- Mom
- Age 25-34
- Household Income $70K+

Psychographic Characteristics

Psychographic Overview

- Woman
- First child between -5 months and 9 months
- Spends $1,500+/mo. online
- Lives 1,000+ miles from parents and in-laws
- Lives within 3 miles of existing facility

- Age profile / presence of families
- Tenure (renter / owner)
- Household income
- Adult education levels
- Ethnicity
- "Psychographics"

CDS COMMUNITY DEVELOPMENT STRATEGIES

Income Group ($000s)	CMA		Harris County	
Less than $15K	3,101	20.7%	198,441	13.0%
$15 - 24	2,704	18.0%	175,252	11.5%
$25 - 34	1,962	13.1%	165,040	10.8%
$35 - 49	1,855	12.4%	208,819	13.7%
$50 - 74	2,155	14.4%	263,149	17.2%
$75 - 99	1,170	7.8%	180,257	11.8%
$100 - 124	670	4.5%	110,873	7.3%
$125 - 149	366	2.4%	66,803	4.4%
$150 - 199	485	3.2%	73,012	4.8%
$200 - 249	162	1.1%	26,540	1.7%
$250 - 499	274	1.8%	41,332	2.7%
$500K +	99	0.7%	17,026	1.1%
Average HH Income	$56,002		$74,497	
Median HH Income	$33,647		$51,493	

Household Type	CMA		Harris County	
Family Households	9,369	62.5%	1,047,884	68.6%
Non-family Households	5,634	37.6%	478,660	31.4%

North Core		South Core	
Top 5 PRIZM Segments	%	Top 5 PRIZM Segments	%
61 City Roots	35.96%	66 Low-Rise Living	23.95%
54 Multi-Culti Mosaic	27.69%	61 City Roots	23.66%
40 Close-In Couples	12.16%	54 Multi-Culti Mosaic	16.35%
66 Low-Rise Living	6.64%	59 Urban Elders	7.59%
29 American Dreams	5.74%	46 Old Glories	5.05%

PRIZM Household Segments

Segment Snapshots

29 - American Dreams

American Dreams is a living example of how ethnically diverse the nation has become: just under half the residents are Hispanic, Asian, or African-American. In these multilingual neighborhoods--one in three speaks a language other than English--middle-aged immigrants and their children live in upper-middle-class comfort.

40 - Close-In Couples

Close-In Couples is a group of predominantly older, ethnically diverse couples living in older homes in the urban neighborhoods of mid-sized metros. High school-educated and empty nesting, these mostly older residents typically live in older city neighborhoods, enjoying their retirements.

46 - Old Glories

The residents of Old Glories are the nation's downscale suburban retirees, Americans aging in place in older apartment complexes. Households in this racially-diverse segment often contain widows and widowers living on fixed incomes who tend to lead home-centered lifestyles. They're among the nation's most ardent television fans, watching game shows, soaps, talk shows, and news magazines at high rates.

54 - Multi-Culti Mosaic

An immigrant gateway community, Multi-Culti Mosaic is the urban home for a mixed populace of Hispanic, Asian, and African-American singles and families. With nearly a quarter of the residents foreign born, this segment is a mecca for first-generation Americans who are striving to improve their lower-middle-class status.

59 - Urban Elders

For Urban Elders--a segment located in the downtown neighborhoods of such metros as New York, Chicago, Las Vegas, and Miami--life is often an economic struggle. These communities have high concentrations of Hispanics and African-Americans and tend to be downscale, with singles living in older apartment rentals.

CDS COMMUNITY DEVELOPMENT STRATEGIES

Daytime / Nonresidential Population

- Census LEHD and other sources
  - Employee count within given distance
  - Employee profile (occupation, income)
- Business types and needs
- Other (students, patients etc.)
- Daily patterns

Convenience / Traffic

- Vehicle traffic counts (from local or state gov't. agencies)
- Traffic flow patterns (morning or evening side)
- Pedestrian counts in some locations

Tourist / Visitor

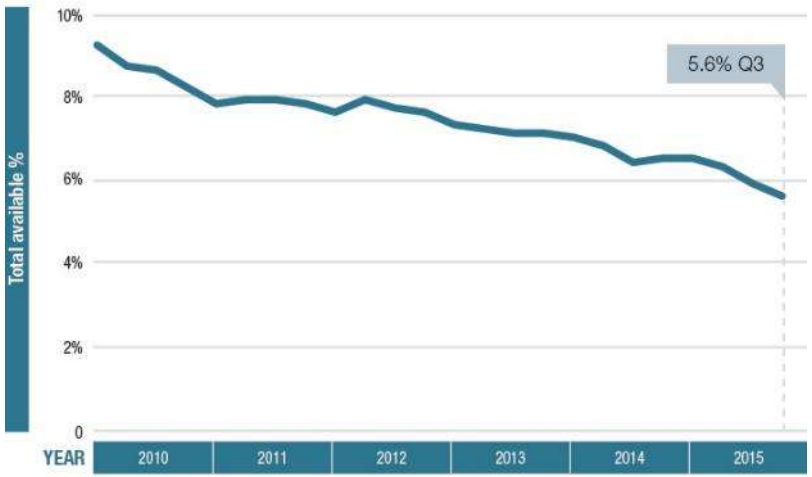
- Existing and planned attractions
- Convention / meeting facilities
- Lodging / hotel room inventory
- Visitor data (from tourism agencies / CVB)
  - Demographic profile
  - Spending patterns

The Supply Side

- Existing / planned retail space
  - Inventory, Occupancy Lease rates, Absorption
- Existing / planned retail businesses / retail space users
  - Secondary data sources (CoStar etc.)
  - Primary research (windshield, local gov't.)

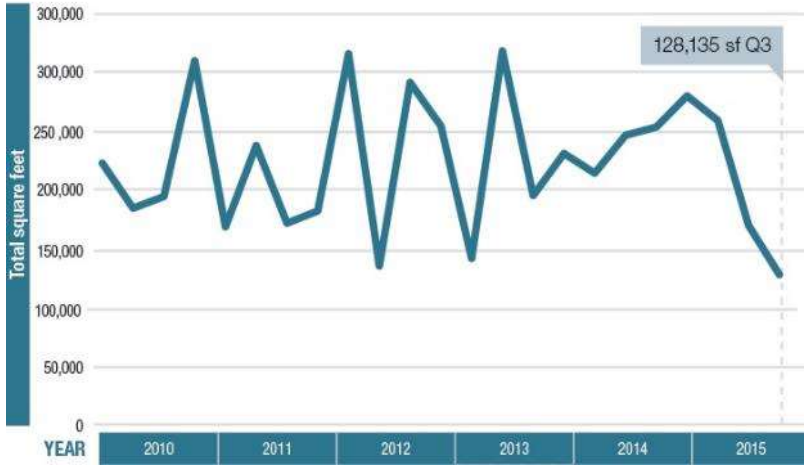
Vacancy rate

This chart shows the percentage of vacant retail space in Cy-Fair over a five-year period.



Square feet leased

This chart displays the number of retail square footage leased per year in Cy-Fair.



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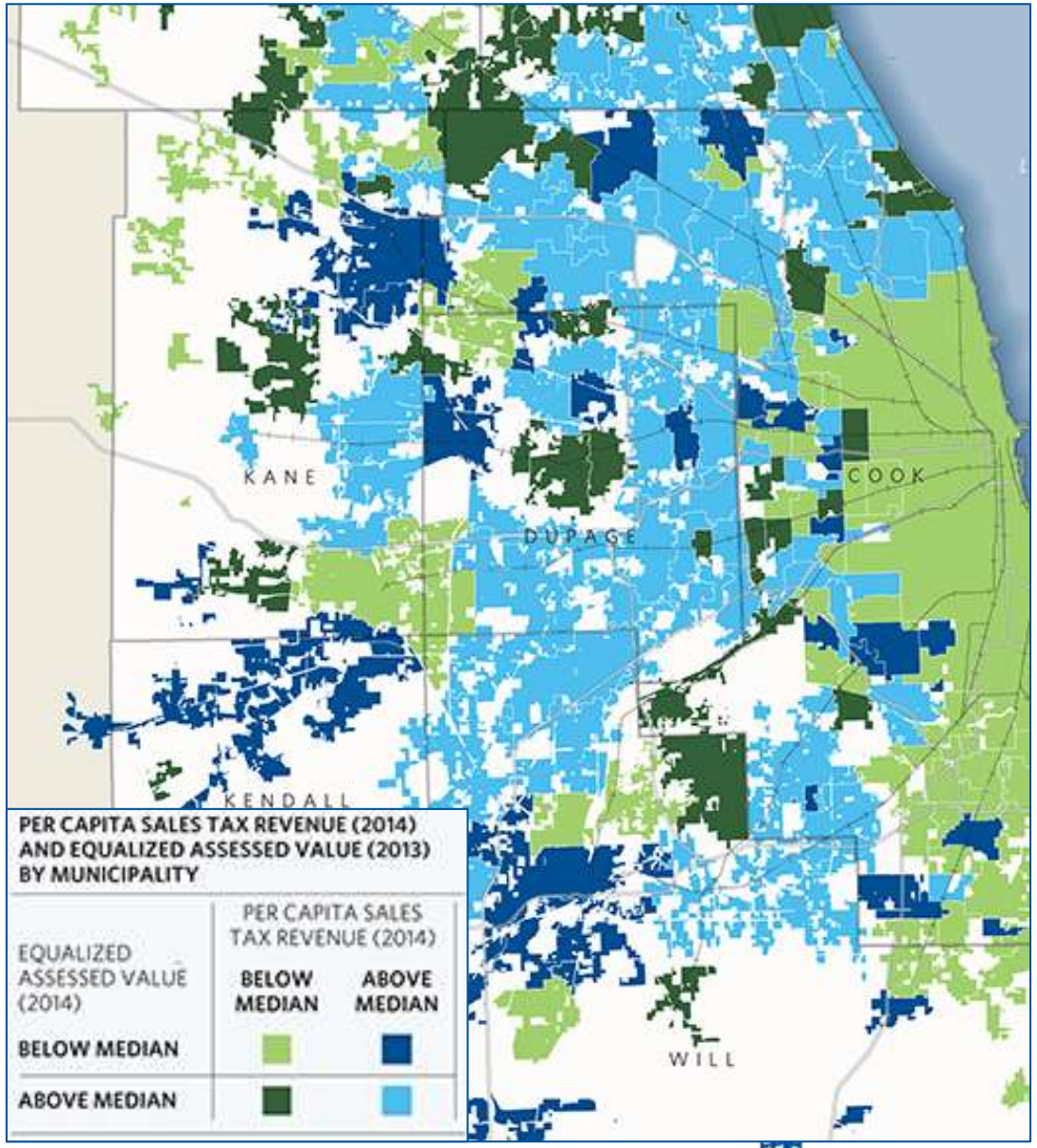
The Supply Side

- Locations relative to residential market area and other sources of customers
- Current trends in retail sales volume
  - State of Texas Comptroller data
  - Individual NAICS codes

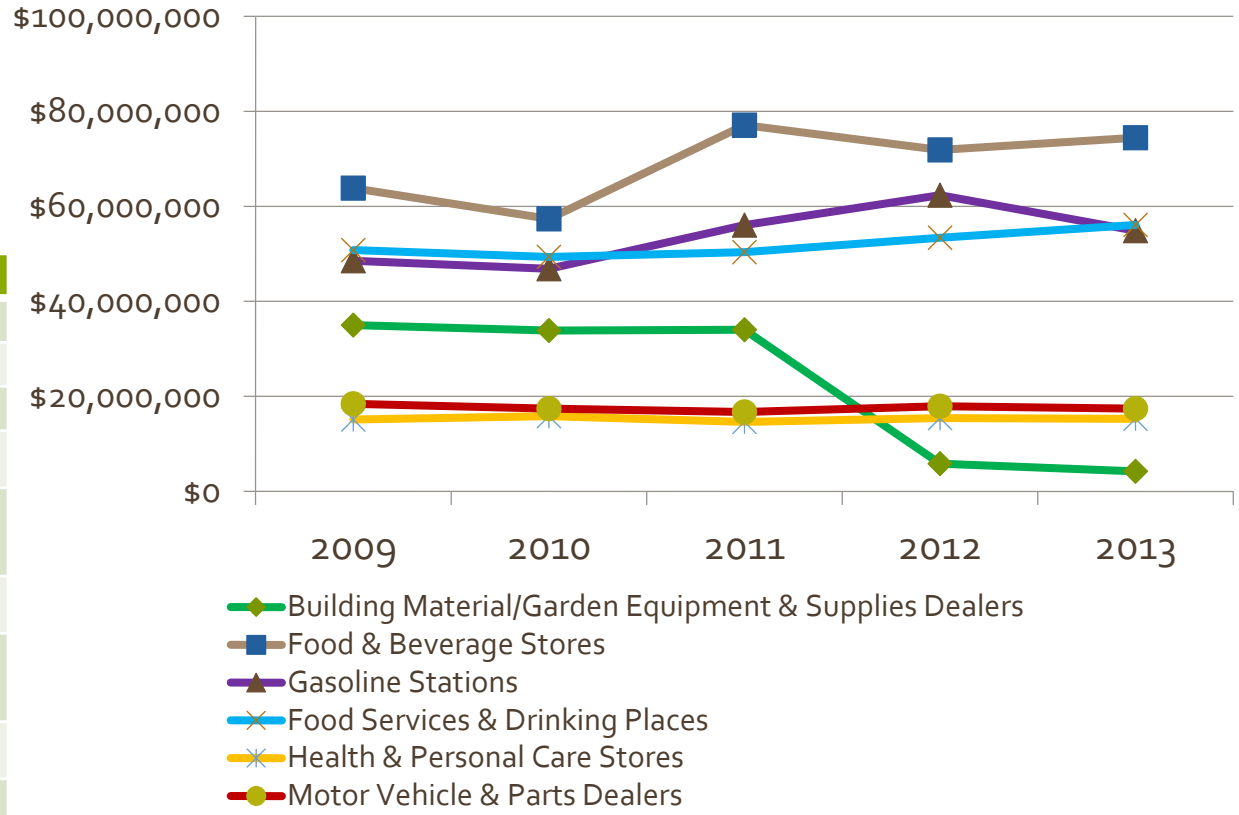


CDS COMMUNITY DEVELOPMENT STRATEGIES

Retail	Absorption	Occupancy	Rental Rates
2014	9,327	93.4%	$13.29
2013	21,368	92.3%	$12.67
2012	7,667	89.8%	$11.05
2011	(19,340)	90.2%	$11.13
2010	2,523	91.9%	$11.80
2009	(8,511)	91.6%	$14.13

	North Core		
Businesses by Major Sectors	Total Establishments	Total Employees	Sales ($ 000's)
Retail Trade	67	415	$134,225
Motor Vehicle and Parts Dealers	9	21	$11,468
Furniture and Home Furnishing Stores	1	3	$776
Electronics and Appliance Stores	3	8	$1,917
Building Material and Garden Equipment and Supplies Dealers	2	17	$3,512
Food and Beverage Stores	24	209	$56,521
Health and Personal Care Stores	2	25	$7,851
Clothing and Accessories Stores	4	17	$2,956
Sporting Goods, Hobby, Musical Instrument and Book Stores	2	3	$451
General Merchandise Stores	3	12	$2,379

Gross Sales Trends



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Competitive Supply Evaluation

- Site visibility and access to customers
- Qualitative factors
  - Security
  - Design / atmosphere
  - Building condition / obsolescence
- Tenant appeal / positioning / strength

COMMUNITY DEVELOPMENT STRATEGIES

Quantitative Analysis

- Market area buying power by spending category
  - Secondary source spending data
  - Primary research using actual data for comparable area (from State of TX or other agencies)
- Gap / leakage and over-under analysis
  - Compare to actual business counts / spending levels
  - Adjust for typical business requirements (sales per sq.ft., store size)

CDS COMMUNITY DEVELOPMENT STRATEGIES

Industry	Gross Sales	Aggregate Expenditures	Leakage	Leakage per HH
Furniture and Home Furnishings Stores	$267,045	$10,820,845	$10,553,800	$735.00
Electronics and Appliance Stores	$1,419,796	$10,247,005	$8,827,209	$614.75
Clothing and Clothing Accessories Stores	$1,385,914	$29,034,661	$27,648,747	$1,925.53
Sporting Goods, Hobby, Musical Instrument & Book Stores	$1,916,815	$9,625,702	$7,708,887	$536.87
General Merchandise Stores	$9,689,382	$68,174,131	$58,484,749	$4,073.04
Miscellaneous Store Retailers	$7,008,252	$7,475,464	$467,212	$32.54
Personal and Laundry Services	$938,212	$2,509,087	$1,570,875	$109.40
Building Material/Garden Equipment & Supplies Dealers	$4,206,296	$9,415,822	$5,209,526	$362.81
Food and Beverage Stores	$74,438,467	$77,424,610	$2,986,143	$207.96
Gasoline Stations	$54,865,368	$43,339,300	($11,526,068)	($802.71)
Food Services and Drinking Places	$56,083,371	$37,101,172	($18,982,199)	($1,321.97)
Health and Personal Care Stores	$15,271,292	$32,221,645	$16,950,353	$1,180.47
Motor Vehicle and Parts Dealers	$17,425,724	$69,027,021	$51,601,297	$3,593.66
TOTAL	$244,915,934	$406,416,465	$161,500,531	$735.00

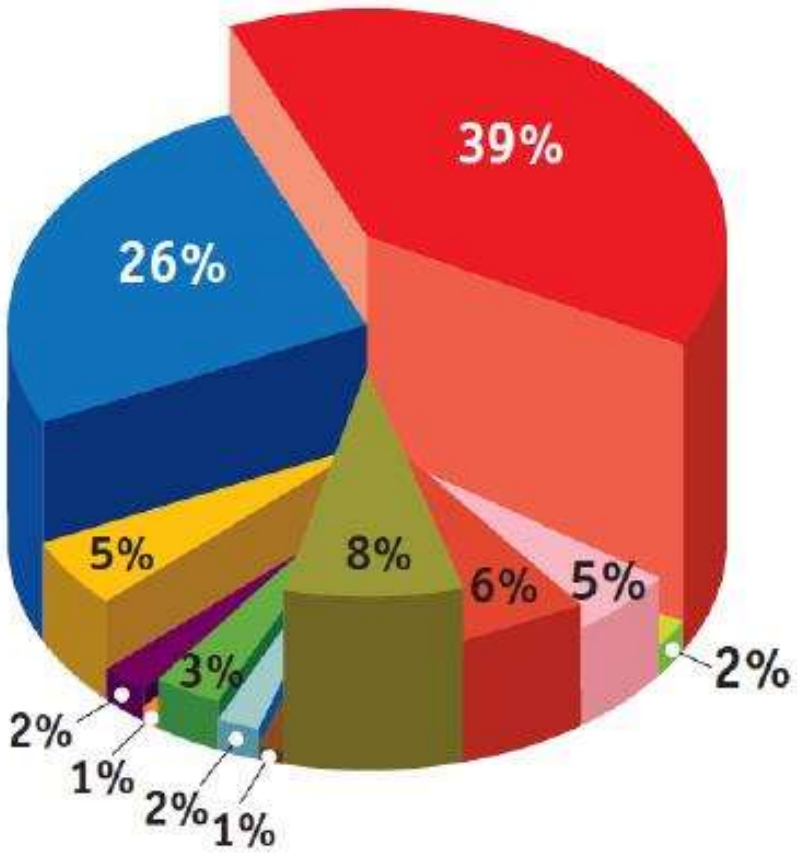
CDS COMMUNITY DEVELOPMENT STRATEGIES

		Capture Rate			Sq.Ft. Supportable	
Retail Category	Current Leakage/HH	Core CMA	Supplemental CMA	$/Sq.Ft. Required	Core CMA	Core + Supplemental CMA
Furniture and Home Furnishings Stores	$896.80	20%	10%	$150	5,775	7,351
Electronics and Appliance Stores	$716.45	20%	10%	$250	2,768	3,524
Clothing and Clothing Accessories Stores	$2,129.35	20%	10%	$225	9,142	11,636
Sporting Goods, Hobby, Musical Instrument & Book Stores	$656.79	20%	10%	$225	2,820	3,589
General Merchandise Stores	$4,401.40	25%	13%	$300	17,716	22,548
Miscellaneous Store Retailers	$125.37	20%	10%	$300	404	514
Personal and Laundry Services	$116.36	20%	10%	$75	1,499	1,908
Building Material/Garden Equipment & Supplies Dealers	$452.12	20%	10%	$300	1,456	1,853
Food and Beverage Stores	$273.16	50%	25%	$450	1,466	1,866
Gasoline Stations	($647.47)	20%	10%	$1,300	(481)	(612)
Food Services and Drinking Places	($1,040.97)	20%	10%	$300	(3,352)	(4,266)
Health and Personal Care Stores	$1,263.98	20%	10%	$250	4,884	6,216
Motor Vehicle and Parts Dealers	$4,112.65	20%	10%	$175	22,702	28,894
Total	$13,456.00				66,798	85,019

CDS COMMUNITY DEVELOPMENT STRATEGIES

Quantitative Analysis

- Estimate potential market capture by category
- Based on competitive supply assessment



- Furniture and Home Furnishings Stores
- Electronics and Appliance Stores
- Clothing and Clothing Accessories Stores
- Sporting Goods, Hobby, Musical Instrument & Book Stores
- General Merchandise Stores
- Miscellaneous Store Retailers
- Personal and Laundry Services
- Building Material/Garden Equipment & Supplies Dealers
- Food and Beverage Stores
- Gasoline Stations
- Food Services and Drinking Places
- Health and Personal Care Stores
- Motor Vehicle and Parts Dealers

CDS COMMUNITY DEVELOPMENT STRATEGIES

Developing a Leasing Program

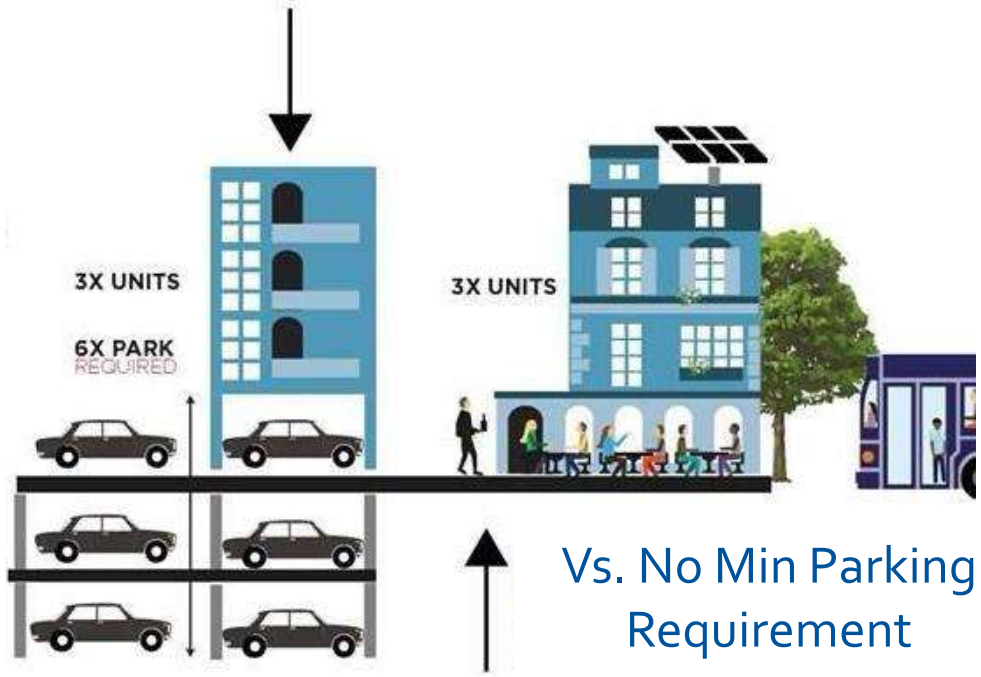
- Create target tenant list by type / role (anchor, jr. anchor, dining, etc.)
- Space and location within property
- Lease rates per market, tenant type and size, individual space

CDS COMMUNITY DEVELOPMENT STRATEGIES

Additional Program Considerations

- Parking demand and configuration
- Daytime / nighttime / weekend anchors
- Co-tenancy requirements
- "Credit" tenant / financing requirements

On Street Parking Requirements



Vs. No Min Parking Requirement

COMMUNITY DEVELOPMENT STRATEGIES

Other Considerations and Trends

- Bifurcation of society
  - Evolution of middle class and value retail
  - Challenges to traditional anchors
- Indoor mall shakeout
  - Traditional middle class anchors failing
  - Loss of in-line tenants to big box, e-commerce
- E-commerce / omnichannel impact

2015 Holiday Season

Other Considerations and Trends

- Evolution of consumer habits
  - Increased role of dining
  - Renewed growth of urban living
- New formats
  - Lifestyle / outdoor / town center developments
  - Growth of outlets

COMMUNITY DEVELOPMENT STRATEGIES

Other Considerations and Trends

- Evolution of preferences
  - Millennials
  - "Authenticity" / artisanal / experiential
  - Independent / unique vs. chain / formula
- Challenge of adapting development / financing models

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