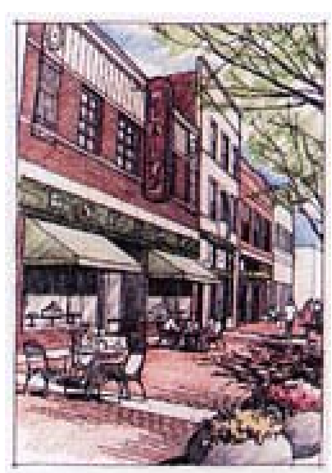
Downtown Fayetteville
RETAIL SUMMARY

Prepared for Allison Platt & Associates
and
The Downtown Development Corporation of Fayetteville

June 13, 2003



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MEMORANDUM

June 11, 2003

TO: Ms. Allison Platt
Allison Platt & Associates

FROM: Randy Gross

SUBJECT: Fayetteville Retail Summary

This memorandum summarizes key findings from the retail market analysis for Downtown Fayetteville. A more comprehensive report is being produced (similar to the housing market report) that will include more detailed information on inventory, site analysis, methodology and process used as a basis for these findings.

Existing Retail Inventory

The market analysis included a detailed inventory of all buildings and sites within the Downtown Fayetteville core. This core includes primarily that area bound by Grove, Russell, Cool Spring, and Robeson streets. There is a total inventory of about 289,000 square feet of ground-floor retail and service space within this area. However, less than one-half of that space is occupied. There is more than 151,000 square feet vacant, yielding a downtown vacancy rate of 52.3%. Clearly, this is above and beyond the normal vacancy expected in a healthy downtown area.

Table 1. DOWNTOWN RETAIL INVENTORY, FAYETTEVILLE, 2003

Category	**Number**	**Square Feet**	**Percent**
Convenience	1	1,400	1%
Shopper Goods	27	77,100	56%
Eating/Drinking	7	16,100	12%
Entertainment	2	10,800	8%
Personal Svcs.	23	32,150	23%
Total	**60**	**137,550**	**100%**
Vacant	*48*	*151,032*	*110%*

Source: Randall Gross / Development Economics.

Downtown Fayetteville has a surprisingly small inventory of convenience space, with most of these uses located just outside of the downtown core along adjacent commercial corridors. Out of the 60 retail businesses, 27 offer shoppers goods (merchandise that consumers drive and comparison shop for), with a total of about 77,000 square feet. Shoppers Goods account for about 56% of occupied space. There are seven restaurants, with an estimated 16,000 to 20,000 square feet, accounting for 12% of the space. The several entertainment businesses (such as the Cameo) have at least 11,000 square feet in operational ground-floor space. More than 20 downtown businesses offer personal services, such as hair salons, barber shops, and shoe repair. These businesses occupy about 32,000 square feet of space, accounting for almost one-quarter of all occupied space. Thus, Downtown Fayetteville retail is oriented primarily to shoppers goods and personal services. A detailed inventory by retail category is included in Appendix Table A-1 of this memorandum.

Supportable Square Feet

Based on the retail market analysis, there is total demand for 190,000 square feet of downtown retail space, increasing to 220,000 square feet by 2008. This represents an increase of about 30,000 square feet of retail demand that could be captured within the downtown area in the next five years. After netting out the existing 138,000 square feet of retail use, there would be demand for an additional 82,000 square feet of space, including 30,000 square feet in convenience, 39,000 square feet in shoppers goods, and 37,000 square feet in restaurants and entertainment. Supportable demand is summarized below and detailed by type of retail good or service in the Appendix.

Table. SUPPORTABLE RETAIL SQUARE FEET, DOWNTOWN FAYETTEVILLE, 2002 AND 2008

	Gross Demand		**Existing**	**Warranted**
Category	**2002**	**2008**	**Uses**	**Sq. Ft.**
Convenience	29,938	31,433	1,400	30,033
Shop Goods	110,210	115,882	77,100	38,782
Eat/Drink	27,141	39,424	16,100	23,324
Entertain	15,313	24,350	10,800	13,550
Pers Service	7,213	8,151	32,150	(23,999)
TOTAL	**189,815**	**219,241**	**137,550**	**81,691**
Vacant			*151,032*	
Net New				**(69,341)**

Source: Randall Gross / Development Economics.

Over-Supply & Merchandising Issues. The market analysis identified an over-supply in several existing retail categories in downtown Fayetteville. For example, there is an existing over-supply of personal services space of almost 24,000 square feet. This category includes hair salons, barber shops, shoe repair shops, and similar personal services. Within Downtown Fayetteville, there are 23 such businesses, representing almost 25% of all ground floor retail/service space and nearly 40% of all retail/service businesses operating in the downtown area.

There is also a 16,000 square-foot over-supply of apparel stores and a smaller over-supply of furniture/home furnishings stores. Part of the problem in these categories is less an over-supply per se, than a merchandising mix that is overly-oriented to discounted clothing and furniture. There are few mid and up-market apparel, shoe, or accessory stores.

Vacancy Issues. Despite potential demand for 82,000 square feet of retail use above and beyond current uses, there is also a substantial block of vacant building space. Vacant space is likely to absorb at least a portion of any additional demand, reducing any requirement for development of new retail space. With 151,000 square feet of existing vacant space and forecasted potential for only another 82,000 square feet, there would still be an over-supply of roughly 69,000 square feet. Thus, even in a best-case scenario for growth in demand, vacancy would stand at nearly 25%. Still, this would be an improvement over the existing situation where vacant space accounts for 52% of the existing inventory and outnumbers occupied space in the downtown core.

Recommended Mix

An appropriate downtown business mix is recommended based on the findings of the market analysis. This mix includes both existing retail uses (in their existing format or subject to a re-merchandising plan), and potential new uses that capture unrealized market potentials. Thus, the recommended mix results from each of the following:

(A) Strengthening of Existing Store Formats
(B) Re-Merchandising of Existing Stores
(C) Recruiting /Attracting New Stores, Entertainment, or Services

Strategies for accomplishing each of these objectives are provided in the Strategic Plan to follow. The Recommended Mix includes the following basic components:

Table 2.	**RECOMMENDED RETAIL MIX, DOWNTOWN FAYETTEVILLE**
Type of Store	**Sq. Ft.**
Specialty Food Market	10,000
Enhanced Pharmacy	5,000
Florist/Video/Misc Convenience	2,500
Apparel & Accessories	
Discount Apparel	10,000
Specialty Apparel/Shoes	5,000
Accessories	2,000
Furniture & Home Furnishings	
Discount Furniture & Appliances	12,500
Antiques	14,000
Specialty Home Furnishings	3,500
General Merchandise	
Existing Stores	7,500
Sporting Goods Stores	25,000
Electronics – Software / Games	4,000
Misc Shoppers Goods	
CD/Books	4,000
Gift / Specialty	10,000
Cards, Candy	2,500
Trophy, Office Supply, Other	10,000
Restaurants (incl Themed)	40,000
Entertainment (D&B, Sports)	25,000
Personal Services	12,000
Total	**204,500**
Source: Randall Gross / Development Economics.	

Specialty Food Market. While there is a supermarket close to downtown, there is potential demand for specialty groceries and food stores that could be met with the addition of a specialty food market. Such a market can take different forms, including an “international market” with small vendors providing a variety of foods, a more typical community “public market,” or a specialty grocer that can build on a niche (organic) or existing clientele for foods that are otherwise difficult to find in the region. The market analysis suggests that there is demand for serving these niches, but further analysis would be required to test the feasibility of a specific *type* of specialty food niche.

Enhanced Pharmacy. Downtown has a pharmacy located at the Medical Arts Center. This pharmacy serves primarily clients of the hospital and Medical

Arts building. About 15 to 20% of customers are walk-ins, even though the pharmacy does not generally advertise to the broader market. Given that there is potential unmet demand, there is an opportunity to build on one of downtown's strengths, which is its medical center, including Highsmith-Rainey Memorial Hospital and the Medical Arts Center, by enlarging or otherwise enhancing the existing pharmacy to serve a broader market. In addition, there may be other opportunities to develop the larger medical center concept, with provision of other health services and client base, as part of an office marketing strategy. Furthermore, building on the medical center concept can help enhance demand for downtown housing and retail among seniors.

Misc. Convenience. In general, Downtown is under-served for convenience uses, which have located just on the periphery of downtown along adjoining highway corridors. There may be opportunities to attract florists, video rental stores, and other miscellaneous convenience uses to the downtown so long as those uses provide a niche marketing opportunity. For example, a downtown video store offers foreign-language or other hard-to-find videos that may not be available elsewhere in the market.

Apparel & Accessories. Clearly the existing downtown apparel stores are catering to a discount-oriented clientele. Even so, they are still struggling to capture market share in a very competitive retail environment. There is a need for discount merchandise, especially since downtown one of the more accessible shopping districts for east Fayetteville. However, given limited demand, there is a need to re-merchandise one or more of these stores so that they are not competing head-on for the same, or slightly different, market. Many of the downtown apparel stores provide men's apparel. There are opportunities for up-grading the mix to cater to a specialty market. Capturing a larger portion of the regional discount market is constrained due to competition from Wal-Mart and other discount chains.

Furniture & Home Furnishings. In many communities, antique, vintage, or otherwise used furniture stores have long ago replaced the large furniture stores once located in downtowns. Fayetteville has a number of antique stores, but is in competition with many of the other towns and cities in North Carolina that offer this merchandise. E-Bay and other on-line auction sites have altered this trade more than other retailers. Many antique stores now find that they capture a larger share of their market from Internet sales than from walk-in trade. Downtown Fayetteville does not yet have the market draw for tourism that supports a critical mass of antique dealers. In addition, antiques are not always the merchandise of choice for tourists that are attracted to Fayetteville for such attractions as the Airborne & Special Operations Museum. However, Downtown can have a regional draw for fine craft and discount furniture, as well as specialty home furnishings that are difficult to find in suburban stores.

Sporting Goods. Fayetteville's household demographics and military population support higher-than-average expenditures for sporting goods and related products. While there are sporting-goods stores in the area, the market is somewhat under-served for specialty sporting goods and apparel. Smaller downtowns are generally more successful at retaining sporting goods stores because they draw from a broader geographic area. More importantly, Downtown Fayetteville may have an opportunity to build on the niche for sporting goods as part of a larger sports & entertainment marketing concept that is supported in the local market. This concept also generates potential for capturing a larger share of in-flow from the regional market, as well as the youth market from within Fayetteville.

Electronics / Game Store. There are opportunities to re-merchandise existing downtown electronics suppliers to capture more of the demand for computer software and videogames. This market is so far under-served in the downtown area, although there is competition in suburban areas. Marketing concepts would link software/videogames to sporting goods and related merchandising and entertainment strategies that would have a regional draw. Youth are an extremely important part of the market for downtown that is not fully captured at present. Many small downtowns have attracted specialty game stores and others that appeal to youth (and adults) by offering a unique product in the market (such as electronic game pieces that are not offered at the chain stores).

Misc Shoppers Goods. Downtowns thrive on specialty merchandise that are unique or otherwise difficult to find in suburban locations. Downtown Fayetteville has a limited existing supply of these stores but has the potential to attract music CD & bookstores; musical instrument stores/repair shops; cards & homemade candy stores; trophy, office supply, and specialty gift stores. Demand in this category is predicated to an extent on the implementation of a pro-active regional & tourist marketing strategy, but mainly on attracting a larger share of youth and military personnel downtown.

Restaurants & Entertainment. Clearly, there is unmet demand for restaurants & entertainment in Downtown Fayetteville. The market analysis forecasted demand through 2008 with an assumption that a pro-active marketing strategy would be implemented to help downtown capture a larger share of the regional household and visitor market, as well as military personnel. The market analysis forecasted demand for up to 65,000 square feet of eating, drinking, and entertainment uses, which could be combined into various product concepts. For example, there are downtown theaters that also serve food as part of a film/café concept.

There are also opportunities to link downtown restaurants and entertainment uses with sports and other marketing concepts to be defined in the strategic plan. Sporting goods and game stores would also form an integral part of this marketing concept. One project could include a “Dave & Busters”-type **sports or family entertainment complex**. In general, some family entertainment facility chains prefer suburban locations or sites near interstate highways that maximize capture of the regional market. Overall marketing concepts are to be included in the larger retail market report. The consultant will conduct outreach as an input to testing specific project concepts (such as an entertainment complex) further in later stages. At a later stage, the Strategic Plan will provide guidelines for management, marketing, merchandising, design inputs, and financing of overall improvements that enhance the competitiveness of Downtown Fayetteville.

Appendix Tables

Table A-1. **DOWNTOWN BUSINESS INVENTORY, FAYETTEVILLE, 2003**

Category	Number of Businesses	Square Feet	Percent of Total
Convenience			
Grocery	-	-	0%
Food	-	-	0%
Pharmacy	1	1,400	1%
Gas	-	-	0%
Misc Conv	-	-	0%
Sub-Total	**1**	**1,400**	**1%**
Shoppers Goods			
Apparel/Access	11	29,800	22%
Furniture/Home	8	25,500	19%
Antiques	*5*	*14,500*	*11%*
Appliances	-	-	0%
General Mdse	2	7,500	5%
Hardware/Bldg	-	-	0%
Auto Supply	-	-	0%
Electronics	1	5,000	4%
Music/Books	-	-	0%
Misc S.G.	5	9,300	7%
Sub-Total	**27**	**77,100**	**56%**
Eating/Drinking	7	16,100	12%
Entertainment	2	10,800	8%
Personal Svces	23	32,150	23%
TOTAL Retail	**60**	**137,550**	**100%**
Vacant	*48*	*151,032*	**52%**

Source: Randall Gross / Development Economics.

Table A-2. WARRANTED DEMAND BY USE, DOWNTOWN FAYETTEVILLE, 2003 AND 2008

Type of Good	Gross Demand (Sq Ft) 2003	2008	Existing Uses	Warranted Demand
<u>Convenience</u>				
Grocery	14,690	14,869	-	14,869
Food	1,390	1,534	-	1,534
Pharmacy	8,184	8,669	1,400	7,269
Gas	2,752	3,079	-	3,079
Misc Conv	2,923	3,282	-	3,282
Sub-Total	**29,938**	**31,433**	**1,400**	**30,033**
<u>Shoppers Goods</u>				
Apparel/Access	13,261	13,560	29,800	(16,240)
Footwear	2,008	2,300	-	2,300
Furniture/Home	16,851	19,276	25,500	(6,224)
Appliances	1,675	1,914	-	1,914
Hardware	3,487	3,941	-	3,941
General Mdse	37,521	36,425	7,500	28,925
Auto Supply	7,736	7,329	-	7,329
Electronics	2,050	2,095	5,000	(2,905)
Misc S.G.	25,621	29,041	9,300	19,741
Sub-Total	**110,210**	**115,882**	**77,100**	**38,782**
<u>Eating/Drinking</u>	27,141	39,424	16,100	23,324
<u>Entertainment</u>	15,313	24,350	10,800	13,550
<u>Personal Svces</u>	7,213	8,151	32,150	(23,999)
TOTAL	**189,815**	**219,241**	**137,550**	**81,691**
Existing Vacant			*151,032*	
Net New Space				**(69,341)**

Source: Randall Gross / Development Economics.