



Neighborhood Retail Development Overview

Neighborhood Retail Development
Case Study



A Basic Definition for a "Shopping Center"

- "...a group of architecturally unified commercial establishments built on a site that is planned, developed, owned and managed as an operating unit related by its location, size, and type of shops to the trade area that it serves. The unit provides on-site parking in definite relationship to the types and total size of the stores."



Elements of the Well-Planned Shopping Center

- Unified architectural treatment
- Unified site
- Easily accessible location within the trade area
- Sufficient on-site parking
- Service facilities for the delivery of merchandise
- Tenant mix and grouping that provide synergistic merchandising among stores
- Comfortable surroundings for shopping



Types of Shopping Centers

- Major Types

- convenience
- neighborhood
- community
- regional
- super regional

- Major Type Variations

- specialty centers
- outlet centers
- off-price centers
- power centers
- off-price megamalls
- fashion centers
- festival centers



New & Innovative Approaches

- Retail uses in MXD

- 3+ revenue producing uses (retail, office, hotel, recreation, etc.)
- significant physical & functional integration, including pedestrian connections
- development conforming to a coherent plan

- Transportation-Integrated Retailing

- serving the “captive markets” of commuters and intracity travelers at mass transit stations
- allow transit systems to capture additional revenues through
 - joint development of station property
 - increased ridership by providing a more pleasurable experience
 - increased property and sales taxes

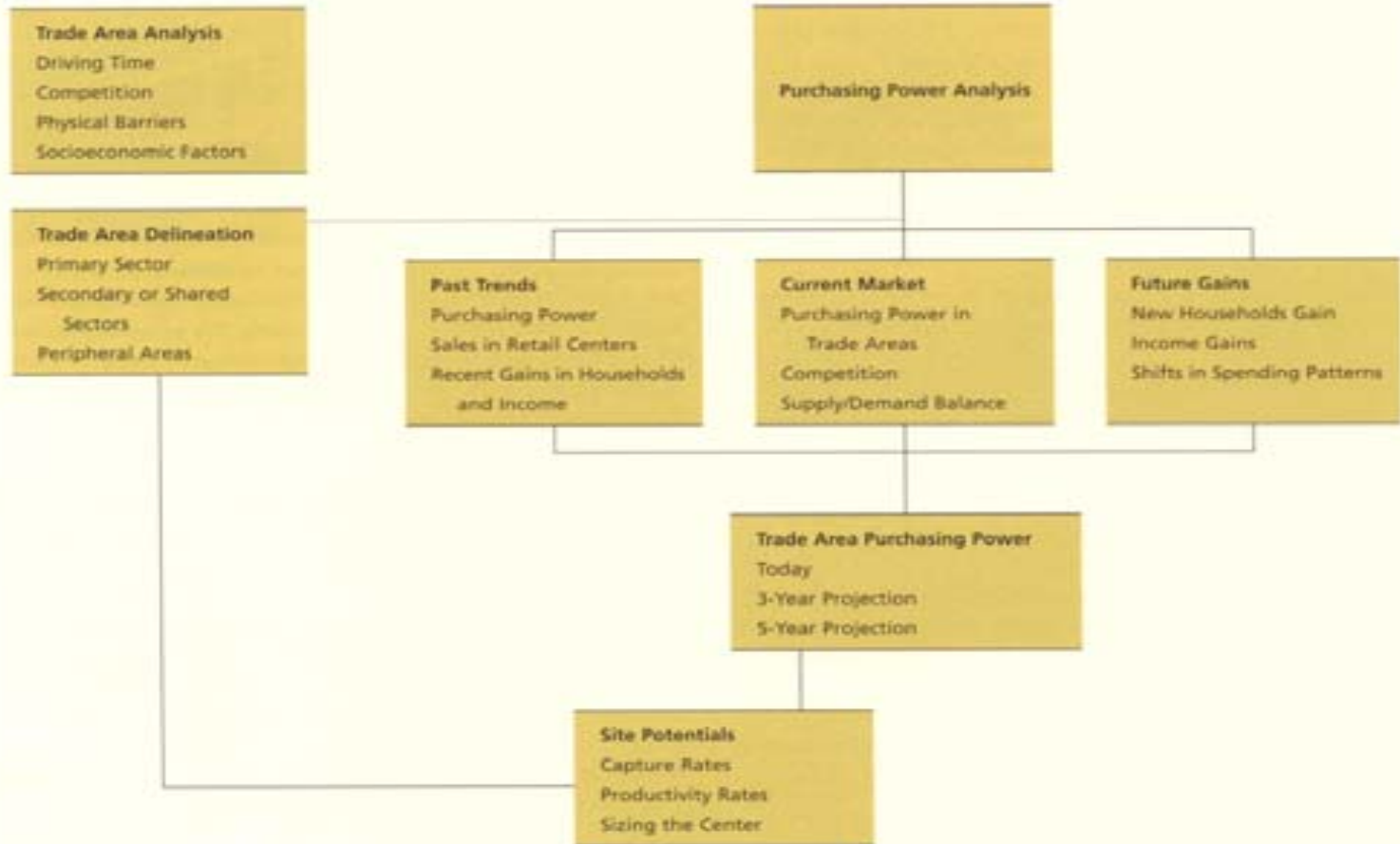


Shopping Center Feasibility Study Components

- Market analysis
- Financial analysis
- Site selection
- Commitments from key tenants
- A leasing plan
- Financial considerations
- Zoning, subdivision, environmental & traffic impact, and other public approvals

Sales Potential for a Retail Center: Analytical Process

Sales Potential for a Retail Center: Analytical Process



General Guidelines for a Primary Trade Area

Type of Center	Minimum Population Support Required	Radius	Driving Time
Super Regional	300,000 or more	12 miles	30 minutes
Regional	150,000 or more	8 miles	20 minutes
Community	40,000–150,000	3–5 miles	10–20 minutes
Neighborhood	3,000–40,000	1½ miles	5–10 minutes

Note: This table provides only general guidelines, which must be modified according to the characteristics of the specific shopping center being considered.

Typical Shopping Center Anchors

Convenience

Minimart

Restaurant

Beauty parlor

Dry cleaners

Fast food service

Medical and dental office

Neighborhood

Supermarket

Drugstore

Discount department store

Restaurant

Furniture store

Hardware store

Automotive store

Liquor/wine store

Videotape rental store

Bank

Community

Junior department store

Discount department store

Supermarket

Off-price superstores

Variety store

Family wear store

Furniture store

Sporting goods store

Drugstore

Office supply store

Cinema

Regional/Super Regional

Full-line department store

Fashion department store

Megaplex

Entertainment center

Food court

Large-format specialty store

Large-format off-price store

Source: Almanac of Business and Industrial Financial Ratios

GROCERY STORES

MONEY AMOUNTS AND SIZE OF ASSETS IN THOUSANDS OF DOLLARS

Item Description for Accounting
Period 7/97 Through 6/98

Total Zero Under 100 to 251 to 501 to 1,001 to 5,001 to 10,001 to 25,001 to 50,001 to 100,001 to 250,001
Assets 100 250 500 1,000 5,000 10,000 25,000 50,000 100,000 250,000 and over

Number of Enterprises	1	27447	1584	9379	7927	3580	2314	2089	262	144	•	•	24	41
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Revenues (\$ in Thousands)

Net Sales	2	288346743	2851518	4680321	9516073	5908624	9880502	20131260	9693249	10020225	•	•	13535872	180453612
Portfolio Income	3	710947	6458	691	6217	22305	21792	39059	10544	55289	•	•	48993	425659
Other Revenues	4	5415332	57046	122758	116992	47546	92905	206229	147833	188769	•	•	145376	3974707
Total Revenues	5	294473022	2915022	4803770	9639282	5978475	9995199	20376548	9851626	10264283	•	•	13730241	184853978
Average Total Revenues	6	10729	1840	512	1090	1670	4319	9754	37602	71280	•	•	572093	4508634

Operating Costs/Operating Income (%)

Cost of Operations	7	75.5	69.3	77.0	78.8	80.4	76.9	78.0	79.3	78.3	•	•	77.1	74.0
Salaries and Wages	8	10.2	11.6	5.3	6.3	6.0	8.8	8.3	8.8	9.4	•	•	10.2	11.2
Taxes Paid	9	1.5	2.0	1.4	2.1	1.4	1.4	1.2	1.4	1.3	•	•	1.4	1.5
Interest Paid	10	0.8	0.5	0.2	0.2	0.5	0.3	0.5	0.4	0.6	•	•	0.6	1.0
Depreciation, Depletion, Amortization	11	1.8	1.1	0.8	1.1	0.9	0.9	1.1	1.0	1.3	•	•	1.7	2.1
Pensions and Other Benefits	12	1.7	2.7	0.3	0.2	0.3	0.4	0.6	1.1	0.9	•	•	1.3	2.2
Other	13	7.9	11.0	11.2	7.5	7.4	8.6	8.6	7.4	8.4	•	•	7.3	7.7
Officers Compensation	14	0.5	0.6	3.4	2.7	1.9	1.4	1.0	0.7	0.6	•	•	0.2	0.1
Operating Margin	15	0.3	1.2	0.5	1.2	1.3	1.5	0.7	•	•	•	•	0.2	0.2
Oper. Margin Before Officers Compensation	16	0.7	1.8	3.9	3.8	3.2	2.8	1.7	0.7	•	•	•	0.4	0.3

Selected Average Balance Sheet (\$ in Thousands)

Net Receivables	17	234	•	2	6	11	24	141	370	945	•	•	8952	124449
Inventories	18	644	•	19	60	103	217	519	1882	3133	•	•	27105	303469
Net Property, Plant and Equipment	19	1424	•	12	42	113	182	685	2577	5414	•	•	73431	748886
Total Assets	20	3101	•	53	162	364	703	1905	6818	14311	•	•	156341	1589238

Table 5-15 Tenants Most Frequently Found in U.S. Community Shopping Centers

Tenant Classification	Rank	Average Number of Stores	Median GLA (Square Feet)	Median Sales Volume per Square Foot of GLA	Median Total Rent per Square Foot of GLA
General Merchandise					
Discount department store	3	0.5	80,477	\$157.15	\$ 4.42
Food					
Supermarket	4	0.5	45,946	374.85	6.83
Food Service					
Restaurant with liquor	1	0.6	4,953	232.37	13.63
Sandwich shop	14	0.3	1,275	265.17	15.94
Pizza	17	0.3	1,600	205.16	14.16
Clothing and Accessories					
Women's specialty	18	0.3	2,725	178.17	14.00
Women's ready-to-wear	2	0.6	4,000	139.60	12.07
Shoes					
Family shoes	7	0.4	3,432	176.20	13.00
Home Furnishings					
Furniture	15	0.3	4,860	192.00	10.40
Gifts/Specialty					
Cards and gifts	8	0.4	3,824	151.00	11.04
Jewelry					
Jewelry	12	0.3	1,355	361.22	17.99
Drugs					
Drugstore/pharmacy	11	0.3	10,935	319.29	7.97
Other Retail					
Eyeglasses—optician	20	0.3	1,523	257.04	16.86
Cosmetics/beauty supplies	19	0.3	1,649	254.05	13.98
Personal Services					
Women's hair salon	13	0.3	1,344	151.15	12.68
Dry cleaner	9	0.4	1,680	124.88	15.22
Unisex hair	6	0.4	1,287	192.75	15.70
Nail salon	16	0.3	1,078	76.24	12.85
Financial					
Banks	10	0.3	2,955		14.88
Offices (Other than Financial)					
Medical and dental	5	0.4	1,789	265.77	12.50

Source: Dollars & Cents of Shopping Centers, ULI

Table 6-15 Tenants Most Frequently Found in U.S. Neighborhood Shopping Centers

Tenant Classification	Rank	Average Number of Stores	Median GLA (Square Feet)	Median Sales Volume per Square Foot of GLA	Median Total Rent per Square Foot of GLA
Food					
Supermarket	1	0.5	31,500	\$339.55	\$ 6.53
Food Service					
Restaurant without liquor	15	0.2	3,075	186.00	12.00
Restaurant with liquor	3	0.4	3,381	228.12	13.50
Sandwich shop	16	0.2	1,300	231.74	13.82
Pizza	5	0.3	1,500	147.37	12.05
Chinese fast food	12	0.2	1,500	105.82	11.85
Clothing and Accessories					
Women's specialty	18	0.2	1,509	299.79	15.79
Women's ready-to-wear	17	0.2	2,750	293.18	13.92
Gifts/Specialty					
Cards and gifts	19	0.2	2,480	164.77	12.92
Liquor					
Liquor/wine	20	0.1	2,362	246.92	11.00
Drugs					
Drugstore/pharmacy	6	0.3	9,100	305.46	7.60
Personal Services					
Women's hair salon	4	0.4	1,200	132.97	11.74
Dry cleaner	2	0.4	1,500	134.23	13.66
Unisex hair	8	0.2	1,306	159.88	13.69
Videotape rentals	9	0.2	3,675	88.60	11.15
Nail salon	14	0.2	1,048	71.54	12.87
Financial					
Banks	11	0.2	3,015		15.00
Finance company	10	0.2	1,414		10.25
Insurance	13	0.2	1,000		10.50
Offices (Other than Financial)					
Medical and dental	7	0.3	1,607		12.09

Source: Dollars & Cents of Shopping Centers, ULI



Major Sources of Funding for Shopping Centers

- Life insurance companies
- Pension funds
- Banks
- S&L's and savings banks
- Finance and credit companies
- Investment banks & securities firms
- Real estate investment trusts (REIT's)
- Syndications
- Government funds
- Foreign investors



Options for Debt Financing

- Construction loans
- Construction loans with “miniperms”
- Participating mortgages
- Land sale/leasebacks
- Leasehold financing
- Public financing programs
- Convertible mortgages



Options for Equity Financing

- Joint ventures
- Limited partnerships
- Presale agreements
- Real estate investment trusts (REIT's)



Issues of Retail Market Demand Analysis

- Area demand evaluation, or economic base analysis (identifies underlying economic and demographic structure of the area)
- Direct consumer research on shopper attitudes, preferences and spending habits
- Analysis of competitive alignment of the market
- Trade area definition & evaluation (focuses the other three measures on a particular location and forecasts sales performance)

Annual Household Consumer Expenditures by Income

Table 2. Income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2000

Item	Complete reporting of income ¹									
	Total complete reporting	Less than \$5,000	\$5,000 to \$9,999	\$10,000 to \$14,999	\$15,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 and over
Number of consumer units (in thousands)	81,454	3,627	7,183	8,037	6,677	12,039	9,477	7,653	11,337	15,424
Consumer unit characteristics:										
Income before taxes ²	\$44,649	\$1,980	\$7,638	\$12,316	\$17,319	\$24,527	\$34,422	\$44,201	\$58,561	\$112,586
Income after taxes ²	41,532	1,942	7,192	12,245	17,070	23,666	32,720	41,498	54,432	102,578
Age of reference person	48.1	42.0	54.6	55.0	53.3	49.2	46.3	44.7	44.3	45.2
Average annual expenditures	\$40,238	\$17,946	\$15,703	\$21,199	\$24,331	\$29,852	\$35,609	\$42,323	\$49,245	\$75,964
Food	5,435	2,627	2,462	2,984	3,743	4,507	5,118	6,228	6,557	8,665
Food at home	3,154	1,603	1,723	2,108	2,556	2,921	2,995	3,552	3,605	4,483
Cereals and bakery products	474	214	260	312	383	449	460	510	542	679
Cereals and cereal products	163	76	100	106	131	176	159	177	183	213
Bakery products	312	138	160	206	251	273	301	333	359	466
Meats, poultry, fish, and eggs	817	437	451	581	695	800	803	938	898	1,095
Beef	243	124	125	175	217	230	244	278	268	329
Pork	171	100	113	126	159	181	169	193	188	202
Other meats	104	60	52	79	82	105	105	122	121	133
Poultry	150	76	85	105	115	145	151	174	160	206
Fish and seafood	114	54	50	66	87	103	90	134	128	184
Eggs	36	23	25	30	35	35	45	37	34	41

Annual Household Consumer Expenditures by Age of HH Head

Table 3. Age of reference person: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2000

Item	All consumer units	Under 25	25-34	35-44	45-54	55-64	65 and over	65-74	75 and over
Number of consumer units (in thousands)	109,367	8,306	18,887	23,983	21,874	14,161	22,155	11,538	10,617
Consumer unit characteristics:									
Income before taxes ¹	\$44,649	\$19,744	\$45,498	\$56,500	\$58,889	\$48,108	\$25,220	\$29,349	\$20,563
Income after taxes ¹	41,532	18,813	42,665	52,626	54,149	44,109	23,890	27,553	19,759
Age of reference person	48.2	21.3	29.8	39.5	49.4	59.1	75.0	69.4	81.2
Average annual expenditures	\$38,045	\$22,543	\$38,945	\$45,149	\$46,160	\$39,340	\$26,533	\$30,782	\$21,908
Food	5,158	3,213	5,260	6,092	6,295	5,168	3,652	4,178	3,077
Food at home	3,021	1,643	2,951	3,484	3,657	3,071	2,448	2,760	2,106
Cereals and bakery products	453	238	429	531	560	441	376	414	334
Cereals and cereal products	156	90	167	190	180	140	123	133	112
Bakery products	297	148	263	341	380	301	253	281	222
Meats, poultry, fish, and eggs	795	437	770	918	970	832	626	727	515
Beef	238	135	239	270	296	243	182	217	144
Pork	167	89	155	186	198	186	143	168	116
Other meats	101	55	98	120	121	99	79	86	70
Poultry	145	86	145	178	169	146	108	130	84
Fish and seafood	110	52	102	126	146	115	84	95	73
Eggs	34	21	30	37	40	43	30	32	28

Annual Household Consumer Expenditures by HH Composition

Table 5. Composition of consumer unit: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2000

Item	Husband and wife consumer units							One parent, at least one child under 18	Single person and other consumer units
	Total husband and wife consumer units	Husband and wife only	Husband and wife with children				Other husband and wife consumer units		
			Total husband and wife with children	Oldest child under 6	Oldest child 6 to 17	Oldest child 18 or over			
Number of consumer units (in thousands)	56,287	22,805	28,777	5,291	15,396	8,090	4,705	6,132	46,948
Consumer unit characteristics:									
Income before taxes ¹	\$60,588	\$53,232	\$66,913	\$62,928	\$69,472	\$64,725	\$56,796	\$25,095	\$28,969
Income after taxes ¹	56,280	48,874	62,455	58,764	64,738	60,604	53,606	24,498	26,879
Age of reference person	48.2	56.7	41.5	32.2	39.6	51.2	47.9	36.6	49.6
Average annual expenditures	\$48,619	\$42,196	\$53,586	\$50,756	\$54,170	\$54,550	\$49,646	\$28,923	\$26,524
Food	6,575	5,575	7,251	5,817	7,508	7,858	7,506	4,255	3,557
Food at home	3,892	3,155	4,357	3,659	4,458	4,724	4,815	2,647	2,010
Cereals and bakery products	590	456	680	542	702	749	723	388	295
Cereals and cereal products	203	149	240	186	256	251	255	153	100
Bakery products	387	307	440	356	445	497	468	234	196
Meats, poultry, fish, and eggs	1,018	846	1,113	819	1,155	1,271	1,333	754	529
Beef	307	251	335	245	345	391	432	223	156
Pork	213	189	226	151	236	268	249	159	112
Other meats	129	100	148	108	153	170	166	91	67
Poultry	183	143	207	171	210	230	241	153	98
Fish and seafood	144	126	153	109	168	156	185	93	71
Eggs	43	37	44	33	44	56	59	33	25

Annual Household Consumer Expenditures by Region of Residence

Table 8. Region of residence: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2000

Item	All consumer units	Northeast	Midwest	South	West
Number of consumer units (in thousands)	109,367	20,994	25,717	38,245	24,410
Consumer unit characteristics:					
Income before taxes ¹	\$44,649	\$47,439	\$44,377	\$41,984	\$46,670
Income after taxes ¹	41,532	44,456	40,711	39,468	43,088
Age of reference person	48.2	49.5	48.4	48.3	46.6
Average annual expenditures					
Average annual expenditures	\$38,045	\$38,902	\$39,213	\$34,707	\$41,328
Food	5,158	5,377	5,255	4,724	5,554
Food at home	3,021	3,202	2,933	2,823	3,269
Cereals and bakery products	453	491	444	422	480
Cereals and cereal products	156	164	152	148	167
Bakery products	297	326	292	274	313
Meats, poultry, fish, and eggs	795	883	721	779	821
Beef	238	248	226	230	255
Pork	167	162	160	176	164
Other meats	101	116	103	94	94
Poultry	145	174	125	142	146
Fish and seafood	110	149	78	100	124
Eggs	34	35	28	36	38

Consumer Expenditure Survey

Reference Units

- Age of Head of HH
- Composition of HH
- Education of Head of HH
- Housing tenure, type of area & race of Head of HH
- HH Income before taxes
- # of earners in HH
- Occupation of Head of HH
- Origin of Head of HH (white, black, Hispanic)
- Region of residence
- Size of HH

<http://www.bls.gov/cex/home.htm>



Consumer Demographic Thresholds Neighborhood Shopping Center

- Minimum Population Support Required
= 3,000 – 40,000
- Trade Area Radius = 1 – 3 miles
- Income Spent on “Food Eaten at Home”
= \$11,100,000 (2004 \$)

Rank Ordered Tenants for Neighborhood Shopping Centers

Tenants	SF in GLA	Medians Sales/SF	Rent/SF
Supermarket	31,500	\$ 339.55	\$ 6.53
Dry Cleaners	1,500	\$ 134.23	\$ 13.66
Restaurant (w/liquor)	3,381	\$ 228.12	\$ 13.50
Woman's Hair Salon	1,200	\$ 132.07	\$ 11.74
Pizza	1,500	\$ 147.37	\$ 12.05
Drugstore	9,100	\$ 305.46	\$ 7.60
Medical/Dental Office	1,607		\$ 12.09
Unisex Hair Salon	1,306	\$ 159.88	\$ 13.69
Videotape Rentals	3,675	\$ 88.60	\$ 11.15
Finance Company	1,414		\$ 10.25



The Untapped Consumer Markets in Inner City Neighborhoods

- Despite the huge retail purchasing power of their residents, many inner city neighborhoods suffer from significant “out-shopping” - they have too little retail to meet the demand, and tap the buying power of their own residents.
- Therefore, the challenge ahead is to create a “virtuous cycle of retail” in inner city areas - to promote business growth, jobs and savings.



General Impacts of Inner City Business Development

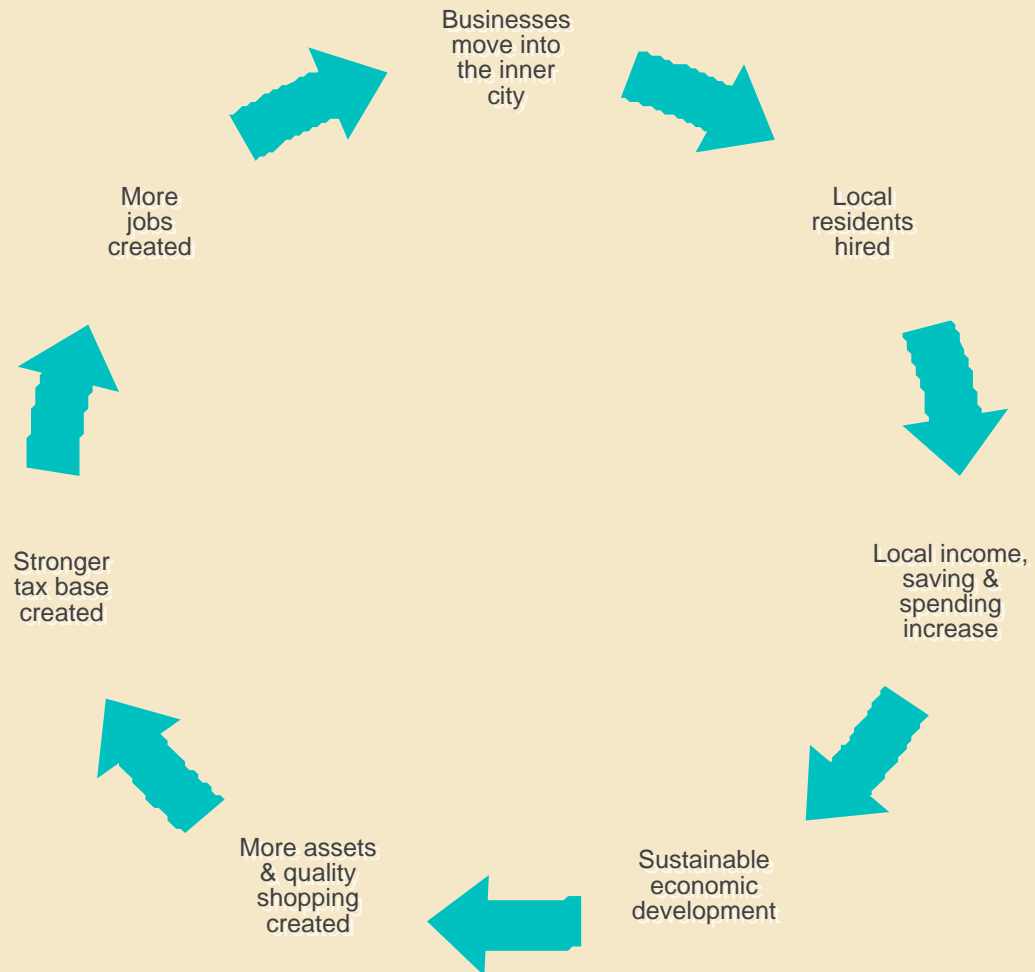
- Expanding employment
- Improved consumer services
- Stimulating new business markets
- Catalyzing real estate rehabilitation
- Creating role models and community leaders

A Goal For Inner City Retail Revitalization



- The goal is not to generate a consumption binge by those who most need to build more assets and get ahead.
- Nor is it to divert buying power away from the businesses outside the cities.
- The goal is net gain created by
 - businesses move into inner city neighborhoods
 - hiring local residents--> raising local incomes
 - higher incomes allow both more saving & more spending
 - more hiring raises income and consumer demand

The Virtuous Cycle of Retail





Concentrated Buying Power - the Density of Demand in Cities

- The income of an individual household is less important to retailers than the combined income of everyone in the neighborhood.
- Aside from aggregate, untapped retail demand, urban locations typically offer a critical advantage for retail businesses: **density of demand**.
- The higher population density of most inner city neighborhoods balance out the high household incomes in spread out suburban areas.