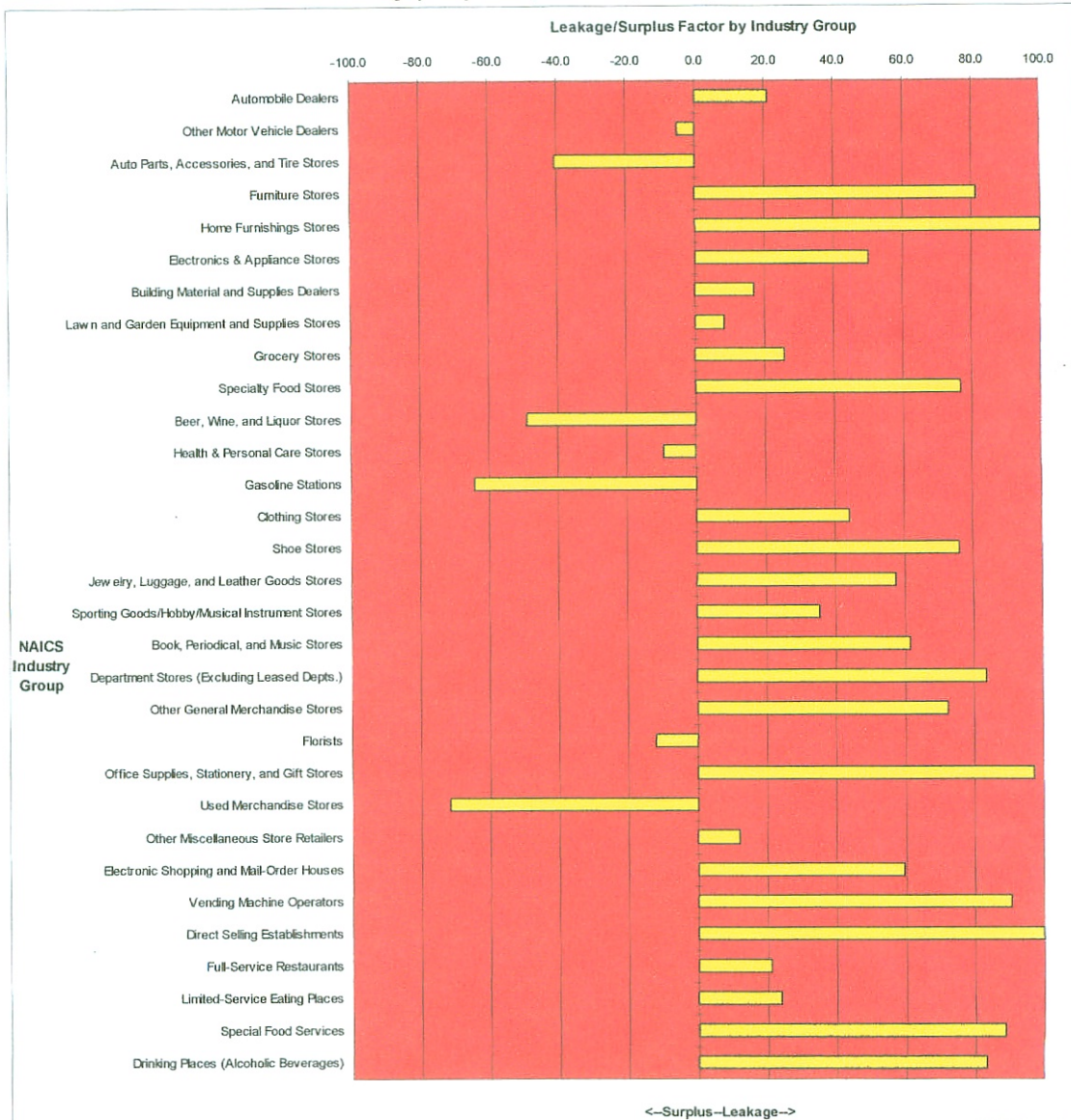


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Leakage/Surplus by Industry Group



Source: ESRI

The bars extending to the right of the center line in the graph above indicate the degree to which retail spending is occurring outside the Basic Market Area for major retail categories (listed on the previous page).

The respective "share" or shares of market that the Primary and Secondary Market Areas can be expected to capture depends primarily on the extent to which convenience – generally measured in distance or drive-time between home and retail store – is considered a major factor in the purchase decision. Price is a major factor, also. The higher-priced the item, the farther a consumer is willing to go to purchase that item (or collection of items).

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For purposes of this analysis, the importance of the "share" or percentage of all expenditures within major retail categories is that there are different measures of "share" that can be anticipated in the 3-mile Primary Market Area and the 3-to-5-mile Secondary Market Area. Only after each is isolated can they be recombined to reflect retail demand within the entire 5-mile Basic Market Area. The shares of market incorporated in all charts below are generally accepted industry measures.

Current Unmet Retail Demand

The categories of retail that are particularly relevant to the study area include those that (1) exhibit a significant excess of demand over supply, resulting in a "leakage" of residents' consumer spending out of the community, and (2) generally are found within taxable facilities – stores, restaurants, malls and other physical buildings.

The list of such major retail categories incorporated into the chart below is used throughout this analysis of current unmet retail demand within the Primary, Secondary and combined Basic Market Areas.

| 3-MILE PRIMARY MARKET AREA - CURRENT UNMET RETAIL DEMAND | | | | | |
|--|--------------------------------|---------------------|------------------------|-----------------|------------------|
| Category - Retail | Total Area Sales Leakage | Area Share of Sales | | | |
| | | Share | Additional Spending | Sales Per SF | Additional SF |
| | A | B | C | D | E |
| Full-service Restaurants | \$ 4,110,032 | 60% | \$ 2,466,019 | \$ 400 | 6,165 |
| Limited-service Eating | 6,376,348 | 90% | 5,738,713 | 400 | 14,347 |
| Special Food Services | 8,640,290 | 70% | 6,048,203 | 400 | 15,121 |
| Specialty Food Stores | 2,693,038 | 70% | 1,885,127 | 400 | 4,713 |
| Drinking Places | 1,807,069 | 70% | 1,264,948 | 400 | 3,162 |
| Grocery Stores | 15,979,471 | 75% | 11,984,603 | 400 | 29,962 |
| Bldg Material, Lawn, Garden | 2,391,952 | 80% | 1,913,562 | 300 | 6,379 |
| HH Furnishings/Equipment | 6,773,147 | 50% | 3,386,574 | 300 | 11,289 |
| Electronics & Appliances | 3,789,320 | 50% | 1,894,660 | 300 | 6,316 |
| Office Supply/Stationary | 1,404,921 | 80% | 1,123,937 | 300 | 3,746 |
| Sports, Hobbies, Books, Music | 2,117,081 | 65% | 1,376,103 | 300 | 4,587 |
| Dept. Stores | 23,870,741 | 50% | 11,935,371 | 300 | 39,785 |
| Clothing & Accessories | 8,420,305 | 75% | 6,315,229 | 400 | 15,788 |
| Misc. General Merchandise | 9,152,833 | 65% | 5,949,341 | 300 | 19,831 |
| RETAIL TOTALS | \$ 97,526,548 | 65% | \$ 63,282,389 | \$ 349 | 181,189 |

Source: ESRI, Huntley Partners

Formula:

$$\begin{aligned}
 & \text{Total Area Sales Leakage by Retail Category (A)} \\
 & \quad \times \\
 & \quad \times \text{ Share (of Sales Leakage that VOE can be expected to capture) (B)} \\
 & \quad = \text{Additional Spending (C)} \\
 & \quad \text{Additional Spending / Sales per SF (industry standard sales per square foot) (D)} \\
 & \quad = \text{Supportable Additional Retail SF within Identified Retail Categories (E)}
 \end{aligned}$$

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Industry standards are also used in the sales-per-square-foot assumptions. *The Dollars and Cents of Shopping Centers* is the industry standard and a good source of these basic measures.

Applying these measures to the leakage amounts from the Primary Market Area alone results in additional sales of **\$63,282,389** remaining in the area if retail supply were in balance with demand. This would support **181,189** square feet of additional retail.

The overall Basic Market Area (within 5 miles of the VOE site) has \$122,850,932 in excess retail demand. Applying the anticipated percentage "shares" to those expenditures within each category, one may project that the entire 5-mile Basic Market Area should be able to support an additional **\$89,960,121** in spending, generating a need for approximately **267,617** square feet of new retail.

| 5-MILE BASIC MARKET AREA - CURRENT UNMET RETAIL DEMAND | | | | | |
|--|--------------------------------|---------------------|------------------------|-----------------|------------------|
| Category - Retail | Total Area Sales Leakage | Area Share of Sales | | | |
| | | Share | Additional Spending | Sales Per SF | Additional SF |
| | A | B | C | D | E |
| Full-service Restaurants | \$ 5,979,159 | 75% | \$ 4,484,369 | \$ 400 | 11,211 |
| Limited-service Eating | - | 95% | - | 400 | - |
| Special Food Services | 30,769,503 | 85% | 26,154,078 | 400 | 65,385 |
| Specialty Food Stores | 8,748,081 | 75% | 6,561,061 | 400 | 16,403 |
| Drinking Places | 2,000,447 | 75% | 1,500,335 | 400 | 3,751 |
| Grocery Stores | - | 75% | - | 400 | - |
| Bldg Material, Lawn, Garden | 9,121,385 | 90% | 8,209,247 | 300 | 27,364 |
| HH Furnishings/Equipment | 8,826,789 | 65% | 5,737,413 | 300 | 19,125 |
| Electronics & Appliances | 14,344,743 | 65% | 9,324,083 | 300 | 31,080 |
| Office Supply/Stationary | - | 90% | - | 300 | - |
| Sports, Hobbies, Books, Music | - | 90% | - | 300 | - |
| Dept. Stores | - | 65% | - | 300 | - |
| Clothing & Accessories | - | 75% | - | 400 | - |
| Misc. General Merchandise | 43,060,825 | 65% | 27,989,536 | 300 | 93,298 |
| STORE RETAIL TOTALS | \$ 122,850,932 | 73% | \$ 89,960,121 | \$ 336 | 267,617 |

Source: ESRI, Huntley Partners

Since the Primary Market (within 3 miles) is contained within the overall Basic Market Area (within 5 miles) when reported by national retail databases such as this study's source, ESRI, one needs to separate the two, then estimate the amount of the balance of the Secondary Market excess retail demand that the Primary Market could be expected to attract: 50 percent in all categories of retail based primarily on distance and/or drive-time.

This apparent extra step is required due to the differences between the Primary and Secondary Market Areas in "Share" or share-of-market capture rates for major categories of retail. Thus, first isolating, then recombining the Primary and Secondary Markets produces more accurately reflection of retail demand within the Basic Market Area than simply applying the same "Share" assumptions to the overall Basic Market Area data.

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| 3-MILE PRIMARY MARKET SHARE OF BASIC MARKET AREA: BALANCE OF UNMET RETAIL DEMAND | | | | | |
|---|----------------------------|---------------------|------------------------|-----------------|------------------|
| Category - Retail | Market Sales Leakage | Area Share of Sales | | | |
| | | Share | Additional Spending | Sales Per SF | Additional SF |
| | A | B | C | D | E |
| Full-service Restaurants | \$ 1,869,127 | 50% | \$ 934,564 | \$ 400 | 2,336 |
| Limited-service Eating | - | 50% | - | 400 | - |
| Special Food Services | 22,129,213 | 50% | 11,064,607 | 400 | 27,662 |
| Specialty Food Stores | 6,055,043 | 50% | 3,027,522 | 400 | |
| Drinking Places | 193,378 | 50% | 96,689 | 400 | |
| Grocery Stores | - | 50% | - | 400 | - |
| Bldg Material, Lawn, Garden | 6,729,433 | 50% | 3,364,717 | 300 | 11,216 |
| HH Furnishings/Equipment | 2,053,642 | 50% | 1,026,821 | 300 | 3,423 |
| Electronics & Appliances | 10,555,423 | 50% | 5,277,712 | 300 | 17,592 |
| Office Supply/Stationary | - | 50% | - | 300 | - |
| Sports, Hobbies, Books, Music | - | 50% | - | 300 | - |
| Dept. Stores | - | 50% | - | 300 | - |
| Clothing & Accessories | - | 50% | - | 400 | - |
| Misc. General Merchandise | 33,907,992 | 50% | 16,953,996 | 300 | 56,513 |
| RETAIL TOTALS | \$ 83,493,251 | 50% | \$ 41,746,626 | \$ 352 | 118,742 |

Source: ESRI, Huntley Partners

The community could attract an additional **\$41,746,626** from the balance of demand found in the Secondary Market Area. This would support **118,742** square feet of additional retail.

Combining these two sources of unmet retail demand – the Primary and Secondary Market Areas – the Basic Market Area (within 5 miles of the VOE retail site) could support an additional **\$105,029,014** in retail sales, sufficient to support and additional **299,931** – approximately **300,000** – square feet of retail today.