

2008 Monticello Road Retail Analysis

Columbia, SC

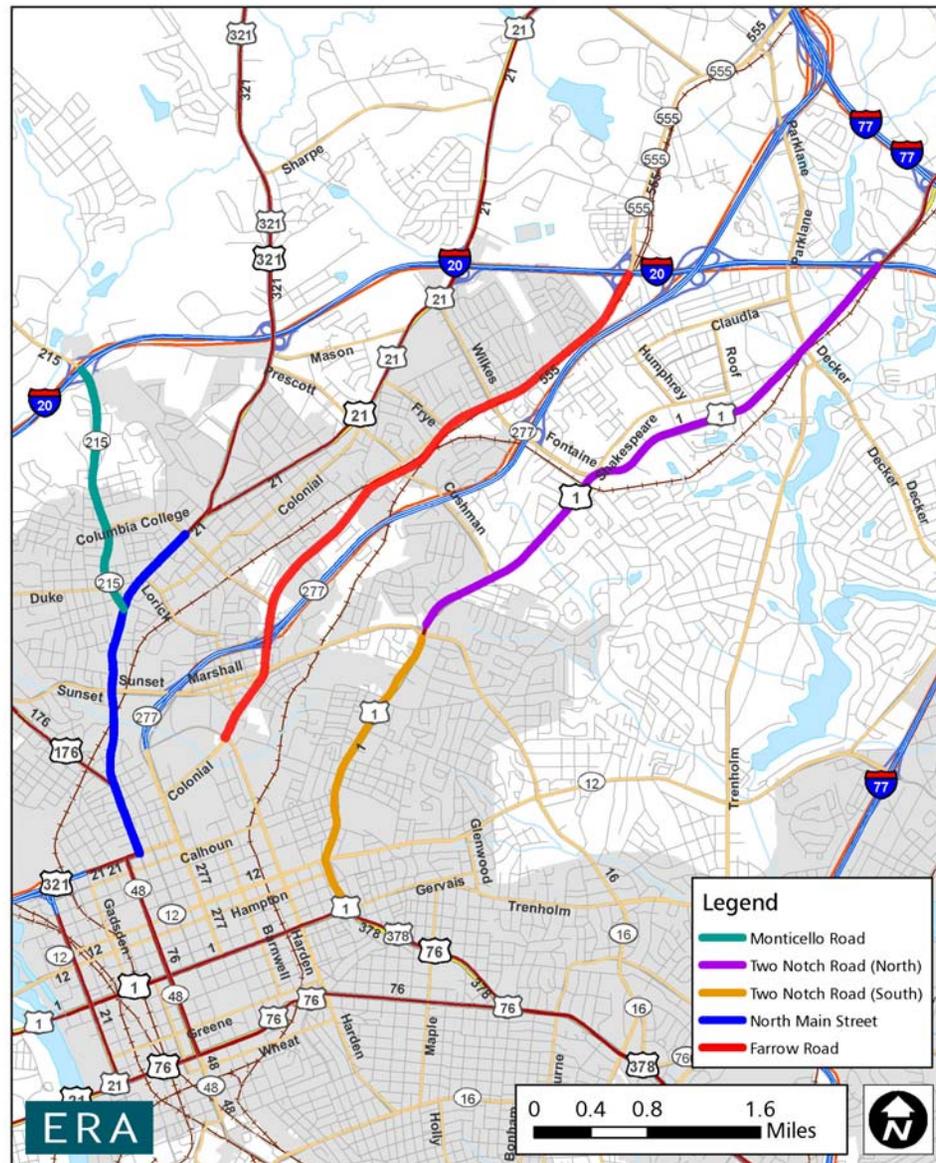


ERA

An Analysis of the Monticello Road Retail Corridor in
Columbia, SC

April 2008

Monticello Road Corridor Overview



Monticello Road Overview

The Monticello Road corridor extends from the intersection of Monticello Road and North Main Street to I-20. This corridor is roughly 1.7 miles long.

The limited retail offerings along the Monticello Road corridor are local serving; they rely on nearby residents, workers, and students as a primary customer base.

Although it contains retail, ERA's analysis and visitation of the site found that the corridor is largely residential in nature and cannot support retail in many sections. Any future retail development should take the residential character into consideration.

The primary retail segments which this study analyzes are apparel and apparel services, household furnishings and electronics, personal care and services, and eating and drinking places. These categories were chosen in order to focus the analysis and because these are the retail categories which would best further enhance the current retail environment.

Methodology/Term Definitions

Summary

In order to calculate the retail potential of the Monticello Road corridor, ERA has analyzed the demand generated by several market segments. These segments are residents, office employees, and visitors and passers through – referred to as ‘inflow’, all within the primary trade area. Visitors and Inflow are calculated as secondary market segments.

The purpose of this study is to analyze retail sales, demand, and opportunities along the corridor in order to suggest ways through which the retail environment can be improved. Because of the limited retail offerings and consumer markets in the City of Columbia, this may entail drawing potential sales from the other corridors or from the downtown area.

The organization of this study is an analysis of each demand segment, calculation of the sales gap and capture rate, a critical analysis of the existing retail environment, and suggestions on how the retail environment can be improved.

Capture Rate

Capture rates identify what portion of demand potential (total annual spending potential of all market segments in the select retail categories.) are captured in a given area (i.e. a capture rate of 10% suggests that \$10 of every \$100 in spending potential is spent in a given area). Given that people typically shop at a variety of locations, a 100% capture rate is not realistic.

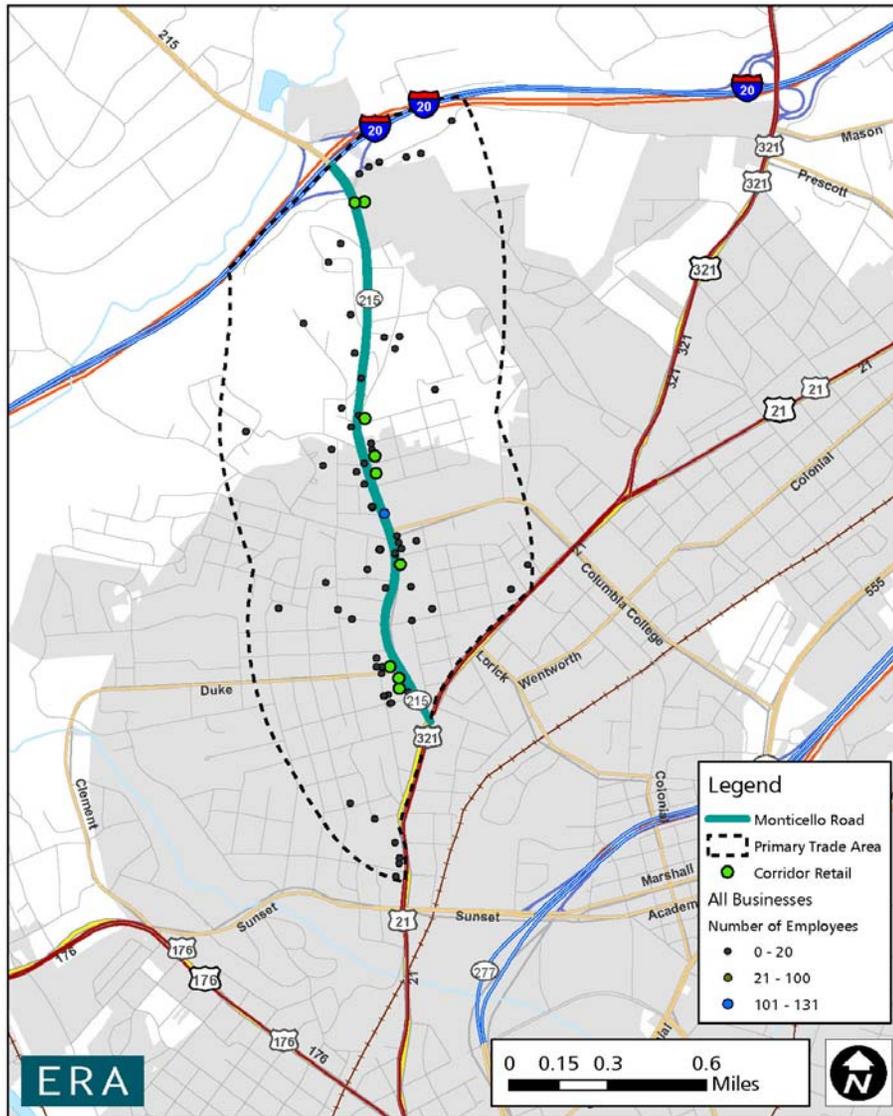
Leakage/Surplus Factor

The Leakage/Surplus factor presents a snapshot of retail opportunity. This metric is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents ‘leakage’ or retail opportunity inside the trade area. A negative value represent a surplus of retail sales, a market where customer are drawn in from outside the trade area. This analysis is included to present all opportunities in a standardized fashion.

Retail Categories

This study focuses on retail categories of Apparel and Apparel Services, Household Furnishings and Electronics, Personal Care and Services, and Eating and Drinking Places. These categories were selected as they are typically local serving and make up the bulk of retail demand. Monticello Road has many businesses, such as auto-oriented businesses, which would skew the analysis to show a retail environment with a very high retail surplus and little opportunity for new retail development.

Methodology



Summary

The **primary trade area** contains the main consumer markets for the corridor and is derived from a half mile buffer around the corridor.

- **Resident Market** data is for households within the primary trade area (the dashed line). These households are the main customer base for the nearby retail.
- **Employee Market** data is from all businesses and organizations along the corridor (the blue points). This includes non-profit and government employment.
- **Inflow**, calculated as a percentage of sales, is spending from outside the trade area.
- **Sales data** is the estimated sales or assets of retail business along the corridor (the green points) in the select categories.

Source: ESRI Business Information Solutions; Economics Research Associates, 2008.

Monticello Road Corridor: Residential Market

Summary

The Monticello Road Corridor residential market is comprised of persons within a half mile of the corridor.

The residential market is comprised of 3,585 persons in 1,457 households. The population is expected to grow by 95 persons and 40 households by 2012. This shift will occur as vacant lots in the neighborhoods surrounding the corridor a revitalized and new families begin to occupy them.

The average household income in the area is expected to increase by \$6,533 from \$40,232 to \$46,765 from 2007 – 2012. This represents a compound annual growth rate of 3.07% and, when adjusted for inflation, a real growth rate of .9%.

The total area income is expected to increase by \$27.85M from 2007 to 2012. This corresponds to an increase in tax base, dollars available to be invested in homes, and dollars available to be spent on local retail.

Annual residential spending in the primary retail categories and at eating and drinking places is estimated at \$11.5M and \$6.3M respectively.

Demographic Summary

2007 Population	3,585
2012 Population	3,680
CAGR 07-12	0.52%
2007 Households	1,457
2012 Households	1,497
CAGR 07-12	0.54%
2007 Avg Household Income	\$40,232
2012 Avg Household Income	\$46,765
CAGR 07-12	3.06%
Real Growth Rate 1/	0.90%
2007 Median Household Income	\$29,248
2012 Median Household Income	\$34,022
CAGR 07-12	3.07%
Total Area Income 2007	\$144,231,720
Total Area Income 2012	\$172,085,847
CAGR 07-12	3.59%

2007 Annual Retail Expenditures, Select Categories	Avg HH Retail Expenditures	Annual Market Area Retail Expenditures
Retail in Select Categories	\$ 3,659	\$ 5,330,755
Apparel & Apparel Services	\$ 1,384	\$ 2,016,852
HH Furnishings & Electronics	\$ 1,529	\$ 2,227,025
Personal Care & Services	\$ 746	\$ 1,086,878
Eating & Drinking Places	\$ 2,029	\$ 2,955,978
Subtotal	\$ 5,688	\$ 8,286,733

Total Demand Potential: \$8.29M

Source: ESRI Business Information Solutions; Economics Research Associates, 2008.

Monticello Road: Residential Market Demographics

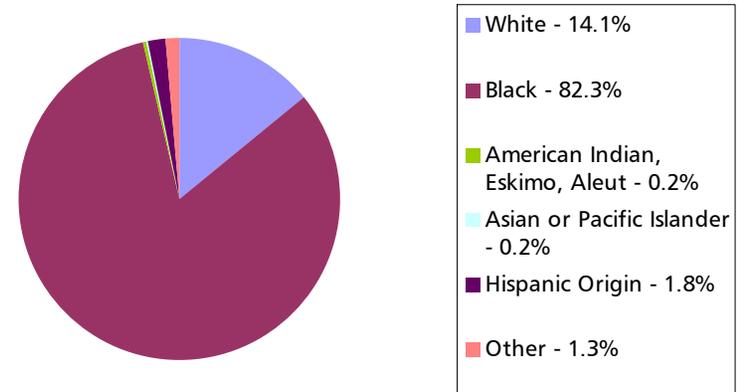
Summary

In order to plan proper retail programming, a cursory knowledge of the market demographics are important.

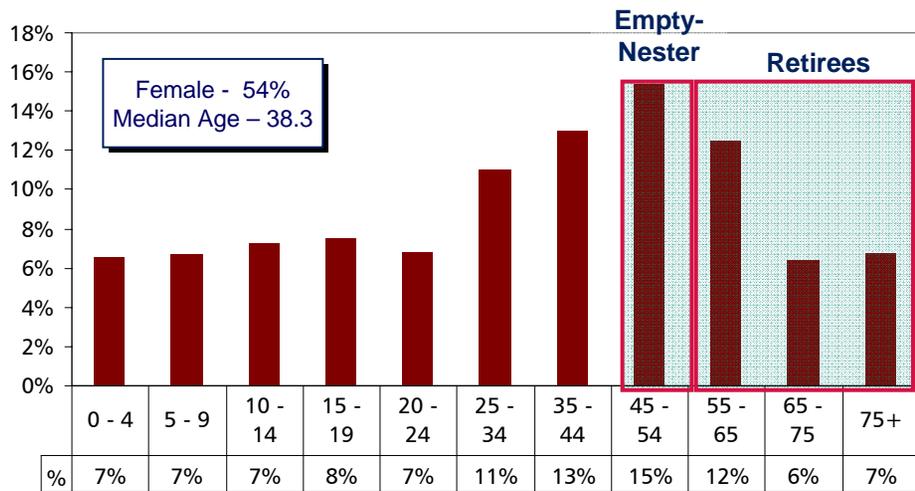
Different demographic groups and sub-groups have different retail spending and dining preferences. For example, the retail spending needs and habits of persons under 18 will be different than those for persons over 65.

The trade area population is 3,585 persons in 1,457 households.

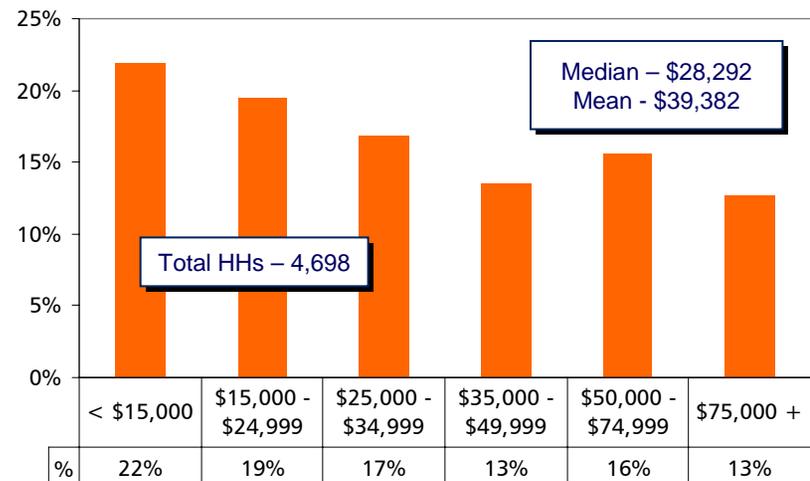
Racial Distribution



Age Distribution



Income Distribution



Monticello Road Corridor: Employee Market

Total Businesses	84			
Total Employment	465			
	BUSINESSES		EMPLOYMENT	
	Number	Percent	Number	Percent
Agriculture & Mining	0	0.0%	0	0.0%
Mining	0	0.0%	0	0.0%
Utilities	0	0.0%	0	0.0%
Construction	8	9.5%	30	6.5%
Manufacturing	4	4.8%	6	1.3%
Wholesale Trade	3	3.6%	41	8.8%
Retail Trade	7	8.3%	27	5.8%
Transportation & Warehousing	2	2.4%	1	0.2%
Information	2	2.4%	1	0.2%
Finance & Insurance	1	1.2%	3	0.6%
Central Bank/Credit Intermediation & Related Activities	0	0.0%	0	0.0%
Insurance Carriers & Related Activities; Funds, Trusts & Other financial Vehicles	0	0.0%	0	0.0%
Real Estate, Rental & Leasing	3	3.6%	7	1.5%
Professional, Scientific & Tech Services	1	1.2%	5	1.1%
Legal Services	1	1.2%	5	1.1%
Management of companies & Enterprises	0	0.0%	0	0.0%
Administrative & Support & Waste Management & Remediation Services	3	3.6%	8	1.7%
Educational Services	1	1.2%	130	28.0%
Health care & Social Assistance	17	20.2%	105	22.6%
Arts, Entertainment, and Recreation	3	3.6%	7	1.5%
Accommodation and Food Services	1	1.2%	15	3.2%
Accommodation	0	0.0%	0	0.0%
Food Services and Drinking Places	1	1.2%	15	3.2%
Other Services (except Public Administration)	27	32.1%	79	17.0%
Automotive Repair & Maintenance	3	3.6%	13	2.8%
Public Administration	1	1.2%	0	0.0%
Unclassified Establishments	0	0.0%	0	0.0%

Summary

The Monticello Road Corridor employee market is comprised of employees from businesses within a half mile of the corridor.

Employee spending is estimated to be generated primarily from office workers in the fields of Retail Trade, Finance & Insurance, Professional, Scientific & Tech Services, Educational Services, Health Care & Social Services, and Public Administration. This represents 67% of total employment.

The largest employment concentrations in the Monticello Road primary area are in Health Care and Social Services and Public Administration.

The employee market is derived from all business within the trade area, this differs from the retail sales which only analyzes business directly along the corridor.

Officer Worker Spending	2007 Expenditures	
Retail in Select Categories	\$	264,369
Eating & Drinking Places	\$	318,439
Lunch	\$	292,512
Dinner/Drinks	\$	25,927
Total	\$	582,808

Total Demand Potential: \$583,000

Source: ESRI Business Information Solutions; ICSC; InfoUSA; Economics Research Associates, 2008.

Monticello Road Corridor: Inflow Market

Secondary Market: Inflow

The Monticello Road inflow market is comprised of consumers who do not live or work in the primary trade area . Unlike other markets in which spending potential is estimated, the inflow market is estimated to generally account for 2% of sales in the selected retail categories. Since the inflow market has no geographical constraints it therefore theoretically has unlimited demand potential. Inflow demand will increase as better, and more visible, retail offerings are placed along the corridor.

An important Inflow sales generator for this corridor is the local high school which generates retail demand through the students and through the faculty and staff.

General Inflow Market (2% of total sales)

Other Inflow Demand is Generate by:

- Business Visitors.
- Passing through traffic.
- Visitors to persons living within the primary trade area.
- Persons from outside the primary trade area.

General inflow spending is estimated to account for 2% of retail sales and 3% of sales at eating and drinking places.

Total Estimated Spending: \$190,000

Monticello Road Corridor: Estimated 2007 Retail Sales Volume

Retail Sales		
Total Businesses:	7	
Total Sales Volume	\$5,697,000	
	BUSINESSES	SALES VOLUME (EST)
	Number	2006 Sales Total
Retail Trade	7	5,697
Motor Vehicle and Parts Dealers	2	\$1,547
Furniture & Home Furnishings Stores	0	\$0
Electronics & Appliance Stores	0	\$0
Bldg Material and Garden Equipment and Supplies Dealers	0	\$0
Food & Beverage Stores	3	\$3,037
Health & Personal Care Stores	0	\$0
Gasoline Stations	0	\$0
Clothing and Clothing Accessories Stores	0	\$0
Sport Goods, Hobby, Book, & Music Stores	1	\$399
General Merchandise Stores	1	\$714
Miscellaneous Store Retailers	0	\$0
Nonstore Retailers	0	\$0

Sales Volume in Selected Categories: \$5.7M

Summary

The total sales volume of \$5.7M represents the net revenue of all business along the corridor.

For this study the analysis is focused on the retail categories of Apparel and Apparel Services, Household Furnishings and Electronics, Personal Care and Services, and in Eating and Drinking Places.

Eating and Drinking places consist of restaurants and bars as compared to Food & Beverage stores which are grocery and liquor stores.

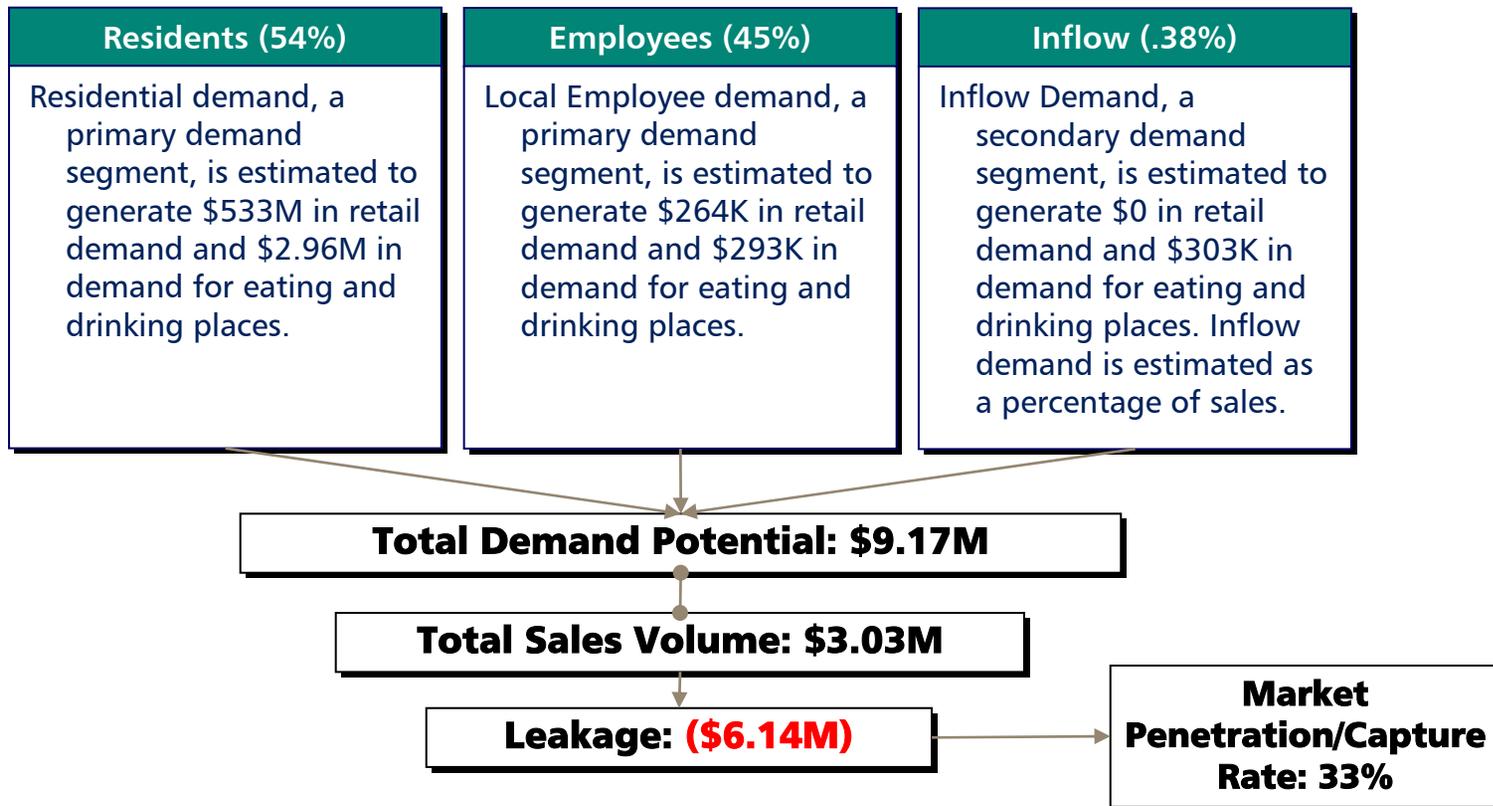
Food & Beverage stores are not counted in the select retail categories because the select retail categories include only Eating and Drinking Places – which are restaurants as compared to Food & Beverage stores which would include grocery stores. The study area contains no eating and drinking places.

Total retail sales volume is \$5.7M

Retail Environment: 2007 Retail Leakage in Select Categories

Monticello Road Trade Area Demand Potential

The trade area demand potential is the sum of residential demand, employee demand, and sales to the secondary inflow market. Total demand potential represents the buying power from the local market which support the Monticello Road corridor. The actual sales are less than the total demand potential since 100% of total demand is not captured along the corridor – the difference is the retail leakage.



Source: ESRI Business Information Solutions; InfoUSA; Economics Research Associates, 2008.

Corridor Retail Assessment: Strengths, Weaknesses, Needs/Concerns

Overall Retail Demand

Total retail demand from all market segments in all spending categories is \$17.86M, the select categories represent 46% of retail demand across all categories.

Retail Assessment

The overall assessment of Monticello Road retail is that it is weak as a retail corridor compared to other corridors in the city – such as the nearby N. Main Corridor. With exceptions such as the school and a few sporadic businesses, the corridor is largely residential.

The corridor historically performed well as a retail corridor; however as businesses moved either closer into the city, or followed residents into the suburbs, it has become increasingly sparse in its offerings. There are few adequate opportunities to build retail at the mass necessary to transform the corridor into a competitive retail corridor.

With retail leakage of \$6.13M annually, a demand potential of \$9.17M and sales of \$3.04M, the area has a leakage/surplus factor of -.50. This indicates a leakage of retail sales where a large portion of persons are going to other areas to make purchases. With proper improvement and programming the capture can be increased, however the highly residential environment will greatly limit future retail growth.

Market Strengths

- None in the sense of a retail corridor – strengths are in being an improving residential area.
- The few stores along the corridor do well, but it is highly unlikely given the competitive nature of the city that new retailers will be willing to invest in the corridor.

Market Weaknesses

- Very weak as a retail corridor – has very few businesses, and few opportunities and space for growth, likely will not retain retail character as corridors strengthen elsewhere in the city.
- Residential areas are often inappropriate and unsuitable for retail. Monticello Road will be able to support a few stores, most in the convenience retail category, however a full retail corridor is not recommended for consideration along this corridor.

Future Needs/Concerns

- Maintain existing retail opportunities at current quality levels.
- Any new retail development should occupy and work to improve existing vacant retail space.
- Business moving to stronger retail markets in other corridors in the city, downtown, or outside of the city limits.

Retail and Corridor Assessment

Existing Retail

Existing retail along the corridor is in the form of small to mid-sized convenience grocery oriented stores. These offer basic goods to residents.



Existing Retail

Existing retail offerings are primarily located on small lots with parking which allows customers to easily stop and go. The Family Dollar was the largest of offerings.



Local School

The local school will bring students and faculty into the corridor who will be potential customers.



Sidewalks

Much of the corridor is not suitable for retail – the land grade and existing residential uses will limit retail development.



Existing Retail Assessment

Existing Retail

Existing retail along the Monticello Road Corridor is comprised of business which generally fall into one of three categories: food and beverage; sport goods, hobby, book, and music stores; and general merchandise stores. Auto oriented business, which account for 27% of retail sales along the corridor, were not analyzed in this study

Food and Beverage

Mista Browns serves as a great example of a locally owned success story. ERA's interview with Mr. Brown, the owner, found that he has maintained success through offering good quality quick food to local residents as well as grocery retail which people from outside of the trade area will come to purchase.

The A-1 Food Store/convenience shop and the One Stop Food Mart are small convenience oriented groceries with limited offering. They provide inexpensive convenience goods to residents and are successful because they rely on frequent spending instead of large spending.

**53% of
retail sales**

Sport Goods, Hobby, Book, and Music Stores

The Kwanza House Bookstore and Cultural Center is a culturally themed bookstore which has been open along the corridor since 2000. Part of the success and longevity of this locally owned business can be attributed to its specific targeting to the local market as well as that it engages the community and garnering support beyond retail sales.

**7% of
retail sales**

General Merchandise Stores

The Family Dollar is the only general merchandise store along the corridor. Family Dollar is a chain which has built its reputation and success by offering a variety of low priced retail goods. This store works well along the Monticello Road corridor because its retail mix means that it relies on small frequent spending instead of higher spending which would likely not be captured.

**13% of
retail sales**

Strategic Assessment and Recommendations

Strategic Needs Assessment

ERA's analysis of Monticello Road corridor found that it will not be able to greatly increase its retail capture. The current captured demand is driven by residents and persons associated with the local school doing convenience and quick shopping. Other retail, such as at the local meat market, have success that will be hard to duplicate. Future retail development would do best by focusing on convenience oriented retail, although there are already a suitable amount of offerings which have cornered this market.

Existing retail offerings in the downtown shopping core, along with the other retail corridors and the shopping malls make for a competitive retail environment. Developing Monticello Road further as a retail corridor would entail pulling sales from other areas in the city. This would have the effect of diluting the sales of across all corridors and being overall determinative to the cities retail environment. For these reasons ERA suggest that focusing on convenience retail and quick food would be in the overall best interest of the city and would best take into consideration the inter-connectedness of retail offerings in an urban landscape.

Recommendation 1: Infill Retail Development

New businesses should be encouraged to located in empty retail space and should be programmed to best succeed in this market. ERA's professional expertise and analysis suggests that new retail would work best if it focused on convenience retail or quick food and beverage; other retail offerings would likely struggle against the competition that they face in other corridors and from downtown.

Recommendation 1: Small Business Owner Assistance/Association

New and existing retail would benefit from a business owners association. Roles which such an association could play would be in helping businesses with advertising, merchandise mix, proper signage, and façade upkeep to maintain and improve the overall quality of retail along the corridor.

Recommendation 1: Infill Retail Development

Recommendation 1

ERA does not anticipate increasing retail demand along the corridor, however if new retail is developed, it should focus on occupying vacated retail space with basic quick consumer services and shopping. The corridor is primarily non-retail in nature and the new retail would face stiff competition from existing retail elsewhere throughout the city. New infill retail would work best if it were either quick service food or a small convenience/ grocery store. These new stores would face competition from the retail of the same type overviewed in the existing retail slide.

New stores which would work would typically occupy space of the following size:

- Personal Care 2,000 – 10,000 SF
- Small Grocery/Drug Store 2,000 to 10,000
- Quick Service food 1,200 – 3,500 SF
- Dry Cleaner Substation 1,250 – 1,500 SF

Competitive Context

The following tenant examples are meant to illustrate what works along the corridor and why – not to suggest new retail development. ERA’s examination of the corridor along with consideration of the competitive context in which it is situated suggests that new retail will likely not be successful because the types of retail which would be successful currently exist in the market. The following examples were chosen based on what residents seem to request the most during our interviews with persons involved in the communities along the corridor.

Tennant Example 1: Drug Store

A small drug store with pharmacy would provide a service to the community that is needed as the population ages. The pharmacy would be complemented by offering other goods, with a business model similar to CVS or RiteAid.

Tennant Example 2: Dry Cleaner

A dry cleaner substation would not necessarily have to do the cleaning on site which typically requires more space for the machines necessary. A substation would serve as a branch of another local dry cleaner and serve as a drop off point from which clothes are taken to another site for processing.

Recommendation 2: Small Business Owners Association/Assistance

Recommendation 2

New small business owners often lack the knowledge to compete in a retail environment dominated by franchises which benefits from the resources of a large corporation. A business owners association will help existing businesses to stay competitive against competition from franchised stores which benefit from a larger resource pool.

A small business owners association would work to assist its members to maintain and improve the overall quality of retail along the corridor. This association would offer educational services to small business owners in order to ensure their ongoing success. Such educational services would include advising small business owners on merchandise mix, advertising, signage, and strategy.

Assistance Example 1: Small Business Owner Workshops

Workshops administered by a small business owners association would bring in experienced retailers and retail professional to teach classes on retail strategies for small business owners. These workshops, administer by the city, would ideally pay for themselves through the additional tax revenue they generate by increasing the sales volume of the local businesses. This has a twofold benefit for the city in that it increases tax revenue and also increases money going towards locally owned businesses which will have more cycled through the local economy compared to franchise stores headquartered outside of Columbia.

Tenant Example 2: City Administered (Forgivable) Business Improvement Loans

City or County administer small business owner loans would make available capital for improvements that many businesses do not have. These loans could be forgivable if a certain criteria is met, and if not possible they should carry little or no interest in order to best benefit business owners. Again the benefit for the City or County comes from an increase in sales tax as sales volumes increase.

Monticello Road Analysis Summary

Summary

ERA's analysis of Monticello Road found that the corridor is for a large part not an ideal location for new retail. There is a lack of population density to support much more retail, and with other retail corridors and the downtown currently being the focus of city efforts, there will be few market gaps which new stores can fill. The immediate future of this corridor should consist of residential development and revitalization in order to build the market support necessary for new retail.

Summary of Recommendation 1

New retail along Monticello Road should offer basic quick services to residents and commuters. A drug store, barber, or dry cleaner substation, are recommended as they are what residents request most. In order to be successful Farrow Road retail should be carefully selected to meet gaps in current demand and supply as there is little space in these gaps available.

Summary of Recommendation 2

A small business owners association could serve the role of providing existing and new businesses with the knowledge and resources they need to be successful. The benefit of providing such services to the city and county will be an increase in sales tax collection.

Appendix

Monticello Road Corridor Trade Area Overview

Summary Demographics	2007	2012	CAGR	Real Growth Rate
Population	3,585	3,680	0.52%	
Households	1,457	1,497	0.54%	
Average Household Income	\$40,232	\$46,765	3.06%	0.90%
Median Household Income	\$29,248	\$34,022	3.07%	
Total Area Income	\$144,231,720	\$172,085,847	3.59%	

Workforce	2007	2012
Businesses	84	
Employees	465	
Office Employees	277	307

Demand (Retail Spending Potential)	2007		2012	
	Retail	F&B	Retail	F&B
Residents	\$5,330,755	\$2,955,978	\$5,576,307	\$3,092,140
Employees	\$264,369	\$318,439	\$293,115	\$353,065
<u>Inflow</u>	<u>\$0</u>	<u>\$303,700</u>	<u>\$0</u>	<u>\$303,700</u>
Total	\$5,595,124	\$3,578,118	\$ 5,869,422	\$ 3,748,905

Supply (Retail Sales)	2007
Retail (Select Categories)	\$0
Apparel & Apparel Services	\$0
HH Furnishings & Electronics	\$0
Personal Care & Services	\$0
<u>Food and Beverage</u>	<u>\$3,037,000</u>
Total	\$3,037,000

Area Leakage/Retail Gap (2007)	
Retail	-\$5,595,124
Food and Beverage	-\$541,118
Leakage/Surplus Factor	-50.3%

Source: ESRI Business Information Solutions; InfoUSA; Economics Research Associates, 2008.

General Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of February, 2008 and Economics Research Associates has not undertaken any update of its research effort since such date.

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