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*Charlotte
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CENTER CITY CHARLOTTE RETAIL MARKET

ASSESSMENT:

Creating Opportunities for
An Evolving Retail Mix

FOREWORD

Center City Charlotte is poised to reclaim “retailing” as one of its important functions. While the clock cannot be turned back to the era in which Center City was the region’s primary shopping destination, Center City’s retail development opportunity stems from its remarkable evolution into a vibrant mixed-use district and the center of activity for an extended region. Center City’s emergence as the area’s dominant employment center and entertainment zone and its evolution as a residential neighborhood support the goal of adding a broad component of shoppers’ goods to the existing base of convenience retail and restaurants.

This study was undertaken to diagnose the reasons for this and chart a course for the future. The report begins with an evaluation of the competitive retail landscape and continues with an analysis of sources of market demand for “shoppers’ goods” in Center City and concludes that market conditions are right for a retail initiative in the central core of Center City. This specific sub-area of Center City was selected as the “study area” for evaluation because it offers the greatest potential for becoming the key “crossroads” where virtually all patron groups can intersect. The report presents short-term and long-term retail development strategies and goals for the future with recommendations for implementation.

Retailers naturally gravitate to locations where they perceive a market for their goods or to sites they believe will attract sufficient traffic to support required levels of sales. Center City’s successes in office and residential development and its emergence as the region’s central gathering spot for entertainment, cultural activities, dining, sports, conventions, and community events make retail development in Center City more plausible now than at any time in recent decades. Making Center City’s consumer market visible to retailers and communicating the consumer spending potential of multiple customer segments are important steps in stimulating additional retailing in Center City.

Blount Hunter
H. Blount Hunter Retail & Real Estate Research Co.
November, 2007

NOTES TO THE READER

Several explanations and definitions are required to assist the reader in understanding the meaning of the projections contained in this report.

Geographic Definition of “Study Area”

The portion of Center City evaluated in this analysis represents the central core of Center City Charlotte. The study area extends along Tryon Street from The Green to 9th Street and along Trade Street from Church to College. Overstreet Mall/Founders Hall is located within this study area. It is this portion of Center City that has the greatest potential to become a central “crossroads” where virtually all patrons and customer segments intersect. Tapping into the spending potential of all customer segments is necessary for achieving the sales and projected levels of supportable square footages of “shoppers’ goods”/restaurant space incorporated in this report.

“Shoppers’ Goods” Retail Merchandise

The purpose of this analysis was to address Center City’s ability to attract retailers offering “shoppers’ goods” merchandise. “Shoppers’ goods” represents the type of articles a consumer might shop for, and purchase, in a department store or regional shopping mall. “Shoppers’ goods” merchandise includes apparel and shoes, jewelry, cosmetics, books, stationary and gifts, as well as many goods for the home. A comprehensive listing of “shoppers’ goods” can be found on page 32 of this report.

In contrast “convenience goods” represents items often purchased on a highly repetitive basis without benefit of cross-shopping or comparison. Groceries, health and beauty products, greeting cards, and other incidentals would be included in the “convenience goods” category.

Another category of retail goods that may be important to Center City Charlotte is art and antiques. These items are not technically included within the definition “shoppers’ goods” because these purchases are not universal nor are they predictable in terms of repeat purchasing behavior, so any space allocated to this merchandise is not included in the projections of supportable square footage in this report.

“Entertainment” spending on movies, recreation, museums, sporting events, and other forms of experience is not incorporated in the projections in this analysis.

“Spending Capacity”

“Spending capacity” is the estimated or projected spending potential of Center City patrons. “Spending capacity” reflects key assumptions about spending level as described in each scenario. “Spending capacity” reflects aggregate spending potential before a “capture rate” is applied.

“Untapped Potential”

“Untapped potential” reflects the difference between “spending capacity” and “actual sales.” A 25 percent “capture rate” has applied to “untapped potential” in calculating “supportable square footage.”

“Supportable Square Footage”

This report uses the term “supportable square footage” to describe the amount of space that can be “supported” by Center City patrons subject to key assumptions. “Supportable square footage” reflects the amount of space that results from the following calculation:

$$\frac{\text{“Untapped spending potential”} \times \text{“Capture Rate”}}{\$350 \text{ PSF Sales Productivity}}$$

The use of a constant level of “sales productivity” across the time span from 2006 to 2020 isolates the incremental square footage without accounting for inflation. Spending factors used to generate measures of “untapped spending potential” in future years are also stated in constant dollars. The amount of incremental “supportable square footage” is unlikely to change if similar inflation factors are applied to spending levels and sales productivity.

The selection of the sales productivity factor directly impacts the amount of “supportable square footage” that is recommended for Center City. The recommendations in this report can be manipulated by selecting an artificially low or an unrealistically high level of sales productivity to be used in calculating “supportable square footage.” The use of \$350 per square foot sales productivity for calculating “supportable square footage” is best defended as an average level of sales productivity reflecting the mix of merchants that is likely to be attracted to Center City: independent merchants as well as national chain retailers, a mix of store sizes, a mix of food uses ranging from small fast food operations to large sit-down restaurants. In the shopping center industry, an average regional mall generated sales productivity of \$350 per square foot as of 2006.

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**BACKGROUND,
EXECUTIVE SUMMARY,
AND RECOMMENDATIONS**

BACKGROUND

Charlotte was founded in 1755 at the intersection of two Native American trading paths. Today these roads are known as Trade and Tryon streets, and the intersection is called “The Square.” Charlotte’s growth has been tied to commerce—from cotton to global financial services. Through years of change, Center City has remained the center of business activity in Charlotte.

Until the 1960s, Center City was the dominant retail center for Charlotte and environs. Department stores remained active in Center City long after the opening of suburban shopping malls. Ultimately, the departure of department stores signaled Center City’s demise as a “shopping destination.”

The banking boom of the 1970s and 1980s brought thousands of office employees to Center City. The Overstreet Mall system was conceived as a weather-proof and convenient means for employees to walk between buildings and to access parking garages. The unintended consequence of the sprawling Overstreet Mall system was its elimination of pedestrian activity on city streets. Not originally intended as a shopping mall, the Overstreet Mall lacked (and continues to lack) proper space configurations for contemporary retailers. This system shifted pedestrian activity from streets lined with traditional retail storefronts but failed to lure new “shoppers’ goods” retailers to Center City.

The Charlotte region has been an economic juggernaut for almost four decades. No area of Charlotte has benefited more from this sustained boom than Uptown. The area once known as a weekday workplace that emptied out on evenings and weekends is now a diversified and vibrant urban center that pulses with activity seven days a week.

For a metropolitan market of its size, Charlotte has an unusually vibrant downtown. Public and private sector community leaders have positioned the city for continued economic growth and have applied traditional as well as innovative planning principles to the region and center city to create an attractive and livable urban core.

- Center City Charlotte has been the beneficiary of much of progressive planning activity and infrastructure investment. The center city’s role as the region’s hub has been reinforced in numerous ways: as an employment center, a destination for events, sports and cultural activities, as the center for tourist attractions, and most recently as a strong residential neighborhood. Center City’s transformation from 9-to-5 office district to a more balanced “24/7 area” with residents and a host of activities has been among the most rapid in the nation.

- ➔ The private sector's commitment to consolidating and expanding the office base in the center city has established Center City as the region's preeminent site for upscale employment and assured on-going interaction with Center City by the community's business elite and a large segment of highly educated, affluent workers.
- ➔ Transportation and transit planning efforts have resulted in excellent access to Center City from all geographic sub-areas of the region. There is a stop Center City for intra-city rail service, and the region's light rail and bus transit systems provide options for suburban residents going to Center City. Careful consideration has also been given to transit planning to improve movement within Center City by streetcar and bus.
- ➔ The intentional concentration of one-of-a-kind regional destination facilities including sports and performing arts venues, the convention center, museums, and attractions has contributed to the strategy of increasing Center City's importance in the lives of residents and visitors to the community.
- ➔ Housing initiatives in Center City's First Ward neighborhood eradicated blight and improved living conditions for residents while new market-driven projects in the Fourth Ward have made Center City a highly desirable place to live. Center City now offers a range of housing options for those inclined to live in an urban setting with many high-quality amenities.

In recent years, Center City has experienced a renaissance of major proportions. The transformation of Center City from 9-to-5 employment center to an amenity-laden 24/7 district has been rapid and dramatic. Despite its widely-acknowledged renaissance, Center City's "shoppers' goods" retail component is limited in scope when compared to comparable Downtown settings.

Restoring a broader mix of retailers to Center City is an important step in creating a great city. City centers with ample retail offerings signal the sustainability of urban living and of the city itself. Far beyond symbolism, urban retailing contributes to satisfaction with the heart of the city as a place for work, a place to live, and a place to visit to be entertained and celebrate life.

EXECUTIVE SUMMARY

With 43 million square feet of space in organized shopping centers in 2006, the per capita square footage of shopping centers in the Charlotte MSA was approximately 60 percent higher than the U.S. per capita average and almost 40 percent higher than the per capita average for metropolitan markets.

Charlotte is distinguished among comparably sized markets in the quantity and quality of its “fashion / luxury” offering. Charlotte is the smallest market outside of Neiman Marcus’ home state of Texas with the powerful combination of Nordstrom and Neiman Marcus, and several of the high-end specialty retailers at SouthPark Mall are absent in larger markets.

The Charlotte retail market is highly competitive with multiple competitors in key retail niches. While some downtowns can legitimately aspire to be the dominant nodes for upscale retailing in their communities, Center City cannot compete for this niche given SouthPark’s proximity and its strength in a range of merchandise from “better” to “luxury” brands.

Center City Charlotte’s current retail role is limited primarily to “convenience goods” such as health and beauty products and greeting cards. The principal customer segment is office workers. Center City lacks a critical mass of “shoppers’ goods” to serve the needs of its current users or that would attract “shopping” trips by suburban residents. The notion of “going shopping” in Center City is non-existent. Instead, most retail spending occurs on impulse when people are in Center City for work. Center City is not fully capitalizing on the “spending capacity” of patrons attracted for a variety of discretionary reasons.

Center City Charlotte’s retail evolution must take into consideration the competitive nature of the market and basic consumer shopping patterns and preferences. Center City’s future retail strategy must be realistic in its response to prevailing market forces.

As in virtually all downtowns, Center City Charlotte’s retail and food spending potential stems from four customer segments:

- 1) Employees who commute on a daily basis
- 2) Residents of the Charlotte metropolitan area who visit Center City as “event patrons” on discretionary trips to cultural facilities, sports venues and other attractions in Center City
- 3) Out-of-town visitors including convention delegates, business travelers, tourists, and day trippers
- 4) The increasing base of Center City residents

A number of very positive factors support the goal of developing a greater offering of retail goods in Center City:

Center City is by far the largest office submarket in the metropolitan area, and its inventory of multi-tenant space accounts for an unusually high 38 percent of all space in the regional office market. Center City's prevailing multi-tenant building vacancy rate is estimated at less than 2 percent. Two major new bank towers were announced at the end of 2006 and are currently under construction. As this report is being written, the Trump Organization is evaluating the market for a major development that may include residential units, office space, and a retail component. Between 2006 and 2011, Center City's office work force will increase by approximately 25 percent from 60,500 to 75,000 workers.

- ➔ Center City is the location of major sports venues that attract nearly two million spectators throughout the year. Plans are underway to build a baseball stadium for the Triple A-league Charlotte Knights near the core of Center City, and ground has been broken for the NASCAR Hall of Fame.
- ➔ A diverse array of cultural facilities in Center City attracts local residents and tourists. Attendance at cultural venues in Center City during 2006 exceeded 2.5 million visits.
- ➔ Tourism is a growth industry in Charlotte, and Center City is the center of visitor activities. The Charlotte Convention Center is one of the largest facilities of its kind in the Southeastern U.S. Center City currently has 3,700 hotel rooms; several new hotels with approximately 600 rooms are under development in Center City including a Ritz Carlton and Westin's Aloft concept.
- ➔ Center City is an increasingly popular place to live. Since 2000, 2,900 new dwelling units have been completed including high-rise rentals and condominiums—some priced in excess of \$550 per SF. Another 6,000 units are in the pipeline and expected to be completed over the next five years. By 2011, Center City's population is projected to exceed 17,100; Charlotte Center City Partners projects Center City's 2020 population to be 30,000 residents.

A sales capacity model was used as a tool to assess "untapped spending capacity" by current patrons of Center City. Future sales have been projected based upon growth of each market segment and assumptions of increases in use of Center City by individual customer segments and increases in level of expenditure reflecting shifts in merchandising toward greater retail intensity. The model allowed for the identification of supportable square footage as development goals for the 2020 Retail Vision for Center City.

2006 Supportable Square Footage

In 2006, the study area had 430,678 square feet of food/beverage space and 33,227 square feet of “shoppers’ goods” retail store space. Estimated sales reached \$96.2 million within the study area. Center City’s patrons had the capacity to spend \$434.7 million on retail goods and food/beverages based upon spending levels reflecting a combination of planned and unplanned purchasing. In part because of limited merchandise offering and the absence of a retail/dining focal point, approximately \$338.5 million went unspent in Center City during 2006.

Based upon 25 percent “capture” of “untapped potential”, Center City had a deficit of approximately 241,785 square feet of “shoppers’ goods” and food services assuming sales productivity of \$350 per square foot.

2006 ESTIMATED “SPENDING CAPACITY” VS. 2006 ESTIMATED SALES BY CUSTOMER SEGMENT			
	2006 SPENDING CAPACITY	2006 ESTIMATED SALES	2006 UNTAPPED POTENTIAL
Local residents	\$102.0 million	---	---
Center City Workers	\$183.3 million	---	---
Visitors	<u>\$149.4 million</u>	<u>---</u>	<u>---</u>
	\$434.7 million	\$ 96.2 million	\$338.5 million

2006 INCREMENTAL SUPPORTABLE SQUARE FOOTAGE	
“Spending Capacity”	\$434.7 million
Estimated Actual Sales	\$ 96.2 million
“Untapped Potential” vs. 2006 Sales	\$338.5 million
Assumed “Capture” Rate	25%
Assumed Sales Productivity	\$350 PSF
<i>Supportable Square Footage (2006 “Deficit”)</i>	<i>241,785 SF</i>

2011 Supportable Square Footage

Center City’s patron count can be expected to increase by natural growth of each of its key customer segments. Incremental supportable square footage has been calculated for 2011 based solely upon projected increases in these customer segments.

By 2011, Center City’s patrons will have projected “spending capacity” of \$520.4 million with “untapped potential” of \$424.2 million. This is an increase of \$85.7 million in “untapped potential” versus 2006. Center City’s 2011 projected user base could support an additional 61,215 square feet of “shoppers’ goods” and food/beverage space assuming 25 percent “capture” and sales productivity of \$350 PSF. This supportable square footage is in addition to the deficit of 241,785 square feet identified in 2006.

2011 ESTIMATED “SPENDING CAPACITY” AND “UNTAPPED POTENTIAL”			
	2011 SPENDING CAPACITY	2006 ESTIMATED SALES	2011 UNTAPPED POTENTIAL
Local residents	\$114.8 million	---	---
Center City Workers	\$225.6 million	---	---
Visitors	<u>\$180.0 million</u>	---	---
	\$520.4 million	\$96.2 million	\$424.2 million
2006-2011 Incremental “Untapped Potential”			\$ 85.7 million

SALES AND SHARE OF SALES BY CUSTOMER SEGMENT			
	2011 PROJECTED PERSON-TRIPS	2011 SPENDING CAPACITY	2011 SHARE OF CAPACITY
Local residents	5.7 million	\$114.8 million	22 percent
Center City Workers	18.8 million	\$225.6 million	43 percent
Visitors	<u>6.0 million</u>	<u>\$180.0 million</u>	<u>35 percent</u>
	25.4 million	\$520.4 million	100 percent

2011 INCREMENTAL SUPPORTABLE SQUARE FOOTAGE	
“Untapped Potential” 2006	\$338.5 million
“Untapped Potential” 2011	\$424.2 million
Incremental “Untapped Potential” vs. 2006 Sales	\$85.7 million
Assumed “Capture” Rate	25%
Assumed Sales Productivity	\$350 PSF
<i>Incremental Supportable Square Footage</i>	<i>61,215 SF</i>
<i>Cumulative Supportable Square Footage vs. 2006</i>	<i>303,000 SF</i>

In 2011, Center City will be capable of realizing increased sales of this magnitude without a massive influx of suburbanites using Center City as their primary shopping destination IF an appropriate concentration of “shoppers’ goods” is created and IF “shopping” becomes a complementary part of more visits to Center City.

2020 Supportable Square Footage

A range of assumptions has been created for 2020 to reflect supportable square footage in several scenarios:

- 1. **Baseline:** Center City’s usage dynamics (segment penetration, frequency of visit, and level of spending) remain consistent with 2006 performance in each customer segment. Customer segment growth is the sole basis for the projected increase in supportable square footage.*
- 2. **Low Range:** Minor changes have been incorporated in Center City’s usage dynamics (segment penetration and frequency of visit) to reflect greater use of Center City. No changes have been assumed in level of spending; however, the size of each segment has been increased in accord with Baseline projections. Growth in the amount of supportable square footage reflects the compound impact of changes in usage dynamics and segment sizes. Segment penetration rates and visit frequencies are on the lower end of the range in similar urban settings.*
- 3. **High Range:** More aggressive changes have been incorporated in Center City’s usage dynamics (segment penetration, frequency of visit, and level of spending) with projected increases in segment sizes to illustrate the opportunity associated with broad changes in the use of Center City. Segment penetration rates, visit frequencies, and spending levels remain within the range of precedent in similar urban settings and are considered realistic goals for Center City in light of its on-going evolution into the region’s dominant central gathering place.*

By 2020, Center City’s customer segments will have projected “spending capacity” that is substantially higher than “spending capacity” in 2006 or 2011. The amount of “untapped potential” in each scenario is similarly large compared to the existing base of retail/restaurant space in 2006:

- 1. **Baseline:** From 2011 to 2020, the projected incremental “untapped potential” is \$125.5 million. This will support an additional 89,645 square feet of space. By 2020, Center City would be capable of supporting 392,645 square feet on top of its existing 2006 inventory.*

2. **Low Range:** From 2011 to 2020, the projected incremental “untapped potential” is \$382.5 million. This will support an additional 273,215 square feet of space. By 2020, Center City would be capable of supporting 576,215 square feet on top of its existing 2006 inventory.
3. **High Range:** From 2011 to 2020, the projected incremental “untapped potential” is \$702.7 million. This will support an additional 501,930 square feet of space. By 2020, Center City would be capable of supporting 804,930 square feet on top of its existing 2006 inventory.

This range of incremental supportable space illustrates the scale of opportunity that can be created by modest increases in use of Center City by each customer segment. Stimulating use of Center City creates more retail spending potential and increases the amount of supportable square footage that can be targeted in the 2020 Retail Vision. These amounts of space are significantly higher than currently in development or proposed for Center City.

2020 “SPENDING CAPACITY” AND “UNTAPPED POTENTIAL”			
	2020 SPENDING CAPACITY	2006 ESTIMATED SALES	2020 UNTAPPED POTENTIAL
Local residents	\$161.2- \$343.5 million	---	---
Center City Workers	\$269.6- \$449.3 million	---	---
Visitors	\$215.1- \$430.2 million	---	---
	\$645.9- \$1,223.1 million	\$96.2 million	\$549.7- \$1,126.9 million
2011-2020 Incremental “Untapped Potential”			\$125.5- \$702.7 million

CENTER CITY VISITS AND SALES BY CUSTOMER SEGMENT			
	2020 PROJECTED PERSON-TRIPS	2020 SPENDING CAPACITY	2020 SHARE OF CAPACITY
Local residents	8.1-13.7 million	\$161.2-\$343.5 million	18-30 percent
Center City Workers	22.5 million	\$269.6-\$449.3 million	30-50 percent
Visitors	7.2-14.3 million	\$215.1-\$430.2 million	32-40 percent
	37.7-50.4 million	\$645.9-\$1,223.1 million	100 percent

**2020 SUPPORTABLE SQUARE FOOTAGE
BASELINE, LOW RANGE, AND HIGH RANGE SCENARIOS**

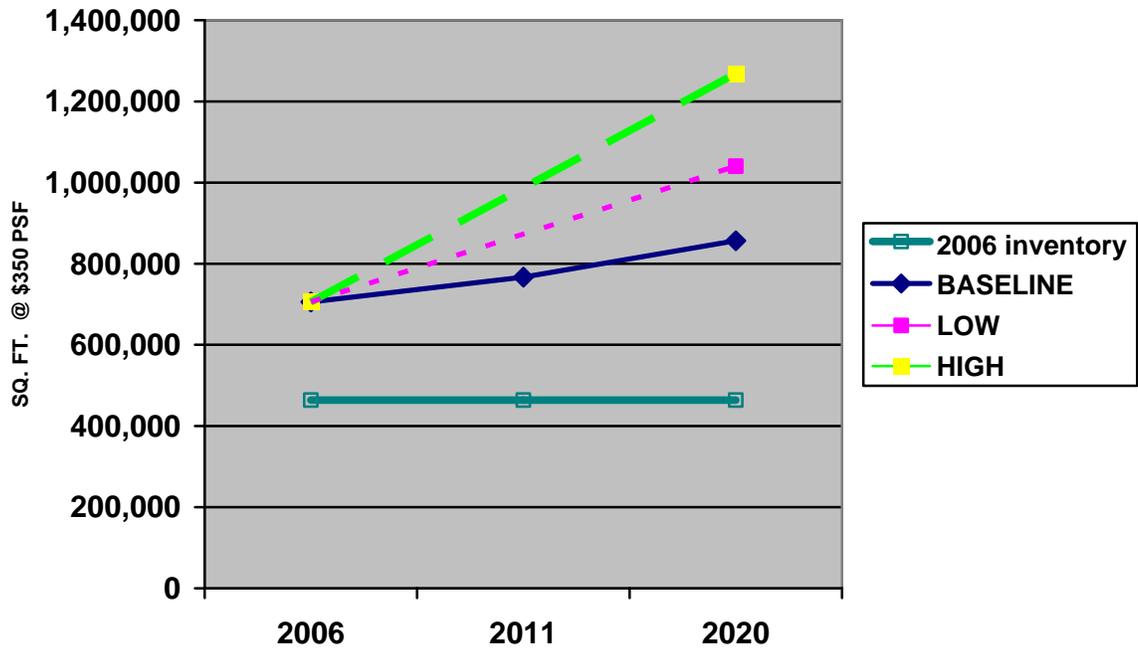
	BASELINE	LOW RANGE	HIGH RANGE
“Untapped Potential” 2011	\$424.2 million	\$424.2 million	\$424.2 million
“Untapped Potential” 2020	\$549.7 million	\$806.7 million	\$1,126.9 million
Incremental “Untapped Potential” vs. 2011	\$125.5 million	\$382.5 million	\$702.7 million
Assumed “Capture” Rate	25%	25%	25%
Assumed Sales Productivity	\$350 PSF	\$350 PSF	\$350 PSF
<i>Incremental Supportable Square Footage vs. 2011</i>	<i>89,645 SF</i>	<i>273,215 SF</i>	<i>501,930 SF</i>
<i>Cumulative Supportable Square Footage vs. 2006</i>	<i>392,645 SF</i>	<i>576,215 SF</i>	<i>804,930 SF</i>

2006 to 2020 Summary

The graph shows the amount of incremental supportable square footage that can be supported on top of the existing 2006 inventory in 2011 and in 2020 across the range of scenarios.

- *In 2006, there was a “deficit” of 241,785 square feet of “shoppers’ goods” and restaurant space in Center City.*
- *By 2011, Center City will be capable of supporting an additional 61,215 square feet of “shoppers’ goods” and dining space. Epicentre, set to open in 2008, will fill some of the “deficit” but it will not fill the cumulative 303,000 square feet of supportable space that has been projected in these calculations.*
- *By 2020, Center City will be capable of supporting 392,645 to 804,930 square feet of space in addition to its base inventory in 2006. Achieving the upper range of supportable square footage is predicated upon meeting realistic goals for increased use of Center City by residents, workers, and visitors.*

**CUMULATIVE SUPPORTABLE
"SHOPPERS' GOODS" RETAIL
AND FOOD/BEVERAGE SPACE**



**SUMMARY OF INCREMENTAL SUPPORTABLE SPACE
MULTIPLE SCENARIOS 2006 TO 2020
(ASSUMING 25 PERCENT "CAPTURE" AND \$350 SALES PSF)**

	UNTAPPED POTENTIAL	INCREMENTAL SUPPORTABLE SPACE OVER 2006 BASE	CUMULATIVE SUPPORTABLE SQ. FT.
2006 EXISTING	---	463,905 SF INVENTORY	463,905 SF
2006 Baseline	\$ 338.5 million	241,785 SF	705,690 SF
2011 Baseline	\$ 424.2 million	61,215 SF	766,905 SF
2020 Baseline	\$ 549.7 million	89,645 SF	856,550 SF
2020 Low Range	\$ 806.7 million	273,215 SF	1,040,120 SF
2020 High Range	\$1,126.9 million	501,930 SF	1,268,835 SF

RECOMMENDATIONS

The 1970s approach of trying to use retail as the initial element of Downtown revitalization failed because the intended patrons—suburban shoppers—were not in the habit of using Downtown and because the urban retail offering was inferior to more convenient suburban shopping options. Most major U.S. cities have a failed retail experiment in their past; some have been razed while others have been re-used. Charlotte’s experience with City Fair provides a reminder of the futility of trying to leverage Downtown shopping with an inadequate offering.

A more enlightened view of urban retail development has emerged in the past decade. Adding retail once Downtown has been re-established as an employment center and after becoming a destination for dining and entertainment allows urban retailing to serve an immediately available consumer base without needing to attract suburban shoppers. The time to initiate retail development is when Downtown’s use is suitably pervasive, when Downtown’s patrons constitute a lucrative consumer base, and when a strong site opportunity can be identified.

The addition of “shoppers’ goods” retailing in urban areas is typically the culminating achievement of years of redevelopment and mercantile evolution. In most instances, rejuvenated Downtowns regained positions of importance in the lives of local residents by using community events and cultural/entertainment programming to attract patrons. Restaurants followed as a natural extension of entertainment and recreational use of Downtown. With sustained momentum as a dining destination, pioneering retailers can see a viable consumer market, and a base of retailing begins to evolve. As the retail merchandise offering becomes broader, Downtown emerges as a sustainable retail niche within the larger retail landscape.

These conditions for success exist today in Center City Charlotte; it is time to declare Center City to be “ready for retail” and to align resources behind a retail development initiative. There is a clear opportunity to add an appropriate mix of “shoppers’ goods” targeting patrons who are susceptible to casual consumerism as a complementary activity while visiting Center City for a variety of reasons other than “shopping” as well as those who would opt to shop in Center City because it offers a singularly urban experience.

In little more than a decade, Center City Charlotte has been transformed from an “urban office park” with its reason for being limited primarily to employment to a multi-faceted district with an extensive residential component, new cultural and educational

institutions and civic facilities, an excellent array of restaurants and nightclubs, first class hotels and visitor attractions, and a larger and more robust employment base. More profound than the highly visible physical changes to the skyline is the emergence of Center City Charlotte as the region's "central gathering place" for many types of discretionary activities and visits to one-of-a-kind destinations. The community's pride in Center City has been documented during the course of this assignment and in other market assessments. Center City embodies the "can do" spirit that has propelled Charlotte into a new era. Center City is ready for a greater offering of retailing. The benefits of decades of planning, positioning, marketing, and investment can be realized through proper execution of the short- and long-term strategies described in this report.

For the foreseeable future, Center City's advocates should focus retail development efforts on serving the demands of current patrons rather than attempting to position Center City as a "shopping destination" with a large mass of retailing that can only succeed by drawing large numbers of suburban residents to Center City for the primary purpose of "shopping." While the 2020 Retail Vision is not to position Center City as the primary shopping destination for suburban shoppers who live in close proximity to superior offerings of fashion in dominant regional malls, Center City may ultimately attract a segment of suburban shoppers who, by lifestyle or mindset, opt to shop in an urban setting.

- ✓ In light of the limited amount of quality street-level retail space in Center City, the recommended course of action is to seek an incremental increase in the retail merchandise offering through the re-use of existing space while working to stimulate the development of new retail space capable of accommodating a critical mass of "shoppers' goods" merchandise. Public and private sector interest must jointly embrace this retail strategy in order to collaborate on important aspects of its implementation.
- ✓ A short-term retail plan can be implemented over the next five years as the first step in a retail development plan requiring several years to be realized. The goals of the short term plan are to bolster the offering of "shoppers' goods" in Center City under the marketing mantra: "Meet the Street, Grow the Street."
- ✓ Suggestions to convert office building lobbies from grand, under-utilized expressions of corporate status into functional retail space and reconfiguring large outdoor plazas and building set-backs into retail settings are admittedly "easier said than done" but would have enormous impact on Center City's capacity to accommodate more retailers.

Over the next 3 to 5 years, there is a great opportunity to add “shoppers’ goods” merchandise targeting multiple customer segments. Initially, the primary customer segment is office workers; other segments include visitors and business travelers, event patrons, and Center City residents. Increasing sales will demonstrate the capacity of the consumer market to a growing number of retailers.

The long-term plan focuses on initiating or influencing new development opportunities as the way to provide enough retail space to meet the projected amounts of supportable square footage.

COMPETITIVE RETAIL MARKET

COMPETITIVE RETAIL MARKET

Market Overview

A review of the Charlotte region's retail hierarchy illustrates the highly competitive nature of the market. Center City's potential retail role is defined by the broader Charlotte retail market. A review of the regional retail landscape is fundamental to identifying a sustainable niche for a Center City retail development strategy.

Regional Retail Hierarchy

By qualitative assessment and empirical measure, Charlotte is not underserved by shopping centers. With 43 million square feet of space in organized shopping centers in 2006¹, the per capita square footage of shopping centers in the Charlotte MSA was approximately 60 percent higher than the U.S. per capita average and almost 40 percent higher than the per capita average for metropolitan markets.

- ➔ Charlotte is distinguished among comparably sized markets in the quantity and quality of its “fashion / luxury” offering. Charlotte is the smallest market outside of Neiman Marcus' home state of Texas with the powerful combination of Nordstrom and Neiman Marcus, and several of the high-end specialty retailers at SouthPark Mall are absent in larger markets.
- ➔ The region's “fashion / mainstream” shopping centers are well situated to serve existing population concentrations and emerging residential areas. The level of merchant quality varies among the eight major centers cited here; however, each reflects its consumer base and virtually all offer some combination of Macy's, Dillard's, Belk, Sears, and JCPenney.
- ➔ The “outlet / off-price” niche is well-represented by a major promotional mall and an upscale outlet center. Concord Mills, with retail anchors including Bass Pro Shop, Off 5th by Saks Fifth Avenue, Circuit City, and Burlington Coat Factory, also offers destination dining and entertainment anchors such as Dave & Busters, NASCAR Speed Park, and a 24-screen AMC theater. A traditional outlet center in Gaffney offers designer and brand name fashions of interest to tourists as well as local residents.

¹ National Research Bureau “2006 Market Scoreboard”

- ➔ The largest “lifestyle mix” center is Birkdale Village with its Main Street setting and hybrid offering of specialty shops, restaurants, movie theater, and mid-box promotional stores. Other “lifestyle mix” centers include Ballantyne Village, a smaller center known locally for its multi-screen art house cinema, and high-end centers such as the Promenade on Providence and the Shops on Park.
- ➔ There are many districts and projects that function as “dining / entertainment” destinations. Center City is certainly one of these districts for some residents of the region as well as visitors. The South End district has emerged as a destination through “organic growth” over the years. SouthPark Mall has broadened its market positioning by adding several large chain restaurants including The Cheesecake Factory while Phillips Place and the Myers Park/Dillworth neighborhoods have attracted restaurants because of the upscale demographics of their customer bases. Concord Mills is a popular family dining/entertainment attraction.

This retail matrix provides a reminder that there are no completely “untapped” niches to target as the basis for Center City’s retail development strategy and Center City will have some degree of competition in any niche it attempts to target. The Appendix contains detailed descriptions of each of the nodes in the matrix.

MAJOR RETAIL/DINING/ENTERTAINMENT NODES IN METROPOLITAN CHARLOTTE				
FASHION / LUXURY	FASHION / MAINSTREAM	OFF-PRICE/ OUTLET	“LIFESTYLE” MIX	DINING / ENTERTAINMENT
SouthPark Mall	NorthLake Mall	Concord Mills	Birkdale Village	Uptown
Phillips Place	Carolina Place	Prime Outlets Gaffney	Ballantyne Village	South End/Dilworth
Myers Park/ Dilworth	Rock Hill Galleria		Promenade on Providence	SouthPark Mall
	Signal Hill Mall		Shops on the Park	Phillips Place
	Carolina Mall		Stonecrest at Piper Glen	Promenade on Providence
	Eastland Mall		The Arboretum	
	Eastridge Mall		Blakeney	
	Monroe Mall			
	The Bridges at Mint Hill			

The competitive matrix illustrates a simple point: the Charlotte area is full of planned developments and “organic” activity that create substantial competition to Center City in a wide variety of niches. These suburban projects, nodes, and districts are immediately accessible to residential consumer bases. Some of the competing retail projects are so dominant as to be insurmountable; most of the dining-driven destinations offer convenience and orientation to families that Center City cannot match.

For most people, shopping is a repetitive activity that is based upon convenience. Most consumers have one primary destination for “shoppers’ goods” that captures the bulk of their spending with a limited number of shopping destinations used on an occasional basis. Most shoppers do not bypass one major retail node to patronize another and very few are willing to go out of their way to purchase goods they could buy closer to home.

Center City Charlotte’s retail evolution must take into consideration the competitive nature of the market and basic consumer shopping patterns and preferences. Center City’s future retail strategy must be realistic in its response to prevailing market forces.

Center City Charlotte

Center City Charlotte's current retail role is limited primarily to "convenience goods" such as health and beauty products and greeting cards. The principal customer segment is office workers. Center City lacks a critical mass of "shoppers' goods" to serve the needs of its current users or that would attract "shopping" trips by suburban residents. The notion of "going shopping" in Center City is non-existent. Instead, most retail spending occurs on impulse when people are in Center City for work. Center City is not fully capitalizing on the "spending capacity" of patrons attracted for a variety of discretionary reasons.

Center City Charlotte's current retail environment is a product of numerous local and national forces that culminated in a fundamental shift away from traditional Downtown shopping nodes to retailers moving to serve residents in locations convenient to their homes.

- The disappearance of economically-qualified residential base in Center City was a product of post-World War 2 residential development patterns that shifted the middle- and upper-income consumer markets to suburban areas.
- The migration of department stores to suburban areas following the movement of affluent residents and in recognition of population growth and density patterns stripped Center City of its fashion anchors.
- The emergence of multi-anchor regional shopping centers as the dominant fashion merchandising format in the United States reinforced the suburbanization of comparison goods retailing in Charlotte as elsewhere in the U.S.
- The preferences of specialty retailers for "clustering" near department store anchors established the store sales performance and profitability thresholds used in site selection decisions.
- The reinvention of the U.S. retail model from low turnover/high margin to high turnover/low margin has made it essential for many retailers to serve as many consumers as possible from the fewest number of stores. Most retailers need vast geographic market coverage to achieve profitable sales levels. New store decisions are typically based upon sales expectations and assumptions of sales transfer or cannibalization potential.
- The single focus of most retailers upon residential consumer markets has resulted in lack of understanding of the potential associated with large aggregations of office workers, tourists, and other non-traditional customer segments. Those retailers that have returned to Center City Charlotte (and

similar urban settings) are able to perceive adequate opportunities to serve customers at sufficient levels of sales without harming profitability of other stores they operate in other nearby settings.

Data gathered by Charlotte Center City Partners illustrates the lack of “shoppers’ goods” stores in Uptown/Midtown. There are only 27 stores in Center City that are classified as “shoppers’ goods” stores. These stores account for 6 percent of Center City’s total commercial establishments and 5 percent of total “commercial” square footage.

- ✓ Three-quarters of the “shoppers’ goods” stores are located in Overstreet Mall or Founder’s Hall.
- ✓ Costume jewelry stores account for half of all “shoppers’ goods” stores, and most of these establishments sell inexpensive costume jewelry and accessories suitable for impulse purchases.
- ✓ There are two stores selling men’s career/casual clothing. One (Jos. A. Bank) is a smaller version of the chain’s typical store.
- ✓ Five stores sell women’s career/casual clothing; none are nationally known chains.
- ✓ Seven establishments cater to museum/attraction patrons, students, or sports team fans.

Of note, Center City currently has several full-line chain pharmacies and several high-quality grocery stores. These are “convenience” retail categories that are actively sought by many Downtown promoters for their impact on the quality of life of city residents.

Charlotte Center City Partners estimates Center City’s total ground floor “commercial” space at 1.25 million square feet. An additional 1.07 million square feet of “commercial” space is currently under construction or in the development pipeline. As a point of reference, SouthPark Mall has 1.5 million square feet of retail space. Center City’s “commercial” space lacks impact because it is not concentrated in a “critical mass” and because “shoppers’ goods” account for a negligible share of merchandising.

It is critical for new retailers to be positioned and concentrated in close proximity to enhance their visibility and increase their performance. Establishing a “critical mass” has implications in terms of physical characteristics (amount of space and manner in which it is clustered) and content (compatibility of co-tenants and consistency of quality and

perspective). A modestly-sized collection of well-merchandised, effectively clustered “shoppers’ goods” merchants in Center City could generate more consumer excitement and generate higher sales than a larger amount of scattered retail space.

Center City has several distinct sub-areas with different retail dynamics:

- Overstreet Mall including Founder’s Hall and Hearst Plaza
- Tryon Street storefronts including Latta Arcade
- Gateway Village
- Midtown (Elizabeth Avenue and The Metropolitan)
- Epicentre (under construction)

Overstreet Mall

Overstreet Mall is an elevated pedestrian walkway linking many of Center City’s largest office towers and hotels. It spans approximately 246,000 square feet with a mix consisting predominantly of food and services rather than retail. While it protects workers from harsh weather, it removes pedestrian activity from sidewalks. Overstreet Mall was not designed from a retail perspective. Few spaces are of sufficient size to accommodate mall-sized retail stores, and the extended length of the system defies industry standards about maximum desirable walking distance. Most significant, Overstreet Mall has virtually no visual presence at street level. Overstreet Mall was designed to accommodate patrons entering via elevators from the upper floors of office buildings rather than from pedestrians on the street. Its street-level entries are highly deficient and poorly identified; most require users to enter through recessed plazas or lobbies of office buildings and hotels. These physical characteristics make the Overstreet Mall system virtually invisible and hostile to Center City patrons who are not office workers.

Overstreet Mall’s tenancy consists primarily of food vendors, personal service establishments, and convenience retailers. In light of the predominance of office workers as the customer base, tenants operate only during the workday during the business week. Food service establishments survive on sales of breakfast and/or lunch; serving dinner is not a realistic prospect as the customer base dissipates rapidly after 5:00 pm. Entry doors to Overstreet Mall are locked at 6:45 pm.

The Overstreet Mall system has been a mixed blessing. Its impact on Center City’s retail environment has been to remove a significant amount of pedestrian activity from streets. Overstreet Mall was not built with any consideration of its impact on street retailing or its potential role for accommodating “shopper’s goods.” It was added to enhance the work

environment in Center City. Its convenience is widely appreciated by office workers who need not leave their worksites for a quick lunch or personal errand, yet the Overstreet Mall system's impact on storefront retailing in Center City has been very negative. By retaining traffic in the office buildings, it has hidden Center City's retailing and directed the economic impact of office workers away from street level establishments.

Founder's Hall

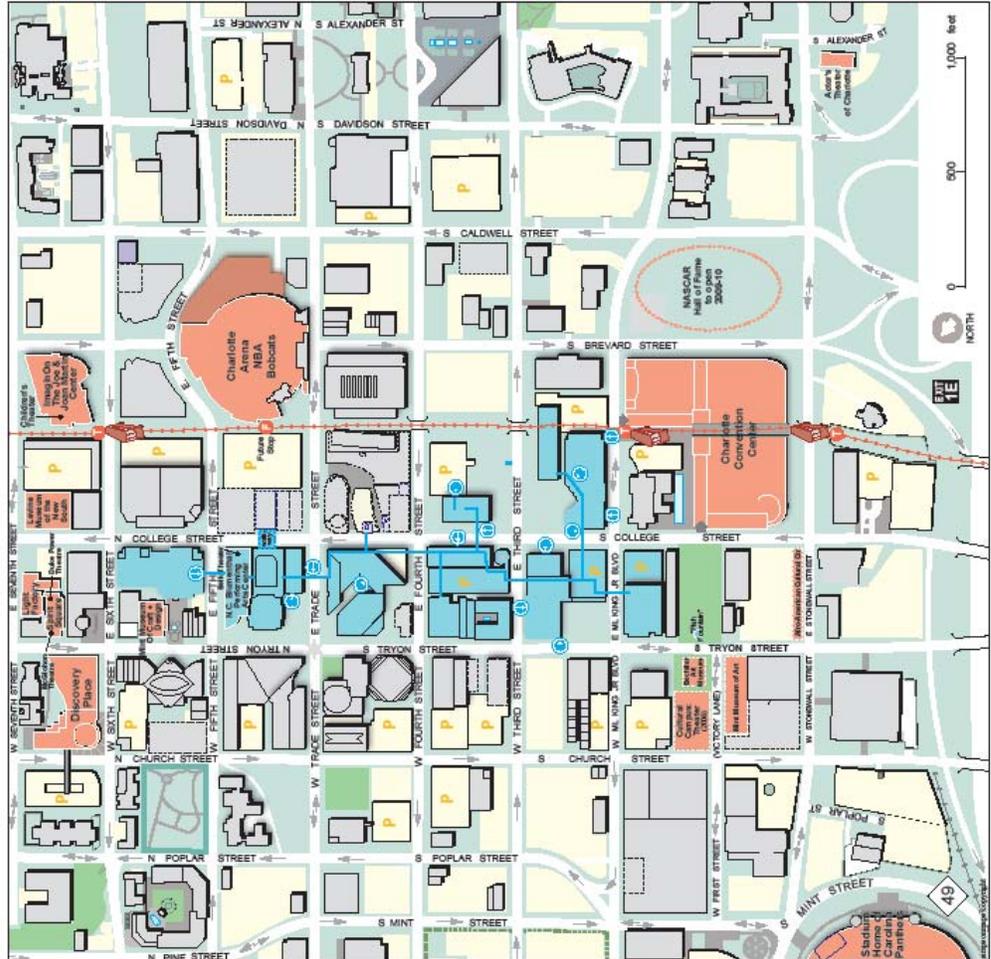
Bank of America's Founder's Hall is part of the Overstreet Mall system or but can be perceived as a separate entity. Founder's Hall is at one end of the Overstreet Mall system. The building has street exposure on College Street but not from Tryon Street, and while its interior configuration is reminiscent of a shopping mall, retail programming is constrained by the community/ceremonial role reserved for its ground level. The bank considers this multi-level space to be "Charlotte's living room" as it is often used for community events and private functions. Founder's Hall provides a point of entry to the Blumenthal Center for the Performing Arts.

Founder's Hall offers three levels of retail and restaurant space surrounding an atrium. Among the two dozen tenants are locally-based retailers and several restaurants. The Jos. A. Bank store here is one of the handful of "shoppers' goods" specialty stores in Center City Charlotte and is one of a very few national chain retailers in Center City.

Founder's Hall was not conceived and developed as an "urban retail mall" as evidenced by the lack of transparency on the building's Trade Street and College Street elevations and the limited number of entrances. Pedestrians on Tryon Street are not able to look through the bank lobby to see the retail content of Founder's Hall. Founder's Hall will be linked to a Wintergarten in the new Bank of America tower and Ritz-Carlton Hotel currently under construction on an adjacent site. By virtue of its location and its capacity, Founder's Hall could play an important role in Center City's future retail strategy without compromising its owner's intention for the space to serve a ceremonial role.

Buildings Connected by the Overstreet Mall

- Buildings Connected by the Overstreet Mall
- Over-Street Mall
- Entrance to Over-Street Mall
- Major Sports and Cultural Facilities
- Trolley Stop
- Covered Parking
- Open Parking



Hearst Plaza

Located near Spirit Square, Hearst Plaza is a small courtyard with facing rows of street-level space at the Tryon Street entrance to Hearst Tower. The Mint Museum of Craft + Design occupies a signature building that was once occupied by a specialty retailer; other storefronts here contain restaurants. The storefronts are perpendicular to Tryon Street and therefore offer limited direct visibility to passersby on foot and in cars. This intimate courtyard provides a connection between Tryon Street and Founder's Hall although the connection is not emphasized in a manner that establishes this as a major entry portal to Founder's Hall or the Overstreet Mall system.

Tryon Street Corridor

Traditional ground-level storefronts remain in some blocks of Tryon Street in Center City's office core. In general, these storefronts are not clustered in but are dispersed among offices, service businesses, and other non-retail uses. Office tower construction has reduced the amount of retail space at the front of sites where property lines meet the sidewalk. The urban environment has been made less urban with substantial building set-backs, open-air plazas, and building lobbies rather than retail space at ground level.

The retail environment has been diminished by the elimination of storefronts, the interruption of continuous ground level storefronts, and the absence of "double loaded" blocks (i.e. blocks where retail storefronts line both sides of the street). The retail environment has also been compromised by the predominance of non-retail uses.

While there is minimal vacancy in remaining storefront spaces, virtually all of the tenants are non-retailers including restaurants, fast food establishments, services, offices, and branch banking centers.

Epicentre

Epicentre is an ambitious, \$275 million mixed-use project currently being developed on the site of Charlotte's former convention center. The project will occupy approximately half of the block bounded by Trade Street, College Street, Brevard Street, and 4th Street. Founder's Hall is diagonally opposite Epicentre to the northwest while the Bobcats Arena is diagonally opposite it to the northeast. Epicentre will be connected to the city's Overstreet Mall and is adjacent to one of Center City's light rail stations.

Plans call for the construction of 210 Trade, a 53-story residential tower, and a 175-room aLoft hotel. The retail component of the project will offer 265,000 square feet of space on three levels. An independent multi-screen cinema will be located on the third level. Epicentre will be connected to the Overstreet Mall via a pedestrian tube spanning College Street.

The developer initially sought to lease to a cluster of mall-format "shoppers' goods" retailers. Solicitation of upscale "shoppers' goods" retail tenants has reportedly met with limited success although the developer has indicated willingness to add "shoppers' goods" retailers in the future once project performance has been proven. Epicentre represents Center City's best attempt at creating a critical mass of "shoppers' goods" retailing in recent years. Epicentre's success could become the "tipping point" that paves the way for additional retailer interest while disappointing performance could be a set-back to Center City's efforts to attract additional retailers.

To date, the project has been more warmly embraced by operators of nightclubs and casual eateries than retailers. Bar Management Group, a Charlotte-based operator of high-energy, themed nightclubs, and Raving Brands, an Atlanta-based franchiser of quick casual eateries, have made the largest leasing commitments. Bar Management Group is active in the College Street corridor with several concept clubs including Bar Charlotte, Dixie's Tavern, and Alley Cat. Raving Brands' concept restaurants include Moe's Southwestern Grill and the Flying Biscuit. A Fox Sports Grill has been announced as an anchor restaurant.

The food mix at Epicentre will extend the offering available in the Overstreet Mall and will appeal to office workers as well as event attendees at nearby venues. Epicentre can expect to be busiest at night after the Overstreet Mall system has closed. The cinema can be expected to retain Center City residents and draw patrons from other nearby areas of Charlotte. The retail mix may evolve over time as merchants understand the role Epicentre plays in Center City. Epicentre's initial success will be critical to moving Center City's retail strategy forward.

Latta Arcade

Latta Arcade is an historic, architecturally significant building with commercial space that consists primarily of restaurants and offices. Its interior “mall” features double-loaded retail space that is perpendicular to Tryon Street. Its Tryon Street façade is highly visible. It is currently unanchored and not part of the natural pedestrian flow of Center City and therefore businesses here survive as destinations. The arrival of the new baseball stadium and nearby development will reduce Latta Arcade’s isolation and provide opportunities for enhanced leasing.

Gateway Village

Gateway Village is a mixed-use district that has been energized by the opening of Johnson and Wales University and the residential development of nearby areas. The limited amount of retailing in Gateway Village serves neighborhood residents while several restaurants have developed drawing power as destinations.

Gateway Village is removed from the core of Center City and cannot be expected to become the central site for retail space to serve the key consumer segments patronizing Center City.

Midtown: The Metropolitan and Elizabeth Avenue

The southeastern edge of Center City is an actively evolving retail area that is attracting retailers seeking to serve established residential areas, a major educational facility, and two of the region’s largest medical centers. The availability of land is driving retail development here; comparable sites are not available in more traditional settings. While located near the I-77/I-277 Loop, Midtown’s retailers will seek a traditional customer base consisting primarily of residents of nearby neighborhoods. Restaurateurs may seek to draw patrons from a broader geographic area including those Center City workers who are willing to drive and re-park upon returning to work or workers willing to ride a shuttle.

Midtown has the capacity to accommodate suburban retailers in an in-fill location that can be considered “urban” but not “Center City.” The Metropolitan is bringing big box retailing (including Home Depot Expo and Target) and restaurants to a mixed-use development on the site of a former mall. Additional sites may become available for retail development in this corner of Center City.

Although Midtown is considered part of Uptown from a planning perspective, it represents a vastly different market opportunity than the central business district in the core of Center City. Retailers attracted to this area will have minimal expectations of sales generated by the market segments that are most critical to the retail evolution of the core of Center City: office workers, pleasure and business visitors, and event patrons.

Retail development in Midtown will serve some of the “shoppers’ goods” needs of Center City residents in merchandise categories that would be completely inappropriate in the Office Core of Center City. Center City residents will be able to shop in Midtown for building materials and home improvement goods (The Home Depot Expo), appliances and consumer electronics (Best Buy), and a range of general merchandise items (Target).

**SOURCES OF SUPPORT
FOR CENTER CITY RETAIL
DEVELOPMENT**

SOURCES OF MARKET SUPPORT FOR CENTER CITY RETAIL DEVELOPMENT

“Shoppers’ goods” Spending Potential in Center City

The primary focus of this analysis is mall-type merchandise or “shopper’s goods.” This merchandise encompasses clothing and other goods found in department stores or in stores within or surrounding a regional mall. Keyed to the U. S. Census of Retail Trade, the following specific categories are included:

“Shoppers’ goods” MERCHANDISE	
Apparel/shoes/accessories	Books
Cosmetics	Toys/Hobby Goods/Games
Jewelry	Photographic equipment
Furniture	Sewing/needlepoint goods
Kitchenware/home furnishings	Optical goods
Flooring/floor coverings	Large and small appliances
Curtains/window coverings	TVs, musical instruments
	Computer hardware and software

“Shoppers’ goods” merchandise excludes grocery items, prescription medications, fuel, automobiles, and many types of convenience goods. Center City has sales of this type in its grocery stores, pharmacies, service stations, and other establishments.

In measuring the sources of demand, the base year in this report is 2006. To the extent possible, key demand measures have been projected over a five-year horizon to 2011. For some data related to the year-round population, the 2000 Census is another reference point.

The future merchandising mix in the central core of Center City will primarily consist of selected categories of “shoppers’ goods” including apparel/shoes/accessories, cosmetics, jewelry, and books. These are “cross-over” merchandise categories that are of interest to all key customer segments; their broad appeal results in greater sales potential.

Center City's Key Customer Segments

The first step in quantifying the “spending capacity” of Center City’s current patrons is to understand Center City’s current customer segments. As in virtually all downtowns, Center City Charlotte’s retail and food spending potential stems from four customer segments:

- 1) Employees who commute on a daily basis
- 2) Residents of the Charlotte metropolitan area who visit Center City as “event patrons” on discretionary trips to cultural facilities, sports venues and other attractions in Center City
- 3) Out-of-town visitors including convention delegates, business travelers, tourists, and day trippers
- 4) The increasing base of Center City residents

Some of the sources of retail market demand within Center City overlap and are not subject to discrete quantification. However, an analysis of the key customer segments accounts for the vast majority of “spending capacity”.

Center City Employees

The most visible customer segment is Center City’s work force of 65,000 persons including office workers and other employees. Center City’s 60,500 office workers are a sub-set of the total workforce. Center City’s workforce is predominantly female. Center City’s Overstreet Mall system was designed to serve this segment as a convenient, climate-controlled environment. This is the only customer segment that some retailers will consider to be pertinent. Some retailers understand the “spending capacity” of office workers while other retailers fail to understand or appreciate the “spending capacity” of this important customer segment.

The Center City office work force will respond well to the addition of “shoppers’ goods” merchandise. According to the two largest employers—Bank of America and Wachovia—more than 70 percent of their Center City employees are female and most earn more than \$50,000 annually.

According to data compiled by CB Richard Ellis, a global real estate services company, the multi-tenant office inventory in Center City Charlotte totaled approximately 12.8 million SF at the end of 2006 and accounted for 38 percent of the metropolitan office space total. The headquarters facilities of the major

banks are included in this total as are law firms, real estate companies, and other professional services firms. With an overall occupancy rate of 96 percent and an estimated average of 225 SF of office space per person, multi-tenant buildings in Center City Charlotte housed approximately 54,500 office workers during 2006.

In addition, single-user space and numerous government buildings are also located in Center City. Principal government buildings include the Charlotte-Mecklenburg Government Center, civil and criminal courts, the Federal Reserve Bank and other federal agencies. Single-user facilities include AT&T, the headquarters of Duke Energy Corporation (a major electric utility serving the Carolinas, Indiana, Kentucky and Ohio) and The Charlotte Observer. These government buildings and single-user facilities in Center City accommodated another 6,000 workers and increase Center City's total to 60,500 office workers.

The Center City Office Core

The majority of Center City's employees are concentrated in the Tryon Street corridor from West Sixth Street in the north to Stonewall Street on the south. The locations of the major buildings within this corridor are shown on the accompanying map. Most notable are the buildings housing the corporate headquarters of Charlotte's two largest banks. Bank of America's three main buildings are its Corporate Center (Map Key 5), Bank of America Plaza (6) and the Hearst Tower (2). Wachovia's principal facilities are in three towers named One Wachovia Center (17), Two Wachovia Center (16) and Three Wachovia Center (18). Not included in the multi-tenant inventory are the Duke Energy corporate headquarters (21) and another of its single-user buildings (22).

The 20 multi-tenant buildings on the map total 11.2 million SF and account for 87 percent of Center City's multi-tenant total. The two single-user buildings of Duke Energy take the total to 12.1 million SF. Based on the assumptions previously noted, these buildings are home to nearly 52,000 office workers and account for 85 percent of the Center City total.

Several major projects underway will expand the Center City workforce:

- ➔ Wachovia is building a vast mixed-use project that will encompass the full block of Tryon Street between West First Street and Stonewall Street plus a portion of the adjacent block to the north. As the centerpiece, a 46-story tower will include 1.5 million SF of office space. Other uses in the project will include two museums, a multi-purpose theater, the Afro-American Cultural Center, a branch of the Wake

Forest School of Business, 300 condominium units and 40,000 SF of retail/restaurant space. It is slated for completion in 2009.

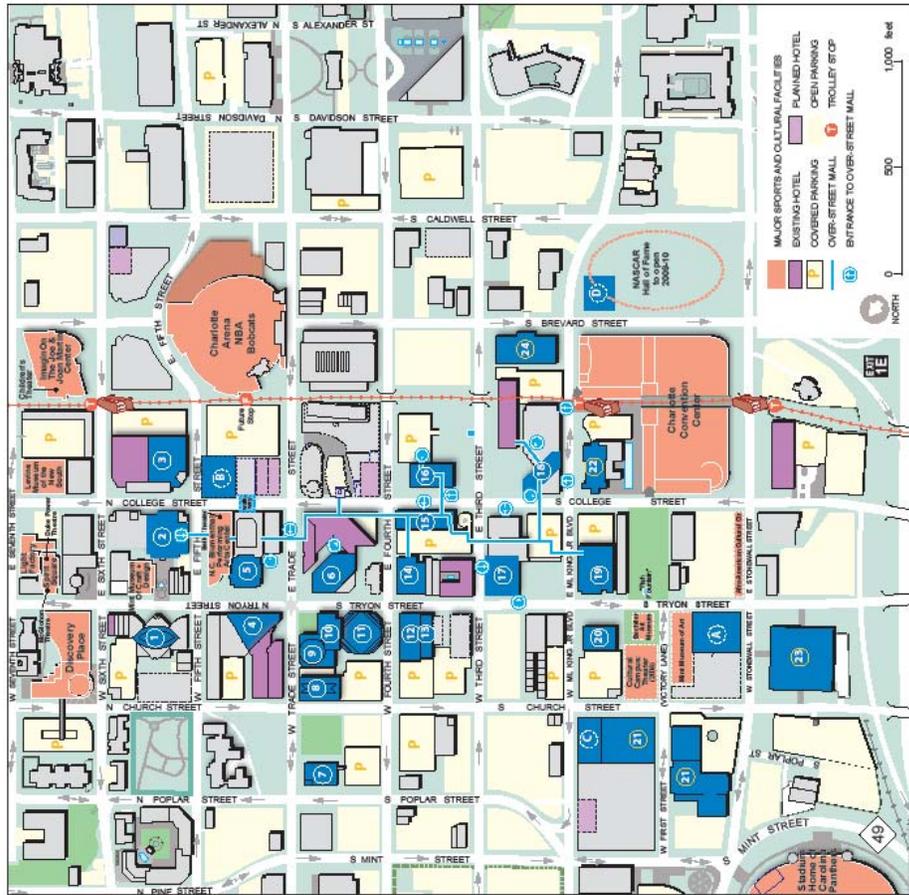
- ➔ In late 2006, Bank of America announced plans to build a 32-story tower in the southeast quadrant of the intersection of West Fifth and College streets. It will include 750,000 SF of office space and abut the previously announced Ritz Carlton hotel. The office tower is scheduled for completion in 2010.
- ➔ Three non-bank related projects will add more than 1.1 million SF to Center City's office inventory:
 - A 400,000 SF office tower will house NASCAR'S licensing and sports media operations in conjunction with the new NASCAR Hall of Fame.
 - A 350,000 SF speculative office building will be one element in a mixed-use project on Church Street to be developed by the Novare Group.
 - Cornerstone Real Estate Advisors and Spectrum Properties plan to develop two towers at 300 S. Tryon Street. The site was cleared almost a decade ago for a never-realized 28-story office building. The first phase of the current plan is a 32-story building at Third and Tryon streets containing 316,000 square feet of office space, 40,000 square feet of retail on two floors, and 168 residential condominiums priced from \$250,000 to over \$900,000. Work on that building is scheduled to start in August. The second phase is a 14-story condominium tower on the Church Street side of the site. The 151 units in that building will have views of the planned Third Ward Park and Knights Baseball Stadium.

In total, these five announced projects in Center City's core area will add over 4 million SF of space to Center City's office inventory. Elsewhere within the core, it has been assumed here that the office space inventory will expand by 10 percent over the five year projection horizon. Between 2006 and 2011, Center City's office work force will increase by approximately 25 percent from 60,500 to 75,000 workers.

Major Office Buildings in the Charlotte Uptown Core

Map Key	Multi-Tenant Inventory	Net Rentable Sq. Ft.
1	DL Financial Center	669,500
2	Hearst Tower	957,600
3	International Trade Center	425,000
4	Independence Center	529,800
5	Bank of America Corporate Center	1,117,000
6	Bank of America Plaza	802,600
7	Carillon Tower	471,000
8	129 W. Trade	163,700
9	Interstate Tower	344,900
10	Tryon Plaza	127,800
11	First Citizens Plaza	500,200
12	200 S. Tryon	216,000
13	Johnson Bldg	172,400
14	South Tryon Square	238,600
15	BB&T Center	562,000
16	Charlotte Plaza	612,700
17	Two Wachovia Center	716,000
18	One Wachovia Center	972,400
19	Three Wachovia Center	922,400
20	400 S. Tryon	651,000
	Subtotal	11,172,600
	Single-User Buildings	383,500
21	Duke Energy Corporate Headquarters	157,600
22	Duke Energy Corporation	600,000
23	Charlotte Observer	340,300
24	Bell South	1,476,400
	Subtotal	12,649,000
	Total Existing Buildings	12,649,000
	Planned New Buildings	1,245,000
A	Wachovia First Street Project	750,000
B	Bank of America Office Tower	400,000
C	Duke Energy	400,000
D	NASCAR	400,000
	Total Planned New Buildings	2,795,000

Source: CB Richard Ellis and Charlotte Center City Partners



While the Center City office worker segment represents an important source of retail spending, there are several inherent limitations to this segment as the primary source of demand for retail goods. Most important, the bulk of the retail shopping among office workers occurs during the lunch hour and is time-constrained. Second, in most cases, office workers do not venture far from their offices during lunch hour with three-quarters typically walking no more than three blocks. Finally, office worker retail spending is devoted largely to apparel and accessories for themselves, gifts, greeting cards, and other incidental purchases. Shopping for apparel for other family members, furniture, electronics/appliances, home goods such as carpets and draperies, and other types of “shoppers’ goods” items is infrequent during the work day.

The most visible customer segment in Center City today—office workers—had spending potential for “shoppers’ goods” of \$54.4 million in 2006. Their spending potential is 2.5 times higher than the estimated total sales volume of “shoppers’ goods” registered in Center City.

This level of “untapped potential”, while relatively minor in the shopping center industry, must be added to the untapped spending potential of other less visible customer segments to represent Center City’s full “shoppers’ goods” spending potential.

Local Residents Attending Events

Local residents from throughout the Charlotte metropolitan area visit Center City for a growing variety of non-work reasons. These visits occur primarily on evenings and during weekends and they are dispersed throughout Center City. Many retailers cannot see this market because it is not concentrated in one location during business hours. The lack of “shopping” as a primary visit motivator leads many potential retailers to dismiss their potential impact; however, the aggregate number of visits generated by these patrons makes them a lucrative merchandising opportunity especially for merchandise that can be purchased on impulse or without significant comparison shopping.

Although people attending sporting events and cultural activities in Center City Charlotte are more likely to patronize food service operations than retail stores, they represent a limited, supplementary source of retail sales support.

There are several kinds of events that draw local residents to Center City from throughout the metropolitan area:

- ➔ Sporting events and cultural activities requiring tickets
- ➔ Community celebrations and festivals

Patrons of Sporting Events and Cultural Activities

Bank of America Stadium

- Situated at the southern edge of Uptown next to I-277, the Bank of America Stadium opened in 1996 and seats over 73,000 spectators. It is home to the NFL's Carolina Panthers and hosted ten home football games during the 2006 season. In addition, two college games were also played there. Attendance at these events in 2006 totaled 815,000.

Bobcats Arena

- Opened in October 2005, the Arena is home to the NBA's Charlotte Bobcats and seats 18,500 for basketball games. In addition, the farm league hockey team, the Charlotte Checkers, plays home games there. These teams will play a total of 64 regular season games at the Arena from January through April of this year. In addition, the Arena hosts a variety of concerts and special events. Illustrative events include Cirque du Soleil, Jamie Foxx, Monster Jam and the Harlem Globetrotters. During 2006, attendance at sporting events, concerts and other events exceeded one million.

Patrons of Arts Facilities and Cultural Venues

Center City is the undisputed center of cultural activity in the Charlotte region. An expansion of facilities at the new Wachovia complex will add to Center City's drawing power among local residents and visitors. New cinemas at Epicentre could also draw patrons into Center City with independent programming.

- The Blumenthal Performing Arts Centre is located in the Bank of America Corporate Center and includes the 2,100-seat Belk Theater and the 434-seat Booth Theater. The Blumenthal is home to the Charlotte Symphony, Opera Carolina, North Carolina Dance Theater. and a popular Off-Broadway series. A satellite facility, the McGlohon Theater at Spirit Square, is a 700-seat venue farther up Tryon that showcases a variety of local and national touring groups. Total attendance at Blumenthal events in 2006 was slightly over 870,000. When the new Wachovia development at First Street is completed, the North Carolina Dance Theater will relocate there.

- Discovery Place is a science museum and IMAX theater geared to helping young people understand the process of scientific discovery and the world around us. An upcoming multi-million dollar renovation will upgrade current facilities and include conversion of its Science Theater to 3-Digital World Theater, installation of a new interactive computer-based Virtual Theater and the installation of new exhibits. Total annual attendance at its programs exceeds 770,000, of which just under half are children and youth.
- The Afro-American Cultural Center is a multidisciplinary facility with galleries and theaters devoted to promoting African American arts and culture. Currently situated just outside the Core at 7th and Myers streets, its programs attracted 242,000 in 2006. A new four-story, 44,000 SF headquarters is being developed as part of the Wachovia project on First Street. The new facility is expected to open in 2009. The expanded space and more central location will accommodate more traveling exhibits and an increased visitor count.
- ImaginOn: The Joe and Joan Martin Center opened in 2005 as the home of the Children's Theatre of Charlotte and the Youth Services Division of the Public Library. It has libraries for kids, two theaters for Children's Theatre productions, tech labs and interactive exhibits. In 2006, attendance at the Children's Theatre of Charlotte was just over 320,000.
- The Levine Museum of the New South portrays the transformation of the Charlotte-Mecklenburg County area from the end of the Civil War to modern times. Located at Seventh and College streets within the Core, it attracted 130,000 visitors in 2006.
- The Mint Museum of Craft and Design is located on Tryon Street in Center City's core and features craft and design objects in a wide variety of materials. The Mint Museum of Art is located outside of Center City and was North Carolina's first art museum. Its collections range the gamut from pre-Columbian art to paintings from various periods and modern photography. Attendance at both facilities in 2006 totaled 146,000. The two museums will relocate to the Wachovia project on First Street when it is completed in 2009.
- In addition to the consolidated Mint Museums, the cultural complex in the new Wachovia center will be the site of the Bechtler Art Museum, a 35,000 SF facility housing a collection of modern European paintings and sculpture as well as the Knight Theater, a

1,200-seat venue for concerts, opera, dance, films, theater and the North Carolina Dance Theatre.

- o Epicentre will add eight cinema screens with an orientation to “blockbusters” and independent films. Movies can be a popular drawing card in Downtown areas where movie-going can be combined with dining and other activities.

Attendance at major sports facilities and cultural venues in Center City during 2006 exceeded 4.3 million visits. The mix of local residents and tourists is unknown; however, the aggregate audience is robust and poised to increase.

2006 ATTENDANCE MAJOR SPORTS AND CULTURAL FACILITIES	
Bank of America Stadium	815,000
Charlotte Bobcats Arena	1,059,000
Blumenthal Performing Arts Center	871,000
Discovery Place	772,000
Children’s Theater of Charlotte	321,000
Afro-American Cultural Center	242,000
The Mint Museums	146,000
Levine Museum of the New South	<u>130,000</u>
Total	4,356,000

Patrons of Community Events in Center City

Local residents attending community events in Center City represent a potential consumer base in addition to the 4.3 million patrons of cultural venues and sporting facilities. Retail “capture” can be maximized by concentrating retail clusters in close physical proximity to sports facilities and cultural venues.

Center City is the site of events programmed or sponsored by Charlotte Center City Partners plus a broad assortment of events sponsored by other organizations. Attending community events and festivals is the fifth most prevalent reason that local residents make non-work visits to Center City. The variety of events and celebrations held in Center City has grown in recent years to include entertainment for diverse audiences.

Residents of the Charlotte MSA who attend community events, festivals, and celebrations comprise a large annual audience estimated at 356,760 excluding children based upon 40 percent incidence and average frequency of 1 visit per year.²

SELECTED COMMUNITY EVENTS, FESTIVALS, AND CELEBRATIONS IN CENTER CITY CHARLOTTE	
Dr. Martin L. King Jr. Parade	Soup on Sunday
Black Heritage Tour & Pilgrimage	Chamber Music at St. Peter's
Pub & Pucks	St. Patrick's Day Parade
Taste of the Nation	Center City Alive After Five
Speed Street	CityFest Live
Charlotte Shout	Octoberfest/Artoberfest

New Attractions and Venues

Baseball Stadium and Park

In December 2005, Charlotte Center City Partners launched a major effort to arrange the land swaps necessary to accommodate a county-owned park with frontage on Tryon Street and an adjacent stadium for the minor league Charlotte Knights. The proposal is currently working its way through the local approval process and the \$43 million project could be in place by 2010. The stadium will have 10,000 fixed seats and another 2,000 available on outfield berms. In addition to 71 home games for the Knights, the stadium will host concerts, college baseball and softball games; total annual attendance could reach 500,000.

NASCAR Hall of Fame

By 2011, the NASCAR Hall of Fame alone is expected to generate an additional 500,000 tourist visitors in Center City while the expanded cultural facilities in the new Wachovia complex on First Street will undoubtedly boost attendance as well. While these visitors are more heavily oriented toward eating and drinking, they generate retail spending potential assuming appropriate facilities are available.

² 2007 Uptown Charlotte Use and Perception Study

Out-of-Town Visitors: Tourists, Convention Delegates, Business Travelers

In general, some retailers may see great opportunity in serving visitors while others are less interested in this customer segment. Existing merchants offer proof of visitors' spending in Center City today; this segment can be very lucrative in the future based upon the addition of new Center City attractions such as the NASCAR Hall of Fame.

Based upon data provided by the Charlotte Regional Visitors Authority, the Charlotte region attracted a total of 16.6 million overnight and daytrip visitors in 2006. There is no official measurement of the number of the Charlotte visitors who visit Center City, and the number of visitors staying overnight in Center City hotels—while reaching 600,000—is only a fraction of the total number of visitors who visited Center City during their stay.

Families traveling as tourists, business travelers, and convention delegates comprise the visitor market. Approximately half of Charlotte's visitors are overnight visitors while half visit only on day trips. The overnight market is divided into hotel-users and those who stay in private accommodations. Many visitors interact with sports venues, museums, and attractions in Center City during their stay.

Center City Hotel Room Inventory

Center City's hotel inventory currently includes 14 properties with slightly more than 3,700 rooms. Two-thirds of the hotel rooms are located within the central core of Center City. The locations of the seven hotels in the central core and their 2,456 rooms are shown in the accompanying map. Major properties include the 700-room Westin, 438-room Marriott, 407-room Hilton and the 374-room Omni.

Seven other properties with 1,270 rooms are located elsewhere within Center City. The largest among them is now called the Blake. Formerly the Adam's Mark, it was purchased by new owners in 2006 and one of the two towers was closed, thus reducing the room count from 625 to 310.

- ➔ In 2006, Center City's hotel occupancy rate averaged a healthy 69 percent. Studies conducted for the Charlotte Regional Visitors Authority (CRVA) estimate 55 percent of the business was comprised of business and leisure travelers with the balance attributable to the convention trade.
- ➔ Overnight hotel guests represent one measure of out-of-town visitor traffic in Center City. The estimated overnight hotel guest count in Center City in

2006 was 600,000 based upon 69 percent occupancy rate, an estimated 2.5 nights' average length of stay, and an estimate of 1.6 persons per room. If these assumptions remain constant, the expanded hotel room supply would accommodate 700,000 visitors in 2011 and an expanded count of visitors in 2020 assuming additional hotel development.

Four new Center City hotel properties are in the development pipeline or on the drawing boards.

- ✓ As one element of the Epicentre project across the street, a Starwood Hotels boutique hotel concept called aLoft is scheduled to open in 2008.
- ✓ A 150-room Ritz-Carlton will open in the northeast corner of the intersection of College and Trade streets in 2009.
- ✓ Another boutique hotel called Twelve with 150 rooms is planned as part of the Novare development near the planned baseball stadium.
- ✓ Finally, a 150-suite property called Sierra Suites will be built adjacent to the Bobcats Arena and is expected to open in 2009.

EXISTING AND PLANNED HOTELS IN CENTER CITY CHARLOTTE		
<u>MAP KEY</u>		<u>ROOMS</u>
	CORE AREA	
1	The Dunhill Hotel	60
2	Holiday Inn Center City	296
3	Charlotte Marriott City Center	438
4	Omni Charlotte	374
5	Courtyard Charlotte City Center	181
6	Hilton Charlotte City Center	407
7	Westin Charlotte	<u>700</u>
	Subtotal	2,456
	BALANCE OF CENTER CITY	
	Blake Hotel	310
	Crown Plaza Charlotte	193
	Doubletree Charlotte Gateway Village	187
	Hilton Garden Inn Uptown Charlotte	181
	Residence Inn Charlotte Uptown Stadium	150
	Hampton Inn Charlotte Uptown	149
	Days Inn Central	<u>100</u>
	Subtotal	1,270
	CENTER CITY TOTAL 2007	3,726
	PLANNED NEW HOTELS	
A	aLoft	175
B	Ritz-Carlton	150
C	Sierra Suites	150
D	Twelve	<u>150</u>
	Subtotal	625
	CENTER CITY TOTAL 2011	4,351

SOURCE: Charlotte Regional Visitors Authority

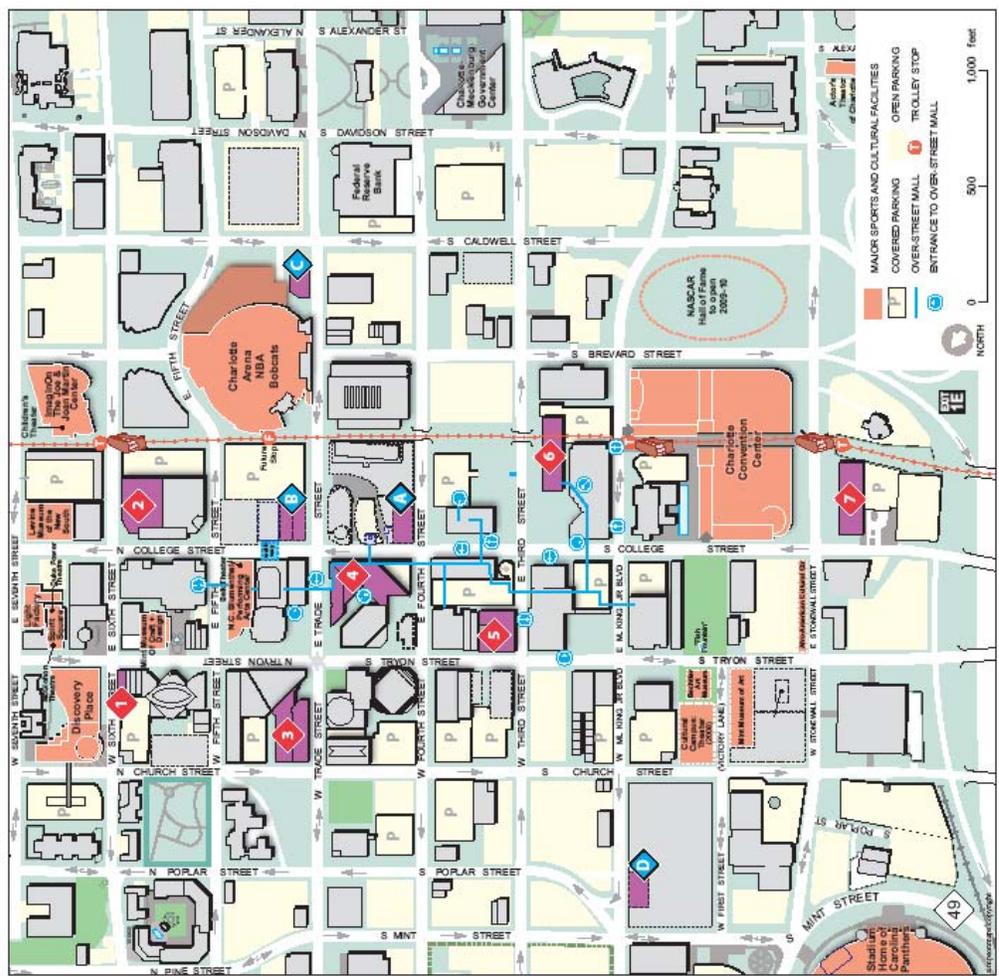
Major Visitor-Oriented Facilities and Hotels in the Charlotte Uptown Core

Map Key	Core Area	No. of Rooms
◆	Existing	
1	The Dunhill Hotel	60
2	Holiday Inn Center City	296
3	Charlotte Marriott City Center	438
4	Omni Charlotte Hotel	374
5	Courtyard Charlotte City Center	181
6	Hilton Charlotte Center City	407
7	Westin Charlotte	700
	Subtotal	2,456

	Balance of Uptown (Not shown on map)	310
	Blake Hotel	193
	Crown Plaza Charlotte	187
	Doubletree Hotel Charlotte Gateway Village	181
	Hilton Garden Inn Charlotte Uptown	150
	Residence Inn by Marriott/Charlotte Uptown Stadium	149
	Hampton Inn Charlotte Uptown	100
	Days Inn Central	1,270
	Subtotal	3,726

Map Key	Core Area	No. of Rooms
◆	Planned New Hotels	
A	aLoft	175
B	Ritz-Carlton	150
C	Sierra Suites	150
D	Twelve	150
	Subtotal	625

Source: Charlotte Regional Visitors Authority



Two visitor facilities represent major growth engines for attracting overnight hotel guests and daytrippers to Center City Charlotte:

The Charlotte Convention Center

- ✓ Completed in 1995, the Charlotte Convention Center totals approximately 850,000 SF and includes 280,000 SF of exhibit space, 90,000 SF of flexible meeting space and a 35,000 SF ballroom. Attendance in 2006 was up sharply over 2005 and totaled 463,000 for the year. Consumer shows and local events that don't attract out-of-town visitors drew slightly more than half of the 2006 attendance. On the other hand, approximately 200,000 out-of-town visitors attended conventions, trade shows and assemblies at the Convention Center.
- ✓ Among the largest events with out-of-town visitor dimensions in 2006 were the Beauty Systems Group trade show (8,000 attendees), the Specialty Coffee Association convention (6,500 attendees), the Southern Medical Association convention (5,500 attendees), the North Carolina Manufactured Housing trade show (5,000 attendees), the Clinical Laboratory Management convention (5,000 attendees), the Society of Plastics Engineers convention (4,000 attendees), the Solid Waste Association convention (4,000 attendees), and the American Occupational Therapy convention (4,000 attendees).
- ✓ While no specific growth projections are available on an annual basis, there is ample capacity for a significant increase in convention delegate activity at the Charlotte Convention Center.

NASCAR Hall of Fame

- ✓ The NASCAR Hall of Fame will be a new visitor attraction in Center City when it opens in 2009. Awarded to Charlotte in March 2006, the Hall of Fame is being designed by world-renowned architect I. M. Pei. The \$160 million facility will honor outstanding drivers, crew chiefs, owners and other major contributors to the increasingly popular sport of stock car racing. The facility will also include entertainment-oriented restaurants and a NASCAR-themed retail offering.
- ✓ In addition to the Hall of Fame itself, a 400,000 SF tower will house NASCAR offices and the facility will also include an expanded ballroom for the adjacent Charlotte Convention Center.

- ✓ In a major boost to Center City visitor traffic, the Hall of Fame is projected to attract 500,000 to 600,000 attendees annually.

Center City Residents

Residents who live in Center City are a special sub-set of the local market. This is a small but growing customer segment that will support a minimal amount of “shoppers’ goods” space.

There are dual populations of residents in Center City: newer residents with above-average incomes and established residents with more moderate levels of income (traditionally located in the First Ward). It is unlikely that Center City will ever offer a wide enough range of goods to satisfy all of the buying needs of Center City residents although the addition of Target, The Home Depot Expo, and Best Buy in Midtown will satisfy many Center City residents’ demands for some types of “shopper’s goods.” The diverse apparel demands of Center City’s residents can, at best, be partially served by additional retail development within Center City. The relatively small size of this customer segment must be acknowledged in the merchandising of Center City.

Center City Charlotte is experiencing a robust residential renaissance. The 2000 Census documented slightly more than 5,900 residents in approximately 3,000 households. Since 2000, more than 2,900 new housing units have been built in Center City in 29 different projects. Among them, approximately 1,900 were for sale and the remaining 1,000 were rental units. The new housing units range from small townhouse clusters and condominium developments to high-rise towers with 300+ units. Illustrative projects include the following:

- ➔ Cityview Townes is a development of 25 contemporary three-story townhomes on North Davidson Street near the northern edge of Center City. Originally priced from \$194,000 to \$214,000 when they were built in 2002, a resale unit currently on the market is priced at \$325,000.
- ➔ Alexander Court, a condominium development with 18 units on North Alexander Street, includes 850 SF two-story loft-style units and 835 SF penthouse flats on upper levels.
- ➔ Charlotte Cotton Mills is an adaptive reuse of an historic old cotton mill along with new construction. This project added 183 rental apartments and office space on West Fifth Street. The new construction is ten stories tall and features high ceilings and concrete flooring.
- ➔ The Ratcliffe, a 10-story structure with 57 condominium units next to Three Wachovia Center, offers high ceilings, balconies, and a lovely

view of The Green. Resale units are priced from the \$300,000s to well over \$1 million.

- ➔ Gateway Place is an eight-story 436-unit apartment complex in Gateway Village adjacent to the campus of Johnson & Wales University on West Fifth Street. One-bedroom/one-bath units currently rent for \$1,000 to \$1,200 per month.

The health of the housing market in Center City is clearly evident in data compiled on new and existing homes sales in recent years. The database includes townhouses, detached homes and condominiums. In 2006, 528 such units were sold in Center City and the average price was \$320,970. The market in 2006 was up from 303 units sold in 2005 at an average price of \$270,905.

Additional Planned Residential Projects

An additional 6,202 residential units are under construction or planned in 26 projects as of April, 2007. The following seven projects are the largest new residential developments scheduled for delivery through 2011. Additional projects will be proposed between 2006 and 2020.

- ✓ Citadin, a multi-phased condominium project with a total of 424 units, will replace the Fourth Ward Square apartment complex. Of six planned structures, two will be 25 stories tall. The first phase tower will have ten floors and 83 units at the corner of 8th and Graham streets.
- ✓ Quarterside is a mid-rise complex of four buildings flanking a central courtyard at 7th and McDowell streets. It will ultimately include 183 condominiums, 18,000 SF of street level retail and 12,000 SF of office condominiums. Currently under construction, completion is scheduled for early 2008.
- ✓ Trademark, a 28-story tower nearing completion on West Trade Street at Poplar, will include 192 condominium units ranging in size from 660 to 1,850 SF as well as retail and office space.
- ✓ The Vue is 51-story condominium building expected to start construction in May, 2007. Located at Fifth and West Pine Street, it will include 410 units ranging from 600 to 4,000 SF. A sales center for the project is now open at Tryon and Trade.
- ✓ Avenue, a 36-story condominium tower next to the IJL Financial Center and overlooking the historic Settlers Cemetery, will include 386

residential units plus 10,000 SF of street-level retail. It is currently under construction and will be completed in early 2008.

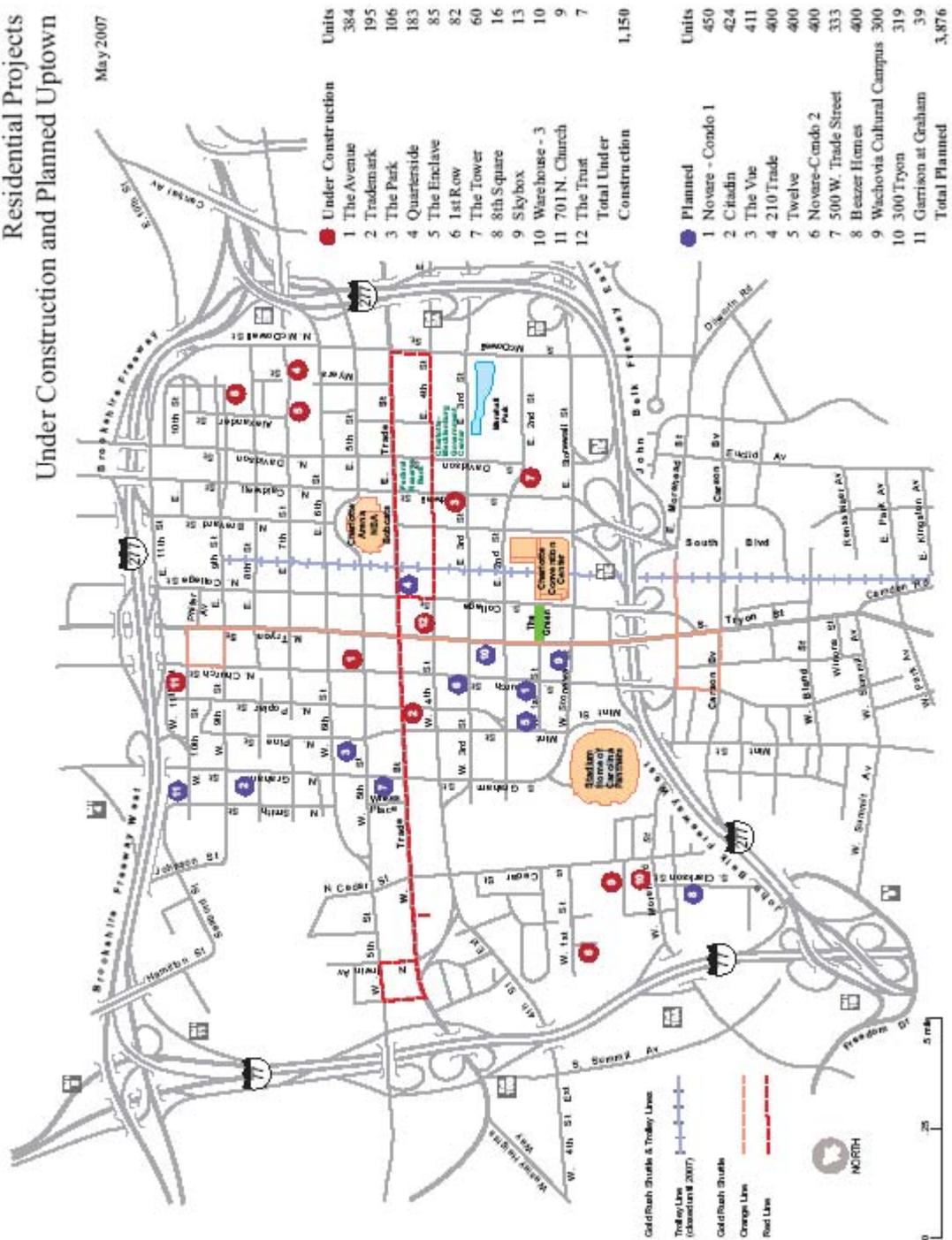
- ✓ 210 Trade is part of the mixed-use Epicentre project at the intersection of College and Trade streets. The 53-story residential tower will include 419 condominium units priced from \$210,000 to several million.
- ✓ 500 West Trade is expected to begin construction sometime in 2007. The 27-story structure will include 333 for-sale or rental units and 30,000 SF of retail space. It will be located at West Trade Street and North Graham.

RESIDENTIAL PROJECTS UNDER CONSTRUCTION IN CENTER CITY CHARLOTTE (RED DOTS)				
<u>MAP</u>	<u>NAME</u>	<u>TYPE</u>	<u>UNITS</u>	<u>COMPLETION</u>
1	The Avenue	Condo	384	2008
2	Trademark	Condo	195	2007
3	The Park	Condo	106	2008
4	Quarterside	Condo	183	2008
5	The Enclave	Condo	85	2008
6	1 st Row	Condo	82	2007
7	The Tower	Condo	60	2008
8	8 th Square	SF	16	2007
9	Skybox	TH	13	2008
10	Warehouse 3	Condo	10	2007
11	701 N. Church	Condo	9	2007
12	The Trust	Condo	<u>7</u>	2007
	Subtotal		1,150	
PROPOSED RESIDENTIAL PROJECTS IN CENTER CITY CHARLOTTE (BLUE DOTS)				
<u>MAP</u>	<u>NAME</u>	<u>TYPE</u>	<u>UNITS</u>	<u>START</u>
1	Novare Condo 1	Condo	450	2007
2	Citadin	Condo	424	2007
3	The Vue	Condo	411	2007
4	210 Trade	Condo	400	2008
5	Twelve	Condo	400	2008
6	Novare Condo 2	Condo	400	2009
7	500 W. Trade	APT	333	2008
8	Beazer Homes	TH/Condo	400	2007
9	Wachovia Cultural Campus	Condo	300	2008
10	300 Tryon	Condo	319	2007
11	Garrison at Graham	Condo	<u>39</u>	2007
	Subtotal		3,876	

SOURCE: Warren & Associates

Residential Projects Under Construction and Planned Uptown

May 2007



Project Name	Units
1 The Avenue	384
2 Trademark	195
3 The Park	106
4 Quarterside	183
5 The Enclave	85
6 1st Row	82
7 The Tower	60
8 8th Square	16
9 Skybox	13
10 Warehouse - 3	10
11 701 N. Church	9
12 The Trust	7
Total Under Construction	1,150

Project Name	Units
1 Novare - Condo 1	450
2 Citadel	424
3 The Vue	411
4 210 Trade	400
5 Twelve	400
6 Novare-Condo 2	400
7 500 W. Trade Street	333
8 Beazer Homes	400
9 Wachovia Cultural Campus	300
10 300 Tryon	319
11 Garrison at Graham	39
Total Planned	3,876

Source: Werns & Associates
May 4, 2007

Estimates and Projections of Population and Households

While the prospects for continuing new residential growth in Center City are quite strong, the effects of the national slowdown in new home buying activity on the pace and timing of announced developments is not yet clear. For the purposes of this study, however, it has been assumed that the number of new residential units added between 2006 and 2011 will exceed the number added from 2000 to 2006. The table on the following page presents population and household counts within Center City assuming that 75 percent of projects included in the summary table on page 48 proceed to completion with market absorption rates and occupancy levels consistent with past trends.

- ✓ The data in the following table demonstrates that Center City’s population nearly doubled from 2000 to 2006 when the population increased from 5,905 to 10,928. The projected 2011 household count and population for Center City are based upon several assumptions; 75 percent of currently announced projects are actually developed, Center City achieves 88 percent occupancy in 2011 as in 2006, average persons per unit will be 1.98 as in 2006, and Center City will experience a net loss of 254 housing units in part to accommodate new construction.
- ✓ An additional increase of slightly more than 6,200 new residents is expected by 2011; the population is projected to exceed 17,100 at that time. While the recent and projected population growth rates within Center City are quite substantial, it is important to note that this residential base represents a relatively small customer base from a retail perspective.

POPULATION AND HOUSEHOLDS CENTER CITY CHARLOTTE 2000, 2006 AND 2011		
	<u>POPULATION</u>	<u>HOUSEHOLDS</u>
2000	5,905	2,937
2006	10,928	5,519
2011	17,128	8,719
Change 2000-2006	5,023	2,582
	+85 percent	+88 percent
Change 2006-2011	6,200	3,200
	+57 percent	+58 percent

SOURCES: U.S. Census; Chapman Consulting; Warren & Associates; H. Blount Hunter Retail & Real Estate Research Co.

- ✓ In 2020, Charlotte Center City Partners projects the residential population in Center City and Midtown to be 30,000.

The transformation of Center City has resulted in the creation of a pocket of affluent residents. Average household income within Center City exceeds the averages for the Charlotte MSA and the U.S. In 2006, Center City’s average household income of \$70,034 was approximately \$1,200 higher than the \$68,876 for all households in the Charlotte MSA and roughly \$4,400 higher than the national average of \$65,604. Expressed in constant 2006 dollar values, the Center City average is expected to reach \$77,300 by 2011.

While the average income in Center City is very solid, it masks a significant dichotomy in the household base: just over half the Center City households had incomes below \$35,000 in 2006 and nearly one-fourth had incomes over \$75,000. These disparities generally reflect the racial and ethnic mix within Center City as well as the length of residence there.

AVERAGE HOUSEHOLD INCOME CENTER CITY CHARLOTTE 2006 AND 2011 (CONSTANT 2005 DOLLARS)	
	AVERAGE HOUSEHOLD INCOME
2006	\$70,034
2011	\$77,323

SOURCE: Chapman Consulting

The higher socioeconomic status of recent arrivals compared to long-tenure Center City residents is apparent from a survey of Center City residents conducted in late 2005 by a professor at UNC Charlotte. Nearly three-fourths of the respondents had moved to Center City between 2000 and 2005 and the results were skewed toward these recent arrivals. The overall portrait is a very positive one for supporting additional mall-type goods or “shoppers’ goods” merchandise and restaurants in Center City:

- ➔ Three-fourths were engaged in professional and managerial occupations.
- ➔ Nearly three-fourths (74%) were between 18 and 40 years of age.
- ➔ A slight majority (51%) lived in single-person households and another 40% lived in two-person households.
- ➔ Eighty percent had a bachelor’s, graduate or professional degree.

→ Nearly one-half (46%) had a household income in excess of \$80,000.

The socioeconomic profile of Center City residents will continue to improve based upon the type of residential projects currently underway.

New housing in Center City provides an impetus for additional retail development. Residents have a broader range of buying needs than other key Center City customer segments (i.e. office workers, event patrons, and visitors). Center City and Midtown can be the site of some of the stores that will serve their needs; however, other needs will be served by stores located well beyond the urban core.

Residents within a short walk of Center City's commercial core provide an important consumer base for retail shops, restaurants, and services. Spending patterns of households with annual incomes in excess of \$70,000 spend an average of \$23,929 annually on the kinds of goods and services that may be targeted in the future merchandise offering in Center City Charlotte.³

AVERAGE ANNUAL CONSUMER SPENDING BY U.S. HOUSEHOLDS \$70,000+	
Food at Home (Groceries)	\$ 4,706
Food Away from Home (Restaurants)	\$ 4,544
Alcoholic Beverages	\$ 733
Apparel and Services	\$ 3,233
Entertainment	\$ 4,515
Personal Care Goods and Services	\$ 898
Reading Materials	\$ 221
Home Furnishings	\$ 3,436
Tobacco Products	\$ 286
Miscellaneous spending	<u>\$ 1,357</u>
Consumer Goods Spending	\$23,939

✓ For every 50 new dwelling units, an additional \$1.2 million in annual spending potential becomes available to retailers, restaurants, and entertainment venues inside and outside of Center City. Of this total, approximately 85 percent is non-grocery spending on restaurant meals,

³ Consumer Expenditure Survey, Bureau of Labor Statistics, 2005

apparel, books, entertainment, and other goods that will be represented in the expanding mix of Center City businesses.

- ✓ The projected addition of 3,200 new households in Center City by 2011 suggests increased total annual consumer spending potential estimated at \$73.3 million (in 2006 dollars). The share of spending that Center City will actually “capture” is determined by many factors including the merchandise assortment available in Center City and the strength of competitive businesses located outside of Center City. Restaurants could “capture” 50 percent or more of the spending potential of Center City residents while furniture stores and appliance/electronics dealers might “capture” 10 percent or less since the offering within Center City’s core area will likely remain inferior to the offering of goods outside of Center City. This increased level of Center City resident “spending capacity” bodes well for Target, The Home Depot Expo, Best Buy, and other “shoppers’ goods” retailers that may be attracted to the Midtown/Elizabeth Avenue area.

Charlotte Uptown Core

- Major Sports and Cultural Facilities
- Buildings Connected by the Overstreet Mall
- Over-Street Mall
- Entrance to Over-Street Mall
- Trolley Stop
- Covered Parking
- Open Parking

Multi-Tenant Office Inventory

- 1 J.L. Financial Center
- 2 Hearst Tower
- 3 International Trade Center
- 4 Independence Center
- 5 Bank of America Corporate Ctr.
- 6 Bank of America Plaza
- 7 Carillon Tower
- 8 129 W. Trade
- 9 Interstate Tower
- 10 Tryon Plaza
- 11 First Citizens Plaza
- 12 200 S. Tryon
- 13 Johnston Bldg
- 14 South Tryon Square
- 15 BB&T Center
- 16 Charlotte Plaza
- 17 Two Wachovia Center
- 18 One Wachovia Center
- 19 Three Wachovia Center
- 20 400 S. Tryon

Existing Hotels in the Core Area

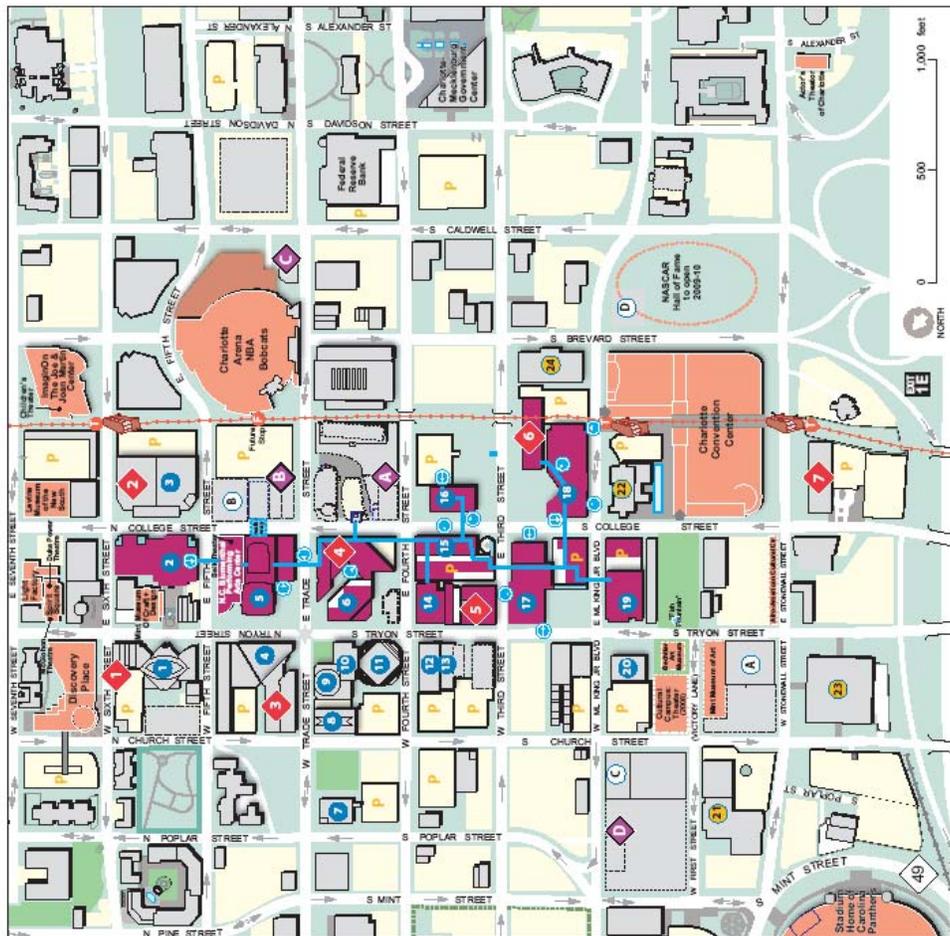
- 1 The Dunhill Hotel
- 2 Holiday Inn Center City
- 3 Charlotte Marriott City Center
- 4 Omni Charlotte Hotel
- 5 Courtyard Charlotte City Center
- 6 Hilton Charlotte Center City
- 7 Westin Charlotte

Planned New Hotels

- A Aloft
- B Ritz-Carlton
- C Sierra Suites
- D Twelve

- ## Single-User Office Buildings
- 21 Duke Energy Corporate Hdqtrs.
 - 22 Duke Energy Corporation
 - 23 Charlotte Observer
 - 24 Bell South

- ## Planned New Office Buildings
- A Wachovia First Street Project
 - B Bank of America Office Tower
 - C Duke Energy
 - D NASCAR



UPTOWN'S 2006 RETAIL SPACE INVENTORY

Charlotte Center City Partners has assembled an inventory of commercial space in Uptown, including Center City, Midtown, and all areas within CCCP's geographic area of responsibility. It is relatively comprehensive although commercial space within Gateway Village is not included in the summary. The data includes Overstreet Mall and street-level commercial space throughout Center City and Midtown. To clarify terminology, much of Center City's commercial space is occupied by restaurants and commercial tenants rather than "stores."

- ➔ "shoppers' goods" or mall-type goods stores comprise approximately 59,300 square feet including "apparel" stores and assuming half of the space attributed to "sundries and dry cleaners." This merchandise accounts for only 5 percent of total commercial space. Increasing the representation of this type of merchandise is the goal of the retail development strategy for Center City.
- ➔ Charlotte City Center Partners counts 89 restaurants and 73 fast food businesses within Center City and Midtown. Restaurants comprise 378,210 square feet while fast food vendors account for 132,369 square feet.

CENTER CITY / MIDTOWN COMMERCIAL SPACE INVENTORY			
	<u>SQ. FT.</u>	<u>COUNT</u>	<u>AVG. SQ. FT</u>
Restaurants	378,210	89	4,249
Fast Food	132,369	73	1,813
Apparel and Consumers Goods	59,987	27	2,221
Sundries/Dry Cleaners	33,845	36	940
Grocery	35,924	5	7,184
Personal Care Services	46,761	32	1,461
Office Supplies	21,782	16	1,361
Automotive	20,401	5	4,081
Pharmacy	16,896	3	5,632
Fitness	125,308	6	20,884
Clubs	116,259	22	5,284
Professional	63,451	35	1,922
Finance	81,053	7	11,579
Miscellaneous	<u>47,009</u>	<u>34</u>	1,382
	1,179,255	390	3,024

SOURCE: Charlotte Center City Partners

Charlotte Center City Partners provided an estimate of square footage in the Center City study area that is devoted to “retail stores” and “food/beverage” including restaurants and fast food. The study area includes the Tryon Street corridor from The Green to 9th Street, Overstreet Mall/Founder’s Hall, and Trade Street between Church and College.

- ➔ Food/beverage space within the study area totaled 430,678 square feet in 2006.
- ➔ “Shoppers’ goods” retail store space within the study area totaled 33,227 square feet in 2006.

Excluded from the space inventory are several types of commercial establishment including art galleries, convenience retail space (pharmacies), and services (copy and print centers, professional services) because these categories of sales are not included in “shoppers’ goods” spending.

Projections of “supportable square footage” generated in this analysis reflect incremental amounts of space that can be supported in addition to the base inventory of “retail” and “restaurant/fast food” space that existed in Center City in 2006.

RETAIL AND RESTAURANT SQUARE FOOTAGE 2006 CENTER CITY STUDY AREA		
	SQ. FT.	ESTABLISHMENTS
Food/Beverage (Restaurants and Fast Food)	430,678	130
“Shoppers’ goods” Retail Stores	33,227	27
Total	463,905	157

SOURCE: Charlotte Center City Partners

Charlotte Center City Partners has identified the pending addition of an additional 1.0 million square feet of commercial space proposed or currently under construction in high rise towers, Epicentre, the Metropolitan, and NC Music Factory throughout Uptown. As previously noted, much of this space is scattered throughout Uptown outside of the core study area of Center City (and will not contribute to the creation of a meaningful “critical mass” of retailing even if all of it is ultimately occupied by “stores”) or is in Midtown (and is aligned with nearby residential neighborhoods rather than key customer segments that can be expected to support additional retailing in Center City).

CENTER CITY'S 2006 RETAIL AND RESTAURANT SALES

In preparing this analysis, it was desirable to know 2006 restaurant sales and retail sales within Center City. Such data is basic to defining Center City's future potential and forms the single most powerful marketing tool for attracting new merchants. The Tax Department of Mecklenberg County was asked to provide 2006 aggregated sales data for Center City's "retailers" and "restaurants." Ultimately, the county officials cited state "disclosure" regulations and did not provide the requested data.

In the absence of actual sales data, the sales baseline model in this analysis incorporated \$76.2 million as Center City's 2006 "restaurant" sales volume and included \$20.0 million as Center City's 2006 "retail" sales volume.

Recommendations

Charlotte Center City Partners is strongly advised to establish a process that will generate annual tax collection totals for "restaurants" and "retail stores" within Center City. For analytical purposes, Center City can be divided into several sectors. It is recommended that at least one of the sectors should be the "Center City Core Area" consisting of the Tryon Street corridor (extending from Brevard Street to Church Street).

Without compromising disclosure regulations, the County can generate aggregate tax collections for "restaurants" and "retailers" according to a list of businesses (Names and addresses) provided annually by Charlotte Center City Partners. This process is "standard operating procedure" in many cities where business improvement districts have been implemented; the data becomes a useful performance benchmark and barometer of success in addition to being a highly useful leasing tool.

CENTER CITY'S CAPACITY FOR RETAIL / RESTAURANT SALES—2006

The Utilization Rate Model is a proprietary tool used by H. Blount Hunter Retail & Real Estate Research Co. to quantify sales capacity in mixed-use districts based upon the size of key consumer segments (adult population of the metropolitan area including Center City residents, office worker count, number of out-of-town visitors) and trip counts (calculated from the reach and frequency data from the regional telephone research described and analog estimates). Expenditure factors for each customer segment are analogs derived in Downtowns with modest offerings of “shopper’s goods.”

The Utilization Rate model can be used as a tool to assess “untapped “spending capacity”” by current patrons of Center City and to project future sales. Assumptions can also be made regarding changes to key inputs including:

- growth in size of individual customer segments
- changes in annual trip count by patrons visiting Center City for discretionary purposes (i.e. changes in frequency of visits)
- increases in use of Center City by individual customer segments (i.e. increased reach or market penetration by Center City)
- increases in level of expenditure to reflect shifts in merchandising toward greater retail intensity

The 2006 Utilization Rate Model incorporates actual customer segment sizes, local resident usage patterns identified in the regional telephone research, and estimates of /use by workers and visitors. Expenditure figures are based upon urban analogs.

- ✓ Consumer survey data compiled by the International Council of Shopping Centers (ICSC) is the most authoritative source for quantifying the “spending capacity” of Center City’s office work force. Updated in 2003, the survey indicates that the average office worker spends \$2,350 annually during and after the workday. Of this total, the typical worker spends \$900 per year on “shoppers’ goods” and convenience retail items in Downtowns with limited retail facilities and another \$1,450 per year on food and drink during the lunch hour and after work.
 - Using ICSC data, Center City’s office worker’s “spending capacity” on food/beverages was \$87.8 million in 2006. Center City’s office workers are believed to be spending more just on food/beverages than the average total spending by office workers in the ICSC sample.

- Using ICSC data, the “spending capacity” of office workers on “shoppers’ goods” was \$54.4 million in Center City in 2006. This compares to the estimate of only \$20 million for total “shoppers’ goods” sales in Center City in 2006. Clearly, office workers have untapped spending potential on “shoppers’ goods.”

Inputs to the 2006 “spending capacity” model include:

- Size of each customer segment as provided by local sources
- Estimated expenditure per visit by MSA residents and visitors
 - \$20.00 average expenditure by local residents is consistent with analog experience
 - \$12.00 average expenditure by downtown workers was based upon office worker spending in other urban areas
 - \$30.00 average expenditure by visitors based on analog experience
- Frequency of visit and estimated penetration of visitor market
 - 5.72 frequency by local residents = 52 percent market penetration X 11 visits as derived in regional telephone research
 - 235 visits by Downtown Workers equals number of work visits per year minus vacation days and federal holidays
 - 30 percent market penetration of visitor segment is consistent with analog experience

Outputs from the 2006 “spending capacity” model include:

- Annual sales volumes generated by local residents and visitors
- Annual trip counts for local residents and visitor; total annual Center City trips
- Share of total sales generated by each customer segment
- Share of sales attributable to food and retail goods

CENTER CITY CHARLOTTE UTILIZATION RATE MODEL 2006 “SPENDING CAPACITY” (HYPOTHETICAL)						
CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL UTILIZATION	ANNUAL TRIPS	EXPEND. PER VISIT	SPENDING CAPACITY	PERCENT
MSA Residents (18-65)	891,900	5.72	5,101,668	\$20.00	\$102,033,360	23.5%
DT Workers	65,000	235	15,275,000	\$12.00	\$183,300,000	42.1%
Visitors	16,600,000	0.3	<u>4,980,000</u>	\$30.00	<u>\$149,400,000</u>	34.4%
TOTAL			25,356,668		\$434,733,360	100.0%
Retail Sales					\$108,515,840	25.0%
Food Sales					\$326,217,520	75.0%

- ✓ The model estimates Center City's usage at 25.3 million "person-trips" in 2006. Downtown workers accounted for 15.3 million "person-trips" to Center City (approximately 60 percent of total visits). Local residents attending events, museums, professional sports, and all other non-work reasons generated 5.1 million annual visits (approximately 20 percent of total "person-trips") while visitors from out-of-town generated 4.98 million visits (20 percent of all "person-trips" to Center City).
- ✓ Center City's 25.3 million "person-trips" is approximately twice the number of shopper visits attracted by a strong regional mall, and intuitively it is clear that Center City's current patrons have significantly greater capacity for spending than the actual dollars they spent in Center City last year.
- ✓ The model focuses attention upon office workers as the source of almost half of total "spending capacity" in Center City. Visitors account for an estimated 34 percent of "spending capacity" while local residents generate the remaining 17 percent of "spending capacity".
- ✓ The "spending capacity" of local residents drawn to Center City for events and other discretionary purposes is projected to be \$102.0 million—double the estimated spending by this customer segment in 2006. The incremental "spending capacity" would be distributed across retailers and restaurants.
- ✓ Currently, office workers are believed to generate the vast majority of total sales in Center City. Their "spending capacity" represents 42 percent of the projected total. Other customer segments will spend more in Center City when more merchandise is available.
- ✓ Out-of-town visitor spending potential is projected at \$149.4 million. Visitors are generally lucrative consumers for both retail goods and food/beverages.
- ✓ On an aggregate basis, "spending capacity" on "shoppers' goods" is estimated at \$108.8 million—more than five times the estimated actual "shoppers' goods" sales in 2006. Retail "spending capacity" is estimated to account for 25 percent of Center City's total "spending capacity".

In 2006, Center City's users spent \$96.2 million but had the capacity to spend \$434.7 million on retail goods and food/beverages in Center City. In part because of limited merchandise offering and the absence of a retail/dining focal point, "untapped potential" is estimated at \$338.5 million in 2006.

2006 ESTIMATED "SPENDING CAPACITY" VS. 2006 ESTIMATED ACTUAL SALES BY CUSTOMER SEGMENT			
	2006 spending CAPACITY	2006 ESTIMATED SALES	2006 UNTAPPED POTENTIAL
Local residents	\$102.0 million	---	---
Center City Workers	\$183.3 million	---	---
Visitors	<u>\$149.4 million</u>	---	---
	\$434.7 million	\$ 96.2 million	\$338.5 million

Just as strong regional malls tend to "capture" 5 to 15 percent of the "spending capacity" within their trade areas, Center City would not be expected to "capture" 100 percent of the "spending capacity" of its patrons. Assuming a 25 percent "capture" rate and sales productivity of \$350 PSF, there was a "deficit" of 241,785 square feet of "shoppers' goods" and restaurant space in Center City in 2006. An appropriate target for new "shoppers' goods" space would be at least 100,000 square feet within existing and new retail space. The "deficit" identified in this analysis will be only partially addressed by the merchandising/leasing program at Epicentre when it opens in 2008.

2006 INCREMENTAL SUPPORTABLE SQUARE FOOTAGE	
"Spending Capacity"	\$434.7 million
Estimated Actual Sales	\$ 96.2 million
"Untapped Potential" vs. 2006 Sales	\$338.5 million
Assumed "Capture" Rate	25%
Assumed Sales Productivity	\$350 PSF
Supportable Square Footage (2006 "Deficit")	241,785 SF

CENTER CITY'S PROJECTED CAPACITY FOR RETAIL / RESTAURANT SALES--2011

2011 "SPENDING CAPACITY" PROJECTIONS--BASELINE

A Utilization Rate Model was created to project the increased "spending capacity" associated with natural growth in Center City's three key customer segments between 2006 and 2011. Inputs to the 2011 "Sales Capacity" Projection model include only changes in the size of each customer segment. This 2011 Baseline projection of future "spending capacity" does not incorporate any changes in frequency of use, penetration of customer segments or increases in average spending per visit. This model highlights the incremental "spending capacity" created by predictable growth in customer segments: an increase in the adult population of the Charlotte metropolitan area, an expansion in the number of Center City workers, and 2 percent annual growth in the number of visitors to the Charlotte region.

CENTER CITY CHARLOTTE UTILIZATION RATE MODEL 2011 "SPENDING CAPACITY" (PROJECTED)						
CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL UTILIZATION	ANNUAL TRIPS	EXPEND. PER VISIT	SPENDING CAPACITY	PERCENT
MSA Residents (18-65)	1,003,850	5.72	5,742,022	\$20.00	\$114,840,440	22.1%
DT Workers	80,000	235	18,800,000	\$12.00	\$225,600,000	43.3%
Visitors	20,000,000	0.3	<u>6,000,000</u>	\$30.00	<u>\$180,000,000</u>	34.6%
TOTAL			<u>30,542,022</u>		\$520,440,440	100.0%
Retail Sales					\$130,110,110	25%
Food Sales					\$390,330,330	75%

- ✓ By 2011, natural growth of the customer segments will cause projected total "spending capacity" (i.e. projected "spending capacity") to increase to \$520.4. "untapped potential" is projected to increase to \$424.2 million over 2006 sales; this equals incremental growth of \$85.7 million in "untapped potential" over 2006.
- ✓ In 2011, the retail share of "spending capacity" is projected to be \$130.1 million.
- ✓ By 2011, Center City is expected to add 14,500 new office workers. This growth will fuel an increase in office worker retail and food/beverage "spending capacity" in Center City.

- In 2011, “spending capacity” by office workers is projected to increase to \$225.6 million in constant 2006 dollars. Of this total, spending potential on “shoppers’ goods” will be \$67.5 million using ICSC spending factors. The majority of spending will still be associated with food/beverages rather than retail goods; Center City’s Core area will continue to benefit from the greatest “spending capacity” as it will remain the most densely populated office sub-area within Center City.
- ✓ The anticipated increase in Center City workers to 80,000 in 2011 has a significant impact on projected “spending capacity.” Each additional worker added to Center City’s employee base can be expected to spend \$2,820 in conjunction with workday use of Center City.
- ✓ The addition of 19,500 workers will generate increased “spending capacity” of \$55.0 million. It is expected that \$44.0 million of this “spending capacity” will be devoted to food while \$11.0 million will be devoted to “shopper’s goods.”

2011 ESTIMATED “SPENDING CAPACITY” VS. 2006 ESTIMATED ACTUAL SALES BY CUSTOMER SEGMENT			
	2011 SPENDING CAPACITY	2006 ESTIMATED SALES	2011 UNTAPPED POTENTIAL
Local residents	\$114.8 million	---	---
Center City Workers	\$225.6 million	---	---
Visitors	<u>\$180.0 million</u>	---	---
	\$520.4 million	\$ 96.2 million	\$424.2 million

SALES AND SHARE OF SALES BY CUSTOMER SEGMENT			
	2011 PROJECTED PERSON-TRIPS	2011 PROJECTED CAPACITY	2011 SHARE OF CAPACITY
Local residents	5.7 million	\$114.8 million	22 percent
Center City Workers	18.8 million	\$225.6 million	43 percent
Visitors	<u>6.0 million</u>	<u>\$180.0 million</u>	<u>35 percent</u>
	25.4 million	\$520.4 million	100 percent

By 2011, Center City’s customer segments will have projected “spending capacity” of \$520.4 million. This represents \$424.2 million in “untapped

potential” or an increase of \$87.5 million over the amount of “untapped potential” in 2006.

Assuming 25 percent “capture,” Center City could support an additional 61,215 square feet of space due solely to growth in customer segments between 2006 and 2011. By 2011, Center City would be capable of supporting a cumulative total of 303,000 square feet of “shoppers’ goods” and food/beverage space on top of the existing inventory in 2006. If added, this would erase the “deficit” of 241,785 square feet plus fill an additional 61,215 square feet of space.

2011 INCREMENTAL SUPPORTABLE SQUARE FOOTAGE	
“Untapped Potential” 2006	\$338.5 million
“Untapped Potential” 2011	\$424.2 million
Incremental “Untapped Potential” vs. 2006 Sales	\$85.7 million
Assumed “Capture” Rate	25%
Assumed Sales Productivity	\$350 PSF
Incremental Supportable Square Footage	61,215 SF
Cumulative Supportable Square Footage vs. 2006	303,000 SF

This comparison illustrates the point that significant sales increases are possible without necessitating a massive influx of suburbanites using Center City as their primary shopping destination IF an appropriate concentration of “shoppers’ goods” is created in Center City and IF “shopping” becomes a complementary part of more visits to Center City.

Capturing untapped “spending capacity” will require an increase in the amount of space allocated to retailers and a shift toward “shoppers’ goods” merchandise offered in Center City. There are several ways for Center City to capture the spending potential of its current users:

- ➔ Some of the enhanced sales could be accomplished by replacing unproductive tenants with strong new merchants. This is the on-going course of action used to increase the productivity of a shopping center, and this is strategy that can be applied to a re-merchandising initiative at Founder’s Hall and elsewhere in Center City.
- ➔ Part of the increase in retail square footage will be the result of new construction while another portion of the increase can be achieved by replacing non-retail businesses with retailers in street-level storefronts in several strategically located clusters on Tryon Street.

The amount of spending potential that Center City actually “captures” in the future will be dependent upon the quantity and quality of retail merchandising

and success in exposing a high percentage of Center City's patrons to spending opportunities as part of their visits to Center City.

CENTER CITY'S CAPACITY FOR RETAIL / RESTAURANT SALES--2020

A range of assumptions has been created for 2020 to reflect supportable square footage in several scenarios:

1. **Baseline:** Center City's usage dynamics (segment penetration, frequency of visit, and level of spending) remain consistent with 2006 performance in each customer segment. Customer segment growth is the sole basis for the projected increase in supportable square footage.
2. **Low Range Upside:** Minor changes have been incorporated in Center City's usage dynamics (segment penetration and frequency of visit) to reflect greater use of Center City. No changes have been assumed in level of spending; however, the size of each segment has been increased in accord with Baseline projections. Growth in the amount of supportable square footage reflects the compound impact of changes in usage dynamics and segment sizes. Segment penetration rates and visit frequencies are on the lower end of the range in similar urban settings.
3. **High Range Upside:** More aggressive changes have been incorporated in Center City's usage dynamics (segment penetration, frequency of visit, and level of spending) with projected increases in segment sizes to illustrate the opportunity associated with broad changes in the use of Center City. Segment penetration rates, visit frequencies, and spending levels remain within the range of precedent in similar urban settings and are considered realistic goals for Center City in light of its on-going evolution into the region's dominant central gathering place.

2020 "SPENDING CAPACITY" PROJECTIONS--BASELINE

The 2020 Baseline Utilization Rate Model was created to project the increased "spending capacity" based solely natural growth in Center City's three key customer segments between 2011 and 2020. This 2020 Baseline projection of future "spending capacity" does not incorporate changes in frequency of use or penetration of customer segments or increases in average spending per visit. It isolates the incremental "spending capacity" created by assumed growth of each customer segment. Population projections for 2020 were generated by North Carolina and South Carolina; office worker growth is assumed to be 2.0 percent annually; visitor growth is assumed to be 2.0 percent annually. Expenditures are expressed in current dollars (2006).

CENTER CITY CHARLOTTE UTILIZATION RATE MODEL 2020 BASELINE “SPENDING CAPACITY” (PROJECTED)						
CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL UTILIZATION	ANNUAL TRIPS	EXPEND. PER VISIT	SPENDING CAPACITY	PERCENT
MSA Residents (18-65)	1,409,250	5.72	8,060,944	\$20.00	\$161,218,888	18.0%
DT Workers	95,600	235	22,466,000	\$12.00	\$269,592,000	50.0%
Visitors	23,901,850	0.3	<u>7,170,555</u>	\$30.00	<u>\$215,116,650</u>	32.0%
TOTAL			37,679,499		\$645,927,538	100.0%
Retail Sales					\$161,481,885	25.0%
Food Sales					\$484,445,653	75.0%

- ✓ By 2020, natural growth of Center City’s key customer segments will result in \$645.9 million of “spending capacity”. This represents an increase of \$125.5 million over projected 2011 spending potential.
- ✓ In 2020, the retail share of “spending capacity” is projected to be \$161.5 million. This reflects a significant increase over 2006 retail sales estimated at \$20.0 million.

2020 “SPENDING CAPACITY” PROJECTIONS—LOW RANGE UPSIDE

A 2020 Low Range Upside Model was created to project the increased “spending capacity” associated with natural growth in Center City’s three key customer segments between 2006 and 2020 in concert with increases in market penetration/utilization for each segment. Penetration/utilization by segment and spending assumptions incorporated in this model reflect typical performance of other urban areas where H. Blount Hunter Retail & Real Estate Research Co. has applied this model.

Outputs from the 2020 Low Range Upside “Sales Capacity” Projection model include:

- Annual sales volumes generated by local residents and visitors
- Annual trip counts for local residents and visitors and total annual trips into Center City
- Share of total sales generated by each customer segment
- Share of sales attributable to food and retail goods

CENTER CITY CHARLOTTE UTILIZATION RATE MODEL 2020 LOW RANGE “SPENDING CAPACITY” (PROJECTED)						
CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL UTILIZATION	ANNUAL TRIPS	EXPEND. PER VISIT	SPENDING CAPACITY	PERCENT
MSA Residents (18-65)	1,409,250	9.75	13,740,246	\$20.00	\$274,804,920	30.4%
DT Workers	95,600	235	22,466,000	\$12.00	\$269,592,000	29.9%
Visitors	23,901,850	0.5	<u>11,950,925</u>	\$30.00	<u>\$358,527,750</u>	39.7%
TOTAL			48,157,171		\$902,924,670	100.0%
Retail Sales					\$225,731,168	25.0%
Food Sales					\$677,193,502	75.0%

- ✓ By 2020, “spending capacity” is projected to be \$902.9 million ***IF*** the following usage assumptions are realized:
 - Local resident penetration increases from 52 percent in 2006 to 65 percent in 2020. In addition, annual frequency of visits to Center City rises from an average of 11 visits annually in 2006 to 15 trips to per year in 2020.
 - Center City’s penetration of the regional visitor market increases from 30 percent as assumed in 2006 to 50 percent in 2020.
- ✓ In 2020, the retail share of “spending capacity” is projected to be \$225.7 million.

2020 “SPENDING CAPACITY” PROJECTIONS—HIGH RANGE UPSIDE

A 2020 High Range Upside Model was created to illustrate the upper range of “sales capacity” based upon precedents in other urban areas where H. Blount Hunter Retail & Real Estate Research Co. has applied this model.

In this projection of future “spending capacity,” the compounded impact of increased spending combined with increased penetration/utilization and growth in segment sizes becomes evident.

CENTER CITY CHARLOTTE UTILIZATION RATE MODEL 2020 HIGH RANGE “SPENDING CAPACITY” (PROJECTED)						
CUSTOMER SEGMENT	SEGMENT SIZE	ANNUAL UTILIZATION	ANNUAL TRIPS	EXPEND. PER VISIT	SPENDING CAPACITY	PERCENT
MSA Residents (18-65)	1,409,250	9.75	13,740,246	\$25.00	\$ 343,506,150	28.1%
DT Workers	95,600	235	22,466,000	\$20.00	\$ 449,320,000	36.7%
Visitors	23,901,850	0.6	<u>14,341,110</u>	\$30.00	<u>\$ 430,233,300</u>	<u>35.2%</u>
TOTAL			50,547,356		\$1,223,059,450	100.0%
Retail Sales					\$305,764,863	25.0%
Food Sales					\$917,294,587	75.0%

- ✓ By 2020, total “spending capacity” in this high range upside scenario is projected to be approximately \$1,223.1 million ***IF*** the following usage assumptions are realized:
 - Local resident penetration increases from 52 percent in 2006 to 65 percent in 2020. Annual frequency of visits to Center City rises from an average of 11 visits annually in 2006 to 15 trips to per year in 2020.
 - Center City’s penetration of the regional visitor market increases from 30 percent as assumed in 2006 to 60 percent in 2020.
 - Average spending by local residents increases from \$20.00 to \$25.00 per visit.
 - Average spending by office workers increases from \$12.00 to \$20.00 per visit.

By 2020, Center City’s customer segments will have projected “spending capacity” that is substantially higher than “spending capacity” in 2006 or 2011.

2020 “SPENDING CAPACITY” AND “UNTAPPED POTENTIAL”			
	2020 PROJECTED CAPACITY	2006 ESTIMATED SALES	2020 UNTAPPED POTENTIAL
Local residents	\$161.2- \$343.5 million	---	---
Center City Workers	\$269.6- \$449.3 million	---	---
Visitors	\$215.1- \$430.2 million	---	---
	\$645.9- \$1,223.1 million	\$96.2 million	\$549.7- \$1,126.9 million
2011-2020 Incremental “untapped potential”			\$125.5- \$702.7 million

CENTER CITY VISITS AND SALES BY CUSTOMER SEGMENT			
	2020 PROJECTED PERSON-TRIPS	2020 PROJECTED CAPACITY	2020 SHARE OF CAPACITY
Local residents	8.1-13.7 million	\$161.2-\$343.5 million	18-30 percent
Center City Workers	22.5 million	\$269.6-\$449.3 million	30-50 percent
Visitors	<u>7.2-14.3 million</u>	<u>\$215.1-\$430.2 million</u>	<u>32-40 percent</u>
	37.7-50.4 million	\$645.9-\$1,223.1 million	100 percent

By 2020, Center City’s customer segments will have projected “spending capacity” that is substantially higher than “spending capacity” in 2006. The amount of “untapped potential” in each scenario is similarly large compared to the existing base of retail/restaurant space in 2006:

- 1. Baseline: From 2011 to 2020, the projected amount of incremental “untapped potential” will be \$125.5 million. This will support an additional 89,645 square feet of space. By 2020, Center City would be capable of supporting 392,645 square feet on top of its existing 2006 inventory.***
- 2. Low Range: From 2011 to 2020, the projected amount of incremental “untapped potential” will be \$382.5 million. This will support an additional 273,215 square feet of space. By 2020, Center City would be capable of supporting 576,215 square feet on top of its existing 2006 inventory.***

3. High Range: From 2011 to 2020, the projected amount of incremental “untapped potential” will be \$702.7 million. This will support an additional 501,930 square feet of space. By 2020, Center City would be capable of supporting 804,930 square feet on top of its existing 2006 inventory.

This broad range of incremental supportable space illustrates the scale of opportunity that can be created by modest increases in use of Center City by each customer segment. Stimulating use of Center City creates more retail spending potential and increases the amount of supportable square footage that can be targeted in the 2020 Retail Vision. These amounts of space are significantly higher than currently in development or proposed for Center City.

Assuming 25 percent “capture,” there could be sufficient “spending capacity” to significantly more retail/restaurant space in Center City than existed in 2006.

2020 SUPPORTABLE SQUARE FOOTAGE BASELINE, LOW RANGE, AND HIGH RANGE SCENARIOS			
	BASELINE	LOW RANGE	HIGH RANGE
“Untapped Potential” 2011	\$424.2 million	\$424.2 million	\$424.2 million
“Untapped Potential” 2020	\$549.7 million	\$806.7 million	\$1,126.9 million
Incremental “Untapped Potential” vs. 2011	\$125.5 million	\$382.5 million	\$702.7 million
Assumed “Capture” Rate	25%	25%	25%
Assumed Sales Productivity	\$350 PSF	\$350 PSF	\$350 PSF
<i>Incremental Supportable Square Footage vs. 2011</i>	<i>89,645 SF</i>	<i>273,215 SF</i>	<i>501,930 SF</i>
<i>Cumulative Supportable Square Footage vs. 2006</i>	<i>392,645 SF</i>	<i>576,215 SF</i>	<i>804,930 SF</i>

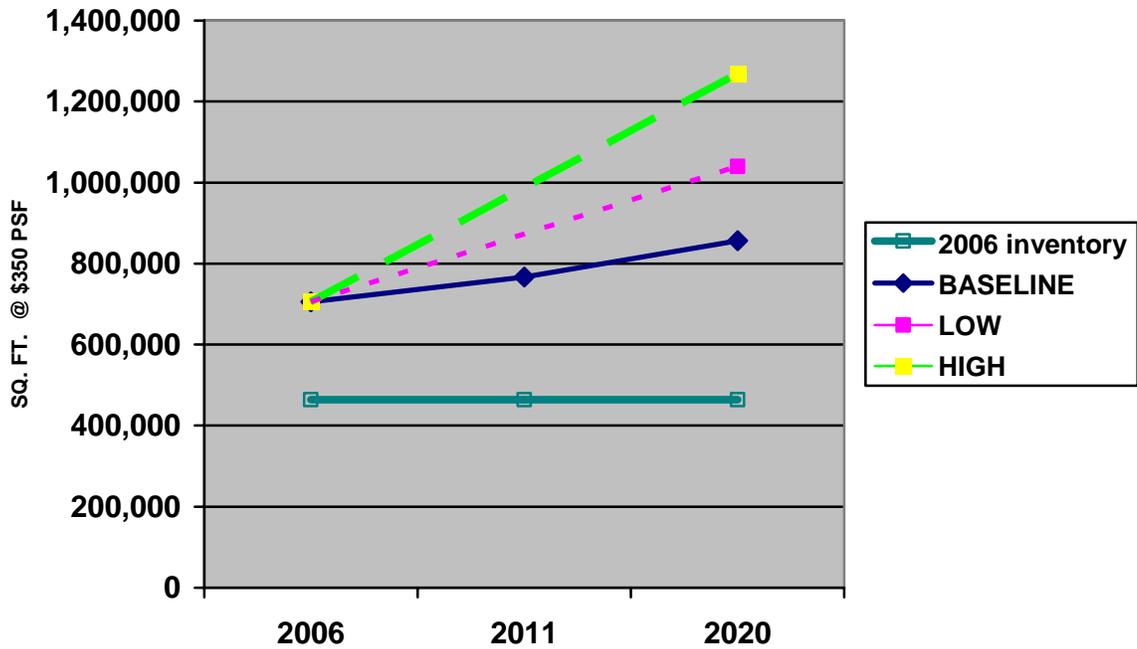
Again, these supportable square footage projections do not include uses offering non-shopper’s goods merchandise such as a “city market” or art galleries. Space devoted to these uses falls outside the realm of “shoppers’ goods” and expands the total amount of retail space that could be added to Center City.

2006 to 2020 Summary

The graph shows the amount of incremental supportable square footage that can be supported on top of the existing 2006 inventory in 2011 and in 2020 across the range of scenarios.

- In 2006, there was a “deficit” of 241,785 square feet of “shoppers’ goods” and restaurant space in Center City.***
- By 2011, Center City will be capable of supporting an additional 61,215 square feet of “shoppers’ goods” and dining space. Epicentre, set to open in 2008, will fill some of the “deficit” but it will not fill the cumulative 303,000 square feet of supportable space that has been projected in these calculations.***
- By 2020, Center City will be capable of supporting 392,645 to 804,930 square feet of space in addition to its base inventory in 2006. Achieving the upper range of supportable square footage is predicated upon meeting realistic goals for increased use of Center City by residents, workers, and visitors.***

**CUMULATIVE SUPPORTABLE
"SHOPPERS' GOODS" RETAIL
AND FOOD/BEVERAGE SPACE**



**SUMMARY OF INCREMENTAL SUPPORTABLE SPACE
MULTIPLE SCENARIOS 2006 TO 2020
(ASSUMING 25 PERCENT "CAPTURE" AND \$350 SALES PSF)**

	UNTAPPED POTENTIAL	INCREMENTAL SUPPORTABLE SPACE OVER 2006 BASE	CUMULATIVE SUPPORTABLE SQ. FT.
2006 EXISTING	---	463,905 SF INVENTORY	463,905 SF
2006 Baseline	\$ 338.5 million	241,785 SF	705,690 SF
2011 Baseline	\$ 424.2 million	61,215 SF	766,905 SF
2020 Baseline	\$ 549.7 million	89,645 SF	856,550 SF
2020 Low Range	\$ 806.7 million	273,215 SF	1,040,120 SF
2020 High Range	\$1,126.9 million	501,930 SF	1,268,835 SF

**2020 VISION
FOR CENTER CITY RETAILING**

2020 VISION FOR CENTER CITY RETAILING

Charlotte's *Center City 2010 Vision Plan* established community goals for the functionality and appearance of the heart of Center City. This broad visioning process included representatives of city and county government, architects, urban planners, nonprofit groups, and citizens of the Charlotte region. The plan was unanimously adopted by both the City Council and County Commissioners based upon overwhelming support by the public.

The broad vision for Center City is to create a memorable place that is walkable because of its human scale, balanced and mixed with a mix of housing, retail, office and civic spaces, throughout neighborhoods, blocks, and buildings, with a range of experiences for residents, visitors, and workers.

The addition of retailing is an important element in the creation of a memorable, fully functional urban area. The 2020 Retail Vision for Center City presents a plan to provide for the needs and wants of a wide variety of patrons, enhance the sustainability of Center City, and enable Center City to reach its full potential as a mixed-use district.

The early stage of the Center City retail strategy is highly pragmatic: add merchandise that would appeal to the key customer segments that visit for work and a variety of discretionary purposes. Finding "common denominator" merchandise to appeal to current users is a more viable strategy than trying to identify merchandise that would compel suburbanites to visit Center City for the primary purpose of "shopping." Attempting to create a retail "critical mass" where success would depend upon drawing suburban residents into Center City for the primary purpose of "shopping" is strongly discouraged in light of the amount and quality of suburban retail competition.

Succinctly stated, the Center City retail development strategy is to build a sustainable retail base by offering an increasing assortment of "shoppers' goods" to tap into the spending potential of key market segments in priority order: daytime employees, event attendees, visitors, and Center City residents.

The optimal merchandising skew for serving existing customer segments consists of "moderate to better" merchandise to reflect the age/income demographics of the prevailing customer segments and because a significant share of purchasing will be relatively spontaneous. Center City should not attempt to compete directly with SouthPark Mall as a primary shopping destination because of the center's overwhelming market dominance. The overall market is too small to permit Center City to become Charlotte's second setting for "luxury goods." At the opposite

extreme, low-end merchandising would not be compatible with Center City's current patrons.

Apparel and shoes will likely account for a smaller share of total retail space in Center City than might be expected in a regional shopping center; alternately, restaurants and non-apparel categories may comprise a higher share of space in Center City than in most regional malls. Some retailers at SouthPark Mall may be prospects for locations in Center City because they can gain incremental sales from existing customers while gaining sales from new patrons and out-of-town visitors. Sales transfer will be a concern to retailers located in SouthPark; however, the benefits of a location in Center City are expected to out-weigh sales transfer. Securing a branch of a fashion-oriented department store would facilitate leasing to specialty tenants and establish a stronger merchandising foundation for Center City; however, the dynamics of the department store industry will present significant challenges in the pursuit of a department store.

Over time, the retail offering may grow in scale and content to be capable of generating "destination" shopping trips for some segments of the local resident population.

The addition of "shopping" will broaden Center City's functionality and contribute to greater fulfillment of potential. The creation of a major "crossroads" for business, recreation, and living is simply incomplete without shopping. The lack of street-level retailing is the most obvious void in Center City's urban fabric. Charlotte's urban retail evolution will be a sign of the city's maturation.

Center City's retail base can serve the needs of patrons without the necessity of having the depth and breadth of "shoppers' goods" offered in a major regional mall. The sheer number of patrons visiting Center City over the course of a year creates measurable consumer demand that is not being addressed in an adequate manner. Additional retailing in Center City can create a more desirable work environment just as Overstreet Mall addressed workers' basic eating and convenience needs. Enhanced retailing can assure higher spouse attendance among convention delegates and would certainly contribute to greater satisfaction among residents of Center City's emerging neighborhoods. Several market studies have confirmed that adding "shopping" to the assortment of things that patrons can do while visiting would make Center City more appealing to local residents.

The long term vision for Center City retailing focuses on high-quality shops occupying storefronts on Tryon Street with additional pedestrian-oriented retailing and dining/entertainment radiating outward from the intersection of Trade and College Streets. Retailing can be the element that reinforces Tryon Street as Charlotte's "Main Street." Retail can also be harnessed to establish Brevard Street as a major pedestrian path from the convention center/NASCAR Hall of Fame to Bobcats Arena.

More specific elements of a retail plan will emerge from the 2020 Retail Vision process.

The vision for Charlotte's retail evolution is not predicated upon the construction of a monolithic enclosed mall or duplicating SouthPark. While it is not possible to wish into existence a retail offering matching the cache of Fifth Avenue in New York, the retail density of Michigan Avenue in Chicago, or the designer glamour of Paris' Rue du Faubourg St. Honoré, Center City Charlotte can once again be a site for shopping as an increasing number and variety of retailers understand the spending potential of its customer segments. Charlotte's retail rejuvenation may be a gradual journey. Whether the mix includes department stores, the merchandise offering should reflect the needs and wants of its patrons. To succeed, Center City does not need to replicate SouthPark. Center City's retail opportunity should be scaled to the demand generated by current patrons with the knowledge that an expanding "critical mass" of merchants can generate destination shopping trips that cannot be envisioned today.

ILLUSTRATIVE MERCHANDISE CATEGORIES AND TENANTS

Increasing the representation of “shoppers’ goods” merchandise in Center City can be accomplished by targeting the following merchandise categories:

POTENTIAL MERCHANDISE CAREGORIES	
Books (new and used)	Handcrafted goods
Music	Home décor items
Women’s casual clothing	Greeting cards and gifts
Women’s career apparel	Specialty sporting goods
Women’s shoes	Leather goods/Accessories
Men’s casual attire	Guild jeweler
Men’s career apparel	Lotions/Skin care (major brands and organics)
Men’s shoes	Carolina college/pro teams logo merchandise
Art and craft galleries	Perfumes/Cosmetics

Chain retailers that illustrate the level of quality and breadth of appeal necessary for success include names familiar from the area’s regional malls; local and regional equivalents should also be considered. (NOTE: No contact has been initiated with any of these tenants. These retailers are cited for illustrative purposes only.)

ILLUSTRATIVE NATIONAL MERCHANTS		
Ann Taylor	Charles David	The Body Shop
Ann Taylor Loft	Victoria’s Secret	Bare Escentuals
Talbot’s	Sigrid Olsen	Douglas Cosmetics
Talbot’s Petites	Liz Claiborne	Coach
Banana Republic	Brooks Brothers	Blue Mercury
White House/Black Market	Finish Line	Papyrus
Bebe	The Athlete’s Foot	Bath & Body Works
Chico’s / Soma	Johnson & Murphy	Origins
American Apparel	Allen Edmonds	Aveda
The Gap	Church’s English Shoes	Sephora
Christopher & Banks	Barnes & Noble	MAC Cosmetics
Nine West	Borders Books and Music	Lush
Naturalizer Shoes	White Barn Candle Company	Face-Stockholm

IMPLEMENTATION STRATEGY

IMPLEMENTATION STRATEGY

In light of the limited amount of quality street-level retail space in Center City, the recommended course of action is to seek an incremental increase in the retail merchandise offering through the re-use of existing space while working to stimulate the development of new retail space capable of accommodating a critical mass of “shoppers’ goods” merchandise. Public and private sector interest must jointly embrace this retail strategy in order to collaborate on important aspects of its implementation.

The retail development recommendations for Center City Charlotte include short- and long-term plans designed to capitalize upon the unique strengths and opportunities stemming from current users. The retail strategy recommendations do not include eliminating the Overstreet Mall as this is highly improbable. The recommended actions would impact the potential for retailing in Center City by shifting pedestrian activity to the streets where it would be highly visible to, and accessible by, all Center City patrons. As a matter of political reality, the retail development plan does not assume public financial involvement in a public-private partnership as the solution to economic hurdles in the path of retail development.

Finally, the strategy comes with the caveat that implementation will not be easy. Most retailers are pre-disposed to suburban locations; they have little understanding of the opportunities in urban settings and great fear of operating challenges present in urban locations.

Short Term Plan

The short-term retail plan focuses on demonstrating the capacity of the market to support “shoppers’ goods” retailing in Center City and creating opportunities to enhance the retail content of Center City over the next five years. The goals are to bolster the “shoppers’ goods” merchandise mix in existing retail space and convert appropriately-located existing space to retail uses.

The leasing challenge—stated in marketing terms—is to make Center City’s consumer base more visible and attractive to a broader variety of “shoppers’ goods” retailers. The challenge—stated in physical terms—is to accommodate new retailers in existing space until new retail space can be developed. A retail solicitation initiative will be based upon a plan that includes suggested placement for stores and merchandise targets. Execution will require support from property owners, brokers, and the public sector. The ultimate goal is to effectively and credibly communicate Center City’s retail site strengths to prospective retail tenants and to set aside space for new retail tenants in locations where they will have the greatest potential to succeed.

Short-Term Plan:

A short-term retail plan can be implemented over the next five years as the first step in a retail development plan requiring several years to be realized. The goals of the short term plan are to bolster the offering of “shoppers’ goods” in Center City under the marketing mantra: “Meet the Street, Grow the Street.”

Suggestions to convert office building lobbies from grand, under-utilized expressions of corporate status into functional retail space and reconfiguring large outdoor plazas and building set-backs into retail settings are admittedly “easier said than done” but would have enormous impact on Center City’s capacity to accommodate more retailers.

Center City’s built environment is not hospitable to retailing. The Overstreet Mall has significant physical deficiencies as a setting for “shoppers’ goods” retailing (i.e. limited visibility and accessibility from sidewalks, shallow store spaces, absence of anchor store sites, excessive length, grade changes and complex transitions from segment to segment). This elevated and enclosed walkway system inhibits street-level pedestrian activity and has negatively impacted the amount of retailing on the streets of Center City. In addition, new office buildings generally have grand public spaces, lobbies, or office uses instead of retail uses at street level. The short-term plan will add retail capacity by increasing the amount of appropriately-sited street-level retail space within Center City. Success will be dependent upon private property owners’ willingness to make significant physical changes to their properties and to favor retailers over other types of tenants when leasing street-level space.

The short-term plan serves as an interim action plan while a long-term plan focuses on new development opportunities that can come to fruition over a longer time horizon. Over the next 3 to 5 years, there is a great opportunity to add “shoppers’ goods” merchandise targeting multiple customer segments. Initially, the primary customer segment is affluent office workers; other segments include visitors and business travelers, event patrons, and Center City residents. Increasing sales will demonstrate the capacity of the consumer market to a growing number of retailers.

“OVERSTREET” MEETS TRYON STREET

Re-merchandising Overstreet Mall to become a “shopping center” is unlikely to succeed in part because of the buildings that comprise the Overstreet Mall have severe physical limitations in their ability to accommodate a variety of retail store formats. In addition, much of the space is too shallow to serve the needs of retailers, and the system’s excessive length, lack of double-loaded space, twisting configuration and multiple grade changes would also be perceived as negatives by most retailers.

This initiative seeks to shift the content of Overstreet Mall to a primary focus upon fast food and service tenants, thereby allowing existing retailers to relocate to locations where Overstreet Mall can be re-configured to meet Tryon Street:

1. Add new street-level entrances to Overstreet Mall that can be used without entering office buildings or hotels. Position retail spaces at these new entrances.
2. Create key site opportunities for “anchor” tenants near selected new and existing Overstreet Mall entry portals and at strategic locations along Tryon Street and Trade Street. These anchors will activate retailing on the street and draw patrons in the Overstreet Mall out to the streets. Focus efforts to bolster the retail offering at Hearst Plaza, the plaza adjacent to Bank of America Corporate Center/Founder’s Hall, Bank of America Plaza, and within the Wachovia complex on Tryon Street between First and Third Streets.
3. Reconfigure the exterior of Founder’s Hall to increase its retail image; improve visibility and accessibility from Tryon Street; redesign the building’s Trade Street and College Street facades to have greater exterior-orientation; redesign the first floor stage area to be more compatible with a major retail entrance from College Street.

“GROW THE STREET”

This initiative seeks to increase the capacity for retailing at street level:

4. Establish a “priority retail zone” in the 200 and 300 blocks of South Tryon Street where retail uses would take precedent over non-retail uses as tenants in storefronts. Work to establish double-loaded retail massing (i.e. shops on both sides of the street) on Tryon Street between Second and Fourth Streets and between Sixth and Trade Streets. Large spaces can be offered to “anchor” retailers or re-configured into multiple storefronts.
5. Extend recessed storefronts out to the sidewalk along Tryon Street at multiple locations including Wachovia Plaza.
6. Encourage the construction of sidewalk-oriented retail spaces with bay width of 40 feet and depth of 80 feet in any new building developed adjacent to the Latta Arcade.

Many of the critical short-term actions depend upon the willingness of the corporate community to act upon a shared vision and “civic altruism” rather than individual goals and narrow interests. The absence of a centralized merchandising plan and fragmented property ownership make it difficult to achieve a broader offering of

“shoppers’ goods” within the Overstreet Mall and at street level. In many cases, property owners will be asked to accept lower rent or endure vacancy when substituting retailers for service tenants in ground level storefronts. Other property owners may be asked to incur the expense of reconfiguring space before a tenant has been secured. And while Epicentre and Founder’s Hall represent opportunities for retail diversification, these projects require significant physical alternations and/or content refinement before they can contribute to a broadening of Center City’s retail mix.

Charlotte Center City Partners can have maximum impact on implementation of the short term plan through the following public and behind-the-scene initiatives:

1. Any expertise or resources that can supplement efforts by the developer of Epicentre to attract a strong component of “shoppers’ goods” retailers could strengthen the project and assure its impact as a positive catalyst for additional retail development in Center City. The success of Epicentre is imperative; modest performance will delay Center City’s retail development opportunity.
2. Potential retailers would feel their visibility is compromised in the Overstreet Mall. Opportunities to create new retail space at key entrances to the Overstreet Mall should be pursued in order to connect the enclosed skywalk system with the sidewalks and to signal that the Overstreet Mall system is available for use by Center City’s non-office worker patrons.
3. The transformation of Founder’s Hall into a more functional retail space can add momentum to Center City’s retail evolution. Founder’s Hall is currently disconnected from street-level activity on Tryon Street and College Street. While maintaining building security for Bank of America, Founder’s Hall can be altered to have appropriate retail exterior entrances at the corner of College and Trade streets. In addition, it is important for the building to be identified by its retail content so that passersby will want to enter the building.
4. Influencing the future direction of Overstreet Mall is necessary. Public policy should discourage (or prohibit) the continued development of the Overstreet Mall system. Conversion of much of Overstreet Mall into service-oriented uses and office space would drive merchants into street locations and divert pedestrian activity to Center City’s sidewalks. A transition of this type will be a difficult undertaking given the entrenched nature of Overstreet Mall and because of the number of individual owners involved, but the end results would restore vitality to the streets of Center City.
5. Identifying street-level space for conversion into retail use is an essential step in increasing the offering of “shoppers’ goods” in Center City. It is a costly

proposition for a landlord to disrupt a lease that is in effect even if the landlord shares the vision of adding additional retailing to ground level spaces. The effort to concentrate “shoppers’ goods” retailers in an effective street-level cluster begins with a thorough understanding of rent being generated and lease expirations in key buildings. One of the greatest challenges in leasing individual storefronts is gaining control in order to proceed with simultaneous re-merchandising/re-leasing. Piecemeal leasing activity loses its impact and is more difficult to execute because of timing disparities.

6. Influencing institutional owners to reconfigure street level plazas and building lobbies for retail use is necessary as a means of creating retail capacity in Center City.
7. Insisting that lobbies of new office buildings consist of street-oriented retail space as an element equal to financial offices or corporate lobbies.

The public and private sectors must engage in a dialogue about possibilities for public sector support for retail development. Public sector officials have indicated a lack of support for financial incentives to stimulate retailing in Center City. There are opportunities for the public sector to assist in retail development that do not require incentives and subsidies.

Implementation Guidance—Short Term:

1. Assemble “Can Do” team from within the Retail Task Force
 - a. Real estate development experience
 - b. Key property owners
 - c. Retail broker/tenant representation contacts
 - d. Finance/banking experience
 - e. Community leaders with access to the top echelons of elected city government officials and corporate executives
2. Generate images of enhanced retailing to generate support for 2020 Retail Vision
 - a. Renderings of active street-level storefronts on Tryon Street
 - b. Renderings of in-fill retail space/entry portals to link Overstreet Mall to Tryon Street
 - c. Renderings of re-designed exterior of Founder’s Hall
 - d. Renderings of new retail project on key site
3. Lead effort for formal adoption of 2020 Retail Vision
 - a. Link the 2020 Retail Vision to the Center City 2010 Vision Plan and demonstrate that success in implementing portions of the Center City 2010 Vision Plan has created the opportunity for the 2020 Retail Vision

- b. Seek public input on topic of retail vision and strategy
 - c. Generate stakeholder support for adoption of retail vision
4. Prepare marketing materials to tell Center City’s “retail story”
 - a. Quantify key customer segments in Center City
 - b. Present profile of Center City patrons
 - c. Define spending potential
 - d. Compare “actual sales” with potential sales to show magnitude of upside retail opportunity
 - e. Specify targeted merchandise categories
 - f. Show site opportunities as part of visual images of enhanced retailing and new retail project site

Long Term Retail Development Plan

The completion of Epicentre, retail intensification of Founder’s Hall, modifications to Overstreet Mall, and conversion of street-level storefronts to retail space will add to Center City’s retail capacity, but these will accommodate only a portion of Center City’s supportable retail square footage. Over the long term, new construction of one or more retail projects will be required to create space for retailing in Center City.

The primary goal of the long-term retail development plan is to significantly increase Center City’s capacity to accommodate additional retailing. The principle elements of the long-term action plan are Identification of a site for large-scale retail development accompanied by developer solicitation and facilitation.

Over a five to ten year time horizon, Center City’s retail base can continue to expand through the construction of one or more significant “critical masses” of retail space. Charlotte Center City Partners can have maximum impact on implementation of the short term plan through the following public and behind-the-scene initiatives:

1. Charlotte Center City Partners can assume the lead role in steering private developers to sites with locations that meet the goal of concentrating retailing in the heart of the office core in close proximity to the majority of office workers with easy access by event patrons and patrons of key cultural and sports facilities. Charlotte Center City Partners can also influence the merchandising direction (content) of new developments to encourage the addition of “shoppers’ goods” over convenience retailers and restaurants.
2. Charlotte Center City Partners and public sector may stimulate the retail development process by collaborating in the identification of a large site as the community’s highest priority opportunity for Center City retail development. A location near the geographic heart of Center City is paramount; office workers

are expected to be the single most important customer segment, therefore any new retail project must be centrally located and within a 5-10 minute walk of the majority of Center City's office workforce. For maximum accessibility by office workers, peripheral sites on the edge of Center City are not recommended. The specific content and format of the project should be left up to the judgment of the actual developer; however, it would be appropriate for the public-private leaders to establish some parameters (i.e. desired project size range, presence or absence of department store anchors, amount of self-contained parking) to be used when evaluating developer's proposals.

3. The public sector should evaluate its potential role in facilitating retail development.
 - a. The most basic way for the public sector to contribute to the retail development of Center City is through development guidance that can be fostered through the planning process and by zoning policy. The public sector may also encourage retail development through its economic development policies and practices. The public sector can encourage the creation of a "critical mass" of retailing in Center City and guide its placement by implementing a "retail streets" overlay district coinciding with the short- and long-term plans presented in this report.
 - b. The public sector can facilitate retail development by assisting with site assembly or by making public land available for retail development.
 - c. More pro-active public sector involvement may be necessary to overcome development challenges in urban settings (high land costs, structured parking expense) that are independent of the level of consumer market support for additional Center City retailing. While this analysis does not suggest the use of incentives or subsidies, the public sector has at its disposal other effective means of assistance including the use of tax increment financing (TIF), by entering into land lease agreements that benefit development economics by reducing land acquisition costs, or by assuming the responsibility for providing parking as part of a larger plan to expand Center City's public parking capacity.

Large-scale retail development may require public-private collaboration and some level of public sector assistance. Public policy can address the desired form and location of retail development; however, overcoming market inertia and addressing investor uncertainty may require willingness by the public sector to assist developers as they confront the challenges inherent in urban retail development. Absent some level of public sector encouragement or support, Center City is unlikely to gain appropriate capacity to accommodate a meaningful cluster of "shoppers' goods"

retailers. Without intervention, a slow retail evolution can be expected as more retailers are attracted to Center City based upon performance of existing merchants.

Implementation Guidance—Long Term:

1. Initiate joint effort with the public sector to identify one or more targeted retail development sites with sufficient size to solidify “shoppers’ goods” retailing in Center City
2. Collaborate with the public sector on developer solicitation and retail concept planning
 - a. Identify potential developers for RFP solicitation
 - b. Contact prospective developers to convey retail development opportunity and concept
 - c. Specify key “outcomes” as part of selection criteria
3. Work with public sector to establish economic development policies and/or create economic development tools designed specifically to facilitate retail development in Center City
 - a. Define parameters of possible public assistance on site assembly and provision of public infrastructure
 - b. Review “best practices” from other communities

APPLICATION OF BASIC RETAIL SITE SELECTION PRINCIPLES TO CENTER CITY CHARLOTTE

The retail strategy for Center City must be embraced by retailers who will evaluate the sales opportunity in Center City against other site opportunities within the broader regional retail landscape whether they are new-to-the-market merchants or retailers with an existing presence in the Charlotte metropolitan area.

Each retailer will also apply unique site selection criteria when evaluating Center City Charlotte as a location opportunity.

Retail Site Selection Overview

Retailers evaluate store location alternatives by examining several factors:

- Number of units and locations of competitors
- Locations of complimentary merchants which whom co-tenancy is desirable
- Sales productivity of shopping centers
- Sales growth trends for shopping centers and Charlotte retail market
- Probable store sales based upon proprietary sales models
- Potential sales transfer to new store from existing stores
- Travel times from key residential areas to alternative sites
- Home location of residents of Charlotte market who are generating sales via catalogue, internet, stores in nearby markets
- Ability of sites to deliver additional customer segments (tourists, workers, regional customers)
- Operational issues such as safety and cleanliness of location options
- Subjective evaluation of ambiance of shopping centers or neighborhoods

In general, retailers attempt to determine who they will draw to a store based upon its location and whether a specific site provides access to an adequate number of “new” customers not currently served by an existing location of his store. Those who represent retail opportunities in Center City must convince retailers that a store in Center City can achieve a profitable level of sales (different for each retailer) without substantial “sales transfer” from existing stores.

The basic principles of retail site selection apply to the process of identifying potential retail development sites within Center City Charlotte.

POTENTIAL SITE FOR CENTER CITY RETAIL DEVELOPMENT

Identifying a primary retail development site opportunity was a secondary goal of this retail analysis. Multiple locations within the I-77/I-277 Loop were generally evaluated as potential sites for large-scale retail development. Sites considered included parcels between Stonewall Street and I-277, the North Tryon corridor between Sixth Street and I-277, sites on Brevard to the north and south of Bobcats Arena, and parcels in the vicinity of the planned baseball park.

Aside from site size, the principal considerations were central location with easy pedestrian access by office workers and high-visibility with convenient accessibility by other Center City customer segments. Because 73 percent of office workers limit their lunchtime walk to a maximum of three blocks, the optimum site would be located within 1-2 blocks of the heart of Center City's office core.⁴

The parcel currently used by CATS at the corner of Trade Street and Brevard Street for a bus transfer facility best fulfills the most important criterion of equally easy accessibility to the greatest number of office workers while being centrally located and easily accessible by other Center City patrons. Compared with less centrally-located sites, this parcel could be promoted as the optimal development site for a large-scale mixed use project in Center City. A development here would optimally include a "critical mass" of street-level retail space with on-site parking for patrons while accommodating an expanded combination of transit linkages (light rail, bus, and trolley). Market conditions at the time will determine the square footage of "shoppers' goods" and other retail/food uses.

This parcel has numerous strengths as a site for large-scale retail development:

1. This large site has been assembled and is held by a limited number of civic-minded owners including the public sector. The current owners could benefit from a joint-venture agreement with a private developer.
2. Much of the surrounding context has changed since this site was designated as a transit transfer station. Today, this low density, single-use facility stands in contrast to high-density, multi-function uses located nearby. A continual evaluation of use would suggest that the current use is not the "highest and best use" of the land.
3. An "opportunity analysis" would reveal significant fiscal benefits for Charlotte-Mecklenburg by facilitating development. Real estate development on this site

⁴ "Office Worker Retail Spending Patterns: A Downtown and Suburban Area Study," ICSC, 2004

would initiate a sustained stream of real estate taxes and other tax revenue as well as generate new employment.

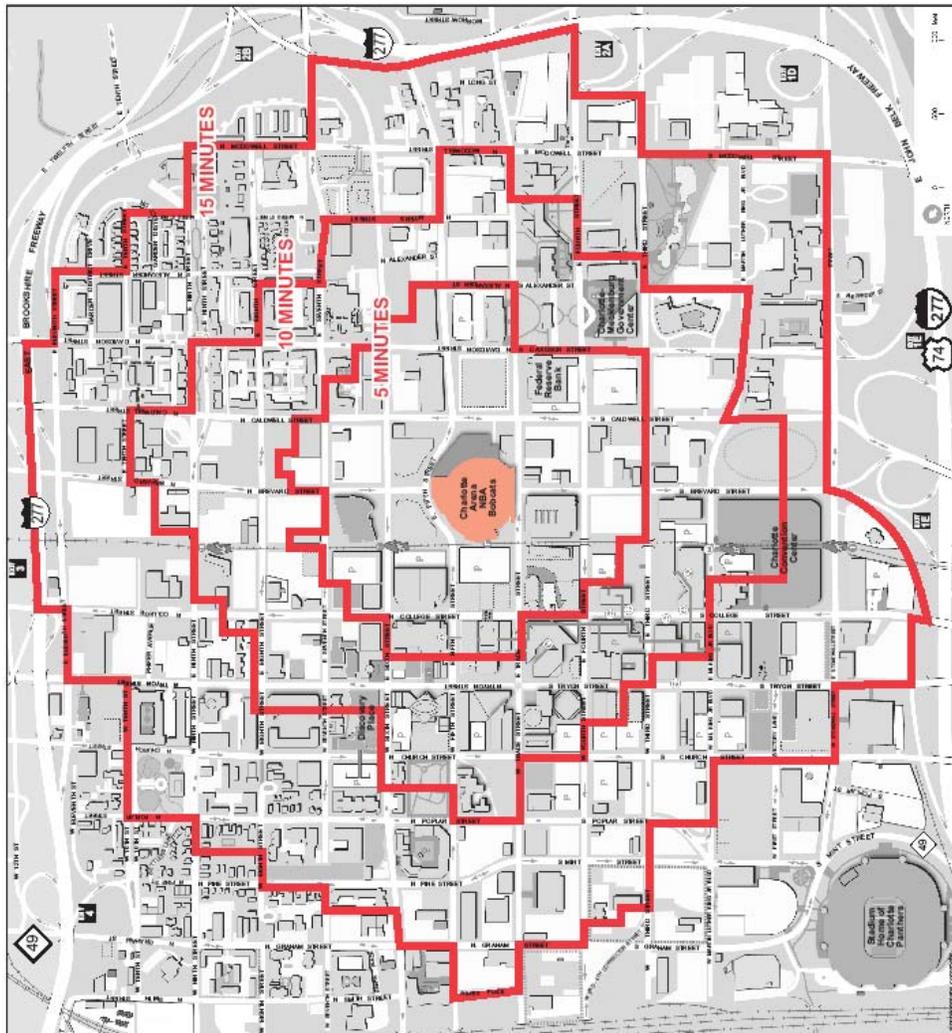
4. This site is as close to the “ground zero” intersection of Trade and Tryon Streets as possible given current development patterns. The site will be readily recognizable to local users as being at (or near) the “center of Center City.”
5. This site is adjacent to a South Corridor light rail station that offers a direct link to the South End and the populous south side. This line is also being planned to extend to northeast Charlotte and UNCC.
6. A retail project here can reinforce Center City’s existing retail activity. The site is located near the “retail corner” of Trade Street and College Street where retailing has been established by Epicentre and Founder’s Hall. The site is also near the dining/entertainment node that has developed organically on North College Street.
7. Access to this site is favorable for all customer segments. In particular, this site favors office workers—a majority of whom are located within a 5-10 minute walk. Easy access by office workers is the highest priority in selecting the site for retail development because this customer segment will be of greatest interest to most prospective tenants and because office workers are expected to generate as much as half of total sales in any new retail development in Center City. Most Center City residents live within a reasonable walking distance (10-15 minutes at most) and would view this site as very convenient for frequent visits. Visitors at the convention center/NASCAR Hall of Fame complex are within a three-block walk along Brevard Street, and patrons of other museums and attractions are within similar walking distances. Residents approaching from outside the I-277 Loop can access the site easily by transit (bus, light rail, trolley) or via car using a network of two-way streets removed from the often-congested Tryon Street corridor.
8. Retailers at this location will be able to capitalize upon large-scale residential development projects planned to the northeast and southeast of the site.
9. Ground-up development is possible on this site; tenants will be assured of retail space with dimensions and ceiling heights that fit contemporary store criteria.
10. Because of the size of the site (approximately 2 acres), a “critical mass” of retailing can be developed within a project that can have high identity as a destination within Center City.

11. On-site parking can be incorporated in a new development. A major portion of the parking can be designed for transient use to benefit shoppers.
12. This site is blessed by multiple modes of transit including a light rail stop, orientation to a planned streetcar line, and bus access. Development of this site does not preclude bus/transit transfer operations at this location if transportation planners feel this is their preferred long-term transfer facility. The transit transfer function can be accommodated as part of a multi-use development much like Westlake Center in Seattle or The Gallery in Philadelphia.
13. Development of this site can be a catalyst for major enhancements to the Brevard Street corridor as envisioned in the "Great Street" plan. Additional retail capacity in the Brevard Street corridor extending from the Bobcats Arena at Trade Street toward the convention center/NASCAR Hall of Fame at 2nd Street would link two of Center City's most important "anchors" and activity generators. Development in this area of Center City will provide an effective link with other emerging areas within Center City. Development in this location would stimulate development of dormant adjacent parcels across Fourth Street and Brevard Street. Development in this general area would connect the core of Center City with the Charlotte/Mecklenburg government center and the proposed federal courthouse.

Street-oriented retail space is recommended over an interior-focused mall. Retail would optimally be at street level rather than in a multi-story configuration. Active street uses such as cafes are encouraged. A department store would be a desirable anchor; a "city market" could be an adjacent anchor use. Physical models of pedestrian-scale retail projects include Santana Row (San Jose, CA), Clarendon Commons (Arlington, VA), Pentagon Row (Arlington, VA), and Bethesda Row (Bethesda, MD).

The following map highlights the central location of the CATS site to the critical office worker population as well as proximity to major traffic generators and facilities used by local residents and visitors. Walking times/distances are shown in red.

Walking Times from
the Arena



APPENDIX

Fundamentals of Retailing

Retail development—in urban environments as well as suburban settings—is driven by business fundamentals that must be acknowledged and considered when creating a recruitment strategy or merchandising plan:

Retailing follows consumers; it leads customers with rare exceptions. Retailers look for established markets as signified by sustained traffic; they are reluctant to be pioneers. Ironically, retailers seek levels of traffic, which they themselves tend to generate. By far, most retailers are “convenience retailers” dependent upon being near their best customer prospects. They must see a steady stream of their customer type to be comfortable with a potential site. Some merchants can be classified as “destination retailers” because their customer franchise is so strong or their offering is so unique that they can draw patrons to any site they select. One effective strategy is to establish the retail legitimacy of an urban location with “convenience retailers” followed by adding “destination retailers” to the mix.

Consistent traffic is a prerequisite for most retailers. The level of rent that retailers are willing to pay is in direct proportion to traffic and sales opportunity they perceive. Inconsistent traffic is perceived to be risky, and in fact, inconsistent traffic makes it difficult for retailers to plan inventory purchasing and staffing. In urban settings, chain retailers are often willing to wait to commit to a lease until local entrepreneurs have established the legitimacy of a retail site. Increased rent is an acceptable trade-off for diminished risk and higher probability of immediate profit.

Consumer traffic must demonstrate sufficient “buying power” to be of interest to retailers. Retailers have preconceived notions of their customers’ demographic characteristics and economic capacity. This insight is used to guide the site selection process. Retailers have too many viable site alternatives to take speculative risks; they must perceive their customer to be present or probable as the basis for leasing store locations.

Chain retailers have a limited number of prototypical store formats that they are willing to operate; deviating from these established formats is done only as a last resort in circumstances when demand for a location by the merchant is high. Retailers have created preferred floor plans for maximum profitability. Departing from established store formats or merchandise assortments is a dollars-and-cents issue that conflicts with the efficiencies of multiple unit operations.

If the general key to real estate is “location, location, location,” the key to strong urban retailing is creating and enhancing a “crossroads location” both in the literal sense of accessibility and in the figurative sense as a place where multiple customer segments can comfortably and conveniently interact. Automobile and pedestrian accessibility, adequate parking, and street (or mall)

visibility are site prerequisites for all retailing; to compete successfully with suburban retailing alternatives, urban retailing districts must draw multiple customer segments including daytime employees, nearby residents, tourists, and residents from throughout the region.

Most retailers have established criteria for site selection. In its most basic sense, a retail site is nothing more than a place from which to have direct access to shopper traffic with certain characteristics. In the early stages of retail development, it is important to deliver consistent demographics while traffic grows. Prospective retailers must “see” their targeted customer demographics in the flow of traffic available to them at a proposed site.

“High traffic vs. the right traffic” can be a fundamental trade off for retailers. In general, an area that delivers a high level of traffic will be preferred by more retail tenants than an alternative site with more favorable rental economics but less traffic. The American retailing model of mass merchandising is predicated upon low margin/high traffic. Some specialty retailers are capable of generating high profitability on low traffic if their margins are high. In other cases, retailers can survive in low traffic conditions if there is minimal competition or when consumers have highly desirable demographics; these are the circumstances that permit retailing to flourish in resort settings.

“Destination shopping” requires a “critical mass” of merchants in order to be visible in the context of the larger, competitive retail landscape. The destination drawing power of a retail area is dependent on its size (“critical mass”), content, and location relative to its market and competition. Most retailers prefer to cluster with compatible merchants in a critical mass so that they are not solely dependent upon their own drawing power for traffic. Merchants have a herding mentality; often their preference is for an established critical mass rather than betting on the eventual evolution of a critical mass with destination drawing power.

Clustering of compatible retailers has become the norm in American retailing. “Birds of a feather flocking together” is the basis for successful shopping center development and applies no less to urban areas. Merchants seeking compatible customers will gravitate to “nodes” where multiple merchants have greater probability of drawing sufficient traffic than any single retailer could draw on its own merits. Stated in a neutral fashion, few retailers are willing to be “pioneers.” Stated in a judgmental fashion, retailers are “lemmings.” Some retailers view clustering as increased competition while most view clustering as a way of reducing risk and creating incremental business through synergy. Restaurateurs fear the competition inherent in clustering in the early stages of the evolution of a dining node. Restaurateurs generally perceive the benefits of a functional critical mass of dining options when a restaurant district achieves destination drawing power.

Control over environmental factors is important to retailers so they can focus their energy on “minding the shop.” The competitive advantage that shopping centers have over Downtown districts is tight control over environment placed in the hands of a single developer or landlord. By comparison, Downtown areas typically offer more complex environments with fragmented property ownership often compounded by the problems of absentee ownership. The key environmental factors include a safe setting that is clean and well maintained with business spaces that are correctly sized and configured. Perception of safety is as important as actual statistical safety. Downtown areas require creative procedures for assuring property maintenance and cleanliness as opposed to malls and shopping centers where the developer provides centralized services in these areas. Establishing design criteria and enforcing the rules require special effort in non-centrally operated settings such as Downtown districts.

Independent, entrepreneurial retailers are the first wave of new Downtown merchants yet they are an endangered species in American retailing. Mom-and-pop retailers suffer in a world of increasingly large chain merchandisers due to small scale of operations, personality-dependence, and pricing constraints. Local merchants succeed by maintaining specialty niches and with admirable persistence. Expanding is often difficult for entrepreneurial retailers because they are fragile—often under-capitalized and without extensive management depth. Coaxing successful entrepreneurs into pioneering locations or expecting them to have capacity to expand to new stores challenges their capacity to survive. Chain retailers tend to ignore Downtown sites unless and until local independent merchants prove the viability of retailing by successfully “establishing a market.” Until a viable retail market has been demonstrated, chain retailers will not show interest even at low rental rates. When sustainable market support has been demonstrated, chain retailers will pay a rental premium for reduced risk.

Fragile entrepreneurs often lack rudimentary retail skills. Many people have romantic notions of opening a store or restaurant, yet these business sectors are seldom kind to inexperienced operators who lack basic retail skills. Unrealistic business plans and a lack of sales skills result in many business failures. Other entrepreneurs are predestined for failure when their creative passions are not backed by an in-depth understanding of the financial aspects of retailing. While some businesses fail due to poor customer service, many more fail because they are under-capitalized. Many start-up retail businesses never recover from the burden of excessive expenses incurred prior to opening day. Other traps include too much inventory or too little inventory. Finally, reliance upon “sales” to stimulate business hastens the decline of many retailers. A retailer who operates at “keystone” (100 percent mark-up over cost) gives away virtually all of his profit when taking a 20 percent price reduction. Novice merchants who reduce prices at the first sign of trouble are actually hastening their own demise.

Retailers cannot generally survive rent-to-sales ratios in excess of 15 percent.

Retailers operating at “keystone” mark-up (selling cost is twice the cost of goods sold) cannot generate a profit if rent exceeds 12-15 percent of sales. Despite the importance of the rent-to-sales ratio, the vast majority of entrepreneurial merchants are unfamiliar with the concept and unaware of the immutability of the concept. Naive merchants with overly optimistic projections of sales may agree to unsustainable levels of rent, thereby playing into the hands of unscrupulous landlords who are comfortable churning tenants. Pragmatic merchants seek rent-to-sales ratios of 3 to 7 percent and are often amenable to paying progressively higher rents as warranted by sales. The single greatest cause of retail failure is rents (and other expenses) that are not commensurate with sales.

Retailers cannot manage their way to profitability simply by minimizing rent; they must have adequate sales to provide revenue for inventory, staffing, and other operating expenses.

Low rent cannot always compensate for low sales volume. A retailer’s cash register must “ring” if he is to survive. Even with no rent, a retailer cannot survive if sales fail to cover the cost of goods sold, salaries, utility expenses, and other costs.

Charlotte's Retail/Dining/Entertainment Niches

Here is a brief description of each node in Charlotte's competitive retail market:

"FASHION / LUXURY" NICHE

SouthPark Mall

Originally developed in 1970, SouthPark Mall is among a small minority of enclosed regional malls that have grown stronger and more competitive with age. Through a succession of owners, this center's department store offering and its specialty merchandising have evolved to the point that some retailers located here are not found in any other Southeastern cities or in any communities of comparable population. SouthPark's strength is a reflection of the affluence of the surrounding consumer base and the absence of competing centers. SouthPark has emerged from several expansions and remerchandising programs as a "fortress" center of 1.5 million square feet anchored by Nordstrom, Neiman Marcus, Macy's, Belk, and Dillard's. In addition to its two unduplicated fashion anchors, the three conventional department stores at SouthPark have always been treated as "flagship" units by their respective companies. SouthPark illustrates the herding instinct of retailers as they attempt to cluster near compatible co-tenants. This center is the first-choice location for fashion/luxury tenants entering the market. SouthPark's image in the industry is so favorable that some retailers will not consider entering the Charlotte market if they are unable to gain access to SouthPark Mall.

SouthPark has earned a local reputation as "the place to shop" for fashions and upscale goods. The tenant mix skews heavily toward national chain operators, and the recent addition of Tiffany & Co., Burberry, Louis Vuitton, Hermes, and Kate Spade reinforced the center's appeal among affluent shoppers from Charlotte and beyond. SouthPark's enhancement with restaurants (including McCormick & Schmick, The Cheesecake Factory, Maggiano's Little Italy, and Morton's Steak House) broadened the drawing power of the property and solidified its audience appeal.

As a result of its location in the middle of "old money" residential neighborhoods and its tenant selection, SouthPark would be the first choice location for the vast majority of upscale merchants seeking a site in Charlotte. The center's location within 5 miles of Center City and its broad and compelling merchandise mix prevent Center City from attempting to compete head-to-head with SouthPark for most tenants. The depth and breadth of the fashion assortment at SouthPark fuel its popularity and make it unlikely that any competitive critical mass of apparel and shoes could be assembled in Center City. The center's estimated sales volume is \$500-\$550 million per year.

Phillips Place

While substantially smaller than neighboring SouthPark Mall, Phillips Place is the type of specialty center that succeeds because of its mix of specialty tenants and quality restaurants. Some of the merchants here could not obtain space at SouthPark while others prefer locations near dominant fashion centers. Stores such as Restoration Hardware, Smith & Hawken, and Via Veneto have destination drawing power that is amplified by proximity to SouthPark. Phillips Place serves the same affluent residential neighborhoods that support SouthPark. Its evening traffic is high because of its mix of restaurants and a 10-screen movie theater.

Myers Park/Dilworth

Specialty boutiques in the Myers Park and Dilworth neighborhoods tend to be independently owned and highly focused. Many high quality, one-of-a-kind shops are located along various blocks of East Boulevard and Providence Road. By location, these retailers reinforce the sector of Charlotte near SouthPark Mall as the premiere destination for quality specialty shopping.

“FASHION MAINSTREAM” NICHE

There are eight “fashion mainstream” regional centers in the region with a ninth major project in the planning stages at Mint Hill. NorthLake Mall has the greatest impact on Center City’s retail potential because of its geographic position in the high-growth northern suburbs and because it is attempting to be the region’s second upscale fashion center. Carolina Place is notable for its size and for its merchandise content. This center, although not as upscale as NorthLake Mall, demonstrates a moderate degree of tenant differentiation from the six moderate-quality mainstream regional centers that serve specific geographic niches in the region. This highly competitive niche will become even more competitive when a formidable retail center opens in the new I-485 corridor in Mint Hill. The Bridges at Mint Hill (a joint-venture between General Growth and Childress Klein Properties) may dominate the southeastern quadrant of Charlotte in the same manner that NorthLake Mall instantly dominated the region’s northern edge.

NorthLake Mall

NorthLake Mall is a 1 million square foot, two-level regional center that opened in 2005. Its department store anchors are Dillard’s, Macy’s and Belk; other anchors include Borders Books, Dick’s Sporting goods, and a multiscreen AMC theater. NorthLake is strategically located approximately 10 miles north of Center City in a rapidly developing residential sector. Built slightly in advance of a full consumer market, NorthLake will capitalize upon housing and employment growth occurring in the Interstate 77 corridor and along the new Interstate 485 Beltway. The center’s

access via Interstates is excellent. The Taubman Company would no doubt hope that NorthLake will, over the long term, become the “sister” center to SouthPark Mall in upscale merchandising.

NorthLake’s core tenancy consists of a mix of “better” mall retailers including Anthropologie, J. Jill, Coach, Pottery Barn, and Banana Republic. The center lacks the layer of “luxury” retailers that makes SouthPark unique. NorthLake has several restaurants to broaden its appeal.

NorthLake’s offering serves to keep residents of its trade area from traveling to SouthPark except when “luxury” goods are the focus of the trip. This center, by virtue of the strength of its developer and the quality of its emerging consumer market, may become the second site location for one-of-a-kind merchants at SouthPark and for this reason it has the potential to significantly influence the Charlotte retail market. In many markets, NorthLake would represent the high-end shopping destination. NorthLake’s impact on Center City is pre-emptive; its offering largely satisfies the needs of its trade area residents and keeps them focused upon this suburban shopping experience.

Carolina Place

Carolina Place is a two-level enclosed regional mall anchored by Dillard’s, Macy’s, Belk, Sears, and JCPenney. This is a powerful alignment of national chains and the hometown favorite department store. The center’s more selective specialty shops include Abercrombie & Fitch, Ann Taylor, Cache, Dean & DeLuca, and REI. As a fashion destination, Carolina Place is a mid-level center, but it is clearly differentiating itself from the remaining centers in the “fashion mainstream” category.

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Rock Hill Galleria is anchored by Sears, JCPenney and a Wal*Mart Super Center; its specialty tenant mix is of modest quality with a decided skew toward juniors (teens). Nationally known retailers include American Eagle Outfitters, Aeropostale, and Hot Topic. There are several downscale merchants in the center as well as non-retail uses such as military recruiting that suggest difficulty maintaining occupancy using traditional mall tenants.

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Signal Hill Mall is a small (350,000 square foot) community center in Statesville. Belk, Sears, and JCPenney are the anchors. There are few national fashion retailers in the center, yet Signal Hill Mall serves its purpose as a purveyor of basic fashions and commodities for the residents of its trade area.

Carolina Mall

Carolina Mall is a single-level regional center located in Concord. Its anchors are Belk, JCPenney, and Sears. Staples operates an office supply superstore at the center. Mainstream retailers include Christopher & Banks, Aeropostale, Pac Sun, American Eagle Outfitters, and Bath & Body Works. The center's merchandising mix can be expected to evolve to meet the needs of its trade area.

Eastland Mall

Charlotte's Eastland Mall is anchored by Dillard's, Sears, and Burlington Coat Factory. This two-level center has become increasingly oriented to retailers targeting African American and Latino consumers. The center's mix of local, regional and national chain tenants has shifted in response to changes in the racial composition of its trade area.

Eastridge Mall

Gastonia's Eastridge Mall offers Dillard's, Sears, and JCPenney. The center's merchandise mix reflects a mainstream center that caters to middle income families with children ranging from infants to teens. Key specialty tenants include The Children's Place, Aeropostale, Forever 21, The Gap/Gap Kids, Hollister, Hot Topic, and Pac Sun.

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Monroe Mall is a community shopping center in Monroe. The anchors are Belk, Peebles, Sears, and JCPenney. Specialty tenants include Cato, Pac Sun, Hibbett Sports, The Shoe Dept., and Waldenbooks.

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The Bridges at Mint Hill may be patterned after the highly successful Streets of SouthPoint in Durham. With up to 1.3 million square feet, this open-air project has reportedly secured Belk and a 14-screen cinema as the first of its four large anchors. In addition to a strong fashion apparel component, the center's merchandising may include an enhanced assortment of restaurants; its non-mall format may allow it to be positioned as a "lifestyle mix" property.

OFF-PRICE/OUTLET NICHE

The off-price/outlet niche is well-represented in the Charlotte region. Value-oriented shoppers are able to find well-known apparel brands at discount prices in tow major

centers in addition to stores such as Steinmart, T.J. Maxx, and Marshall's in neighborhood centers or near major malls.

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Concord Mills is a major "value shopping" destination for local residents and a tourist magnet. This 2 million square foot project offers an AMC 24 Cinema with NASCAR Raceway and Dave & Busters as well as Bass Pro Shops, Burlington Coat Factory, and Saks Off 5th. The specialty shop mix consists of outlets and off-price merchants offering apparel, shoes, and housewares. The developer dubs the center's offering "shoppertainment" because of the strong mix of shopping and entertainment under one roof.

Prime Outlets/Gaffney

Prime Outlets in Gaffney, SC is a traditional manufacturer's outlet center with a heavy emphasis upon brand name fashions. Key tenants include Pottery Barn, Brooks Brothers, Ann Taylor, Eddie Bauer, Banana Republic, BCBG, and Nautica. The center's location on busy I-85 makes it accessible to transient motorists as well as residents from the Charlotte region.

"LIFESTYLE" MIX NICHE

The "lifestyle mix" niche is expanding as mixed-use projects become a more accepted form of suburban development. Charlotte's "lifestyle mix" projects are convenient to residential areas and have the ability to curtail some mall shopping trips by replicating key mall merchants. All offer a mix of shops and restaurants with public spaces for relaxing and gathering. To a degree, all compete with Center City.

Birkdale Village

Birkdale Village is a hybrid center with elements of a pedestrian-oriented "Main Street" specialty retail area and a power center with several "category killer" tenants. The center's specialty mix includes several traditional mall retailers including Ann Taylor Loft, Banana Republic, Chico's, The Gap, Gap Kids, American Eagle Outfitters, Williams-Sonoma, Talbot's, and Jos. A. Bank. Large format retailers include Barnes & Noble, Dick's Sporting Goods, Total Wine, and Walgreen's. A multi-screen cinema serves as a traffic generator.

The tenant mix at Birkdale Village reflects the quality of surrounding residential developments. This center's proximity to NorthLake Mall forced retailers to select one site over the other. Given greater spatial separation, many of the retailers at Birkdale Village would have stores at NorthLake Mall, too.

Birkdale Village succeeds because its physical format is inviting, its merchandise mix is well-executed, and its location relative to patrons is very convenient.

Ballantyne Village

Ballantyne Village is a retail adjunct to the massive Ballantyne residential development in southern Charlotte. The retail project opened in 2005 and is now the site of an independent art cinema with multiple screens. There are several restaurants with a planned produce market and high-end chocolate retailer. Ballantyne Village itself has limited geographic drawing power; the extended Ballantyne area has attracted a significant number of promotional retailers and has more extended regional drawing power.

Promenade on Providence

The Promenade on Providence offers a mix of neighborhood necessities (The Home Depot, Lowe's Foods) and specialty retailers including Pier 1 and Kirkland's. On the Border and Roman's Macaroni Grill are two of the larger restaurants; Starbucks, Wolfgang Puck Express, and Cold Stone Creamery are smaller food service establishments. The Promenade on Providence attempts to create a pedestrian environment in a highly-landscaped space.

Shops on the Park

The Shops on the Park offers Harold's, Talbot's, and other high-quality specialty shops and restaurants. Proximity to SouthPark Mall compensates for the limited size of this center. This is one of several small centers in the vicinity of SouthPark Mall that contribute to the destination drawing power of this major retail node.

Stonecrest at Piper Glen

Stonecrest at Piper Glen is anchored by Target, Harris-Teeter, Borders Books & Music, and a Regal 22-screen cinema. Chico's, Dean & DeLuca and Pier 1 Kids are among the more unique retail tenants. There are numerous restaurants ranging from quick service to family dining.

The Arboretum

While The Arboretum does have Wal*Mart as an anchor, this 581,000 square foot center also offers a reasonably strong mix of "lifestyle" retailers including Old Navy, The Gap, and Barnes & Noble. Its cinema is a popular destination.

Blakeney

Blakeney is another example of “lifestyle mix” merchandising in suburban Charlotte. This 270 acre mixed use project will be primarily residential, but its 495,000 square feet of retail space includes Target and Harris-Teeter and an “anchor row” of mall-type stores. Dining is a targeted component as well.

DINING/ENTERTAINMENT NICHE

The dining/entertainment niche consists of projects developed specifically as dining/entertainment destinations as well as districts that have naturally evolved into serving these functions. Proximity to residential areas and ample, free parking are competitive strengths these suburban project and districts. Some of the suburban dining nodes are predominantly chain dominated while others offer independent restaurants and chef-operated establishments. Most of the suburban dining nodes are more accommodating of families with children than Center City.

Uptown

Uptown Charlotte is the region’s most robust dining/entertainment district. Uptown has more than 230 licensed restaurants/food service establishments representing a full range of options from fine dining to street vendors. Uptown has several pockets of dining/entertainment activity; each can be considered a distinct destination to those who are highly familiar with Uptown.

- Most of Uptown’s expense account restaurants and fine dining establishments are located on Tryon Street in the Center City office core. There is a mix of independent restaurants and chain operations.
- The College Street corridor has a cluster of pubs, casual restaurants, and nightclubs popular with young adults. These establishments also serve patrons of the Bobcats Arena.
- Epicentre will add several sit-down restaurants and a collection of casual service restaurants at the intersection of Trade Street and College Street. Epicentre’s multi-screen cinema complex will provide a new entertainment venue in Center City.
- Gateway Village has several dining options capable of drawing patrons from outside its office buildings and residences. The area has a natural connection with Johnson and Wales University.

- Elizabeth Avenue, on the edge of Uptown, offers a cluster of restaurants and pubs in a setting that is convenient to adjacent residential neighborhoods, a major medical center, a community college and other activities.
- Also in Midtown, a restaurant node is forming along a pedestrian Greenway adjacent to the Metropolitan mixed-use project.

South End District/Dilworth

Charlotte's Historic South End is a mixed-use district extending along South Boulevard from Center City. Former mills and industrial buildings have been converted into residential units, restaurants, shops, and offices. The South End houses a vast array of interior design stores and services including antiques shops, art galleries, home furnishings and lighting dealers, and design studios. Some of the mercantile content of The South End is typical of the pioneering merchandise content in rejuvenated Main Street settings. In some ways, The South End may have pre-empted a merchandise niche that would have otherwise been available to Center City.

The South End benefits from its accessibility and proximity to affluent residential areas. The South End is gaining a Lowe's Home Improvement Center and its southern edge is the site of other large format retailers and shopping centers. The addition of the southern light rail route with stops in The South End will result in additional residential density as well as new transit-oriented development. While The South End has numerous restaurants, it is generally not considered to be a "nightclub district."

The South End functions as a dining destination although its status as a regional destination for dining may have waned with the advent of new competition throughout the market. Patrons opting to dine in the South End have multiple choices if their first-choice restaurant is full. Many eateries are within close proximity of one another although not in a highly pedestrian-friendly setting, and convenient free parking is generally available.

A noteworthy neighborhood dining node has emerged on East Boulevard between Kenilworth Avenue and Little Sugar Creek in the Dilworth neighborhood. Approximately a dozen restaurants have clustered in older commercial structures. The city has contributed to increased pedestrian activity with a recently completed "pedscaping" project.

SouthPark Mall and Phillips Place

Like many shopping centers, SouthPark Mall has attempted to broaden its function to include dining by adding The Cheesecake Factory, McCormick & Schmick's, Morton's

Steak House, Maggiano's Little Italy, and other table service restaurants. Phillips Place and the many specialty centers surrounding SouthPark also contain a significant number of casual and fine dining restaurants. This node is a formidable destination for dining.

South End/Dilworth

Restaurants have proliferated in storefronts throughout the Myers Park and Dilworth neighborhoods. While some of these eateries serve predominantly neighborhood residents, others have become destinations for business visitors and residents of other areas of Charlotte.

Promenade on Providence

The Promenade on Providence is an example of a "lifestyle mix" center with a significant dining component. There are four fine dining restaurants, three casual eateries, and three dessert and coffee establishments.

NoDa

NoDa is centered at the intersection of Davidson and 36th Street. A 2-3 block cluster of restaurants and galleries has spawned residential interest in the form of loft development. This is a small pocket of activity but a popular destination despite its modest size.

Midwood/Central Avenue

Several iconic restaurants, shops, and services have emerged in a fledgling district on a busy commercial corridor in the midst of this somewhat Bohemian residential neighborhood.

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Birkdale Village is a hybrid center with elements of a pedestrian-oriented "Main Street" specialty retail area and a power center with several "category killer" tenants. The center's specialty mix includes several traditional mall retailers including Ann Taylor Loft, Banana Republic, Chico's, The Gap, Gap Kids, American Eagle Outfitters, Williams-Sonoma, Talbot's, and Jos. A. Bank. Large format retailers include Barnes & Noble, Dick's Sporting Goods, Total Wine, and Walgreen's. A multi-screen cinema serves as a traffic generator.

The tenant mix at Birkdale Village reflects the quality of surrounding residential developments. This center's proximity to NorthLake Mall forced retailers to select one site over the other. Given greater spatial separation, many of the retailers at Birkdale Village would have stores at NorthLake Mall, too.

Birkdale Village succeeds because its physical format is inviting, its merchandise mix is well-executed, and its location relative to patrons is very convenient.

Ballantyne Village

Ballantyne Village is a retail adjunct to the massive Ballantyne residential development in southern Charlotte. The retail project opened in 2005 and is now the site of an independent art cinema with multiple screens. There are several restaurants with a planned produce market and high-end chocolate retailer. Ballantyne Village itself has limited geographic drawing power; the extended Ballantyne area has attracted a significant number of promotional retailers and has more extended regional drawing power.

Promenade on Providence

The Promenade on Providence offers a mix of neighborhood necessities (The Home Depot, Lowe's Foods) and specialty retailers including Pier 1 and Kirkland's. On the

Border and Roman's Macaroni Grill are two of the larger restaurants; Starbucks, Wolfgang Puck Express, and Cold Stone Creamery are smaller food service establishments. The Promenade on Providence attempts to create a pedestrian environment in a highly-landscaped space.

Shops on the Park

The Shops on the Park offers Harold's, Talbot's, and other high-quality specialty shops and restaurants. Proximity to SouthPark Mall compensates for the limited size of this center. This is one of several small centers in the vicinity of SouthPark Mall that contribute to the destination drawing power of this major retail node.

Stonecrest at Piper Glen

Stonecrest at Piper Glen is anchored by Target, Harris-Teeter, Borders Books & Music, and a Regal 22-screen cinema. Chico's, Dean & DeLuca and Pier 1 Kids are among the more unique retail tenants. There are numerous restaurants ranging from quick service to family dining.

The Arboretum

While The Arboretum does have Wal*Mart as an anchor, this 581,000 square foot center also offers a reasonably strong mix of "lifestyle" retailers including Old Navy, The Gap, and Barnes & Noble. Its cinema is a popular destination.

Blakeney

Blakeney is another example of "lifestyle mix" merchandising in suburban Charlotte. This 270 acre mixed use project will be primarily residential, but its 495,000 square feet of retail space includes Target and Harris-Teeter and an "anchor row" of mall-type stores. Dining is a targeted component as well.

DINING/ENTERTAINMENT NICHE

The dining/entertainment niche consists of projects developed specifically as dining/entertainment destinations as well as districts that have naturally evolved into serving these functions. Proximity to residential areas and ample, free parking are competitive strengths these suburban project and districts. Some of the suburban dining nodes are predominantly chain dominated while others offer independent restaurants and chef-operated establishments. Most of the suburban dining nodes are more accommodating of families with children than Center City.

Uptown

Uptown Charlotte is the region's most robust dining/entertainment district. Uptown has more than 230 licensed restaurants/food service establishments representing a full range of options from fine dining to street vendors. Uptown has several pockets of dining/entertainment activity; each can be considered a distinct destination to those who are highly familiar with Uptown.

- Most of Uptown's expense account restaurants and fine dining establishments are located on Tryon Street in the office core. There is a mix of independent restaurants and chain operations.
- The College Street corridor has a cluster of pubs, casual restaurants, and nightclubs popular with young adults. These establishments also serve patrons of the Bobcats Arena.
- Epicentre will add several sit-down restaurants and a collection of casual service restaurants at the intersection of Trade Street and College Street. Epicentre's multi-screen cinema complex will provide a new entertainment venue in Center City.
- Gateway Village has several dining options capable of drawing patrons from outside its office buildings and residences. The area has a natural connection with Johnson and Wales University.
- Elizabeth Avenue, on the edge of Uptown, offers a cluster of restaurants and pubs in a setting that is convenient to adjacent residential neighborhoods, a major medical center, a community college and other activities.
- Also in Midtown, a restaurant node is forming along a pedestrian Greenway adjacent to the Metropolitan mixed-use project.

South End District/Dilworth

Charlotte's Historic South End is a mixed-use district extending along South Boulevard from Center City. Former mills and industrial buildings have been converted into residential units, restaurants, shops, and offices. South End houses a vast array of interior design stores and services including antiques shops, art galleries, home furnishings and lighting dealers, and design studios. Some of the mercantile content of South End is typical of the pioneering merchandise content in rejuvenated Main Street settings. In some ways, South End may have pre-empted a merchandise niche that would have otherwise been available to Center City.

South End benefits from its accessibility and proximity to affluent residential areas. South End is gaining a Lowe's Home Improvement Center and its southern edge is the site of other large format retailers and shopping centers. The addition of the southern light rail route with stops in South End will result in additional residential density as well as new transit-oriented development. While South End has numerous restaurants, it is generally not considered to be a "nightclub district."

South End functions as a dining destination although its status as a regional destination for dining may have waned with the advent of new competition throughout the market. Patrons opting to dine in the South End have multiple choices if their first-choice restaurant is full. Many eateries are within close proximity of one another although not in a highly pedestrian-friendly setting, and convenient free parking is generally available.

A noteworthy neighborhood dining node has emerged on East Boulevard between Kenilworth Avenue and Little Sugar Creek in the Dilworth neighborhood. Approximately a dozen restaurants have clustered in older commercial structures. The city has contributed to increased pedestrian activity with a recently completed "pedscaping" project.

SouthPark Mall and Phillips Place

Like many shopping centers, SouthPark Mall has attempted to broaden its function to include dining by adding The Cheesecake Factory, McCormick & Schmick's, Morton's Steak House, Maggiano's Little Italy, and other table service restaurants. Phillips Place and the many specialty centers surrounding SouthPark also contain a significant number of casual and fine dining restaurants. This node is a formidable destination for dining.

South End/Dilworth

Restaurants have proliferated in storefronts throughout the Myers Park and Dilworth neighborhoods. While some of these eateries serve predominantly neighborhood residents, others have become destinations for business visitors and residents of other areas of Charlotte.

Promenade on Providence

The Promenade on Providence is an example of a "lifestyle mix" center with a significant dining component. There are four fine dining restaurants, three casual eateries, and three dessert and coffee establishments.

NoDa

NoDa is centered at the intersection of Davidson and 36th Street. A 2-3 block cluster of restaurants and galleries has spawned residential interest in the form of loft development. This is a small pocket of activity but a popular destination despite its modest size.

Midwood/Central Avenue

Several iconic restaurants, shops, and services have emerged in a fledgling district on a busy commercial corridor in the midst of this somewhat Bohemian residential neighborhood.

Analog Downtowns

Seven communities comparable to Charlotte in total CBD office square footage and reasonably similar to Charlotte in total metropolitan population were identified as analogs and studied as part of the process for creating a retail strategy for Center City Charlotte.

SELECTED MARKET ANALOGS		
	CBD OFFICE SPACE	MSA POPULATION
Charlotte	12,773,823	1,521,278
Indianapolis	10,594,182	1,640,591
Columbus	10,487,150	1,708,625
Kansas City	14,528,631	1,947,694
Cincinnati	13,950,198	2,070,441
Cleveland	16,598,379	2,126,318
Baltimore	13,049,086	2,665,675
St. Louis	14,260,443	2,778,675

SOURCES: U.S.Census Bureau; CB Richard Ellis

In most cases, analog communities have greater offerings of retailing within their Downtown districts than Charlotte has within its Center City. Center City's retail strategy can benefit from the lessons learned in these analog communities.

DOWNTOWN RETAIL OFFERING		
	DEPARTMENT STORE(S)	SIGNIFICANT OTHER RETAIL
Charlotte	NO	NO
Indianapolis	Yes	Yes
Columbus	Yes	No
Kansas City	Yes	Pending
Cincinnati	Yes	Yes
Cleveland	No	Yes
Baltimore	No	Yes
St. Louis	Yes	Pending

- ➔ The predominant form of retailing in these analog markets is developer-orchestrated projects rather than storefront space. Orchestrated projects reflect a developer's ability to stimulate retailer interest through the creation of

a “critical mass” and effective co-tenancy with the on-going promise of centralized management and merchandising oversight. Developers understand that few retailers are willing to be “pioneers” by taking unproven locations or without the security associated with a “critical mass” comprised of important anchors, a cadre of compatible retailers, or specific co-tenants. Even in urban settings, developers have been able to capitalize on the well-documented herding instinct of retailers.

- Five of the seven analog communities have retained or gained at least one full-line department store in their Downtown district. Despite the presence of one or more department stores, no Downtown in these analogs is the dominant “shoppers’ goods” destination within its local market.
- Indianapolis, Columbus, and St. Louis all have larger “suburban style” enclosed malls anchored by department stores within their Downtown districts. The centers in Columbus and St. Louis have been utter failures, and the mall in Indianapolis has chronic vacancy due to excess space. The common denominator of these malls is their dependence upon suburban shoppers; this base of support has either not materialized or has not been sustained because of superior shopping options closer to suburbanites’ homes.
- Each of these cities has (or is in the process of gaining) a major offering of entertainment and tourist-oriented specialty shopping in its Downtown core.
- Among the analogs, there is no example of a Downtown with storefront retailing as the dominant retail format. Each city has pockets of storefront retail activity; however, the more pervasive format for re-establishing retailing has been via organized retail developments of varying sizes. In almost every analog city, developers have been able to establish acceptable co-tenancies in projects offering centralized merchandising and management.
- Every Downtown’s retail merchandising niche is directly impacted by suburban retail competition. Each analog market has at least one upscale shopping center of market dominance or “retail gravity” but none quite matches SouthPark’s fashion strength. In none of the analog cities has any Downtown retail offering been able to compete on a sustained basis with strong upscale suburban retail centers. The retail gravity in each of the analog markets—especially for upscale apparel—remains in the suburbs. Indianapolis’ Circle Center was intended to provide the dominant “critical mass” of fashion merchandise in its host metropolitan market, yet even this project has been vulnerable to the superior mix of “shoppers’ goods” offered by a suburban competitor and fashion competition by a suburban center with superior access to affluent residents.

→ Virtually all of the Downtown retail developments in these analog cities that targeted “destination shopping trips” by suburban residents have failed to attract these customers or retain them as their primary generator of sales. In hindsight, the most successful retail projects in communities of this size are those that were scaled appropriately for serving the mix of patrons visiting for work or discretionary purposes.

The following chart presents an overview of the proximity of strong fashion retail centers to the urban core of the analog markets. Charlotte stands out as having one of the closest strong fashion centers to its urban core of any analog market.

PROXIMITY OF CLOSEST UPSCALE CENTER OR “FORTRESS MALL” TO DOWNTOWN DISTRICT		
Charlotte	SouthPark Mall	5 miles
Kansas City	Country Club Plaza	5 miles
Indianapolis	Keystone Crossing	6 miles
Columbus	Easton Town Center, Mall at Tuttle Creek	9 miles; 11 miles
Baltimore	Towson Town Center	9 miles
Cincinnati	Kenwood Town Center	10 miles
Cleveland	Beachwood Place	11 miles
St. Louis	St. Louis Galleria, Plaza Frontenac	10 miles; 12 miles

Charlotte and Kansas City

Downtown Kansas City and Center City are the closest analogs in that each city’s closest upscale retail node is located within approximately 5 miles of its central business district. Proximity of strong competition is a major factor in the void of “shoppers’ goods” retailing in these two Downtown areas.

Downtown Kansas City has retained a small branch of locally-based Hall’s department store. Its ambitious Crown Center mixed-use project, developed in 1971 with 2.2 million SF of office space, two major hotels, 230 residential units, and approximately 275,000 SF of retail space, did not represent a sufficient “critical mass” to lure suburbanites into Downtown for “shoppers’ goods” shopping and it has failed to retain a base of merchants offering apparel and other mall type goods. Crown Center and Overstreet Mall have much in common; Crown Center offers more restaurants than retailers. Its restaurant mix skews to casual eateries for office workers while its retail offering lacks national operators and “shoppers’ goods” and consists primarily of gifts and “impulse merchandise.”

The Cordish Company’s \$850 million mixed-use development currently under construction in Downtown Kansas City’s Power and Light District will add

entertainment venues, restaurants, and a limited assortment of specialty retailers compatible with an impulse shopping environment. Cordish predicts the retail mix will consist of boutiques, art galleries, bookstores, and unique concept stores targeting a “hip” audience. Using in-fill development and restoration of existing buildings, Cordish is creating a mixed-use district that straddles Downtown Kansas City’s traditional office core and its loft/residential district. The project’s retail merchandising plan does not attempt to compete directly with nearby Country Club Plaza’s renowned mix of fashion and luxury goods but instead offers dining, entertainment, and specialty retail targeted to a younger audience of entertainment-seekers from the host metropolitan area as well as office workers, tourists/convention delegates and others who are visiting Downtown for other discretionary purposes.

Conclusions

The disappearance of a “critical mass” of “shoppers’ goods” in the Downtown areas of analog cities and Center City Charlotte is attributable to broad demographic shifts and the retail industry’s preference for clustering in suburban shopping centers with compatible co-tenants. This preference has been especially pronounced in the concentration of apparel retailing in enclosed, suburban malls anchored by multiple department stores.

Downtowns comparable to Center City tend to have relatively small retail components with limited amounts of “shoppers’ goods” as part of the mix. Even the analog cities that have retained Downtown department stores have experienced difficulty maintaining large concentrations of “shopper’s goods.”

In cities like Charlotte, urban retailing has tended toward organized projects rather than storefront retailing. In some cases, the organized projects have replicated street retailing but in settings with centralized leasing and professional property operations.

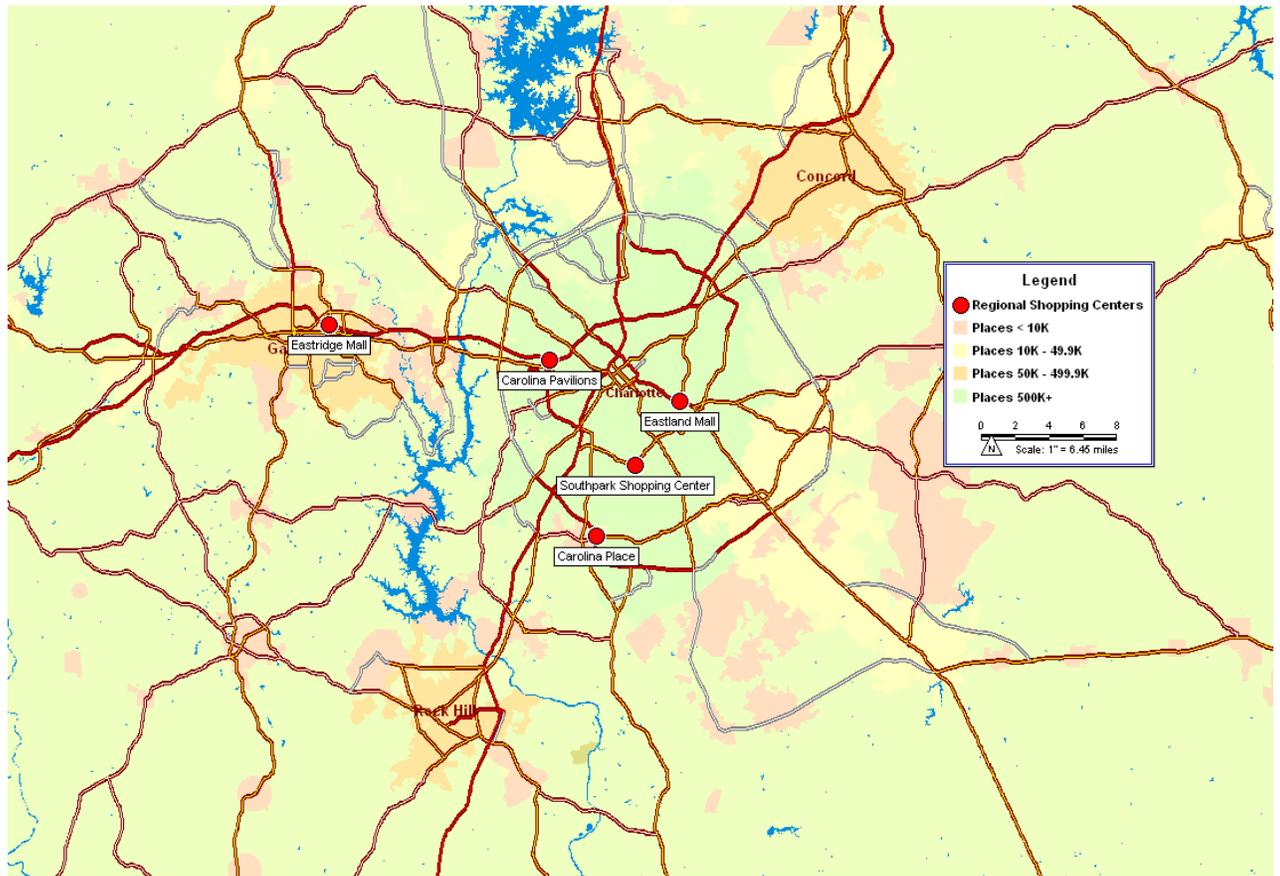
As is the case in analog cities, the regional retail landscape limits the opportunities for retailing in Center City. Center City is unlikely to become a primary shopping destination for suburban residents seeking “shoppers’ goods” because of the strength and number of suburban shopping options. In particular, Center City cannot engage in direct merchandising competition with SouthPark Mall because of its proximity and dominance. The depth of the “luxury market” is limited and SouthPark’s future superiority in this niche is assured by the presence of Neiman Marcus and Nordstrom.

While Center City should not aspire to become a primary destination for shopping, there is a deficit in “shoppers’ goods” merchandise given its current number of daytime employees and level of discretionary use by local residents and visitors. Center City Charlotte’s retail strategy—at least for the foreseeable

future—should be based upon the unique attributes and strengths of the mix of customer segments that comprise its current users. Center City’s niche merchandising opportunity can be successful if it is scaled and programmed appropriately for the spending potential associated with recreational or casual shopping by key customer segments rather than upon the goal of drawing suburban residents into Center City for the primary purpose of shopping.

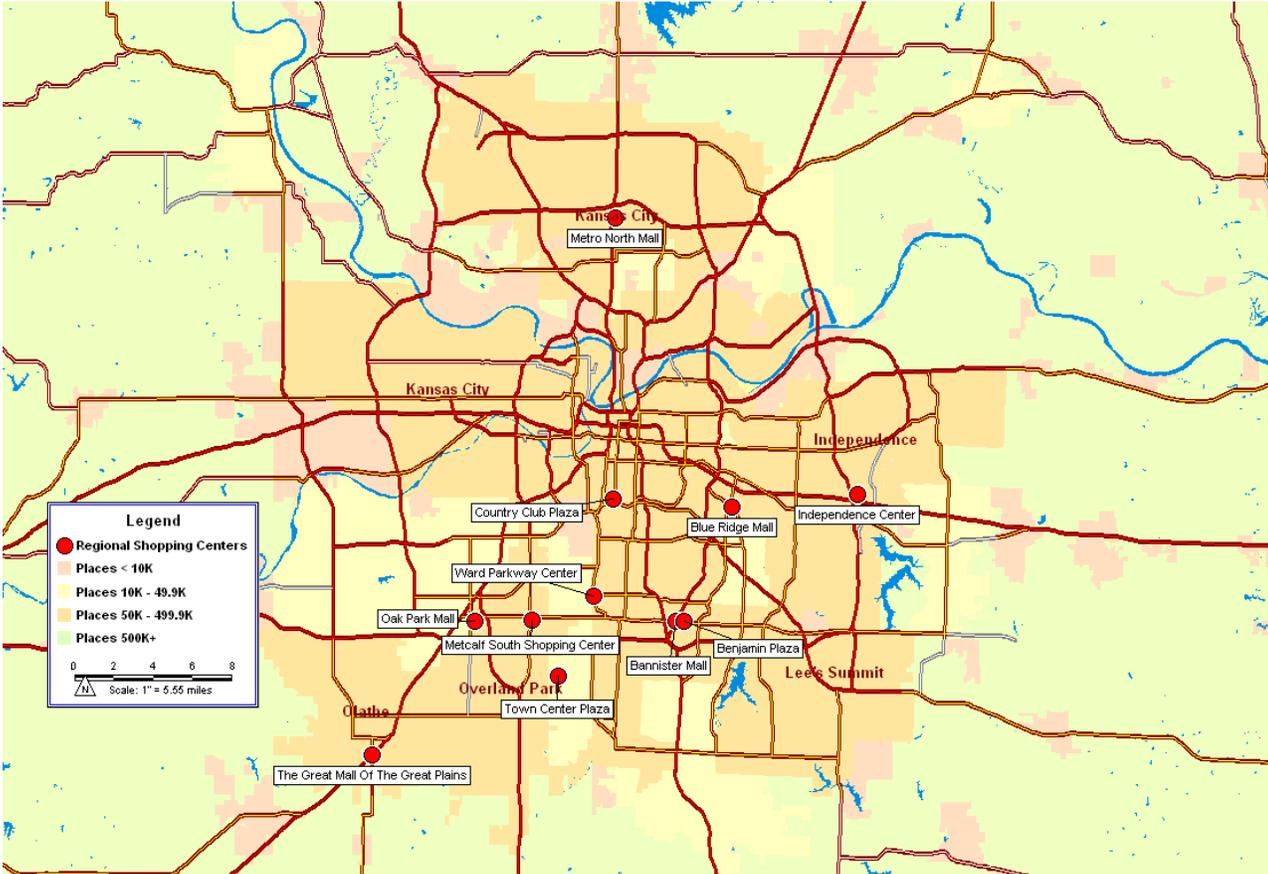
Over an extended period, Center City could emerge with enough of a “critical mass” of “shoppers’ goods” to enable it to attract destination shopping trips by suburban residents seeking a more urban experience than available in suburban malls and faux Main Streets. Because of the variety of activities available in its mixed-use setting, Center City will be in a unique position to draw this narrow sub-segment of sub urban residents who want an urban shopping experience.

CHARLOTTE COMPETITIVE RETAIL ALIGNMENT



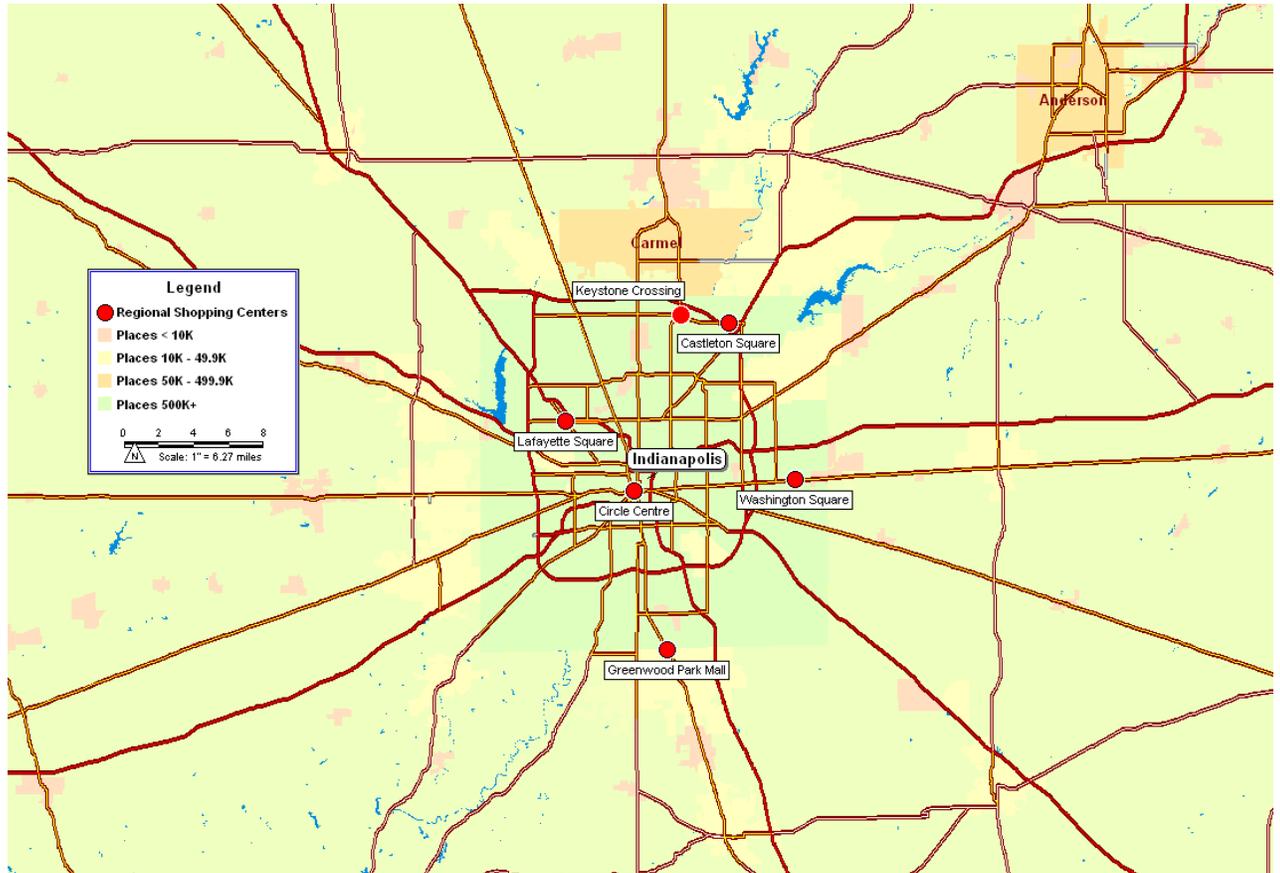
SouthPark Mall is the region's upscale "fortress" center and the center of a large node of retailing and dining in Charlotte's most affluent residential area. It is located approximately 5 miles from Center City Charlotte.

KANSAS CITY COMPETITIVE RETAIL ALIGNMENT



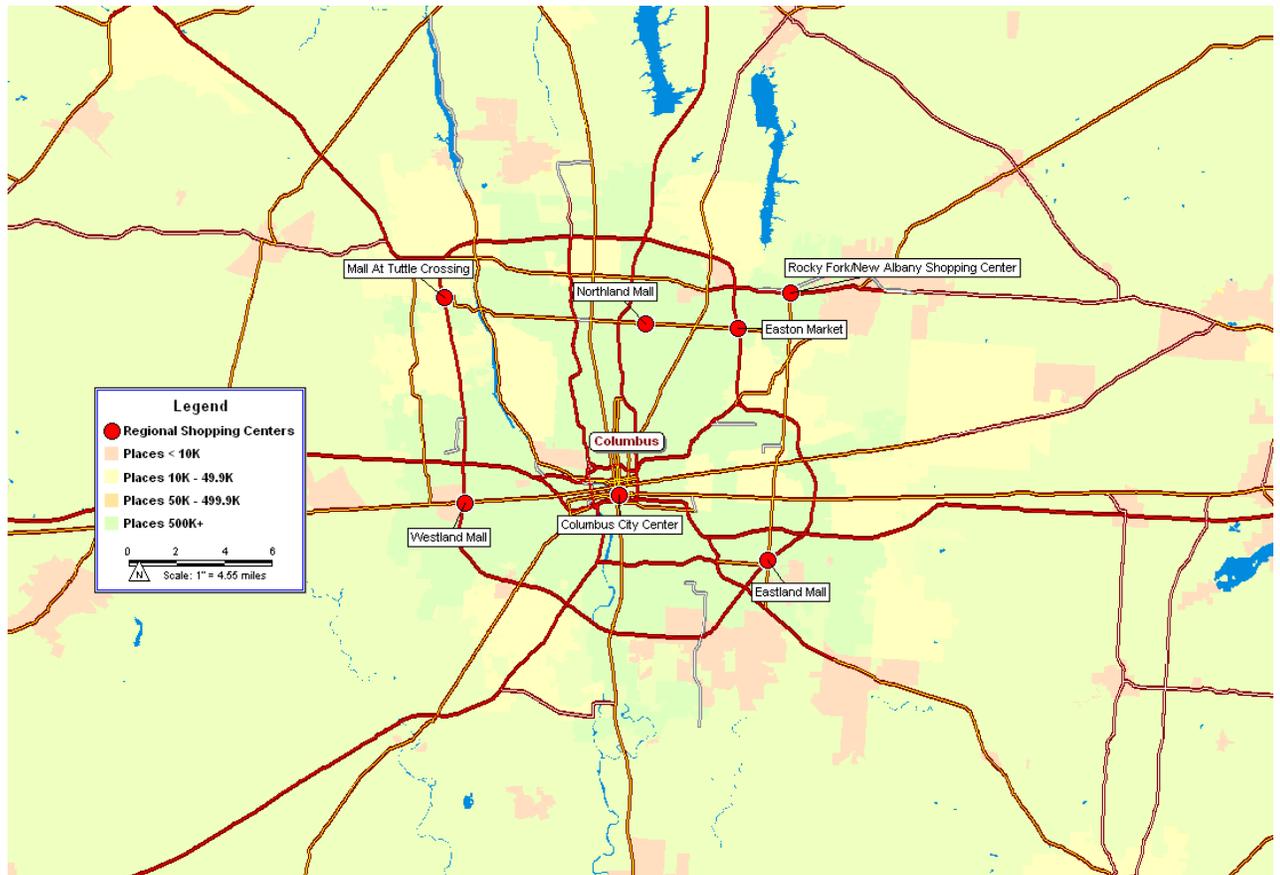
Country Club Plaza is a strong upscale center located approximately 5 miles from Downtown Kansas City. Its proximity impacts the retail/dining niche available to Downtown Kansas City. While Downtown Kansas City has a small branch of Hall's department store, it has virtually no specialty store assortment. The Cordish Company's development in the Power and Light District will add restaurants and entertainment with convenience retailing for nearby residents and a limited component of specialty retailing.

INDIANAPOLIS COMPETITIVE RETAIL ALIGNMENT



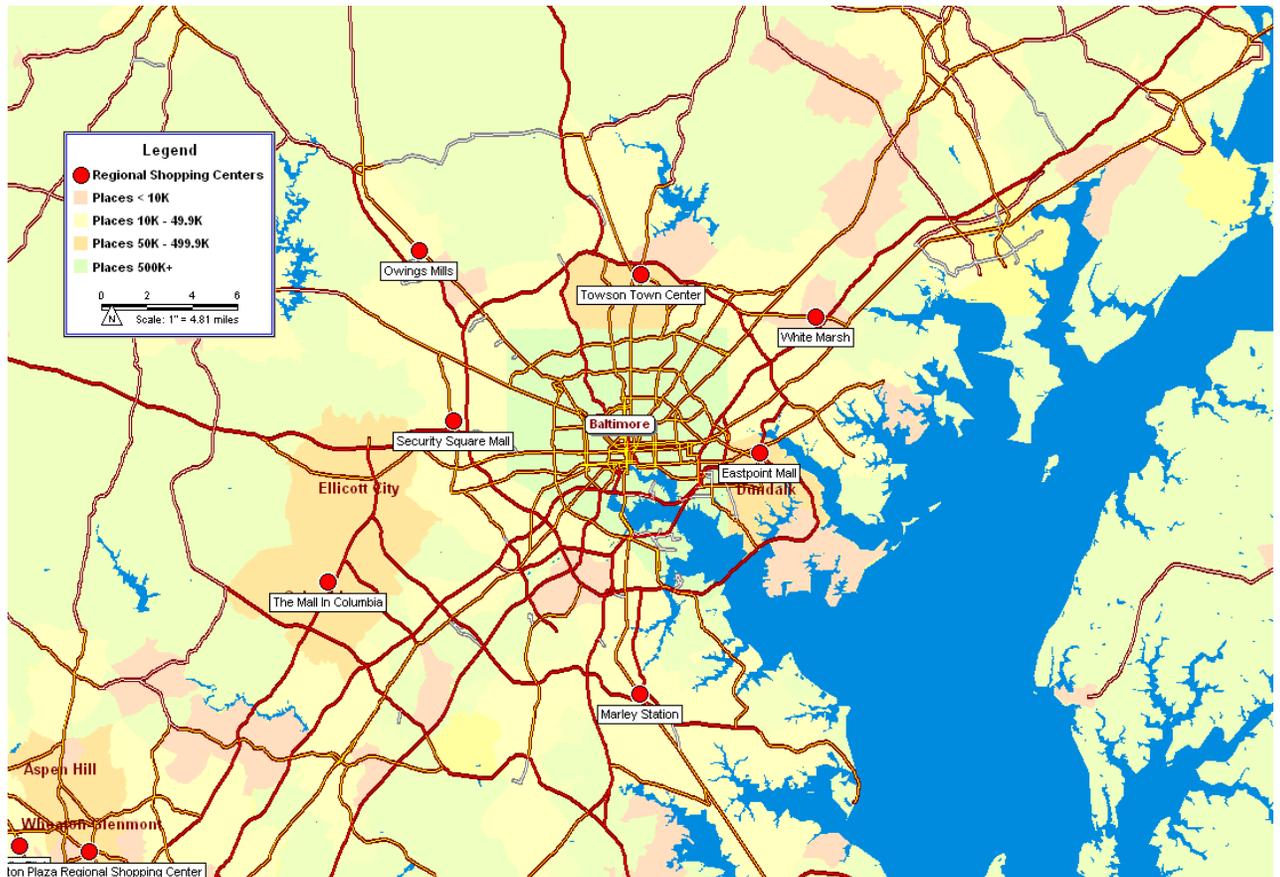
Keystone Crossing is the region's most upscale shopping center. It is located approximately 6 miles from Downtown Indianapolis. Circle Center in Downtown Indianapolis features department stores (including Nordstrom) but has not succeeded in drawing suburban shoppers in adequate numbers to maintain strong occupancy or preclude upscale suburban competition. Circle Center's success is predicated upon its ability to draw suburban shoppers into Downtown for the specific purpose of "shopping." With increasing competition from suburban centers (Castleton Square and Keystone Crossing), Circle Center is increasingly reliant upon office workers, visitors, and event patrons; it is simply too large to be supported by these customer segments. Center City retail development should of a scale and content that serves existing Center City users without the need to draw destination shoppers from the suburbs.

COLUMBUS COMPETITIVE RETAIL ALIGNMENT



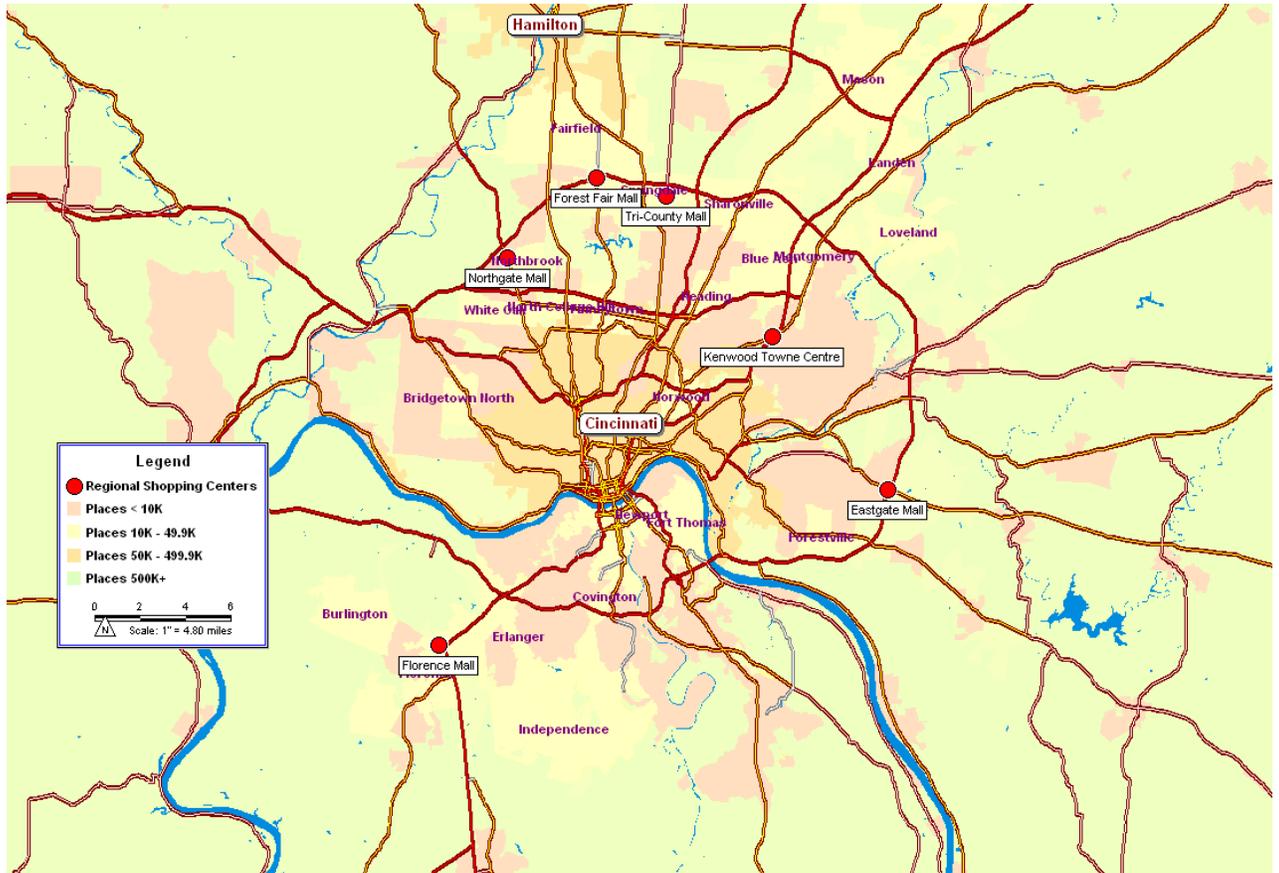
Columbus has two upscale suburban regional centers: Easton Town Center and the Mall at Tuttle Creek. Easton town Center is approximately 9 miles from Downtown Columbus; the Mall at Tuttle Creek is approximately 11 miles from Downtown Columbus. Columbus City Center mall in Downtown Columbus was once the region's premiere shopping destination; in recent years, the center has suffered from the opening of several highly competitive retail centers with superior access to residential populations. Despite Macy's, the mall today has significant vacancy and an imbalance in the ratio of local merchants versus national operators. Again, the lesson to be applied in Charlotte is to scale Center City retail development to succeed based upon the size and buying patterns/potential of office workers and others who are visiting Center City for purposes other than shopping.

BALTIMORE COMPETITIVE RETAIL ALIGNMENT



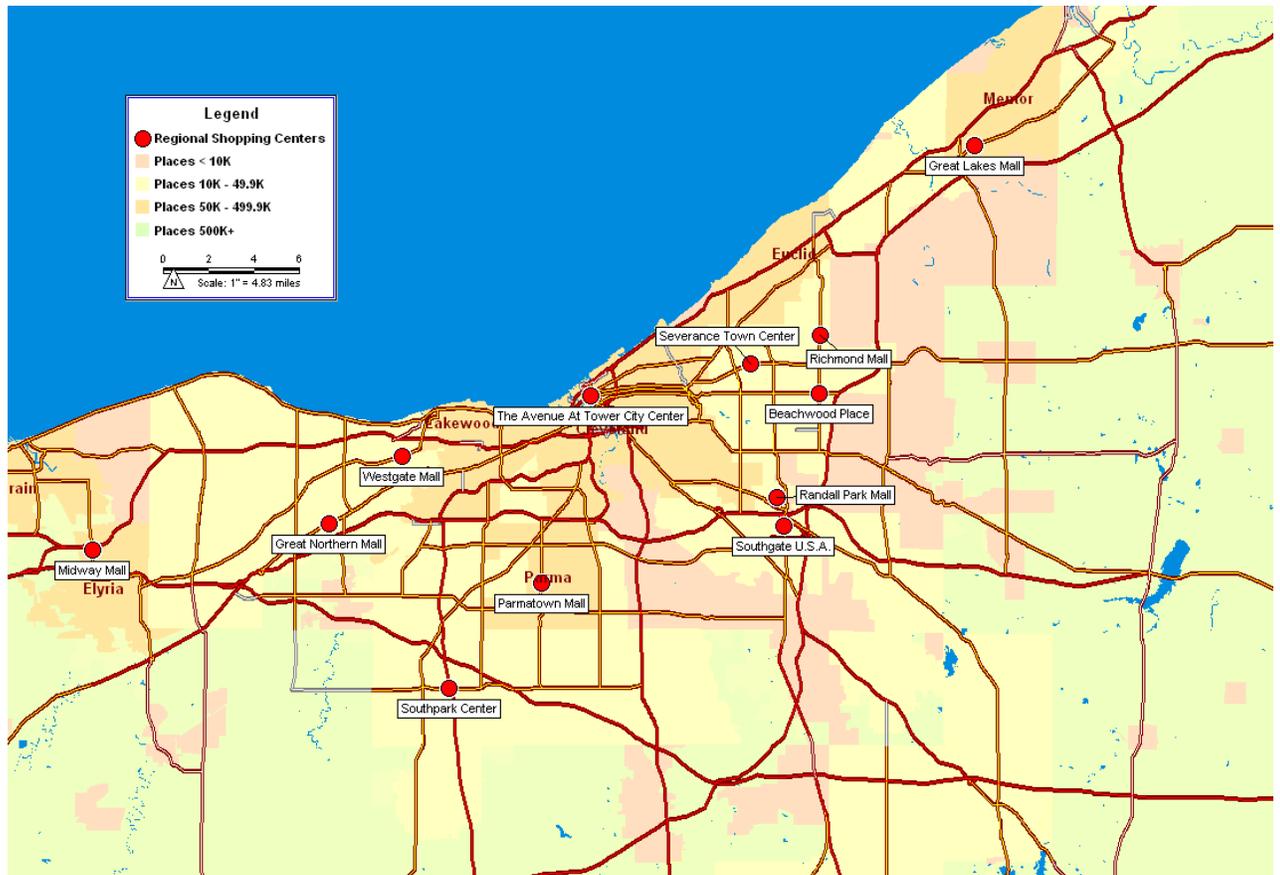
Towson Town Center is the Baltimore area's dominant upscale center. It is located approximately 9 miles north of Downtown. The Mall in Columbia provides additional competition. Baltimore's Inner Harbor retail mix features an assortment of national chain retailers and local operators; the restaurant base overshadows the retail offering. Harbor East is attempting to add a small cluster of upscale merchants. Downtown Baltimore's retailers increasingly serve office workers, inner city residents, and tourists. Drawing suburban residents into Downtown for the primary purpose of "shopping" remains a challenge; however, residents who visit Downtown for sports, entertainment, dining, or other purposes do spend money in Downtown's shops in the form of "recreational" shopping or impulse purchasing. Center City can tap into a similar dynamic.

CINCINNATI COMPETITIVE RETAIL ALIGNMENT



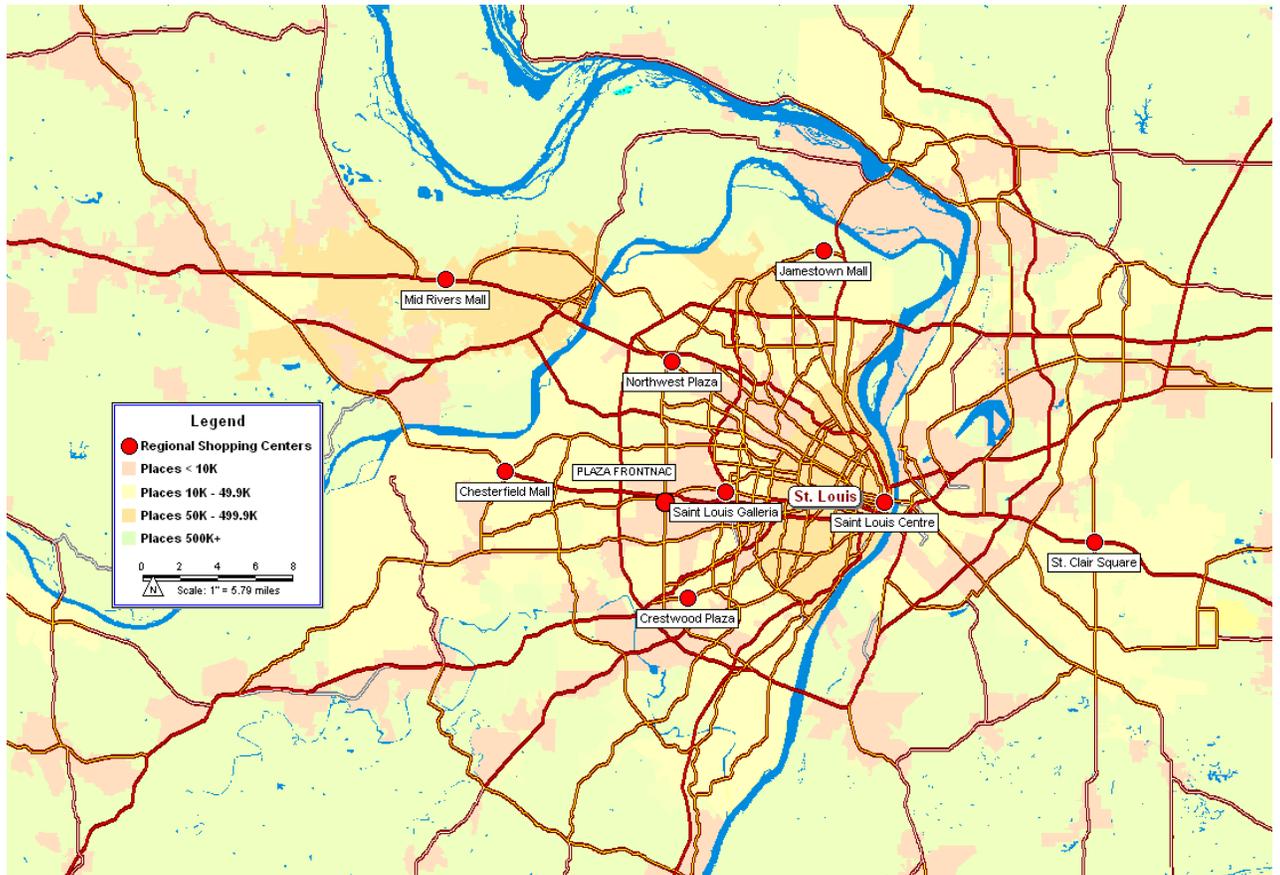
Kenwood Towne Center is the upscale “fortress” mall in the Cincinnati region. It is located approximately 10 miles from Downtown Cincinnati. Downtown Cincinnati has minimal retail development despite the presence of Saks Fifth Avenue and Macy’s. Observers point to Downtown Cincinnati’s failure to attract a wide range of discretionary visits as the cause of its arrested retail development. Nearby Covington, KY has a small dining/entertainment and retail district; the Levee’s food establishments are more successful than its retailers. Most activity is oriented to tourists and game-day football and baseball fans.

CLEVELAND COMPETITIVE RETAIL ALIGNMENT



Beachwood Place is the Cleveland area's most upscale shopping mall. It anchors a retail node in an affluent suburb. Beachwood Place is located approximately 11 miles from Downtown Cleveland. Downtown's retail offering includes Tower City Center, a railroad terminal converted into a retail mall. It has been generally successful without a department store anchor and without attracting "destination" shoppers from the suburbs as the center's most important customer segment. This project is well-situated to be used by multiple consumer segments (office workers, Downtown residents, visitors, and event patrons) and illustrates the opportunity facing Center City Charlotte.

ST. LOUIS COMPETITIVE RETAIL ALIGNMENT



St. Louis Galleria and Plaza Frontenac are the region's two upscale shopping centers. Plaza Frontenac is the smaller of the two centers, but its Neiman-Marcus and Saks Fifth Avenue anchors have attracted a very distinguished line-up of specialty retailers, St. Louis Galleria is located approximately 10 miles from Downtown St. Louis; Plaza Frontenac is located approximately 11 miles from Downtown. St. Louis Centre was the largest enclosed urban shopping center in the United States when it opened in 1985, and today it remains one of the largest enclosed downtown shopping malls in the country. The mall's four stories of shops and restaurants are less than 50 percent occupied; Macy's now operates the department store anchor. Downtown's St. Louis Centre failed as a multi-level enclosed mall anchored by a department store because it was not able to draw the volume of "destination" shoppers from the suburbs necessary to succeed. A new owner plans to transform the building into modern office and first-floor retail space, with the potential for up to 120 luxury condominiums and private parking for residents. Only now is the project being "right sized" for the customer segments that are readily available to supports its retail component.

UPTOWN PERCEPTION AND USAGE SURVEY

CHARLOTTE AREA RESIDENTS

2007

Prepared for

Charlotte Center City Partners

March, 2007

H. BLOUNT
HUNTER
RETAIL &
REAL ESTATE
RESEARCH

FOREWORD

This research was designed to provide a baseline assessment of discretionary (non-work) usage of Uptown Charlotte by residents of the Charlotte MSA. The secondary goals were to examine perceptions of cleanliness, safety, and parking convenience in Uptown Charlotte among current patrons and to probe reasons for non-use of Uptown Charlotte.

This research can be used to communicate broad messages about users' behaviors and attitudes to Uptown's multiple constituencies (Charlotte Center City Partners, the City of Charlotte's Department of Economic Development, the Charlotte-Mecklenburg Planning Department, Charlotte City Council, property owners, existing/potential business investors, real estate brokers, and various cultural and civic organizations). The survey provides an empirical measurement on the Charlotte Center City Partners' efforts to enhance the actual and perceived cleanliness, safety, and friendliness of Uptown Charlotte.

The data generated by the survey can serve as the most fundamental tool for improving the performance of existing businesses while providing facts to compel additional Uptown investment and business recruitment. This year's survey can be viewed as a "snapshot in time" as well as the first of a series that may be conducted in the future. The ultimate value of this research is found in the actions undertaken in response to the strategic challenges it identifies.

This annual survey is subject to a margin of error of 5 percent at the most basic level ("Did you visit Uptown last year?") or more when subsets of the sample are small ("How many times did 18-24 year olds visit Uptown Charlotte?"). Despite the inherent limitations of small sample research, we place value in the survey to provide a reasonable assessment of Uptown visitation metrics. Uptown's promoters have an important opportunity to strengthen the bond between Uptown Charlotte and residents of the region and to add new retailing that is compatible with Uptown trips for purposes other than shopping.

It is likely that Uptown's patrons will respond to new stores, restaurants, entertainment venues, and event programming as Uptown's offering grows. Consistent and pervasive advertising must inform potential patrons about reasons for visiting Uptown and create the desire to visit with sufficient intensity to overcome concerns about distance from home, traffic congestion, and considerations of parking cost and/or availability.

As an observer of this Uptown and other urban areas, it is imperative that Uptown Charlotte's offerings remain unique and of high quality in order to compel visits from suburban residents from a broad geographic area—especially those who live in areas that are served by retailers and restaurants of every level of quality. It is these points

of differentiation that will make Uptown worthy of visits by residents who have ample retail offerings in their neighborhoods.

Blount Hunter
H. Blount Hunter Retail & Real Estate Research Co.
March, 2007

METHODOLOGY

This survey was conducted by random telephone interviews executed by Issues & Answers of Virginia Beach, VA from March 2 through 17, 2007. The survey was conducted using a random list of “listed residential phone numbers” filtered to exclude households with incomes below \$20,000. The final dataset included 500 completed interviews with useable zip code data with the distribution of completed surveys reflecting the approximate distribution of households within the MSA by county:

2007 RESPONDENTS	
Anson County:	10
Cabarrus County:	45
Gaston County:	70
Mecklenburg County:	255
Union County:	50
York County, SC:	<u>70</u>
TOTAL SAMPLE:	500

Adults over age 18 were eligible to participate in the surveying. Interviewers attempted to contact randomly selected households up to several times before choosing alternative households. Surveying occurred primarily during the late afternoon and early evening during the week and during the weekend. This process assures inclusion of working and non-working adults.

Data was entered directly into a computer using Computer Assisted Telephone Interviewing (CATI) technology. This increases accuracy and reduces the time required to access data upon completion of surveying. A supervisor was present at all times, and supervisory personnel monitored interviews. The data has been analyzed using SNAP Survey Analysis software.

SURVEY RESPONDENTS VS. MSA ADULT POPULATION

A comparison of datasets reveals some differences between the random survey sample and the adult population of the five-county Charlotte MSA.

- ✓ The survey sample under-represented 18 to 24 year olds. This is an elusive group to reach given their active lifestyles and the procedural inability to conduct this survey via cell phone. The survey sample over-represented adults age 65+ compared to their presence in the population of the MSA.
- ✓ The survey sample is a very accurate reflection of the income distribution of households within the telephone calling area.
- ✓ The survey sample included more females than the population of the telephone calling area.

2007 SURVEY RESPONDENTS COMPARED TO MSA ADULT POPULATION		
	N=500 2007	MSA TOTAL
18 to 24	3%	11%
25 to 34	11%	20%
35 to 44	19%	22%
45 to 54	20%	19%
55 to 64	22%	14%
65 +	<u>25%</u>	<u>14%</u>
Total	100%	100%
Under \$20,000	14%	14%
\$20,000 to \$39,999	20%	21%
\$40,000 to \$59,999	22%	19%
\$60,000 to \$99,999	26%	26%
\$100,000 to \$149,999	12%	12%
\$150,000+	<u>6%</u>	<u>8%</u>
Total	100%	100%
Male	35%	49%
Female	<u>565%</u>	<u>51%</u>
Total	100%	100%

The survey sample has minor skews that may impact the penetration (“reach”) and frequency averages presented in this report. No attempt has been made to weigh the research data to reflect the MSA population base.

EXPLANATION OF TERMS

At various times where appropriate, the following terms are used:

Uptown Users: Anyone who--for any purpose--visited Uptown Charlotte during the past year; the most inclusive measure of Uptown usage including workers and those making non-work visits; N=280

Non-Users: Anyone who did not visit Uptown Charlotte during the past year for any reason; N=220

Non-Work Trip / Patron: A specific sub-set of Current Uptown Users consisting of those who have made a visit to Uptown for a discretionary purpose excluding respondents who are Uptown workers. Non-work users are highlighted throughout this analysis because they are the focus of the Charlotte Center City Partners' marketing efforts to stimulate discretionary visits to Uptown for shopping, dining, and recreational pursuits; N=238

Uptown Worker: Respondent whose place of employment is located within Uptown Charlotte; N=42

Annual Penetration Rate: The proportion of a consumer segment who has visited Uptown Charlotte in the past year; also known as "usage rate," "reach." and "market share"

Frequency: The number of visits to Uptown Charlotte or any specific destination within Uptown in the past 12 months

Margin of Error: The random sampling process used as the basis of this report involves the use of a small sample to represent a complete census. For pragmatic purposes and because of cost limitations, it is possible only to speak to a representative sample of the total adult population of the Charlotte MSA. The survey's margin of error refers to the probable range of difference between the results of a small sample survey and the results that would be generated if a complete census could be conducted. At a sample size of 500, there is a 95 percent confidence that the largest margin of error is plus or minus 2.0 percentage points. There is a greater margin of error on sub-samples of the survey (e. g. individual questions).

EXECUTIVE SUMMARY

1. Uptown Charlotte's annual usage rate (or "penetration") among adult residents of the Charlotte MSA was 52 percent. This reflects discretionary or non-work visits to Uptown.
2. Most area residents who have not visited Uptown Charlotte during the past 12 months have visited Uptown within the past 4 years. The primary reason cited for not visiting Uptown is "nothing of interest to me in Uptown."
3. Uptown's penetration of local adults is highest among 25 to 34 year olds. This is a strong consumer base for retailers, restaurants, and entertainment venues.
4. Uptown Charlotte's penetration generally increases as education and household income increase. Approximately three-quarters of Charlotte MSA households with incomes over \$60,000 have been to Uptown Charlotte for non-work purposes over the past year. This is a strong environment for retailers and restaurants. This contrasts with the image of many Downtown areas and reflects the bundling of many arts/cultural venues, quality dining options, and a high caliber event calendar.
5. Average annual Uptown visitation for non-work purposes is 11 trips—an average of one visit every month. The highest frequency of use for non-work purposes occurs among 25 to 34 year olds and those with household incomes over \$150,000. This aspect of discretionary usage is also positive for retail recruitment.
6. Going to restaurants/bars/clubs is the most powerful non-work trip generator in Uptown Charlotte with almost six out of ten adults citing at least one visit for this purpose in the past year. Approximately half of all adults in the MSA visited Uptown to go to a museum or to attend a community event/festival. The proportion of adults reporting any "shopping" trips was very modest at 30 percent.
7. Two aspects of Uptown were equally ranked as the "most liked" element of Uptown Charlotte: its restaurant selection and community events/festivals. The least liked aspect of Uptown among its users is traffic congestion encountered on the way to Uptown and within Uptown..
8. Current users want more parking, more shopping options, and enhanced safety as conditions of using Uptown more often.
9. More than half of all current Uptown users say the "availability of parking" is an "important factor" in their decision to visit Uptown. More than one-third of current users say that the "cost of parking" is an "important factor" in their decision to visit

Uptown. This provides some direction to the public and private sectors as they begin a parking marketing initiative.

10. The “clean and safe” initiatives undertaken by the Charlotte Center City Partners generally receive high ratings by Uptown users. Uptown receives its most positive ratings for “well lit at night” and “clean public areas.” Uptown is perceived as safe during the day but less safe at night; there is not a widespread sense that safety in Uptown has improved over the past 2-3 years.

STRATEGIC ASSESSMENT

The data gathered can be used to evaluate the effectiveness of the Charlotte Center City Partners' efforts to enhance the public perception of Uptown Charlotte as "clean, safe, and fun place to visit" through efforts focusing on:

- 1) Cleanliness of public areas
- 2) Variety of exciting and fun things to do
- 3) Comfort during the day
- 4) Comfort at night
- 5) Effective "wayfinding" signage

PERCEPTUAL RATINGS OF KEY ASPECTS OF UPTOWN CHARLOTTE (1=DOES NOT DESCRIBE UPTOWN...5=DESCRIBES UPTOWN VERY WELL)					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>
Well lit at night	5%	10%	28%	34%	22%
Exciting, fun things to do	8%	13%	30%	26%	23%
Has clean streets and public areas	3%	8%	21%	40%	28%
Enough directional signs when approaching by car	10%	13%	29%	30%	18%
Enough directional signs when driving in Uptown	11%	15%	31%	25%	18%
Enough directional signs when walking in Uptown	9%	15%	33%	23%	20%
Street system that is hard to understand	19%	16%	24%	21%	21%
Comfortable during the day	8%	7%	17%	29%	39%
Comfortable at night	10%	15%	29%	26%	20%
Safer, more comfortable now than 2-3 years ago	17%	9%	31%	24%	19%

The perceptual ratings presented here are benchmarks for measuring progress in the future..

- ✓ Two-thirds (68 percent) of Uptown's current patrons rate the "cleanliness of public areas" either 4 or 5 (highest ratings).
- ✓ Two-thirds (68 percent) of current patrons rate the "comfort of Uptown during the day" either a 4 or 5 while approximately half (46 percent) of Uptown's current patrons rate the "comfort of Uptown at night" either a 4 or 5.
- ✓ Of concern, only 43 percent of Uptown's patrons feel Uptown Charlotte is "safer now than 2-3 years ago."

The data, while positive, suggests opportunities to improve public perceptions of several initiatives undertaken by Charlotte Center City Partners and the City of Charlotte.

ANNUAL UPTOWN USAGE RATE

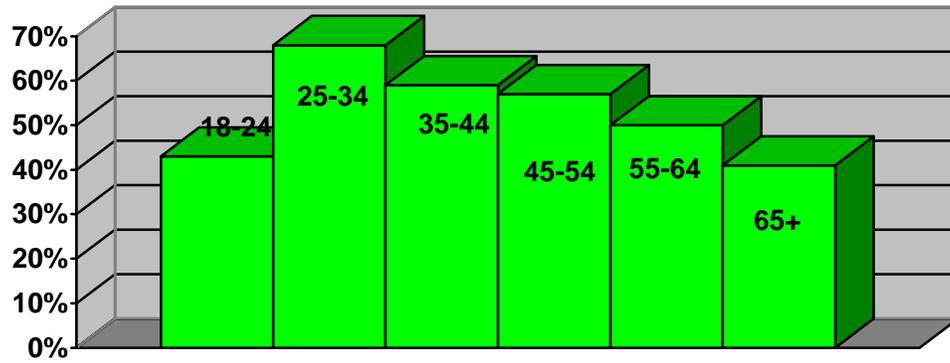
Across the adult population of the five-county Charlotte MSA, 52 percent have made at least one visit to Uptown Charlotte in the past year for work or a discretionary purpose (i.e. non-work visit). Fully 48 percent of adults have visited Uptown for at least one non-work visit.

Uptown Charlotte's greatest appeal is relatively young residents and affluent households.

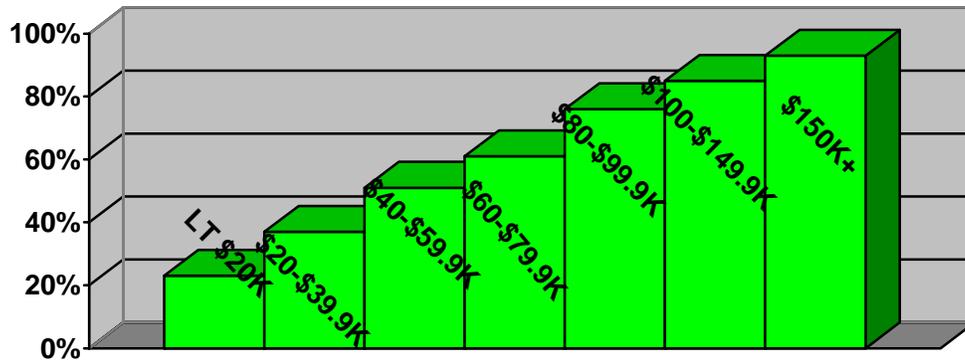
- ✓ Uptown Charlotte's penetration rate was lowest among residents between the ages of 18 and 24 and was highest among adults between 25 and 34 years old.
- ✓ Uptown's usage rate increased in positive correlation with increasing education and household income. The highest usage rate was recorded among adults with college degrees or more education and among households with incomes over \$150,000.
- ✓ Incidence of use of Uptown for discretionary purposes is not directly linked with length of residence in the Charlotte region.

2006 PENETRATION RATE				
	N=238 2007		N=238 2007	
18 to 24	43%	Less than high school	27%	
25 to 34	68%	High school grad/GED	29%	
35 to 44	59%	Some college	52%	
45 to 54	57%	College graduate	65%	
55 to 64	50%	Some post-graduate	71%	
65 +	41%	Post-graduate degree	84%	
Under \$20,000	23%	Up to 2 years residence	48%	
\$20,000 to \$39,999	37%	3 to 5 years residence	49%	
\$40,000 to \$59,999	51%	6 to 10 years residence	49%	
\$60,000 to \$79,999	61%	11 to 20 years residence	57%	
\$80,000 to \$99,999	76%	21+ years residence	45%	
\$100,000 to \$149,999	85%			
\$150,000+	93%	Males	52%	
		Females	52%	
Caucasians	56%	All Adults	52%	
African Americans	45%			

DOWNTOWN USAGE BY AGE



DOWNTOWN USAGE BY HOUSEHOLD INCOME



TIMING OF LAST VISIT TO UPTOWN CHARLOTTE

A majority of those respondents who did not visit Uptown Charlotte during the last year have visited within the past several years. This broadens our understanding of non-users and illustrates that non-use in the past year is not synonymous with never having visited Uptown.

- ✓ Only a small percentage of adults (9 percent) in the Charlotte MSA have never visited Uptown Charlotte.
- ✓ The majority of those local adults who have not visited Uptown in the past year have visited Uptown Charlotte within the past four years.

TIMING OF LAST VISIT TO UPTOWN CHARLOTTE	
	N=220 2007
Visited between 1 and 2 years ago	43%
Visited between 2 and 4 years ago	20%
Visited between 4 and 10 years ago	15%
Visited more than 10 years ago	13%
Have Never Visited Uptown Charlotte	9%

Respondents provided a variety of reasons for not visiting Uptown Charlotte:

- Nothing there; nothing interests me; no reason to go to Uptown Charlotte (46%)
- Don't venture too far from home; don't drive; ill/immobile (16%)
- Too far from home (15%)
- Parking is difficult; don't like to pay to park (10%)
- Don't feel safe in Uptown (5%)
- Don't feel safe in Uptown (5%)
- Don't know what's available in Uptown (5%)
- New to area (3%)
- Better selection of stores and restaurants closer to home (2%)

The primary reason cited for not visiting Uptown Charlotte in the past year suggests the need for a constant communication about the diversity of events and activities in Uptown as well as publicity about new stores, restaurants, and entertainment venues to generate interest and sustain use of Uptown. The challenge of “remaining fresh and compelling” to current users and to provide reasons for use by non-users is faced by many venues including museums, theme parks, shopping centers, and individual retail stores.

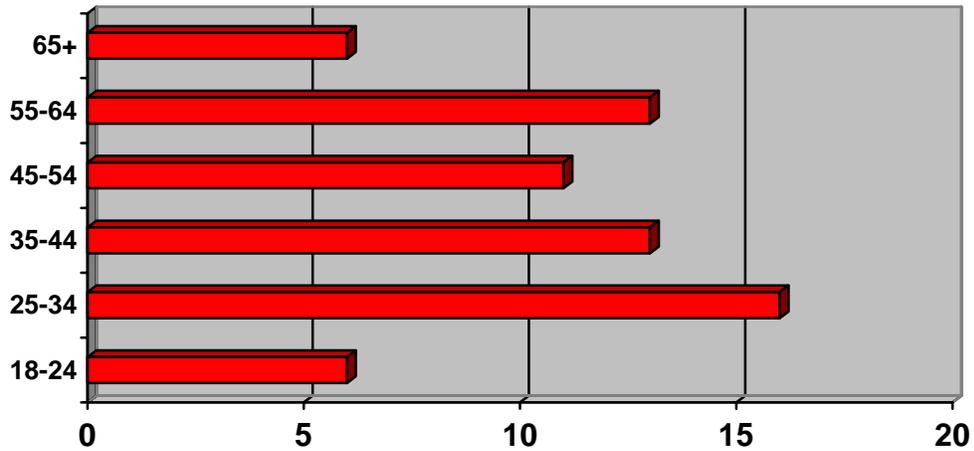
AVERAGE ANNUAL FREQUENCY OF NON-WORK VISITATION

Tracking the frequency of discretionary visits (i.e. non-work trips) to Uptown Charlotte is one of the core benchmarking goals of this research. Across the total sample, average annual frequency of Uptown visits for non-work purposes was 11 visits or approximately once per month. The median frequency of visits was 0 meaning that half of the respondents visited more than 11 times while half visited less than 11 times during the past 12 months. ***Uptown Charlotte has a significant segment of infrequent users and a small segment of high frequency patrons.***

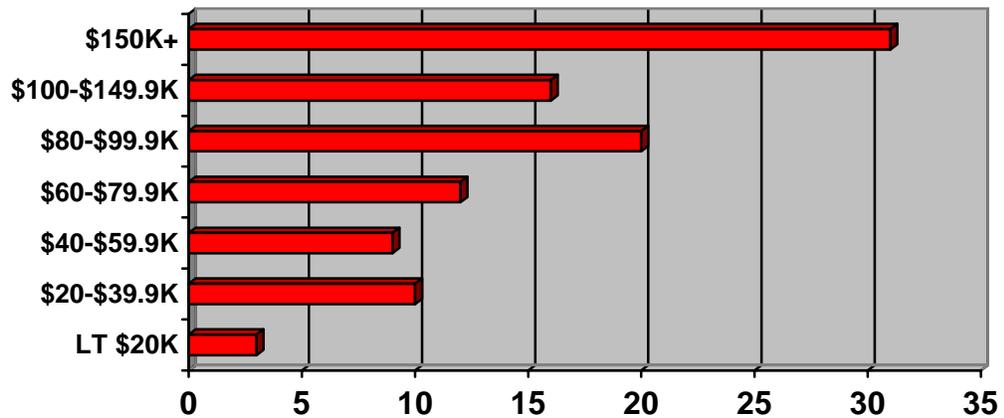
- ✓ The least frequent non-work patrons of Uptown are between 18 and 24 and people over age 65.
- ✓ As with incidence of non-work use of Uptown, average frequency of non-work use of Uptown generally correlates with income. Households with incomes over \$150,000 demonstrated the highest incidence of discretionary use of Uptown as well as the highest average frequency of discretionary use.
- ✓ Length of residence in the Charlotte area did not correlate with frequency of non-work visits to Uptown; short-term residents and long-term residents had similar average frequencies of visiting Uptown.

2006 AVERAGE FREQUENCY OF USE				
	N=238 2007		N=238 2007	
18 to 24	6 X	Less than high school	1 X	
25 to 34	16 X	High school grad/GED	4 X	
35 to 44	13 X	Some college	12 X	
45 to 54	11 X	College graduate	13 X	
55 to 64	13 X	Some post-graduate	20 X	
65 +	6 X	Post-graduate degree	21 X	
Under \$20,000	3 X	Up to 2 years residence	10 X	
\$20,000 to \$39,999	10 X	3 to 5 years residence	14 X	
\$40,000 to \$59,999	9 X	6 to 10 years residence	14 X	
\$60,000 to \$79,999	12 X	11 to 20 years residence	14 X	
\$80,000 to \$99,999	20 X	21+ years residence	10 X	
\$100,000 to \$149,999	16 X			
\$150,000+	31 X	Males	14 X	
		Females	10 X	
Caucasians	12 X	All Adults	11 X	
African Americans	10 X			

ANNUAL AVERAGE FREQUENCY BY AGE



ANNUAL AVERAGE FREQUENCY BY HOUSEHOLD INCOME



The most affluent households are Uptown's most frequent discretionary-use patrons. This finding should be of interest to retailers and restaurateurs considering locations in Uptown. Low frequency of use by younger residents (18 to 24) is surprising compared to usage dynamics in other cities where similar research has been conducted.

INCIDENCE AND FREQUENCY OF USE BY VISIT MOTIVATION

On average, non-work patrons visited Uptown 11 times in the past year. Uptown Charlotte resembles many resurgent Downtown areas in that restaurants form the most powerful trip generator. In Charlotte, museums, cultural activities, and professional sports are also significant trip generators.

- ✓ In the past year, 58 percent of all adults in the Charlotte MSA visited Uptown to go to a restaurant, bar, or club. On average, patrons made 4 visits for this purpose.
- ✓ Half of all adults visited Uptown for a museum. The average number of visits for this purpose was modest at 2 trips.
- ✓ Fully 49 percent of adults reported attending any professional football or basketball games in Uptown. The average frequency of visits for this purpose was 2.
- ✓ Shopping is a minor trip generator today. Only 30 percent of adults reported any trips to Uptown for shopping. The average frequency for this purpose was 2 visits. As a frame of reference, suburban mall patrons tend to shop in their primary regional mall approximately 3 times per month or 36 times per year just in their preferred mall.

INCIDENCE AND FREQUENCY OF UPTOWN USAGE BY PURPOSE OF VISIT		
	N=238 2007	AVERAGE FREQUENCY
To go to any restaurant, bar, or club	58%	4 X
To visit any museum	50%	2 X
To go to any cultural event or performance	49%	2 X
For any pro sports (football or basketball)	42%	2 X
To go to any festival, concert, parade or community event	40%	1 X
To go to the public library, a church, post office, or any government/civic office	40%	3 X
To visit a lawyer, accountant, broker, banker or other professional office	36%	2 X
To go to an event or show at the Charlotte Convention Center	42%	1 X
To shop at any stores in Overstreet Mall, Gateway Village or elsewhere in Uptown	30%	2 X
To visit Uptown for any other reasons	30%	2 X
Total Adult Market Penetration	52%	11 X

As expected, there are many types of visits to Uptown Charlotte that involve dining, entertainment, and cultural activities and a lesser number of trips for

shopping. Uptown is a mixed-use setting with a variety of reasons for visiting. As the retail base expands, “shopping” can become a part of a larger share of visits regardless of their primary purpose. Over time, “shopping” may also become a primary trip motivator among targeted demographic groups.

PERCEPTUAL RATINGS

Uptown's current users give it the highest ratings for safety during the day and for having clean public spaces. The rating for being an "exciting place, full of fun things to do" is also relatively high.

- ✓ Uptown receives its second highest rating for "being well lit at night."
- ✓ The adequacy of existing directional signage at the periphery of Uptown and within Uptown received modest ratings.
- ✓ The low rating for "difficult to understand street system" is positive.

MEAN PERCEPTUAL RATING SCORES (1 TO 5 SCALE)	
	N=238 2007
Well lit at night	3.6
Full of fun things to do	3.5
Clean streets and public spaces	3.8
Enough directional signs when approaching by car	3.3
Enough directional signs when driving within Uptown	3.3
Enough directional signage when walking in Uptown	3.3
Difficult to understand the street grid system	3.1
Comfortable during the day	3.8
Comfortable during the evening	3.3
Safer now than 2-3 years ago	3.2

This data can serve as benchmark ratings for measuring progress with initiatives related to safety, signage, and marketing.

PRINCIPAL LIKES AND DISLIKES

Uptown's users were asked to cite their top "likes" and "dislikes" about Uptown Charlotte.

- ✓ The "most liked" aspects of Uptown Charlotte are its community events/festivals and its selection of restaurants/bars/clubs.
- ✓ Traffic congestion is the "least liked" aspect of Uptown Charlotte.

"MOST LIKED" ASPECT OF UPTOWN CHARLOTTE	
	N=280 2007
Community events and festivals	23%
Selection of restaurants/bars/clubs	23%
Beautiful architecture and buildings	20%
Cultural activities	20%
Clean, vibrant place	19%
Lots of exciting things to do	16%
Sporting events	15%
Mix of historic and modern buildings	13%
Walkable, pedestrian area	12%
Has the feel of a city	10%

"LEAST LIKED" ASPECT OF UPTOWN CHARLOTTE	
	N=280 2007
Traffic congestion getting to Uptown and within Uptown	36%
Inconveniently located parking	23%
Pay parking/Expensive parking	22%
Difficult to find parking	21%
Crime/safety issues	15%
Poor directional signage to parking and major attractions	8%
Hard to find way around in Uptown	6%
Not enough stores	6%
One-way street network	6%
Not enough family-oriented events	5%
Inconvenient location/access from home	4%
Not well lit at night	3%
Not enough restaurants	3%

SUGGESTED IMPROVEMENTS TO UPTOWN

Respondents who had visited Uptown Charlotte in the past year were asked “What would you suggest for improvements, changes, or additions to Uptown Charlotte to make it a place you would visit more often for shopping, dining, or entertainment?”

- ✓ The two suggestions cited most frequently were “add more parking/make parking cheaper” and “add more stores.”

Here is a listing of responses in to an open-ended question about improvements to Uptown:

- Need more public parking, cheaper/free parking (87)
- Need more stores (63)
- Less traffic congestion on way to Uptown and in Uptown (47)
- More police presence/make Uptown safer (37)
- More entertainment options, concerts, festivals, cultural activities (36)
- Restore South End Trolley/better public transit to Uptown (26)
- Add new restaurants, broaden restaurant variety (16)
- Have more children’s activities/Make Uptown more family-friendly (16)
- Eliminate one-way streets and improve Uptown traffic pattern (11)
- Install better directional signage (11)
- Increase publicity/advertising for events and activities in Uptown (9)
- Improve lighting on streets (6)
- Build minor league baseball stadium (7)
- Have more parks and open spaces in Uptown (4)

CROSS-PATRONAGE OF UPTOWN, SOUTH END, AND SOUTHPARK MALL

Survey respondents were asked how many times they had visited the South End and SouthPark Mall for any shopping or dining. Cross-patronage of Charlotte's Historic South End and SouthPark Mall by Uptown's non-work patrons is presented in the following table.

- ✓ One third (31 percent) of Uptown's patrons reported no visits to the South End in the past year. Two-thirds (68 percent) either did not visit the South End or were infrequent users who made 6 or fewer trips to the South End.
- ✓ One-quarter (23 percent) of Uptown's patrons reported no visits to SouthPark Mall over the past year. More than two-thirds (70 percent) either did not visit SouthPark or were infrequent users who made 6 or fewer trips to SouthPark Mall.

NUMBER OF VISITS TO SOUTH END AND SOUTHPARK MALL BY UPTOWN'S NON-WORK PATRONS (PAST YEAR)		
	VISITED SOUTH END	VISITED SOUTHPARK
0	31%	23%
1 to 6	37%	47%
7 to 12	12%	11%
13 to 20	7%	6%
21+	13%	13%

This data provides a reminder that Uptown Charlotte's patrons are not all served by stores and restaurants in the Historic South End or at SouthPark Mall.

UPTOWN USERS' FEEDBACK ON PARKING

Parking-related issues are relatively important factors in the decision to go to Uptown Charlotte for non-work visits. Availability of parking is of greater concern than the cost of parking. The predominant suggestion for improving Uptown Charlotte focused upon adding more parking and reducing the price of parking.

- ✓ More than half (56 percent) of current Uptown users said that the availability of parking was a major factor in their decisions to visit Uptown.

IMPORTANCE OF AVAILABILITY OF PARKING IN DECISION TO VISIT UPTOWN CHARLOTTE	
	N=280 2007
An important factor in decision	56%
A minor factor in decision	18%
Not at all a factor in decision	26%

- ✓ Approximately four out of ten (38 percent) current Uptown users indicated that the cost of parking is an important factor when deciding to visit Uptown for non-work purposes.

IMPORTANCE OF COST OF PARKING IN DECISION TO VISIT UPTOWN CHARLOTTE	
	N=280 2007
An important factor in decision	38%
A minor factor in decision	34%
Not at all a factor in decision	28%

“Perception is reality” in issues such as parking and safety; many Uptown patrons form their impressions of Uptown’s parking availability during visits to crowded events when parking is difficult to find. If patrons only visit Uptown at such times, they may think that it is always challenging to find convenient parking in Uptown Charlotte, or if the bulk of visits occur during times when parking fees are charged, they may form an impression that Uptown parking is expensive. A joint parking marketing initiative to be undertaken by Charlotte Center City Partners, the City of Charlotte, and private sector parking lot owners/operators can play an important role in defining a positive image of Uptown’s parking supply, convenience, and affordability. A highly visible way-finding system to parking is encouraged; this system should be designed from the perspective of first-time or infrequent users and should therefore delineate a very clear trail to parking,

communicate alternative parking areas, and instruct drivers with sufficient lead time for changing lanes in an unfamiliar environment. Transient parking spaces for public use should be segregated on the lower levels of parking decks to enhance convenience for patrons visiting Uptown on a discretionary basis.

APPENDIX

UPTOWN CHARLOTTE USAGE AND PERCEPTION STUDY (03/07)

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HELLO, my name is _____ with Issues and Answers, and we're doing a brief survey today of residents of the greater Charlotte region. I'm not selling anything and no one will contact you after this call. Are you age 18 or older? [IF "YES" CONTINUE. IF "NO" ASK TO SPEAK TO PERSON IN HOUSEHOLD WHO IS AGE 18 OR OLDER.]

- Q1** In which county do you live?
- | | |
|--|--|
| Anson..... <input type="checkbox"/> 1 SKIP TO Q. 3 | Union..... <input type="checkbox"/> 5 SKIP TO Q. 3 |
| Cabarrus..... <input type="checkbox"/> 2 SKIP TO Q. 3 | York..... <input type="checkbox"/> 6 SKIP TO Q. 3 |
| Gaston..... <input type="checkbox"/> 3 SKIP TO Q. 3 | Other..... <input type="checkbox"/> 7 TERMINATE |
| Mecklenburg..... <input type="checkbox"/> 4 CONTINUE TO Q. 2 | |
-
- Q2** Do you live within the city limits of the City of Charlotte?
- | | | |
|-------------------------------------|--|--|
| Yes..... <input type="checkbox"/> 1 | Not sure..... <input type="checkbox"/> 3 | |
| No..... <input type="checkbox"/> 2 | | |

For this survey, Uptown Charlotte is defined as the area inside of the Interstate 77/277 Loop. It includes the Tryon Street business district, Gateway Village, the convention center, and the Bank of America Stadium but it does not include The South End district.

My first few questions are about any visits you may have made to Uptown Charlotte in the past 12 months.

- Q3** Have you been to Uptown Charlotte--inside The Loop--for work or any other purpose in the past 12 months?
- | | |
|--|---|
| Yes..... <input type="checkbox"/> 1 SKIP TO Q. 7 | No..... <input type="checkbox"/> 2 CONTINUE to Q. 4 |
|--|---|
-
- Q4** About how long ago was your last NON-WORK visit to Uptown Charlotte?
- | | |
|---|---|
| More than 1 year ago but less than 2 years ago..... <input type="checkbox"/> 1 CONTINUE TO Q. 5 | 4 to 10 years ago..... <input type="checkbox"/> 3 CONTINUE TO Q. 5 |
| 2 to 4 years ago..... <input type="checkbox"/> 2 CONTINUE TO Q. 5 | More than 10 years ago..... <input type="checkbox"/> 4 CONTINUE TO Q. 5 |
| | Have never been..... <input type="checkbox"/> 5 CONTINUE TO Q. 5 |

Q5 Why have you not visited Uptown Charlotte more recently than [RESPONSE IN Q. 4]? [PROBE. ACCEPT MULTIPLE RESPONSES.]

- No interest/Nothing there for me..... 01 SKIP TO Q. 28
- Have better selection of stores/restaurants closer to home... 02 SKIP TO Q. 28
- Too far from home..... 03 SKIP TO Q. 28
- Parking is a hassle/No parking spaces/Don't like to pay to park 04 SKIP TO Q. 28

- Don't feel safe there..... 05 SKIP TOM Q. 28
- Don't drive/Too old/Sick..... 06 SKIP TO Q. 28
- Don't have time .. 07 SKIP TO Q. 28
- Don't know what's offered in Uptown..... 08 SKIP TO Q. 28
- Just moved here. 09 SKIP TO Q. 28
- Other..... 10 CONTINUE TO Q. 6

Q6 Specify "other" here:

SKIP TO Q. 28

Q7 Is your job located in Uptown Charlotte?

Yes..... 1 CONTINUE TO Q. 8

No..... 2 SKIP TO Q. 11

Q8 About how long do you spend during the typical day on your round trip commute to and from work?

CONVERT TO MINUTES

Q9 Do you regularly commute via public transit?

Yes..... 1 CONTINUE TO Q. 10

No..... 2 SKIP TO Q. 11

Q10 How much do you or your employer pay for your monthly parking in Uptown Charlotte?

Now I'd like to ask you about NON-WORK visits to Uptown Charlotte. In the past year, how many times have you been to Uptown Charlotte for the following reasons.....

Q11 To shop at any stores or galleries in the Overstreet Mall, Gateway Village, or anywhere else in Uptown Charlotte:

Q12 To any restaurant, cafe, or bar anywhere in Uptown including Gateway Village:

Q13 To go to any community event or entertainment such as Speed Street, Charlotte Shout, Taste of Charlotte, New Year's Eve or 4th of July celebrations:

Q14 For any cultural performance at The Belk Theater, the Blumenthal Performing Arts Center, the Booth Playhouse or any similar venue in Uptown:

Q15 To visit Spirit Square, the Mint Museum, Levine Museum, Discovery Place, the McColl Center for Visual Art, ImaginOn, or similar museums or attractions in Uptown:

Q16 To a Panthers game at Bank of America Stadium or to a Bobcats game at the Charlotte Bobcats Arena:

Q17 To any show or exhibition in the Charlotte Convention Center:

Q18 To visit a doctor, dentist, lawyer, accountant, stockbroker, bank, or other professional office:

Q19 Go to the public library, a church, post office, or any city/county/federal government offices:

Q20 Go to Uptown Charlotte for any other reasons not mentioned:

Q21 What features or aspects of Uptown Charlotte do you LIKE BEST? [PROBE. ACCEPT multiple RESPONSES.]

- | | | | |
|---|-----------------------------|---|-----------------------------|
| Beautiful architecture and buildings | <input type="checkbox"/> 01 | Sporting events/Football and basketball | <input type="checkbox"/> 07 |
| Mix of historic buildings and modern buildings..... | <input type="checkbox"/> 02 | Walkable area/pedestrian oriented | <input type="checkbox"/> 08 |
| Lots of things to do | <input type="checkbox"/> 03 | Selection of restaurants/bars | <input type="checkbox"/> 09 |
| Community events and entertainment | <input type="checkbox"/> 04 | Clean/vibrant place | <input type="checkbox"/> 10 |
| Cultural activities..... | <input type="checkbox"/> 05 | Nothing | <input type="checkbox"/> 11 |
| Sense of "urban excitement"/feels like a city . | <input type="checkbox"/> 06 | Other (specify in next question) | <input type="checkbox"/> 12 |

Q22 SPECIFY "other" here. [PROBE. RECORD VERBATIM.]

Q23 What features or aspects of Uptown Charlotte do you LIKE LEAST? [PROBE. ACCEPT MULTIPLE RESPONSES.]

- | | | | |
|---|-----------------------------|---|-----------------------------|
| Traffic congestion in Uptown..... | <input type="checkbox"/> 01 | One way streets..... | <input type="checkbox"/> 08 |
| Feel unsafe/concerned about crime..... | <input type="checkbox"/> 02 | Not enough stores | <input type="checkbox"/> 09 |
| Hard to locate public parking | <input type="checkbox"/> 03 | Not enough restaurants | <input type="checkbox"/> 10 |
| Public parking is too far from destination | <input type="checkbox"/> 04 | Not enough activities for families | <input type="checkbox"/> 11 |
| Don't want to pay for parking/Parking is too expensive..... | <input type="checkbox"/> 05 | Inconvenient location/access from home..... | <input type="checkbox"/> 12 |
| Hard to find your way around..... | <input type="checkbox"/> 06 | Not well lit at night..... | <input type="checkbox"/> 13 |
| Poor directional signage to parking and major attractions | <input type="checkbox"/> 07 | Nothing | <input type="checkbox"/> 14 |
| | | Other (specify in next question) | <input type="checkbox"/> 15 |

Q24 SPECIFY "other" here. [PROBE. RECORD VERBATIM.]

Q25 When making the decision to go to Uptown Charlotte, how much does the AVAILABILITY of public parking impact your decision? [READ OPTIONS 1 THROUGH 3. ACCEPT ONE RESPONSE.]

- | | | | |
|---|----------------------------|--|----------------------------|
| Availability of parking is an <u>IMPORTANT FACTOR</u> in the decision to go Uptown..... | <input type="checkbox"/> 1 | Availability of parking <u>HAS NO IMPACT</u> on the decision to go Uptown..... | <input type="checkbox"/> 3 |
| Availability of parking is a <u>MINOR FACTOR</u> in the deciding to go Uptown..... | <input type="checkbox"/> 2 | Don't Know | <input type="checkbox"/> 4 |

Q26 When making the decision to go to Uptown Charlotte, how much does the COST of public parking impact your decision? [READ OPTIONS 1 THROUGH 3. ACCEPT ONE RESPONSE.]

- | | | | |
|---|----------------------------|--|----------------------------|
| Availability of parking is an <u>IMPORTANT FACTOR</u> in the decision to go Uptown..... | <input type="checkbox"/> 1 | Availability of parking <u>HAS NO IMPACT</u> on the decision to go Uptown..... | <input type="checkbox"/> 3 |
| Availability of parking is a <u>MINOR FACTOR</u> in the deciding to go Uptown..... | <input type="checkbox"/> 2 | Don't Know | <input type="checkbox"/> 4 |

I'm going to read a series of descriptions of Uptown Charlotte. Please rate how well you think the description describes Uptown Charlotte using a scale of 1 to 5. 1 means that the description does NOT AT ALL describe Uptown Charlotte and 5 means the description describes Uptown Charlotte VERY WELL. You can use any number in between 1 and 5.

Q27	On a 1 to 5 scale, would you say Uptown Charlotte is.....						
		1	2	3	4	5	DK
	Well lit at night	<input type="checkbox"/>					
	Exciting and full of fun things to do	<input type="checkbox"/>					
	Has clean streets and public spaces	<input type="checkbox"/>					
	Has enough directional signs to help you find your way when approaching by car	<input type="checkbox"/>					
	Has enough directional signs to help you find your way when driving WITHIN Uptown	<input type="checkbox"/>					
	Has enough directional signs to help you find your way when WALKING within Uptown	<input type="checkbox"/>					
	Has a street system that is hard to understand	<input type="checkbox"/>					
	Is comfortable for you on daytime visits	<input type="checkbox"/>					
	Is comfortable for you on evening visits	<input type="checkbox"/>					
	Is safer, more comfortable now than 2-3 years ago	<input type="checkbox"/>					

Q28 What improvements, changes, or additions to Uptown Charlotte would cause you to visit Uptown more often for shopping, dining, or entertainment? [PROBE. RECORD VERBATIM.]

Q29 How many times in the past year have you visited the South End of Charlotte--the area south of the I-277 Loop that is oriented to South Boulevard--for any shopping, dining, or services?

Q30 How many times have you visited SouthPark Mall in the past year for any shopping or dining?

Q31 How many years have you lived in the Greater Charlotte area?

Q32 What is your home Zip code?

Q33 [ASK THIS QUESTION IF ZIP CODE 28202 IN Q. 30.] What do you consider the best aspect of living in Uptown? [ACCEPT ONE RESPONSE.]

Proximity to work/No commute.....	<input type="checkbox"/>	Urban excitement/Feeling of living in the city.....	<input type="checkbox"/>
Entertainment options close to home	<input type="checkbox"/>	Type of home available in Uptown.....	<input type="checkbox"/>
Dining options close to home.....	<input type="checkbox"/>	Diversity of neighborhood.....	<input type="checkbox"/>
Pedestrian lifestyle	<input type="checkbox"/>	Other (specify in next question).....	<input type="checkbox"/>

Q34 Specify "other" here:

Q35 Please stop me when I say your age group. [SLOWLY READ CODES 1 THROUGH 6. DO NOT VOLUNTEER "REFUSED."]

18 to 24.....	<input type="checkbox"/>	1	55 to 64.....	<input type="checkbox"/>	5
25 to 34.....	<input type="checkbox"/>	2	65+	<input type="checkbox"/>	6
35 to 44.....	<input type="checkbox"/>	3	Refused	<input type="checkbox"/>	7
45 to 54.....	<input type="checkbox"/>	4			

Q36 Please stop me when I read the level of education that corresponds to your highest level of formal education:

Less than high school	<input type="checkbox"/>	1	Some post graduate education	<input type="checkbox"/>	5
High school graduate or GED	<input type="checkbox"/>	2	Post graduate degree	<input type="checkbox"/>	6
Some college.....	<input type="checkbox"/>	3	Refused	<input type="checkbox"/>	7
College graduate	<input type="checkbox"/>	4			

Q37 How many children up to age 12 live in your household?

Q38 How many children between the ages of 13 and 18 live in your household?

Q39 What is your ethnic background...are you...? [SLOWLY READ CODES 1 THROUGH 5. DO NOT VOLUNTEER "REFUSED."]

Caucasian.....	<input type="checkbox"/>	1	Asian or Pacific Islander	<input type="checkbox"/>	4
African American	<input type="checkbox"/>	2	Other ethnic group not mentioned	<input type="checkbox"/>	5
Hispanic or Latino	<input type="checkbox"/>	3	Refused	<input type="checkbox"/>	6

Q40 Lastly, please stop me when I read the group that includes your household's TOTAL income per year BEFORE TAXES. [SLOWLY READ CODES 1 THROUGH 7. DO NOT VOLUNTEER "REFUSED."]

\$20,000 or less	<input type="checkbox"/>	1	More than \$80,000 up to \$100,000.....	<input type="checkbox"/>	5
More than \$20,000 up to \$40,000.....	<input type="checkbox"/>	2	More than \$100,000 up to \$150,000.....	<input type="checkbox"/>	6
More than \$40,000 up to \$60,000.....	<input type="checkbox"/>	3	More than \$150,000.....	<input type="checkbox"/>	7
More than \$60,000 up to \$80,000.....	<input type="checkbox"/>	4	Refused	<input type="checkbox"/>	8

Q41 RECORD gender of respondent:
Male.....1 Female.....2

Q42 So that my supervisor can verify my work, may I confirm that I've reached you at the following phone number:

THANK YOU FOR YOUR TIME!

