PINECREST Mixed - Use Project

Orange Village, Ohio

Retail Market Study   February 20, 2013

The purpose of this study is to determine the feasibility of bringing 300,000 sq ft of new upscale retail square footage, along with an additional 87,000 sq ft of new free-standing or "outlot" opportunities (for restaurants, banks, and other typical users of such real estate) to the Orange Village mixed-use project now approaching the voters for potential rezoning in autumn 2013: "PINECREST"

The principle methodology will be an examination of the Cleveland-area upscale retail product currently in place (and in some cases to be expanded) with similar product in Columbus and Cincinnati, the theory being that the market size and demographics of Cleveland justify as much or more additional upscale retail construction than Columbus or Cincinnati.

Just how large is our market? We will use Census data (which apply to all industries), and Designated Market Areas ("media markets") which has special relevance to retailers - many of whom will advertise at some point and require audited proof that their media dollars are reaching the claimed number of people.

Designated Market Area

The term Designated Market Area (DMA) is trademarked by Nielsen Media Research and refers to the number of households that can get the same TV programming in a given area (also radio, internet and newspapers figure into the study)[1]. It is the truest measure of market size for advertisers in all media for the U.S., and uses households rather than individuals (one TV/radio/internet per house).

[1] Nielsen DMA Rankings 2012-2013

MARKET	RANK	HOUSEHOLDS
Cleveland-Akron-Canton	18	1,485,140
Columbus	32	930,460
Cincinnati	35	897,890

How is DMA related to overall population? In order to accurately answer, we have to take into account the US Census's Combined Statistical Area (CSA) and Metropolitan Statistical Area (MSA)[2]. "Combined" simply means that the area is composed of both Metropolitan and Micropolitan aspects.

According to the census the population in the Cleveland CSA which includes Elyria, east to Mentor and Ashtabula, and south to Akron is 2,871,084.

However, the Canton-Massillon MSA does not appear in the Cleveland CSA, per the census definition, while it *is* in the DMA per Nielsen. This adds 403,869 for a total of **3,274,953**. This more closely tracks the DMA chart above, with about 2.2-2.4 members per household and is a more accurate representation of the potential of the Cleveland market.

The Cincinnati DMA and CSA include Hamilton, Middletown, Wilmington, and a few counties in Kentucky and Indiana; total **2,179,965**.

Columbus DMA and CSA include Marion, Chillicothe, Washington Courthouse, Lancaster and Mt. Vernon for a total of **2,093,185**.

CONCLUSION 1: <u>Media market population is roughly 50% greater in Cleveland than Cincinnati and 56% greater than Columbus</u>.

Next we will examine the comparable upscale retail product, in both enclosed malls and outdoor centers (or hybrids), including the existing square footage plus announced expansions, for all three DMA's.

[2] U.S. Office of Management and Budget MARCH 2010, through Wikipedia, based on US Census data

Existing and Proposed Upscale Retail Product

	PROPERTY	RETAIL SQ FT	EXPANSION	SOURCE
Cleveland	Beachwood Place	950,000	75,000	1
	Legacy Village	568,000		2
	Eton Chagrin Blvd	330,000		3
	Crocker Park	800,000	50,000	3
	Beechcliff Market Square	110,000		4
Total Cleveland:		2,758,000	2,883,000	
Cincinnati	Kenwood Towne Centre	1,150,000		1
	Kenwood Towne Place	300,000		5
	Rookwood Commons/Pavilion	322,549		4
	Crestview Hills Town Center	500,000		4
Total Cincinnati:		2,272,549	2,272,549	
Columbus	Polaris Fashion Place	1,564,000		1
	Easton Town Center	1,443,000	590,000	6
	The Shops on Lane Ave.	176,391	5,800	7
	The Shops at Worthington Pl.	130,000		8
Total Columbus:		3,313, 391	3,909,191	

Sources

1. General Growth Properties, Inc.
2. First Interstate Properties, Ltd.
3. Robert L Stark Enterprises
4. Jeffrey R Anderson Real Estate
5. Phillips Edison & Company
6. Steiner + Associates
7. Ramco-Gershenson Properties Trust
8. Columbus Business First

With a 50% larger market than Cincinnati, Cleveland could support 3,408,823 sq ft (an increase of 525,823 sq ft); with a 56% larger market than Columbus, Cleveland could in theory support 6,098,338 sq ft (an increase of 2,189,847 sq ft) - however this is quite a stretch, and must be lowered to take into account the unique, huge and compelling project at Easton[3] that is a model for mixed-use lifestyle centers (with hotels, class-A offices, residences, and entertainment), and the relative youth and employment levels in Columbus which contribute much to spending patterns.

On the plus side, Easton's developers are now marketing 725,000 sq ft of new retail in northeast Cincinnati for fall 2014-spring 2015[4]. That again makes our case.

Conclusion 2: <u>Data easily supports additional upscale retail of over 500,000 square feet in Cleveland.</u>

Now that we have defined the "Market" and the "Product", the final aspect to study is how good of a location we have demographically, compared to the other properties (the "People").

By isolating several key parameters routinely examined by retailers when making location or relocation decisions (such as, income, age, and housing value), our comparison will show not only how Pinecrest fares vs. other sites in Cleveland, Cincinnati and Columbus, but how Cleveland's east side compares to its west side and ultimately dominates.

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[3] Shopping Centers Today, May 2011, "Easton Town Center is Emulated the World Over"

[4] Steiner + Associates, "Liberty Town Center", at website

Comparative Demographics for Product[5]

Demographic Comparison Table

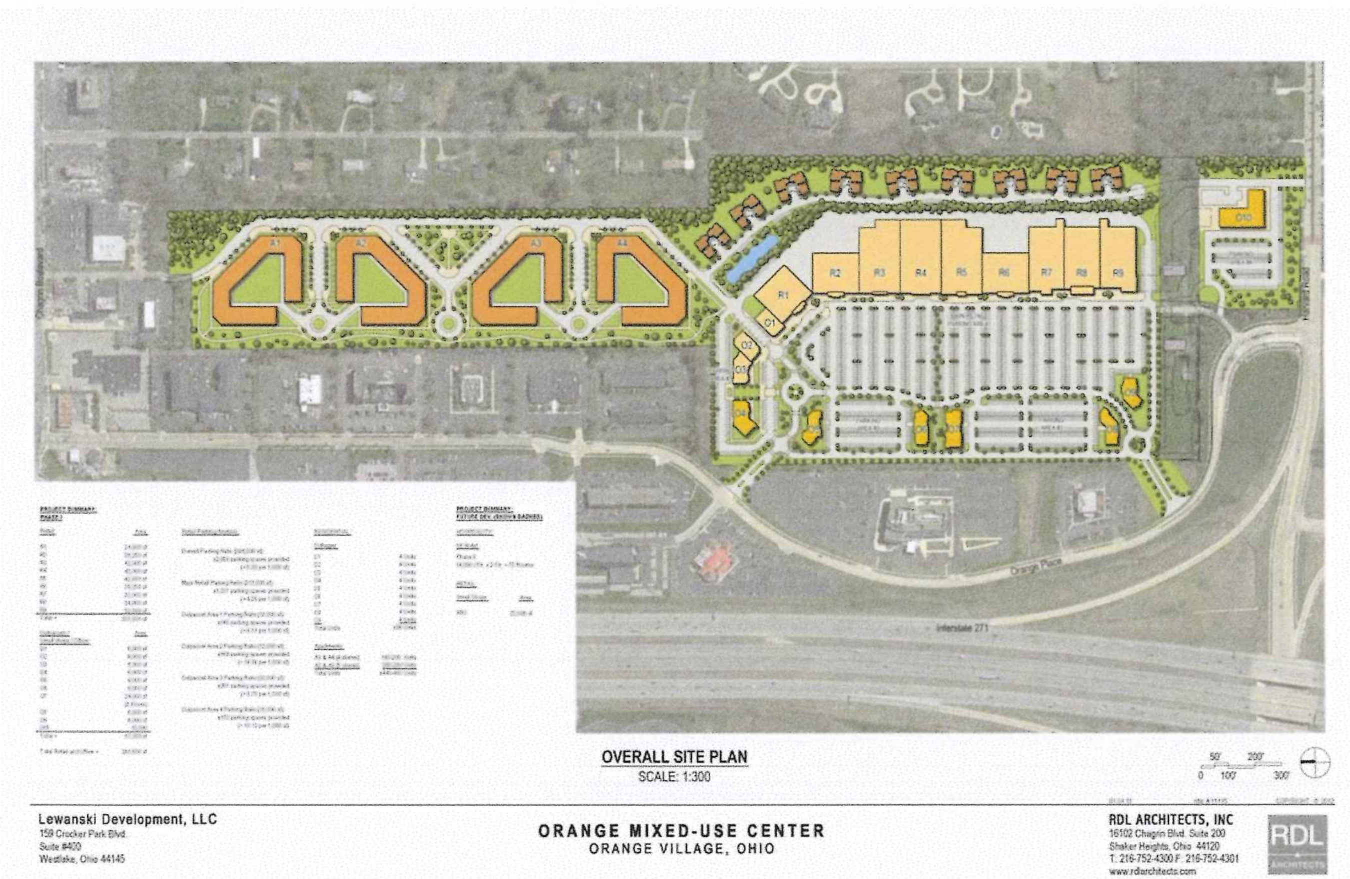
	Radii	Population	Median Age	Average Income	Median Property Value	# of Daytime Employees	2012 Retail Expenditures
Pinecrest	3 Mile:	49,845	44.3	$117,222	$256,571	52,186	$413.1M
Orange Village, Ohio	5 Mile:	188,879	41.7	$85,538	$183,562	116,713	$1.31B
	7 Mile:	381,495	40.9	$71,347	$169,140	212,499	$2.39B
	10 Mile:	651,398	39.9	$63,723	$163,676	386,469	$3.73B
	15 Mile:	1,092,033	39.9	$63,037	$161,796	693,788	$6.21
Beachwood Place/Legacy Village	3 Mile:	87,437	42.3	$96,372	$193,377	54,411	$958M
Beachwood/Lyndhurst, Ohio	5 Mile:	216,282	41.9	$83,416	$187,687	118,475	$1.51B
	7 Mile:	430,327	40.4	$64,096	$161,594	220,233	$2.53B
	10 Mile:	662,374	39.8	$61,289	$156,046	430,137	$3.76B
	15 Mile:	1,072,076	39.8	61,469	$158,432	677,668	$6.04B
ETON Chagrin Boulevard	3 Mile:	37,939	46.6	$136,468	$289,856	46,302	$352.5M
Woodmere, Ohio	5 Mile:	166,672	42.4	$91,796	$196,815	112,443	$1.23B
	7 Mile:	351,245	41.3	$75,691	$176,301	191,835	$2.29B
	10 Mile:	645,434	40.0	$64,041	$164,115	362,516	$3.72B
	15 Mile:	1,063,133	40.0	$63,603	$162,724	680,156	$6.06B
Beechcliff Market Square	3 Mile:	89,429	39.4	$70,744	$162,740	35,494	$609M
Rocky River, Ohio	5 Mile:	207,053	38.4	$60,235	$143,656	89,168	$1.23B
	7 Mile:	338,628	38.4	60,229	$144,728	172,191	$1.96B
	10 Mile:	598,049	38.7	$59,613	$146,401	408,410	$3.36B
	15 Mile:	1,071,417	39.0	$58,807	$148,174	612,307	$5.86B
Crocker Park	3 Mile:	53,872	43.1	$112,766	$225,528	29,864	$436.8M
Westlake, Ohio	5 Mile:	139,126	42.7	$93,281	$194,671	63,594	$1.0B
	7 Mile:	217,492	42.0	$86,374	$186,856	102,319	$1.51B
	10 Mile:	445,916	40.2	$69,635	$159,810	216,111	$2.73B
	15 Mile:	871,123	39.4	$61,971	$150,355	495,015	$4.88B
Polaris Fashion Place	3 Mile:	65,281	33.7	$93,607	$219,666	53,699	$447.8M
Columbus, Ohio	5 Mile:	188,132	36.5	$98,096	$219,429	111,800	$1.31B
	7 Mile:	325,276	36.3	$88,371	$211,962	162,872	$2.2B
	10 Mile:	603,246	35.8	$85,107	$211,455	303,112	$3.9B
	15 Mile:	1,057,526	35.1	$77,685	$199,439	712,028	$6.6B
Shops at Worthington Place	3 Mile:	89,547	37.0	$89,263	$196,419	57,200	$650M
Columbus, Ohio	5 Mile:	254,490	35.9	$79,333	$195,295	150,301	$1.69B
	7 Mile:	455,513	36.0	$82,839	$205,695	251,308	$3.02B
	10 Mile:	736,152	34.9	$81,465	$209,469	466,913	$4.76B
	15 Mile:	1,199,745	34.9	$73,998	$190,567	761,899	$7.22B
Easton Town Center	3 Mile:	101,490	32.7	$55,389	$146,623	45,044	516.2M
Columbus, Ohio	5 Mile:	252,521	35.0	$58,754	$152,287	115,804	1.35B
	7 Mile:	478,815	34.3	$63,874	$173,724	304,709	2.69B
	10 Mile:	847,128	34.9	$69,146	$184,757	596,331	5.05B
	15 Mile:	1,328,963	34.9	$72,129	$183,616	804,394	7.85B
Shops on Lane Avenue	3 Mile:	123,829	31.5	$70,492	$237,801	104,774	$757M
Upper Arlington, Ohio	5 Mile:	307,962	33.5	$61,584	$183,489	309,108	$1.76B
	7 Mile:	580,280	33.7	$60,991	$168,680	454,691	$3.21B
	10 Mile:	918,506	34.2	$64,647	$169,695	648,107	$5.18B
	15 Mile:	1,299,075	34.9	$71,674	$182,747	801,999	$7.67B
Kenwood Towne Centre/	3 Mile:	63,696	41.8	$87,572	$221,389	43,972	$458.7M
Kenwood Towne Place	5 Mile:	161,358	40.1	$81,950	$215,178	132,975	$1.14B
Cincinnati, Ohio	7 Mile:	304,909	39.5	$85,884	$211,027	231,392	$2.16B
	10 Mile:	674,607	37.8	$77,280	$187,432	515,641	$4.13B
	15 Mile:	1,260,812	37.1	$74,042	$176,568	763,284	$7.29B
Rookwood Commons	3 Mile:	114,329	35.8	$67,386	$177,480	68,229	$751M
Rookwood Pavilion	5 Mile:	270,350	35.4	$63,274	$175,480	249,987	$1.64B
Cincinnati, Ohio	7 Mile:	461,602	36.0	$65,230	$173,604	361,651	$2.77B
	10 Mile:	780,571	36.7	$66,984	$168,971	536,237	$4.64B
	15 Mile:	1,274,608	37.2	$71,919	$171,586	789,769	$7.63B
Crestview Hills Town Center	3 Mile:	64,138	37.7	$77,969	$169,356	36,221	$399.6M
Crestview Hills, Kentucky	5 Mile:	150,051	36.3	$68,556	$151,206	80,867	$854M
	7 Mile:	321,468	35.1	$62,899	$148,564	235,981	$1.72B
	10 Mile:	563,502	34.9	$62,888	$155,453	365,753	$3.06B
	15 Mile:	942,361	36.2	$67,200	$162,479	507,773	$5.42B

[5] SITES USA 2012

First, the People surrounding Pinecrest, Eton, and Beachwood/Legacy (BL) are essentially the same people. Pinecrest site shows more expenditures than Eton's and less than BL's (despite Eton's income showing higher than Pinecrest, and BL's lower than Pinecrest), but it evens out in ten miles. The same people; however, the similarity ends when you factor in the visibility and access to and from Interstate-271 and its daily traffic of at least 148,850 vehicles[6], that the other regional sites do *not* have (including Crocker Park with Interstate-90 access, not visibility, and Beechcliff).

Beechcliff has no critical mass (nor anchor tenants) and acts as a neighborhood center, not regional. As to Crocker, it is good on incomes but falls way short on population density (except for the three mile radius) and on daytime employees, and (again excepting the three mile radius), shows lower on expenditures.

Pinecrest is the "bulls-eye" where Cleveland stands to attract the most desirable retailers, as it piggybacks off the 1,923,000 of existing and proposed upscale product on the east side, but it's a *freeway* site. Why east side rather than west side? Ask *Nordstrom* and *Saks Fifth Avenue*.



6 ODOT, Office of Technical Services 2010

Extending our view to Columbus, the same 1,848,000 sq ft critical mass of upscale retail now clustered on Cleveland's east side already attracts a customer whose population and income is comparable to that of Polaris (which has better housing value), and whose population is way less than Easton's, yet whose incomes are much higher.

Therefore, the Columbus market is split by the distance between Polaris and Easton, as well as the minor draw of Lane Avenue and Worthington (neighborhood centers), compared to our close-in east side upscale shopping options, and their contrast with Crocker Park and Beechcliff.

Looking at Cincinnati, the market is split between the three regional centers (all freeway-visible and accessible). At Kenwood, we see 1,450,000 sq ft of product (you could add the 74,000 sq ft at Kenwood Place[7]) with more or less population in various radii, and greater incomes, but only after seven miles. Comparable site, but it is landlocked to further retail development.

Rookwood is along the same freeways about ten minutes away, contributing another 322,549 sq ft and also landlocked. Compared to Pinecrest, it shows much greater population and expenditures, but much lower incomes until you get out to ten miles. Crestview is a greater distance from the other two both geographically and psychographically (as in, not likely to pull Ohioans) and shows comparable employees and younger age, but way lower incomes until you go out ten miles.

Conclusion #3: <u>Pinecrest holds up quite well when compared to any regional or neighborhood site in Ohio for upscale retail potential based on demographics.</u>

SUMMARY – in our Study we have found that Cleveland boasts much greater regional population than Cincinnati or Columbus, can accommodate over 500,000 sq ft of new upscale retail product, and that Pinecrest is the most likely place in the region to attract these desirable retailers due to existing critical mass, demographic strength, and freeway access and visibility, coupled with elegant upscale design[8].

Thank you for your attention. This study was prepared by:

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[7] Midland Atlantic website
[8] Images courtesy RDL Architects, Shaker Heights, OH