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RETAIL AND EAT/DRINK MARKET ANALYSIS:

ROUTE 419 STUDY AREA

Prepared For:

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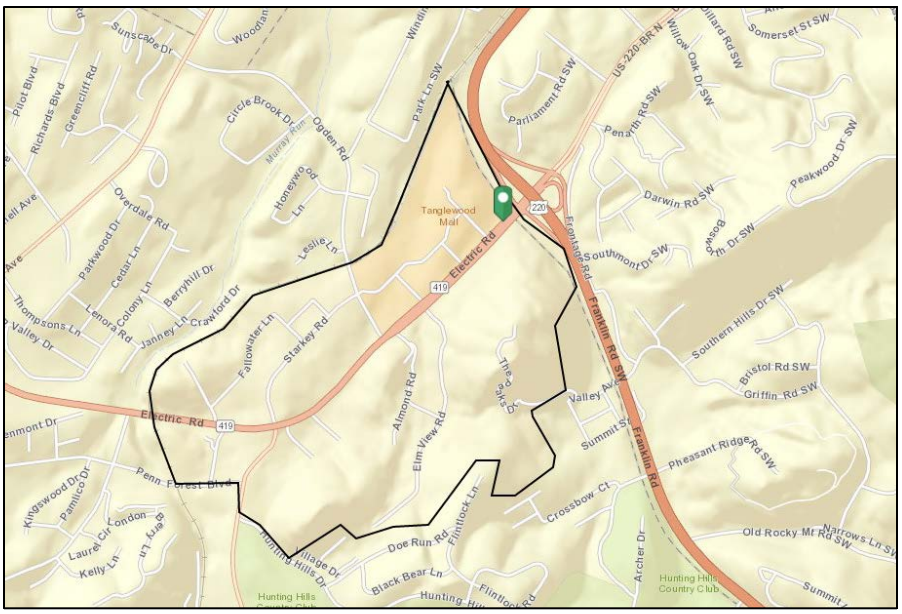
INTRODUCTION

STUDY PURPOSE

This report analyzes the market support for additional retail and eating and drinking space in the Route 419 Study Area. Stantec was retained by Roanoke County to work with the community to prepare a Master Plan for the Route 419 Study Area. This analysis is intended to inform the Route 419 Master Plan process.

Figure 1

The Route 419 Study Area



Source: ESRI

The Route 419 Study Area boundaries are depicted in Figure 1. The Study Area incorporates the area west of US 220, south and east of the railroad tracks and along the ridge line that is south of Route 419/Electric Road.

STRUCTURE OF THIS REPORT

The Retail and Eating and Drinking Market Analysis consists of six sections including this Introduction. Following this Introduction is an Economic Framework. The economic framework summarizes key demographic and economic trends. Study Area characteristics are summarized in the third section. The Retail Market Analysis and Eating and Drinking Market Analysis are presented in the fourth and fifth sections. The report ends with a Conclusions section.

DEFINITION OF TERMS

The Retail and Eating and Drinking Market Analysis refers to the following terms. These terms are defined as follows.

Regional Shopping Center

A regional shopping center is typically 500,000 square feet or larger. Typically, regional shopping centers are enclosed malls or large outdoor shopping centers anchored by two or three department stores. These centers are dominated by comparison shopping stores (see definition below) and draw patronage from a 20-minute or longer drive time shed. Valley View Mall is a regional shopping center.

Comparison Goods

"Comparison goods" is a retail trade term referring to a variety of goods for which consumers generally travel farther to compare price, quality, and variety of merchandise. The types of goods typically included in this category are general merchandise, apparel and accessories, home furnishings and equipment, and miscellaneous shopping goods. Miscellaneous shopping goods include sporting goods, stationary, jewelry, toys, games, cameras and photography supplies, gifts and novelties, souvenirs, luggage and leather goods, sewing, and optical goods. These types of stores are mostly found in regional shopping centers.

Community Shopping Centers

Community shopping centers provide both convenience goods (see definition below) and services as well as a limited selection of comparison goods. These centers often include a supermarket as well as discount apparel, some specialty shops and, on occasion an entertainment use like a Cineplex. These centers adopt the strip-center format and tend to be smaller in size than regional centers. The majority of the sales generated at these centers come from residents and workers within a 10-minute drive. Because these centers target more day-to-day shopping needs, they tend to be centrally located in high visibility locations within easy reach of their customer base.

Convenience Goods

"Convenience goods" is a retail trade name referring to a variety of goods that generally do not inspire comparison shopping, but rather are more readily purchased in stores convenient to home or work. Food for home consumption and housekeeping supplies make up the largest portion of convenience goods. The category also includes prescription drugs and over-the-counter drugs, personal care items, and health and beauty aids. Tobacco products, newspapers and magazines, fresh flowers, and pet supplies are also part of the convenience goods category.

Neighborhood Centers

Neighborhood centers provide convenience goods to the immediate neighborhood surrounding them. These centers are typically less than 60,000 square feet. They are often anchored by a food market or pharmacy with personal services like banking, laundry and barbershops and eating and drinking filling out the remainder of the center. The primary trade area for a neighborhood center are residents and workers within a 5-minute drive.

Lifestyle Center

Lifestyle centers can be mixed-use, but they are predominantly a retail center. Lifestyle centers embrace a wide variety of retail and entertainment amenities. These centers typically include an upscale national-chain specialty stores with dining and entertainment is an outdoor setting. Special attention to design is a defining factor of lifestyle centers and differentiates them from a typical strip center or indoor mall. These centers reinforce the idea of shopping as a leisure activity. These centers typically target the affluent shopper.

These centers function as a hybrid between community and regional centers. Because of their open-air design, these centers tend to be more convenient to shoppers. Research indicates that shoppers go to lifestyle centers more often than they go to malls. Lifestyle center shoppers spend less time, but spend more as compared to a mall. The lifestyle center can offer the comparison shopping of a mall with the convenience of a community center.

Town Center

A Town Center is similar to a lifestyle center except it is more mixed-use in character. Town Center developments are typically designed to emulate a downtown with a mix of retail, residential, office and hotel uses. In Town Centers retail is supported by non-retail activity anchors.

Upscale Lifestyle Retailers and Restaurants

Upscale lifestyle retailers target the affluent shopper and offer specialty goods. Examples of upscale lifestyle retailers include: Apple, Pottery Barn, Crate and Barrel, and Anthropologie. Upscale lifestyle restaurants include P.F. Chang's, Cheescake Factory, Houlihan's, Seasons 52, and Ruth's Chris. Many communities want these retailers in their market, but these retailers' target densely populated metropolitan areas and locations proximate to very high income households.

Eating and Drinking Establishments

Eating and drinking establishments include fast food, fast casual and full service restaurants, take-out restaurants and bars. A "fast casual" restaurant offers the ease and convenience of fast food, but with a more inviting sit-down atmosphere. Fast casual restaurants tend to have better quality ingredients than can be found in most fast food establishments.

In-Line Store/Retail

This term refers to the smaller stores that are located between the major anchors in a shopping center.

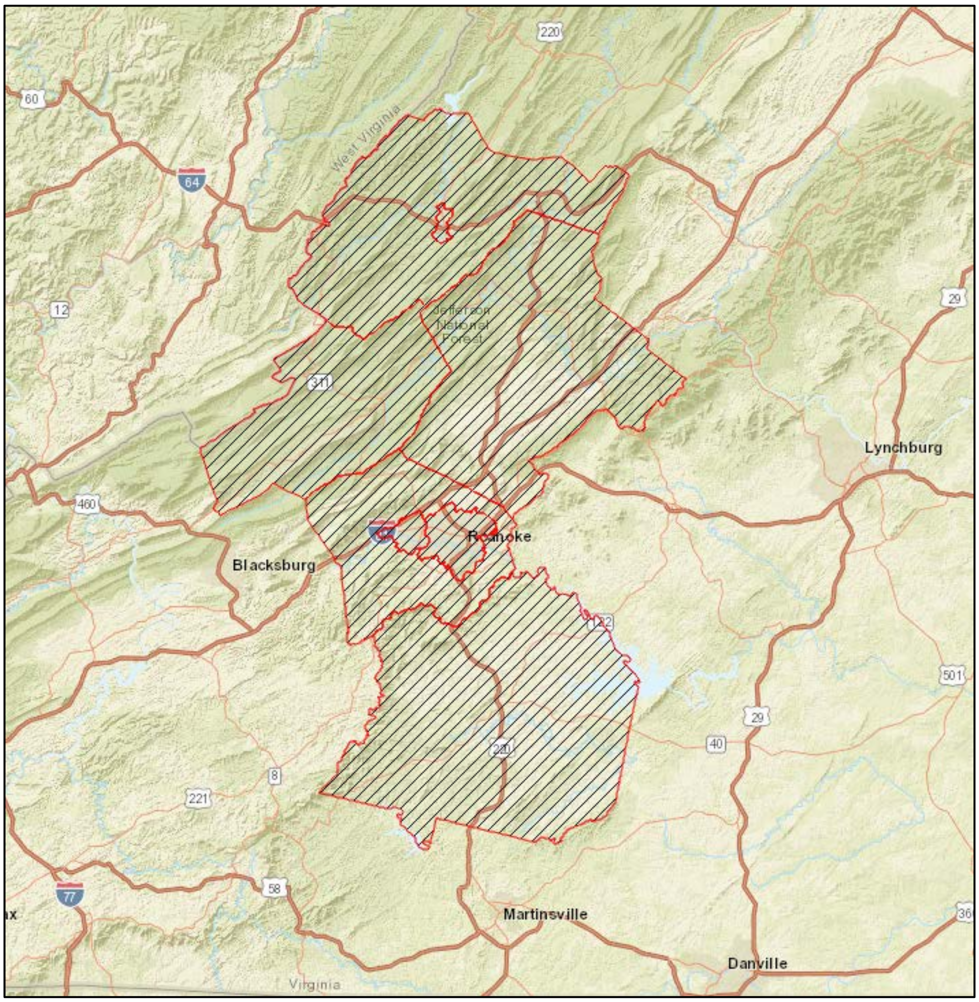
ECONOMIC FRAMEWORK

GEOGRAPHIC DEFINITIONS

Roanoke Region

Figure 2

Roanoke Economic Region



Source: Virginia Economic Development Partnership; ESRI

The Virginia Economic Development Partnership identifies the Roanoke economic region the counties of Roanoke, Botetourt, Craig, Franklin and Allegheny, the cities of Roanoke, Salem, and Covington, and nine incorporated towns. This region is also referred to as the Roanoke Valley.

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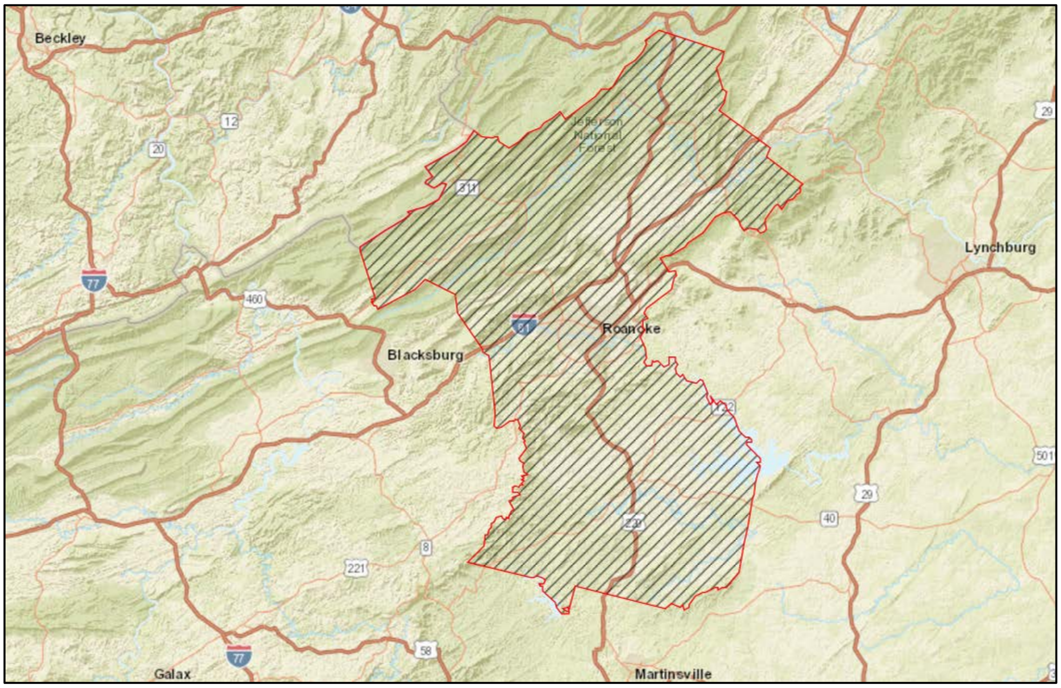
Roanoke Metropolitan Area

Figure 3

Roanoke Metropolitan Area



Source: ESRI

The Roanoke Metropolitan Area consists of Roanoke and Salem cities and Roanoke, Botetourt, Craig and Franklin counties. The Roanoke Metropolitan Area is the 4th most populous of Virginia's ten metropolitan areas.

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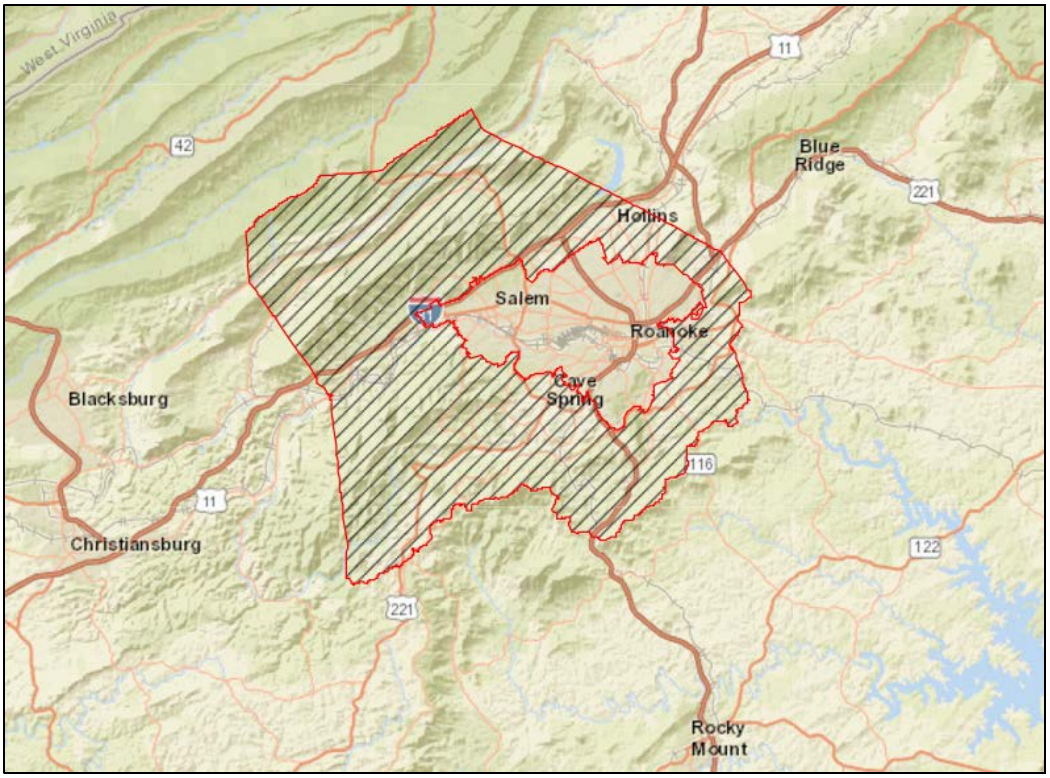
Roanoke County

Figure 4

Roanoke County



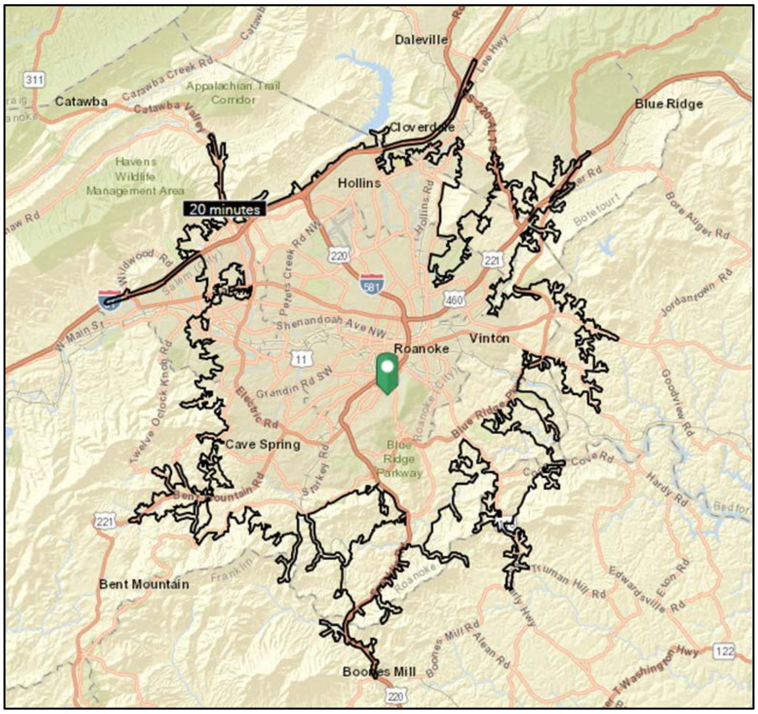
Source: ESRI

Roanoke County surrounds the cities of Roanoke and Salem. Roanoke County is the 12th most populous county of Virginia's 95 counties.

The 20-Minute Drive Time Area

Figure 5

20-Minute Drive Time Area from Downtown Roanoke



Source: ESRI

The 20-minute drive time is the area many regional retailers use to assess a market's potential. The 20-minute drive time area from Downtown Roanoke is depicted in Figure 5.

Population Trends and Projections

Table 1

Population
Virginia, Roanoke Metro, and Roanoke County
2016

	Population	
Virginia	8,426,749	
Roanoke Metro	318,582	3.8%
Roanoke County	94,898	1.1%

Source: ESRI; W-ZHA

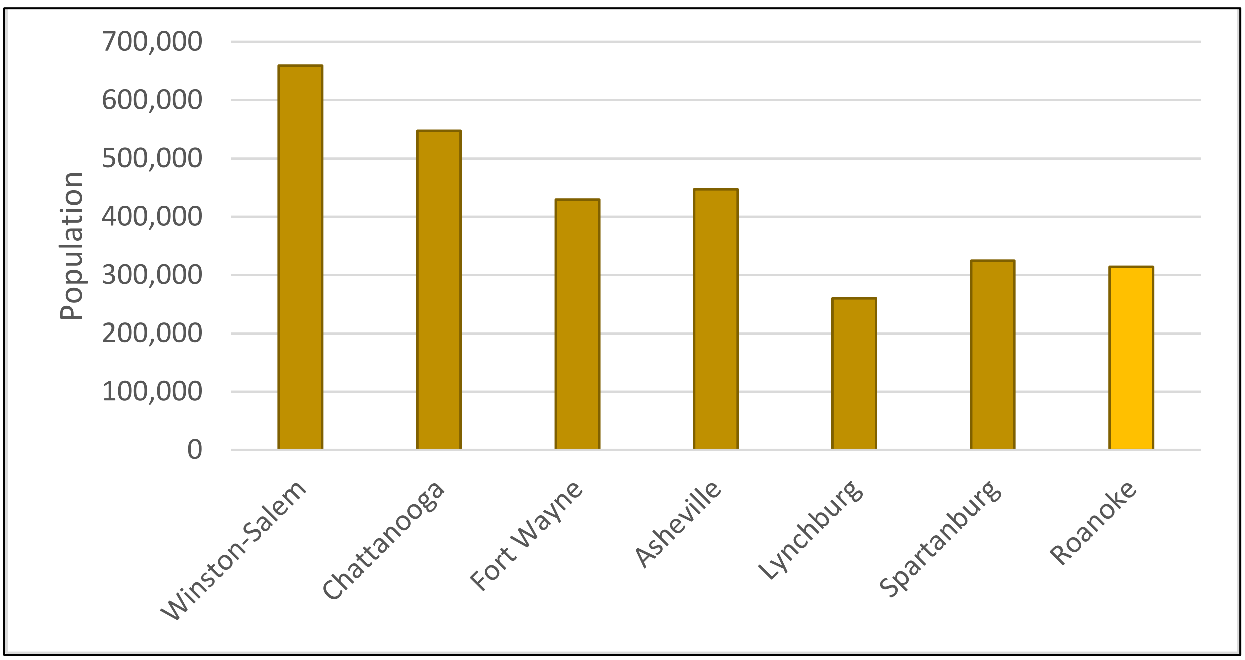
The Roanoke Metropolitan Area's population totals approximately 318,580 people. The Roanoke Metropolitan Area is the largest metropolitan area in Western Virginia. It is important to note Roanoke's economic region is larger than the Metropolitan Area. Roanoke is the economic hub of the Roanoke Valley.

In terms of population size, the Roanoke Metropolitan Area ranks 159th among the nation's 382 metropolitan areas. The Roanoke Metropolitan Area's population is comparable in size to Lincoln, NE; Boulder, CO; and, Green Bay, WI.

There are 213,000 people within a 20-minute drive of Downtown Roanoke. Many upscale lifestyle retailers and restaurants (like Nordstrom's, Cheesecake Factory, and Whole Foods) look to markets with at least 200,000 people within a 20-minute drive. Roanoke satisfies this criteria. However, these upscale lifestyle retailers would likely have only one store in a market of this size.

Figure 6

Metropolitan Area Population
Roanoke Metropolitan Area and Benchmark Metros
2016



Source: ESRI; W-ZHA

The Roanoke Regional Partnership is an economic development organization that regularly reports metrics on the Roanoke Region's performance. In a series of reports titled "Gauging the Region's Economic Success", the Partnership compares the Roanoke's region's performance to the following benchmarks locations: Winston-Salem, NC; Chattanooga, TN; Fort Wayne, IN; Asheville, VA; Lynchburg, VA and Spartanburg, SC. As the Figure 6 demonstrates, the Roanoke Metropolitan Area is considerably smaller than some of these benchmark locations.

Table 2

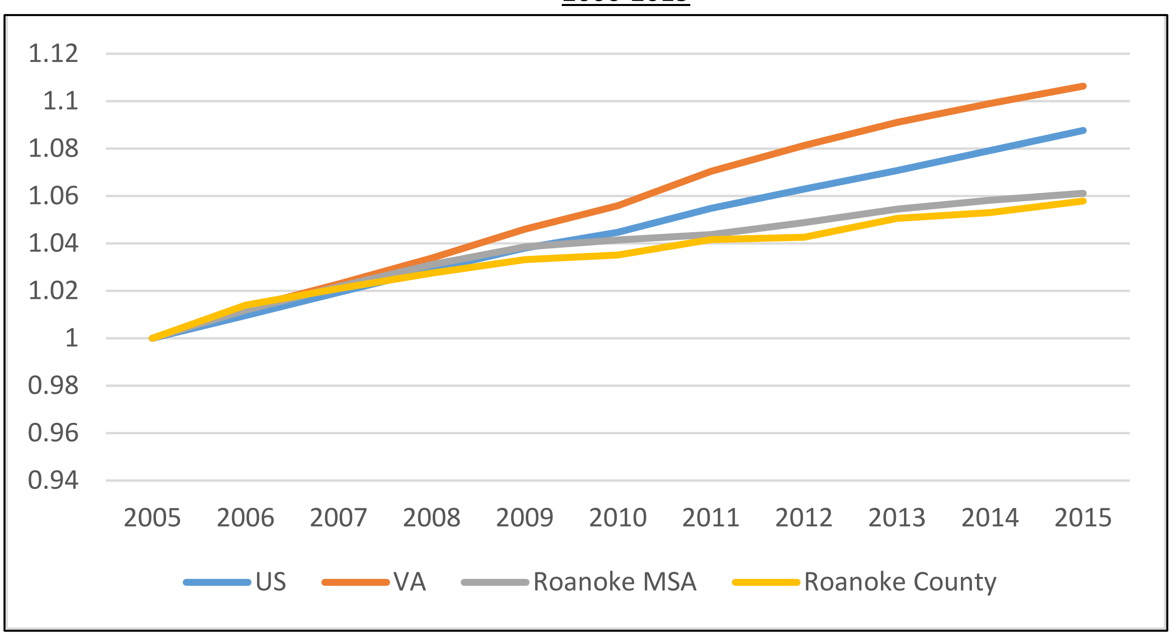
Population Trends Virginia, Roanoke Metro, and Roanoke County 2000, 2010, 2016									
				Change					
				2000-10		2010-16		2000-16	
	2000	2010	2016	#	CAGR	#	CAGR	#	CAGR
Virginia	7,078,515	8,001,024	8,426,749	922,509	1.2%	425,725	0.9%	1,348,234	1.1%
Roanoke Metro	288,260	308,707	318,582	20,447	0.7%	9,875	0.5%	30,322	0.6%
Roanoke County	85,777	92,376	94,898	6,599	0.7%	2,522	0.4%	9,121	0.6%

Source: ESRI; W-ZHA

The Roanoke Metropolitan Area's population grew by approximately 30,300 people between 2000 and 2016. This represents a compound average annual growth rate (CAGR) of 0.6% per year. Roanoke County's average annual growth rate was the same as the Metropolitan Area. This rate of growth was slower than Virginia's growth over the same time period.

Figure 7

Population Growth Index (Base Year 2015)
U.S., Virginia, Roanoke Metropolitan Area, and Roanoke County
2000-2015



Source: US Census; W-ZHA

Figure 7 illustrates population growth over time. Population is indexed to the year 2005. As is illustrated, Roanoke County's population growth has been slower than the Metropolitan Area's since the Great Recession. Virginia's population growth has been faster than the United States over the last decade.

The Weldon Cooper Center for Public Service at the University of Virginia produces the official annual population estimates for Virginia and its localities. The Center also provides population projections. The Weldon Cooper Center projects that the Roanoke Metropolitan Area will grow by 5.2% over the next 10 years.

JOBS TRENDS AND PROJECTIONS

Table 3

Jobs
Roanoke Metropolitan Area
2000, 2010, 2016

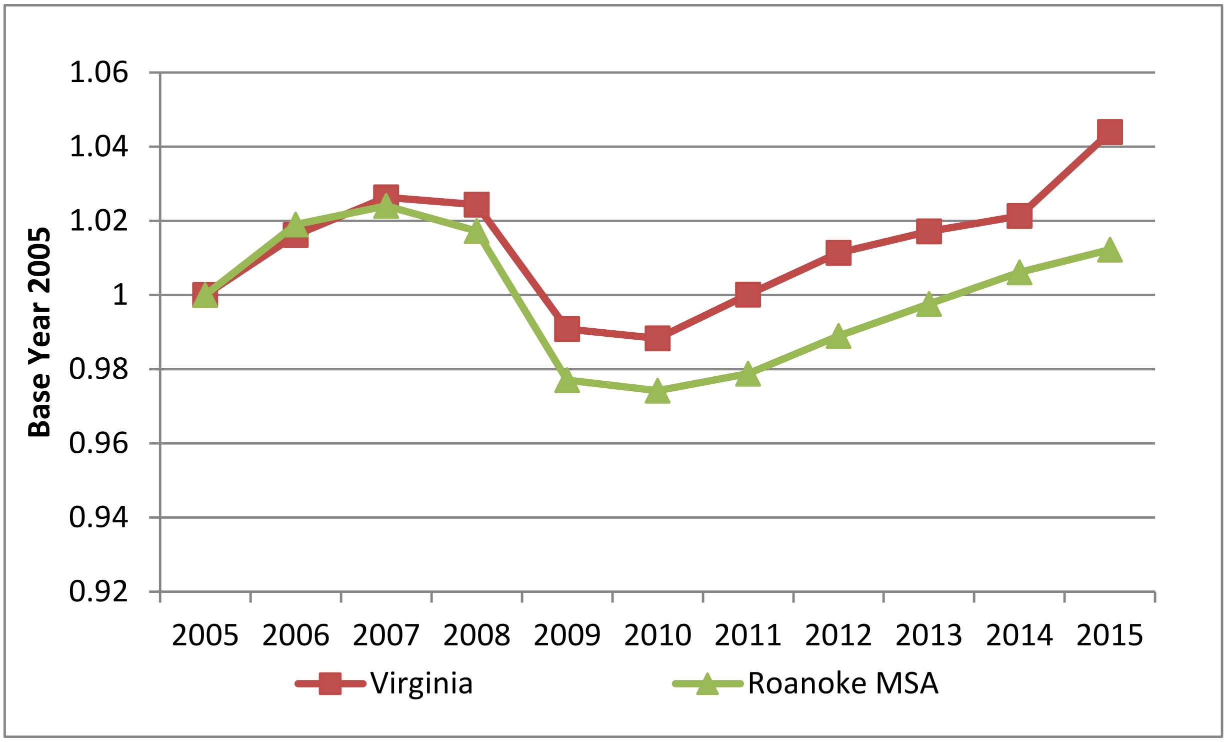
				Change					
				2000-2010		2010-2016		2000-2016	
	2000	2010	2016	#	CAGR	#	CAGR	#	CAGR
Jobs	167,248	158,652	166,645	(8,596)	-0.5%	7,992	0.8%	(603)	0.0%

Source: Moody's Analytics; W-ZHA

Moody's Analytics conducts economic analysis to businesses and investors. Moody's Analytics tracks employment by industry for United States counties and metropolitan areas. Moody's Analytics also forecasts employment by industry. According to Moody's Analytics' data, the Roanoke Metropolitan Area has yet to recover from the Great Recession. There are slightly fewer jobs in the Roanoke Metropolitan Area today than there were in 2000.

Figure 8

Job Index
Virginia and Roanoke Metropolitan Area
2005 - 2015



Source: Stats America; Moody's Analytics; W-ZHA

Figure 8 illustrates annual jobs in Virginia and the Roanoke Metropolitan Area indexed to 1995 job levels. As compared to Virginia, it appears that the Roanoke Metropolitan Area was harder hit by the Recession and has been slower to recover.

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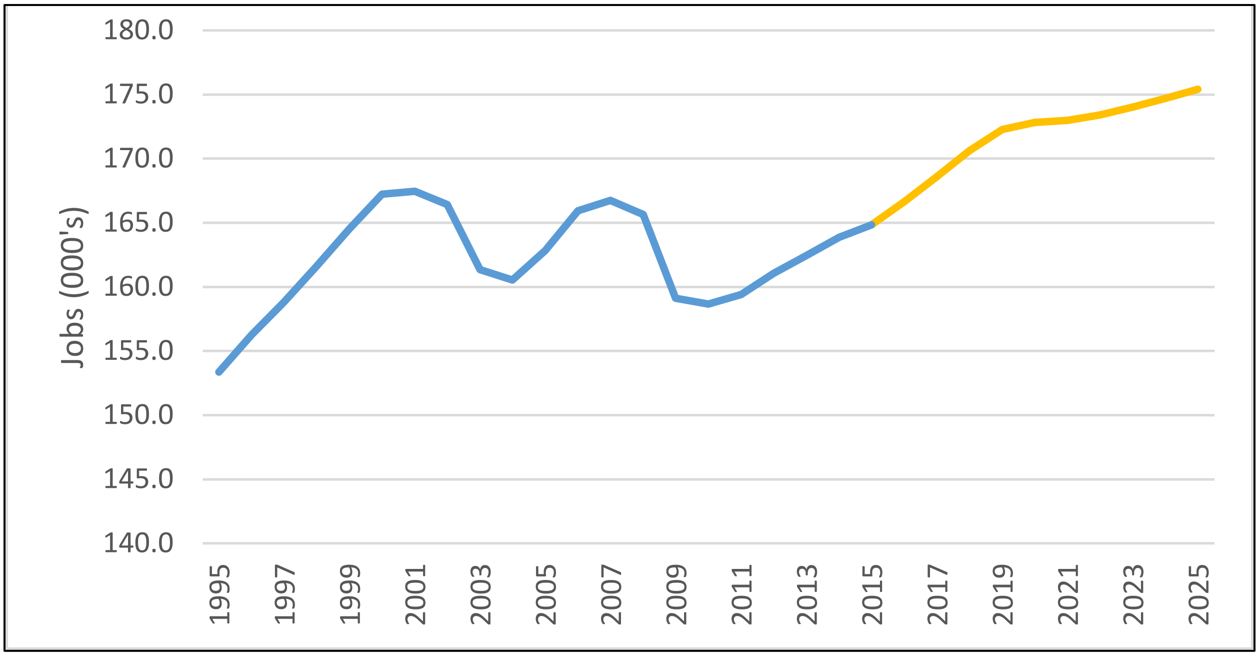
Figure 9

Employment Trends and Projections
Roanoke Metropolitan Area
<u>1995 - 2025</u>



Source: Moody's Analytics; W-ZHA

The Figure above illustrates the number of jobs in the Roanoke Metropolitan Area economy from 1995 to 2025. Moody's Analytics forecasts employment growth between now and 2025.

Table 4

Job Forecast
Roanoke Metropolitan Area
2016 - 2025

				Change					
				2016-2020		2020-2025		2016-2025	
	2016	2020	2025	#	CAGR	#	CAGR	#	CAGR
Jobs	166,645	172,838	175,411	6,193	0.9%	2,573	0.3%	8,766	0.6%

Source: Moody's Analytics; W-ZHA

The Metropolitan Area is forecast to grow by approximately 8,800 jobs. Most of the growth is forecast to occur in the near-term.

INCOME AND COST OF LIVING

Table 5

**Median Household and Per Capita Income
Virginia, Roanoke Metro, Roanoke County, and U.S.
2016**

	Median Income	Per Capita Income
Virginia	$64,929	$34,882
Roanoke Metro	$49,335	$27,560
Roanoke County	$60,745	$32,339
United States	*$54,149*	*$29,472*

Source: ESRI; W-ZHA

The Roanoke Metropolitan Area has lower average income as compared to both the Virginia and the United States. Roanoke County, on the other hand, surpasses the national average for both median and per capita income.

These income statistics will likely challenge Roanoke's ability to draw retailers and restaurants like Crate and Barrel, Nordstrom's, Cheesecake Factory and Whole Foods.

Table 6

**Cost of Living Index
Roanoke Metro Compared to United States Average**

Spending Type	Index *
Composite	89.2
Grocery	88.2
Housing	85.1
Utilities	102.3
Transportation	85.6
Health	95.2
Miscellaneous	89.3

* United States average is 100.

Source: The Council for Community and Economic Research, "Cost of Living Index"; W-ZHA

While incomes may be lower than average in Roanoke, the cost of living in Roanoke is also below the national average. This indicates that there may be more disposable income in the marketplace than the average income numbers might suggest. From the perspective of the national retail tenant, median income is often used as a threshold criteria to assess the attractiveness of a market.

Conclusions

From a population and employment perspective, Roanoke is in a moderately-sized market. The market is growing at a steady, not robust pace. While stable and relatively large, income statistics suggest that upscale lifestyle retailers like Cheesecake Factory, Nordstrom's, Crate & Barrel and Whole Foods may not seek locations in the Roanoke market.

The Route 419 Study Area and Environs

Access

The Study Area is located at the intersection of Virginia State Road 419 (Route 419 or Electric Road) and United States 220 (US 220). Route 419 is a major north-south highway in the western part of the Roanoke Valley, connecting Roanoke and Salem with Cave Spring. US 220 is a major north-south highway that extends from North Carolina through Roanoke to West Virginia. US 220 becomes I-581 which connects to I-81, north of the City.

Traffic volumes are high in the Study Area. According to data published by the Virginia Department of Transportation[1], an average of 43,000 vehicles travel on Route 419 per day. 44,000 vehicles travel on US 220 per day in the vicinity of Route 419.

The primary cross streets in the Study Area are Ogden Road SW which connects to Colonial Avenue to the north and Starkey Road which connects to Buck Mountain Road to the south of the Study Area.

Study Area Land Use

Route 419 is primarily commercial in character with a mix of retail, eating and drinking, hotel, office and residential land uses. Residential neighborhoods abut the commercial land uses. All of these land uses are designed to be accessed via car. Very few of the land uses within the Study Area are easily accessed via bike or foot. Bus does service the Study Area.

[1] Virginia Department of Transportation, Traffic Engineering Division, "Average Daily Traffic Volumes with Vehicle Classification Data on Interstate, Arterial, and Primary Routes: 2015".

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Retail

Table 7

Shopping Centers
Route 419 Study Area

	Type	Yr Built		Sq Ft		Anchors
Tanglewood Mall	Regional	1973		793,450		Belks, JC Penney, Barnes & Noble, Kroger
Old Country Plaza	Neighborhood	1983		83,100		Food Lion, Buffalo Wild Wings
The Forum	Community	1993	~	40,000		Chico's, Jos A Banks, Talbots
Madison Square	Neighborhood	1969		34,940		Play It Again Sports, Once Upon a Child, Platos Closet
The Grand Pavilion	Community	1981		98,820	*	Grand Home Furnishings, Provisions Gourmet, Davidson's Clothing for Men, Frances Kahn, Macado's
The Commons	Neighborhood	1994		25,600		MattressFirm, Barrel Chest Wine & Beer, Carilion Velocity Care
No Name (Verizon Wireless Center)	Neighborhood	1990		5,990		Batteries + Bulbs, Verizon Wireless

* Two-story building. Likely includes office space.

Source: Loopnet; Roaoke County Real Estate; W-ZHA

There are approximately 1 million square feet of retail space in the Study Area's shopping centers. This estimate comes from Roanoke County property records, published data, and fieldwork.

The Tanglewood Mall

The Tanglewood Mall is approximately 797,500 square feet on a 60-acre site. The Mall opened in 1973. According to its website, Tanglewood Mall has 3,325 parking spaces.

Tanglewood Mall incorporates stores in an interior mall environment as well as stores with outdoor access. The stores anchoring the interior of the Mall are Belk, JCPenney, and AC Moore. Miller Motte Technical College also anchors the interior of the mall. Anchor stores with outdoor access include TJMaxx, Staples, Stein Mart, Barnes and Noble, Kroger, Freight and an AMC-10 movie theater.

The department stores that open into the Mall are older prototypes -- they are very large. The JCPenney Department Store is 136,600 square feet and the Belk's, 109,000 square feet. The JCPenney will be closing this summer.

While all of the anchor spaces are currently occupied at Tanglewood Mall, there is considerable vacancy among the interior, in-line stores. While the interior portion of the Tanglewood Mall is not performing well, the Mall's design allows natural light to shine into the interior of the Mall. As a result, the Mall feels less "dead" as compared to many struggling older malls.

The Tanglewood Mall has recently been sold to a developer/operator out of Birmingham, AL. Key challenges facing Tanglewood's evolution include:

- The recent announcement that the JC Penny store will be closing at the Mall.
- Existing leases that control the parking field in front of the Mall.
- A centralized heating and cooling system that is valuable, but challenging when considering redevelopment.
- With redevelopment, maintaining sufficient parking in a market that may not support structured parking economically.
- Increasing competition between bricks-and-mortar and on-line retailing.

Even with these challenges, Tanglewood Mall offers the following opportunities:

- A very strong location at the intersection of two heavily traveled roads, US 220 and Route 419.
- A parcel that is flat, deep and wide. Such parcels are not easy to come by in the Roanoke region.
- Short term leases are in force for many of the Mall's interior, in-line stores.

Old Country Plaza Shopping Center

Old Country Plaza is a strip shopping center immediately to the west of Tanglewood Mall. Old Country Plaza is approximately 83,000 square feet. It is anchored by a Food Lion and a Buffalo Wild Wings restaurant. Old Country Plaza's tenancy is not particularly strong.

The Forum

The Forum is a small community shopping center. The Forum's tenants include Chico's, Jos A Banks, and Talbots. According to the Center's management, these tenants like this location because it is convenient to the region's higher-income households. These tenants have chosen to locate in the Study Area rather than the Valley View Mall Area.

Madison Square

Madison Square is an older, small strip shopping center directly accessible from Route 419. This neighborhood center includes a Play It Again Sports and two used clothing stores. The center is small at approximately 35,000 square feet.

The Grand Pavilion

The Grand Pavilion is a two story mixed-use project. Retail is generally on the bottom floor and office on top. The Grand Pavilion is built into a hill. Major tenants in this community center include Grand Homes Furnishings, Provisions Gourmet, Davidson's Clothing for Men, Frances Kahn and Macado's restaurant. Like the Forum, many of these tenants enjoy this location for its convenience to the relatively high income southwest Roanoke market.

The Commons

The Commons is a small neighborhood center that contains a mattress store, a specialty beer and wine store and Carilion Velocity Care (a medical use). Access to the Commons is challenging, particularly if heading west on Route 419.

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Eating and Drinking Establishments

Retail stores sell goods. Department stores, electronics stores, and food stores are all considered retail stores. Eating and drinking establishments ("eat/drink" establishments) include take-out, fast food and full-service restaurants.

Table 8

Eat/Drink Establishments
419 Study Area

Full Service	Fast Casual/Other	Fast Food
Buffalo Wild Wings	Panera Bread	Five Guys
Texas Roadhouse	Red Palace	Wendy's
Applebee's	Mill Mountain Coffee and Tea	Kentucky Fried Chicken
Elephant Walk	K&W Caféteria	Hardee's
Rancho Viejo	Bellacino's	
Szechuan Restaurant	Waffle House	
Ben Gui Sushi		
Montano's		
Carlos's Brazilian		
419 West		
The 876 Jamaican Grill		

= Chain Restaurant

Source: Google Maps; W-ZHA

There are 21 eating and drinking establishments in the Study Area. These restaurants range from full-service restaurants like Carlos's Brazilian Restaurant to fast food. The Panera Bread is a relatively recent addition to the Study Area's eating and drinking supply.

Other Land Uses

Table 9

Commercial Office Space
419 Study Area

Name	Address	Square Feet
County Admin Center	5204 Bernard	61,170
Penn Forest	5115 Bernard	34,448
The Executive Center	4005 Electric	13,500
Tanglewood West	3959 Electric	62,784
Four Nineteen Office Center	4502 Electric	13,257
Boone Homes Office Complex	3906/3922 Electric	27,513
Professional Park	4502 Starkey	45,756
2706 Ogden*	2706 Ogden	18,000
4356 Starkey	4356 Starkey	6,500
4358 Starkey	4358 Starkey	6,500
4370 Starkey	4370 Starkey	6,300
4401 Starkey	4401 Starkey	9,182
4405 Starkey	4405 Starkey	5,759
4437 Starkey	4437 Starkey	8,156
4504 Starkey	4504 Starkey	34,580
4508 Starkey	4508 Starkey	68,616
5461 Fallowater	5461 Fallowater	12,248
5401 Fallowater	5401 Fallowater	11,880
Cox Building	5400 Fallowater	47,950
Tanglewood Executive Park	5372 Fallowater	25,083
3912 Electric	3912 Electric	4,884
Total		524,066

Source: Poe & Cronk Real Estate, Roanoke County GIS, W-ZHA Estimate*

Based on field research, brokerage reports, and Roanoke County's geographic information system, there is estimated to be approximately half a million square feet of office space in the Study Area. With the exception of the Cox building (which is for-sale), most of the office buildings are older. Government, professional service and medical tenants predominate.

Table 10

Hotels
419 Study Area

Name	Address	Rooms
Sleep Inn	4045 Electric Road	69
Holiday Inn Roanoke	4468 Starkey Road	196
Hilton Garden Inn	4500 South Peak Boulevard	117
Total		382

Source: Smith Travel Research

There are three hotels in the Study Area totaling 382 rooms. The newest hotel is the Hilton Garden Inn at South Peak.

According to ESRI, a geographic and demographic database, 710 people and 403 households reside in the 419 Study Area. Half of the Study Area's housing units are owner-occupied. According to ESRI data, almost 18 percent of the housing units are vacant. The median age of Study Area residents is high at 52.8 years old.

Study Area Environs

Within about a 5-minute drive from the Study Area are other land uses of note. The following paragraphs summarize land uses in the immediate vicinity of the Study Area.

West of the Study Area

To the west of the Study Area along Route 419 are a number of shopping centers and office buildings. The Shoppes at West Village is a small, high-quality neighborhood center that was developed in 2010. The center includes a mix of office and retail space. According to *Loopnet*, a commercial real estate listing service, the asking rent for retail space in this center is $22.00 per square foot, triple-net. Office space is being listed at $16.00 per square foot.

Across the street from the Shoppes at West Village is an older shopping center, Promenade Park. Promenade Park is also a neighborhood shopping center. The current asking rates for retail space in this shopping center is $16.00 to $18.000 per square foot, triple-net. Like the retail at the Shoppes at West Village, the retail space is well-occupied at Promenade Park. Brokers interviewed remarked that these two centers are strong because their access is good. While these centers are not next to the Tanglewood Mall, they serve the same market.

Immediately outside of the Study Area are a number of office buildings, both along Route 419 and Chaparral Drive. Many of these office buildings are part of the Fralin & Waldron Office Park. The Fralin & Waldron Office Park consists of six office buildings. The earliest building was built in the early 1970's and the most recent in the early 1990's.

The Fralin & Waldron office buildings are generally well-occupied. According to Poe & Cronk's "2016 Market Survey," rents are $15.40 per square foot in these buildings. Interviews revealed that there are few office parks in the Roanoke Valley.

Further southwest on Electric Road is the Brambleton Avenue intersection. There is a neighborhood shopping node at this location. The Cave Spring Shopping Center has a Kroger food store and a Dollar Store. There is a Walgreens, Goodwill store and a Ruby Tuesday at this intersection as well as additional food and eat/drink outlets along Brambleton. For convenience-oriented stores in the Study Area, few likely draw from this far west. Colonial Avenue is the western edge to the Study Area's convenience (or neighborhood retail) market.

East of the Study Area and South of 220

The City of Roanoke is east of the Study Area. Electric Road becomes Franklin Road SW. Franklin Road SW is bookmarked by US 220 to the west and the Virginia Tech Carilion Health Science and Technology Campus to the east. The Southern Hills neighborhood abuts Franklin Road to the south and there is an upscale neighborhood between Franklin Road and US 220. Reportedly, residents in these neighborhoods patronize the Kroger at the Tanglewood Mall.

Franklin Road SW benefits from having large flat and deep sites on its north side, particularly west of the Wonju Street overpass. Access from the north to Jefferson Road is limited by the railroad tracks. US 220, Wonju and Brandon Avenue are the primary points of access from the north. Parcels on the southern side of the Franklin Road are not as deep and do not lend themselves to shopping center development.

The Townside Festival Shopping Center is a 52,000 square foot neighborhood shopping center on Franklin Road. There is some office space located on the second floor of the center. Townside Festival appears to be well-occupied. According to *Loopnet*, asking rents range from $12.50 to $15.00 per square foot at this center.

Near the Townside Festival Shopping Center is a Super Kmart. There are a number of fast food outlets in this vicinity as well as a Red Lobster restaurant. There is a car dealership node further east along Franklin Road before Wonju Street.

On the northeast corner of the Wonju Street intersection, there is a Walgreens pharmacy. The former Ukrop's grocery store on Franklin Road has been converted into a Carilion medical clinic. Next to the clinic is a new Mellow Mushroom pizza restaurant. More retail is under-construction at this location with a specialty grocery, Earth Fare, announced. This area is called Ivy Market and it is a competitive retail and eat/drink location for tenants looking to tap the southwest Roanoke market.

The Virginia Tech Carilion Health Science and Technology Campus anchors the eastern end of the Franklin Road. With the Virginia Tech Carilion Research Institute and the Carilion Roanoke Memorial Hospital, this area is an employment hub and a key driver of the regional economy. The tech and medical fields are attracting skilled workers. Skilled workers employed here are strong candidates for the neighborhoods nearby. These higher income households will, in turn, patronize nearby retail and eat/drink establishments.

South of the Study Area

The US 220 corridor is immediately south of the Study Area. Retail and eat/drink establishments abut US 220 south of Route 419. There is a Home Depot, Lowe's and a Big Lots along US 220 within a mile of the Route 419 interchange.

The Hunting Hills Shopping Center is on US 220. The center is 166,210 square feet, anchored by a PetSmart and a Kohl's. This is the only Kohl's in Roanoke.

There are a number of free-standing eating and drinking establishment along US 220 within a mile of the Route 419/US 220 interchange. Franchises here include Bojangles, Outback Steakhouse, Chick-fil-A, Starbucks, and IHOP.

Further south along US 220, south of the Blue Ridge Parkway, is a Walmart Supercenter and a number of car dealerships. The Walmart is about a 5-minute drive from the Tanglewood Mall. It can be inconvenient to get there from the Study Area, particularly during rush-hour.

North of the Study Area and North of 220

There are established neighborhoods north of the Study Area.

The Virginia Western Community College is a little over a 5-minute drive from Tanglewood Mall. Virginia Western Community College has 13,000 students, one-quarter of which are full-time. Virginia Western Community College is the second largest community college in Virginia and it is growing quickly. Unfortunately, it is not an easy walk or bike ride from the community college campus to the Study Area because there are no bike lanes or sidewalks on Colonial Avenue.

Further east along Colonial Avenue from the Community College is the Towers Shopping Center. The Towers Shopping Center is well situated at the corner of Colonial Avenue and Brandon Avenue SW, although interviews suggest it can be hard to get in and out of. There is a bike lane on Colonial Avenue between the Community College and the Towers.

Built in 1962, the Towers Shopping Center is a community center anchored by a Fresh Market, Kroger, Petco, and Jo-Ann Fabrics. The Towers also has a Planet Fitness and Chipotle Restaurant. Built into a hill, the Towers has two levels of retail space totaling 290,300 square feet. Rent for non-anchor retail space at the Towers is reportedly $20 per square foot, triple-net. The Towers appears to be a thriving shopping center.

Conclusions: Existing Conditions in the Study Area

With a strong location, great road access and high traffic counts, the Study Area is well-positioned as a retail and eating and drinking location. An issue confronting the Study Area is the auto-oriented character of the built environment. To realize redevelopment and a higher intensity of land use will require that large sites be redeveloped with a mix of land uses and that these uses be better connected via pedestrian and bike linkages. Only with a mix of land uses and better connections can parking be managed and a walkable environment developed.

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Another challenge facing the Study Area is the Tanglewood Mall. The Tanglewood Mall is an older retail product and it occupies a highly visible site. The Mall's outdated design and struggles with interior store vacancy suggest market weakness. The following sections of this Report will address market realities. However, whether right or wrong, market perceptions could threaten the economic development potential of the Route 419 Study Area.

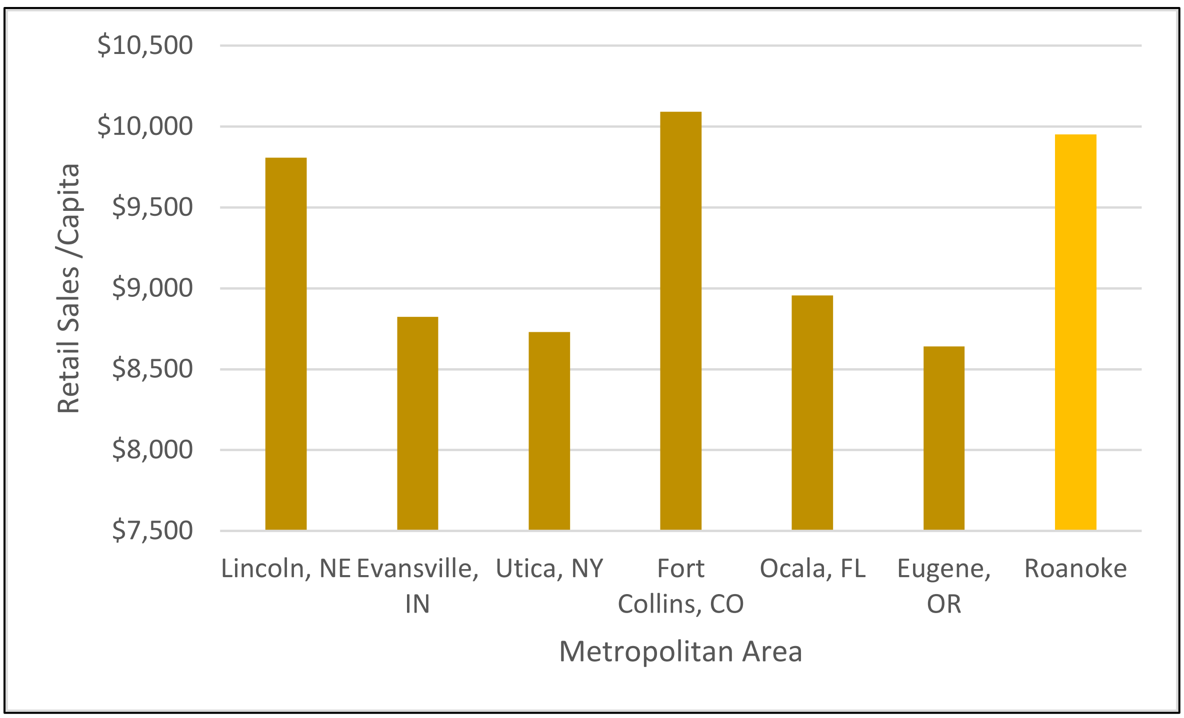
THE RETAIL MARKET

OVERVIEW

A fundamental question is whether the Roanoke retail market is healthy. Is the retail supply satisfying local residents or are people traveling outside of Roanoke to shop? One gauge of the retail market's health is retail sales per capita. The higher the retail sales per capita the more a market is either 1) retaining resident expenditures or 2) drawing spending from people residing outside of the market.

Figure 10

Retail Sales Per Capita
Select Metropolitan Areas
2016



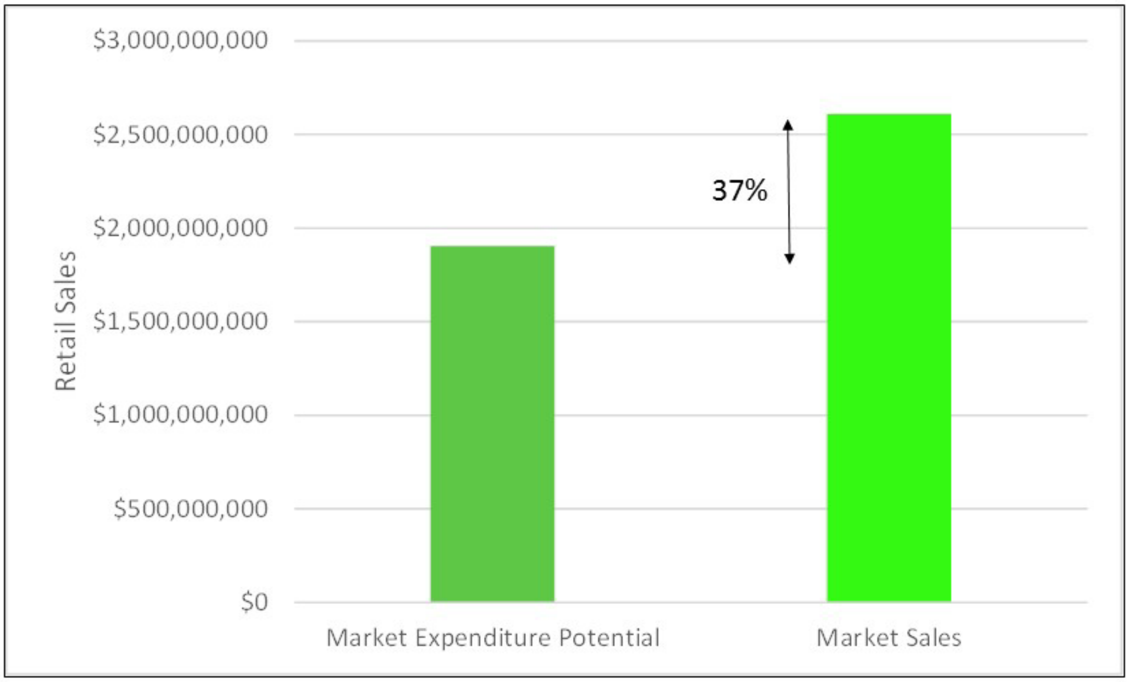
*Retail sales exclude vehicle, gas and non-store sales.

Source: ESRI; W-ZHA

Retail sales (net of vehicle, gas, and non-store sales) in the Roanoke Metropolitan Area totaled just under $10,000 per capita in 2016. As indicated in Figure 10, compared to similarly sized, rural metropolitan areas, Roanoke's sales per capita was high. Of the comparably-sized rural metropolitan areas analyzed only Fort Collins had higher sales per capita. Fort Collins is home to Colorado State University with 33,000 students.

Figure 11

Residential Retail Spending Potential versus Actual Retail Sales*
Salem, Roanoke and Roanoke County
<u>2016</u>



*Retail sales exclude vehicle, gas and non-store sales.

Source: ESRI; W-ZHA

As in most metropolitan areas, Roanoke's retail supply is concentrated in the County's urbanized area, in the cities of Roanoke and Salem and in Roanoke County. Figure 11 compares the spending potential of the residents within this urbanized area to actual retail sales. Expenditure potential and sales for vehicles, gas, and non-store enterprises are not included in this analysis. Data indicates that over one-third of the urbanized area's retail sales (excluding vehicle, gas and non-store sales) are from persons residing outside of the urbanized area.

This retail expenditure "inflow" is likely because Roanoke serves a large geographic area. Roanoke is the largest City between Charleston, WV and Greensboro, NC.

REGIONAL SHOPPING MARKET

Supply

Regional retail centers typically draw from outside of the community. Regional retail tends to draw customers from a 20-minute drive time or longer. Typically, malls with department store anchors function as regional centers. The two major malls in the Roanoke market are the Valley View Mall and Tanglewood Mall. The Tanglewood Mall was described earlier in this report.

The Valley View Mall is located off of I-581 approximately eight minutes from the I-81 interchange. Valley View's location makes it convenient to the larger regional market that travels along I-81. According to CBL & Associates' (the Mall owners) leasing information, the Mall is 844,500 square feet. The Mall was developed in 1985 and renovated in 1999. Valley View is anchored by Macy's, Old Navy, Sears, JCPenney, Belk, and Barnes and Noble.

Table 11

Shopping Center Space Supply
Tanglewood Mall Area and Valley View Area
2016

Shopping Area		Sq Ft
Tanglewood Area		
Tanglewood Mall		797,500
Old Country Plaza		83,100
The Forum	Approx.	40,000
Madison Square		34,940
The Grand Pavilion		98,820
The Commons		25,600
Sub-Total		1,079,960
Valley View Area		
Valley View Mall		844,500
Valley View Shopping Center		86,880
Valley View Crossing		206,800
Valley View Station		44,460
Town Square Shpg Cntr + Sams		434,750
Lowes Shpg Center		195,329
Kmart & Aldi Shpg Center		112,165
Crossroads Mall		na
Sub-Total		1,924,884

Source: W-ZHA

The Valley View Mall is the anchor of a major retail node at the Hershberger Rd NW and I-581 interchange. Including the Mall there are almost 2 million square feet of shopping center space at this retail node. The Valley View Area has twice the amount of shopping center space as the Route 419 Study Area.

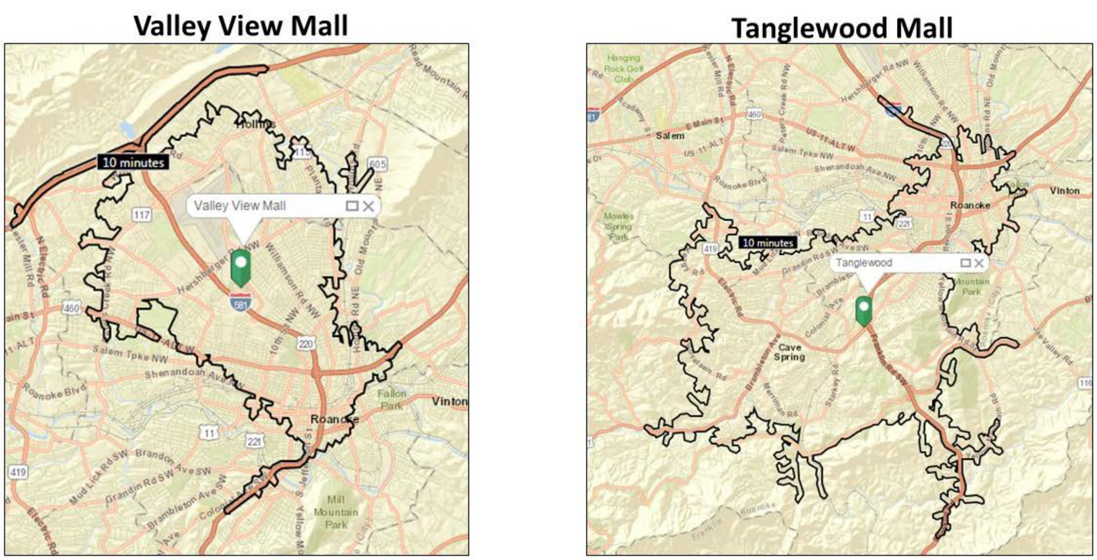
While the Valley View Mall Area offers both breadth and depth in retail product, the environment is not strong experientially. With the exception of the Mall's interior, the environment is not pedestrian-oriented.

As on-line spending continues to increase, bricks and mortar stores are realizing that to compete they must offer something more than product. There is a growing trend towards making shopping a recreational experience for patrons. To do this, the industry is moving towards mixed-use, walkable environments incorporating a mix of retail, eating and drinking and entertainment. There is no place in the Roanoke market today that offers this type of product. This product is not present in the Valley View Mall Area today.

Competitive Positioning

Figure 12

10-Minute Drive Time from Valley View Mall and Tanglewood Mall



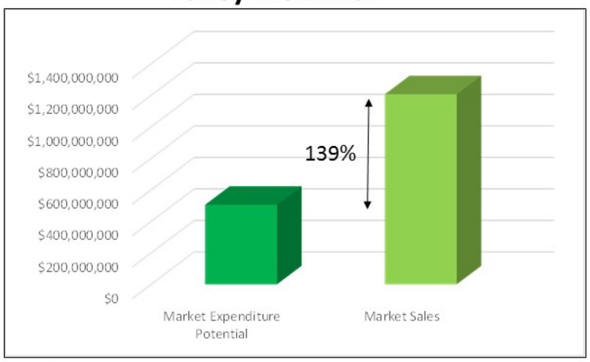
Source: ESRI

Figure 12 illustrates the 10-minute drive time from both the Valley View Mall and the Tanglewood Mall. The 10-minute drive time boundaries hardly overlap. The Malls are approximately 15-minutes away from each other.

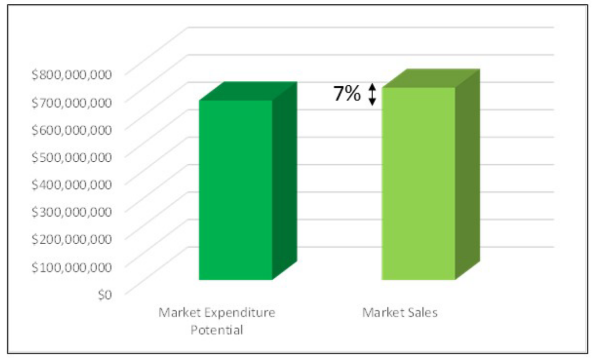
Figure 13

Residential Retail Spending Potential versus Actual Retail Sales*
10-Minute Drive Time from Valley View and Tanglewood Malls
2016

Valley View Mall



Tanglewood Mall



* Net of vehicle, gas, and non-store sales.

Source: ESRI

Figure 13 illustrates resident retail spending potential versus retail sales within a 10-minute drive of Valley View Mall and Tanglewood Mall, respectively. The Valley View Mall is clearly functioning as a regional retail center; sales are 139% higher than what residents within the 10-minute drive time area would typically spend in a given year. Tanglewood Mall is not functioning as a regional center; there is very little sales coming from the outside into the 10-minute drive time shed. Tanglewood Mall is functioning like a community center serving residents within a 10-minute drive time, not beyond.

The Opportunity

Table 12

Projected Population Growth and Regional Retail Potential 20-Minute Drive Time from Center of Roanoke			
Primary Trade Area			
Population Growth 2016-26:	12,928		
		New Spending	**Sq Ft /2**
Retail Potential /1		$77,204,840	308,800
Additional Sales			
Secondary Market @ 25%			102,900
Total Potential			411,700

1. Excludes spending on vehicles, gasoline, non-store retail, and eating and drinking.
2. Assumes $250 in sales per square foot.

Source: ESRI; W-ZHA

The regional trade area is projected to grow over the next 10 years. This growth will likely support approximately 400,000 square feet of retail. Some of these retail tenants will seek regional shopping destinations. Other tenants will seek community shopping locations. Assuming that the Tanglewood Mall remains in its current configuration, the most competitive location for a regional retailer is the Valley View Mall Area. With its road access and potential for growth via the new road interchange, it is a formidable competitive regional retail location.

The Valley View Mall Area is very suburban, however. With the exception of the Mall itself, the Valley View Area is totally auto-oriented and not pedestrian friendly. The environment does not lend itself to the “shopping as recreation” experience. Thus, while it is formidable force, in the mid- to long-term the Valley View Mall Area may be vulnerable to changes in the retail marketplace. The future of bricks and mortar retail is becoming more dependent on the environment within which it functions.

The Tanglewood Mall is not functioning as a regional center. The Tanglewood Mall is functioning as a community shopping center, yet its physical configuration is that of a regional shopping center. The existing configuration of large department stores with interior in-line stores is not well suited for community shopping. The physical configuration of the Tanglewood Mall challenges its competitiveness as a community shopping center.

Community Shopping Market

Supply

Most of the retail targeted to community shopping is located within the 10-minute drive shed of either Valley View Mall or the Tanglewood Mall. The Route 419 Study Area is particularly competitive for community retail because there is a critical mass of community retail stores already present at the Tanglewood Mall. The 419 Study Area also benefits from strong north/south and east/west road access and high traffic volume throughout the day.

Within its 10-minute drive shed, the Route 419 Study Area competes with the US 220 corridor to the south. Kohl’s, Walmart, Lowe’s and PetSmart are located here. Interviews with retail managers and brokers suggested, however, that these community shopping anchors would have preferred to locate in the 419 Study Area if sites had been available. In terms of future community retail investment, it may be difficult to find flat land along the US 220 corridor near the Electric/Franklin Road interchange.

In terms of the shopping centers to the east and west of the 419 Study Area, these centers are disadvantaged by their lack of a critical mass of community retailing. For their convenience, shoppers are typically drawn to locations where there are a cluster of stores. Cave Spring and Franklin Road are not community shopping destinations. These areas target day-to-day neighborhood shopping needs. As such, the 419 Study Area is considered superior to these locations for community retail investment.

Competitive Positioning

A community retailer will likely consider both the Valley View Mall Area and the Tanglewood Mall Area when considering an investment in Roanoke. The market around the Tanglewood Mall is very different from the market that resides within a 10-minute drive from the Valley View Mall.

Table 13

Demographics
10-Minute Drive Time from Valley View and Tanglewood
2016

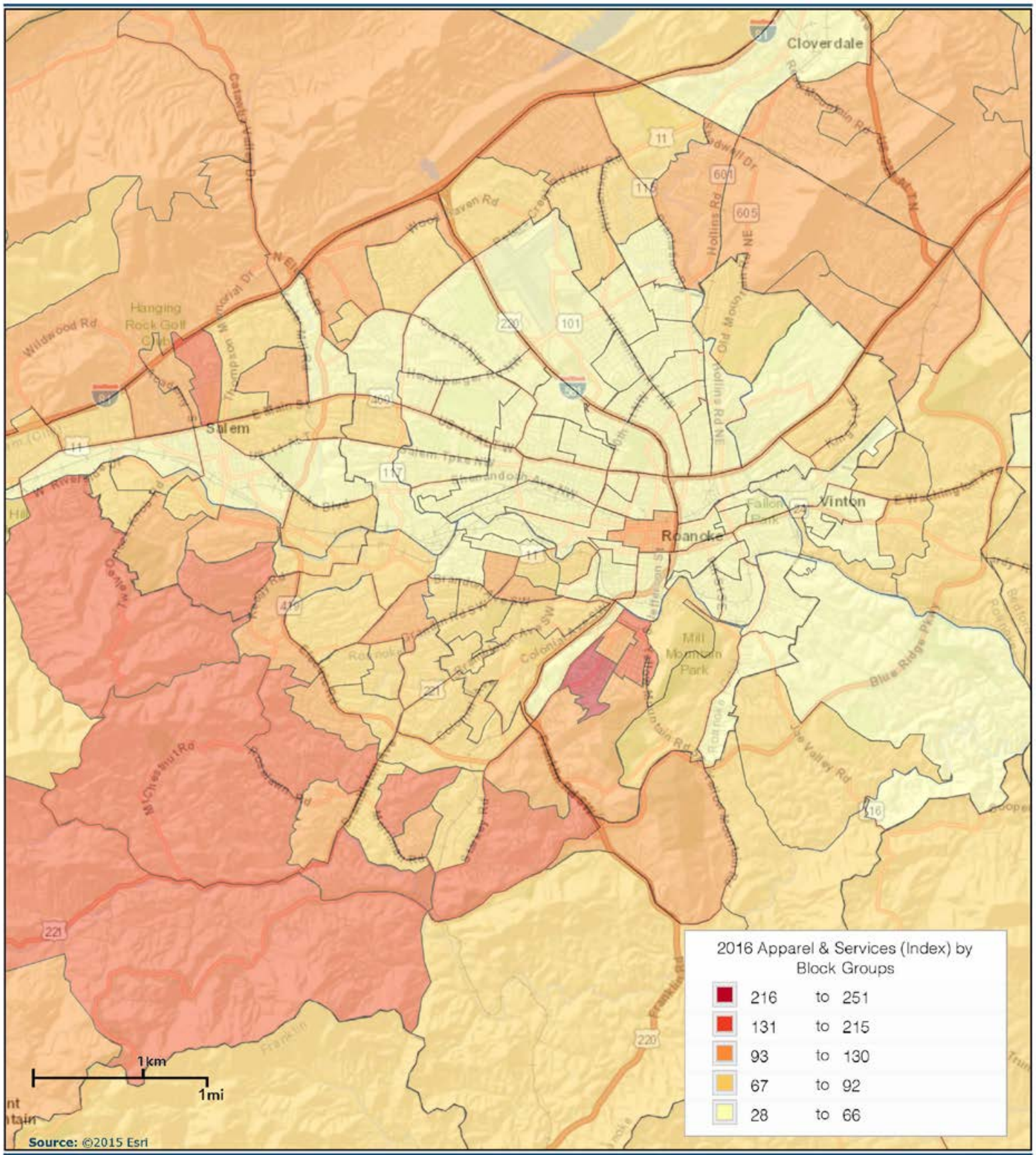
		10-Minute Drive From...	
	Roanoke Metro	**Valley View**	**Tanglewood**
Population	318,582	48,108	64,345
Households	131,851	20,155	28,679
Median Age	43.3	40.1	42.8
Median Household Income	$49,335	$35,984	$49,905
Average Household Income	$64,883	$46,616	$71,487
% Bachelor's+	28.4%	19.6%	42.6%
White Collar Occupation	61.0%	52.4%	69.0%

Source: ESRI; W-ZHA

As compared to the Valley View trade area, not only are there more households in the Tanglewood Mall trade area, but they have higher income and educational attainment. With almost 70% of those employed in the trade area occupying white collar positions, the Tanglewood Mall trade area has a relatively high average income for Roanoke.

Figure 14

Apparel and Services Spending Index
Census Blocks Near Valley View Mall and Tanglewood Mall
2016



Source: ESRI; W-ZHA

Figure 14 illustrates the apparel and services spending index by census block group in the vicinity of the Valley View Mall and the Tanglewood Mall. The lighter the color the lower the spending index. The index is based on the national average for spending on apparel and services. As the map illustrates the apparel and services spending index is higher in southwest Roanoke's census blocks. The Route 419 Study Area is more convenient to these households than is the Valley View Mall Area.

Tapestry segmentation classifies United States households into 14 LifeMode groups and 67 unique lifestyle segments. See Appendix A for a summary of LifeMode group characteristics. The segments are based on demographic, socioeconomic and lifestyle characteristics. Lifestyle characteristics are a function of where people live, how they spend their money, and their lifestage. Once again, the lifestyles of people living in the Tanglewood Mall trade area are quite different from those living in the Valley View trade area.

Table 14

Tapestry LifeMode Groups
Valley View mall and Tanglewood Community Shopping Trade Areas
2016

	10-Minute Drive from…			
	Valley View Mall		**Tanglewood Mall**	
LifeMode Segment	Hshlds	Share	Hshlds	Share
Affluent Estates	10	0.0%	3,683	11.8%
Upscale Avenues	1	0.0%	527	1.7%
Uptown Individuals	741	2.5%	741	2.4%
Family Landscapes	393	1.3%	0	0.0%
GenXurban	7,571	25.6%	10,424	33.4%
Cozy Country Living	2	0.0%	122	0.4%
Ethnic Enclaves	0	0.0%	0	0.0%
Middle Ground	7,710	26.1%	5,822	18.6%
Senior Styles	1,868	6.3%	3,029	9.7%
Rustic Outposts	0	0.0%	0	0.0%
Midtown Singles	4,597	15.6%	4,195	13.4%
Hometown	6,624	22.4%	2,675	8.6%
Next Wave	0	0.0%	0	0.0%
Scholars and Patriots	0	0.0%	0	0.0%
Total	29,517	100%	31,218	100%

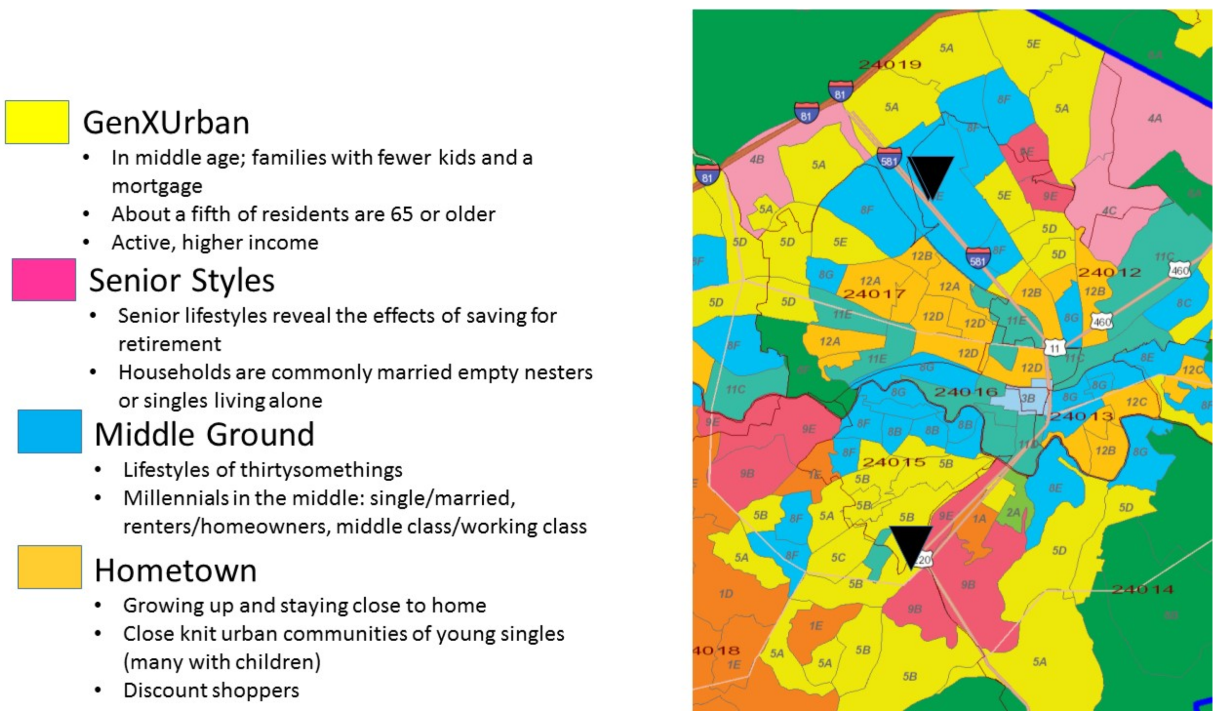
Source: ESRI; W-ZHA

Households within a 10-minute drive of the Tanglewood Mall tend to be wealthier older households. The largest LifeMode segment is "GenXUrban" which is mostly households that are empty nesters or soon-to-be empty nesters with older children at home. These households are active and have above average incomes. These households (as well as the wealthier segments life Affluent Estates, Upscale Avenues, and Uptown Individuals) own their homes and enjoy going out to dinner, travel and entertainment.

The largest LifeMode segment in the Valley View Mall community shopping trade area is the Middle Ground segment.[2] The Middle Ground segment is comprised of households in their thirties or slightly younger. This segment tends to be a mix of renters and homeowners and singles and couples. These households are middle income and not affluent.

Figure 15

Apparel and Services Spending Index
Census Blocks Near Valley View Mall and Tanglewood Mall
2016



Source: ESRI; W-ZHA

Figure 15 illustrates the LifeMode segments by census block. Each LifeMode segment has a different color. The dominant LifeMode group in the immediate vicinity of the Tanglewood Mall is GenXurban and Senior Styles. As mentioned earlier, GenXurban households are urbane and active empty nesters or soon-to-be empty nesters. Households classified as Senior Style are relatively well-off retirees.

[2] Summary characteristics of each LifeMode are provided in Appendix A.

The census blocks near the Valley View Mall contain households with very different characteristics. As mentioned earlier Middle Ground households (the light blue color) are relatively young and not high income. Hometown households are also young with below average incomes.

All in all, Valley View's community shopping market is younger, more diverse, and lower income than Tanglewood Mall's market. Tanglewood Mall's market is comprised of urbane, older households with either no children or older children at home. These households are affluent homeowners with high educational attainment. Retailers targeting the discriminating market like a specialty store or high-end apparel store would likely prefer to locate in the Tanglewood Mall's market area than the Valley View market area.

The Opportunity

Table 15

Projected Population Growth and Commnunity Retail Potential
10-Minute Drive Time from Tanglewood Mall

		New Spending	Sq Ft [2]
Primary Trade Area			
Population Growth 2016-26:	4,855		
Retail Potential [1]		$34,629,499	138,500
Additional Sales			
Secondary Market @ 10%			15,400
Total Potential			153,900

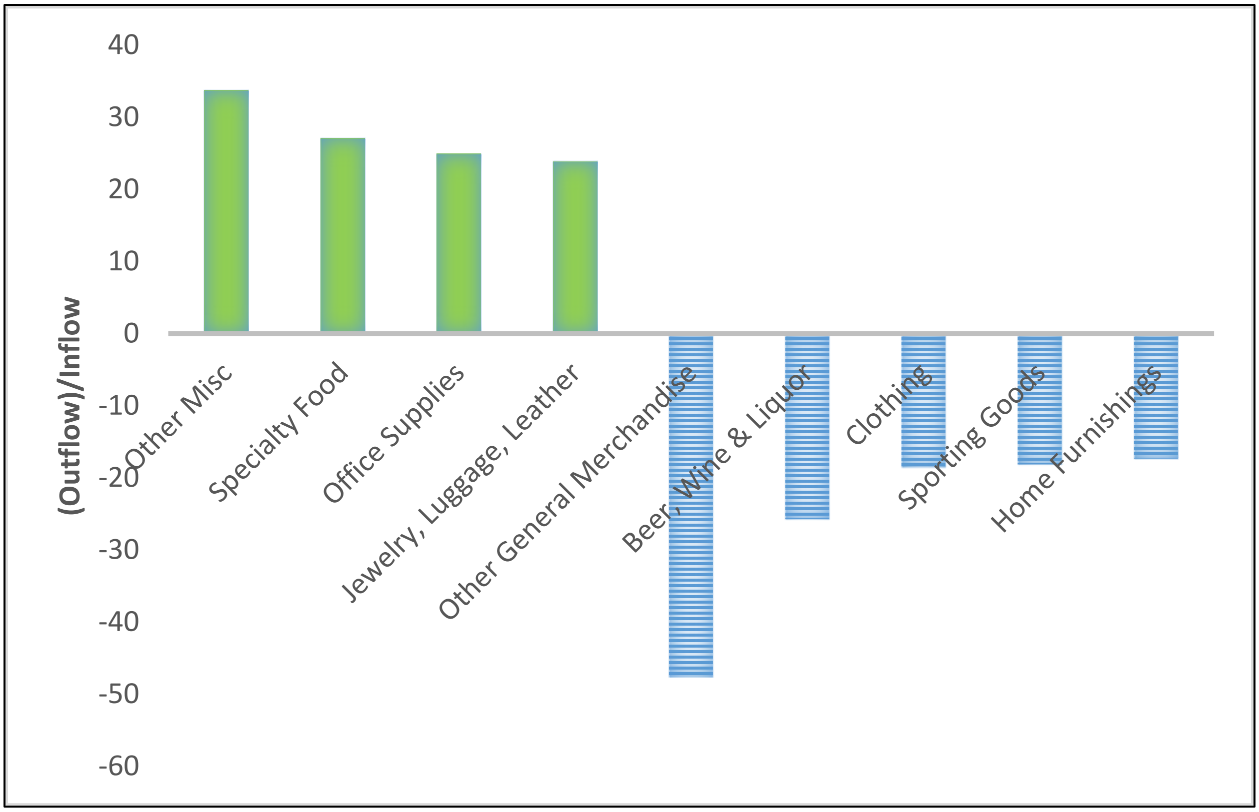
1. Excludes spending on vehicles, gasoline, non-store retail, and eating and drinking.
2. Assumes $250 in sales per square foot.

Source: ESRI; W-ZHA

The community shopping trade area's population is projected to grow. The 419 Study Area is well-positioned in the marketplace for additional community-oriented retail and entertainment uses. The 419 Study Area is well-located to serve the strong 10-minute drive time market area. Its access and visibility make it an attractive store location.

Figure 16

Apparel and Services Spending Index
Census Blocks Near Valley View Mall and Tanglewood Mall
2016



Source: ESRI; W-ZHA

The store-types where there will likely be an opportunity for investment include other general merchandise; beer, wine and liquor stores; clothing; sporting goods; and, home furnishings. Today, residents are shopping outside of the 10-minute drive time market area to patronize these store-types. With over 30,000 households, the trade area is of sufficient size to support these types of stores.

There may also be an opportunity for an updated movie theater in the Route 419 Study Area. In comparably sized, rural metro areas[3] there are approximately 32 to 35 first run movies screens. In Roanoke there are 35 screens but approximately half of the screens are in very old movie theaters like the AMC 8 in Salem and the AMC 10 at the Tanglewood Mall. There may be a market opportunity to redevelop the AMC 10 into a state-of-the-art movie theater. If the mall is reconfigured, such a theater could serve as an entertainment anchor supporting retail and eating and drinking establishments.

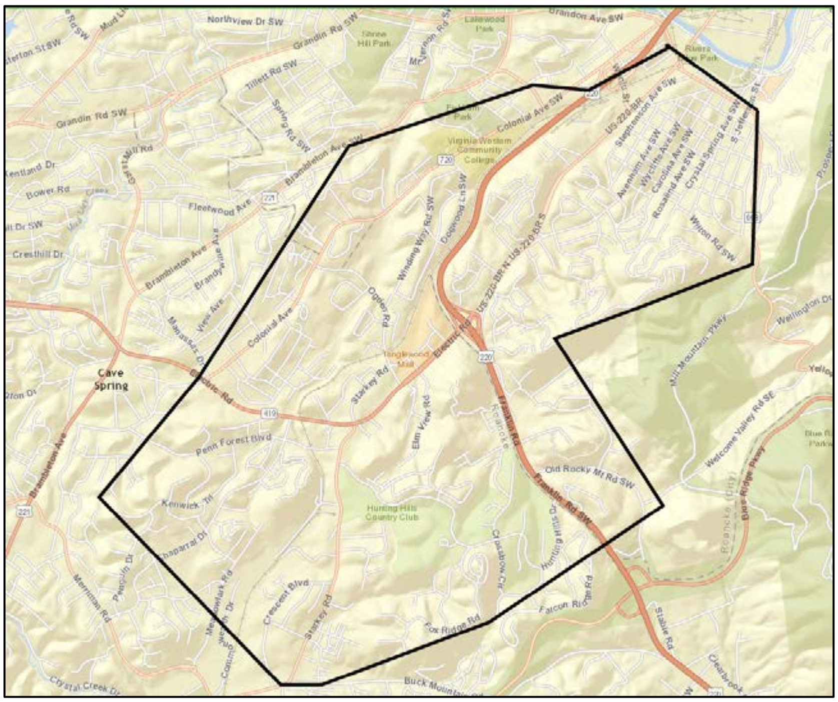
[3] Metro areas examined include Lincoln, NE, Evansville, IN, and Fort Collins, CO.

Neighborhood Shopping Market

Neighborhood retail includes grocery stores and pharmacies as well as small shopper's goods stores like hardware stores. These retailers locate in places that are convenient to their market. Easy access and visibility are very important location criteria for these store-types.

Figure 17

Neighborhood Shopping Trade Area
<u>The Route 419 Study Area</u>

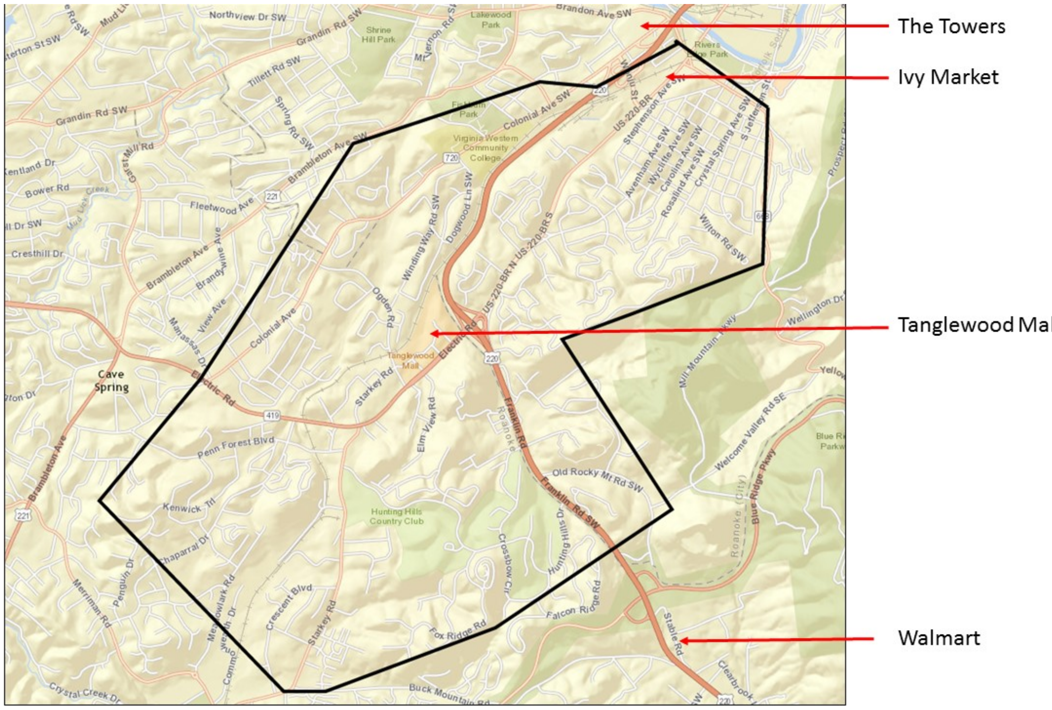


Source: ESRI; W-ZHA

The 419 Study Area's neighborhood market area is depicted in Figure 17 above. This market area is based on information gathered from interviews with Study Area store managers.

Figure 18

<u>Neighborhood Shopping Competitive Centers</u>



Source: ESRI; W-ZHA

The 419 Study Area currently competes with the Towers shopping center and, to some extent, the Walmart on US 220 for this trade area's convenience spending. The Towers contains a Kroger, a Fresh Market and a CVS as well as other neighborhood-oriented store-types. A recent announcement that Earth Fare, an organic and natural foods grocery is opening at Ivy Market, suggests that Franklin Road is also a competitive neighborhood shopping center location.

Competitive Positioning

Table 17

Demographics
5-Minute Drive from The Towers/Ivy Market and Tanglewood Mall
2016

	5-Minute Drive From...	
	The Towers/ Ivy Market	**Tanglewood Mall**
Population	18,217	10,617
Pop Growth Rate	1.0%	0.8%
Households	8,627	5,295
Average Household Income	$66,679	$70,539
Median Household Income	$44,375	$51,742
% Bachelors+	34.4%	48.6%
Median Age	41	44
Workers	39,200	13,223

Source: ESRI; W-ZHA

The demographics in the immediate vicinity of the Towers and Ivy Market shopping centers are impressive. There are more people living and working within a 5-minute drive from this location than there are from the Tanglewood Mall. These centers are close to employment centers like Downtown Roanoke and the Virginia Tech Carilion Health Science and Technology Campus.

While strong demographically, these centers are not as visible as the Tanglewood Mall/Route 419 Study Area. These centers are challenged by the road network and the railroad tracks which limit their access. Finally, the market in the immediate vicinity of these centers is not as strong from an educational attainment and income perspective as compared to the Route 419 Study Area.

From the perspective of lifestyle grocers like Trader Joe's and Whole Foods, a location within the Tanglewood Mall's trade area would be ideal given income, education and household density. A full-sized Whole Foods market typically requires 200,000 people within a 20-minute drive time, median incomes and educational attainment above the national average. While site criteria are not published, because Trader Joe's occupies a smaller footprint, the market size requirement is somewhat smaller. Educational attainment is an important site criteria for Trader Joe's.

Table 18

Whole Foods and Trade Joe's Potential
Site Criteria

General Criteria	U.S.	Wholefoods/ Trader Joe's	Study Area
20-Minute Population		200,000	202,000
Median Income	$54,149	Well Above US Median	$46,295
Bachelor's +	30.4%	Well Above US Median (50%)	31.0%
College Town		Yes	Sort Of
Growing Market (5 Yr Proj.)	0.84%	Above US Average	0.60%

Source: W-ZHA

Table 18 compares the Study Area's market characteristics to the criteria used by Whole Foods and Trader Joe's and U.S. averages. There are approximately 202,000 people residing within a 20-minute drive of the Tanglewood Mall. The median income of households within 20-minutes is less than the national average. Educational attainment in the 20-minute market is consistent with the national average, but below the Whole Foods and Trader Joe's thresholds. Roanoke is not the home of Virginia Tech University, but it does have strong connections with the University and its community.

The Opportunity

All in all, market realities suggest that a full scale Whole Foods market will likely not enter the Roanoke market in the near term. While potentially a stretch, a smaller market like Trader Joe's or Whole Foods' smaller market, 365 by Whole Foods, may consider the Roanoke market. The Route 419 Study Area would be an excellent location for this type of grocery store due to its visibility and access. Franklin Road near Ivy Market is also a competitive location for these stores.

A store like Total Wine would be a strong prospect for the Study Area. Total Wine is a "big box" liquor store that typically locates in community shopping centers. Another neighborhood store prospect for the Study Area is a pharmacy like CVS or Walgreens. The only pharmacy in the Study Area is in the Kroger food market.

Eating and Drinking Establishment Market

Overview

Restaurants seek locations that offer convenient access to the markets they target. Restaurants define their target markets by understanding the demographic and psychographic characteristics of their patrons. Mining consumer spending behavior and demographic information, psychographics is able to cluster households on the basis of their behavior, values, opinions, culture, interests and lifestyle. These factors make a difference to restaurants, for example:

- Generation Y (those born in the 1980’s and early 1990’s) tend to eat more often at quick-service and pizza restaurants.
- Generation X (born between 1965 and 1977) tend to prefer quick-service or casual restaurants with that are comfortable and offer a good value.
- Smaller households eat out more than larger households.
- Empty nesters spend more and patronize restaurants more often than most households.
- Wealthy, well-traveled consumers, particularly baby boomers look for ethnic or exotic food when they eat out.

The Route 419 Study Area market is comprised of smaller households, empty nest households and wealthy, well-traveled households. The 419 Study Area market prefers full-service and fast-casual and some ethnic or exotic restaurant choices.

Table 19

Site Selection Criteria
Select Restaurant-Types

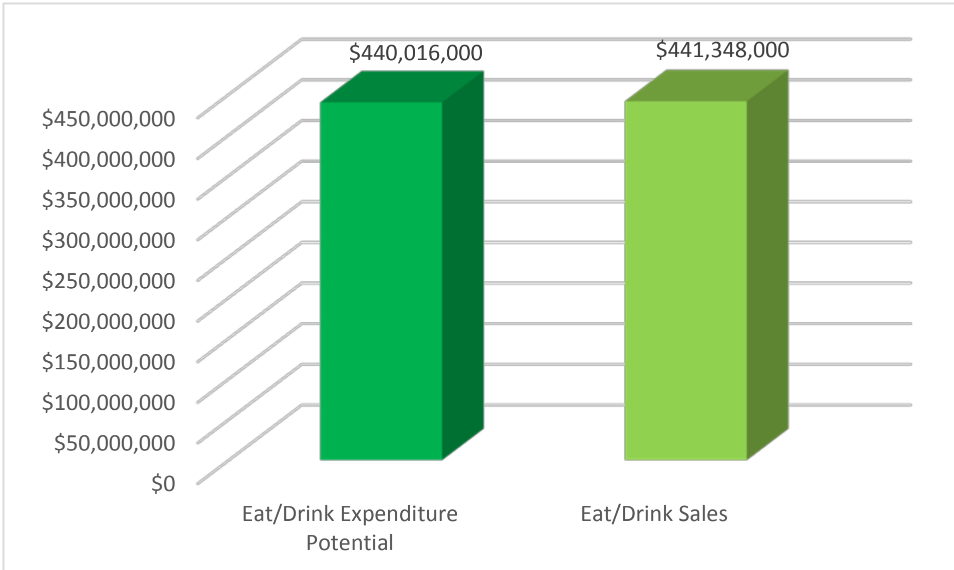
Restaurant-Type	Example	Store Size	ADT	Demographics/Psychographics
Coffee/Convenience	Starbucks, Panera	1,700 -2,700	20,000	Educated, strong population density and/or job density, $90,000 income, morning side of street
Fast Food	McDonald's; Burger King	3,000	25,000	
Casual Restaurant	Zoes	2,200 -2,500	20,000	Daytime population 20,000; median income $70K; 60% college-educated
Full-Service Restaurant	Olive Garden	7,500 -8,500		100,000 people in trade area (approx. 15 minutes)
Full-Service Restaurant	Long Horn Steakhouse	6,170	30,000	100,000 people within 15 minute drive
Full-Service Restaurant	Houlihans	6,500	na	250,000 <5 miles; 50K hslds w. median income over $75K; 40,000 daytime workers <3 miles
High-End Full Service	Season's 52	8,500 - 11,000	30,000	200,000 <5 miles

Source: W-ZHA

The table above illustrates the market requirements for various kinds of restaurants. In general, convenience and fast food restaurants rely on population density within a 1-, 3- to 5-mile radius and prefer sites on major commercial corridors where visibility to the market is highest. Larger restaurants with higher price points seek regional center locations to draw on the larger trade area they need to be viable. Many restaurants require that they be accessible to a large daytime population, as well.

Figure 19

Eating and Drinking Establishment Expenditure Potential versus Sales
Roanoke Metropolitan Area
<u>2016</u>

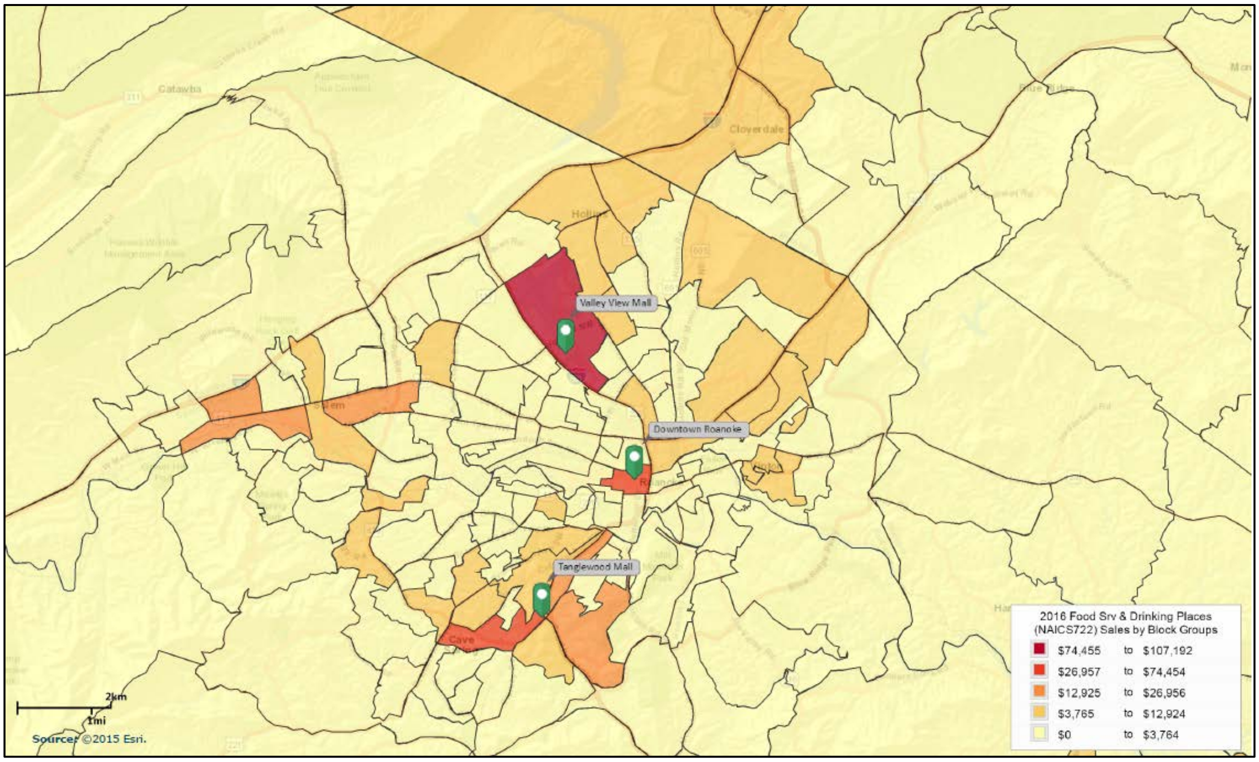


Source: ESRI; W-ZHA

In 2016, eating and drinking establishments in the Roanoke Metropolitan Area achieved sales of just over $441 million. This level of sales was essentially the same as Metro residents' spending potential. Thus, unlike retail which experienced 37% of inflow sales, the Metropolitan Area's eating and drinking market is at equilibrium (expenditure potential mostly equal to actual sales).

Figure 20

Eating and Drinking Establishment Sales by Census Block
Roanoke Area
2016



Source: ESRI; W-ZHA

Figure 20 illustrates food service and drinking places sales by census block. The darker colors represent higher sales than the lighter colors. In the Roanoke market, eating and drinking sales are concentrated in the Valley View Mall Area, Downtown Roanoke and in the Tanglewood Mall Area.

The eating and drinking establishments in the Valley View Mall Area are predominantly national chain restaurants. These restaurants are located either in the mall, in shopping centers or on standalone sites. These restaurants thrive off of the Valley View Mall Area's regional drawing power.

The eating and drinking establishments in Downtown Roanoke are mostly independent restaurants. These restaurants thrive off of the Downtown employee market as well as Downtown nightlife. There are very few chain restaurants Downtown.

Table 20

Eat/Drink Establishments 419 Study Area		
Full Service	**Fast Casual/Other**	**Fast Food**
Buffalo Wild Wings	Panera Bread	Five Guys
Texas Roadhouse	Red Palace	Wendy's
Applebee's	Mill Mountain Coffee and Tea	Kentucky Fried Chicken
Elephant Walk	K&W Caféteria	Hardee's
Rancho Viejo	Bellacino's	
Szechuan Restaurant	Waffle House	
Ben Gui Sushi		
Montano's		
Carlos's Brazilian		
419 West		
The 876 Jamaican Grill		

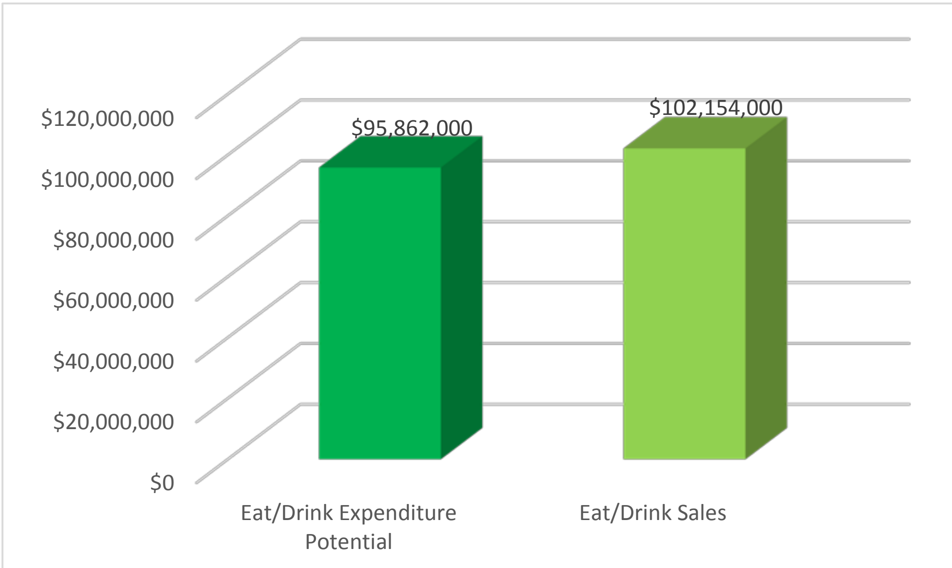
= Chain Restaurant

Source: Google Maps; W-ZHA

The 21 eating and drinking establishments in the Route 419 Study Area are a mix of independents and chains. There is a good mix of full-service, fast food, and other eat/drink store types in the Study Area. These establishments thrive off of the Study Area's traffic count and its community shopping land use mix.

Figure 21

Eating and Drinking Expenditure Potential versus Sales
3-Mile Radius from Tanglewood Mall
2016



Source: ESRI; W-ZHA

In 2016, there were $102 million in eating and drinking sales within a 3-mile radius of Tanglewood Mall. Eating and drinking sales were approximately 6% higher than eating and drinking spending potential. While sales within the 3-mile radius account for 23% of the Metropolitan Area eat/drink sales, there is not significant spending inflow to the 3-mile radius area.

COMPETITIVE POSITIONING

The primary trade area for eating and drinking restaurants is generally smaller than the trade area for retail stores. Depending on the type of eating and drinking establishment the primary trade area is typically a 1-, 3-, or 5-mile radius around a given site. The demographics within the primary area as well as the daytime population and traffic counts are considered when evaluating a given site.

Table 21

Demographics
Radii from Tanglewood Mall

	1-Mile	3-Mile	5-Mile
Residents	6,565	55,811	115,809
Households	3,466	26,092	50,228
Workers	8,141	83,820	130,531
Avg Hshld Income	$68,542	$70,816	$62,629
Median Hshld Income	$49,506	$50,705	$43,487
Bachelor's Degree	48%	46%	34%

Source: ESRI; W-ZHA

For eating and drinking establishments, the Study Area's location at the intersection of Route 419 and US 220 is very advantageous. Traffic counts are 43,000 on Route 419 and 44,000 on US 220.[4] The demographics of the near-in population are relatively strong for the Roanoke market with median income and educational attainment above the Metro average.

While relatively strong, the Tanglewood Mall market area does not have the demographics to attract upscale lifestyle restaurants along the lines of Cheesecake Factory, Houlihan's, or Seasons 52. These types of restaurants need more population and higher median incomes.

The Tanglewood Mall market area is upper middle class and older. These customers are health-conscious, prefer casual dining, quality service and product consistency. Panera Bread restaurant is known to target this market. Other restaurants targeting this market include Chipotle, Qdoba, McAlister's Deli, Baja Fresh, Outback Steakhouse, and Carrabba's. Independent restaurants with good service and consistent quality food are also popular with this market.

[4] Virginia Department of Transportation, Traffic Engineering Division, "Average Daily Traffic Volumes with Vehicle Classification Data on Interstate, Arterial, and Primary Routes: 2015".

Table 22

Comparative Demographics Valley View Mall, Downtown Roanoke, Tanglewood Mall 2016			
Valley View Mall			
	1-Mile	**3-Mile**	**5-Mile**
Residents	7,821	67,072	141,705
Households	3,363	28,211	60,286
Workers	9,109	58,438	154,677
Avg Hshld Income	$43,458	$45,698	$55,036
Median Hshld Income	$34,976	$35,670	$41,443
Bachelor's Degree	23%	20%	27%
Downtown Roanoke			
	1-Mile	**3-Mile**	**5-Mile**
Residents	12,764	73,119	145,467
Households	5,202	31,677	63,189
Workers	40,283	75,875	153,318
Avg Hshld Income	$43,970	$49,534	$54,857
Median Hshld Income	$30,574	$35,617	$41,169
Bachelor's Degree	23%	26%	28%
419 Study Area			
	1-Mile	**3-Mile**	**5-Mile**
Residents	6,565	55,811	115,809
Households	3,466	26,092	50,228
Workers	8,141	83,820	130,531
Avg Hshld Income	$68,542	$70,816	$62,629
Median Hshld Income	$49,506	$50,705	$43,487
Bachelor's Degree	48%	46%	34%

Source: ESRI; W-ZHA

The eat/drink markets are quite different around Valley View Mall, Downtown Roanoke, and the Route 419 Study Area. The Valley View Mall location is advantageous because it is a super-regional shopping hub. Valley View Mall Area is suburban in character, however. National chains are strong candidates for this location, while independents may struggle.

Downtown Roanoke is walkable and offers the ambiance that the Valley View Area cannot. Downtown Roanoke has a strong daytime population (workers within a 1-mile radius) and nearby residents. Downtown's resident demographics, however, are not strong with relatively low median incomes and educational attainment. Downtown Roanoke has the potential to become an eat/drink and entertainment destination but still doesn't have the critical mass to occupy this niche.

The Route 419 Study Area has the strongest resident demographics with high incomes and high educational attainment. Access and visibility are very strong here. While not within walking distance, there are a significant number of employees within 3 miles of the Study Area. The Study Area's market suggests that the Study Area is well-positioned to attract restaurants and/or fast-casual restaurants that target the middle- to upper-middle income market.

Table 23

Comparative Demographics
Ivy Market and Tanglewood Mall
2016

Ivy Market	1-Mile	3-Mile	5-Mile
Residents	9,297	66,526	141,635
Households	4,613	29,402	61,815
Workers	7,729	64,487	98,537
Avg Hshld Income	$77,990	$56,049	$57,566
Median Hshld Income	$48,672	$38,962	$41,728
Bachelor's Degree	54%	33%	12%

419 Study Area	1-Mile	3-Mile	5-Mile
Residents	6,565	55,811	115,809
Households	3,466	26,092	50,228
Workers	8,141	83,820	130,531
Avg Hshld Income	$68,542	$70,816	$62,629
Median Hshld Income	$49,506	$50,705	$43,487
Bachelor's Degree	48%	46%	34%

Source: ESRI; W-ZHA

The Route 419 Study Area may compete with Franklin Road sites for these store-types, however. Franklin Road can service the same resident market and has the advantage strong demographics in the immediate (1-mile radius) vicinity. The Mellow Mushroom at Ivy Market and the Chipotle at the Towers shopping center are good examples. While not as accessible or visible, Franklin Road's demographics are competitive with the Study Area's.

THE OPPORTUNITY

Table 24

Projected Population Growth and Eat/Drink Potential
3-Mile Radius from Tanglewood Mall

		New Spending	Sq Ft [1]
Trade Area			
Population Growth 2016-26:	4,270		
Eat/Drink Potential		$7,070,904	20,200
Additional Sales			
Secondary Market @ 15%			3,600
Total Potential			23,800

1. Assumes $350 in sales per square foot.

Source: ESRI; W-ZHA

The Route 419 Study Area is an excellent full-service and/or fast casual restaurant investment location. The population within three miles of the Tanglewood Mall is projected to grow. This growth will create demand for approximately 24,000 additional square feet of eating and drinking space. The Study Area is well-positioned to capture a significant share of this potential.

CONCLUSIONS

From both a retail and eat/drink perspective the Route 419 Study Area is well-positioned within the Southwest Roanoke market. Traffic counts, visibility, access and demographics suggest that the Route 419 Study Area is a very strong community retail location. Community-oriented retail generally targets households within a 10-minute drive time. Good examples of stores serving the community market are specialty discount stores (toys, books, electronics, home improvements, sporting goods, etc.), discount apparel (Marshall's, TJMaxx, DSW, etc.), food, and health and beauty stores. These stores are typically complemented by eating and drinking establishments.

This analysis concludes that the existing vacancies at the Tanglewood Mall are not indicative of a weak market. Instead, the vacancy at Tanglewood Mall is a function of its design. The mall is designed as a regional mall when it is, in fact, serving a community market. A regional mall is typically anchored by department stores and because of their breadth and depth of merchandise, regional malls offer shoppers the opportunity to comparison shop. Unlike a regional center, a community shopping center's competitive niche is convenience and time-efficient shopping.

The Tanglewood Mall's design compromises its ability to fully leverage its market potential. The portion of the mall with interior stores supported by department store anchors is vulnerable. The fate of department stores in non-regional settings is looking increasingly challenged. Tanglewood Mall's

JCPenney has announced it will close this summer. The Belk may be vulnerable given that there are two Belks in the Roanoke market and one is in the regional shopping hub, Valley View.

While difficult with existing leases, re-configuring the Mall would unlock the potential of this location. While there are a variety of opinions as to the future of "brick and mortar" retail, there does appear to be consensus that the following factors will be important to stay competitive:

- Retail Needs to be Supported by a Variety of Traffic-Driving Anchors – It is imperative that shopping center owners integrate more diverse and appealing dining and entertainment options. From high-end movie theaters to bowling alleys. Entertainment uses drive traffic and contribute to making the place a destination.
- Stores are Looking to Co-Tenancies and Centers that Make Shopping Recreational – Stores are looking to sell more than simply product. Stores are selling service and a positive experience. Shopping centers are looking to physical design and tenant mixes that make shopping a leisure activity.

If reconfiguration is possible, the Tanglewood Mall site could evolve into a dynamic mixed-use community activity hub. This analysis concludes that the market is sufficiently strong to accommodate community retail and restaurants. The site's central location in the Southwest Roanoke market makes it attractive for Cineplex and entertainment investment. Given the market's older demographic, entertainment anchors like a bowling alley, a music venue, and/or a local arts outlet could help to bring patrons to the site and help to differentiate Tanglewood in the marketplace. There may also be an opportunity to introduce additional land uses like recreation, civic, residential and hotel uses to bolster the site's positioning.

Configured correctly, Tanglewood could offer a land use mix and design unique in the Roanoke marketplace. As such, the Study Area could be the place in the Roanoke market where unique retailers and/or independent restaurants locate. While such a tenant mix could potentially draw from beyond the community market (the 10-minute drive), its success will depend on how well it satisfies the needs and aspirations of the community it is intended to serve. The former Tanglewood Mall site has the potential to be the civic and economic hub of Southwest Roanoke.

It is important to note that with Mall reconfiguration, structured parking will likely be necessary to create a dynamic mixed-use environment Given Roanoke's market rents, structured parking will likely require public financing support.

Figure 22

Optimum Retail and Restaurant Mix
Route 419 Study Area

Market Analysis Conclusion

	No Mall Reconfiguration	Reconfigured Mall
Physical Character	Existing Mall with Outparcel Development	Interior Mall Demolished/New Construction w/ Lifestyle Amenities
Market Positioning	Community Shopping for 10-Minute Drivetime Market; Fast Food & Fast Casual Restaurants; Maybe an Entertainment Use inside Mall or JCPenney	Lifestyle/Town Center
Primary Market	Residents within a 10-Minute Drive	Residents within a 10- to 20-Minute Drive Visitors
Target Tenants	Discount Retail like Designer Show Warehouse; Fast Casual Restaurants on Pad Sites Along Rt 419; Surface Parking	New Cineplex; Entertainment/Recreation; Fast Casual & Full Service Restaurants; Discount Retail and Specialty Retail; Structured Parking on Mall Site
New Space	10,000 - 15,000 Sq Ft of Restaurant	Cineplex: 40,000 Sq Ft Entertainment/Recreation: 20,000 - 40,000 Sq Ft Stores (Total Wine, Sports, Shoes, etc.): 75,000 - 100,000 Sq Ft Eat/Drink: 15,000 - 20,000 Sq Ft

Source: W-ZHA

Figure 22 presents market study conclusions under two scenarios: 1) the Tanglewood Mall remains as is, and 2) the Tanglewood Mall is reconfigured. Under the Mall “as is” scenario the Route 419 Study Area will continue to serve as a community shopping node. It is unlikely that there will be net new retail space developed given the existing supply of retail space in the Study Area. There may be some net new restaurant space developed along Route 419.

If the Mall is reconfigured as a Town Center anchored by a new Cineplex, there will be an opportunity to replace obsolete retail/restaurant space with new retail, restaurant, entertainment and/or recreation space. The objective in this scenario is to create a destination “experience” that transforms a shopping trip into a recreational excursion.

Creating a dynamic environment on the Tanglewood Mall site will solidify the Study Area’s competitive position in the Southwest Roanoke market. The primary market for retail and eat/drink will continue to be the community market within a 10-minute drive. However, the market reach of the Route 419 Study Area may expand if lifestyle retailers locate here.

APPENDIX A

Tapestry Segmentation LifeMode Descriptions

APPENDIX A

LIFEMODE DEFINITIONS

Source: ESRI, Tapestry Segmentation

LifeMode 1 Affluent Estates

- Established wealth—educated, well-traveled married couples
- Accustomed to "more": less than 10% of all households, with 20% of household income
- Homeowners (almost 90%), with mortgages (70%)
- Married couple families with children ranging from grade school to college
- Expect quality; invest in time-saving services
- Participate actively in their communities
- Active in sports and enthusiastic travelers

LifeMode 2 Upscale Avenues

- Prosperous married couples living in older suburban enclaves
- Ambitious and hard-working
- Homeowners (70%) prefer denser, more urban settings with older homes and a large share of townhomes
- A more diverse population, primarily married couples, many with older children
- Financially responsible, but still indulge in casino gambling and lotto tickets
- Serious shoppers, from Nordstrom's to Marshalls or DSW, that appreciate quality, and bargains
- Active in fitness pursuits like bicycling, jogging and aerobics
- Also the top market for premium movie channels like HBO and Starz

LifeMode 3 Uptown Individuals

- Young, successful singles in the city
- Intelligent (best educated market), hard-working (highest rate of labor force participation) and averse to traditional commitments of marriage and home ownership
- Urban denizens, partial to city life, high-rise apartments and uptown neighborhoods
- Prefer debit cards to credit cards, while paying down student loans
- Green and generous to environmental, cultural and political organizations
- Internet dependent, from social connections to shopping for groceries (although partial to showrooming)
- Adventurous and open to new experiences and places

LifeMode 4 Family Landscapes

- Successful young families in their first homes
- Non-diverse, prosperous married-couple families, residing in suburban or semirural areas with a low vacancy rate (second lowest)
- Homeowners (80%) with mortgages (second highest %), living in newer single-family homes, with median home value slightly higher than the U.S.
- Two workers in the family, contributing to the second highest labor force participation rate, low unemployment
- Do-it-yourselfers, who work on home improvement projects, as well as their lawns and gardens
- Sports enthusiasts, typically owning newer sedans or SUVs, dogs, and savings accounts/plans, comfortable with the latest technology
- Eat out frequently at fast food or family restaurants to accommodate their busy lifestyle
- Especially enjoy bowling, swimming, playing golf, playing video games, watching movies rented via Redbox

LifeMode 5 GenXurban

- Gen X in middle age; families with fewer kids and a mortgage
- Second largest Tapestry group, comprised of Gen X married couples, and a growing population of retirees
- About a fifth of residents are 65 or older; about a fourth of households have retirement income
- Own older single-family homes in urban areas, with 1 or 2 vehicles
- Live and work in the same county, creating shorter commute times
- Invest wisely, well-insured, comfortable banking online or in person
- News junkies (read a daily newspaper, watch news on TV, and go online for news)
- Enjoy reading, photo album/scrapbooking, playing board games and cards, doing crossword puzzles, going to museums and rock concerts, dining out, and walking for exercise

LifeMode 6 Cozy Country Living

- Empty nesters in bucolic settings
- Largest Tapestry group, almost half of households located in the Midwest
- Homeowners with pets, residing in single-family dwellings in rural areas; almost 30% have 3 or more vehicles and, therefore, auto loans
- Politically conservative and believe in the importance of buying American
- Own domestic trucks, motorcycles, and ATVs/UTVs
- Prefer to eat at home, shop at discount retail stores (especially Walmart), bank in person, and spend little time online
- Own every tool and piece of equipment imaginable to maintain their homes, vehicles, vegetable gardens, and lawns
- Listen to country music, watch auto racing on TV, and play the lottery; enjoy outdoor activities, such as fishing, hunting, camping, boating, and even bird watching

LifeMode 7 Ethnic Enclaves

- Established diversity—young, Hispanic homeowners with families
- Multilingual and multigenerational households feature children that represent second-, third- or fourth-generation Hispanic families
- Neighborhoods feature single-family, owner-occupied homes built at city's edge, primarily built after 1980
- Hard-working and optimistic, most residents aged 25 years or older have a high school diploma or some college education
- Shopping and leisure also focus on their children—baby and children's products from shoes to toys and games and trips to theme parks, water parks or the zoo
- Residents favor Hispanic programs on radio or television; children enjoy playing video games on personal computers, handheld or console devices
- Many households have dogs for domestic pets

LifeMode 8 Middle Ground

- Lifestyles of thirtysomethings
- Millennials in the middle: single/married, renters/homeowners, middle class/working class
- Urban market mix of single-family, townhome, and multi-unit dwellings
- Majority of residents attended college or attained a college degree
- Householders have ditched their landlines for cell phones, which they use to listen to music (generally contemporary hits), read the news, and get the latest sports updates of their favorite teams
- Online all the time: use the Internet for entertainment (downloading music, watching YouTube, finding dates), social media (Facebook, Twitter, LinkedIn), shopping and news
- Leisure includes night life (clubbing, movies), going to the beach, some travel and hiking

LifeMode 9 Senior Styles

- Senior lifestyles reveal the effects of saving for retirement
- Households are commonly married empty nesters or singles living alone; homes are single-family (including seasonal getaways), retirement communities, or high-rise apartments
- More affluent seniors travel and relocate to warmer climates; less affluent, settled seniors are still working toward retirement
- Cell phones are popular, but so are landlines
- Many still prefer print to digital media: Avid readers of newspapers, to stay current
- Subscribe to cable television to watch channels like Fox News, CNN, and The Weather Channel
- Residents prefer vitamins to increase their mileage and a regular exercise regimen

LifeMode 10 Rustic Outposts

- Country life with older families in older homes
- Rustic Outposts depend on manufacturing, retail and healthcare, with pockets of mining and agricultural jobs
- Low labor force participation in skilled and service occupations
- Own affordable, older single-family or mobile homes; vehicle ownership, a must
- Residents live within their means, shop at discount stores and maintain their own vehicles (purchased used) and homes
- Outdoor enthusiasts, who grow their own vegetables, love their pets and enjoy hunting and fishing
- Technology is cost prohibitive and complicated. Pay bills in person, use the yellow pages, read the newspaper and mail-order books

LifeMode 11 Midtown Singles

- Millennials on the move—single, diverse, urban
- Millennials seeking affordable rents in apartment buildings
- Work in service and unskilled positions, usually close to home or public transportation
- Single parents depend on their paycheck to buy supplies for their very young children
- Midtown Singles embrace the Internet, for social networking and downloading content
- From music and movies to soaps and sports, radio and television fill their lives
- Brand savvy shoppers select budget friendly stores

LifeMode 12 Hometown

- Growing up and staying close to home; single householders
- Close knit urban communities of young singles (many with children)
- Owners of old, single-family houses, or renters in small multi-unit buildings
- Religion is the cornerstone of many of these communities
- Visit discount stores and clip coupons, frequently play the lottery at convenience stores
- Canned, packaged and frozen foods help to make ends meet
- Purchase used vehicles to get them to and from nearby jobs

LifeMode 13 Next Wave

- Urban denizens, young, diverse, hard-working families
- Extremely diverse with a Hispanic majority, the highest among LifeMode groups
- A large share are foreign born and speak only their native language
- Young, or multigenerational, families with children are typical
- Most are renters in older multi-unit structures, built in the 1960s or earlier
- Hard-working with long commutes to jobs, often utilizing public transit to commute to work
- Spending reflects the youth of these consumers, focus on children (top market for children's apparel) and personal appearance
- Also a top market for movie goers (second only to college students) and fast food

LifeMode 14 Scholars and Patriots

- College and military populations that share many traits due to the transitional nature of this LifeMode Group
- Highly mobile, recently moved to attend school or serve in military
- The youngest market group, with a majority in the 15 to 24 year old range
- Renters with roommates in nonfamily households
- For many, no vehicle is necessary as they live close to campus, military base or jobs
- Fast-growing group with most living in apartments built after 2000
- Part-time jobs help to supplement active lifestyles
- Millennials are tethered to their phones and electronic devices, typically spending over 5 hours online every day tweeting, blogging, and consuming media
- Purchases aimed at fitness, fashion, technology and the necessities of moving
- Highly social, free time is spent enjoying music and drinks with friends
- Try to eat healthy, but often succumb to fast food