

# Arbor Pointe Retail Analysis



Prepared for:  
City of Inver Grove Heights

Prepared by:  
Jay Demma, AICP

October 10, 2014



## Table of Contents

<b>1.0</b>	<b>INTRODUCTION</b> .....	<b>1.1</b>
1.1	PROJECT BACKGROUND .....	1.1
1.2	REPORT STRUCTURE .....	1.1
1.3	DATA RESOURCES .....	1.1
<b>2.0</b>	<b>RETAIL OVERVIEW</b> .....	<b>2.2</b>
2.1	TYPES OF RETAIL CENTERS AND GOODS .....	2.2
2.2	RELATIONSHIP BETWEEN RETAIL DEMAND AND DEMOGRAPHICS .....	2.4
2.3	OTHER FACTORS INFLUENCING RETAIL MARKETS .....	2.5
<b>3.0</b>	<b>ARBOR POINTE DISTRICT</b> .....	<b>3.7</b>
3.1	DESCRIPTION.....	3.7
3.2	TRAFFIC COUNTS AND VISIBILITY.....	3.10
3.3	ACCESS .....	3.10
3.4	NEIGHBORHOOD CONTEXT.....	3.12
<b>4.0</b>	<b>COMPETITIVE REVIEW</b> .....	<b>4.13</b>
4.1	VACANCY AND LEASE TRENDS .....	4.13
4.2	COMPETITIVE REGIONAL RETAIL DISTRICTS.....	4.14
4.3	INVER GROVE HEIGHTS RETAIL DISTRICTS .....	4.17
4.4	PENDING RETAIL DEVELOPMENTS .....	4.19
4.5	REAL ESTATE EXPERT INTERVIEWS .....	4.19
<b>5.0</b>	<b>TRADE AREA ANALYSIS</b> .....	<b>5.21</b>
5.1	TRADE AREA DEFINITION.....	5.21
5.2	TRADE AREA DEMOGRAPHICS .....	5.21
5.3	RETAIL SALES ANALYSIS .....	5.25
<b>6.0</b>	<b>RETAIL DEMAND</b> .....	<b>6.27</b>
<b>7.0</b>	<b>CONCLUSIONS AND RECOMMENDATIONS</b> .....	<b>7.28</b>
7.1	KEY FINDINGS.....	7.28
7.2	RECOMMENDATIONS .....	7.29

**LIST OF TABLES**

Table 1: General Trade Area Characteristics of Retail Centers..... 2.4  
Table 2: Competitive Regional Retail Districts ..... 4.15  
Table 3: Retail Square Footage by Category..... 4.17  
Table 4: Arbor Pointe Trade Area Population and Household Growth Trends ..... 5.21  
Table 5: Age Distribution of the Population 2000-2020..... 5.23  
Table 6: Arbor Pointe Trade Area Median Household Income Trends 2000 & 2012 ..... 5.24  
Table 7: Retail Sales Analysis ..... 5.26  
Table 8: Retail Demand Calculations ..... 6.27

**LIST OF FIGURES**

Figure 1: Hierarchy of Retail Goods and Services ..... 2.4  
Figure 2: Growth in E-Commerce Retail Spending ..... 2.6  
Figure 3: Current Area Conditions Map ..... 3.8  
Figure 4: Images of Arbor Pointe Retail Properties ..... 3.9  
Figure 5: Regional Context Map ..... 3.11  
Figure 6: Retail Vacancy Trend..... 4.13  
Figure 7: Quoted Lease Rate Trend ..... 4.13  
Figure 8: Competitive Regional Retail Districts ..... 4.16  
Figure 9: Inver Grove Heights Retail Districts Map ..... 4.18  
Figure 10: Arbor Pointe Trade Area Map..... 5.22  
Figure 11: Trade Area and Metro Area Age Distribution 2010 & 2020 ..... 5.24  
Figure 12: 2012 Median Household Income by Householder Age ..... 5.25

# **ARBOR POINTE RETAIL ANALYSIS**

Introduction  
October 10, 2014

## **1.0 INTRODUCTION**

### **1.1 PROJECT BACKGROUND**

The City of Inver Grove Heights engaged Stantec to analyze the market conditions of the Arbor Pointe retail district located at the intersection of Highway 52 and Concord Boulevard.

The Arbor Pointe retail district has experienced several store closings recently, which have sparked concern about what can and should be done by the City to reverse the trend and support new private investment. However, before any substantive action is taken by the City, planning staff is interested in understanding the market dynamics of the situation in order to inform and guide any such actions.

### **1.2 REPORT STRUCTURE**

The report is organized according to the analytical steps needed to complete the study. Chapter 2 provides an overview of the basic economic and geographic principles of retail activity. Chapter 3 is an evaluation of the locational characteristics of Arbor Pointe district, both at a regional and local level. Chapter 4 analyzes the competitive retail environment influencing Arbor Pointe. Chapter 5 examines the socio-economic drivers of retail demand that impact Arbor Pointe. Chapters 6 and 7 summarize findings from the preceding chapters into conclusions and recommendations regarding the current and future condition of retail in Arbor Pointe and considerations for possible public intervention.

### **1.3 DATA RESOURCES**

This study represents a compilation of data gathered from various sources, including the properties surveyed, local records, and interviews with local officials and real estate professionals, as well as secondary demographic material. Although Stantec judges these sources to be reliable, it is impossible to authenticate all data. The analyst does not guarantee the data and assumes no liability for any errors in fact, analysis, or judgment. The secondary data used in this study are the most recent available at the time of the report preparation.

The objective of this report is to gather, analyze, and present as many market components as reasonably possible within the time and budget constraints agreed upon. The conclusions contained in this report are based on the best judgments of the analysts; Stantec makes no guarantees or assurances that the projections or conclusions will be realized as stated. It is Stantec's function to provide our best effort in data aggregation, and to express opinions based on our evaluation.



## ARBOR POINTE RETAIL ANALYSIS

Retail Overview  
October 10, 2014

### 2.0 RETAIL OVERVIEW

Retail is one of the most highly competitive and fluid real estate market sectors. Existing stores are constantly being challenged by new concepts, locations and competitors. Turnover is very common and tenants and landlords must constantly be listening to the market and making strategic reinvestments or tenant mix changes to ensure their centers are vibrant and profitable.

Cities have an interest in monitoring this constant market change to ensure that the total size of the retail development space is in line with retail demand. When retail development space is beyond the size that can be supported by the market demand, vacancies become more common. This can be amplified by a "domino effect" caused by the common practice of co-tenancy where one tenant's lease requirements are tied to the condition that another tenant remains active in the center.

Excess retail supply also puts downward pressure on lease rates which can reduce the cash flow available to landlords for making the strategic reinvestments necessary for the center to remain competitive. This can lead to an overall decline in retail quality and can lead to negative impacts that can be a community concern.

The other reason cities have an interest in monitoring the size of the retail market is to prevent an overly restrictive retail environment. When a city does not provide sufficient retail area to satisfy market demands, then the variety of retail options available to its customers may be reduced and economic activity is diverted to other communities.

It is therefore very important that cities attempt to find a balance between the amount of retail development and retail market demand.

#### 2.1 TYPES OF RETAIL CENTERS AND GOODS

The design of retail centers in urban areas has changed significantly during the 20th century, expanding from walkable town centers to auto-oriented centers to the diverse types of retail centers we see today. Many of the changes have been linked to metropolitan growth patterns, changes in urban transportation systems – including the rising dominance of the automobile – and evolving retailing technologies.

One result of this change is that communities have inherited a mix of current and older retail centers that vary in economic performance and physical character. Whether a retail location is older, such as a downtown, or brand new, there is a promising opportunity to create pedestrian-friendly uses by adopting urban design approaches that emphasize links to local neighborhoods, walkability, transit access, complementary land uses, and natural amenities.

A clear understanding of the form and dynamics of retail centers is helpful when positioning them in a community. They can vary dramatically based on:



## ARBOR POINTE RETAIL ANALYSIS

Retail Overview  
October 10, 2014

- Physical size
- Built form
- Metropolitan location
- Transportation access
- Size of Trade Area
- Mix of services and tenants
- Presence of competing centers

Many forces can affect the performance of retail centers over time:

- Changes in the regional transportation system can alter the relative situation of individual retail centers, e.g. freeway or transit station proximity.
- A boom in construction of retail centers during the 1960s-1980s resulted in an overbuilt retail market in many communities today.
- Aging retail centers often need major renovation, expansion, or repositioning to be competitive.
- Changing demographics in the Trade Area may reduce buying power or create a market mismatch for a retail center.
- Smaller retail centers often lack space for expansion and struggle to compete with stores that are increasingly larger, e.g. supermarkets and discount stores.
- Competition can increase due to new and expanding retail centers within five miles.
- Diversification of shopping center types with new formats and popular tenants increases the competitive challenge.

The area from which a center draws the majority of its business is known as the Trade Area. The boundary for a Trade Area is determined by many factors, but mostly by the location of the next closest center offering a similar complement of goods and services. Ideally, the Trade Area for a given center has no other competitors for several miles in each direction, giving the center the strong advantage of convenience to the households surrounding it. In reality, travel routes and intervening land uses (e.g. large parks with no through routes) often make one center more convenient than another retail center that is closer "as the crow flies."

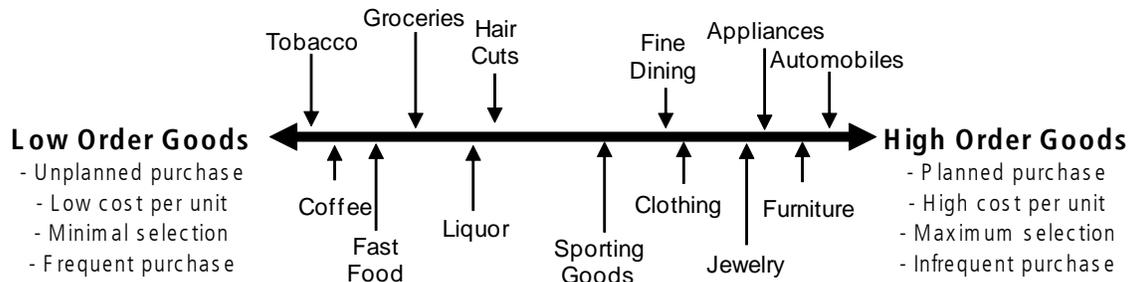
Determining the Trade Area around a retail center depends on the amount of goods and services it can offer to the surrounding household base; the level of offering is usually related to the size of the center and the order of goods and services available.

Goods are often classified on a relative scale from lower order to higher order goods. Lower order goods are those goods which consumers need frequently and therefore are willing to travel only short distances for them. Higher order goods are needed less frequently so consumers are willing to travel farther for them. These longer trips are usually undertaken for not only purchasing purposes but other activities as well. Figure 1 demonstrates where some of the common goods and services might fall along this continuum.

## ARBOR POINTE RETAIL ANALYSIS

Retail Overview  
October 10, 2014

**Figure 1: Hierarchy of Retail Goods and Services**



The Urban Land Institute (ULI) approximates the size of a Trade Area in a rough manner, in terms of a distance radius surrounding a center. Table 1 presents the rough Trade Area calculations, working from the smallest level (convenience center) up to the largest level (regional or super-regional center).

**Table 1: General Trade Area Characteristics of Retail Centers**

Center Type	Anchor Type	Gross Leasable Area (square feet)	Minimum Population to Support	Trade Area Radius (miles)	Trade Area Drive Time (minutes)
Convenience	Supette/Small Grocery	<30,000	3,000 - 15,000	<1.5	<5
Neighborhood	Drug Store/Grocery	30,000 - 100,000	15,000 - 40,000	1.5 - 3	5 - 10
Community	Supermarket/Discount Merchandise	100,000 - 300,000	40,000 - 150,000	3 - 5	10 - 20
Regional/Super-Regional	Department Stores/Entertainment	300,000+	150,000+	5 - 12	20 - 30

Source: Urban Land Institute

In reality, the draw areas and minimum supportive populations for retail centers vary considerably across the country, depending on surrounding housing density and the attraction of the specific retail tenants. Stores in higher-density areas can thrive with smaller Trade Areas; stores that are popular in the local market (e.g. Target in the Twin Cities) can thrive with a smaller population base because they garner considerably higher brand loyalty than their competition.

## 2.2 RELATIONSHIP BETWEEN RETAIL DEMAND AND DEMOGRAPHICS

This section discusses demographics on a general scale, introducing the concepts of consumer segments and the value of alignment between tenants and surrounding households (as measured through demographic information).

Retailers capture sales from five main categories of consumers: residents, daily workers, commuters, intermittent (transitory) visitors, and destination shoppers. Of these, residents are usually the main source of income for most retailers.

In general, neighborhood retailers perform best when they are surrounded by "rooftops," rather than simply trying to capture drive-by traffic. The strongest retail locations do a bit of both; they

## **ARBOR POINTE RETAIL ANALYSIS**

Retail Overview  
October 10, 2014

serve the residents living in the surrounding area and, because they are located on high-traffic streets, they capture business from commuters, intermittent visitors, and daily workers.

### **Resident Consumers**

- Spend, on average, between 10%-20% of household income at local retailers (not including auto spending); this is far more per capita and per-trip than other consumer types.
- Support a wider variety of retail goods and personal services than daily workers or transitory visitors; everything from haircuts to hardware to prescriptions.

### **Daily Workers**

- Spend just a fraction on local retail compared to residents, but can be regular customers for restaurants, coffee shops, and other specific retailers.
- Generally limit their spending time to the working hours during Monday-Friday.
- Spend in narrow categories such as restaurants and convenience/gas.

### **Intermittent Visitors**

- Are difficult to predict but can be significant sources of business to retailers located on major thoroughfares with good access.

### **Commuters**

- Do not generate high levels of patronage for most retail tenants.
- Like daily workers, can become regular customers for specific retailers such as coffee shops or convenience/gas stations.

### **Destination Shoppers**

- Will drive significant distances and make special trips to shop at specific stores.
- Can be very loyal customers for the retailers they patronize.
- May often spend a substantial amount of money at one visit, or over the course of a year.

Given that residents (the consumer unit being a "household") generate the bulk of income for most retailers, the alignment between the demographic characteristics of the surrounding population and the tenant mix of a retail center is crucial. In an ideal world, the mix of tenants at a retail center would satisfy all of the regular needs of the surrounding population.

For example, a strip retail center located adjacent to a subdivision of starter homes with young families would offer such tenants as a grocery store, a hardware store, a drugstore/pharmacy, and family restaurants among others. A retail center in an inner-city urban area with few families would offer independent coffee shops, bookstores, niche restaurants with bars, and other specialty stores catering to singles and professionals.

## **2.3 OTHER FACTORS INFLUENCING RETAIL MARKETS**

More threatening to the long range prospects of traditional retail is the growth in e-commerce or on-line purchasing of goods and services. Overall, e-commerce remains a very small proportion

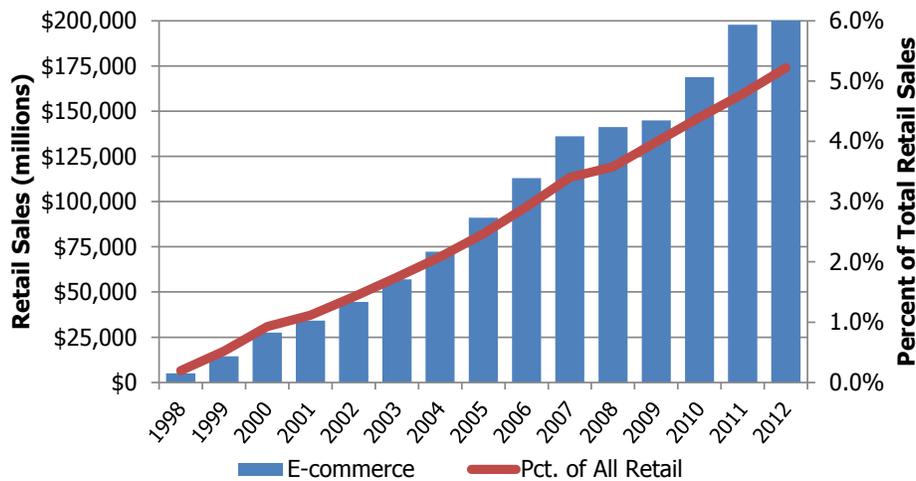


## ARBOR POINTE RETAIL ANALYSIS

Retail Overview  
October 10, 2014

of all retail spending (Figure 2). However, growth since the late 1990s has been almost exponential. Although it will likely taper as retailers figure out how to more effectively combine the on-line and in-store experience, each half a percentage growth in e-commerce translates into millions of fewer square feet of traditional retail space that can be supported nationwide. However, neighborhood-oriented retail will likely feel less effect because the goods are generally consumed soon after purchase and therefore more immune from online competition.

**Figure 2: Growth in E-Commerce Retail Spending**



Source: US Census: E-Stats, E-Commerce Multi-sector Report

## ARBOR POINTE RETAIL ANALYSIS

Arbor Pointe District  
October 10, 2014

### 3.0 ARBOR POINTE DISTRICT

Strong site factors are an essential foundation to real estate redevelopment success, and an understanding of these factors can help to identify the challenges and opportunities for long-term success of the Arbor Pointe district. This chapter identifies the district's key regional, local, and site-specific characteristics as they relate to the support of profitable and enduring retail.

#### 3.1 DESCRIPTION

The Arbor Pointe retail district is situated near the intersection of Highway 52 and Concord Boulevard in east central Inver Grove Heights. There are 16 commercial properties in the district with a combined total of nearly 290,000 square feet of leasable retail space. There are 22 businesses in the district that occupy a total of 176,000 square feet of space. Nearly one-third of the total space is vacant, which is approximately 93,000 square feet.

The district is anchored by Walmart, which occupies a freestanding building with nearly 100,000 square feet of space. Walmart is the primary driver of retail activity in the district. It generates a significant volume of traffic in which other smaller retailers in the district are able to capitalize upon. Until recently, Rainbow Foods and Walgreens were complementary anchors that also generated traffic to the district. These businesses are now closed and the buildings they occupied are vacant.

In addition to properties that serve to anchor the district, there are a number of smaller freestanding single-occupant buildings and multi-tenant strip centers. These buildings are occupied by a mix of retailers, including restaurants (4), personal care services (4), banks (2), a fitness center, a sporting goods store, a liquor store, a tire store, a cellular store, a dental clinic, a gaming store, a convenience store/gas station, a dance studio, and even a tractor supply store. Of the mix of businesses, a little over half are part of a national or regional chain meanwhile the remaining operations are locally-based businesses. The map on the following page indicates the location of properties and businesses within the district.

Due to traffic and circulation patterns within the district, there are three distinct zones: 1) properties east of Concord Boulevard; 2) properties along Buchanan Trail; and 3) properties located between Broderick Boulevard and Highway 52.

East of Concord Boulevard Walmart is the dominant property. However, there is also a small strip center anchored by Caribou Coffee, a freestanding former bank that is now vacant, a small performing arts center, and a mid-size freestanding building occupied by the Tractor Supply Company. All five properties are accessed via Cahill Avenue. The Walmart property, however, is the only one with access from Concord Boulevard via a "right-in/right-out" access point.

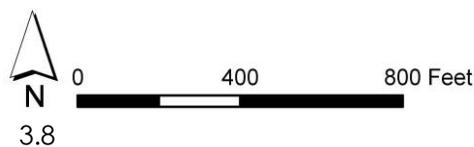
# ARBOR POINTE RETAIL ANALYSIS

Arbor Pointe District  
October 10, 2014



## Current Area Conditions

Arbor Pointe Retail Analysis



October 7, 2014



V:\1938\active\193802962\GIS\Projects\Area Conditions.mxd

## ARBOR POINTE RETAIL ANALYSIS

Arbor Pointe District  
October 10, 2014

Buchanan Trail is the small service drive that provides access to the retail properties east of Concord Boulevard and north of Broderick Boulevard. The most prominent building in this zone is the former Walgreen's that dominates the Concord and Broderick intersection. Half of the retail space in this zone is currently vacantly. Access is a critical issue for properties in this zone because none of the intersections that provide access to it are controlled by a traffic signal or other traffic control device.

The zone between Highway 52 and Broderick Boulevard is dominated by the former Rainbow Foods property. This is the oldest zone of the district, which dates to 2000. This zone has the most prominent visibility from Highway 52 and also benefits from intuitive access points when exiting the highway.

Overall the entire Arbor Pointe district is relatively new. The oldest property dates to 2000 with most properties having been built between 2004 and 2006. Due to the similar age of most properties and the effect of local land use controls, there character of the district is generally cohesive in which many buildings share the same or similar design features and elements. For example, most buildings incorporate brick as a prominent building material and have green detailing in either window awnings or roof treatments (Figure 4).

**Figure 4: Images of Arbor Pointe Retail Properties**



9041-9127 Broderick Blvd



9070-9072 Buchanan Trail



9008-9042 Cahill Ave



9165 Cahill Ave

## ARBOR POINTE RETAIL ANALYSIS

Arbor Pointe District  
October 10, 2014

### 3.2 TRAFFIC COUNTS AND VISIBILITY

According to the most recent figures from the Minnesota Department of Transportation (MnDOT), the 2013 annual average daily traffic (AADT) along Concord Boulevard in the Arbor Pointe district is 10,400 vehicles per day. Although 10,000 vehicles per day can support certain retailers with lower overhead, many national chains have minimum daily traffic counts that are 20,000 vehicles per day or higher. It should also be noted that since the MnDOT figures are from 2013 they do not factor in the impact of the closing of Rainbow Foods and Walgreen's. As anchor stores, these businesses were instrumental in bringing traffic to the district. Presumably, with these businesses now closed, the traffic volumes along Concord Boulevard are now even lower.

Daily traffic along Highway 52 is 48,500 vehicles per day according to MnDOT. However, only a small portion of the district is visible from the highway, which limits the beneficial impact of being close to the highway. More importantly, though, a significant portion of the traffic along Highway 52 near Arbor Pointe consists of longer distance trips to or from destinations in south eastern Minnesota. This is in contrast to most other urban highways in the metro area, which primarily handle local trips. Travelers who are making longer distance trips have retail needs that skew heavily toward highly convenience-based needs, such as fuel, snacks, and fast food. Therefore, their needs for neighborhood-based retail stores that provide everyday staples and services are significantly lower. As a result, the nature of the traffic along Highway 52, though the volumes are strong, is not well suited to the existing retail of the Arbor Pointe district.

Overall, visibility of stores within the district is good from most roadways and generally does not present any barriers to retail viability. Although a good portion of the Arbor Pointe district is not directly visible from Highway 52, good signage can and to a large degree already does mitigate this condition.

### 3.3 ACCESS

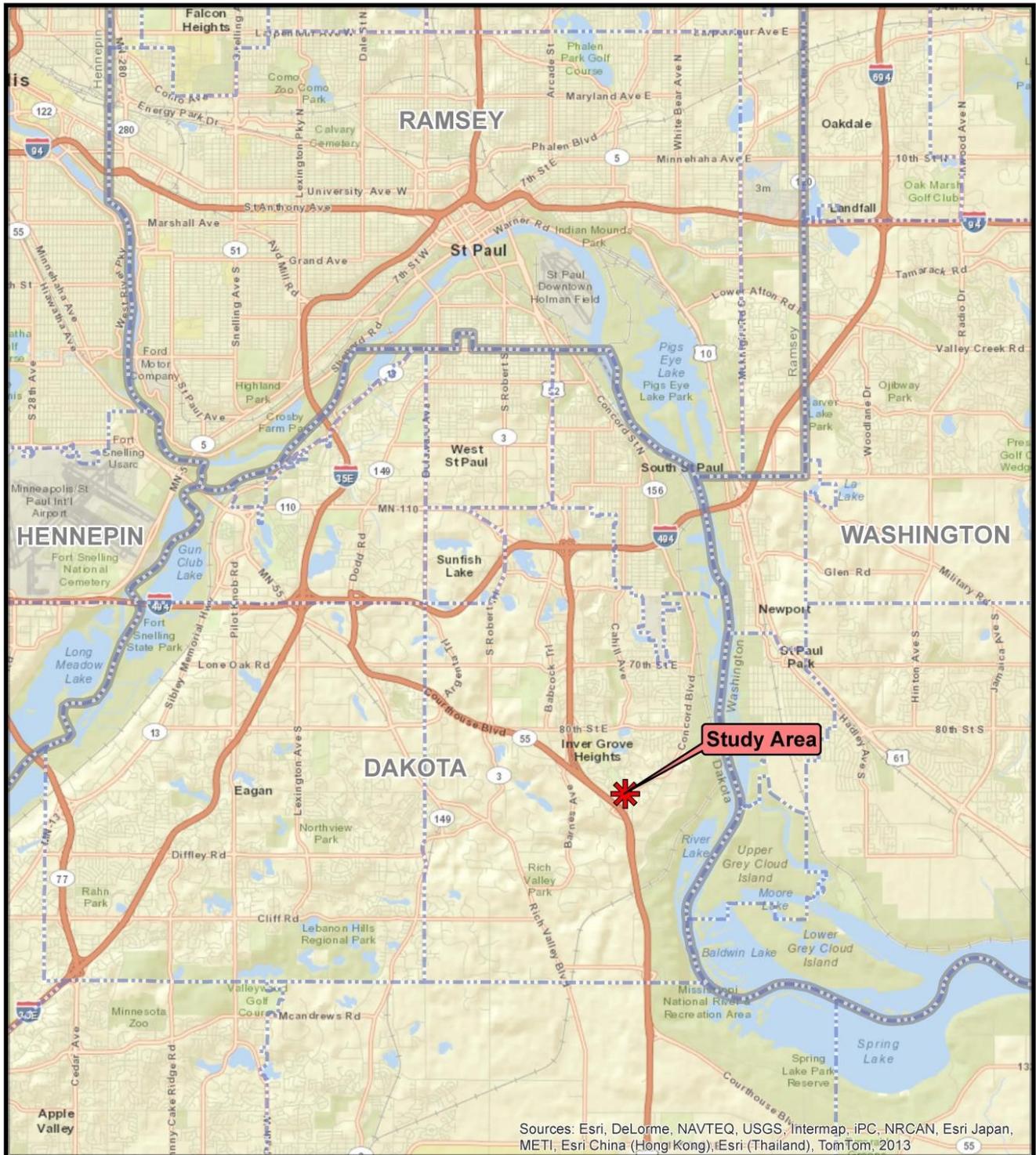
Regional access to the Arbor Pointe retail district is limited despite its location at the interchange of Highway 52 and Concord Boulevard. Typically, highway interchanges are a prerequisite for most community-scaled retail districts because they allow for much larger trade areas than local roads. In the case of Arbor Pointe, Highway 52 does not connect to a major population center south of the district until Cannon Falls or, more realistically, Rochester.

Moreover, connections to points north of the district, which is closer to the core of the metro area, are problematic. Immediately west of the Concord Boulevard interchange, Highway 52 splits off from Highway 55 and travels due north toward downtown St. Paul with connections to I-494 and eventually I-94. However, Highway 55 continues to the northwest toward the Minneapolis-St. Paul International Airport. Although Highway 55 crosses I-494, it does not have a direct access to the important beltway, which limits its ability to pull travelers south and east toward Arbor Pointe. The map on the following page depicts the regional context of the Arbor Pointe district's location.



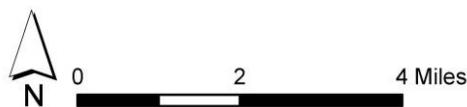
# ARBOR POINTE RETAIL ANALYSIS

Arbor Pointe District  
October 10, 2014



## Regional Context

Arbor Pointe Retail Analysis



October 7, 2014



V:\1938\active\193802962\GIS\Projects\Regional Context.mxd

## **ARBOR POINTE RETAIL ANALYSIS**

Arbor Pointe District  
October 10, 2014

Local access from district roadways to individual properties and businesses is a more significant issue for the Arbor Pointe district than regional access. As mentioned previously, accessing businesses north of Broderick Boulevard and west of Concord Boulevard is poor because there are no controlled intersections to help funnel traffic onto Buchanan Trail. Also, the only access point from Concord Boulevard is "right-in/right-out" situation for southbound traffic. Northbound traffic along Concord Boulevard must turn left at Broderick Boulevard and then right onto Buchanan Trail. If northbound travelers do not turn at Broderick, they must proceed past the area and then take a U-turn at Cahill Avenue and double back in order to turn right onto Buchanan Trail.

Due to the difficulty to accessing businesses along Buchanan Trail, this has had a direct impact on the viability of those businesses. However, it has also had an impact on the entire district because it reduces the likelihood that shoppers who visit Arbor Pointe will visit other stores as part of the same trip. As a result, some customers who may find the range of store options in Arbor Pointe desirable have opted to travel further to other retail districts because of greater ease in accessing stores.

### **3.4 NEIGHBORHOOD CONTEXT**

The neighborhood north of the Arbor Pointe district contains a mixture of single-family and multifamily homes at standard suburban densities supported by city sewer and water access. These neighborhoods were first developed in the 1980s and only recently have become fully built out. Also located north of the Arbor Pointe district are two important educational institutions; Inver Hills Community College and Simley High School. These are the closest major non-residential land uses to Arbor Pointe. The concentration of students and faculty at these institutions are an important market for Arbor Pointe businesses.

The neighborhoods west of Highway 52 and east of Old Concord Boulevard consist almost entirely of single-family homes on large un-sewered lots at very low densities. Based on long-range plans for these areas, these areas will likely remain at very low densities into the foreseeable future.

Further south along Highway 52 beyond near and beyond the border with Rosemount is the Flint Hills Petroleum Refinery. This is a major land user in the south eastern portion of the metro area. Although there are several thousand jobs associated with the refinery, there are no homes for many miles surrounding the facility.

# ARBOR POINTE RETAIL ANALYSIS

Competitive Review  
October 10, 2014

## 4.0 COMPETITIVE REVIEW

### 4.1 VACANCY AND LEASE TRENDS

Stantec analyzed trend data on the retail vacancy and lease rates for the City of Inver Grove Heights and compared those against the rates for all retail properties throughout the metro area (Figure 6).

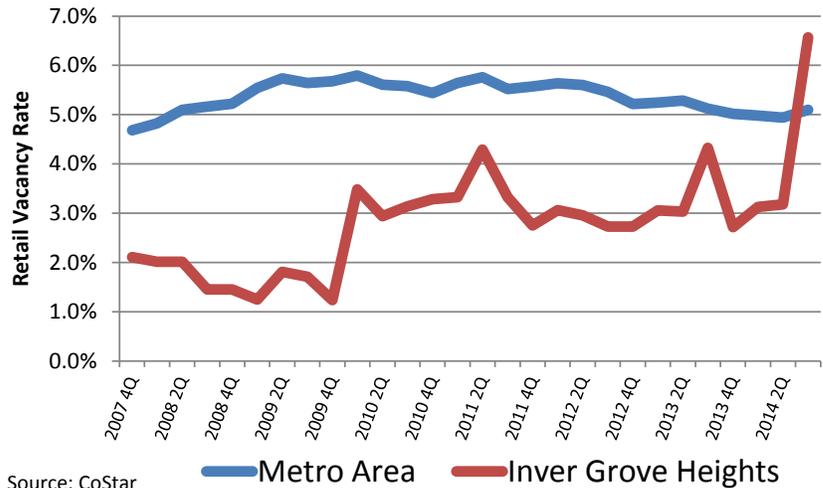
Prior to 2009, the vacancy rate for Inver Grove Heights retail space had been consistently below 2.0%, suggesting that there was minimal space available for new retailers to enter Inver Grove Heights or successful existing retailers to expand. In 2010, the vacancy rate spiked above 3.0% and remained at or near that rate until 2014 when a rash of vacancies pushed the overall rate to a historic high of 6.6%. This is the first time in recent years that the vacancy rate for Inver Grove Heights retail space exceeded the metro area vacancy rate.

In comparison, the metro-wide vacancy rate steadily increased between 2007 and 2010 when it plateaued around 5.7%. With the economy recovering from the recession, the metro vacancy rate has been declining since 2012 and is currently at 5.1%.

In terms of quoted lease rates, Inver Grove Heights had very strong rates prior to the recession but then experienced a sharp decline during 2009. A brief spike in asking rates occurred in 2013 and early 2014, but recent vacancies have dropped asking rates once again to just over \$13 per square foot.

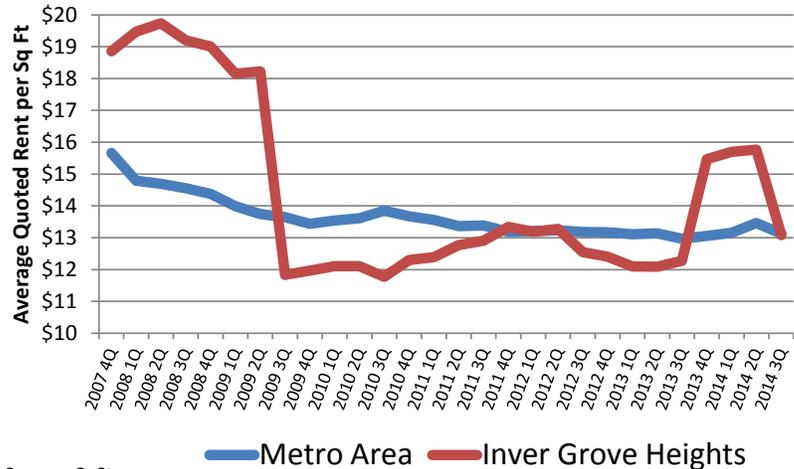
Quoted lease rates across the metro area have generally

**Figure 6: Retail Vacancy Trend  
Inver Grove Heights and Metro Area**



Source: CoStar

**Figure 7: Quoted Lease Rate Trend  
Inver Grove Heights and Metro Area**



Source: CoStar



## ARBOR POINTE RETAIL ANALYSIS

Competitive Review  
October 10, 2014

declined in recent years. Asking prices peaked in 2007 at nearly \$16 per square foot and then decreased until 2011 when they plateaued around \$13 before the most recent, though, nominal, increase.

### 4.2 COMPETITIVE REGIONAL RETAIL DISTRICTS

Because Arbor Pointe includes a Walmart and until recently a Rainbow Foods, its size and type of retail offerings means that it competes on some level with other community-scaled retail districts that are anchored by more than one large-format or "big-box" retailer. Therefore, nearby competitive retail districts of this scope and scale were profiled to determine the health and condition of the Trade Area relative to these other districts. Table 2 presents information on each of the districts profiled including number of retail properties, total leasable square footage, vacancy trends, and average quoted lease rates per square foot. Additional information is provided on key shopping centers and prominent retailers.

Figure 8 displays the location of each district along with a data on the number of households and median household income within a 3-mile radius. The following are key findings:

- The location of competitive retail districts helps define the boundaries of the Arbor Pointe Trade Area.
- Arbor Pointe is by far the smallest district with less than 300,000 square feet of space. The next smallest districts are the Cottage Grove and Valley Creek (Woodbury) districts with more than four times the amount of retail space (1.3 million square feet).
- Arbor Pointe has one occupied and one vacant "big-box" store. In contrast, Valley Creek in Woodbury has the next fewest number of "big-box" stores with five. South Robert Street has nine "big-box" stores, which is the most of the districts profiled.
- Arbor Pointe does not feature any major retailers whose core product is apparel. All of the other profiled districts have at least one major retailer whose core product is apparel.
- In terms of vacancy, most of the other retail districts appear to be healthy with rates ranging from 1.4% in the Eagan Central Commons area to 5.4% along the Highway 61 corridor in Cottage Grove.
- Arbor Pointe appears to be holding its own in terms of asking rents. However, Arbor Pointe consists entirely of newer properties that still carry significant debt. Meanwhile, all the other districts by virtue of their age have a mix of newer and older properties with a wider range of asking rents.
- Within three miles of each district, Arbor Pointe has by far the fewest number of households (8,500). Arbor Pointe also has the second lowest median income. Only the South Robert district has a lower median income, yet it has over three times the number of households.

## ARBOR POINTE RETAIL ANALYSIS

Competitive Review  
October 10, 2014

**Table 2: Competitive Regional Retail Districts**

Retail District Principal Centers/Retailers	Anchors	Prop- erties	Leasable Sq. Ft.	Building Age <sup>1</sup>	Vacancy Rate			Avg. Rent per sq. ft. <sup>2</sup>
					2006	2010	2014	
<b>Arbor Pointe</b>		<b>16</b>	<b>290,000</b>	--	<b>4.2%</b>	<b>2.6%</b>	<b>32.0%</b>	<b>\$17.25</b>
Arbor Pointe			23,300	2005	42.0%	27.3%	33.2%	\$13.00
Concord Crossroads			17,400	2004	0.0%	0.0%	0.0%	\$17.00
Wal-Mart			97,000	2003	--	--	--	--
Former Rainbow Foods			56,200	2000	--	--	100%	\$10.55
<b>South Robert Street</b>		<b>175</b>	<b>2,120,000</b>	--	<b>6.4%</b>	<b>4.0%</b>	<b>2.7%</b>	<b>\$14.74</b>
Ten Acres Center	Cub Foods, Burlington Coat Factory		162,000	1972-r	0.0%	0.0%	0.0%	--
Signal Hills Center			129,000	1955-r	11.2%	5.7%	3.8%	\$13.00
Southview Square	Hancock Fabrics, Home Choice		129,000	1971	10.2%	1.3%	7.8%	\$13.00
Robert Square	Rainbow Foods		62,000	--	9.6%	13.1%	0.0%	--
Southridge Center	Aldi, Pepboys		59,000	1986-r	13.4%	4.3%	11.5%	\$16.50
South Robert Plaza	Old Country Buffet		34,200	1987	23.2%	11.9%	18.6%	\$13.50
Kmart			103,500	1955-r	--	--	--	--
Lowe's			119,000	2007	--	--	--	--
Target			176,000	2005	--	--	--	--
Wal-Mart			132,000	2004	--	--	--	--
Home Depot			109,000	1986	--	--	--	--
Menards			87,000	1961	--	--	--	--
Best Buy			40,000	1994	--	--	--	--
<b>Eagan Central Commons</b>		<b>79</b>	<b>1,377,000</b>	--	<b>2.0%</b>	<b>1.5%</b>	<b>1.4%</b>	<b>\$18.19</b>
Eagan Promenade	Byerly's, Bed Bath Beyond, TJ Maxx		250,600	1997	1.1%	0.0%	0.0%	\$30.00
Eagan Town Centre	Big Lots, Dollar Tree		97,200	1986	2.9%	6.3%	12.1%	\$17.50
Town Centre Shoppes	UPS Store		43,400	1988	0.0%	3.2%	3.8%	\$20.00
Kohl's			96,000	1994	--	--	--	--
Home Depot			102,000	1998	--	--	--	--
Wal-Mart			114,000	1991	--	--	--	--
Rainbow Foods			57,100	1985	--	--	--	--
Best Buy			45,000	2006	--	--	--	--
<b>Cottage Grove - Hwy 61</b>		<b>41</b>	<b>1,336,000</b>	--	<b>8.1%</b>	<b>7.3%</b>	<b>5.3%</b>	<b>\$15.14</b>
Grove Plaza	Rainbow Foods, MGM Liquors		211,000	1974	10.9%	0.0%	0.0%	--
Cottage Grove Plaza	Target, Dollar Tree		150,000	1991	11.3%	12.2%	2.0%	--
80th St Crossings	G-Will Liquors		56,000	1961-r	8.5%	22.1%	22.1%	\$13.53
Menards			199,000	--	--	--	--	--
Wal-Mart			180,000	2014	--	--	--	--
Kohl's			58,000	--	--	--	--	--
Cub Foods			47,000	--	--	--	--	--
Office Max			20,000	--	--	--	--	--
<b>Woodbury - Valley Creek Rd</b>		<b>61</b>	<b>1,279,000</b>	--	<b>7.6%</b>	<b>6.3%</b>	<b>3.3%</b>	<b>\$14.95</b>
North Shops	Marshall's, Tuesday Morning		190,000	1991	0.0%	11.4%	6.7%	--
West Shops	Rainbow Foods, PetCo		107,000	1991	0.0%	4.2%	10.7%	--
Valley Creek Mall	Ace Hardware		93,000	1979	0.9%	11.4%	0.0%	\$9.50
Village Green	Party City		60,000	1982	90.4%	0.0%	0.0%	--
City Centre Plaza	Atlantic Buffet		32,000	1985	28.8%	0.0%	0.0%	\$16.00
Target			152,000	--	--	--	--	--
Kohl's			93,000	1991	--	--	--	--
Kowalksi's Market			45,000	--	--	--	--	--

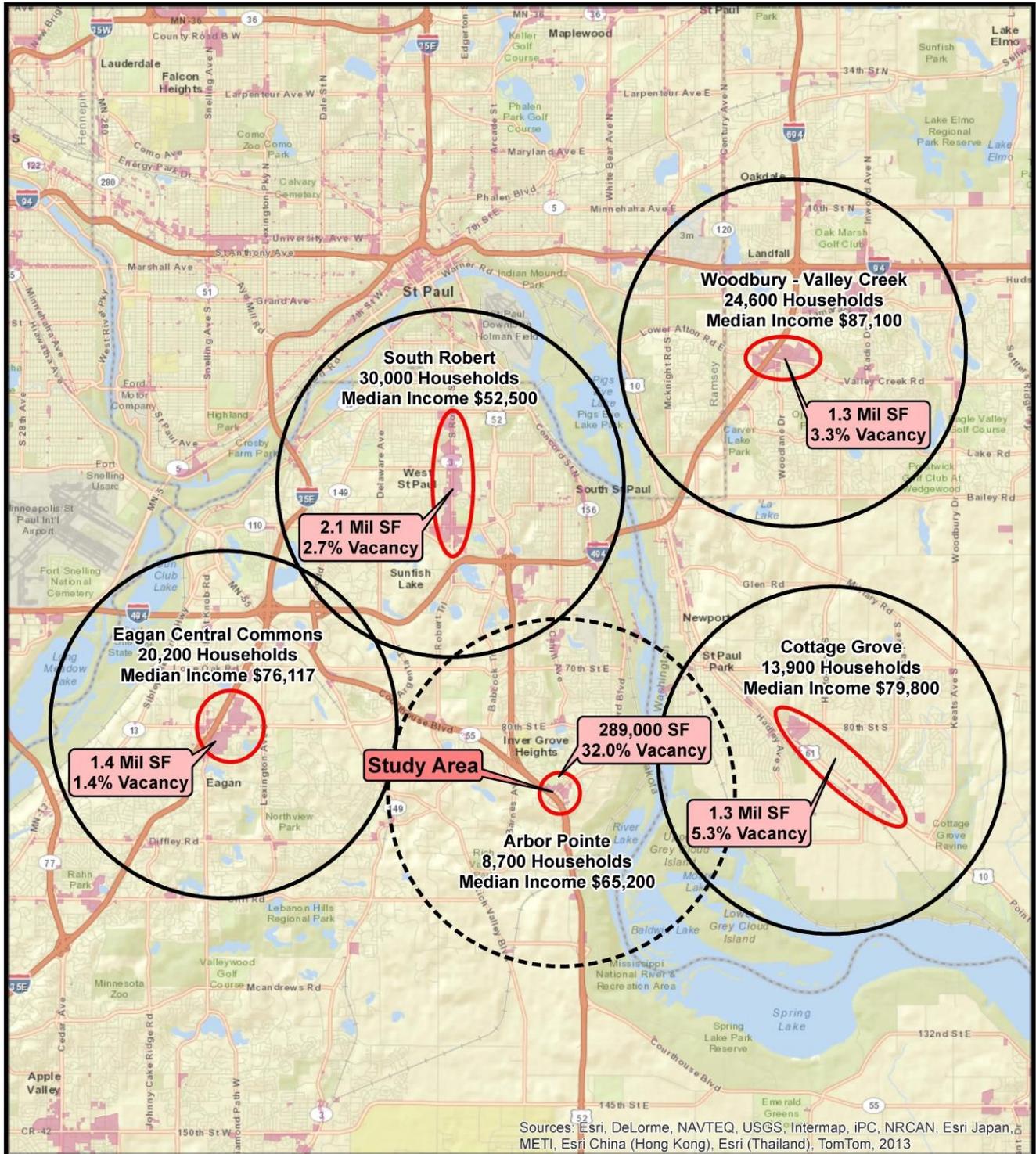
Sources: CoStar, Stantec

<sup>1</sup> An "r" next to year indicates building has been recently renovated

<sup>2</sup> Average rent is based on quoted rates for "triple net" or NNN

# ARBOR POINTE RETAIL ANALYSIS

Competitive Review  
October 10, 2014



## Competitive Regional Retail Districts

Arbor Pointe Retail Analysis



- Retail District
- 3-Mile General Submarket Area
- Existing Retail Land Use

October 7, 2014



V:\1938\active\193802962\GIS\Projects\Retail Districts.mxd

## ARBOR POINTE RETAIL ANALYSIS

Competitive Review  
October 10, 2014

### 4.3 INVER GROVE HEIGHTS RETAIL DISTRICTS

Because Arbor Pointe does not directly compete with larger retail districts, information was collected and analyzed for smaller neighborhood retail districts in Inver Grove in order to understand how these districts compete with Arbor Pointe. Table 3 presents the total square footage by retail category for each district analyzed. Figure 9 displays the location of district. The following are key findings:

- The six districts analyzed total 944,000 square feet. This includes 800,000 occupied square feet and 144,000 vacant square feet, which is 15% of the total. General merchandise is the largest category. It accounts for 31% of the total occupied square footage. The next largest category is grocery, which accounts for 9% of the occupied total.
- Arbor Pointe is the largest retail district in Inver Grove Heights in terms of total square footage (290,000). The next largest district is the area near Highway 52 and Upper 55<sup>th</sup> with nearly 200,000 square feet. However, this district includes a large cinema and nursery, which account for over half of its total square footage.

**Table 3: Retail Square Footage by Category  
Inver Grove Heights Retail Districts**

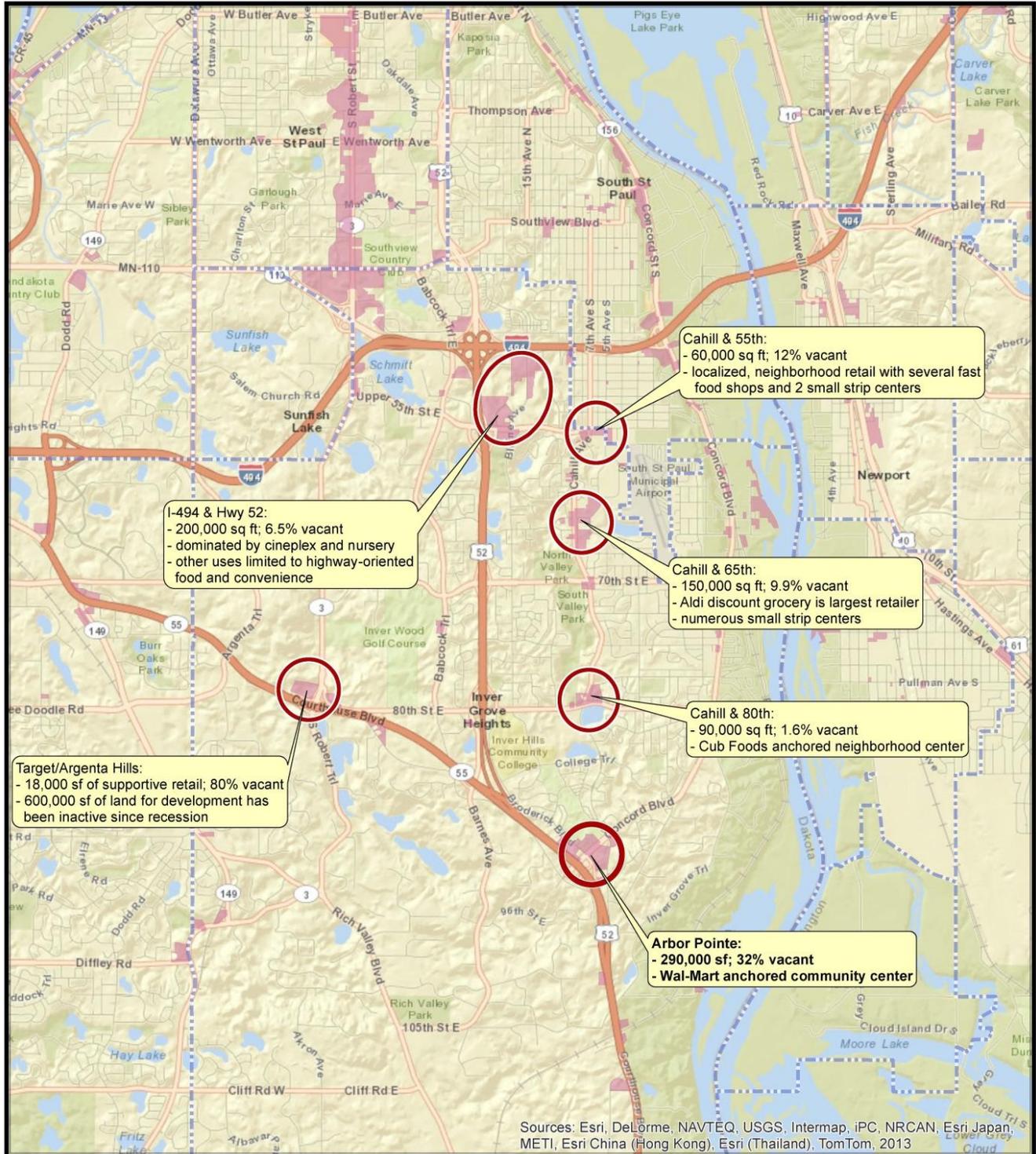
Commercial Categories	Arbor Pointe	Cahill & 80th	Cahill & 65th	Cahill & Up 55th	Hwy 52 & Up 55th	Hwy 55 & S Robert	Grand Total
Apparel				3,771	2,000		5,771
Auto	5,621		16,340	1,204	8,897		32,062
Bank	11,253	1,965	5,572		5,924		24,714
Coffee	2,060				2,650		4,710
Community Center			11,000				11,000
Convenience	3,326	2,000		5,544	4,118		14,988
Entertainment			12,000		56,009		68,009
Fast Food	1,200	10,176	7,793	7,487	3,950		30,606
Fitness	15,100		10,500		1,000		26,600
General Merch	97,166		12,300			135,503	244,969
Grocery		53,117	18,292	3,771			75,180
Hardware			10,322				10,322
Liquor	3,022	6,165	2,500	3,696	10,000		25,383
Medical/Dental	4,500		3,200				7,700
Nursery					55,000		55,000
Office			500				500
Other Retail	26,807	9,000	2,252		2,789		40,848
Other Services	2,731		6,900	11,500	5,131		26,262
Personal Care Svcs	8,700	5,300	9,000	1,500	3,900	3,600	32,000
Pharmacy				7,942			7,942
Restaurant	9,500	1,100	5,045	6,522	24,611		46,778
Sporting Goods	5,400		3,135				8,535
Vacant	92,577	1,450	15,000	7,200	13,000	14,400	143,627
<b>Grand Total</b>	<b>288,963</b>	<b>90,273</b>	<b>151,651</b>	<b>60,137</b>	<b>198,979</b>	<b>153,503</b>	<b>943,506</b>

Sources: CoStar; Stantec



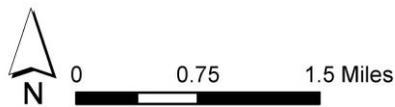
# ARBOR POINTE RETAIL ANALYSIS

Competitive Review  
October 10, 2014



## Inver Grove Heights Retail Districts

Arbor Pointe Retail Analysis



## ARBOR POINTE RETAIL ANALYSIS

Competitive Review  
October 10, 2014

- Arbor Pointe has businesses in 14 of the 22 categories analyzed. Cahill & 65<sup>th</sup> has the most number of categories represented with 17.
- Besides the Walmart in Arbor Pointe, the only other large-format retailers in the districts analyzed are Target in the Argenta Hills district (Highway 55 & South Robert Trail) and Cub Foods in the Cahill & 80<sup>th</sup> district.
- Categories represented in five or more of the districts include fast food, liquor, personal care services, and restaurants (sit-down).
- Arbor Pointe accounts for nearly two-thirds of the total vacant space in all six districts. If Arbor Pointe was excluded from the analysis, the overall percentage of vacant space would decline from 15.2% to 7.8%.

### 4.4 PENDING RETAIL DEVELOPMENTS

There is one pending quasi-retail development located in the Trade Area. A trailer sales company that is currently located in western Inver Grove Heights has plans to build a new sales center just south of the existing Tractor Supply Company on Cahill Avenue. Although the business meets the definition of retail, it is not complementary to the existing mix of businesses located closer to the heart of the Arbor Pointe district. Therefore, the additional space developed as part of this project would not adversely add to the supply of retail space.

Located just outside of the Trade Area at the intersection of Highway 55 and South Robert Trail is the Argenta Hills retail district. Anchored by a 135,000-square foot Target store that was built in 2012, Argenta Hills also includes three new strip centers totaling over 20,000 square feet of retail space. In addition to the existing buildings, plans also call for up to 250,000 square feet of additional ancillary retail, which would include potential anchor and junior anchor stores. Despite years of marketing that date back before the recession, the only new business to occupy Argenta Hills besides Target is a pet dermatology center.

The slow absorption of Argenta Hills is indicative of potential challenges associated with the size and condition of the local retail market. Nevertheless, if build out of the development were to occur in the near future, it would represent significant additional competition for Arbor Pointe in an already competitive market.

### 4.5 REAL ESTATE EXPERT INTERVIEWS

Stantec interviewed real estate experts familiar with the Arbor Pointe area to get their perspectives on the recent vacancy issues, important trends influencing the area, and possible suggestions for improving retail conditions. The following is a summary of important themes and observations that came out of the interviews:

- There was strong agreement among all of those interviewed that the Arbor Pointe area has been struggling and that the reasons are much deeper than access issues.



## ARBOR POINTE RETAIL ANALYSIS

Competitive Review  
October 10, 2014

- Although each interviewee noted that there are numerous challenges affecting Arbor Pointe in addition to access issues, no one was able to clearly articulate what they felt the other problems are. One interviewee described the situation as extremely frustrating because they found it to be such an anomaly. In their opinion, the area has all of the "users" one would want and Walmart is a great draw, yet how could so many major chains [Walmart, Walgreen's, Rainbow] "miss" the market.
- Access issues were raised by each person interviewed. Of particular note were the problems accessing properties west of Concord Boulevard in which shoppers who miss the turn at Broderick Boulevard must make a U-turn at Cahill in order to access businesses.
- Many retailers have shied away from Arbor Pointe (as well as Argenta Hills) because the location would cannibalize existing stores in West St. Paul or Eagan. Examples cited included Buffalo Wild Wings and Home Depot.
- Arbor Pointe is no longer able to attract "Class A" tenants (i.e., national chains). The market now consists of "Class B and C" tenants who cannot afford top rent and often have marginal credit worthiness.
- The daytime population in Inver Grove Heights is low. Most people who live in Inver Grove Heights commute to other communities and there are very few 9-to-5 jobs. This means that daytime traffic needed to support many businesses is not good and needs to be higher in order to support more retail.
- The recession slowed new residential development in the area to a crawl, which is critical for many retailers. Although new residential development is beginning to pick-up now that we are in a recovery, it is still slow and won't make an impact on the market for some time.
- Multiple interviewees stated that Eagan draws a lot of Inver Grove Heights shoppers because of the stronger selection of stores located there. Moreover, with the loss of key anchors or a change in the mix of stores, Arbor Pointe will continue to lose shoppers to Eagan or other locations.
- Maintenance of vacant buildings will become an important issue. Poor maintenance directly affects some existing businesses (e.g., lack of snow plowing inhibits internal parking lot circulation) and it contributes to a general malaise for the whole area that affects both shopper and investor perceptions.

## ARBOR POINTE RETAIL ANALYSIS

Trade Area Analysis  
October 10, 2014

### 5.0 TRADE AREA ANALYSIS

#### 5.1 TRADE AREA DEFINITION

The Trade Area for the Arbor Pointe retail district is approximately a 2½-mile radius extending out from the intersection of Highway 52 and Concord Boulevard. The borders of the trade area generally align with important transportation corridors, major topographic features, and political boundaries. The northern border of the trade area is 70<sup>th</sup> Street East. The eastern border is the Mississippi River. The southern border is the boundary between Inver Grove Heights and Rosemount. The western border is Blaine Ave and Highway 3 south of Highway 55 and Babcock Trail north of Highway 55. The following map depicts the location and shape of the trade area. The Trade Area is depicted in Figure 10 on the following page.

A trade area is the geographic extent from which a given store or retail district will attract most of its customers. Important characteristics and/or influences affecting the size and shape of the Arbor Pointe Trade Area include the presence of competitive retail districts in Inver Grove Heights and neighboring Eagan and West St. Paul, the make-up of stores in the district, which mostly consist of neighborhood oriented retailers, and the dominant transportation patterns in that part of Dakota County, which are mostly north-south in orientation with very few strong east-west connectors.

#### 5.2 TRADE AREA DEMOGRAPHICS

Table 4 displays population and household growth trends for the Arbor Pointe Trade Area and, for comparison purposes, Inver Grove Heights, Dakota County, and the metro area. The Trade Area is estimated to have a current population of about 16,000 and a household base of 6,300. By 2020, the Trade Area is forecasted to add another 700 persons and roughly 300 households.

**Table 4: Arbor Pointe Trade Area Population and Household Growth Trends 2000-2020**

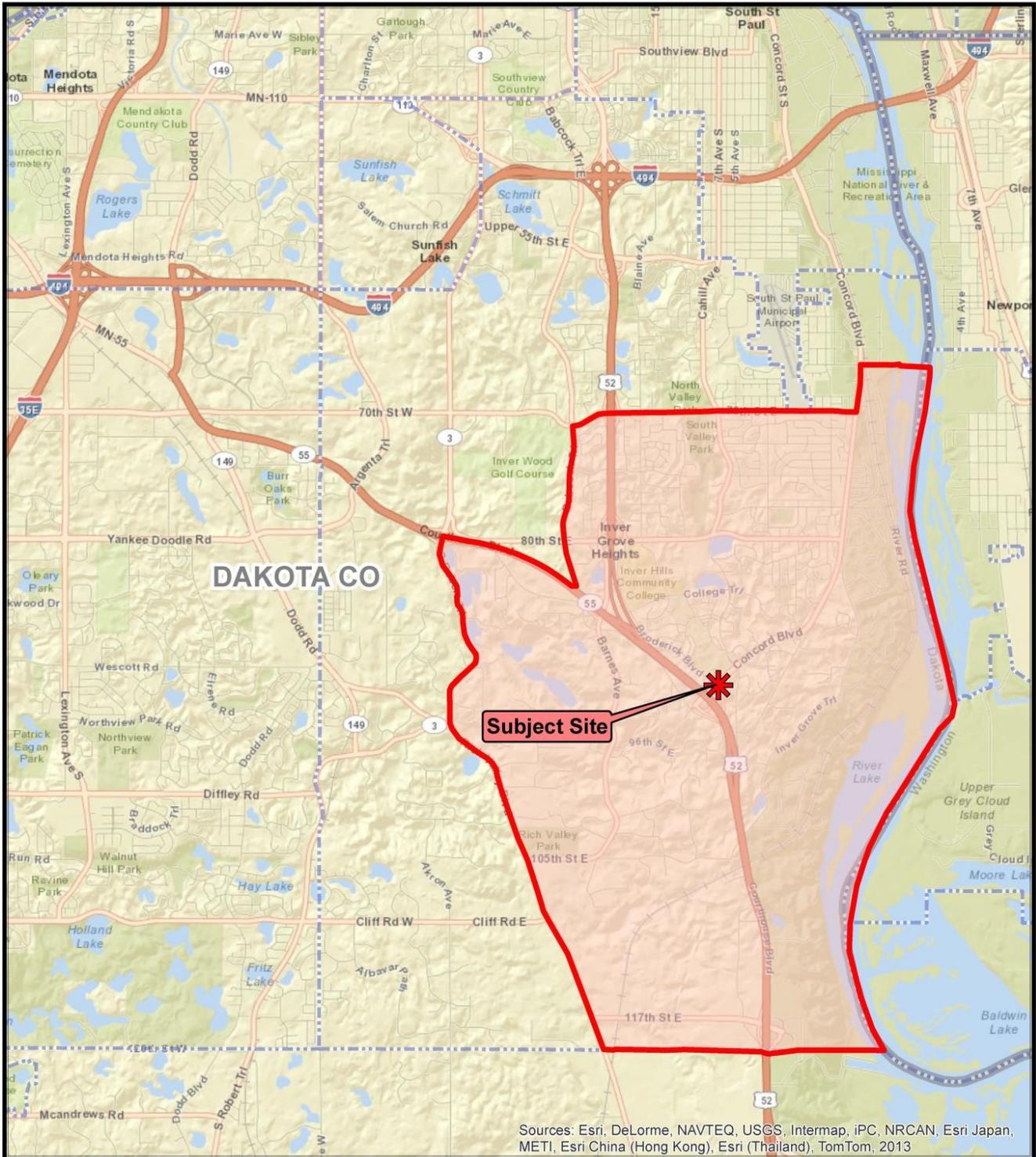
Geography	Census		Estimate	Forecast	Change '00-'10		Change '10-'20	
	2000	2010	2014	2020	No.	Pct.	No.	Pct.
<b>Population</b>								
Arbor Pointe Trade Area	15,181	15,936	16,080	16,770	755	5.0%	834	5.2%
<i>Inver Grove Heights</i>	<i>29,751</i>	<i>33,880</i>	<i>34,650</i>	<i>38,450</i>	<i>4,129</i>	<i>13.9%</i>	<i>4,570</i>	<i>13.5%</i>
<i>Dakota County</i>	<i>355,904</i>	<i>398,552</i>	<i>413,795</i>	<i>441,700</i>	<i>42,648</i>	<i>12.0%</i>	<i>43,148</i>	<i>10.8%</i>
<i>7-County Metro Area</i>	<i>2,642,056</i>	<i>2,849,567</i>	<i>2,962,826</i>	<i>3,124,300</i>	<i>207,511</i>	<i>7.9%</i>	<i>274,733</i>	<i>9.6%</i>
<b>Households</b>								
Arbor Pointe Trade Area	5,566	6,248	6,340	6,760	682	12.3%	512	8.2%
<i>Inver Grove Heights</i>	<i>11,257</i>	<i>13,476</i>	<i>13,860</i>	<i>15,600</i>	<i>2,219</i>	<i>19.7%</i>	<i>2,124</i>	<i>15.8%</i>
<i>Dakota County</i>	<i>131,151</i>	<i>152,060</i>	<i>158,456</i>	<i>171,000</i>	<i>20,909</i>	<i>15.9%</i>	<i>18,940</i>	<i>12.5%</i>
<i>7-County Metro Area</i>	<i>1,021,454</i>	<i>1,117,749</i>	<i>1,158,953</i>	<i>1,230,000</i>	<i>96,295</i>	<i>9.4%</i>	<i>112,251</i>	<i>10.0%</i>

Sources: US Census; Metropolitan Council; Stantec



# ARBOR POINTE RETAIL ANALYSIS

Trade Area Analysis  
October 10, 2014



**Retail Trade Area**  
Arbor Pointe Retail Analysis



## ARBOR POINTE RETAIL ANALYSIS

Trade Area Analysis  
October 10, 2014

Although population and household growth within the Trade Area will increase demand for additional retail goods and services, the rate of growth is slower than the growth rates of Dakota County and the metro area. This means that other more rapidly growing areas may be in a position to capture retail demand through new development and potentially siphon spending dollars from within the trade area, thus limiting the opportunity of Arbor Pointe to capture growing demand.

Table 5 and Figure 11 display the age distribution of the Arbor Pointe Trade Area and the Twin Cities Metro Area. According to data in the table, both the Trade Area and the metro region are aging rapidly. However, the rate of aging in the Trade Area is profound. In 2000, 6.7% of the Trade Area population was age 65 or older. By 2020, 19.5% of the Trade Area will be age 65 or older. This is having a significant impact on consumer demand for retail goods and services in the Trade Area. Persons older than 65 are typically beyond their peak earning years since many have entered retirement. Furthermore, older adults are often well beyond their peak spending years since many are no longer forming new households and raising children.

This suggests that the Trade Area has been experiencing a general decline in consumer spending power despite an increase in overall population. Moreover, retail demand for some types of goods and services has shifted away from family-based retail in which value and convenience are the primary drivers of demand toward more wellness and experiential retail.

**Table 5: Age Distribution of the Population 2000-2020**

Age Group	Forecast			Change				Forecast			Change			
	2000	2010	2020	2000-2010		2010-2020		2000	2010	2020	2000-2010		2010-2020	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
<b>Arbor Pointe Trade Area</b>														
Under 5	1,024	925	779	-99	-9.7	-146	-15.7	188,236	194,329	188,329	6,093	3.2	-6,000	-3.1
5 to 17	3,167	2,721	2,395	-445	-14.1	-327	-12.0	506,396	502,642	513,866	-3,753	-0.7	11,224	2.2
18 to 24	1,223	1,322	1,197	98	8.0	-124	-9.4	247,128	267,451	293,345	20,322	8.2	25,895	9.7
25 to 34	2,044	1,957	2,138	-87	-4.3	181	9.3	411,155	420,311	486,520	9,156	2.2	66,209	15.8
35 to 44	2,988	2,004	2,034	-984	-32.9	30	1.5	469,324	391,324	416,696	-78,000	-16.6	25,372	6.5
45 to 54	2,421	2,920	2,068	499	20.6	-852	-29.2	363,592	440,753	375,040	77,161	21.2	-65,713	-14.9
55 to 64	1,299	2,271	2,889	972	74.8	618	27.2	200,980	326,007	400,071	125,027	62.2	74,064	22.7
65 to 74	729	1,077	1,986	348	47.7	909	84.4	130,615	163,425	268,693	32,810	25.1	105,268	64.4
75+	286	739	1,284	453	158.4	545	73.7	124,630	143,325	181,738	18,695	15.0	38,413	26.8
<b>Total</b>	<b>15,181</b>	<b>15,936</b>	<b>16,770</b>	<b>755</b>	<b>5.0</b>	<b>834</b>	<b>5.2</b>	<b>2,642,056</b>	<b>2,849,567</b>	<b>3,124,300</b>	<b>207,511</b>	<b>7.9</b>	<b>274,733</b>	<b>9.6</b>
<b>Twin Cities Metro Area</b>														
Under 5	188,236	194,329	188,329	6,093	3.2	-6,000	-3.1	506,396	502,642	513,866	-3,753	-0.7	11,224	2.2
5 to 17	506,396	502,642	513,866	-3,753	-0.7	11,224	2.2	247,128	267,451	293,345	20,322	8.2	25,895	9.7
18 to 24	247,128	267,451	293,345	20,322	8.2	25,895	9.7	411,155	420,311	486,520	9,156	2.2	66,209	15.8
25 to 34	411,155	420,311	486,520	9,156	2.2	66,209	15.8	469,324	391,324	416,696	-78,000	-16.6	25,372	6.5
35 to 44	469,324	391,324	416,696	-78,000	-16.6	25,372	6.5	363,592	440,753	375,040	77,161	21.2	-65,713	-14.9
45 to 54	363,592	440,753	375,040	77,161	21.2	-65,713	-14.9	200,980	326,007	400,071	125,027	62.2	74,064	22.7
55 to 64	200,980	326,007	400,071	125,027	62.2	74,064	22.7	130,615	163,425	268,693	32,810	25.1	105,268	64.4
65 to 74	130,615	163,425	268,693	32,810	25.1	105,268	64.4	124,630	143,325	181,738	18,695	15.0	38,413	26.8
75+	124,630	143,325	181,738	18,695	15.0	38,413	26.8	2,642,056	2,849,567	3,124,300	207,511	7.9	274,733	9.6
<b>Total</b>	<b>2,642,056</b>	<b>2,849,567</b>	<b>3,124,300</b>	<b>207,511</b>	<b>7.9</b>	<b>274,733</b>	<b>9.6</b>							
<b>Percentage of Population</b>														
Under 5	6.7	5.8	4.6	---	-0.9	---	-1.2	7.1	6.8	6.0	---	-0.3	---	-0.8
5 to 17	20.9	17.1	14.3	---	-3.8	---	-2.8	19.2	17.6	16.4	---	-1.5	---	-1.2
18 to 24	8.1	8.3	7.1	---	0.2	---	-1.2	9.4	9.4	9.4	---	0.0	---	0.0
25 to 34	13.5	12.3	12.8	---	-1.2	---	0.5	15.6	14.7	15.6	---	-0.8	---	0.8
35 to 44	19.7	12.6	12.1	---	-7.1	---	-0.4	17.8	13.7	13.3	---	-4.0	---	-0.4
45 to 54	15.9	18.3	12.3	---	2.4	---	-6.0	13.8	15.5	12.0	---	1.7	---	-3.5
55 to 64	8.6	14.3	17.2	---	5.7	---	3.0	7.6	11.4	12.8	---	3.8	---	1.4
65 to 74	4.8	6.8	11.8	---	2.0	---	5.1	4.9	5.7	8.6	---	0.8	---	2.9
75+	1.9	4.6	7.7	---	2.8	---	3.0	4.7	5.0	5.8	---	0.3	---	0.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>---</b>	<b>0.0</b>	<b>---</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>---</b>	<b>0.0</b>	<b>---</b>	<b>0.0</b>

Sources: US Census; Stantec



## ARBOR POINTE RETAIL ANALYSIS

Trade Area Analysis  
October 10, 2014

**Figure 11: Trade Area and Metro Area Age Distribution 2010 & 2020**

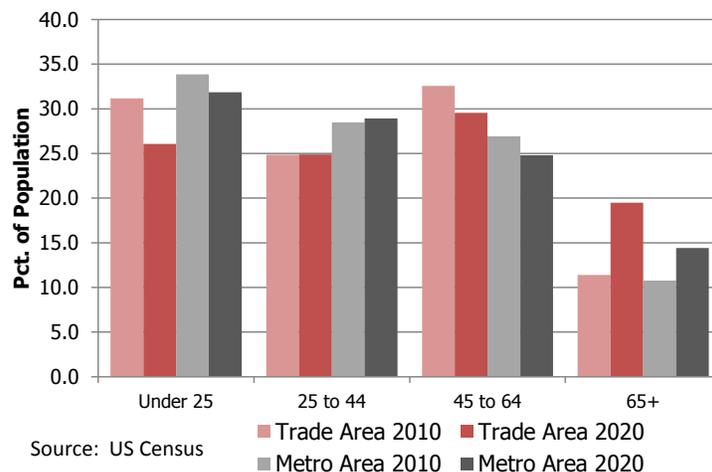


Table 6 presents household income trends by age group for the Arbor Pointe Trade Area and the metro area. As of 2012, the year most recent income data are available, the Trade Area had an overall median household income of just over \$76,000. This was more than \$9,000 above the metro area median and means that the spending power of Trade Area households is well above average. However, the trend from 2000 to 2012 indicates that income growth in the Trade Area is well behind the metro area, especially among households age 45 to 64, which is typically the peak earning years for most households.

Figure 12 emphasizes how household incomes for most age groups within the Trade Area are above the metro area, especially among households under age 45.

**Table 6: Arbor Pointe Trade Area Median Household Income Trends 2000 & 2012**

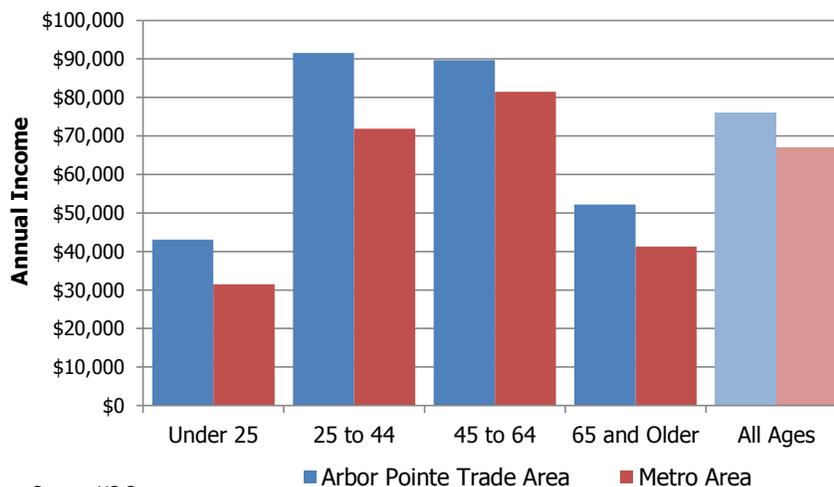
Age Group	Arbor Pointe Trade Area			Metro Area		
	2000	2012	Change	2000	2012	Change
Households under 25	\$37,679	\$43,057	14.3%	\$29,181	\$31,491	7.9%
Households 25-44	\$69,475	\$91,538	31.8%	\$58,616	\$71,857	22.6%
Households 45-64	\$75,544	\$89,671	18.7%	\$67,861	\$81,490	20.1%
Households 65+	\$38,698	\$52,168	34.8%	\$31,233	\$41,301	32.2%
All Households	\$66,994	\$76,086	13.6%	\$54,807	\$66,896	22.1%

Source: US Census: 2000 Census; 2008-2012 American Community Survey

## ARBOR POINTE RETAIL ANALYSIS

Trade Area Analysis  
October 10, 2014

**Figure 12: 2012 Median Household Income by Householder Age**



### 5.3 RETAIL SALES ANALYSIS

Table 7 presents an analysis of retail sales to see if the sales generated among Inver Grove Heights retailers is capturing local household expenditures. Based on retail sales figures from the Minnesota Department of Revenue, the table compares retail sales per household for the various types of stores in Inver Grove Heights with a corresponding ratio for the State of Minnesota. Figures for Dakota County are presented as well for comparison purposes.

In categories where the sales ratio per household is equal or close to 1.0 this signifies that retailers in Inver Grove Heights essentially serve their locally generated demand. Where the sales ratio per household exceeds 1.0, retailers are said to “pull” in dollars from outside its boundaries. Conversely, where the sales ratio per household is well below 1.0, this signifies that retail spending flows out of the Trade Area to other locations.

As shown in the Table, Inver Grove Heights pulls in significant dollars in the Building Materials, Miscellaneous, and Limited-service Restaurant categories. It generally meets local needs in the Electronics and Health/Personal categories. However, it loses local spending potential in a wide variety of categories including Home Furnishings, Apparel, Leisure Goods, and Full-service Restaurant categories.

Some of the low ratios can be explained by the fact that regional shopping malls, such as the Mall of America, Burnsville Mall, or Tamarack Village in Woodbury, have trade areas that are very large and include Inver Grove Heights and northern Dakota County, especially in categories such as apparel, home furnishings, and leisure goods. However, it does demonstrate that there is opportunity to capture dollars that are flowing outside of the Trade Area in certain categories as well.

## ARBOR POINTE RETAIL ANALYSIS

Trade Area Analysis  
October 10, 2014

**Table 7: Retail Sales Analysis**

### TOTAL RETAIL SALES

Retail Category	Minnesota	Dakota County	Inver Grove Hgts
Home Furnishings	\$1,986,185,815	\$159,980,236	\$4,104,661
Electronics	\$3,407,845,110	\$542,087,137	\$20,499,734
Building Materials	\$6,875,072,126	\$459,278,724	\$57,778,154
Grocery Stores	\$12,398,014,198	\$850,192,718	\$50,692,525
Health/Personal Care	\$4,561,862,122	\$267,859,875	\$23,824,488
Apparel	\$3,407,515,680	\$243,221,802	\$344,407
Leisure Goods	\$2,350,069,886	\$115,248,172	\$676,207
General Merchandise	\$12,183,297,399	\$1,035,153,629	\$25,000,000
Miscellaneous	\$4,369,174,186	\$260,958,368	\$101,168,813
Restuarants	\$8,120,283,072	\$573,627,560	\$35,961,146
Full-Service	\$4,246,908,047	\$226,582,886	\$10,788,344
Limited-Service	\$2,598,490,583	\$280,503,877	\$22,152,066
<b>Total Retail Sales</b>	<b>\$59,659,319,594</b>	<b>\$4,507,608,221</b>	<b>\$320,050,135</b>

### RETAIL SALES PER HOUSEHOLD

Retail Category	Minnesota	Dakota County	Inver Grove Hgts
Home Furnishings	\$941	\$1,037	\$302
Electronics	\$1,614	\$3,514	\$1,509
Building Materials	\$3,257	\$2,977	\$4,254
Grocery Stores	\$5,873	\$5,511	\$3,732
Health/Personal Care	\$2,161	\$1,736	\$1,754
Apparel	\$1,614	\$1,577	\$25
Leisure Goods	\$1,113	\$747	\$50
General Merchandise	\$5,772	\$6,710	\$1,841
Miscellaneous	\$2,070	\$1,692	\$7,448
Restuarants	\$3,847	\$3,718	\$2,648
Full-Service	\$2,012	\$1,469	\$794
Limited-Service	\$1,231	\$1,818	\$1,631
<b>Total Sales per HH</b>	<b>\$28,263</b>	<b>\$29,218</b>	<b>\$23,563</b>

### "PULL" FACTOR

Retail Category	Minnesota	Dakota County	Inver Grove Hgts
Home Furnishings	1.00	1.10	0.32
Electronics	1.00	2.18	0.93
Building Materials	1.00	0.91	1.31
Grocery Stores	1.00	0.94	0.64
Health/Personal Care	1.00	0.80	0.81
Apparel	1.00	0.98	0.02
Leisure Goods	1.00	0.67	0.04
General Merchandise	1.00	1.16	0.32
Miscellaneous	1.00	0.82	3.60
Restuarants	1.00	0.97	0.69
Full-Service	1.00	0.73	0.39
Limited-Service	1.00	1.48	1.32
<b>All Retail Categories</b>	<b>1.00</b>	<b>1.03</b>	<b>0.83</b>

Sources: Minnesota Department of Revenue; Stantec



## ARBOR POINTE RETAIL ANALYSIS

Retail dEMAND  
October 10, 2014

### 6.0 RETAIL DEMAND

Table 8 illustrates the methodology used to calculate retail demand in the Trade Area. Demand for retail space is driven mostly by the spending power of Trade Area households and the supply of existing retail options. Table 8 indicates that there currently is an oversupply of retail space in the Trade Area that exceeds the demand generated by the spending power of Trade Area households. Despite forecasted household growth in the Trade Area through 2020, this will not be able to increase overall household spending to the point that additional retail space will be supported above and beyond current demand. This assumes there will be no net change in the amount of retail space in the Trade Area between now and 2020.

**Table 8: Retail Demand Calculations**

	Trade Area	
	2014	2020
Households	6,340	6,760
Average Household Income <sup>1</sup>	\$96,947	\$101,794
Aggregate Household Income	= \$614,643,980	\$688,129,806
(times) Percent of Income Spent on Retail Goods <sup>2</sup>	x 14%	13%
(equals) Resident Household Consumer Dollars	= \$87,894,089	\$91,521,264
(plus) Retail Spending by Daytime (Non-Resident) Workers <sup>3</sup>	+ \$1,750,000	\$1,820,000
(equals) Retail Spending Potential	= \$89,644,089	\$93,341,264
(divided by) Average Sales per Square Foot <sup>4</sup>	÷ \$300	\$312
(equals) Estimated Trade Area Demand for Retail Space (in sq ft)	= 298,814	299,171
(less) Existing Supply of Trade Area Retail Space <sup>5</sup>	- 346,000	346,000
<b>(equals) Additional Retail Space that could be Supported</b>	<b>= -47,000</b>	<b>-47,000</b>

<sup>1</sup> Figures are in 2010 dollars. 2020 income is adjusted upward by 5% to account for inflation.

<sup>2</sup> US Department of Labor, Bureau of Labor Statistics: Average Annual Expenditures and Characteristics, Consumer Expenditure Survey, 2013. Excludes certain retail categories, such as apparel and other durable goods, which are typically purchased at large regional centers. Percentage for 2020 is adjusted downward slightly to account for increased on-line purchases of goods.

<sup>3</sup> According to the US Census LEHD data set, there are 3,500 workers employed in the Trade Area who live outside the Trade Area. It is assumed that these workers would spend on average \$500 per year on retail goods and services in the Trade Area (this translates to roughly \$2 per work day).

<sup>4</sup> *Dollars and Cents of Shopping Centers* (Urban Land Institute). 2020 figures are adjusted upward by 5% to account for inflation.

<sup>5</sup> CoStar

Source: Stantec



# 7.0 CONCLUSIONS AND RECOMMENDATIONS

Previous sections of this report analyzed characteristics of the Arbor Pointe district, including its physical location and condition, market data, and demographic data. This section synthesizes those findings into relevant conclusions and provides recommendations for possible steps in addressing the findings noted in this report.

## 7.1 KEY FINDINGS

- Based on the calculated spending power of households and workers in the Arbor Pointe Trade Area, there is a significant **oversupply** of retail space in the Arbor Pointe retail district.
- The vacancy issues and declining rents experienced in the Arbor Point retail district are not related to broader regional or national trends in retailing. Based on metro wide data, the retail vacancies are declining and, though the industry is facing significant pressure from on-line retailing, the broader market does not appear to be substantially overbuilt. This further suggests that the problems with vacancy in the Arbor Pointe retail district are specific to the trade area and/or location of the district.
- The Arbor Pointe Trade Area is severely constrained by competitive retail districts, physical barriers, and low population density, especially south of the retail district.
- Arbor Pointe lacks the critical mass of retailers to pull from a larger trade area. Adding more retailers to achieve critical mass is highly risky because the market has not indicated an appetite to do so and the limited population density south of Arbor Pointe would likely make it infeasible.
- The Trade Area population is aging rapidly, which results in less spending overall and different types of retail that can be supported – both of which cause market turnover.
- Forecasted growth in the Arbor Pointe Trade Area will not add enough households in the short term to reverse the effects of market vacancies in the retail district.
- Most of the properties in the Arbor Pointe retail district were built during the housing boom of the early 2000s. During this time, many retailers were emboldened by forecasts of strong household growth in the area and a location along a highway interchange to invest slightly ahead of the market. When the recession hit in the late 2000s, housing development nearly stopped and many national retailers dependent on expansionary growth were under duress. This lack of growth combined with poorly performing retailers looking for marginal locations to close have resulted in substantial retail vacancy within the district.

## ARBOR POINTE RETAIL ANALYSIS

Conclusions and Recommendations  
October 10, 2014

- Minor or even major traffic changes won't address the underlying market issues noted above. Changing access points and circulation patterns within the district will certainly help many businesses and properties within the district to become more viable. However, given the underlying issue of limited market demand, such investment may result in a shell game in which consumer spending simply moves from one location within the district to another instead of helping to draw more customers into the area that currently do not shop there.
- Daytime population within the Trade Area is low because of a lack of major employers and most residents commute outside of the area for employment. The Flint Hills refinery is building a significant administrative facility at the southern boundary of the Trade Area, which will increase the daytime population of the Trade Area. Unfortunately, this increase alone will not be able to counteract the closing of stores in the district. Several hundred daytime workers can only support several hundred square feet of retail space. Due to the amount of space that will need to be filled in the district, the Trade Area would need to add several thousand workers.

### 7.2 RECOMMENDATIONS

Persistent, long-term vacancies will have a blighting effect on the Arbor Pointe retail district. They not only signal to prospective investors that there is an underlying problem with the market, but it can also lead to poor maintenance of properties, which is a physical blight.

- Review the land use plan for the Arbor Pointe area and consider zoning changes that may allow for different types of uses in existing structures. This is potentially an inexpensive approach that would allow market dynamics to dictate the re-use of existing properties instead of more costly forms of public intervention.
- The City could play a more active role in promoting/enforcing/managing maintenance of vacant properties.
- Recognize that chain retailers may not be interested in Arbor Pointe due to the loss of key anchors (i.e., Rainbow Foods and Walgreen's). Therefore, independently owned businesses may need to be cultivated and supported. Work with property owners on how to do this and strategize how rents will likely decline and how the City can help to cover the gap.
- In extreme cases, consider acquiring truly problematic properties for redevelopment. Although this can be a costly approach, it can do several vital things: 1) reduce the oversupply of retail space to an amount appropriate for the market; 2) signify to the private sector that the public sector is committed to making positive change; 3) be a catalyst for additional investment; and 4) create an opportunity for development that would complement existing commercial properties.

## **ARBOR POINTE RETAIL ANALYSIS**

Conclusions and Recommendations  
October 10, 2014

- Evaluate the various options available for improving access and circulation within the district. As noted above, traffic changes alone will not alter the market fundamentals of the district. However, traffic changes in conjunction with other strategies may help stabilize conditions and create opportunity for a much more healthy and vibrant district.