



Independence Boulevard Area Plan Market Analysis

Produced by
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Market Context

- Retail Market Overview
- Office Market Overview
- Residential Market Overview



Retail

- Cycle of disinvestment (vacancies, abandonment) as road is changed
- Neighborhood retail dollars being spent elsewhere, presents opportunity
- Opportunity to focus regional retail at critical nodes

Office

- Little demand for a new office core on Independence, due to proximity to existing Uptown submarket and distance from executive housing
- Some opportunity for Class A/B office at key nodes in mixed-use settings

Residential

- Potential for both for-rent and for-sale multifamily along Independence
- Opportunity to reinvest in single family neighborhoods with new and renovated detached homes



Market Context

Retail Market Overview

- Retail development follows household growth and expenditures
- The Independence Boulevard corridor has retail spending power that is not being satisfied by existing space and is therefore being captured elsewhere
- Given the level of obsolete retail there is demand for both neighborhood and regional retail in the study area

Office Market Overview

Residential Market Overview



Retail Strengths and Challenges



Outdated retail



Heavy traffic congestion during rush hours

• STRENGTHS

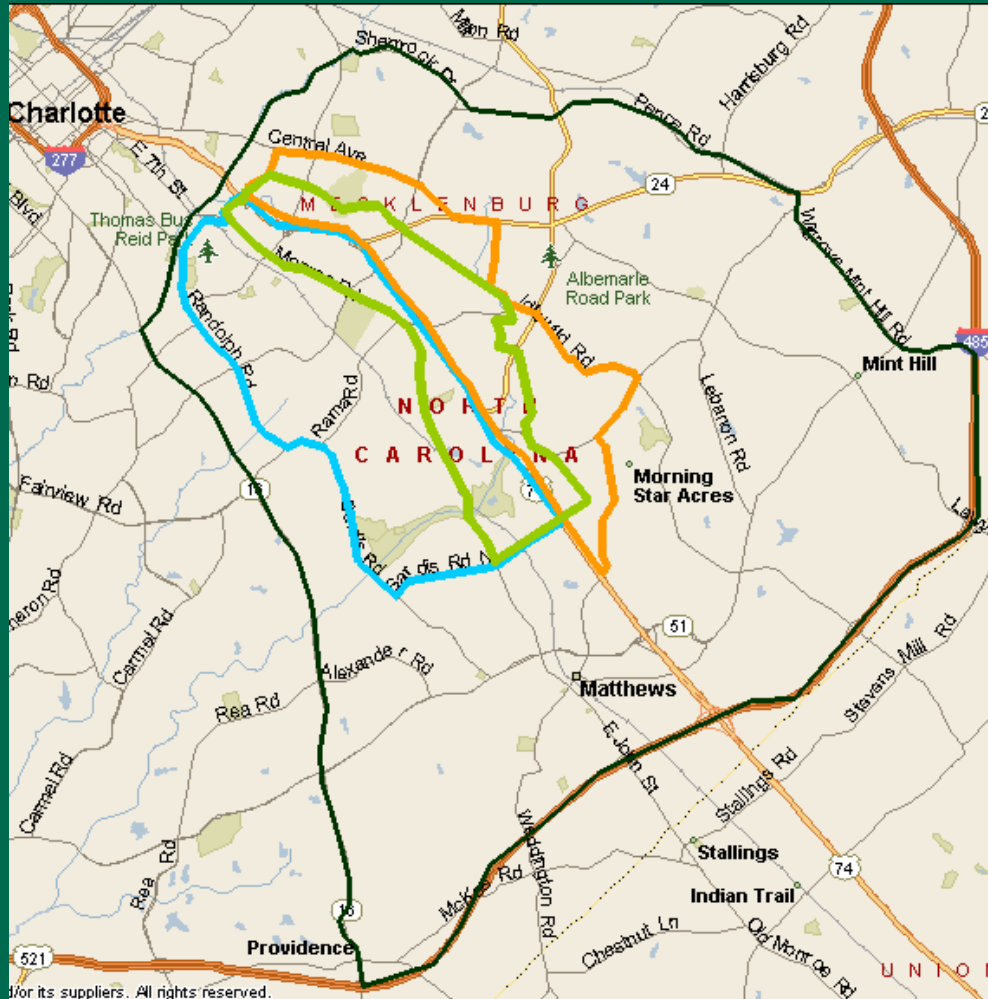
- High traffic counts & visibility
- Good regional access
- Underutilized commercial land, possibilities for redevelopment
- Large population base to draw from and established residential areas surrounding corridor

• CHALLENGES

- Changing design of Independence Boulevard has resulted in lack of development interest, loss of retail expenditures
- No easy in/easy outs on Independence
- Lack of great intersections in corridor
- Disconnected from adjacent neighborhoods
- Uncertainty associated with construction on Independence



Independence Boulevard Retail Trade Areas



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Source: ESRI

SW Neighborhood	2008	2013
Population	35,642	38,121
Households	16,144	17,838
Median HH Income	\$53,399	\$64,927

NE Neighborhood	2008	2013
Population	28,430	31,309
Households	11,763	10,510
Median HH Income	\$57,861	\$70,164

Regional Trade Area	2008	2013
Population	190,765	211,326
Households	77,582	86,255
Median HH Income	\$62,386	\$74,934

Charlotte MSA	2007	2012
Households	614,864	688,626
Median HH Income	\$54,075	58,840

	Study Area		NE Neighborhood
	SW Neighborhood		Regional Trade Area



	REGIONAL	NEIGH N.	NEIGH S.
Population (2012)¹	211,326	31,309	39,121
Per Capita Expenditures¹	\$6,857	\$5,293	\$6,393
Total Retail Trade Potential	\$1,449,700,765	\$165,700,000	\$250,100,000
Percent of Sales (Regional: Local)²	50%	50%	50%
Trade Area Retail Potential	\$690,544,634	\$82,200,000	\$124,200,000
Average Sales per SF³	\$211	\$287	\$287
Trade Area Retail Potential (SF)	3,274,273	286,000	432,000
Less: Retail Supply⁴	3,134,832	170,155	316,020
Less: Planned Supply	800,000	23,000	34,514
Plus: Obsolete Retail Supply⁵	1,779,976	77,655	134,067
Supportable Retail Potential (SF)	1,119,417	170,500	215,533

¹ Obtained from ESRI Market Place Report for Independence Boulevard Trade Area.

² Per International Council of Shopping Centers (ICSC) percent of sales captured by respective center type.

³ Average sales per square foot based on ULI – Dollars & Cents of Shopping Centers: 2007

⁴ Based on CoStar data for relevant shopping center types. Neighborhood centers are less than 100,000 SF.

⁵ Dates shopping centers with low occupancies and losing tenants identified as obsolete or nearing obsolescence.

SOURCE: ESRI, International Council of Shopping Centers (ISCS), ULI: Dollars & Cents of Shopping Centers

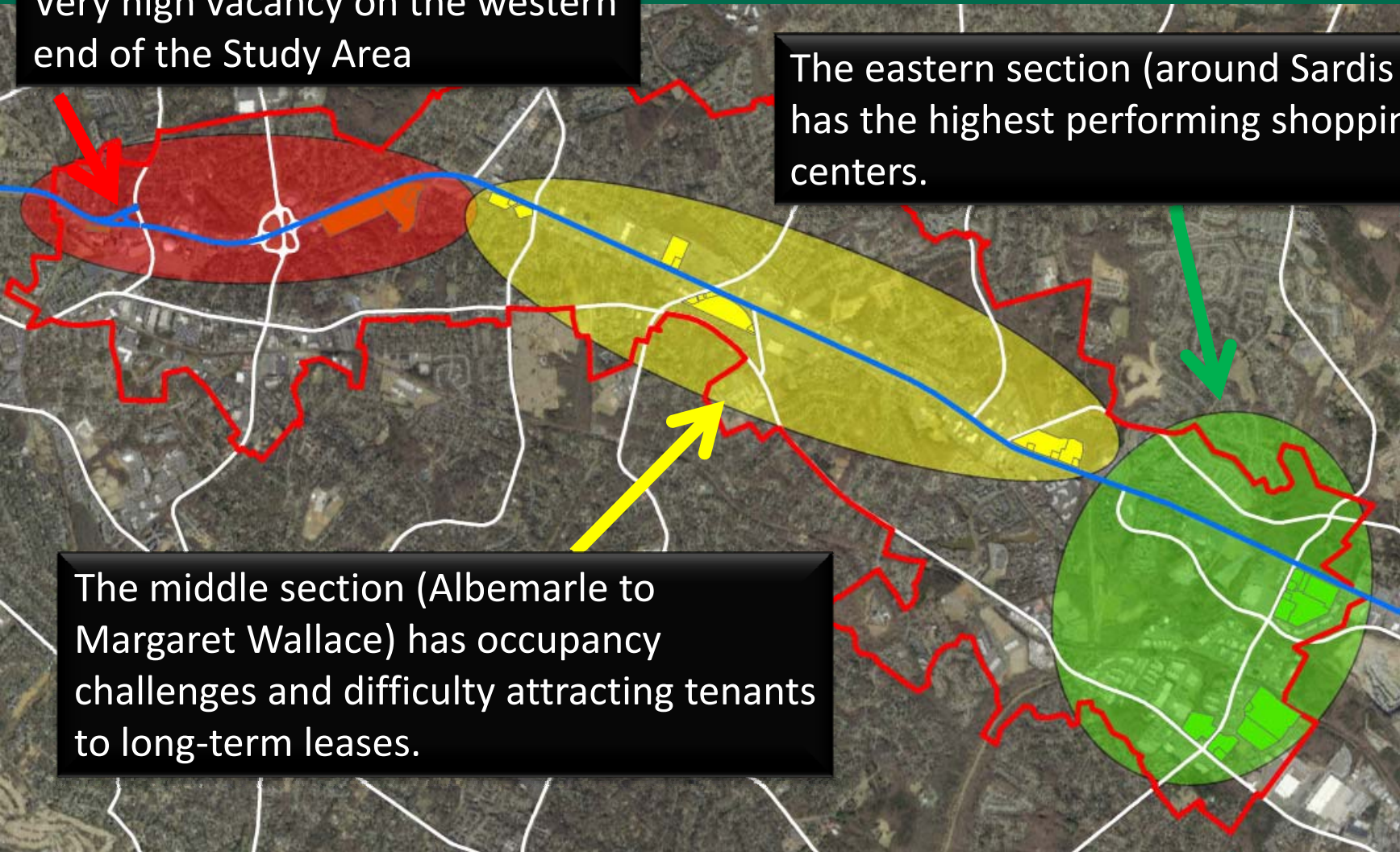


Shopping Centers: Health Analysis

Very high vacancy on the western end of the Study Area

The eastern section (around Sardis Road) has the highest performing shopping centers.

The middle section (Albemarle to Margaret Wallace) has occupancy challenges and difficulty attracting tenants to long-term leases.





CITY OF CHARLOTTE

Severely Challenged Shopping Centers

Less than 60%
occupancy rate

Entirely located west
of Albemarle





CITY OF CHARLOTTE

Challenged Shopping Centers

60-88%
occupancy rate

Primarily located
from Albemarle
to Margaret
Wallace





CITY OF CHARLOTTE

Healthy Shopping Centers

88+ % occupancy rate

Primarily located on
the eastern end of the
corridor





Retail Demand to 2012

Based on RCLCo's market analysis, the Study Area could potentially support:

- 1.1 million square feet of regional retail
- 170,000 square feet of neighborhood retail (north side of Independence)
- 215,000 square feet of neighborhood retail (south side of Independence)

This potential demand is based on large amounts of currently obsolete retail (~2 million square feet) being replaced.



Market Context

Retail Market Overview

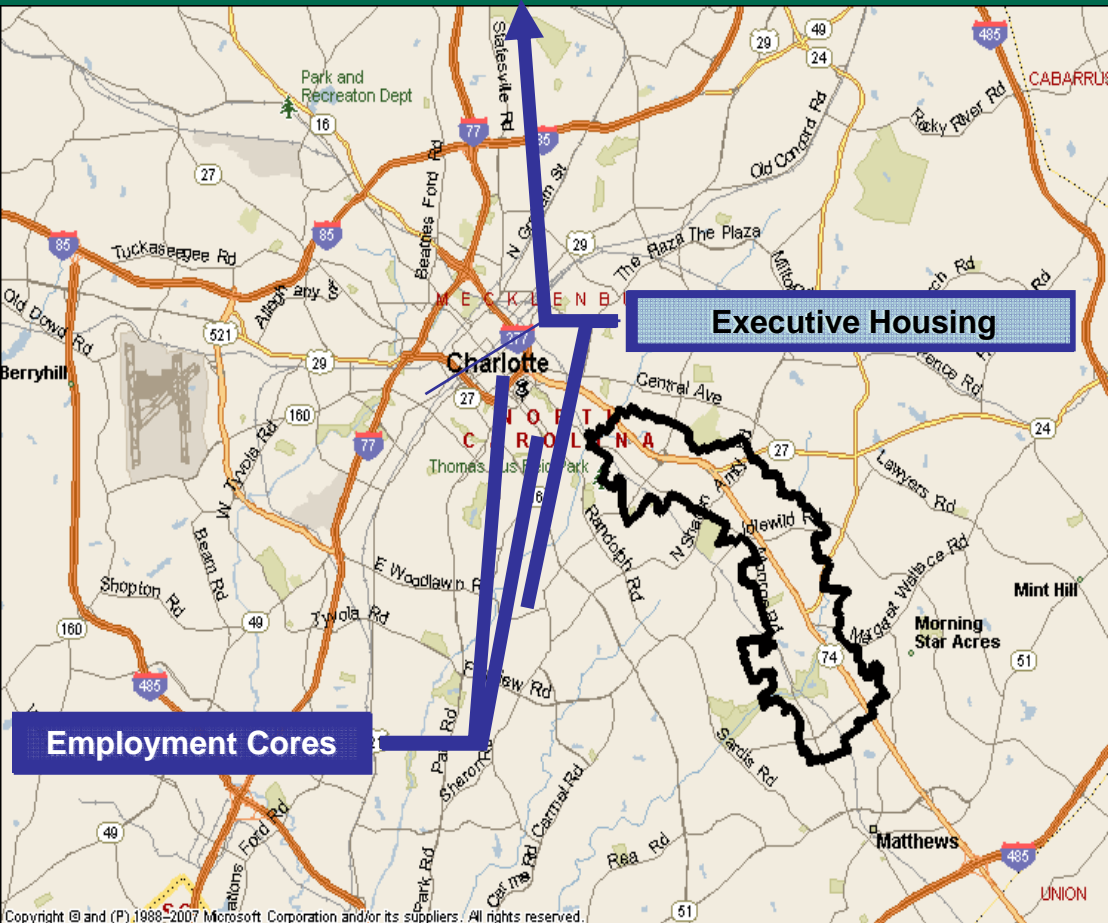
Office Market Overview

- Lack of supply in Charlotte's Uptown office market has pushed Class A tenants to suburban submarkets with strong amenities such as South Park, Midtown, 51 Perimeter
- Independence Boulevard, which historically has underperformed the local market, lacks the strong amenities, services, and complementary land uses required by tenants
- Historic performance and growth projections point to a limited opportunity for speculative new office space construction in the study area

Residential Market Overview



Office Strengths and Challenges



• STRENGTHS

- Good regional access to potential employees and businesses
- Good proximity to existing office cores

• CHALLENGES

- Small, traditionally Class B office submarket
- Not proximate to executive housing cores
- Lacks the diversity and quality of retail/services desired by office tenants
- Few “anchors” to act as focal points for development
- Land prices and achievable rents in submarket make delivery of flex space difficult
- Lack of public transportation



10-Year Office Demand

	Employment Growth Avg.	Office Space Absorption Avg.	New Office Space Per Job	Crown Point & East Absorption Avg.	Crown Point & East Absorption as % of CHL
1994 to 2000	17,180	1,578,526	92	55,236	3.5%
2001 to 2008	12,652	934,829	70	481	-0.9%
Average 1994 to 2008	15,237	1,225,221	81	26,033	2.1%

PROJECTIONS

Based on More Recent Trends (2001 to 2007)

2009 to 2013	19,249	1,560,000	81	800	0.1%
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5-year total				4,000	
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10-year total				8,000	
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Assuming Improved Trend

2009 to 2013	19,249	1,560,000	81	26,400	2.1%
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5-year total				132,000	
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10-year total				264,000	
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Source: UPDATE SOURCE, The Karnes Report – Office, RCLCO



Market Context

Retail Market Overview

Office Market Overview

Residential Market Overview

- Charlotte market has seen increased acceptance of multifamily living during recent expansion
- The corridor's proximity to Uptown and its surrounding in town neighborhoods could yield a strong multifamily opportunity along the corridor
- Higher density apartment communities could be oriented toward Independence Blvd. given its direct access to Uptown Charlotte and skyline views
- Improvements to the study area could encourage additional investment in renovating existing and building new detached homes



Residential Strengths and Challenges



Stable neighborhoods throughout site



Disconnection in south neighborhoods

• STRENGTHS

- Good access to employment cores
- Stable neighborhoods abut the corridor
- Lush tree canopy and numerous park systems and other natural features cross or run alongside corridor

• CHALLENGES

- Deferred maintenance and decaying or vacant retail buildings impact residential values
- Disconnection of southern and northern neighborhoods due to freeway system.
- Little direct access to retail along Independence Blvd.



Rental Apartment Demand

INCOME QUALIFICATION	RENTAL AMOUNT	PROJECTED CHARLOTTE MSA DEMAND	EAST CHARLOTTE/ INDEPENDENCE CAPTURE
Below \$35k	Below \$610	1888	
\$35k to \$55k	\$610 to \$960	944	57
\$55k to \$70k	\$960 to \$1,230	529	32
\$70k to \$90k	\$1,230 to \$1,580	266	16
\$90k to \$110k	\$1,580 to \$1,930	109	-
\$110k to \$150k	\$1,930 to \$2,630	68	-
Above \$150k	Above \$2,630	23	-
TOTAL		3,827	105

RCLCO projects that the East Charlotte/Independence submarket could support 525 new class a/b rental units over the next five years (~2 projects).

SOURCE: Claritas Data, RCLCO