

THE FREDERICK RETAIL MARKET



Creating sustained retail success is an art and a science.

Contents

EXECUTIVE SUMMARY	3
Frederick Market Overview	4
Demand Drivers	5
Retail Trends	11
Retail Site Selection Dynamics	14
The Frederick Retail Marketplace	17
The Retail Leasing Landscape.....	18
The Trade Areas	20
Retail Market Profile	24
Who is The Frederick Consumer?	25
The Retail Opportunity Areas	28
How Frederick Competes.....	33
Best Practices.....	36
Target Audiences for Retail Attraction	47
Retailers to Target.....	51

EXECUTIVE SUMMARY

Communities generally desire to establish a quality of life that is appealing even compelling to residents, businesses and visitors. Retail is an important part of that equation. Like many industry sectors, retail is experiencing a shift. This is in response to consumer, economic and demographic changes and consumer and shopping trends and preferences. The shift is affecting retailers, property owners and communities alike, including intensifying the competition for retail attraction.

Creating sustained retail success is an art and a science. It requires constructing a balance between existing economic and locational assets and aspirational goals. A region, county, city or neighborhood hoping to attract specific types of retailers must create, and then efficiently and effectively project positive, strategically differentiated images and messages about all the wanted elements and components. Ultimately, it must do so in a manner most likely to generate the awareness, interest, response and interaction necessary to bring the targeted retailers to the table and, ultimately, to sign a lease, and develop space. Communities must also keep track of market trends and retailers changing site requirements, which are relatively fluid today and influenced by market shifts.

Frederick is the most unique and vibrant small city in the region in which to live and work. The City boasts low unemployment dominated by desirable and creative jobs in diverse industries with deep local roots offering family supporting wages and benefits. The community, residents, business and public leadership seeks to strengthen and expand its retail offerings to build a more sustainable retail base and provide its citizens the quality of life they desire. To succeed in the near and long-term building of a sustainable retail base, Frederick must focus on achieving the following:

- Raise the visibility of the City among target audiences, with positive benefit driven messaging and imagery.
- Generate a positive, signature “buzz” within the retail community that Frederick is the ideal location in the region for retailers expanding and independent retailers seeking a synergistic environment.
- Build a messaging platform that includes salient metrics about the economic and business climate.
- Educate the overall retail industry about the many benefits of investing in Frederick now and in the future.
- Continue to build the city’s consumer base by attracting residents, businesses, employers and visitors.
- Expand relationships with target retailers and their representatives via outbound contact and in-person at retail industry events.
- Gain an understanding of individual retailers’ requirements and the factors that trigger site location decisions today, including the role of technology and distribution.
- Identify and cultivate strategic partners in the retail attraction and marketing effort.
- Maintain a seat at the table for any city, county and select statewide initiatives aimed at promoting and attracting retail to the region and Maryland.

Frederick Market Overview

Frederick is one of America's great small cities, so says CNN and Livability.com.¹ As the second largest city in Maryland, it offers residents and businesses a location that is easily accessible, with strong opportunities for employment and an affordable lifestyle. The city enjoys easy access within the region, thanks to a well-connected network of roads, highways and transit, including the Marc Station. Accessibility and affordability along with a lower cost of real estate is enhancing the city's appeal as a business location and residential community.

The city is extremely competitive when ranked against other competitive regional and like markets (Leesburg, Fredericksburg, Lancaster City and Bethlehem) especially for retail. It benchmarks well against these markets that compete for similar independent and destination retail and eateries. Frederick benefits from an excellent financial position while many communities, especially smaller ones face budget challenges. Its bond rating is AA+ and it has a nearly \$2 billion tax base.

The city has enjoyed continuous residential growth while many other small towns are retracting. The estimated rate of growth from 2010 – 2015 is 4.7%, above the U.S. rate of 3.3% for the same period. Projections indicate that the population will continue to grow through 2020, though at a slightly slower rate of 4.25% for a similar period (2015-2020). As the population expands, it is also getting younger. The median age drops by several years the further from Downtown you travel.

Part of what makes Frederick unique is its citizens. Residents and local stakeholders share a strong sense of pride and interest in ensuring the city maintains its appeal and a compelling commercial and retail base. Organizations such as the Downtown Frederick Partnership serve as an advocate of local businesses and play a strong role in marketing the city and its assets.

Market Snapshot Within 15 Minutes from Downtown

Population	123,513
Employees	90,167
Households	47,086
Average HH size	2.57
Family Households	81.60%
HH w/kids under 18	35.80%
Rate of home ownership	60.90%
BS or Graduate Degree	40.00%
Median age*	35.7
Millennials*	24.20%
Average HH income*	\$82,136
HHs with income over \$100,000	34.20%
Average home value	\$320,434
Recent investment in Bio/life sciences	\$1.5 B
Development in the pipeline	2.5M+ SF

*Citywide

¹ CNN, Livability, Forbes

Demand Drivers

Frederick enjoys a regional reputation as a great shopping destination. The combination of independent shops, boutiques and restaurants in Downtown Frederick and national brands such as Wegman’s, HomeGoods and Talbots draw shoppers from the local market and the greater region. Downtown Frederick, the city’s most walkable neighborhood, with eateries such as Volt, the nationally acclaimed restaurant by Bryan Voltaggio, is a magnet for residents and visitors alike. Downtown events, such as First Saturday, a monthly happening, draws over 14,000 people to the market, many who also patronize businesses outside of the core.

Steady residential and employment growth, tourism and visitors to the city drive demand for retail. Frederick’s retail landscape has evolved in recent years to accommodate this growth. Newer mixed-use projects such as Clemson Corner and Market Square are pedestrian friendly, creating density and vibrant contemporary environments. Market Square at Frederick, the first project to be awarded site plan approval under the Frederick’s new mixed-use zoning district, is a main street style project located north of Downtown Frederick. It features 194,000 square feet of retail, over 275 residential units, and contemporary design and spaces that appeal to current tenants and consumers of all ages.

Frederick has several older commercial corridors, each with its own personality and opportunities. East Frederick and the Golden Mile (Route 40) offer the greatest potential to repurpose the existing retail base. Route 40 is comprised primarily of neighborhood and regional centers, dominated by larger tenants and fast casual and family style restaurants. The Frederick Towne Mall, located at the heart of Golden Mile, is being redeveloped and rebranded. Forty thousand square feet of new small shop space at the front of the center will help create a lifestyle environment and a destination for retailers eyeing the market.

The city has over 650,000 square feet of gross leasable retail space, yet there are still gaps and opportunities to establish a more diverse merchandise mix. Specific retail opportunities include a grocer in Downtown Frederick, entertainment retail uses, and more general merchandise outside the core.

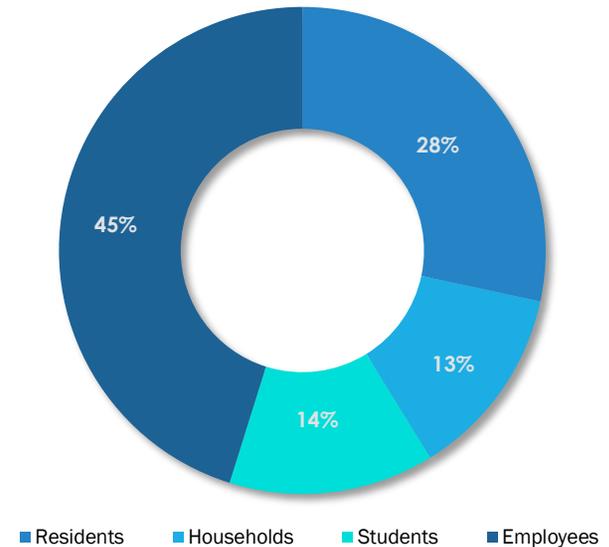
\$450M **\$47M**

Total Retail Demand Demand for F&B

What is Driving the Retail Market in Frederick?

Population growth, employment growth, commercial development, tourism, rising incomes and an increase of quality retail choices, including in Downtown Frederick.

Demand Drivers: Audience in Primary Trade Area



Employment

A community's workforce is a vital component of retail consumer base. The type, location and concentration of jobs can influence spending and retail location decisions, especially for food, apparel, and convenience retail related uses. Commuter patterns can also influence retail, including the location of convenience oriented tenants, grocers, and restaurants.

The city's location provides companies access to a large and diverse labor force and residents' easy access to a wide variety of employment options. The 3,400 businesses located in Frederick provide employment for nearly 49,000 workers. There are over 90,000 workers within fifteen minutes of Downtown Frederick.

Just over twenty percent of city residents work in the city, sixty five percent work close by in either Frederick or Montgomery counties. A significant portion of the workforce commutes in from nearby communities such as Hagerstown, DC, Virginia, West Virginia and Pennsylvania, bringing buying power with them.

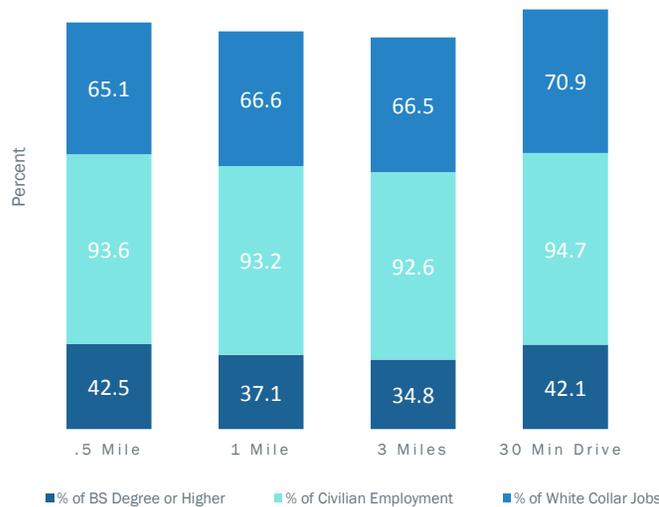
90,167

Workers within a 15 min drive

Frederick's workforce is concentrated in several areas across the city. Over 600 businesses are located in the Downtown Frederick area, which is the center of local government including the courthouse, retail businesses and young tech and creative companies. The I-270 corridor is home to the second largest cluster of life sciences and biotech companies in Maryland. The jobs associated with these industries generally offer above average wages.

Frederick continues to attract corporate and institutional investment from the National Cancer Institute's new Frederick National Laboratory for Cancer Research to Flying Dog Brewery's proposed 31-acre facility. This is complemented by ongoing investment and expansion by existing firms such as AstraZeneca and Stulz Air Technology Systems.

Employment & Education



The inviting downtown and the city's historic building stock is attracting young technology and creative companies and food operators drawn to imaginative spaces such as The Glass Factory. All of this investment will help to diversify and expand the daytime population (employment and visitors) and strengthen retail demand.



Residential

The residential and household composition varies by neighborhood.

Residents

Frederick has benefitted from a steady increase in population over that past fifteen years. More than 15,000 new residents moved to the city since the year 2000, an increase of twenty-nine percent. The population is projected to continue to expand through 2020 to 71,318, at a 0.85% annual rate of growth.

Today, 68,347 people call Frederick home including 16,347 Millennials² who are entering their peak spending years. The diverse residential base is well employed and educated. Over forty-percent have at least a BS degree, more than sixty-five percent hold white-collar jobs. These empty nesters, singles and families generate over \$470 Million of retail demand.

Households

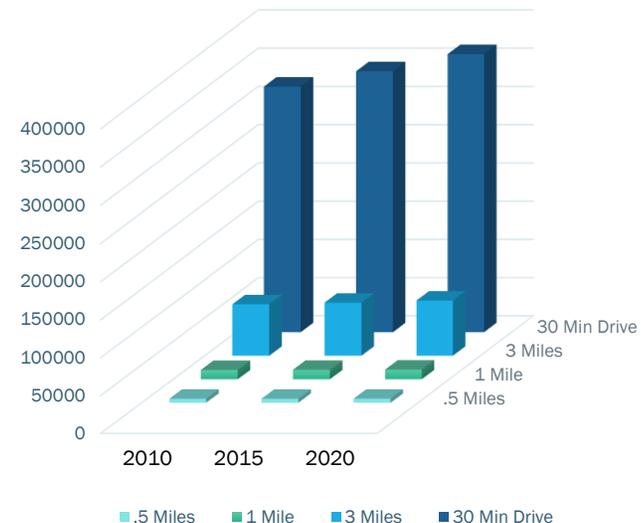
Household composition and spending varies greatly by geography. Households in the core (.5 miles from W. Patrick & Market Streets) tend to be smaller with the highest concentration of single member households. The population here is less diverse and older with a median age just over forty. The rate of homeownership is lower here than within other neighborhoods, largely due to higher percentage of rental properties.

Residents in the core tend to spend more on apparel and food away from home than others households. When they do eat out, it is almost 3:1 at full service restaurants as opposed to limited service eateries. They also shop at more traditional grocery stores than specialty ones with a preference for fruits, vegetables, meat and fish, and baked goods. They tend to watch movies at home using streaming and renting of DVDs rather than at a theater, probably a result of their walkable lifestyles.

123,513

Residents w/in a 15 min. drive

Residential Population

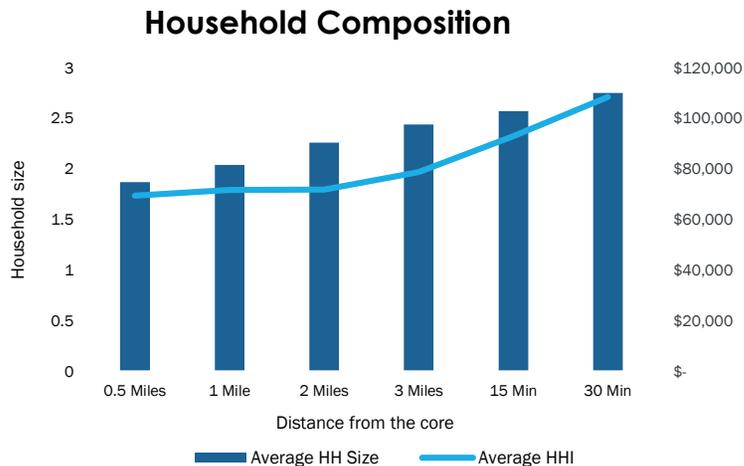


² “Millennials Coming of Age in Retail” Goldman Sachs

Household income and size rises the further out from the core you travel. Households further than 2 miles from Downtown Frederick tend to be younger and have the highest concentration of incomes over \$100,000. These households tend to be larger families with higher mortgage obligations and less overall disposable income.

As might be expected, this consumer group spends far more on apparel, mostly on kids and menswear (work and sporting wear). They spend more on food than their downtown neighbors do, with a prevalence for food at home, spending almost twenty percent more than what they spend away from home.³ Spending on snacks and miscellaneous foods is almost twice as much than on fruits and vegetables. When they do go out, they are likely to spend money at limited service restaurants. When they patronize full service restaurants, it tends to be family style chains.

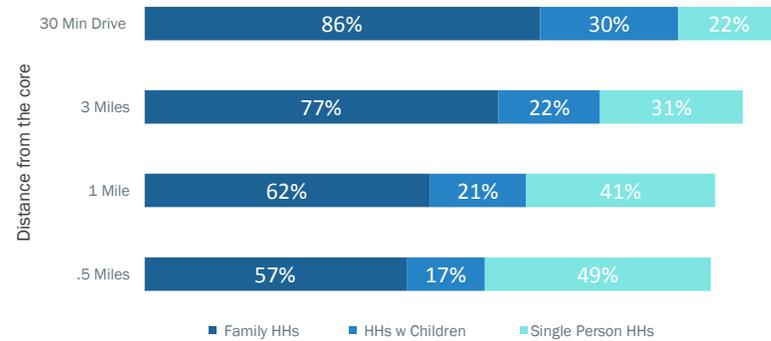
The middle tier (between a 15 min. walk and a 1-mile ring), is most intriguing. This population is slightly older than the outer tier, but younger than the core. Their households are larger and their homes a bit less expensive than those in the core. Their incomes are slightly less, yet their disposable income is about the same as households within the core.



³ Includes prepared meals from traditional grocers

These residents tend to spend more on food and general merchandise than those in the inner core but not as much as the outer tier. They are well connected, have subscriptions for movies and TV, and like gadgets. They are most likely to have the latest technology, which coincides with their affinity for creating admirable impressions. These residents are well educated, fairly well employed, enjoy a bit more flexibility than the others, and are clearly enjoying life in the city.

Household Composition



Those within a 15-minute walk from Downtown tend to spend the most on apparel, food, their mortgage, childcare and entertainment. They also tend to have the highest income within the middle core and trend toward family HHs. They still spend more at home than away from home and at a higher level than those within the core, and opt for natural and organic products, with a preference for stores such as Trader Joe's and Whole Foods. When the consumers in the middle core do eat out, they do not differentiate as much between full service restaurants and limited service ones. These residents are the strivers, and appearance is important. They work out, tend toward name brands and happily spend money on clothes, jewelry and apparel.

Housing

For a small city, Frederick offers an extremely wide range of residential choices from urban walkable neighborhoods comprised of historic row houses to more traditional suburban developments with larger houses and yards, often preferred by families with young children.

Residential development in the city has been somewhat modest in recent years, expanding by only 1,200 units from 2010 - 2015. Recent sales and leasing patterns show the stability of the market. Growing interest in walkable communities is driving new multifamily investment. Nearly 10,000 new housing units are planned or in the pipeline, many in new mixed-use projects and neighborhood developments such as The Renn Farm, Market Square, and Carroll Creek in Downtown Frederick.⁴ The 3,500 new units that have been permitted include a combination of single-family homes, town homes and multi-family units (sale and rental).

Housing prices remain below the cost for competitive markets in the MSA, contributing to Frederick's reputation as an attractive residential destination. The average home value in the core of Downtown Frederick is \$303,618, easily affordable to a variety of household

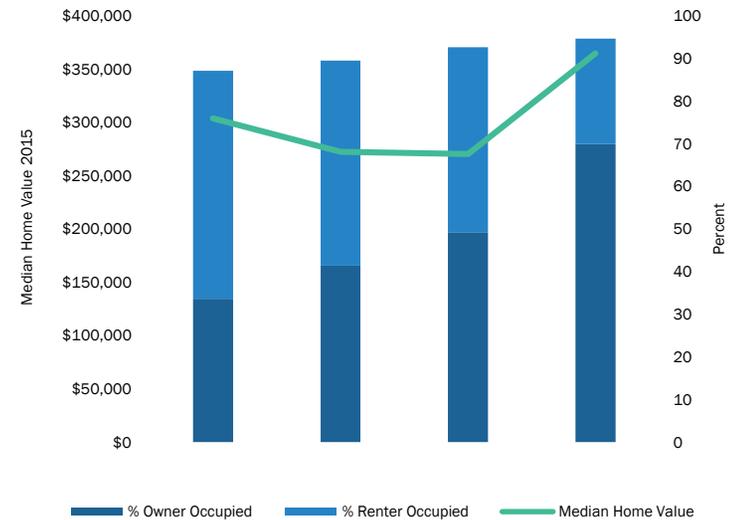


types. Prices rise commensurate with size as you travel away from the downtown area. Home ownership has dropped slightly across the city following a pattern found in other markets. This is partly due to construction of new multi-family inventory and Millennials delaying first time home purchases.

Walk Score 90

Downtown Frederick

Homeownership & Value



⁴ Frederick Office Planning Annual Report, Dec. 2014

Tourism, Visitors & Students

1.4 million tourists. Nearly three-quarters of all annual visitors to Frederick County come to Downtown Frederick during their journey.

Tourism is an important component of the local economy and has a significant impact on the local retail market. Frederick boasts a solid tourism and visitor market with an estimated two million visitors annually, contributing nearly 6,500 industry related jobs. Frederick's rich heritage, award winning historic district, along with a diverse mix of art, culture and public spaces draws daily visitors from the tristate region attracting even those travelling nearly two hours.

One of the chief attractions is Downtown Frederick's dynamic 40-block historic district, with its nationally renowned architecture, variety of historic sites, two hundred retailers and antique shops, and forty restaurants. The monthly First Saturday series attracts 14,000 people on average. On twenty-two weekends each year, Downtown Frederick and the neighboring 54-acre Baker Park play host to special events including concerts, gallery walks, children's theatrical performances, and other events that celebrate seasons.

Complementing the Downtown district are attractions such as the National Museum of Civil War Medicine, Mt. Olivet Cemetery, and the Weinberg Center for the Arts. The economic impact from just the arts and cultural attractions is \$6.5 million.⁵



The Downtown Hotel & Conference Center will bolster overnight visitors to the city.
Concept rendering provided by Plamondon Hospitality Partners

Several institutions of higher education bring several thousand students to the city. Many of these students live on campus (Hood College) others commute in or rent apartments, especially in neighborhoods near and adjacent to Downtown Frederick. The students patronize local restaurants, bars and retailers as well as cultural and sporting venues. The students also provide a pipeline of workers for employers in the region.

⁵ DED, Frederick Tourism Website

Retail Trends

Where people shop and how they shop is changing.

Retailers are responding to these changes by experimenting with new store formats. The line between online and brick-and-mortar retailers continues to blur, as more retailers adopt omni-channel strategies.

Smaller footprints continue to trend. As tenants shrink their footprints, they are also rethinking merchandising from multiple level presentations to showrooms. This is driving efficiency and opening up new market, especially for larger format stores such as Target and Walmart, both are building stores at less than half their typical footprint. While some retailers are shrinking their real estate, others are just starting theirs. Warby Parker and Amazon, once only accessibly online, are just two of the retailers opening stores. Once online retailers are building on market share attained through Internet sales. Brands such as Tory Burch are abandoning once exclusive distribution with major department stores to open their own boutiques.

“Click and pick-up” strategies make convenient locations a priority. Retailers across all sectors are now offering delivery services. Some such as Ikea and Target are integrating in-store purchases with same day delivery. Many retailers, grocers and restaurants are using third party distributors, including Uber, as a way to answer customers’ craving for immediacy.

These new approaches and smaller prototypes enable retailers to accommodate the shift underway in American cities to urban living. Retailers now can gain entry to markets that were once off limit due to lack of suitable space. A good example is Restoration Hardware, which is building grand “showrooms” one-third the size of their traditional stores for a much smaller level of investment. These “showrooms” feature less inventory than traditional stores and customers are encouraged to shop online from inside the store.

Mergers, acquisitions and consolidations are increasingly common, influencing market share, shopping patterns and retail site location protocol. The elimination

of some brands is creating opportunities for others. CVS’s recent purchase of Target Pharmacies and Kroger’s acquisition of Harris Teeter have resulted in market overlap, while enhancing their brands’ distribution channels. While mergers can result in market saturation and vacancies, they can also open up market opportunities for other tenants.

Rebranded concepts at lower price points targeting younger urban consumers are adding a fresh dimension to the retail offerings Bloomingdales recently launched an outlet concept. Forever XXI just opened three F21 Red stores at price points even lower than their main store. J Crew just launched a similar price conscious concept, JC Mercantile.

The grocery industry in the U.S. is undergoing some of the most dramatic shifts since supermarkets emerged in the 1940s. Whereas a single store once served all of shoppers’ food and beverage needs, consumers today shop at five different types of stores on average to fulfill their grocery needs⁶ including farmers markets and boutique food stores. In addition to urbanization, the focus on fresh foods and organic products has forced many grocery chains to rethink their brands and merchandise. The experience is equally if not more important than pricing. Several grocers have introduced beer and wine bars available to customers to make food shopping a more enjoyable experience. Private labels and local products are gaining popularity, with sales projected to grow 62% in 2016,

Trends in Retail

- Consolidations
- Urban prototype
- Smaller footprints
- Multi-level stores
- Shops within shops
- One-day delivery
- Omni-channel marketing

⁶ Deloitte’s American Pantry Report

Online sales represent less than 7% of retail sales today⁷; this is expected to rise to 10% by 2017.

Specialty grocers are readily responding to these trends and rising interest in healthy eating and living. New store concepts entering this space are provoking industry leaders such as Whole Foods to rethink their brands. Their new smaller, lower priced store, 365, targets younger food conscious consumers with a more cost effective mix of organic, local and artisanal items. Earth Fare and Sprouts, two new specialty grocers, are now competing in the space. Both stores have a smaller footprint than Whole Foods (20– 30,000 sq. ft.) as does Aldi/Lidl, which makes them extremely attractive for urban sites.

“Retailers are learning how to fundamentally transform their business models, ones that have been built for maximum efficiency and scale, and transform them into more nimble, effective ones.”⁸

Increased taste for artisanal fare and local food is opening up opportunities for local and product centric stores (olive oil, charcuteries, bakeries, etc.). This has also resulted in growth of local wineries, breweries and even “bourbon” distilleries⁹, prompting communities to review their licensing and liquor and food production policies.

Health-conscious consumers are also driving the growth at health-oriented tenants from fitness retailers to healthier restaurants concepts. Restaurants at all price points are responding to urban and young consumer preferences, retooling their menus and ordering platforms. In the Mid-Atlantic, area chains such as Silver Diner and Chick-fil-A are introducing new hip urban concepts in locations they once avoided. Owners are augmenting offerings and scaling up technology to enhance ordering and takeout and convenience.

Convenience is paramount for consumers at both end of the spectrum. Tech savvy consumers are propelling the integration of technology into traditional merchandising and ordering delivery policies. Many national tenants now encourage shopping online, and pick-up in the store. Many retailers have introduced same day delivery, even using third party distributors including Uber.

Millennials, one of the largest and fastest growing consumer groups, have no brand loyalty.¹⁰ Trendiness often trumps price and convenience, requiring retailers and brands to refresh their products more often and deliver more time relevant goods.

On the contrary, two thirds of retail spending growth is expected to come from shoppers aged fifty-five plus in the coming decade.¹¹ This is creating an interesting balancing act for retailers. While addressing the growing demands of the baby boomers, retailers still must attract the interest, and spending power, of the younger generation. Today’s customer is looking for an experience that feels authentic, even innovative and offers more variety in an appealing environment.

Used and temporary goods are gaining prevalence from home furnishings to apparel. Younger consumers tend to be less interested in expensive furniture brands or antiques, preferring cheap even repurposed and artful furniture, rather than the solid staples of their parents who attained items at marriage and held on to it for eternity. College debt and delayed home purchases are partly driving this change.

The market for what for “throwaway” goods especially apparel is rapidly expanding. National brands such as H&M and century 21 are dominating this market, but local chains are also becoming competitive. Price, technology, and smaller living quarters are influencing this growth. It is simply not desirable to be caught in a selfie wearing the same dress. After all, “why buy the Missoni dress or

⁷ National Retail Federation (NRF)

⁸ National Retail Federation (NRF)

⁹ Technically to be called Bourbon it must be distilled in Kentucky

¹⁰ “Millennials Coming of Age in Retail” Goldman Sachs

¹¹ Deloitte Retail Trends Report 2015

Gucci tie when you can simply rent it for on evening or an interview at Rent the Runway.”

A rise in entrepreneurship is fueling the growth of local and unique retail and business concepts. Millennials and older individuals are opening businesses at a faster rate than past decades, attracted by limited employment and a desire for flexibility.¹²

New financing tools, including crowdsourcing, are proving useful to launch concepts as well as build immediate market share, especially in small

communities and urban environments where access to capital is often more limited.

Advances in shared spaces and infrastructure at incubators and accelerators are also powering startups from fashion design to food contributing to authenticity.

Retailers are looking for growth opportunities, not just sites.

Retail Growth 2014-2015

- Fitness/Health/Spa Concepts
- Drug Stores
- Thrift Stores
- Grocery (Smaller Format)
Discount, Ethnic, Organic, Upscale
- Fast Food
- Fast Casual Dining
- Automotive
- Discounters
- Dollar Stores
- Off-Price Apparel
- Pet Supplies
- Sporting Goods
- Wireless Stores

Retail Contraction 2014-2015

- Bookstores
- Video Stores
- Do-It-Yourself Home Stores
- Mid-Priced Apparel
- Mid-Priced Grocery
- Office Supplies
- Stationary/Gift Shops
- Shipping/Postal Stores

Location Factors:

- Visibility
- Accessibility
- Regional exposure
- Population density
- Population growth
- Adequate parking
- Adequate signage
- Operational convenience
- Safety and security

¹² NRF, IRA, CUEED

Retail Site Selection Dynamics

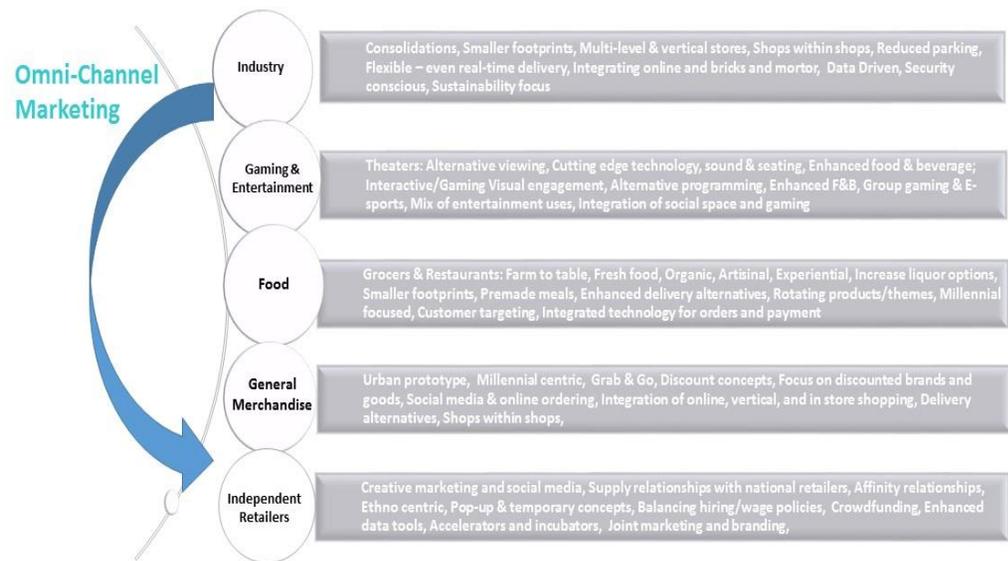
Creating sustained retail success is an art and a science.

In the aggressively competitive, modern American marketplace where, alongside, TV, radio, direct mail and other, traditional media, the Internet plays an increasingly central role in providing and promoting information and education about and access to “things” specifically to the people who want them, creating sustained retail success is an art and a science.

The same is true when it comes to retail attraction, where many similar dynamics apply. A region, county, city or neighborhood hoping to attract specific types of retailers must create, and then efficiently and effectively project positive, strategically differentiated images and messages about all the wanted elements and components. Ultimately, it must do so in a manner most likely to generate the awareness, interest, response and interaction necessary to bring the targeted retailers to the table and, ultimately, to sign a lease, and develop space. Communities must also keep track of market trends and retailers changing site requirements, which are relatively fluid today and influenced by market shifts.

With respect to gaining knowledge about potential markets, retailers, developers and their representatives have articulated their preferences for knowing and understanding a community’s approach to and strategy for retail attraction and development. This information is influencing a retailers approach to the market after a location decision is made.

Market Trends Affecting National & Independent Retailers



Matching Appeal to Retailers' Site Selection Criteria

Part of the process of attracting retailers to Frederick is to understand how the city's strengths fit into the site selection process and how those strengths translate into opportunities for the retailers. The quality and validity of market information is also critical. Several national studies have demonstrated that retailers and their representatives have more confidence in information generated or assembled by non-vested parties.¹³

Retailers often evaluate soft market information and nontraditional metrics to supplement conventional indicators and narrow their site location options, including:

Traditional

Primary Factors

- Demographics
- Density
- Employment
- Income levels (household and disposable)
- Education
- Competition

Secondary Factors

- Market segmentation
- Traffic patterns, counts, and travel times
- Daytime population and available and affordable workforce
- Cost of land
- Current leasing activity (retailers, square footage, asking rates)
- Absorption and occupancy rates
- Regional and local shopping patterns
- Planned developments
- Business costs & friendliness (tax burden, approval process/time)

Non-Traditional

Somewhat less tangible barometers of the local market also factor into retailers' site selection decision making, especially in underserved and emerging markets.

Frederick fares well on some when evaluating for non-traditional factors, such as:

- Walkable environments
- Minority populations
- Women – the “mom factor”
- Fine and lively arts creative class

The city is weaker on others:

- Gentrification
- Urban transit-oriented development
- High-density sites

¹³ ICSC, Penton Media Retail Study, and NRF

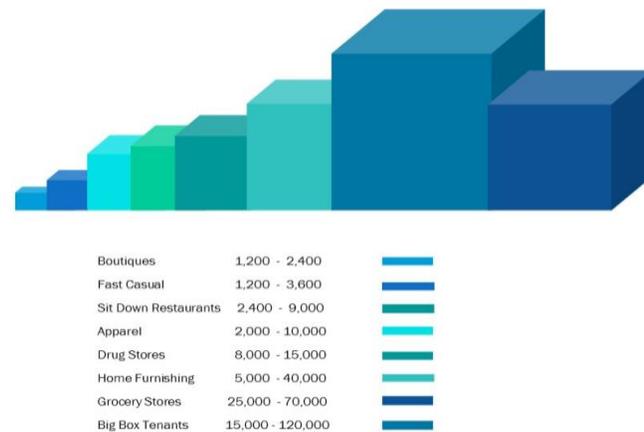
Primary Retail Categories

Neighborhood Goods & Services (NG&S): grocery stores, convenience stores, drugstores, florists, bakeries, delicatessens, butchers, dry cleaners, salons, tailors, laundromats, spas, liquor stores, shoe repair, shoe shops, and stores of similar tenants. These types of retail establishments draw shoppers within a quarter mile trade radius. They are places people would run a Saturday errand.

Food & Beverage (F&B): sit-down restaurants, take-away food, cafes, bars, coffee shops, sandwich shops, ice cream shops, fast food restaurants, and similar types of tenants. Food and Beverage uses are used by local residents within a half mile radius, but their draw extends beyond this, especially for unique concepts.

General Merchandise, Apparel, Furnishings, and Other (GAFO): clothing stores, furniture stores, discount stores, bookstores, jewelry stores, gift stores, pet supply, home décor stores, music stores, sporting goods stores, craft stores, mattress stores, electronic stores, auto parts stores, hardware stores, and similar types of tenants. GAFO includes all other retail and is the largest category. Retail stores in the GAFO category are usually bigger in size and tend to draw shoppers who make big purchases, but less frequently. Therefore, GAFO draws shoppers outside a one-mile trade area.

Average Square Feet by Retail Category



The Frederick Retail Marketplace

Frederick boasts many strengths and appears to be well positioned to appeal to local and national tenants and remain competitive in the near and long term. The market also faces certain challenges that must be acknowledged and/or addressed in retail attraction.

Market Strengths



Strong demographics and market indicators.
Continued residential and employment growth.
Strong tourism and visitor market, with new facilities that will bolster growth.
A solid base of retailers with demonstrated success already operating in the market, (local and national).
Several established clusters of retail with fairly stable activity.
Retail lease prices that are well below competitive markets, especially appealing to smaller chains and independent tenants - even in newer spaces and for those testing the market.
Historic building stock which sets the stage for really creative retail uses.
New mixed-use developments that are architecturally current with compelling components and space.
A stable market, with above average disposal income.
Access to a regional consumer and employment base.
Downtown Frederick which is walkable and physically appealing with its historic buildings and public spaces.
Opportunistic gaps that exist in the current retail mix.
A range of potential retail development sites, including surface parking lots, new mixed-use projects, historic buildings, and redevelopment sites, all of which present an opportunity for retailers considering the market.

Constraints & Challenges



A lack of suitable retail product for retail tenants.
Older retail property that has not been well maintained or is obsolete (East end of Downtown and Golden Mile area).
New development in markets to the south are creating clusters of retail, food and entertainment, which distract the current consumer base, especially those living and commuting south.
Extremely aggressive marketing and competitive positioning of nearby jurisdiction and markets. North Bethesda and Rockville Pike, two communities that have established a collaborative marketing program, and Downtown Bethesda, are perhaps the most aggressive.
Lack of connectivity of retail properties, especially outside the core, largely due to auto-oriented centers along older retail corridors.
Misperception about the sophistication of the market, availability of parking (primarily in Downtown) and distance - especially for those unfamiliar with the city from markets such as DC and Baltimore.
Inconsistent retail traffic.
Physical and organic boundaries, including along Route 40 and 26 and coming off I-270.

The Retail Leasing Landscape

Frederick is gaining a reputation as a HIP city, with a growing foodie culture, creative class, artists and related activities. An influx of upscale, empty nesters, including in Downtown, indicates potential opportunity for nontraditional retail and retail that appeals to a range of youthfully oriented and diverse audiences. Lease prices and terms make Frederick an extremely attractive market for small independent and regional tenants, even national ones testing the market.

Frederick boasts a compelling mix of national and local retailers. Signature retail tenants such as Wegman's and Talbots add credibility to the market, and national acclaimed restaurant VOLT creates a compelling story and demonstrates credibility of the market to other tenants.

Frederick's Downtown is one of the more robust retail environments in the city with over 200 retail businesses. Many of these businesses are local and help to influence a truly vibrant environment that draws customers from as far away as Fredericksburg. However, the lack of new building product in the downtown area, and a large inventory of buildings with small footprints have limited the type of tenants that come into the neighborhood. Newer developments in Downtown Frederick offer up-to-date space that many of today's tenants require.

Rents in the city start at a low of \$10/sq. ft. for space in Downtown Frederick to the low 30's for new space coming online in the market (under 5,000 sq. ft.). Retail space in the core, along the primary commercial streets and in built centers, tends toward a range of \$15 - \$20/sq. ft. Average asking rents are slightly higher, but have held steady since 2013, at \$22.65/sq. ft. NNN.¹⁴ The overall average retail rent attained is \$18.50/ sq. ft./NNN.¹⁵

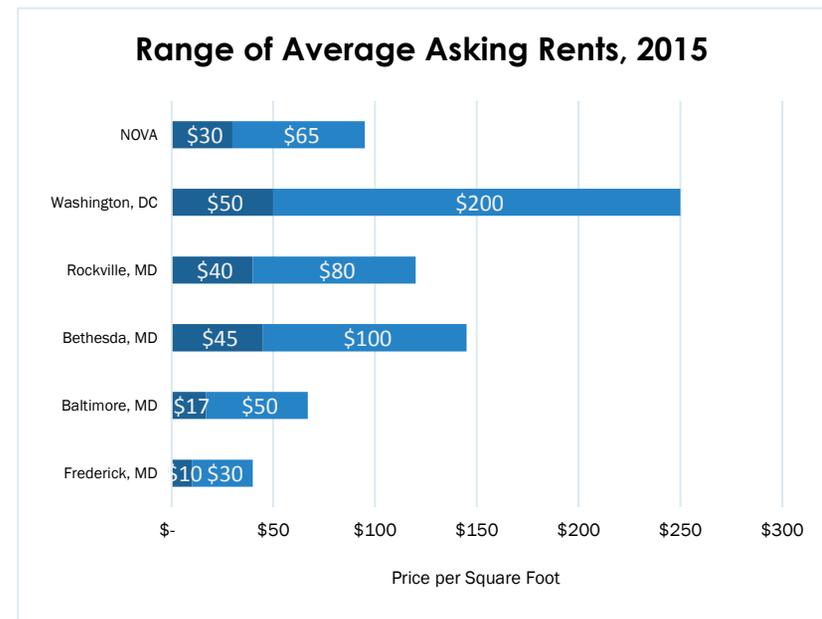
Typical retail lease terms begin at five years, and generally have renewals in five-year increments. Some of the spaces including new buildings on the Creek, are offering space for shorter than average terms (36 months), this is ideal for young businesses, tenants in transition or new to the market and independent retailers, who may not be ready to commit to a longer lease.

Average Asking Rents

\$22.65 SF Frederick

\$23.12 SF Suburban MD

\$25.57 SF NOVA



¹⁴ LoopNet October 2015

¹⁵ CBRE Qtr2MD Market Report

Size of the current retail inventory may also be limiting new tenants. In Frederick, the average lease is approximately 3,100 sq. ft.¹⁶ There are currently thirty-five active retail listings in the market (30 buildings)¹⁷ though some of the space listed as retail is really flex space, and four of the listings are in planned projects. The majority of the available spaces in the city are below 2,500 sq. ft. According to a 2013 survey of nearly 20,000 retailers focusing on location and site selection requirements,¹⁸ fifty percent of retailers require more than 5,000 sq. ft. and twenty percent want more than 10,000 sq. ft. The gross leasable area (GLA) tends to be higher across all built center types than street front retail and national chains often have higher space requirements than local and independents retailers.

Frederick's retail vacancy rate falls between 8.2% - 10.5%, depending on the neighborhood. The variation occurs depending upon who measures it and how it is measured. The rate is slightly higher on the Golden Mile because of the Mall, which is currently being repurposed. The city's retail vacancy rate, though higher than some markets, is lower than the U.S average, currently at 13%. The vacancy rate is higher than other competitive markets including Bethesda at 2.3% and Montgomery County at 4.3%¹⁹ and the overall Baltimore Metro Retail Market²⁰, which is at 5.6%.

Understanding how Frederick fits within the retail market nationwide and regionally helps to create perspective on the market.

The United States is the world's largest retail market with personal consumption expenditures of \$3.5 trillion annually (excluding services)—roughly \$11,300 per person for its 314.2 million citizens. According to the National Retail Federation in the 1st quarter of 2015 there were 68,283 retail establishments in Maryland. These account for \$23 billion of direct impact on the state's GDP and a total impact of \$46 billion on GDP.

8.5%

Average Retail Vacancy Rate

The U.S. also leads the world in shopping center Gross Leasable Area (GLA) per capita at nearly 23 square feet per person, well ahead of other countries.²¹ ICSC estimates that average range of built retail space for falls anywhere from 10 – 32 sq. ft. per capita. The rate varies depending on location and type of community.

The City of Frederick has 650,352 sq. ft. of built retail GLA²² or nearly 9.5 sq. ft. per capita.

¹⁶ MacRo Report Qtr12015

¹⁷ LoopNet, CityFeet October 2015

¹⁸ NREI

¹⁹ CBRE Qtr2MD Market Report

²⁰ Baltimore City and the counties of Frederick, Carroll, Harford, Cecil, Howard, and Anne Arundel

²¹ Cushman Wakefield 2014; ICSC Shopping Centers Today

²² Frederick Retail Centers Report 2014

The Trade Areas

Trade areas help communities to understand which retailers to target and why. A **Primary Trade Area** represents seventy five percent of consumers from within three miles or less. These are smaller in dense markets and are critical for basic goods and services, groceries and some food and beverage.

A **Secondary Trade Area** draws ten to twenty percent of consumers from three to seven miles. These can extend further in areas where there is less housing and retail. These are critical for evaluating the market for food & beverage.

The **Tertiary Trade Area** has the fewest consumers and can extend past twenty miles. These are important when evaluating a market for GAFO (Big box, department stores, specialty stores, and home furnishings). Theaters have their own trade areas, and typically include a minimum three-mile distance from competitors, mandated by distributors. These distance requirements sometimes shrink in very dense environments.

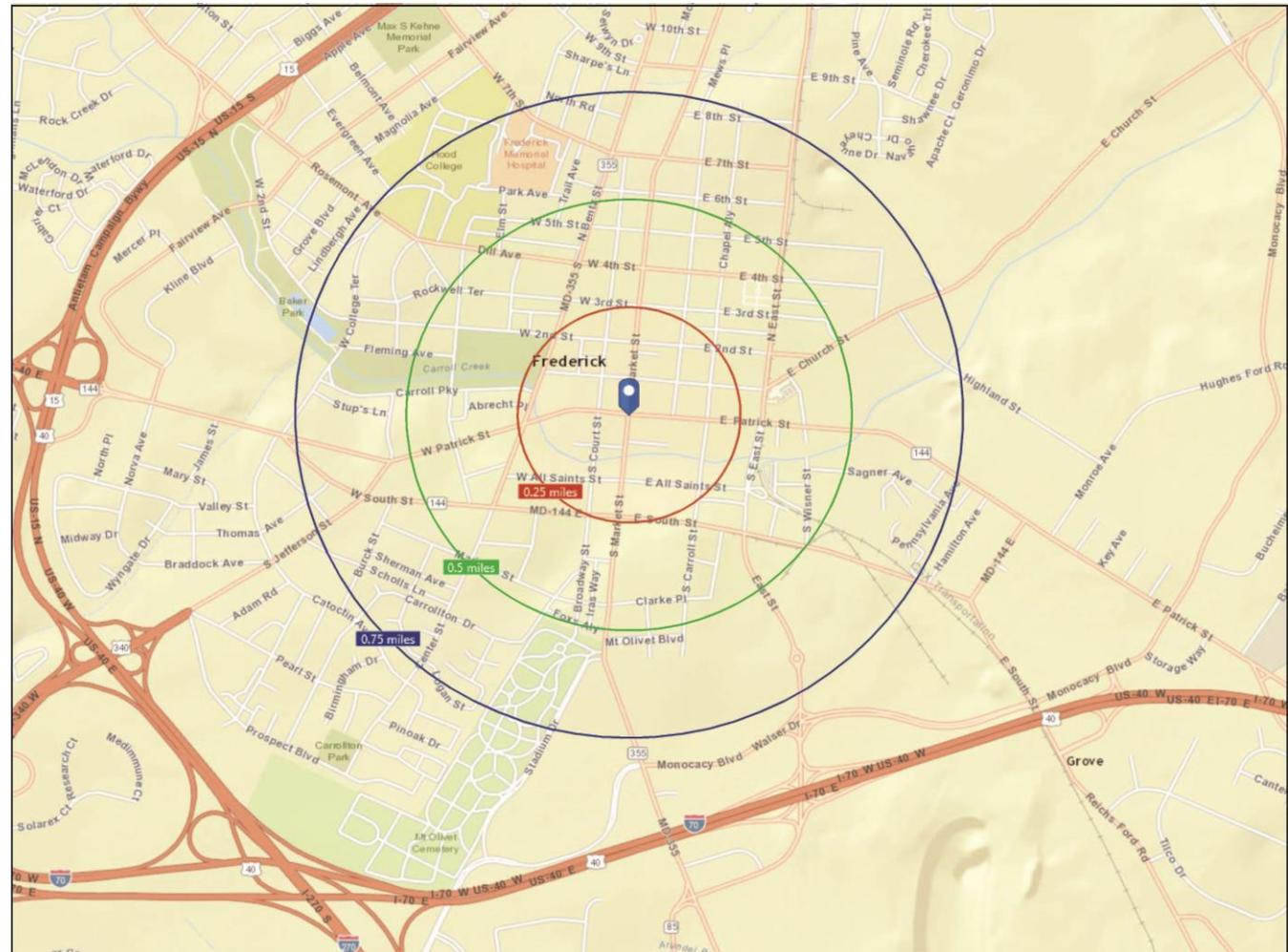
In a market such as Frederick, you must factor in the destination element of the Downtown, and the surrounding geography and adjacent communities, which are less dense, spread out, some still with agricultural uses.

Retailers typically analyze markets and trade areas using rings and walk/drive times. For the purpose of this study, we used the intersection of West Patrick and Market Streets as our center point. We examined the city using a variety of geographies, each with individual strengths. The core market for Downtown is within .5 miles of this intersection. The primary trade area (PTA) is 1-mile radius – which accommodates walkability. The secondary trade area lies within the 3-mile radius. The tertiary trade area is within a 30-minute drive time and represents the regional market.

For marketing purposes, the sensible approach is to use those geographies that retailers and developers are comfortable with in site evaluation. Other data and metrics can be used to augment this information and highlight nuances of the market. Common metrics used by retailers consider in evaluating a market include population, household data, educational attainment, age, income and ethnicity.

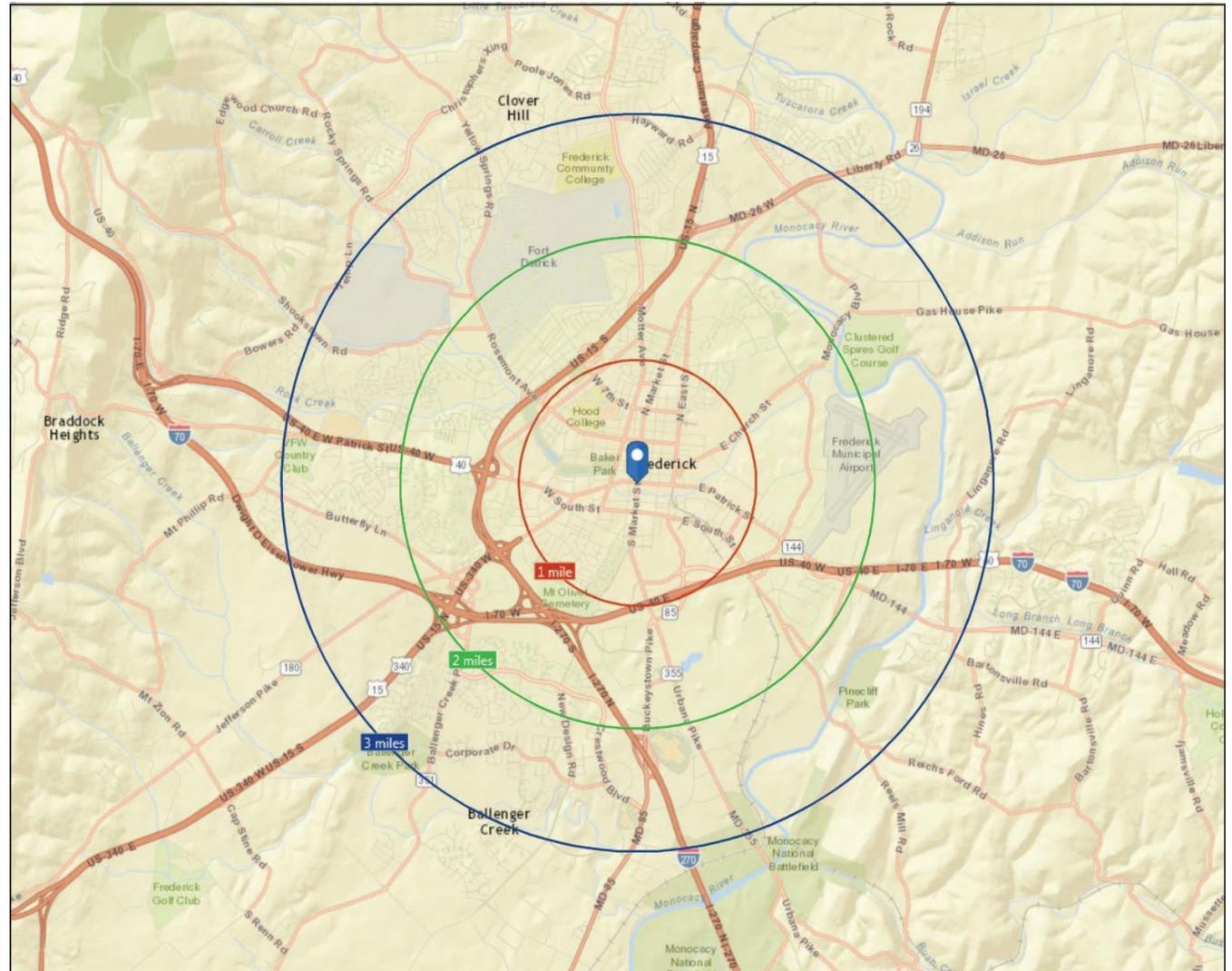


The core market for Downtown is within a half mile of the intersection of West Patrick and Market Streets. The Primary Trade Area (PTA) is a one-mile radius from this intersection and accommodates walkability.



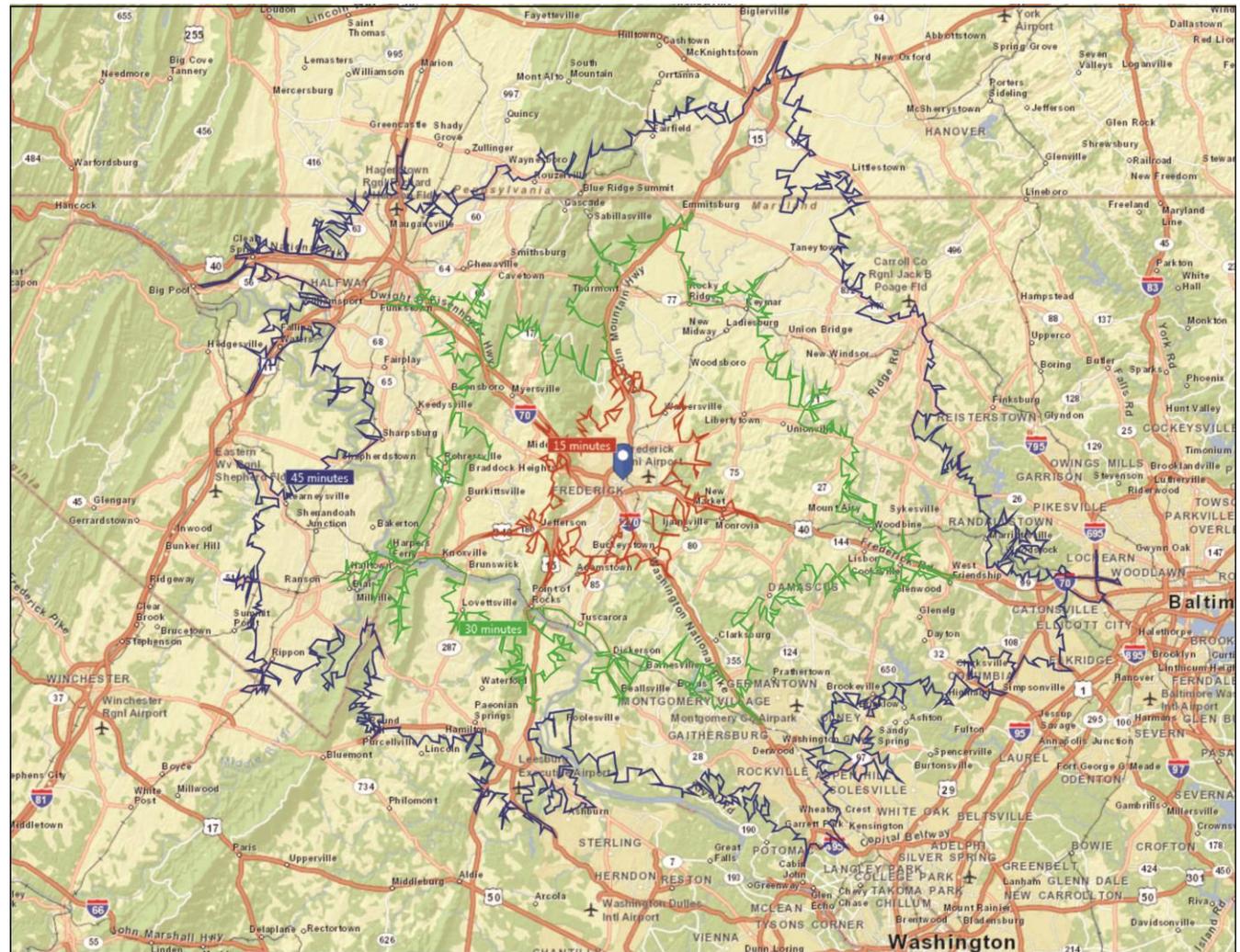
Walk Times: .25, .50, .75 miles

The Secondary Trade Area lies within the 3-mile radius of the intersection of West Patrick and Market Streets



Distance: 1, 2, 3 Mile Rings

The tertiary trade area is within a 30-minute drive time of the intersection of West Patrick and Market Streets. This reflects the broader buying power within the regional market.



Drive Times: 15, 30, 45 Minutes

Retail Market Profile

The profile offers a snapshot of the Downtown Core Market, and the Primary, Secondary and Tertiary Trade Areas. The metrics reveal the composition within the various geographies and how these compare.

The Retail Market Profile			
Geography	Trade Area	2015	2020
.5 Miles	Primary	5,380	5,462
1 Mile	Primary	12,532	12,810
3 Miles	Secondary	70,065	72,919
30 Min Drive	Tertiary	341,456	363,733
Age	Median Age 2010	Median Age 2015	% of 2015 Millennials
.5 Miles	39.8	40.8	18.1
1 Mile	39	39.8	16
3 Miles	34.3	35.2	16.7
30 Min Drive	37.5	38.4	12.3
Income	2015 Median HHI	% of HH Over \$100K	2015 Disposable Income
.5 Miles	\$50,072	18.5	\$39,953
1 Mile	\$52,782	20.9	\$42,207
3 Miles	\$64,649	25.3	\$51,768
30 Min Drive	\$86,409	42.5	\$66,306
Education & Employment	% of BS+ Degrees	% of Civilian Employment	% of White Collar Jobs
.5 Miles	42.5	93.6	65.1
1 Mile	37.1	93.2	66.6
3 Miles	34.8	92.6	66.5
30 Min Drive	42.1	94.7	70.9
Ethnic Composition	% of White	% of Black	% of Hispanic
.5 Miles	74.6	18.7	5.5
1 Mile	74.9	16.5	7
3 Miles	61.9	18.6	16.2
30 Min Drive	74	11.3	10.4

Who is The Frederick Consumer?

Frederick Consumer Profile: Tapestry Segmentation

We examined the psychographic profile of residents in the Primary and Secondary Trade Areas to gain a better understanding of the residents' spending habits and preferences. Several distinct tapestry groups are dominant in the market, titled by ESRI as "Emerald City", "Set to Impress", "Metro Renters" and "Enterprising Professionals."²³

These groups prevail across the various geographies. Each has distinct characteristics, but there is overlap and there are dominate traits, trends and preferences that stand out.

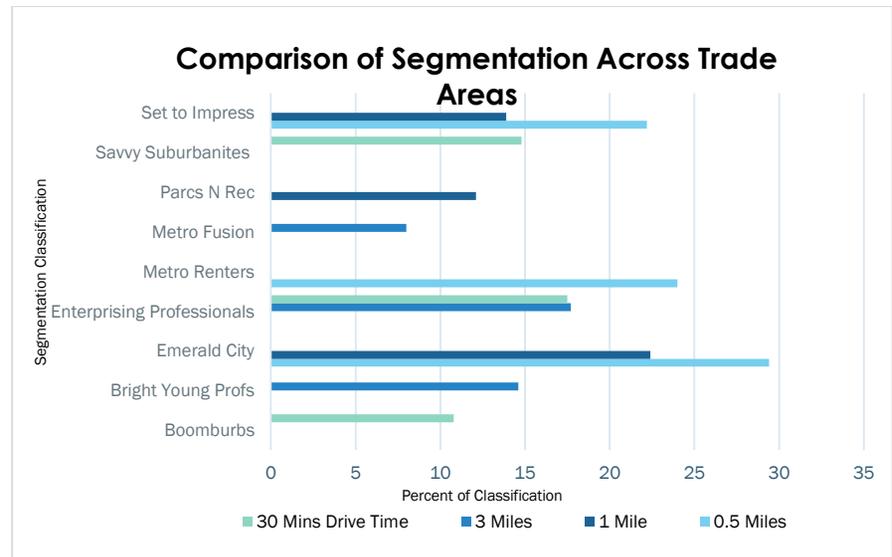
Set to Impress, Emerald City, and Metro Renters are the most common segments within the core – The Primary Trade Area, anything with in the 1-mile area. Enterprising Professionals is the single most common, and dominate segment beyond the 2-mile mark, or the Secondary Trade Area.

Just What Does This Mean?

The psychographic analysis undertaken evaluates the current population and, using a series of indicators (income, age, education, employment, etc.), provides reliable insights into these consumers' wants and needs. The psychographics of needs and wants segmentation operate on the theory that people with similar tastes, lifestyles, and behaviors seek and cluster with others having the same profile ("Birds of a feather flock together") and that these behaviors can be measured, predicted and targeted.

Retailers understand these tendencies and use this information to profile, categorize and understand consumers in markets they are evaluating. They also use it to determine whether prospective consumer segments are an ideal fit for the goods and/or services they sell. Segmentation is a critical facet of retail site selection and central to the process of looking for the best locations for new stores

and evaluating the success of existing locations. Segmentation is also used to select merchandise suited to customer preferences and direct advertising with the right messages and images to the right audience. ESRI's current *Community Tapestry*, builds on its foundation of proven segmentation methodology.



Hallmarks of Community Tapestry and any effective segmentation methodology are accuracy and stability. Each neighborhood is analyzed and sorted by more than sixty attributes, including income, employment, home value, housing type, education, household composition, age and other key determinants of consumer

²³ ESRI 2015 Community Tapestry

behavior. ESRI's *Community Tapestry* segmentation system combines the "who" of lifestyle demography with the "where" of local neighborhood geography to create a model of various lifestyle classifications or segments of actual neighborhoods with addresses—distinct behavioral market segments.

An accurate customer profile illuminates and helps define customer behaviors. The profile can also pinpoint a retailer's core customer groups, as well as opportunity groups.

Trade Area Geographies Segmentation

All U.S. households fall into one of sixty-six lifestyle segments. The following is the Community Tapestry for Frederick's primary and secondary markets.

Primary Trade Area

Emerald City Median Age is 36.6; Average HH size 2.05

Residents live in lower density urban areas, often row houses, in neighborhoods that are older primarily built before 1960. Nearly fifty percent are renters and over fifty percent of the households are single person and nonfamily types.

They tend to be well educated, fairly well employed, even self-employed, and their income comes primarily from wages rather than investments. They are well connected and use on the Internet for entertainment. They work out, trend toward food culture and are conscientious about nutrition often buying organic and natural products. They are also environmentally sensitive. They place importance on learning, and are interested and enjoy music and art.

Their spending reflects these priorities; they spend more on education, entertainment and housing than apparel. They also spend close to the average on food and the same level for pensions and SS. They are more likely to shop at Whole Foods and Trader Joe's than Giant Foods. They will happily pay someone to clean so they can go to yoga.

Set to impress Median Age is 33.1; Average HH size is 2.1.

They tend to live in multifamily buildings and rental complexes, with lower than average rents. Their homes are often nestled in neighborhoods that are comprised of single-family homes, commercial businesses and older infill buildings. Renting is more common than home ownership and mostly located in urban areas. Nearly one in three is between the ages of 20 – 34. They maintain close relationships with families.

Their income levels are generally below average, many are working in food service while attending school. This group is very image conscious and use the latest fashions to bolster their appearance. Though they prefer name brands, they are always looking for a deal and will go generic if it is a better price. They shop at Walgreens, and discount retailers as Marshalls, TJX, and Nordstrom Rack.

They spend more on education, than food, housing transportation and entertainment. They generally own used imported vehicles and only have cell phones. For leisure, they go to concerts, clubs and outdoor venues such as the zoo.

Metro Renters Median age is 31.1; Average HH size is 1.66.

Residents are highly mobile, value education and creativity, are interested in fine arts and strive to be sophisticated. Renters dominate at around 80% of the market. The majority of the households are singles and they live alone or with roommates in older urban apartments and condominiums in the urban core. Their neighborhoods are dominated by 20+ unit apartment buildings surrounded by offices and businesses.

Their income is close to the U.S. average (Median HHI \$52,000). They tend to spend a lot of their income on rent, clothes, services and the latest technology. The majority of their budgets go to education, and they spend equally of food and housing, than entertainment and transportation. They shop for clothes at Banana Republic, Gap and Nordstrom.

These savvy consumers use the internet to educate themselves before making purchases. They prefer Macs and tablets, which they use for reading and entertainment. They are partial for organic foods and shop at Trader Joe's and Whole Foods. In addition, they like wine bars and restaurants. They like physical activity including yoga and skiing and get around by walking, biking and public transit.

Secondary Trade Area

Once you go outside the 1-mile or 15-minute drive time – two segment categories dominate the market. The other groups account for roughly the same percentage of consumers.

Enterprising Professionals Median age is 34.8; Average HH size is 2.56

Enterprising Professionals dominate the market outside of 1-mile mark. Their income levels (Median HHI \$77,000) are easily 1.5 times the average U.S. This young population group is well educated, over 50% has at least a BS, they are climbing the professional ladder, and many work in STEM professions.

This population groups is one of the fastest growing and most diverse. Asians comprise close to twenty percent of the population. Almost half of households are married couples, and thirty percent are single person households. They reside in a range of housing from suburban single-family homes, row homes, and larger multi-unit structures. Fifty percent are still renters – partially as they change jobs a lot.

They are early adopters of tech and spend a lot of time in front of a computer. They like the latest gadgets, use tablets for reading books and newspapers, and shopping. Their money goes to pensions, education, housing, food, transportation and entertainment. They spend more on apparel than other peer groups in the market, with a penchant for name brands, but still below the U.S. average. Convenience is key and they frequent the dry cleaners, Starbucks and Amazon. Families will eat out at Cheesecake Factory and Chick Fil A.

For leisure, they watch movies and TV on demand and HDTV and happily pay for faster connections. They also frequent the beach, museums and even gambling.

Savvy Suburbanites Median age is 44.1; Average HH size is 2.83

This group is well educated, well read, and well capitalized. Families include empty nesters and empty nester wannabes, who still have adult children at home. They typically live in established neighborhoods found in the suburban periphery of large metropolitan markets. An overwhelming majority owns their own homes (91% home ownership), primarily single-family homes with a median value of \$311,000. Their suburban lifestyle includes home remodeling and gardening plus the active pursuit of sports and exercise. Nearly fifty percent of them are college graduates, and seventy-six percent have some college education. Nearly two thirds of this group actively participated in the labor force and over sixty-five percent of the HH have two incomes resulting in a median HHI of \$104K.

They are well-connected consumers that appreciate technology and make liberal use of it for everything from shopping and banking to staying current on new brands and deals to communicating. They are foodies, enjoy good food and wine and like to cook with a preference for natural or organic products. Gardening and home remodeling are priorities, and they are likely to grow some of their own produce and herbs. They like amenities including high tech gadgets, live performances and cultural events. Residents prefer late model, family-oriented vehicles: SUVs and minivans.

They are not afraid of debt; many households carry first and second mortgages, and home equity credit lines. Their busy lifestyles are also lend toward extensive use of housekeeping and personal care services even gardening services. They are physically fit, actively participate in a range number of sports, from skiing to golf, and are happily willing to invest heavily in sports gear and exercise equipment.

Retail Opportunities

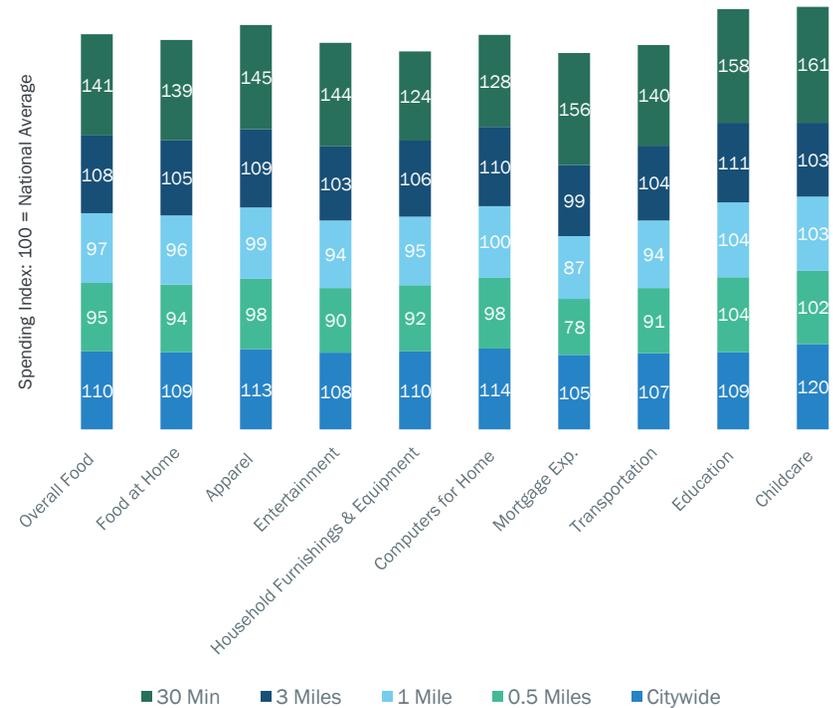
Sectors

Retail sales were compiled by expenditure type within the Frederick primary study area. Because the geographies vary greatly, we benchmarked against the national average, which is 100. Indices over 100 in individual category indicates spending is above the national average; below 100 indicates spending in a particular category is below the national average.

The categories of retail studied include:

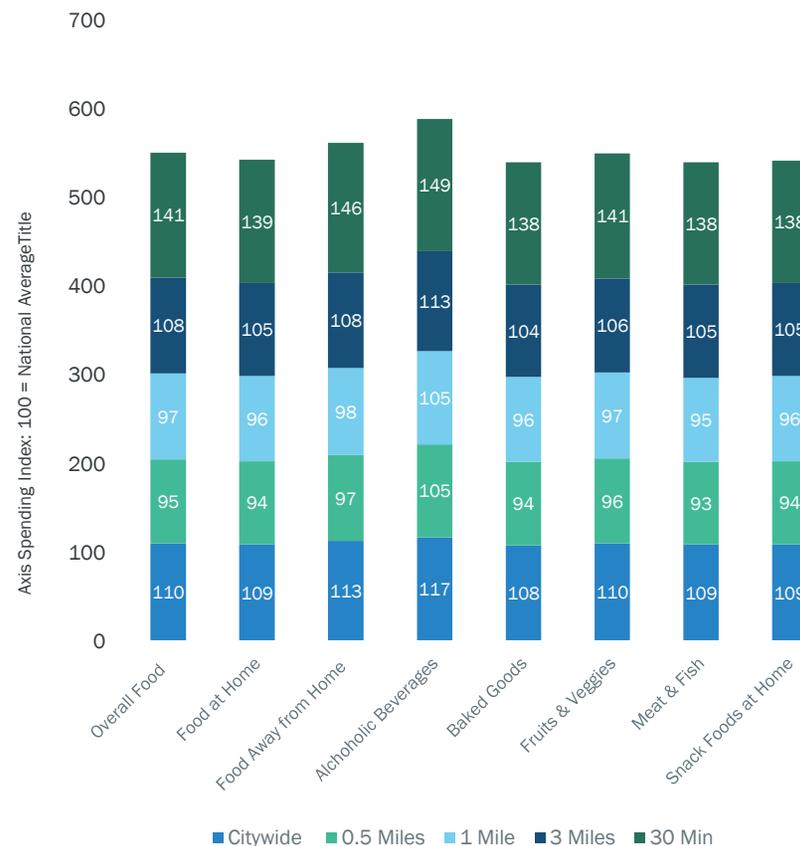
- Grocery
- Food/beverage
- Apparel
- Entertainment (General, Admission Fees, Dating Services)
- Personal Care
- Household Furnishings & Equipment
- Shelter
- Education
- Childcare
- Transportation

Index Comparison: Spending on Retail Goods & Services by Category



Food related expenditures were indexed separately because of Frederick's strong restaurant climate and consumer interest in more and better food retailers and grocers. This analysis suggests that there is an exceedingly strong market opportunity in the Downtown and primary trade area for specialty retail stores, entertainment, grocers and regional businesses. A detailed break out is provided in the Appendix to this report. The charts on the following page demonstrate demand within the trade areas in study area, and then a detailed breakout by retail category.

Index Comparison: Spending on Food By Category



Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded.

Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. This is based on residential population only and does not account for daytime population or visitors.

All supply and demand estimates are in current dollars.

Total Retail Demand: Frederick Primary & Secondary Trade Areas				
	.5 Miles	1 Mile	3 Miles	.30 Min Drive
Total Retail Trade & Food Drink (NAICS 44-45,722)	\$240,481,155	\$454,237,677	\$2,018,320,379	\$4,219,434,762
Total Retail Trade (NAICS 44-45)	\$220,726,179	\$415,060,981	\$1,832,432,279	\$3,820,552,313
Total Food & Drink (NAICS 722)	\$19,754,976	\$39,176,695	\$185,888,100	\$398,882,449

The sales and indices only tell part of the story. The strength of the regional population and visitors to the area indicate there is room for growth.

The research suggests that a sizable portion of the retail sales are leaving the market in certain categories. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus).

A positive value represents 'leakage' of retail opportunity outside the trade area (Define "leakage" as consumers who leave the trade area for goods and/or services that they want, but cannot find, in it.). A negative value (red) represents a surplus of retail sales, a market where customers are drawn in from outside the trade area to it.

The Retail Gap represents the difference between Retail Potential and Retail Sales.

ESRI uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity.

Retail establishments are classified into twenty-seven industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector.

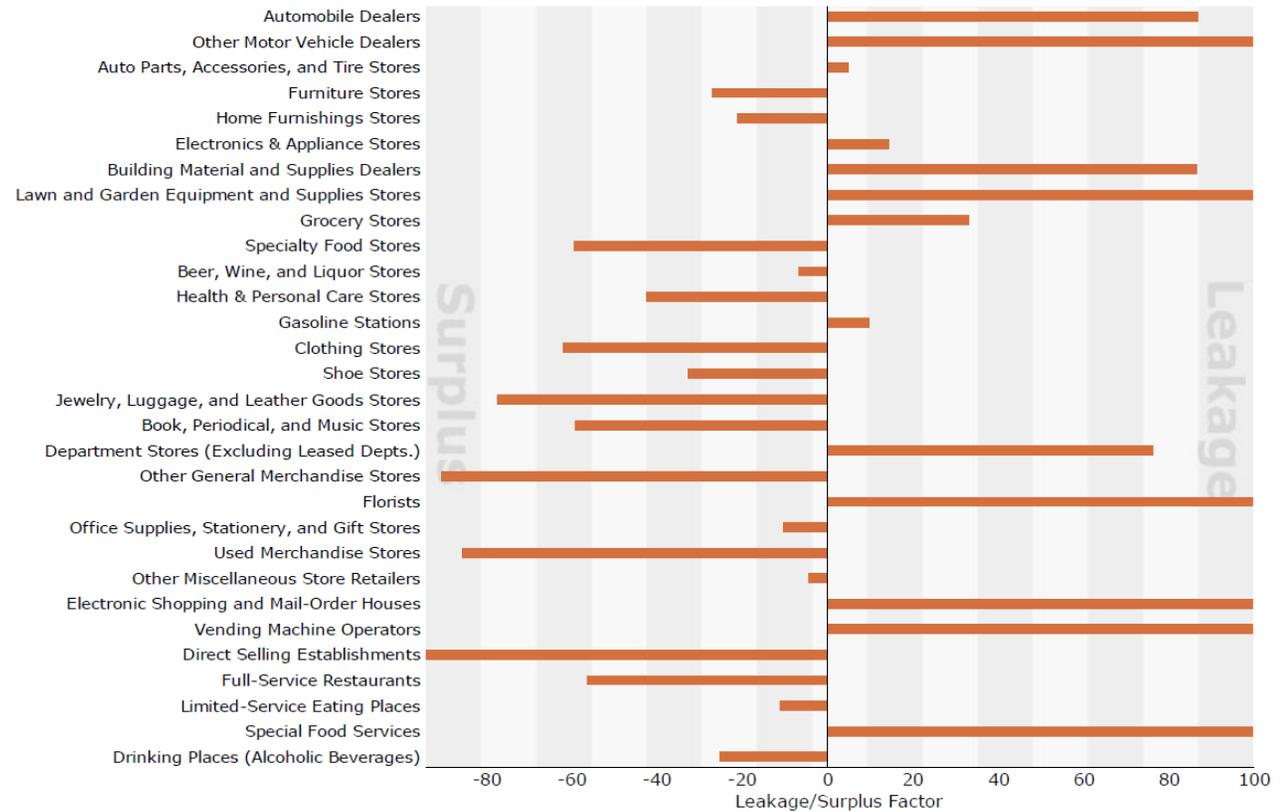
The following demonstrates the leakage and surplus with in the Frederick PTA and STA. A negative amount (red) indicates that sales are coming from outside the area. Positive numbers (green) indicate that consumers are leaving the market to shop and opportunity.

Retail Demand, Supply & Leakage: Frederick Primary & Secondary Trade Areas				
	.5 Miles	1 Mile	3 Miles	.30 Min Drive
Total Retail Demand	\$75,372,816	\$163,946,411	\$887,834,384	\$5,286,339,893
Retail Supply	\$270,481,155	\$454,237,677	\$2,018,320,379	\$4,219,434,762
Retail Gap	\$165,108,339	\$290,291,266	\$1,130,485,995	\$1,066,905,131
Leakage Factor	-52.3	-47	-38.9	11.2



Frederick - Walk (via rings)
1 N Market St, Frederick, Maryland, 21701
Ring: 0.5 mile radius

Leakage/Surplus Factor by Industry Group



Source: Esri and Dun & Bradstreet. Copyright 2015 Dun & Bradstreet, Inc. All rights reserved.

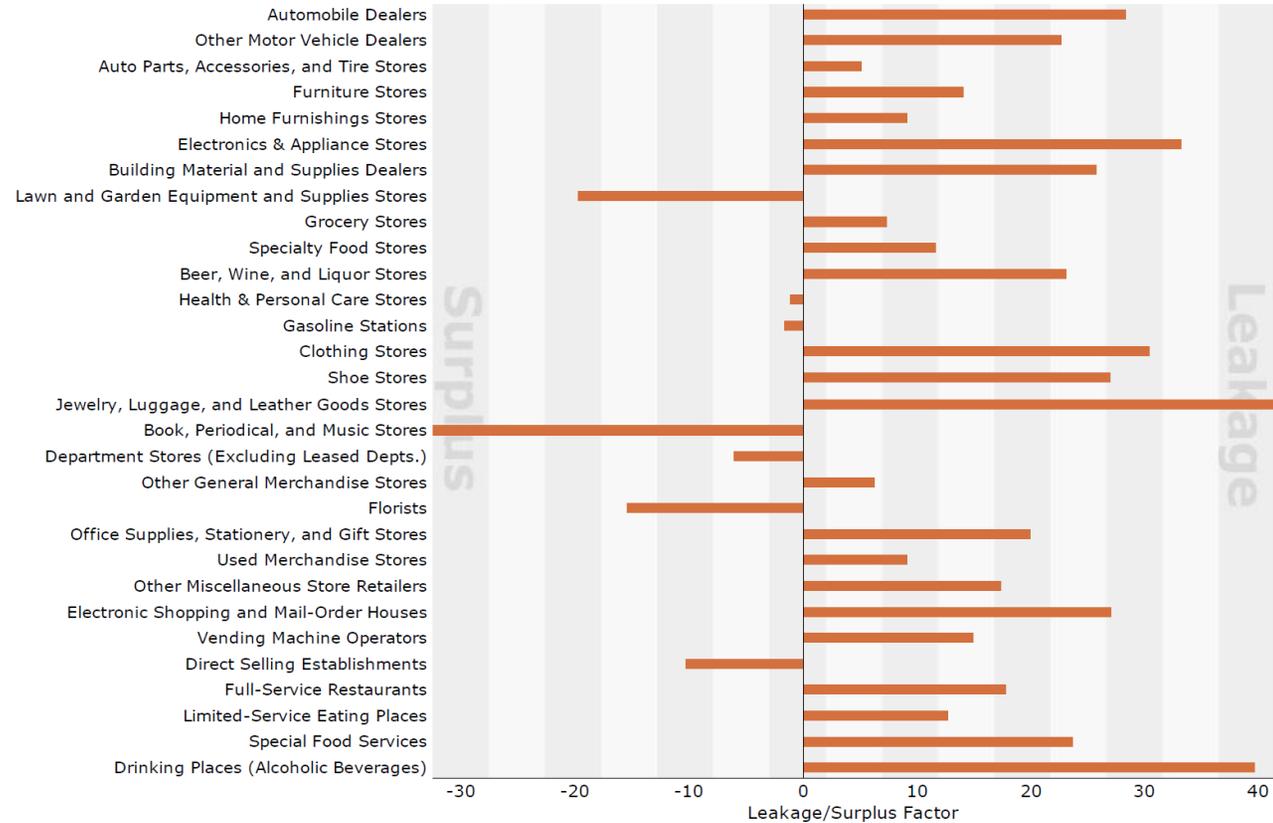
August 22, 2015

Prepared by Esri



Frederick - Secondary Trade Area
1 N Market St, Frederick, Maryland, 21701
Drive Time: 30 minute radius

Leakage/Surplus Factor by Industry Group



Source: Esri and Dun & Bradstreet. Copyright 2015 Dun & Bradstreet, Inc. All rights reserved.

August 13, 2015

Prepared by Esri

By Geography

The analysis has revealed three distinct submarkets in the city with the greatest prospect to support new retail growth.

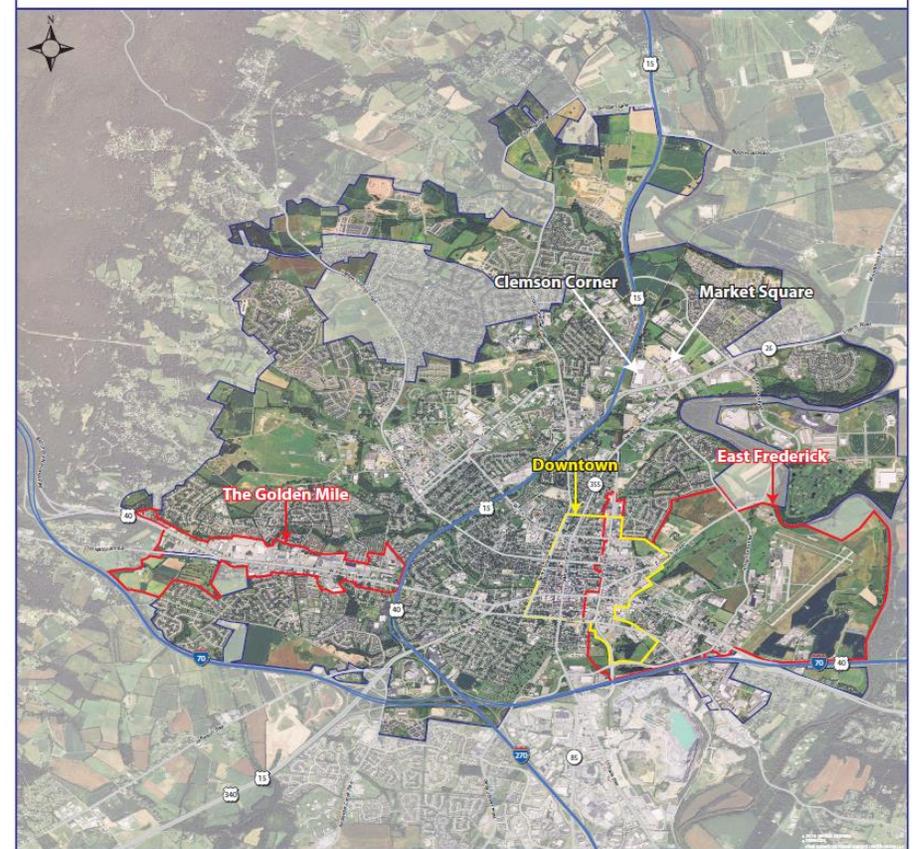
Downtown Frederick

The Golden Mile

East Frederick

These areas were identified based on current and projected demand, recent and estimated residential growth, traffic patterns and volume (pedestrian, vehicular), the availability of sites (land and buildings), new development in the pipeline, and community and political will. There are obvious geographic synergies between the downtown area and East Frederick. The Golden Mile benefits from exceptional access and a broad regional audience.

There are discreet opportunities for food uses, general merchandise, apparel and boutique offerings even more creative uses such as artisanal tenants within each area.



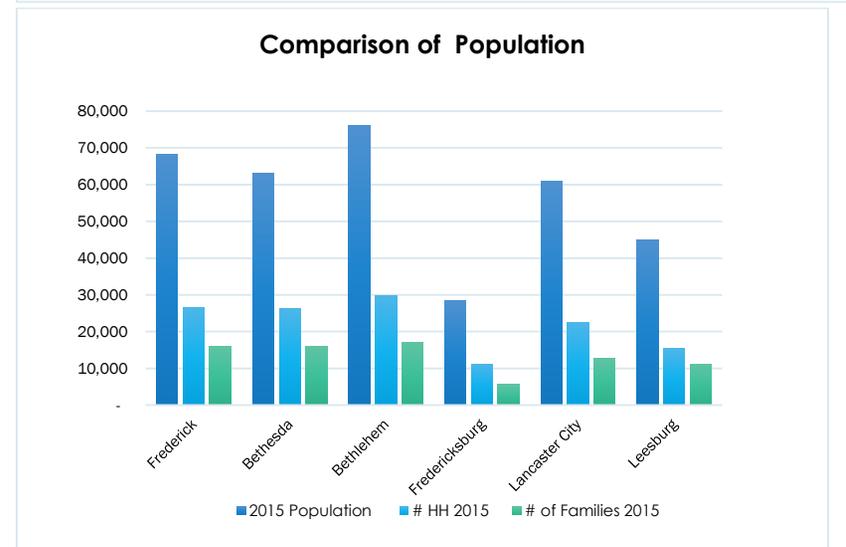
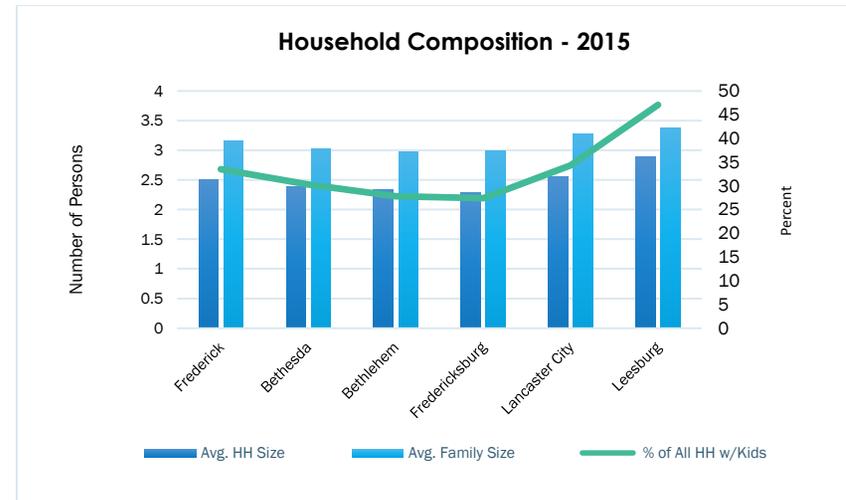
How Frederick Competes

Benchmarking Frederick against similar communities reveals how Frederick competes against other markets retailers are considering. Some of the communities selected are locally competitive (Fredericksburg, Leesburg and Bethesda); others are competitive due to demographic and psychographic profiles, adjacency to major metro areas and the mix of neighborhoods and assets (Lancaster City, Bethlehem PA). The cities selected are potential competitive markets that desirable retailers might consider for expansion.

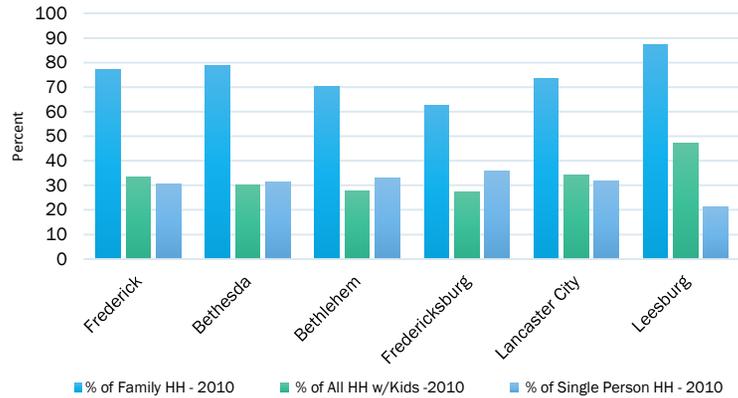
Economic and social characteristics demonstrate how each individual markets are distinct and parallels that exist. Bethesda and Leesburg are wealthier, older, less diverse (race and age), and have strong retail environments. Bethesda boasts one of the strongest retail markets in the region with a healthy mix of national tenants and boutiques and independent retailers. Lancaster City has the least wealth, yet education levels are above the U.S. average. It is also the most diverse, and is has a very strong local business and retail climate. However, the quality of jobs and retail tend to be at the lower scale of pay and rank.

Frederick fares well against Bethesda and Leesburg on key metrics retailers are looking at today: age, education, income, percent of millennials, diversity, and household type. Though Frederick’s median HHI is a bit lower than some other markets in the region, it is commensurate with the local cost of living.

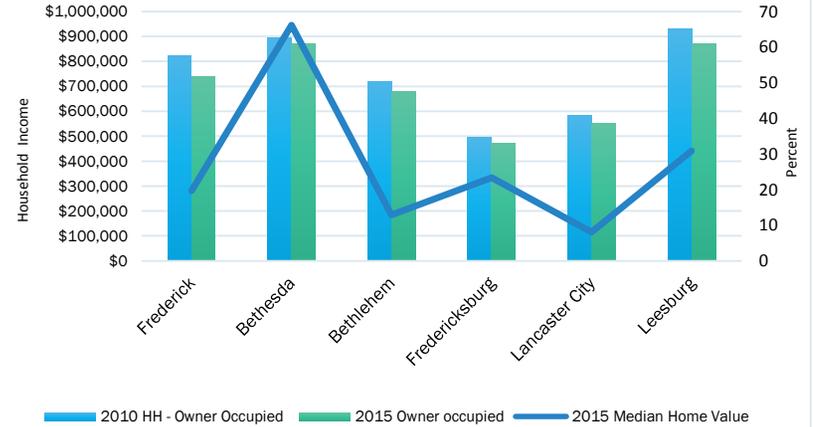
Based on the number of families, it may also be due to a higher concentration of households with only one full-time working parent. The cost of goods and housing is considerably lower than in Bethesda and Leesburg as well, thus individuals at comparable incomes have more disposable income.



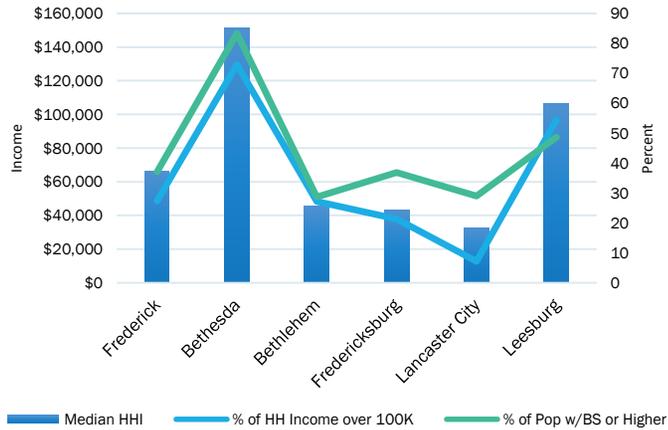
Comparison of 2010 Household Composition



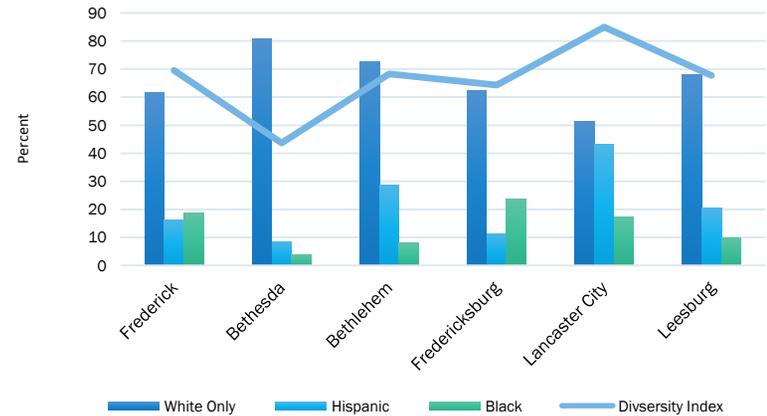
Comparison of Homeownership & HH Income



Comparison of Income & Education- 2015



Ethnic Composition & Diversity



Best Practices

Communities build credibility by using reliable data and resources accepted by the industry (BLS, ESRI, and Claritas).

Retail is an important asset that contributes to a community's economic vitality. Cities of all sizes are deploying a variety of tools and tactics to expand and improve their retail merchandise mix.

Communities that are successful in attracting retail investment generally have strong demographics and tend to be proactive in marketing and targeted outreach. They also tend to create a physical environment that is suitable and appealing and a business climate that eases and even simplifies the approval process.

Distinct approaches work better in individual environments. We identified best practices and approaches that any city could emulate and modify.

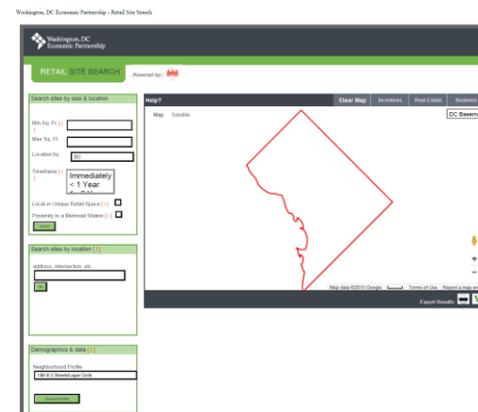
The following is a summary of successful marketing and public relations strategies, and financing, incentives and recruitment tools to support sustainable retail. Not all programs are relevant. Frederick can adopt and customize best in class tools, tactics and approaches.

Enhance Access to Data and Information

Inventory of Available Retail Sites Site inventories are most effective if they are online, for ease of access. The best inventories are sortable by size and use as well as other metrics used by industry including preferred rent, minimum square footage, and unique features such as ventilation, loading and parking. Though sometimes this can be a challenge keep current, an online database can help to maximize exposure to potential tenants and investors.

Communities can also utilize industry-listing services such as LoopNet and Costar. You do not have to be a member to do a basic search or list properties here.

Two good examples include WDCEP ([http://wdceprss.dc.gov-image to the right](http://wdceprss.dc.gov-image-to-the-right)) and Philadelphia Retail Marketing Alliance (www.philadelphiaretail.com).



Appleton Wisconsin has taken advantage of one of the basic listing services to present current listings, for sale and lease, in a simple list with corresponding map (right).



Maintain Current Market & Demographic Information Access to data is easy today with the plethora of online tools. However, sometimes the information is out of date, or a potential tenant may be looking at a market incorrectly or at the wrong geography. A community can enhance consideration of local sites by making current market data readily available on targeted and priority geographies and make the due diligence process just one-step simpler.

Some cities provide a simple demographic snapshot on their local website others post these on Facebook. A few communities take access to data collection to a higher level with searchable platforms and access to third party market data such as ESRI. Interactive platforms can be cumbersome and time consuming, especially for a small community.

WELCOME TO THE CITY OF LANCASTER
A compact city of seven square miles and 60,000 residents, Lancaster City is located within driving distance of Washington DC, Baltimore, Philadelphia, and New York. Lancaster is about much more than our geographic location, but a growing vibrant urban center where historic preservation and a cutting-edge arts scene live and thrive side by side, a city of neighborhoods that are safe and welcoming, a city that encourages entrepreneurship and investment, a city that values the cultural, civic, and diverse heritage of our residents, businesses and guests.

DEMOGRAPHICS
Population: 60,000

POPULATION
60,000 AND GROWING—2% PROJECTED GROWTH OVER THE NEXT 5 YEARS

MEDIAN AGE
34.64 YEARS

OVER 25 YEARS OF AGE
37,500 COUNTY: 350,000

ASSOCIATE COLLEGE DEGREE OR HIGHER
8,000 (21%) COUNTY: 100,000

HOUSEHOLDS
22,260

AVERAGE HOUSEHOLD INCOME
\$42,500 AND RISING COUNTY: \$66,200 / USA: \$52,000

Lancaster's Long's Park Art and Craft Festival earned the #3 fine art show and the #1 fine craft show in the U.S.
—Art Fair, 2015

Recognized as one of the "Top 100 Cities That Strive"
—National Business Journal

Lancaster City provides visitors an exported PDF report that automatically downloads with one click, (left).

populated with market, demographic and site Information, news about the market, information on incentives, new projects, and important contacts.

It is important to keep this updated, fresh, and accessible with new technologies, which also keeps users coming back. Some portals simply convene data and links from partners and organizations working to support retail and business attraction.

The Philadelphia Retail Market Alliance website www.philadelphiaretail.com convenes essential data and market intelligence that was scattered across multiple city websites. The single portal merges all relevant information about the retail market.

A Retail Web Portal “Your website is the window to your community”.²⁴ The Internet and social media are an increasingly important part of any community’s ongoing communications. Retail centric web portals are becoming more popular with communities and economic development organizations.

Retail web portals can make intelligence gathering easy by creating a “One Stop Shop” of retail centric data and information. Retail web portals are typically

Denver’s site www.thedenverretailsce.com is a very effective site integrated with video.

²⁴ Planitzen

Financing & Incentives to Attract Retail

As competition increases communities have become more creative in structuring financing and incentive packages that support independent retail, retail attraction, individual retail marketing and even start-ups and new deals. Communities have used tax incentives to capture anchor tenants such as REI and Bass Pro-Outlets. Chicago IL, Washington, DC and Portland Oregon offer property tax abatements to private food vendors (grocers and supermarkets) who invest in underserved areas also frequently referred to as food deserts.

Being able to bridge a gap between the property owner and a tenant with funding fit-out (TFO) can sometimes result in securing a tenant for a challenging space or a young retailer. Larger, national tenants often seek training funds to underwrite costs associated with sizeable hiring. The sources of funding vary from Federal and State funds, which often carry rigorous requirements and time constraints. Select foundations including the MacArthur Foundation and the Kresge Foundation provide support for retail investment.

Business Loans and Grants A variety of loans and grants are being used successfully to support retail investment and entrepreneurs. These range from traditional loans based on common bank lending rules to forgivable ones that are forgiven if the business remains in place for three to five years.

The Denver Office of Economic Development (OED) recently launched a new incentive program aimed at strengthening the city's retail sector, adding jobs and boosting retail sales tax revenues. The new "Retail Attraction Program," funded initially with \$200,000, provides an incentive pool for the OED to attract prospective retailers to Denver. The program supports small to mid-sized retailers, "first-in-market" retailers, locally unique stores and those that fill a particular gap. The retail funding is part of a larger portfolio of resources including a business personal property tax credit, site selection assistance and workforce development services, such as job fairs and custom training.

Great Streets Retail Small Business Reimbursement Grants, The Government of the District of Columbia through the Office of the Deputy Mayor for Planning and Economic Development (DMPED) administers the fund, which provides

competitive grants of up to \$50,000 for qualified small business owners who wish to improve their place of business.

The purpose of the grant program is to support existing small businesses, attract new businesses, increase the District's tax base, create new job opportunities for District residents, and transform emerging commercial corridors into thriving and inviting neighborhood centers. These grant funds can be applied towards hard costs including build-out of new or vacant space and for underwriting heavy equipment and interior and exterior improvements.



The College Park MD: Business Retention Fund This fund was created to help retain high-quality retail tenants; the program is now open for its second cycle of funding. The program offers up to \$5,000 in grant funds for leasehold improvements of existing, locally owned retail businesses.

The reimbursement grant will cover up to 50% of the total improvement costs for qualifying businesses. Applicants are ranked on various criteria with the highest scoring applicants receiving grants. A hard application deadline helped to encourage applications.

Tax Incentives and Abatements

The Los Angeles Business Tax Freeze is a unique program tailored to retail attraction. Under this initiative, businesses can receive a business tax waiver of \$500 and have business taxes frozen at the current rate for five years. Businesses new to the Empowerment Zone startups and those relocating from outside the City of Los Angeles pay only \$25 yearly for five years. Loan funds and grants once used primarily for façade renovation are now being used for working capital, tenant fit-out and even services such as training.

Tax Increment Financing (TIF) appears to be the preferred incentive used to underwrite the cost of development, land assemblage and infrastructure (parking garages, and roadways). Dallas, TX and Washington, DC have established programs using TIF to fund tenant fit-out, facade renovation and other start-up costs that may be out of reach for new or less well-capitalized, independent retailers and used as an incentive that “makes” rather than breaks a deal.

DC used a TIF to underwrite infrastructure and façade improvements of the historic Woodies Building in Downtown that resulted in attracting Forever XXI, West Elm and a museum.

Cleveland used a TIF to secure a Heinen’s Fine Foods (right) that opened in the former Ameritrust bank building in 2015. The bank space had been empty for years. The grocer serves as an anchor and features a good mix of staples and takeout food, is drawing residents, workers and visitors. The investment was intended to catalyze the attraction of other tenants. A new clothing store opened in October and several other tenants are negotiating leases.



Supermarket Tax Exemption Washington, DC’s Supermarket Tax Exemption exempts the owner of a qualified store from sales taxes on the purchase of building materials and equipment for construction or substantial rehabilitation. To qualify a supermarket must be located in a priority development area. It also exempts the qualified supermarket from the payment of license fees, personal property taxes and real property taxes levied on the supermarket for 10 years. Baltimore recently adopted similar legislation intended to stimulate grocery development in food deserts.



Miscellaneous Financing Tools

Short-term Start-Up Subsidies Landlords in Charlotte have used subsidies provided through a program sponsored by the Charlotte Center City Partners (BID) that addresses gaps in rents to encourage retail leasing. A similar tool The Lease-Subsidy Program (the “Program”), was implemented in Downtown Vancouver in the Eastside neighborhood. Utilized on a case-by-case program, it is intended to bring essential retail into the neighborhood and offset costs in the first three years, allowing a business to become financially sound. The Lease-Subsidy Program is managed by the Vancouver Economic Development Commission (VEDC) in consultation with Real Estate Services, Planning and representatives from the community.



Cleveland’s Neighborhood Retail Assistance Program (NRAP) provides a comprehensive suite of tools for local retailers and restaurants. The program has a working capital local program, a vacant property initiative intended to activate empty storefronts, and a job creation incentive program. Businesses participating in NRAP also have access to the general economic development loan program.

The Vacant Property Initiative helps overcome barriers in the full reuse of abandoned, idled or underutilized commercial and industrial properties within Cleveland. Eligible activities are property acquisition, environmental site assessments, site clearance and demolition, “as is” and “as completed” property appraisals, new construction and renovation.

Assemblage Strategies Many communities have large inventories of commercial buildings with outdated infrastructure and clusters of buildings with small footprints. Tenants and owners are becoming more creative, even assembling multiple buildings, to establish spaces to accommodate larger tenants. Others have assembled multiple buildings only to tear them down and build new retail centers.

Public resources can be used to underwrite the cost of assemblage. The most common funding source is CDBG funds. DCUSA and the H Street Connection, two urban retail projects in DC, were both completed with CDBG funding.

Master leases are sometimes executed across multiple properties. CB2 lease in Georgetown is a master lease that covers three older structures. The lease has covenants requiring replacement of structural components and walls upon lease termination.



Trader Joe’s (right) has prominent space in the Brooklyn Heights neighborhood using a master lease. The lease covers a traditional storefront and a former bank



building. The corner location provides them exceptional visibility and the combined space enables a large enough footprint for all of their operations. The store was designed with minimal interruption between the two building structures. The bank space, with high ceilings and large arched windows affords a very appealing selling environment with considerable natural light.

Marketing & Outreach & Recruitment

Strategic retail marketing is essential to ensure a community is accurately delivering its message to its target audience. For Frederick this is retailers, brokers, investors and the media. Demonstrating economic viability and promoting economic opportunities is also an important part of this process. The Internet and social media are useful tools to amplify a market to its intended audience. Yet retail is still a relationship-based business, whether between the consumer and the retailer, or the community and the retailer.



Retail Recruitment A city's dedicated retail attraction team, focused entirely on new retailer attraction and existing retailer expansion, can significantly and positively influence retail investment and retail location decisions and, along the way, accelerate process timing. To succeed, these retail staffs have to be laser-focused on marketing and promoting information of interest to retail prospects and on marketing to those prospects.

Retail recruiters should have

- (1) a clear and realistic mission;
- (2) An equally as clear and realistic understanding of the marketplace's data and profile (including strengths, weakness, opportunities and challenges);

- (3) have applicable skills in and marketing tools for economic development and real estate and,
- (4) have a demonstrated ability to sell and follow through.

Portland, Oregon has established the position of Downtown Retail Development Manager at the Portland Alliance (The BID) and supplemented that service with a part-time recruiter with experience in retail leasing and property management. The retail recruiter is focused on recruiting targeted retailers and restaurants, providing business outreach regarding financial incentives and leasing opportunities, supporting the retention of current downtown retailers and harnessing the energy of private sector leaders to get behind the "call to action." Cities and Bids including Washington, Philadelphia and Orlando also have retail recruiters, some funded through BIDs. Some cities outsource this to local brokers or consultants such as Atlanta and New Orleans.

Collateral & Proactive Tactics Cogent, compelling, cohesive, proactive marketing, online and offline, is essential to successful retail attraction and development. There simply is no other way to drive awareness, interest and sustained interaction that results in real conversations about a city's opportunities, consumers, neighborhoods, and funding programs that retailers want and need to know to make informed decisions.



Cities that undertake a direct, strategically driven and energetic approach to retail recruitment enjoy significantly and measurably better results than those that are reactive.²⁵ Cities that are successful tend to utilize a variety of tools to support these efforts.

²⁵ ICSC

Examples include:

- vertical advertising to targeted retail real estate and merchandising decision makers and influence audiences
- general marketing and retail centric marketing packages
- targeted mailers announcing new businesses or sites
- State-of-the-art and Internet websites with retail orientation or subsections;
- retail contact databases for e-mail and hard copy direct marketing
- earned media and print coverage
- special events and tours
- participation in trade shows.

METRICS

	2000	2010	2014	%
POPULATION				
2000 Population	7,028	2,054	35,307	62.24%
2010 Population	7,747	3,063	38,334	50.27%
2014 Population	7,703	3,012	35,941	46.66%
2014 vs 2010	-0.5%	-1.7%	-6.8%	-13.1%
HOUSING				
2000 # of Households	2,897	867	11,880	41.0%
2010 # of Households	2,381	1,094	13,378	56.42%
2014 # of Households	2,381	1,094	13,378	56.42%
2014 Annual Growth Rate	14.0%	9.2%	-4.0%	-9.1%
Avg. Investment Rate (2000)	3.1%	2.5%	2.5%	2.4%
Consumer Confidence (2014)	100.0%	141.0%	131.0%	93.6%
Unemployed (2000)	64.3%	10.7%	56.6%	88.0%
Unemployed (2014)	10.1%	23.0%	17.0%	69.0%
INCOME				
Median HH Income (2000)	\$18,500	\$17,040	\$26,134	142.8%
Median HH Income (2014)	\$19,040	\$17,040	\$26,800	140.2%
Avg. HH Income (2000)	\$20,240	\$20,201	\$26,408	130.6%
Avg. HH Income (2014)	\$20,207	\$20,207	\$26,408	130.6%
Per-Capita HH Income (2000)	\$20,000	\$9,000	\$13,000	65.0%
Per-Capita HH Income (2014)	\$10,500	\$9,400	\$14,740	155.0%
EDUCATION				
High School Graduate	92.0%	92.5%	95.0%	103.0%
Some College	3.0%	2.4%	11.0%	36.0%
Associate Degree	2.0%	2.0%	4.0%	20.0%
Master's Degree or Higher	2.0%	8.0%	11.0%	55.0%
ETHNICITY				
White Collar Workers	17.1%	11.0%	49.0%	287.0%
Service Workers	30.0%	34.0%	28.0%	93.0%
Blue Collar Workers	30.0%	34.0%	24.0%	73.0%
ETHNICITY 2				
White Alone	52.0%	21.1%	31.1%	59.0%
Black Alone	41.3%	46.1%	63.0%	152.0%
Hispanic Origin	1.1%	10.0%	10.0%	90.0%
AGE				
Median Age (2000)	34.7	31.7	32.6	93.0%
Median Age (2014)	35.2	32.8	33.6	95.0%
Median Age (2014)	35.2	32.8	33.6	95.0%

CITY OF MARIETTA
Office of the City Manager/Community Development
444 SW 28th Avenue, 3rd Floor, Miami, FL 33130
Phone: 305-416-1500 Email: info@cityofmarietta.com
www.cityofmarietta.com

NY, Philadelphia, Chicago, Portland (Oregon), Lancaster City, Washington, DC and Baltimore's Downtown Partnership have all developed outreach marketing packages tailored to retail. Feedback from brokers and retailers suggests that this collateral is well received by the industry. Many use this information in their own presentations

Consumer and Retail Surveys A survey can help a community gauge consumer preferences and shopping and spending patterns. A well-designed survey can be instrumental to collect primary market research that will support retail attraction and expansion. Electronic media and programs such as Survey Monkey often improve capture rates. The results can be very persuasive when presented to target tenants.

6. Please choose a restaurant from the list below that you would be most likely to visit for a Stafford dinner experience.

	Response Percent	Response Count
Cheesecake Factory	31.7%	39
Clyde's	13.8%	17
Olive Garden	23.6%	29
Ruth's Chris	10.6%	13
P.F. Chang's China Bistro	20.3%	25
answered question		123
skipped question		5

Many communities now use preference surveys so support recruitment efforts. Stafford EDA, The Downtown DC BID, New York City and Austin have used preference surveys to gain an audience with retailers. Drexel University recently surveyed their student body to learn how often they eat off campus and how much they spend on food. The data helped to shape the merchandising plan for a redevelopment project.

Buy Local Campaigns These types of campaigns are helpful to promote local retail and shopping districts and keep retail dollars within the community. These types of marketing initiatives have the added benefit of enhancing competitiveness and sustainability of area businesses.

Some communities have introduced loyalty programs as part of these campaigns to keep customers coming back. National and local organizations that work together can strengthen independent businesses as well as downtown and commercial areas. Often driven by retailers themselves or business associations, these campaigns have proved helpful in driving traffic into stores and business-to-business exchange and include advertising, collateral material and websites.



There is a lot of interest today in the concept of community reward programs. Loyalty programs today are more successful if interactive. Technological advances make this more affordable to small stores. A recent survey indicated the 59 percent of people would be more likely to join a loyalty program that offered a smartphone app. Their interest is driven primarily by the ability to save money. Portland Oregon established a loyalty program that is especially important for independent companies. North Vancouver residents get a discount by showing their membership card at participating businesses.

Media & PR – Building Buzz Effective buzz in retail must be centered on growth and expansion, new business development, and demographics, all issues retailers want to know about it. You can use PR to enhance tourism and visitor traffic, an important component of Frederick's retail consumer base. A community such as Frederick that has a destination downtown attracts many consumers from outside the immediate market. You can also use PR to build awareness about a market.

Newark, NJ used trade media to capture the attention of national grocers when no other means was seeing results. Several strategically placed articles resulted in eight calls from full service food stores and their representatives about opportunities, leading to a new Shoprite and Whole Foods. Atlanta used media to position several emerging neighborhoods in front of the industry, Regardless of your target, you need to tailor the message.

Courting travel and food writers is another way to gain continuous exposure about key destinations and food and retail offerings in the city. The combination of attractions in Downtown Frederick along with agricultural and cultural assets will capture travel writers' attention.



The Greater Philadelphia Tourism Corporation targeted writers with outlets in a two-hour drive time just close enough for a day trip. The editorial focused on free and family oriented cultural attractions, shopping and eating. They secured repeated placements in the Washington Post, NY Times, the Baltimore Sun, and a series of local papers and magazines. Lancaster City has also attained this type of coverage.

Lists and Blogs Today's tech savvy consumer is just one click away from the latest list, ranking and blog. SEO optimization can be useful to capture the attention of these lists, for there are too many in the market to capture. Targeting a select few is an ideal way to raise Frederick's profile in front of intended audiences.

Examples include Livability.com, The List are you on it, *TheListAreYouIt.com* – a local blog re shopping and entertainment; Eater DC for food; and. USNews.com's best small towns;



Industry Associations & Trade Events

Membership in the International Council of Shopping Centers (ICSC) is one of the best ways a community can build relationships with retailers and stay current on trends in the industry. ICSC conferences offer a variety of venues for a community to herald its strengths and market sites. Communities can also participate in ICSC social media channels including Twitter and LinkedIn to reach retail audiences.

A smaller community such as Frederick can accomplish their goals at regional shows such as the Mid-Atlantic Idea Exchange and NYC Deal Making conference, which is attended by many national tenants.

"The opportunity to engage face to face with so many national, regional and local retailers is unsurpassed in any other event I have attended"
David Darling
VP of Leasing
Ramco Gershenson

Booth space at these shows can be expensive, but small communities can still attain a presence on the floor by collaborating with local stakeholders or in the Public Pavilion. Many brokerage firms are happy to designate a table for the local economic team. It provides easy access to decision makers for their clients and makes their booth look well trafficked.

Retail Live! This is a new model of retail trade show formed in 2014. This similar to many regional networking events; there is an exhibit part of the program as well as a reception. The ONLY exhibitors at Retail Live are retailers.



The founders launched this initiative as a slightly counter culture to the larger ICSC shows that are often oriented to the development community. Primary attendees include retailers, brokers and investors, and communities – though more limited. The founders are planning one for the Washington Metro Area in 2016 or 2017.

Incubating Retail

From food to fashion, incubators and accelerators are becoming the rage. Retail incubators are great for launching new retail concepts and gaining a presence in the marketplace, as well as for filling otherwise empty spaces on a temporary basis.

A retail incubator's main purpose is to catalyze the process of starting and growing retail business. A strong model will provide entrepreneurs with the expertise, networks, and tools they need to make their ventures successful. Retail incubators are also useful to commercialize and test ideas, build wealth and create jobs, and build wealth. Reduced rates can help new businesses manage the costs of ramping up during the first few years. They can also be a creative way to fill empty space.



Hatch Detroit was created in 2011 to give others the opportunity to have a role in the redevelopment of Detroit). Designed as a contest, it was built on an idea called "Crowd Entrepreneurship" where residents have a role in voting for the type of retail they want in their community and determining the winner of the Hatch Contest. Since 2011, twelve Hatch Alumni businesses have opened up storefronts. Now in its fifth year, Hatch Detroit has expanded its retail role into six neighborhoods as part of Detroit Living for the City Initiative.



Food incubators have emerged in recent years driven by demand for specialty, locally produced and artisanal foods, sometimes referred to as the cottage food business. Food incubators can help entrepreneurs get started in a licensed kitchen at a fraction of the price of leasing their own space.

FOOD-X is a New York-based business accelerator focused on launching food-related businesses with a multi-stage evergreen fund SOS ventures. It collaborates with early-stage food; beverage and health food companies



to help them successfully take their products and services to market. The program provides up to \$50,000 in funding in return for 8 percent equity, as well as regular sessions with food and tech luminaries.

Union Kitchen in DC (is an accelerator intended to grow and promote small businesses in the food industry. Union kitchen is providing a low-cost, low-risk, full-service kitchen for local businesses to establish their



operations, streamline their distribution, and drive growth at every stage of the entrepreneurial process. Tenants have access to these shared facilities that for some, allows them to take their business from a home based kitchen to real commercial distribution.

Fashion Incubators are also popular. Macy's has sponsored incubators in select cities that provide training, co-working space and showroom opportunities (Chicago, Philadelphia). Many of these have launched in conjunction with universities with fashion and design programs. There are local fashion incubators that provide retail space and technical training for young designers.



Pop-up Shops Temporary stores are useful to launch new brands, test markets and even fill temporary space. Initially convened for traditional retail, these spaces have morphed into eateries, garden stores, even park space, to help activate underutilized space and begin to shift shopping patterns.



Target recently launched a pop-up store in Manhattan to boost holiday sales. Their first pop-up called Pink helped to brand a new line of teen clothing. Other national tenants have used pop-ups to test new markets including West Elm and Toys-R-Us.



Many local entrepreneurs have found pop-ups ideal as a means of transition. The Garden District, a landscaping retailer, used temporary space on 14th Street in DC until it could secure a permanent location. The space allowed them to build a customer base and learn about urban consumers preferences.



Target Audiences for Retail Attraction

Four distinct audiences exist that should be targeted by any marketing and retail recruitment undertaken by the city to stimulate retail attraction and development. Each of these groups has its own priorities and objectives and often utilizes different points of access and resources for gathering information. However, all share two basic conditions:

- Frederick desires their awareness, interest and interaction.
- Regular, consistent, signature, direct and indirect communications are required for them to have that desired awareness and interest and to make the retail site location and spending decisions that put them into Frederick.

Regardless of the audience, providing them with regular information about the offerings in the city, new and planned, is key to establishing and maintaining top of mind awareness about Frederick and keeping them engaged as consumers. Specific information can be tailored to the respective segment audience and distributed through multiple channels. The city already has a newsletter that communicates a great deal of information on activities and progress. Consider adding retail centric content or even create a separate retail-focused newsletter - even if bi-annual.

Target Audience Segments:

Retailers Prominent, better, upscale local and national retailers, senior corporate executives involved in making or influencing market and location decisions.

Real Estate Professionals Real estate brokers (local and national), VP-level real estate and site locators, and VP-level operations people.

Consumers Residents and workforce in the city, county, and region. This is the potential base that could support retail and entertainment, if they are motivated to shop and play in Frederick and share information about retail assets.

Media Local business and general market, national business and trade press, including those that cover retail, real estate, travel, historic preservation, site location and planning/urban design.

Recommendations

Immediate Actions:

- While interest rates are low and financing is still relatively affordable, encourage owners to renovate Class C & B space to attract higher-end tenants – retail, commercial and residential.
- Develop a retail web portal that includes available space, current demographics and other relevant information. This could be a microsite off the city’s main website that can be accessed by a direct click or a URL and promoted through partners such as the Downtown Frederick Partnership. It should include current demographics, incentives and tools, development information, and general news on the city.
- Create a site search section on the website (even under the current configuration) even if only a downloadable form to encourage prospective tenants to provide information regarding their needs. For example: [Frederick Retail Site Form](#): Business type and concept, status (new, Independent, expansion, franchise), preferred location, desired square footage (range), preferred rent, property requirements (parking, venting, loading, etc.), adjacencies - co-tenants, financing required, timing.
- Consider the formation of a retail council or committee that includes representation from area business and real estate organizations as well as community and professional groups as the Downtown Frederick Partnership and Golden Mile Alliance. Use it to gain consensus on critical issues and to pursue awareness among broader audience, and establish a dedicated voice to support recruitment and development. Quarterly meetings would probably be sufficient.
- Create case studies of retail success stories. Develop case studies documenting local retail successes. Create a template around the “Problem... Solutions...Measured Results” and include the use of local tools, creative approaches including assemblage, lease structures, unique approaches to design and cost of the project, including lease rates when possible.
- Enhance use of social media, targeted towards retail industry – ICSC, NRF, NRN, blogs and lists, retailers, restaurants and more.
- Grow participation at trade shows and on industry events. ICSC is one of the best means to build relationships. The NY Deal Making provides an opportunity to meet and network with many of the national and regional tenants that attend RECON for less than half the cost.
- Encourage short-term leases from six months to two years for older obsolete space and that along corridors under repositioning. This requires minimal commitment on the part of the retailer or the property owner. Popular uses in other cities include yoga studios, seasonal garden stores and craft stores. The Washington Ballet used a vacant storefront as studio space, while its new headquarters was under construction.

Explore opportunities for “Pop Up” retail. This is increasingly popular and is often used by national retailers to test markets. The concept is based around short-term leases (two to three months on average) and used to introduce new merchandise lines, test concepts, and even feature guest designers, local students, or community groups.

- Encourage retailers, owners and their agents to think out of the box. Experience shows that retailers can be creative in their use of space for overall both layout, merchandising and storage. Nevertheless, the property owners and their agents must be willing to support such measures and work with tenants, including when reconfiguration of infrastructure is required to achieve the desired results.
- Animate dead retail spaces. One consequence an older market and inventory is an abundance of vacant storefronts. When a tenant space goes empty, it is not just about the perception or the quality of the shopping experience. It adds to an overall, negative perception of the retail environment.
- Increase local market awareness and promote retail opportunities. Equally important to reaching outside of the market, is promoting opportunities within the local community. Consider hosting quarterly broker meetings focused on market updates and discussions of short- and long-term goals. Invite local retailers, even national and regional retailers, whenever possible to present at these meetings. Use this forum to engage the real estate community to support ongoing marketing efforts including those at ICSC.

Ongoing – Long-term

- Repurpose obsolete space even with creative nonretail uses that add density and create jobs. Encourage short-term leases as an interim means to activate vacant space.
- Develop an industry contact list comprised of targeted retailers and their representatives, local and national brokers, retail developers and industry media. If possible, include key leasing and market requirements (space, adjacencies, demographics, parking etc.). Include e-mail addresses, whenever possible. Use this list to reach out to initiate contact, promote available spaces and good news.
- Strengthen relationships with local and national brokers who represent desirable tenants and investors, even those outside the market who may have national representation – RKF, KLNB, and Cushman.
- Establish relationships with architects specializing in mixed-use and retail, who often are the first point of entry for retailers and investors.
- Continue to court experienced retail, mixed-use developers into the market. Many in the region have completed projects that could work in Frederick.
- Promote the city and new developments through industry organizations and associations (ULI, ICSC, and NMHC) that reach your target audiences.
- Incubate local retail. A grassroots approach to building a sustainable retail base is growing local businesses by incubation. Identify potential businesses where demand exists and there are minimal capital requirements. Identify potential locations for short-term leases to house early-stage retailers, even those that might combine individual business lines, including food and “green” retail (apparel, jewelry, home goods and furniture, and food).
- Leverage the strong food culture that already exists in the area including agriculture and promote related business opportunities. Pay particular attention to what is commonly referred to as the cottage food industry (those individuals producing food on small scale).

- Consider developing a food accelerator. This could begin with a shared commercial kitchen and grow, as resources are available to a more sophisticated training and incubation facility.
- Encourage the distribution of resources and training programs already in the market to include and focus on this sector, which fits well in independent environment already established.
- Be proactive about PR, and target national and industry media outlets that capture the attention of the retail industry. (Shopping Centers Today, NRF, NREI, Chain Store Age) and regional media as the Washington Post and Washington Business Journal. Announce all news related to the retail market – including new leases and openings, major project starts and completions and special events, locally and nationally – to those in the industry, as well as relevant general and trade media.
- Utilize display windows and vacant space for advertising. Several national firms are now programming advertising in vacant storefronts, primarily in downtown centers. These are temporary solutions, provide some revenue to property owners, sometimes even large fees if with national businesses such as Verizon, and will not prohibit fit-out if tenants are secured.

Retailers to Target

			Tenants to Target
Tenant		Average SF	Site Requirements, Background
Alamo Cinema & Draft		25,000 - 35,000	As the name suggests, it is a theater and draft house. The concept includes higher end smaller theaters with comfortable seating. Food service is a key component of their brand. They run first and second run movies depending on the market and competition. The theaters are also available for rent for corporate and local events
ALDI		17,000	ALDI is always looking to continue their expansion. , They are looking for the best locations. Their preferred site requirements include: ±18,000 SF, a minimum of 85 dedicated parking spaces; 2.5 acre pads for purchase and development; end-cap or inline space with minimum of 87' of frontage; signalized, full access intersection preferred; dense trade area population within 3 miles; sites located in community and regional shopping districts with convenient access to population and zoned to allow grocery use; and daily traffic count in excess of 20,000 vehicles per day.
Balducci's		20,000	What started as a produce stand run by "Pop" Balducci has now become a gourmet powerhouse, with 6 stores located in Maryland, Virginia, New York and Connecticut; They offer fresh produce, bakery items, restaurant-quality prepared foods, the finest imported cheeses and other delicacies, and a variety of meats roasted.
Capital Teas		500 - 1,500	Capital Teas is a locally based retailer. They sell a combination of exotic and foreign teas. They prefer to co-locate near strong retail and food anchors such as Whole Foods in built centers and street level where there is heavy pedestrian traffic.
Chick Fil A		1 acre site	Seeking new sites for updated prototype. Visibility, parking key. Strong auto and foot traffic. Typically look for 1 to 1.5 acre sites that can accommodate a freestanding restaurant with a drive-thru, with convenient access and great visibility. In more dense, urban areas, they have successfully developed restaurants on many differently sized and shaped properties, including inline, end-cap with drive-thrus, and drive-thru only locations.
Dave & Busters		25,000 - 40,000	White Flint Location is closed; closest to Frederick is Hanover, MD. Company is interested in adding another site. Newer Dave & Busters have updated bars, and food and beverage offerings as well as places for adults to linger with Wi-Fi.

Tenant		Average SF	Site Requirements, Background
Earth Fare		20,000 - 24,000	Earth Fare, a specialty organic and natural foods grocery chain that is competing with Sprouts, Trader Joe's, and Whole Foods. Their first urban store opened in Atlanta in 2015, which puts an emphasis on freshly prepared foods such as sandwiches, wraps, juices, smoothies, salads, coffee and in-house sushi. - They just introduced Earth Fare's first "Heirloom Organic Cafe and Juice Bar." Earth Fare carries products that are free of artificial sweeteners, colors, preservatives, flavors, trans-fats, antibiotics and hormones.
FLOR		1,000 - 1,500	FLOR Carpet Tiles. Seeking sites in urban markets that "are hip" with strong pedestrian traffic. Customers range in age from college students to businesses. Through an innovative system of carpet squares, you can create custom rugs, runners, or wall-to-wall designs of any shape or size. If you are not satisfied with the status quo and want to add a personal touch to your home, FLOR is the place for you.
F21 Red		18,000	The brand has not shied away from innovation and experimentation, implementing a range of different store sizes and concepts along the way including F21 Red, which is at price points below Forever XXIAs part of the ongoing F21 Red rollout, a large expansion of stores began in 2015. The average Forever 21 store is 38,000 SF, the largest is approximately 162,000 SF and the original Fashion 21 store is only 900 SF. F21 Red averages 18,000 SF.
Fresh Market		20,000 - 26,000	Fresh Market needs around 20,000 SF. The Fresh Market is a specialty grocery retailer. It competes with Whole Foods and Trader Joe's but tends to have products on the higher-end and variety that you might find at Wegman's. The company offers food products focused on perishable categories in a store format. It focuses on perishable product categories, which include meat, seafood, produce, deli, bakery, floral, sushi and prepared foods. The company's non-perishable product categories consist of traditional grocery, frozen and dairy products, as well as bulk, coffee and candy, beer and wine, and health and beauty. They need dedicated parking and prefer loading. Currently have stores in MD including Baltimore, Annapolis, Rockville and Towson. Kroger just announced it may buy the firm.
Glen's Market		8,000 - 10,000	Glen's Garden Market is focused on providing good food from close by. Glen's Garden Market offers the very best food, beer, and wine grown or created within the states of their watershed, which stretches from Virginia to New York. They build relationships with vendors who treat their land, their animals and their ingredients with respect. The founders believe produce harvested days – if not hours – ago just tastes better than the stuff engineered to bop across the country in the back of an 18-wheeler.

Tenant		Average SF	Site Requirements, Background
iFly		3,000 - 7,000	Indoor skydiving. Concept emulates skydiving with forced air mechanical shafts. Very popular with teens, and young professionals. Facilities offer opportunities for special and group events.
Ipic Theaters		30,000 - 70,000	This new upscale theater is focused on food and beverage and customer service. For new sites they require 60K pop – 3 miles; MHHI \$80K, sites near major highways; 150 parking spaces. The theaters feature hi-res digital screens, table service and lounge like seats.
Lego Discovery Center		38,000 - 48,000	The center offers customers and opportunity to reach out and touch the stars in the 4D cinema, learn top LEGO building secrets from the Master Model Builder, join the battle on Kingdom Quest – an interactive LEGO laser ride, and see iconic landmarks in MINILAND. These centers feature special party rooms and more. Their audience is LEGO lovers – young and old! The centers have over 2 million LEGO bricks under one roof.
Lidl		36,000	Lidl, which competes with fellow discounter Aldi, has broken ground on a regional headquarters and distribution center in Spotsylvania County and is actively expanding in the market. Lidl operates nearly 10,000 stores across 26 European countries. It thrives with low prices and a compact store format. Frederick is one of the markets they are looking at for growth.
Lou & Gray		3,500	Women's apparel store; new to the retail world, just entering the Mid-Atlantic market. This is one of the ANN brands (Ann Taylor) owned by Ascena Group (Dress Barn). They have done urban deals and centers and are looking to expanding growing markets with a strong residential base and tourism and daytime traffic
Nando's Peri Peri		1,500 - 2,800	The privately held chain, which began in South Africa in 1987, has nearly 1,200 locations. The restaurant is known for its extra-spicy chicken, which is marinated for a day, then grilled and basted with different sauces. The first restaurant opening its doors on July 3 on 7th Street in Washington, DC. Since then, 13 more restaurants around the metropolitan area have opened including locations in the District, Northern Virginia and Maryland their newest nest is open in Wheaton, MD.
Passion Foods		NA	Local restaurateur that tends to build concepts around strong business and cultural markets. Would be a good complement to Volt. They are rebuilding their portfolio after closing several restaurants in DC. They are looking outside DC but in the region.

Tenant		Average SF	Site Requirements, Background
Pinstripes		25,000 - 40,000	Pinstripes offers a unique dining and entertainment experience featuring a bistro with exceptional Italian/American cuisine and wine; bowling and bocce; a year-round outdoor patio and fire pit; and event space/party rooms accommodating 20-600 people. They also host special events from birthday parties to corporate events Pinstripes offers lunch and dinner, live music on weekends; and hosts targeted events such as wine dinners, mom & tot play dates, clubs and leagues.
RareSweets		1,200 - 2,500	RareSweets® is a modern bakeshop specializing in baked goods, cakes, ice creams and other confections inspired by the seasons and America's great tradition of baking. They are currently located in DC and seeking expansion in the region.
Room & Board		12,000 - 30,000	Furniture store that sells contemporary furniture and home furnishings. Its price point makes it popular with families and young professionals. Most of their sales are driven by catalogue and online purchases. Willing to do smaller showroom style venture. Often they own their own real estate and are open to unique buildings, even renovation of historic structures.
Roots Market		15,000	Roots Market is part of an eco-oriented family of retail stores that they refer to as the Conscious Corner. Their sister stores include Bark! Pawstive Petfood (natural and organic pet foods and supplies), Great Sage (casual-upscale vegan restaurant), and Nest (earth-friendly gifts, housewares, art, toys, and clothing). The independent store, with two locations, (Olney and Clarksville, Maryland) offers an extensive selection of natural, organic, gourmet foods and products.
Silver		5,000 - 8,500	Silver Diner's new concept Silver - is expanding. The menu and decor have been revamped targeted to younger, urban consumers. Silver Diner is operating 13 Metro DC locations with annual sales of approximately \$64M; Last two restaurants average unit volume of \$7.5M, each serving approximately 12,000 guests per week.
Snap Kitchen		800 - 1,800	Snap Kitchen was founded in 2010 and is a fast food/grab and go restaurant concept offering chef prepared healthy foods. They like being near Whole Foods and Trader Joe's, Wegman's, Chipotle, and LuluLemon. No venting or grease traps required.
Soul Cycle		3,000 - 4,500	Soul Cycle is indoor cycling re-invented. The boutique cycling studio chain, which started in New York by two women, and is seeking sites for expansion. The trendy cycling company recently announced its plans to go public. They require very specific facilities, with sufficient plumbing to support showers and toilets and soundproofing to protect their neighbors from pumping music from 6 a.m. classes.

Tenant		Average SF	Site Requirements, Background
Sprouts		28,000 - 30,000	Competition: Trader Joe's, Fresh Market, Earth Fare, Whole Foods (including their new 365 concept targeting Millennials), Mom's Organic, 100,000+ population within 10 minutes. Easy access with high traffic counts, Minimum of 140+ parking spaces. 150 – 180 foot storefront.
Suit Supply		4,000 - 7,000	Founded in 2000, Suit Supply is a market-defining brand showing tremendous international growth (with over 44 stores in 10 different countries). Their strength lies in their formula – straight, to the point and still personal. Fast and effective. Combining craftsmanship with flair.
Warby Parker		1,800 - 2,500	This online retailer is just starting to build a bricks & mortar presence. They need strong foot traffic, strong daytime and residential populations. Open to street front locations and built centers with right tenant mix.
Wylie Wagg		2,800 and 3,200	Wylie Wagg's emphasis is on natural and higher quality food products and treats, which have a market among more upscale pet owners. Part of that space in every store is devoted to freezers that store raw pet food, a growing trend in pet care. They are locally owned and operated.