

Retail Market Study Eastland Mall Charlotte, NC

**February 2007
ULI Advisory Services Panel Workshop
Summary Report**

**Prepared for
The City of Charlotte, NC
The Urban Land Institute Advisory Panel
By**

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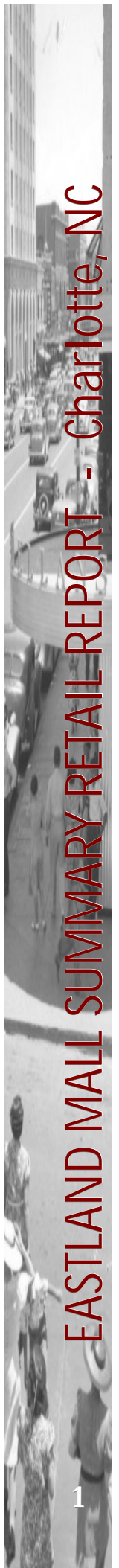
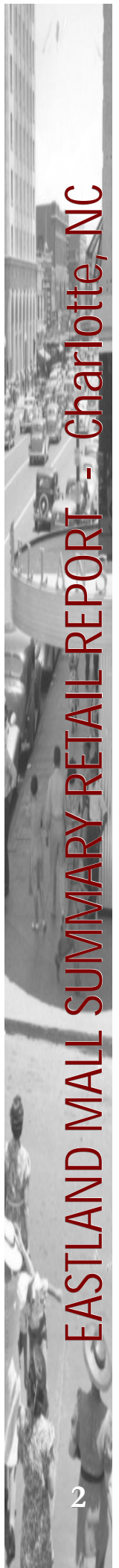


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Introduction & Purpose

Introduction & Purpose

Rose & Associates Southeast, Inc. was retained by The City of Charlotte, Department of Economic Development to complete a summary retail market study as part of the ULI Technical Advisory Panel's report on the Eastland Mall, located on Central Avenue, Charlotte, NC which encompasses approximately 1.1 million square feet ("Study Area").

The purpose of this study is to identify the dynamics of the retail market for the development and/or re-development of the Eastland Mall and to assess the feasibility of the 2003 **Eastland Area Plan**, outlined by the City of Charlotte Planning Department. This report is intended to provide the Panel with baseline retail market data, and assist in developing a plan that is market driven and congruent with the goals of the community.

In addition to utilizing baseline demographic projections and conventional demand/supply analysis, the study also incorporates local lifestyle patterns, economic drivers such as employment and household compatibility within the fabric of existing communities and neighborhoods. As with any family, or company, every community has a culture, which defines socio-economic dynamics and consumer behavior. The information in this report is intended to address the following questions:

1. Who currently occupies the study area, and what are the changes or trends in demographics?
2. Where are the potential consumers for the study area likely to come from (trade area)?
3. Who are the targeted customers and what is their buying power?
4. What are their preferences or other local behavior/expenditure patterns?
5. What goods and services best serve the trade area, given the existing uses in the market?

The conclusions set forth are based upon information provided by public records, town officials, business owners, market and demographic data obtained by Rose & Associates Southeast, Inc. Neither an appraisal nor title search was performed for the Study Area or any specific property in preparing this report. While the information included herein is believed to be accurate, no warranty or representation, expressed or implied, is made as to the information contained herein, and is submitted subject to omission, change of market conditions, or other factors outside the scope of this report or the author's control. This report is the property of Rose & Associates Southeast Inc., and shall not be duplicated without written permission, all rights reserved, 2006.



Executive Summary of Preliminary Findings

Findings & Scope of Retail Uses for ULI Panel

Review of the study area, data and demographic information, together with preliminary interviews with key stakeholders, revealed the following observations:

- The Eastland Mall is a 1970's regional mall located in Charlotte's east side, which has suffered some vacancy and change in tenant mix in the last decade as a result of changing demographics due to an increase in immigrant populations; traffic patterns due to changes to Independence Boulevard limiting access; and other market dynamics such as expanded competition and growth patterns;
- A number of efforts and initiatives have included the Eastland Area Plan, prepared by the City Planning Department, adopted in 2003, to acknowledge the area's transition and address the needs of its residents. The Plan recommends conversion and redevelopment of the mall site into a mixed-use town center format, subject to the market feasibility of a variety of uses. Most recently, the North Carolina Chapter of the AIA has funded a study of the Central Avenue Corridor, to commence this month, as part of its national Blue Print for America program;
- While located central to the Eastland area, Eastland Mall's position within the neighborhood offers limited access to the surrounding neighborhoods. This together with its current building and parking deck configuration have created "an island within an island", forming a visual barrier to a large portion of the residents it serves and isolating it from the fabric of the community;
- New competition in retail uses, particularly large box/discount stores, in surrounding outlying areas has placed additional strain on the viability of the Eastland Mall to continue as a regional shopping destination with its current tenancy;
- National retail tenants, including two of the four anchor department stores have moved out, with some being replaced by local and regional operators, many of whom are discount oriented. Many of the current retail formats are inconsistent with the market demographics, which is a predominately a young, ethnically diverse, hip, urban population;
- The area is perceived as being unsafe, while encouraging cars over pedestrians—this has resulted in reduced traffic and sales for the Mall's tenants and the closure of a number of stores;
- Eastland Mall's competitive advantages include its new transit hub, its location on major east-west and north-south corridors, proximity to neighborhoods and large parcels providing land for redevelopment opportunities.

Executive Summary of Preliminary Findings

Review of the data revealed a primary list of issues for the Eastland Mall site. Focus on these areas would result in diversification of retail, recreational, civic and entertainment opportunities to create a sustainable development. These include both tangible and non-tangible elements.

Preliminary findings suggest the following broad strategies:

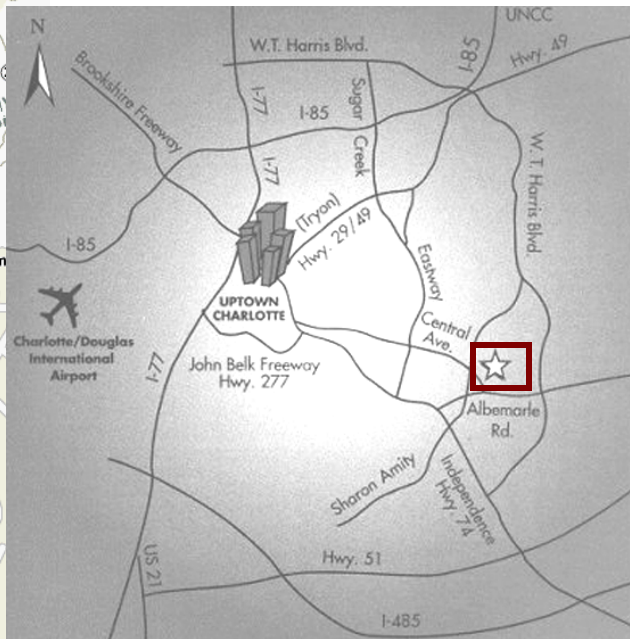
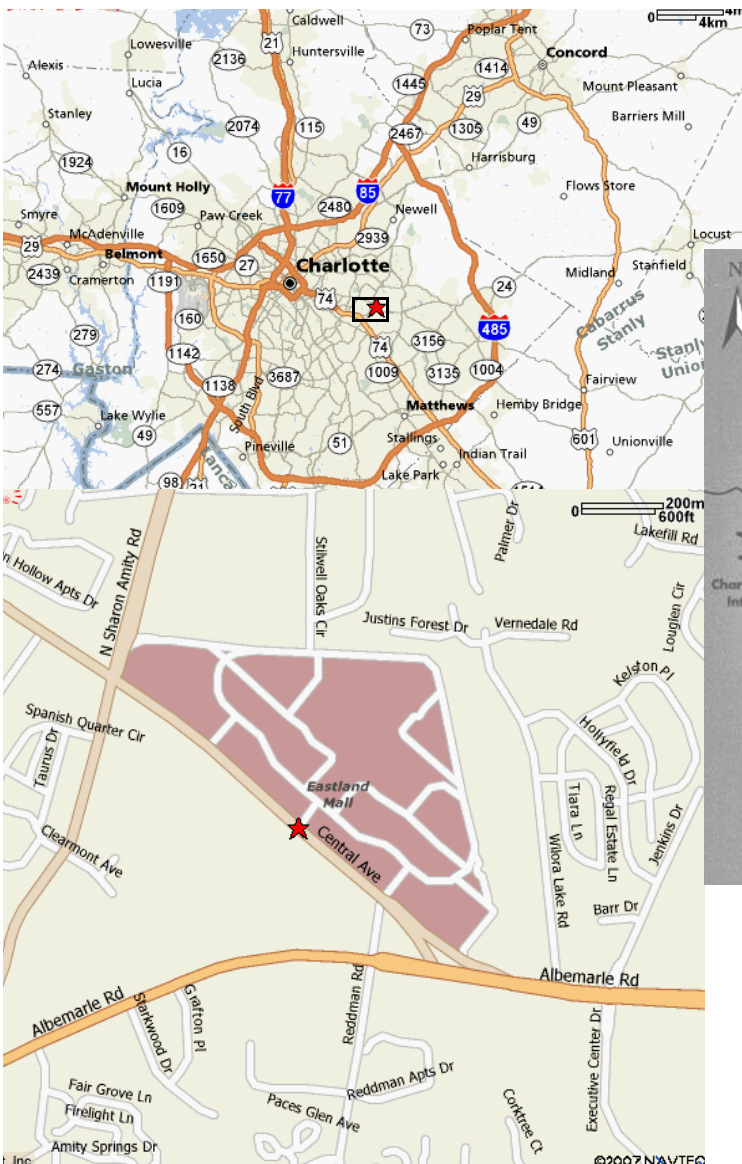
- Demographic transition, physical barriers (including structures and transportation networks), social perceptions and outlying competition offering new shopping formats have shrunk the trade area. Therefore, the tenant mix and retail strategy should be reformatted to provide a place for social interaction, entertainment, recreation and other complementary goods and services consistent with the consumer preferences of the surrounding neighborhoods and businesses;
- The primary retail trade area includes those residents and employees within a 3-mile radius, or a drive time of 3-5 minutes. Therefore, targeted tenants should include those with threshold population, income and other criteria consistent with the demographics and consumer characteristics within the trade area;
- Obsolescence of the existing mall structure and format suggest redevelopment of the project per the Eastland Area Plan, to include partial demolition of the structure to open up the mall to the street, and expand both vehicular and pedestrian traffic in and around the site.
- Expand both retail and residential uses on the mall site from the mall to the street in a Main Street or town center format, creating a streetscape along Central Avenue and connecting the transit hub to the mall with *green* open space and recreation areas;
- Formulate a public relations and marketing campaign to educate the public regarding the area's ethnic diversity, rich cultural resources and public safety issues. Expand police presence in the area, considering a police substation on the mall property as part of the civic uses within the "town center" .
- Collect, disseminate and distribute information regarding the various efforts and initiatives by the City, AIA, Latin American Coalition, Police Department, etc. to expand communication between the interest groups, residents and stakeholders. The Mall can serve as a collection point and catalyst of this effort.

Further details regarding these strategies are further outlined in the following sections of this report.

Study Area Overview

Study Area Summary– Eastland Mall

The Study Area includes the site of the Eastland Mall, which is located on the eastern edge of the City of Charlotte, at Central Avenue. It is bounded by North Sharon Amity to the west and Albemarle Road to the east. The primary transportation corridors of this area include Independence Blvd (Highway 74), Central Avenue, Albemarle Rd, Eastway Dr. and W.T. Harris Boulevard/Highway 29. In total, the mall includes approximately 1,061,493 square feet on 90+/- acres. Land use in the area surrounding the mall is predominately single family residential. Other uses include commercial and multifamily residential along the Central Ave, Independence Boulevard and Albemarle Road corridors. East-West traffic on Central Avenue averages 38,500 cars per day west of Sharon Amity Road, dropping to 27,300 cars per day at the site, based on 2000 traffic data. 2005 data indicates the average daily traffic has dropped to 35,000 cars. North-South traffic traveling on Sharon Amity, north of Central Avenue averages 55,300 cars per day for the same year, and down in 2003 to 44,500. These reductions are likely due to the construction on Highway 74 (Independence Boulevard).

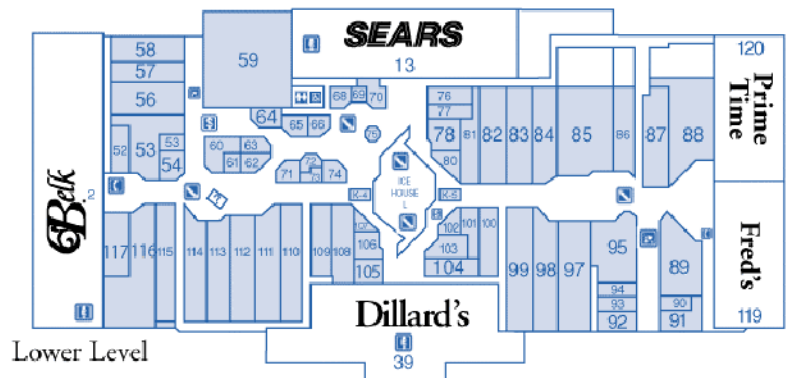
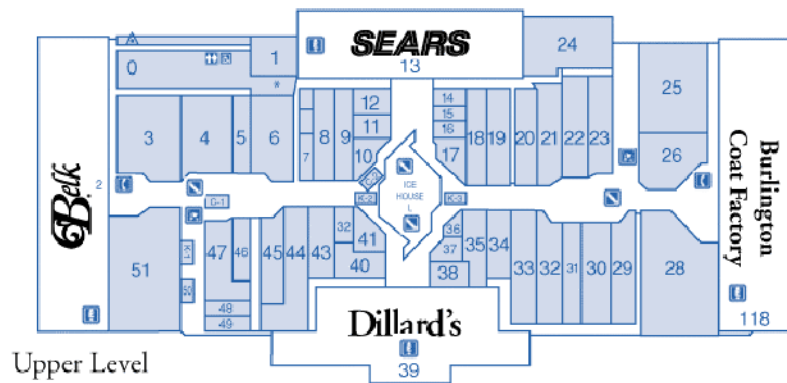


Study Area Overview

Study Area Summary– Eastland Mall

The Eastland Mall site consists of a two-story Mall structure, totaling 1,061,493 square feet with 125 stores and 5,829 parking spaces, to include a parking deck adjacent to Sears. Constructed in 1975, the current anchor tenants include Sears, Burlington Coat Factory, and Dillard's. Belk is currently closing the store and vacating this location. The former Cinema has been re-leased, with a three screen second run theatre to open soon. Unique to the mall is a center court Ice Rink located below the lower level. There is a food court on the lower level, which was renovated in 1994 and repositioned to include more ethnic food offerings. Out-parcels on the site include Firestone, Hollywood Video, the Charlotte Area Transit Hub and a vacant former Harris Teeter store (32,000+/- s.f.). There is also a vacant service station on the corner of Central Avenue and North Sharon Amity, and an indoor flea market on the eastern edge of the mall property, adjacent on Central Avenue.

The mall is managed by Glimcher Properties and is reported to be 91.9% occupied with 86,000+/- s.f. available, to include the vacant Harris Teeter out-parcel. The average base rental rate is \$21.61 per square foot. While the details are not published due to proprietary reasons, the sales per square foot for the anchor and national tenants are consistent with national averages, while by contrast, the local/regional tenants are not fairing as well. This demonstrates the differences in sales performance between national tenants, whose marketing efforts reach a broader audience, versus local operators who may have limited advertising budgets and marketing constraints. The Mall might benefit from a public relations and marketing campaign to assist these smaller urban retailers in boosting sales.



Legend

- Elevator
- Phone
- ATM
- Stairs
- Strollers
- Restrooms
- Handicap Access



Factors impacting the Eastland Mall

Factors that influence the area's current and future potential include:

Regional Development Patterns – Development patterns have spread from the historic downtown of Charlotte, identified within the I-277 inner beltway around the center city. Land use has focused higher density, urban, commercial and mixed-use development along the primary transportation corridors of Interstates I-77 and I-85, and State Highways 29/49 to the northeast, 74 to the east/southeast, and Highway 51 to the south. Highway 74, also known as Independence Boulevard, was re-constructed to create a limited access highway in the area just south of I-277, thus limiting and changing traffic patterns for the corridors that serve the eastern sub-markets, including the Mall. Areas of greatest growth and residential development have occurred in the southern, northern and northeastern areas of Mecklenburg County. The new Interstate 485 outer beltway around the city is expanding development patterns further in the outlying suburban areas. Quadrants between these primary corridors have been rapidly developed for residential housing to serve the growing economic expansion of the Charlotte MSA (Metropolitan Statistical Area) - the fastest growing in North Carolina. The Eastland Mall area is located within in the second tier, between the center city and the outlying suburbs, in an urban fabric of older neighborhoods characteristic of the 1960's and 1970's, during the time when the Mall was constructed.

Consumer Buying Preferences - Buying preferences vary from region to region. For those fast growing areas, time becomes a more critical element than distance, as traffic congestion causes time stressed consumers to be more convenience oriented. With the growth of internet and other non-store purchases, many consumers seek an environment that supports their desire for entertainment, social interaction and consolidation of trips. New mixed-use, lifestyle, main street and other formats are becoming the new benchmark for making shopping a new experience. Consumers are more often identified by a combination of factors to determine behavior over the traditional method of the "one size fits all" with standard demographic modeling based on race, age or income. Many tenants with similar pricing formats appealing to like-minded consumers, are co-locating to create synergy and boost sales. Therefore, across the country, (obsolete) malls are having to reinvent themselves to meet the changing needs of buyer preferences. The Eastland mall tenancy is transitioning to those operators who target the urban, hip-hop, ethnically diverse and discount consumer.

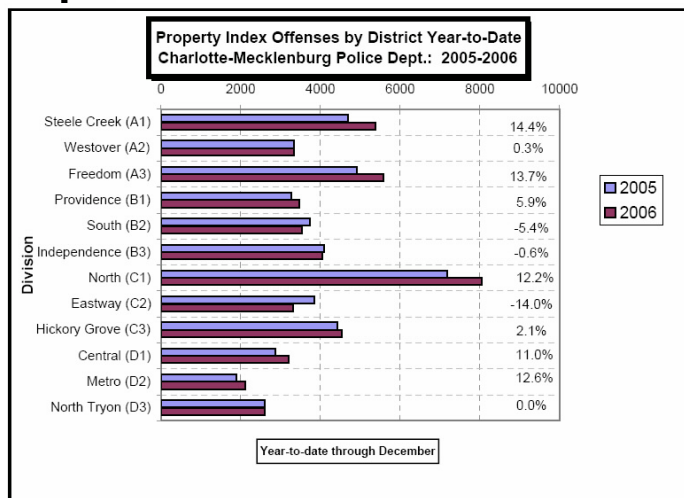
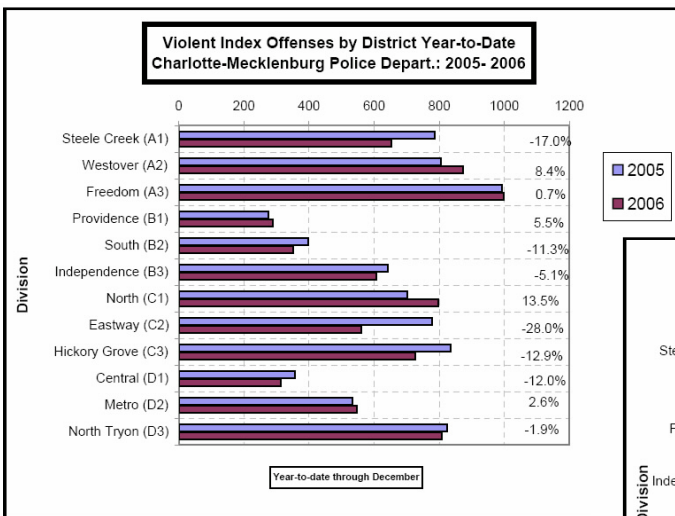
Changing Demographics – The neighborhoods that surround the Mall and make up the trade area were developed in the 1950's, 60's and 70's, as traditional lower density suburban environments closely connected to schools, churches and areas of employment. Over the past twenty years, these areas became more densely populated with added multifamily housing, adding more singles and young families, while the elderly population grew as a result of existing families aging in place. As these neighborhoods have aged, younger and more racially diverse residents transitioned the demographic in this area to one that is currently 43% White; 40% Black; 17% Hispanic and the balance Asian or some other race, or mix of races. There is a large concentration of Latino population concentrated in the East area. The UNC Charlotte Urban Institute, together with the Latin American Coalition completed a report in June of 2006, "Mecklenburg County Latino Community Needs Assessment", which largely addressed social service issues. A copy of the Executive Summary is included in the appendix of this report.

Factors impacting the Eastland Mall (cont.)

The median age is 33 years old, with the large majority of the population in their 20's and 30's. The median household income is \$46,128, with the majority of the population having household incomes of between \$35,000 and \$75,000 per year. The housing units are nearly evenly divided between owner occupied and renter occupied units. Further details regarding the demographic profile and its comparison to the County and State can be found in section III and the appendix of this report.

Property Ownership - The Eastland Mall property includes eight separate parcels and multiple owners. These, together with adjacent owners within the block should work collaboratively to come to a unified vision for the property, in order to positively effect change and reposition this area to support the market. Therefore, regular and consistent communication between these owners is encouraged.

Public Safety - There is a strong perception that the Eastland Mall area is unsafe. While both property and violent crimes have occurred, media attention has magnified these events. Public safety is a key factor and concern in the Eastland Mall area, and management has taken positive steps to improve security on site. Additionally, the Department of Justice has located an office within the mall for it's "Weed & Seed Program" . This is a partnership with federal authorities and local police to "weed" out violent crime and gang activity through vigorous prosecution via through the federal system and "seed" community outreach to include citizens and local stakeholders through education and involvement. A news report released in November of 2006 compared crime at the region's malls, with the Eastland Mall having among the lowest of incidents (see Appendix for the story). The following charts outline both violent and nonviolent crime comparisons for the divisions from the Charlotte Mecklenburg Police Department (subject is in the Eastway Division):

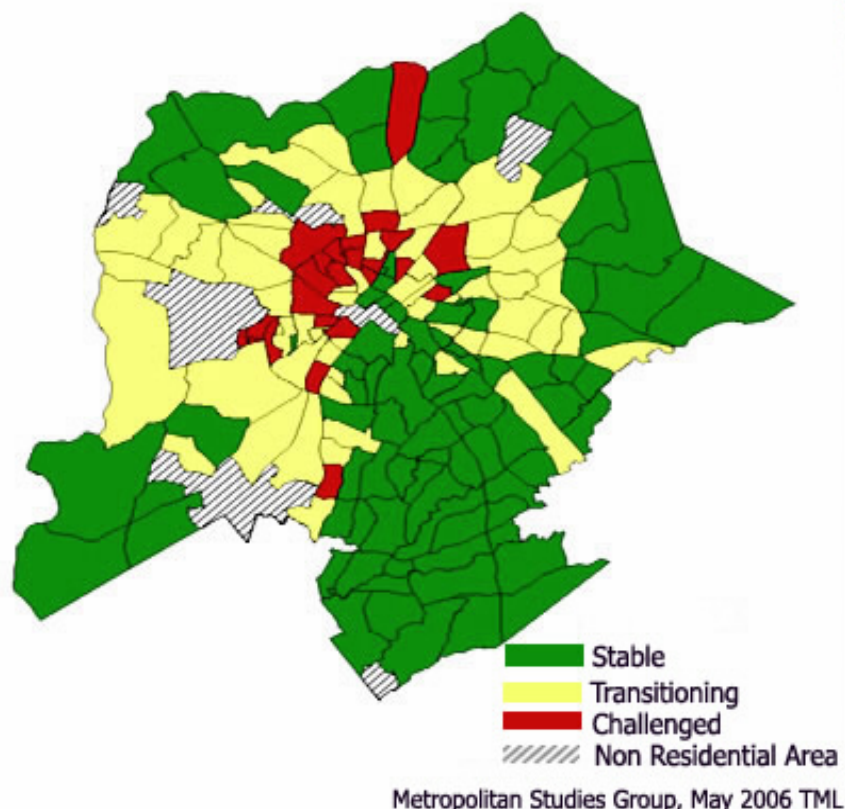


Quality of Life Assessment - NSA 149 Eastland Area

Quality of Life brings a dimension of value to those who live or work in, or visit a community. While often subjective, many factors include quantifiable benefits for the community. Recognizing the importance of an area's demographic profile, social, crime, physical and economic dimensions are factors that play a key role in economic development and sustainability.

The Neighborhood Quality of Life Study evaluates social, crime, physical and economic conditions in Charlotte's neighborhoods. Prepared by the Metropolitan Studies Group at the University of North Carolina at Charlotte for the City of Charlotte, the Group has monitored the quality of life in its neighborhoods and produces a bi-annual study. The study is used by local government to evaluate neighborhood conditions and make changes to improve neighborhood vitality.

The Neighborhood Quality of Life Study divides the City and its future annexation areas into 173 Neighborhood Statistical Areas (NSA). Each NSA contains one or more neighborhoods or subdivisions. The study examines 20 neighborhood variables in each NSA mostly collected from local databases maintained by the City of Charlotte, Mecklenburg County and Charlotte-Mecklenburg Schools. The research converts the individual statistical values into NSA neighborhood-ranking categories – stable, transitioning and challenged.



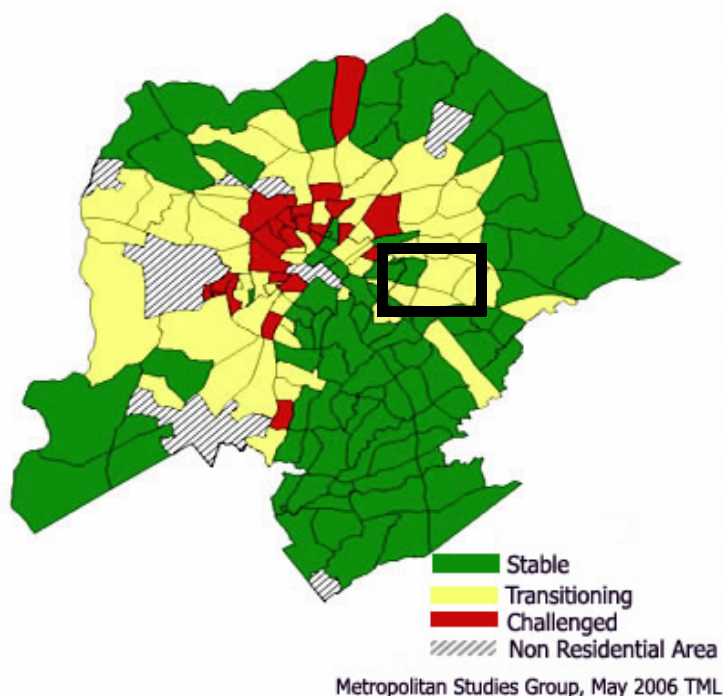
Quality of Life Assessment - NSA 149 Eastland Area

The five areas that include and surround the Eastland Mall site are:

QOL Assessment			
NSA Area	Name	Status	Trend
149	Eastland/Wilora Lake	Transitioning	↔ ↔ ↔
150	Windsor Park	Transitioning	↔ ↔ ↑
148	Farm Pond	Transitioning	↔ ↔ ↔
152	North Sharon Amity	Stable	↔ ↔ ↔
151	Eastway/Sheffield Park	Transitioning	↔ ↔ ↔

The Eastland Mall is located in NSA 149, which has trended downward from Stable in 2000 to Transitioning in the 2002, 2004 and 2006 studies. Transitioning is defined as those NSAs that are average on most dimensions, but also display a weakness in one or more dimensions. This pattern may be signaling a shift in the overall NSA quality of life. Indices suggest that, for NSA 149, a reduction in household income, a rise in persons receiving food stamps and a rise in the crime rate have contributed to this trend.

The following pages summarize the details of each of these areas:



Demographic Analysis - Macro to Micro

Relational Review – Demographic Comparisons

To assist in gaining perspective of the relationship of the Mall to its environs, the market is evaluated from a macro to micro view. There are three levels at which data is collected to achieve such perspective:

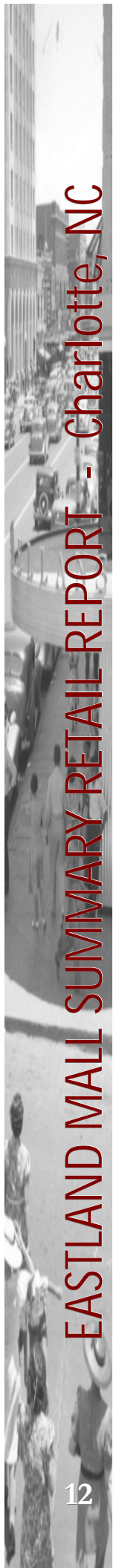
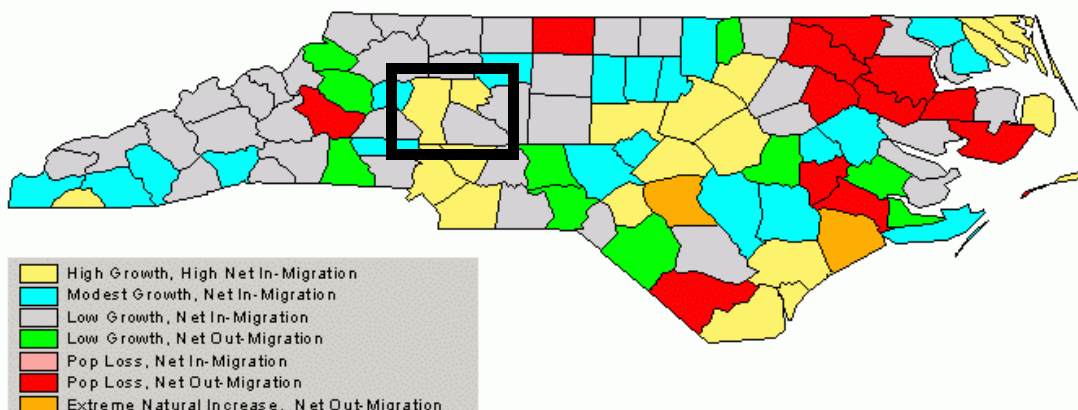
- 1) MSA – The Mall lies within the Charlotte MSA (Metropolitan Statistical Area)
- 2) County – The Mall is located within Mecklenburg County. It is also influenced by its proximity to neighboring Cabarrus County.
- 3) Trade Areas – This provides a comparison view of a radius of 1, 3 & 5-miles and 3 and 15 minute drive times surrounding the Mall.

Note: see Appendix for detailed demographic reports

Charlotte MSA

The Charlotte MSA is the fastest growing in the State, just ahead of the Raleigh/Durham MSA as evidenced since the last US Census conducted in 2000. The region benefits from its economic diversity and strong education system of colleges and universities.

Population Growth 2000 to 2005



Demographic Analysis - Mecklenburg County

Mecklenburg County is the fourth fastest growing County in the state. Charlotte, at the center of the County, has grown 18.5% based on 2005 State Census estimates. 2006 estimates bring population growth to 22.6% from 2000 census data, or a rate of approximately 4% per year.

GEOGRAPHIC AREA	April		April	July	Growth	
COUNTY MUNICIPALITY	1990		2000	2005	Amount	%
MECKLENBURG	511,211		695,370	796,232	100,862	14.5
CHARLOTTE	395,934		540,167	640,270	100,103	18.5
CORNELIUS	2,581		11,969	16,856	4,887	40.8
DAVIDSON(PART)	4,046		7,139	8,162	1,023	14.3
HUNTERSVILLE	3,023		24,960	31,646	6,686	26.8
KANNAPOLIS(PART)	n/a		n/a	0	n/a	n/a
MATTHEWS	13,651		22,125	25,442	3,317	15.0
MIDLAND(PART)	n/a		n/a	0	n/a	n/a
MINT HILL(PART)	11,615		15,609	18,804	3,195	20.5
PINEVILLE	2,970		3,449	6,768	3,319	96.2
STALLINGS(PART)	n/a		n/a	0	n/a	n/a
WEDDINGTON(PART)	0		0	0	0	0.0
NORTH CAROLINA	6,632,448		8,046,813	8,682,066	635,253	7.89

By comparison, the County is growing at nearly twice the rate of the State, while per capita income and average household income in Mecklenburg is growing at similar rates of approximately 4-5% per year. A comparison study which outlines the 2000 census comparison data between the trade area, county and state is located in the appendix of this report.

Demographic Analysis - Trade Areas

Trade Areas

Trade areas identify the market potential for goods and services within an area. These assist in determining threshold demographics such as population, income, workers, education and other factors required to support various uses. The primary trade area for data collection and real estate survey has become commonly defined as a distance radius around a specific intersection/location. This is predominately used to analyze threshold population and consumer dollars for retail uses. For the purposes of this study, two different trade areas were utilized for analysis. The Study Area was reviewed at a 3 minute and 15 minute drive time and at a 1,3 and 5-mile radius around the primary intersection of Central Avenue and N. Sharon Amity Road.

Neighborhood Convenience oriented goods/services

The trade area around a central intersection at a 1-3 +/-mile radius contemplates those goods/services that are local and convenience oriented for those living and/or working in the immediate area. This would include grocery stores, drug stores, gas stations, banks, restaurants, dry cleaners and other “local” uses.

Regional Destination oriented goods/services

The trade area around a central intersection at a 5-10 +/-mile radius contemplates a trade area that provides employment opportunities and goods/services on a more regional level. This would include destination-oriented goods/services such as specialty retail, major goods, entertainment/recreation venues, employment centers and other “destination” uses.

Eastland Mall Trade Area

The profiles indicate that the primary trade area for the mall, given traffic patterns, threshold populations, competitive malls and other factors is within three miles of the location. The one mile radius and three minute drive time figures were somewhat comparable. The three mile radius outlined areas most consistent with mall traffic and data provided by the mall manager. However, most recently additional mall traffic is reported as coming from the west side of the City, which mall representatives expect is a result of the closing of the Freedom Mall and its similar customer demographic. Within the five mile radius and the fifteen minute drive time, competition from the majority of other malls with newer formats, unique tenant mix and other drivers limit the draw to the Eastland mall location. Access via the east-west and north-south connections make the Eastland Mall a convenient and accessible destination. Therefore, the one mile and three mile radius were determined to be the primary trade area for the analysis.

Retail Uses - Demand Potential

RETAIL

Within each trade area defined, there are a number of components which determine which retail operators might find adequate demand for its goods/services, or retail sales potential. These include not only population and households, but most importantly disposable income to spend on those goods/services.

Retail sales potential is a function of the average dollars (based on a national average) spent on goods and services by households in the market area.

Eastland Radius Study
Charlotte, NC 28205

Site Type: Radius

Retail Goods and Services

Expenditures

Prepared by Kathleen Rose

Latitude: 35.2099

Longitude: -80.7572

Radius: 3.0 mile

Top Tapestry Segments:	Demographic Summary	2006	2011
Aspiring Young Families	17.9%	Population	110,590
Great Expectations	13.9%	Households	45,109
Old and Newcomers	13.6%	Families	24,967
Inner City Tenants	12.0%	Median Age	32.8
Milk and Cookies	10.5%	Median Household Income	\$46,128
			\$54,425

	Spending Potential Index	Average Amount Spent	Total
Apparel and Services	62	\$1,693.78	\$76,404,769
Men's	65	\$333.93	\$15,063,439
Women's	56	\$516.25	\$23,287,565
Children's	74	\$327.67	\$14,780,981
Footwear	34	\$171.50	\$7,736,092
Watches & Jewelry	85	\$158.07	\$7,130,222
Apparel Products and Services (1)	127	\$186.36	\$8,406,470
Computer			
Computers and Hardware for Home Use	85	\$190.94	\$8,613,167
Software and Accessories for Home Use	86	\$27.02	\$1,218,892
Entertainment & Recreation	78	\$2,581.75	\$116,460,358
Fees and Admissions	79	\$483.66	\$21,817,389
Membership Fees for Clubs (2)	76	\$123.89	\$5,588,412
Fees for Participant Sports, excl. Trips	78	\$89.12	\$4,020,159
Admission to Movie/Theatre/Opera/Ballet	87	\$128.51	\$5,796,879
Admission to Sporting Events, excl. Trips	83	\$47.49	\$2,142,053
Fees for Recreational Lessons	75	\$94.66	\$4,269,886
TV/Video/Sound Equipment	83	\$911.18	\$41,102,449
Community Antenna or Cable Television	81	\$485.33	\$21,892,639
Color Televisions	84	\$106.61	\$4,809,185
VCRs, Video Cameras, and DVD Players	84	\$33.88	\$1,528,131
Video Cassettes and DVDs	91	\$47.18	\$2,128,463
Video Game Hardware and Software	90	\$32.10	\$1,448,061
Satellite Dishes	79	\$1.74	\$78,425
Rental of Video Cassettes and DVDs	94	\$57.83	\$2,608,562
Sound Equipment (3)	84	\$141.32	\$6,374,745
Rental and Repair of TV/Sound Equipment	87	\$5.19	\$234,238
Pets	83	\$344.63	\$15,545,940
Toys and Games	82	\$160.03	\$7,218,866
Recreational Vehicles and Fees (4)	65	\$264.86	\$11,947,347
Sports/Recreation/Exercise Equipment (5)	59	\$133.18	\$6,007,618
Photo Equipment and Supplies (6)	80	\$113.71	\$5,129,474
Reading (7)	78	\$170.50	\$7,691,275
Food	83	\$6,841.06	\$308,593,399
Food at Home	82	\$4,023.39	\$181,491,104
Bakery and Cereal Products	81	\$587.91	\$26,520,241
Meat, Poultry, Fish, and Eggs	81	\$1,053.63	\$47,528,352
Dairy Products	81	\$432.65	\$19,516,185
Fruit and Vegetables	82	\$704.73	\$31,789,762
Snacks and Other Food at Home (8)	82	\$1,244.46	\$56,136,564
Food Away from Home	84	\$2,817.67	\$127,102,295
Alcoholic Beverages	87	\$498.21	\$22,473,787
Nonalcoholic Beverages at Home	82	\$343.73	\$15,505,440

Retail Uses - Demand Potential

Retail Goods and Services Expenditures

Prepared by Kathleen Rose

Latitude: 35.2099

Longitude: -80.7572

Radius: 3.0 mile

Eastland Radius Study
Charlotte, NC 28205

Site Type: Radius

	Spending Potential Index	Average Amount Spent	Total
Financial			
Investments	76	\$3,552.98	\$160,271,302
Vehicle Loans	82	\$4,854.92	\$219,000,677
Health			
Nonprescription Drugs	80	\$90.78	\$4,095,210
Prescription Drugs	70	\$398.19	\$17,961,737
Eyeglasses and Contact Lenses	75	\$64.62	\$2,915,055
Home			
Mortgage Payment and Basics (9)	70	\$5,759.67	\$259,813,019
Maintenance and Remodeling Services	66	\$1,169.27	\$52,744,504
Maintenance and Remodeling Materials (10)	65	\$236.37	\$10,662,334
Utilities, Fuel, and Public Services	80	\$3,399.19	\$153,334,246
Household Furnishings and Equipment			
Household Textiles (11)	80	\$105.76	\$4,770,876
Furniture	81	\$498.87	\$22,503,468
Floor Coverings	71	\$59.83	\$2,698,810
Major Appliances (12)	75	\$213.49	\$9,630,134
Housewares (13)	64	\$66.09	\$2,981,173
Small Appliances	79	\$29.37	\$1,324,800
Luggage	79	\$8.12	\$366,420
Telephones and Accessories	37	\$20.45	\$922,646
Household Operations			
Child Care	88	\$366.60	\$16,537,131
Lawn and Garden (14)	66	\$288.09	\$12,995,539
Moving/Storage/Freight Express	101	\$52.88	\$2,385,312
Housekeeping Supplies (15)	79	\$592.26	\$26,716,422
Insurance			
Owners and Renters Insurance	69	\$306.34	\$13,818,872
Vehicle Insurance	81	\$1,111.71	\$50,148,326
Life/Other Insurance	70	\$455.36	\$20,540,984
Health Insurance	73	\$1,313.74	\$59,261,421
Personal Care Products (16)	85	\$381.51	\$17,209,465
School Books and Supplies (17)	99	\$115.90	\$5,227,994
Smoking Products	84	\$418.10	\$18,859,915
Transportation			
Vehicle Purchases (Net Outlay) (18)	80	\$4,710.83	\$212,500,946
Gasoline and Motor Oil	81	\$1,497.64	\$67,557,111
Vehicle Maintenance and Repairs	83	\$887.36	\$40,028,020
Travel			
Airline Fares	80	\$314.07	\$14,167,530
Lodging on Trips	73	\$289.49	\$13,058,497
Auto/Truck/Van Rental on Trips	78	\$35.17	\$1,586,341
Food and Drink on Trips	77	\$353.87	\$15,962,869

Data Note: The Spending Potential Index (SPI) is household-based, and represents the amount spent for a product or service relative to a national average of 100. Detail may not sum to totals due to rounding.

Source: Expenditure data are derived from the 2001, 2002 and 2003 Consumer Expenditure Surveys, Bureau of Labor Statistics. ESRI forecasts for 2006 and 2011.

Retail Uses - Demand Potential

Determining the depth and breadth of the market based on income and expenditure projections is limiting, therefore, geo-demographic segmentation, or lifestyle/tapestry clustering understands that demographic variables exist not only region to region but by neighborhoods and in sub-communities within each neighborhood as well. This type of modeling is based on the premise that people tend to gravitate towards communities and neighborhoods of relative homogeneity. Factors that go into clustering include age, income, education, ethnicity, occupation, housing type and family status. While basic differences in behavior patterns between rural and urban dwellers still exist today, the market has become increasingly complex.

Tapestry Segmentation™ identifies those households with a preference for living in more urban neighborhoods and outlines spending patterns. Of sixty five total potential segments, the top five segments within the 3-mile trade area were reviewed, which comprises 68% of the total households in this area.

The distribution of these tapestry segments provides insight into buyer behaviors:

Eastland Segmentation Area Profile - Target Market for Eastland Mall			
Tapestry Group	Tapestry Segment	Rank (top 5)	Households
High Hopes	Aspiring Young Families	1	8,054
	Great Expectations	2	6,284
Solo Acts	Old & Newcomers	3	6,115
Global Roots	Inner City Tenants	4	5,410
Family Portrait	Milk & Cookies	5	4,755
Total Households (3-mile radius)			30,618
<i>Source: ESRI Community Tapestry...details regarding buying preferences are included in the following tables...</i>			



Retail - Supply Dynamics

The supply for retail uses is measured in two ways: in terms of square feet, or existing stores in the trade area; and by dollars, measuring the expenditures already occurring in the trade area, both at the subject site and competitive venues within and outside of the trade area.

It is estimated that there is approximately 38 million square feet of retail space in the Charlotte MSA, or approximately 24 square feet per person. Compared to the national average of 31 square feet per person, there is room in the market for a limited amount of retail in certain categories. With the density of populations growing in the suburban markets, the majority of retailers are focusing their efforts in these areas, particularly in and around the new I-485 beltway. Adding to the supply are the growing number of mixed use formats, which provide additional traffic to include both residents and daytime employees to their stores, providing activity 24/7.

Data compiled by Karnes Research and the Charlotte Business Journal divide the region into seven primary sub-markets within Mecklenburg County, in addition to five counties which make up the Charlotte MSA. The Eastland Mall is located in the East Sub-market, which currently totals approximately 7,500,000 square feet, with a vacancy rate of approximately 5% and average rents at \$18.00 per square foot.

Including Eastland Mall, there is 3,350,000+/- s.f. of shopping space (centers in excess of 100,000 s.f.) within the trade area, or approximately 30 square feet per person. Additional small store retail space within the trade area brings this figure in excess of the national average, signaling an oversupply of retail space in the market.

Area Regional Enclosed Malls						
Name	Location				Total Leasable Square Feet	
SouthPark	4400 Sharon Rd	Charlotte	NC	28211	1,505,000	
Concord Mills	8111 Concord Mills Blvd	Concord	NC	28027	1,400,000	
Carolina Place	11025 Carolina Place Pkwy	Pineville	NC	28134	1,106,617	
Northlake Mall	6801 Northlake Mall Dr	Charlotte	NC	28216	1,100,000	
Eastland Mall	5471 Central Ave	Charlotte	NC	28212	1,064,605	
					6,176,222	
Area Regional Shopping/Power Centers (100,000+ s.f.)						
Name	Location				Total Leasable Square Feet	
Albemarle Square	9009 Albemarle Rd	Charlotte	NC	28212	171,143	
Best Products	1834 Matthews Township Pkwy	Matthews	NC	28105	118,143	
Circuit City	6100 East Independence Blvd	Charlotte	NC	28212	101,156	
Independence Shopping Ctr	Independence Blvd & Idlewild	Charlotte	NC	28212	214,755	
Cotswold Village Shops	Sharon Amity & Randolph	Charlotte	NC	28211	259,373	
Crown Point Plaza	2500 Sardis Rd	Charlotte	NC	28212	147,200	
EastTown Market	E. Harris Blvd & Sharon Amity	Charlotte	NC	28212	140,955	
Eastway Crossing	3014 Eastway Drive	Charlotte	NC	28205	255,828	
The Commons	Hwy 49 & WT Harris Blvd	Charlotte	NC	28213	400,000	
Shoppes At University	8929 J.M. Keynes Dr	Charlotte	NC	28262	469,056	
					2,277,609	

source: Charlotte Business Journal/Real Estate Quarterly; ESRI 206



Retail - Gaps and the Target Market

In measuring supply in dollars with actual retail sales, the comparison between supply and demand determines the degree of gap between average dollars available for certain goods/services and those spent. Where there is a gap between supply and demand, it is demonstrated as a positive value, or “leakage” of retail opportunity to outside the trade area. Conversely, a negative value, or “surplus” indicates oversupply or consumers being drawn into the trade area from outside the area. When factors discourage consumers being drawn to the area, due to competition, ease of access, or perceptions of safety issues, then retail opportunity is hindered, or in terms of space - over supplied.

Retail sales potential must be compared to actual sales figures, as in demand estimates, those operators already in the market are presumably tapping into these dollars. Therefore, each operator must individually assess whether adequate gaps or sales are possible given competitors already existing in the marketplace.

Therefore, the enclosed “Retail Marketplace Profile” report (following pages) includes a comparison view of both demand and supply factors to determine gaps in the market for the major industry group segments, which will determine target opportunities for retail at the Eastland Mall. These include a limited variety of categories, consistent with the tapestry segments outlined for consumer preferences.

Collectively, these suggest and support clustering some categories in a town center format focused on recreation and entertainment, together with complementary convenience and civic/public uses.

<p>Target Retail Industries - Eastland Mall Town Center Development</p> <p>Multicultural Market</p> <p>Retail Groups:</p> <ul style="list-style-type: none"> Electronics Games & Arcades Children's activities/recreation Books & Music Family Restaurants Theme Restaurants Bars & Dance Clubs Video Stores Discount Stores Convenience/Fast Food <p>Complementary Civic Uses:</p> <ul style="list-style-type: none"> Library Recreation Center YMCA
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Appendix A

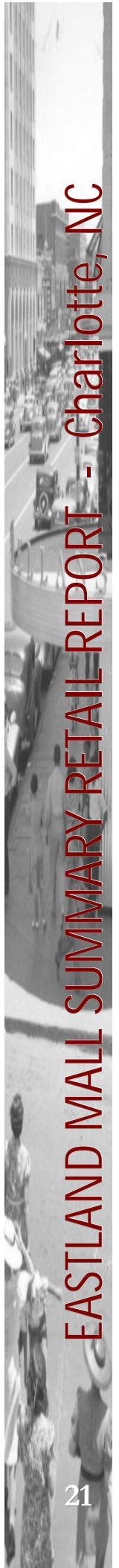
Demographic

Reports



Appendix B

Methodology & Miscellaneous Information



Methodology

The analysis and forecasting of market data, which includes demographic and population estimates, together with economic and employment estimates, is both art and science. All market research analysts begin with US Census Bureau data – which has limitations as to accuracy and timeliness. Nonetheless, the data provides a benchmark as much for a retrospective look as a prospective one. Three factors must be considered when looking exclusively at demographic data: the role of economic drivers that are a departure from past trends; growth from primary centers spilling over into outlying areas (i.e., “sprawl”); and constraints due to availability of land physically and legally suited for such development. Therefore, a number of methodologies are utilized throughout this report, including but not limited to, Economic Base Analysis, Highest & Best Use Analysis and Central Place Theory. They are described as follows:

Economic Base Analysis is used to determine real estate demand. The underlying theme suggests that jobs drive demand for real estate: in other words, for every (basic) job that is created, a multiplier effect increases overall employment (both basic and non-basic), thus increasing both population and income within an area benefiting from such job growth. The corresponding growth (or decline) in jobs, population and income correspond to demand for commercial and residential uses of real estate.

Highest & Best Use is used to determine most appropriate use of land, given the underlying economic base. Highest & Best Use, as defined in *The Dictionary of Real Estate Appraisal*, is:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the Highest & Best Use must meet are legal permissibility, physical possibility, financial feasibility and maximum profitability.

Using the Highest & Best Use concept a site is analyzed “As if Vacant.” The premise of the concept is that an analysis of all reasonable alternative uses will identify the use that yields the highest present land value, after payments are made for labor, capital, and coordination, and, therefore, is the Highest & Best Use. The use of a property is based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

Central Place Theory (CPT) is utilized to evaluate commercial feasibility and trade area. The underlying theme of CPT is that the location decision of retail and office establishments is driven by rent maximizing forces. That is, providers of goods (retail) and services (office/retail) will locate where they believe they can maximize profits. CPT suggests that certain locations are more “desirable” than others, primarily due to the location of existing businesses that are already attracting customers. This means that there are “central places” with varying degrees of magnitude that attract such customers. The fundamental theme of CPT is that commercial/retail locations are spatially interdependent, implying that growth is not random, but ordered and rational. Therefore, CPT relies on three basic concepts:

- Threshold Population
 - Higher vs. lower order of goods and services
 - Trade area or “range” of goods and services
- Threshold population: Businesses need a certain number of customers to break even. The threshold refers to the number of persons or households of a target customer group. When the population density is known, this can be expressed in terms of a trade or service area. Most retailers know what their threshold population is, and it is common for them to specify minimum site requirements in terms of population, households, and customer type (by age, income, occupation, etc.) within certain radial areas around a site. The trade area for this analysis includes typical benchmarks for determining threshold consumer or employee populations.
 - Higher vs. lower order of goods and services: Goods and services with low thresholds are called lower order of goods (i.e., gas stations, eating/drinking establishments, beauty salons, etc.), also referred to as convenience-oriented locations. Those with high thresholds are called higher order of goods (i.e., shopping malls, hospitals, office parks, etc.), also referred to as destination-oriented locations. The location of higher order goods and services may influence the location of lower order goods and services. This is often seen where retail/office uses will cluster together around certain centers of influence such as regional malls, large shopping centers, hospitals and business parks or major employment centers.
 - Trade area or “range” of goods and services: Demand for a good or service is constrained to a limit or “range” (measured in terms of distance or drive time) beyond which customers will not travel to a specific store location. Therefore, demand for most goods/services decreases with distance or travel (drive) time from a retail/commercial location. The existence of competitors diminishes the range and more accurately determines the actual market area for a good or service. The market or trade area will also vary according to street patterns and population density. However, not all businesses seek to maximize distance from competitors, but rather cluster together to attract more customers per business than if they were to distance themselves from each other.

Together, these concepts determine that a business seeking to maximize accessibility and profits will select one location over another and be willing to pay higher (or lower) rents for a specific location.

Limiting Conditions

ASSUMPTIONS AND LIMITING CONDITIONS

Purpose and intended users

This study is intended to paint a macro overview of current and possible future demand for various product types and uses for the Client.

Although property specific information is provided, no attempt is made to provide property specific valuations.

While no study can guarantee success of any individual project, development or community, widely recognized data methodologies and collection techniques have been applied to the data available to arrive at the conclusions in the report.

As part of this Report the following assumptions were made, and I certify that, to the best of my knowledge and belief:

- Statement of fact contained in this report are true and correct.
- Data collected from third parties is assumed to be accurate and reliable, reasonable effort has been made to verify said information however, no responsibility for its accuracy is assumed by the consultant.
- Where applicable, it is assumed owners and investors will hire professional property management.
- Where performed, direct surveys, focus groups, and interviews were recorded into summary notations for inclusion the study.
- My analysis, opinions and conclusions were developed using standardized and recognized real estate techniques.
- Demographic information was provided by The Site To Do Business, and its data provider, ESRI.
- Demographic information is based on the 1990 and 2000 census.
- I have personally inspected the study area that is the subject of this report
- My engagement in this assignment was not predicated on a predetermined result.
- The payment for this assignment was not predicated on a specific result.
- The consultant will not be required to give testimony or to appear in court to any pre-trial conference or appearance required by subpoena, with reference to the study in question, unless timely arrangements have been previously made therefore, at prevailing per diem rates.

Timing

This study is as of the date specified in the report, and no other. It is based on our evaluation of conditions that to the best of our knowledge existed at that time. The writers cannot be responsible for subsequent occurrences or conditions that could affect market valuations, conditions or statistics.

Conditions

Our opinions and forecast of trends in the market, income from all sources, expenses, and net income figures are speculative in nature and cannot be guaranteed. If any errors are found the right to revise our calculations, conclusions, or any information contained in the study is reserved. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated supply and demand factors, and a stable economy. These forecasts are therefore subject to changes in future conditions.

Where values of land or improvements are shown separately, the value of each is segregated only as an aid to better estimate the value of the whole; and the value shown for either may, or may not, be its correct value. In addition, the study must be considered as a whole and considering statements and conclusions out of context could lead to erroneous conclusions by the reader. Therefore, no part of this study is to be used

Limiting Conditions

out of context or by itself alone, or as the evidence upon which a final value judgment is based.

This study does not purport to be an all inclusive list of all the considerations undertaken in order to arrive at our opinion of market conditions. The study is a summary of our findings and does not include all of the data considered by the consultant since it would be impractical to present it in its entirety.

This study shall not be used as a basis for a selling or purchase price, or as security for a loan, or for insurance, taxes, financial statements or any other purpose. The reader is reminded that our conclusions are estimates and speculative in nature and cannot be guaranteed. No responsibility is assumed by the consultant for the sellers or lenders inability to obtain a purchaser, or dispose of the property at the value estimated nor within the time frame estimated herein. Neither are our conclusions meant to be a recommendation to use the subject as collateral for a loan or to buy, sell or lease, zone or tax any property in the Study Area at any given price.

Comparables

Information regarding sales and rentals of comparable properties was obtained from sources believed to be reliable, and the information is believed by the consultant to be accurate. The reliability of such sources, and the accuracy and completeness of the information cannot, however, be guaranteed. Neither can we guarantee that all pertinent information was revealed to the consultant.

Information Provided

Plats and other drawings were provided to the consultant by others; and while they are believed to be accurate, their correctness cannot be guaranteed. The study is subject to the effects on value caused by matters which a current and correct survey would show. Again, the writers are not engineers and, therefore, a current and complete survey is required in reviewing our conclusions. All plot plans and other illustrative materials are included only to assist the reader in visualizing the property, and should not be used for any other purpose.

Not Engineers

The consultants are not engineers and make no representations as to the structural soundness or conditions of buildings, condition of the heating and air conditioning units or other equipment, or any needed repairs.

The writers assume that there are no unsafe materials in the Study Area and that no environmental hazards of any kind are present unless specifically referred to. The reader is cautioned that the consultant is not qualified to recognize the existence or extent of use of such unsafe materials including asbestos, radon gas, formaldehyde gas, traces of dumping, lead or lead paint, or any environmental hazards.

Hazardous Materials

The consultant is not qualified to judge the effects or hazards created by any prior occupant of the property who may have been suffering from a communicable disease, and the writers offer no opinions or comments on this subject. It is the responsibility of the reader to ascertain whether or not there was a prior occupant with a communicable disease, or prior use of any kind, that could create a hazard, and the degree of hazard this may present to future occupants.

The consultant is not qualified to make representation as to soil conditions, including but not limited to its ability to support foundations, to drain properly, slippage (soil, rock, etc.) depressions, sinkholes, or for any other defect. Neither are we qualified to detect flood or environmental hazards such as chemical waste, refuse or any other contamination or soil, or building condition that might affect the use or value of the property, nor are we qualified to detect or recognize wetlands, or flood hazards unless specific information regarding such is availed to us. Our study is based upon the assumption that none of these adverse conditions exist, unless it is specifically stated otherwise in the body of the report.

Limiting Conditions

Laws

It is assumed that there is full compliance with all applicable federal, state and local environmental, zoning, safety, and all other applicable regulations and laws unless noncompliance is stated, defined, and considered herein.

It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained herein is based.

Information provided

Information concerning taxes and other financial data was supplied by sources believed to be reliable. Reliability of the sources and the accuracy of the information cannot be guaranteed by the consultant.

Reasonable assumptions

Inherent in our approaches to the study is the assumption that the Study Area and properties located therein will enjoy prudent management, and responsible ownership, with appropriate financial strength and professional skills, and that information provided to the consultant by the owners concerning financial statements or projections are accurate. The consultant assumes that existing tax legislation of all kinds will remain the same as it is on the date of the appraisal unless changes are specifically discussed in the body of the report. It is assumed that financing for the subject property is and will be normal and customary, unless otherwise stated in the report.

Use of Photographs and postcards in this report

Historical maps, photographs and postcards have been used throughout this report to illustrate historical landmarks, locations of buildings, or cultural and historical trends. Where possible credit to photographers have been provided. Any omission of credit is not intentional. Given the age of many of these works, its unlikely any copyright or trademark violation has occurred from the uses of these items. The authors of this report are glad to remove any postcards or photographs that might contain a copyright if notified in writing.

Data Collection

Every reasonable effort has been made to ensure that the data contained herein reflects accurate information. It is believed to be reliable. The consultants, however, assume no responsibility for inaccuracies in reporting by others or from any other sources. In no event will the consultant be liable for direct, or indirect, special, incidental, or consequential damages arising out of the use of, or inability to use, this report.

Errors/Corrections

If any reader or user of this report is aware of the omission of or an error in any fact or condition that renders any of the preceding assumptions inaccurate, erroneous, or invalid, the report must be immediately returned to the consultant with such fact or condition set forth in writing, so that the study may be corrected accordingly.

Document Use

While this document is the property of the Client, being a public entity, this document should only be taken in the context of the Study Area.. Possession of this study or a copy thereof, does not carry with it the right of publication. The consultant by reason of this study, is not required to give further consultation or testimony or be in attendance in court, with reference to the subject property unless prior arrangements have been made and disclosed.

About Rose & Associates Southeast, Inc.

Rose & Associates Southeast, Inc. was founded in Connecticut in 1992, and expanded into North Carolina in 1999 as a boutique firm of uniquely qualified specialists providing real estate consulting services for private & public clients.

The team possesses the solid, proven experience needed to assume a pivotal role in:

- economic & market feasibility;
- community & project strategic planning;
- predevelopment & development management;
- site selection & real estate asset acquisition;
- strategic planning for projects of virtually any type and scope, including retail, industrial, office, multifamily housing and mixed-use developments.

Our client list provides evidence of Rose & Associates' innovation, creativity and value-added services to the public sector:

Public Clients Southeast

- Research Triangle Park – *Raleigh, NC*
- City of Charlotte – *Charlotte, NC*
- City of Concord – *Concord, NC*
- City of Germantown - *Germantown, TN*
- City of Greensboro – *Greensboro, NC*
- City of Spartanburg - *Spartanburg, SC*
- Town of Clemmons – *Clemmons, NC*
- Town of Davidson – *Davidson, NC*
- Town of Hendersonville – *Hendersonville, NC*
- Town of Huntersville – *Huntersville, NC*
- Town of Leland - *Leland, NC*
- Town of Pineville – *Pineville, NC*
- Town of Summerfield – *Summerfield, NC*
- Town of Wake Forest – *Wake Forest, NC*
- Town of Wendell - *Wendell, NC*

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