THE STRATEGIC EDGE

DOWNTOWN GARDEN CITY
RETAIL MARKET ANALYSIS

Prepared for:

GARDEN CITY
DOWNTOWN DEVELOPMENT AUTHORITY

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EXECUTIVE SUMMARY

The Garden City DDA commissioned The Strategic Edge, as a sub-consultant to McKenna Associates, to conduct a comprehensive market analysis and strategy of Garden City, both the DDA and the balance of the city. The specific objectives were as follows:

- Gather information regarding shopping habits, perceptions, etc. of current Downtown Garden City patrons, both visitors and local residents.
- Define the trade area for Downtown Garden City in a scientific manner.
- Gather information on trade area residents' shopping habits and preferences
- Assess Downtown Garden City's retail competition.
- Identify retail opportunities.
- Recommend overall strategy and tenant mix.

LAND USES AND RETAIL BUSINESS MIX

A standard classification system, North American Industry Classification System (NAICS), was used to categorize establishments in Garden City. The DDA has over 1,000,000 square feet of building space in 187 businesses; the balance of Garden City has another 835,000 square feet of building space in 205 businesses; for a total of over 1.8 million square feet of building space in 392 businesses. Overall vacancy rate is estimated at 5.0% of the commercial square footage in Garden City.

The largest land use in terms of both number of businesses as well as square footage in the Garden City DDA and the balance of Garden City outside the DDA region is Retail Trade, with Food Services and Other Services also highly represented. Compared to The Strategic Edge's proprietary database of 20 other Michigan downtowns and business districts, Downtown Garden City is under-represented in shopping goods, and over-represented in both drug and HBA and other retail based on the number of businesses (not square footage).

TRADE AREA DEFINITION AND CHARACTERISTICS

Definition. A trade area was created using the zip codes gathered from the intercept surveys. An 81.9% trade area was defined for Downtown Garden City and includes six zip codes in Garden City, Inkster, Dearborn Heights, Westland, and Redford.

Population & Demographics. The 2008 population estimate for the Downtown Garden City trade area is 216,207 people, projected to decline slightly resulting in a 2013 population of 213,741. The 2008 median household income of the Downtown Garden City trade area is estimated to be $56,789, higher than that of Wayne County and the State of Michigan, but lower than that of the Detroit metropolitan area.

Median age of the Downtown Garden City trade area is 38.2 years, indicating a relatively mature resident. Over 72% of the trade area population is white and 55% of the employees work in white collar occupations. Only 17.9% of the adult population has a college degree. Owner-occupied housing represents 68% of the housing in the trade area with higher levels of home ownership in Garden City.

Lifestyles. A useful tool in understanding a neighborhood is socioeconomic segmentation, often referred to as lifestyles. The Strategic Edge employed this analytical tool for the trade area using Tapestry segmentation. The analysis, based on 2008 households in the trade area, revealed that there are four Lifestyle segments most prevalent in the trade area, together comprising 60% of the trade area households. These Lifestyle Segments are:

Lifestyle Segment/Life Mode Group	% Trade Area Households	Index* to United States
Cozy & Comfortable/Upscale Avenues	29.3%	1,034
Rustbelt Traditions/Traditional Living	11.5%	401
Main Street, USA/Traditional Living	10.2%	390
Rustbelt Retirees/Senior Styles	9.0%	425

* An index of 100 is the U. S. average.
Source: ESRI – Business Information Solutions.

The relative homogeneity of the trade area lifestyles is helpful in being able to design a tenant mix well-suited to the similarities of the target market.

Expenditure Potential. The Strategic Edge analyzed historic retail sales for the City of Garden City and forecasts of retail potential for the Downtown Garden City trade area. The expenditure potential in the trade area is substantial. Estimates of retail trade and food and drink spending potential in the Downtown Garden City trade area for 2008 are over $2.1 million. On a per capita basis, this equates to nearly $10,000. A significant portion of this trade area expenditure potential is being spent in places other than Downtown Garden City.

RETAIL ENVIRONMENT

The competitive retail environment provides trade area residents with six mall/shopping center/shopping nodes within approximately seven miles of Downtown Garden City: Westland Shopping Center, Fairlane Town Center and Dearborn power retail concentration on Ford Road, Wonderland Village, shopping node in Livonia at I-96 and Middlebelt, and the Ford Road corridor in Canton. These major retail centers and shopping nodes serve to define the outer boundaries of the Downtown Garden City trade area. Downtown Garden City also has numerous competitors within its trade area.

CONSUMER RESEARCH FINDINGS

Intercept Survey. The intercept survey was designed for the purpose of gathering important data from Downtown Garden City patrons to facilitate a better understanding of the customers and their habits and preferences. A total of 149 interviews were conducted at a series of locations around the DDA.

The primary reason people were in Downtown Garden City was to shop (58%), followed by banking (19%) and dining (10%). The most frequently visited establishments with over 10% mentions each were Kroger, Aldi, Credit Union Family Services, Kmart, Ace Hardware, and Fast Pace Fitness.

The convenient location (37%), store variety (29%), atmosphere (21%), and family feel (14%) are the main aspects patrons of Downtown Garden City value. Very few dislikes were specifically mentioned.

The most frequently recommended addition to Downtown Garden City were various stores (41%) and restaurants (31%). Most of the recommendations for specifically-named establishments were for value-oriented operators. Very few other general changes were desired, with streetscapes and store facades having the highest mentions (5%).

The median amount of money spent per person by Downtown Garden City patrons was over $25. The median age of those surveyed was 52.0 years. The median household income of those who replied was $58,203, slightly higher than the median household of the trade area ($56,789). The gender distribution of the intercept survey respondents was in favor of the females (66%). Of the patrons interviewed in Downtown Garden City, 81% were white.

SWOT ANALYSIS

The Strategic Edge has analyzed the tenant mix in light of the competitive framework, other Michigan downtowns, the consumer research (intercept surveys) results, fieldwork, the trade area and its population, demographic, “lifestyles”, and expenditure potential characteristics. These analyses have resulted in an understanding of Garden City’s strengths and weakness, and opportunities for improvement. The Strategic Edge has taken a strategic planning or traditional competitive business analysis approach, in identifying Garden City’s “Strengths, Weaknesses, Opportunities, and Threats” (often abbreviated SWOT). The conclusions are summarized on the following table.

STRENGTHS

- Downtown Garden City is conveniently located for its trade area residents at the intersection of Middlebelt and Ford Roads.
- Garden City has a number of strong "anchor" tenants. i.e., Kroger, Aldi, Credit Union Family Services, Kmart, Ace Hardware, Fast Pace Fitness and Dollar Castle.
- Many of the businesses in Garden City are well-patronized by the trade area residents and consistent with their lifestyles and demographics.
- Overall, DDA patrons express liking the store and restaurant variety in Garden City.
- Patrons also are very positive about the atmosphere, friendly small town and family feel of the Downtown.
- There are also very few specifically noted "dislikes" of Garden City.
- Vacancy rates of 5% overall and 6.6% in the DDA, in today's economy, is reasonably strong. Though, survey patrons are noticing the vacancies, as they are specifically mentioned as "dislikes" in the survey.
- Parking is free in the major lots. This presumably contributes to patrons explicitly saying they like the parking and traffic, a <u>very</u> unusual finding in Downtown surveys.
- Some building owners have significantly upgraded their facades.
- Attractive light fixtures distinguish the DDA district.
- Expansive trade area, encompassing 128 square miles of Garden City, Westland, Dearborn Heights, Redford and Inkster zip codes.
- A trade area population of over 216,000 people is strong, with the population density spread relatively equally across the trade area.
- The population is relatively homogeneous with similar incomes and lifestyles across the trade area. The *Cozy and Comfortable* lifestyle represents nearly 30% of the population.
- Trade area expenditure potential is high at $2.2 billion for retail and restaurants.
- Most of the dense retail development of both malls and power centers is beyond the trade area, with the exception of the Westland Mall retail node.

WEAKNESSES

- No definitive boundaries to distinguish Downtown Garden City from the rest of the Ford Road retail corridor.
- Heavy traffic flow on Ford Road hinders access to many businesses and contributes to the DDA district feeling more like a corridor than a "Downtown."
- While the trade area is expansive and includes a number of communities, Garden City residents represent fully 47% of the DDA patrons.
- Relatively limited Shopping Goods in the DDA district (as a percent of total businesses) compared to other Downtowns, but this is mitigated by their relatively large square footage.
- Shopping goods retail is concentrated in the merchants of Garden City Town Center, rather than in storefront retailers in the DDA district.
- Relatively high amount of Drug/Optical businesses in the DDA district (as a percent of total) compared to other Downtowns.
- Relatively high amount of Other Retail businesses, concentrated in auto-related operators, in the DDA district (as a percent of total) compared to other Downtowns.
- According to the intercept surveys, the median age of Downtown Garden City patrons is higher than that for a number of other thriving downtowns.

OPPORTUNITIES

- There could be the potential to increase penetration in some of the trade area zip codes beyond Garden City which already patronize the Garden City DDA.
- There are a number of under-utilized parcels and atypical uses occupying prime DDA space.
- There are parcels which could be assembled reasonably easily to create potential development opportunities.
- Patrons desire more stores and restaurants, and to a lesser extent, services in the Garden City DDA.
- The relative homogeneity of the population allows for a more cohesive tenant mix.
- The expressed desired additions are consistent with the current shopping habits, demographics, and lifestyles of the trade area residents.

THREATS

- Heavy traffic along the Ford Road commuter route hinders the ease of pedestrian traffic flow.
- Projected population decline in the trade area, Garden City and Wayne County.
- The strength and tenanting of Garden City Town Center limits the opportunity for some of these retailers and restaurants to tenant prime Downtown storefront spaces.

DOWNTOWN GARDEN CITY STRATEGY

Strategic Objectives. The Strategic Edge has identified a number of objectives for Downtown Garden City:

- Increase penetration among trade area residents, as the trade area is already quite expansive.
- To the extent possible, curtail leakage out of Garden City to outlying competitors in other parts of the trade area and beyond.
- Maintain pleasant, home town, family-oriented atmosphere of the Downtown.
- Increase the Downtown feel of the Garden City DDA.
- Perhaps, consider relocating selected uses to other commercial areas in Garden City, rather than in the core DDA district, if they do not contribute to the Downtown feel.
- Round out the tenant mix with additional unique operators and establishments which typically have frequent patronage.
- Recruit establishments that appeal to the homogeneous lifestyles and demographic in the trade area.
- Capitalize on customer traffic being generated by larger and destination retailers including Kmart and Garden City Town Center.
- Reduce vacancies and redevelop under-utilized parcels.

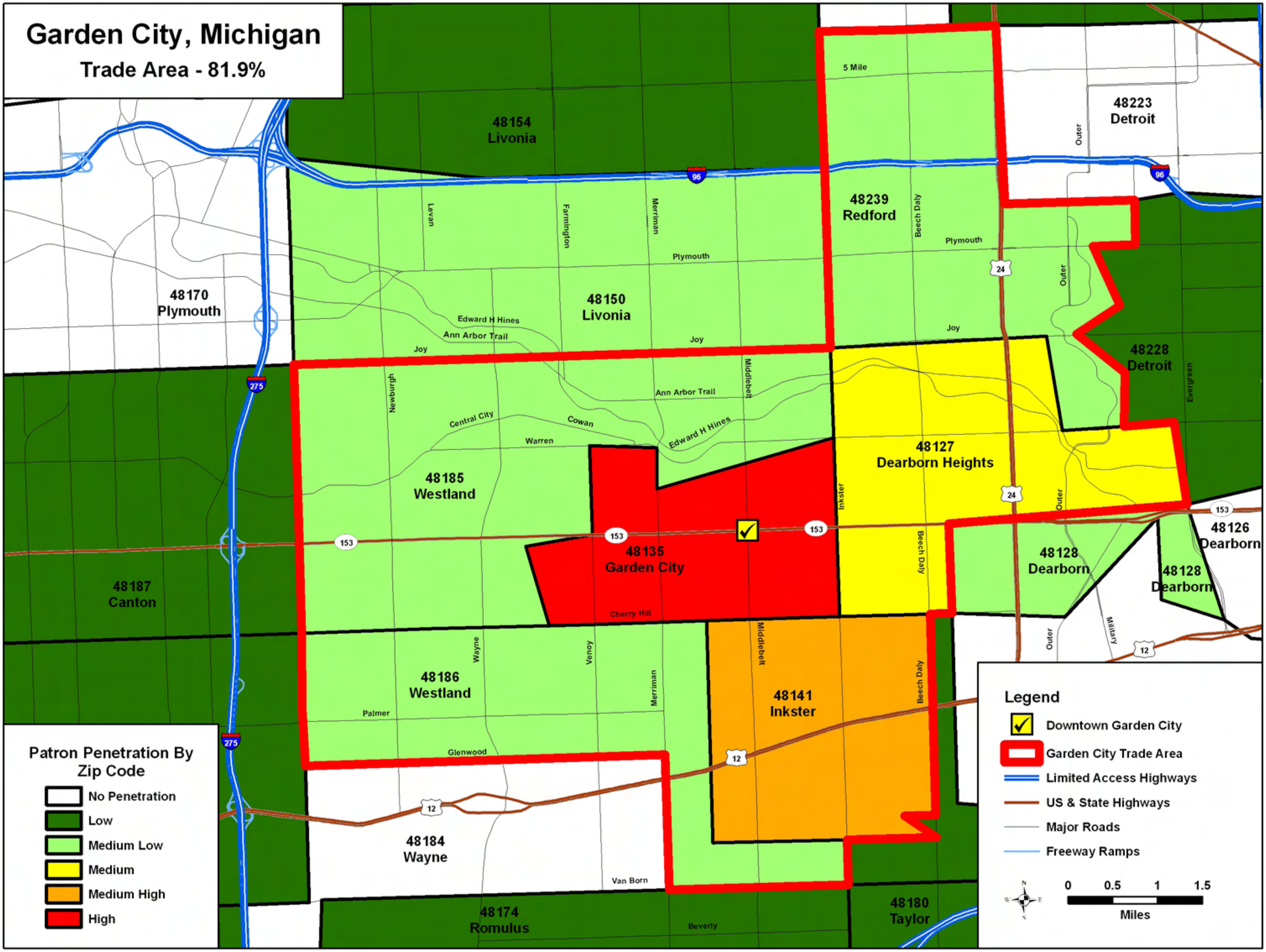
The overriding goal of the above Strategic Objectives is to strengthen the identity of the Downtown area, capitalize on the attributes which appeal to the homogeneous trade area residents, and increase patronage of Garden City.

Recommended Tenant Mix. The Strategic Edge analyzed and synthesized the research findings and conclusions including the consumer interviews, the trade area definition, the population, demographic and lifestyle characteristics, the expenditure potential by retail category, the commercial space inventory, the competitive characteristics, and the SWOT analysis. Based on those findings, The Strategic Edge is recommending approximately 55,000 to 65,000 additional retail and restaurant space in Garden City, with the focus being on the DDA district.

The table on the following page summarizes the recommended additional square footage by retail category in the DDA. However, we recognize that there may be some potential shifting of uses from the DDA to the balance of Garden City. Details of the rationale and market support for each retail category is enumerated in the full report. However, the table summarizes representative retail types and prospects by category.

To the extent possible, it is always recommended that vacant space be utilized and/or redeveloped before new space is constructed. However, we understand that is not always feasible given the physical constraints of existing spaces compared to the needs and expectations of new prospects.

NAICS/Retail Category	Retail and Restaurant Space (sq. ft.) Existing	Recommended	Total	Retail Type/ Tenant Prospects
441 Motor Vehicles & Parts Dealers	55,019	0	55,019	
442 Furniture & Home Furnishings Stores	0	5,000 - 6,000	5,000 - 6,000	Floor covering, wall covering
443 Electronics & Appliance Stores	2,919	2,500 - 3,000	5,419 - 5,919	Radio Shack
444 Building Matl, Garden Equip & Supplies Dealers	57,768	0	57,768	
445 Food & Beverage Stores	96,898	20,000 - 22,000	116,898 - 118,898	Fruit/specialty/fresh market
446 Health & Personal Care Stores	33,414	0	33,414	
447 Gasoline Stations	5,581	0	5,581	
448 Clothing & Clothing Accessories	28,235	7,500 - 10,000	35,735 - 38,235	Apparel, women’s apparel, Dots
451 Sporting Goods, Hobby, Books & Music	33,233	6,000 - 7,000	39,233 - 40,233	Christian bookstore or other specialty bookstore
452 General Merchandise Stores	130,224	0	130,224	
453 Miscellaneous Store Retailers	46,142	4,000 - 5,000	50,142 - 51,142	Card, gift, Hallmark
xxx Balance of Shopping Center Space	57,939	0	57,939	
722 Food Services & Drinking Places	105,746	10,000 - 12,000	115,746 - 117,746	Family sit-down, fast casual
812 Personal & Laundry Services	22,143	0	22,143	
GRAND TOTAL	675,261	55,000 - 65,000	730,261 – 740,261	


Garden City, Michigan
Trade Area - 81.9%
48154
Livonia
48170
Plymouth
48150
Livonia
48239
Redford
48223
Detroit
48228
Detroit
48185
Westland
48135
Garden City
48127
Dearborn Heights
48187
Canton
48128
Dearborn
48128
Dearborn
48126
Dearborn
48186
Westland
48141
Inkster
48184
Wayne
48174
Romulus
48180
Taylor
5 Mile
Plymouth
Joy
Levan
Farmington
Merriman
Edward H Hines
Ann Arbor Trail
Newburgh
Central City
Cowan
Warren
Middlebelt
Beech Daly
Outer
Evergreen
Inkster
Military
Cherry Hill
Wayne
Venoy
Palmer
Glenwood
Van Born
Beverly
96
275
153
24
12
Patron Penetration By Zip Code
No Penetration
Low
Medium Low
Medium
Medium High
High
Legend
Downtown Garden City
Garden City Trade Area
Limited Access Highways
US & State Highways
Major Roads
Freeway Ramps
0
0.5
1
1.5
Miles