

Downtown and The Vista



ERA | downtown
works

March 2008



Retail Strategy & Implementation Program

- The CCCP and City of Columbia retained ERA|DW to evaluate retail conditions in Columbia's downtown core (including the Vista)
- The scope for the downtown core includes:
 - Retail Market Profile and Demand Analysis
 - Merchandise Mix Plan
 - Implementation Program

Project Timeline

- Months Sept.- Nov.: Data gathering, interviews, strategic assessment
- Months Dec.- Feb.: Executive Summary, merchandise mix plan, retail recruiter, marketing material
- Months March - Aug.: Implementation

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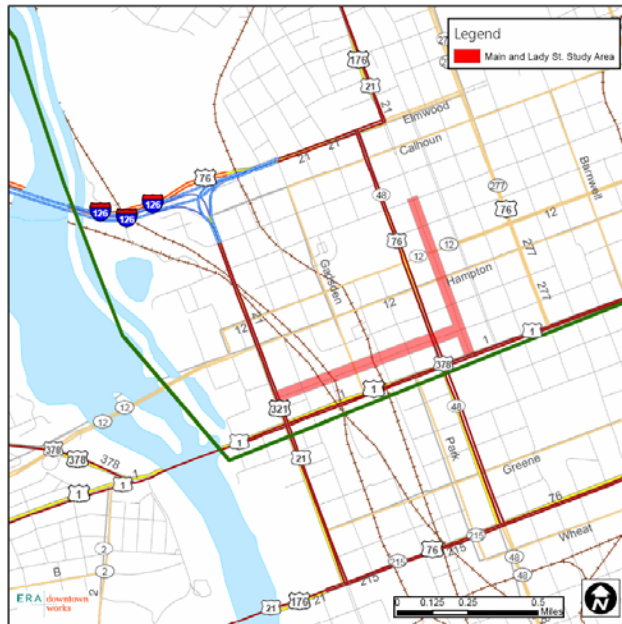
IV. Merchandise Mix Plan

V. Implementation Program

ERA|DW refined the Core's retail study area to primary blocks of Main and Lady Street; retail revitalization achieved best when efforts are concentrated.

Basics

- ERA|DW and the CCP determined the primary retail areas
 - Main Street – Between Gervais St. and Laurel St.
 - Lady Street - Between Main St. and Huger St.
- The Vista and Main Street are important components of the Downtown
- Retail operations
 - Main St. has 44 retail, restaurant, or entertainment businesses.
 - Lady St. has 14 retail, restaurants, or entertainment businesses



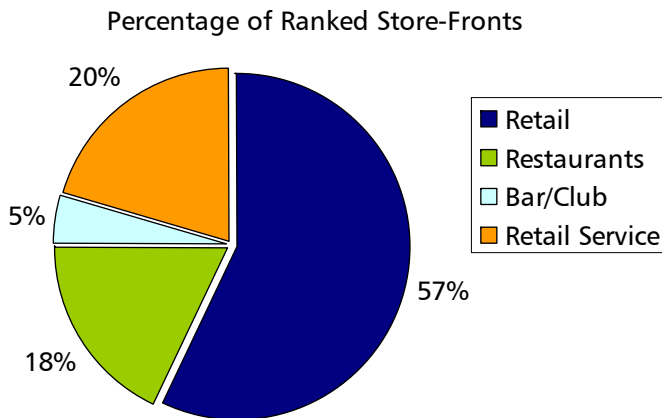
Qualitative Assessment

- ERA|DW conducted a Qualitative Assessment, which is a critical tool for
 - Understanding existing conditions and the merchandise mix
 - The Retail Recruiter during the recruitment process
- Conducted for:
 - Main Street: Between Gervais and Laurel Sts.
 - Lady Street: Between Main and Huger Sts.
- Considers five factors
 - Maintenance
 - Façade
 - Signage
 - Window Display
 - Interior Merchandising
- Each category is given a ranking 1 (lowest) through 4 (highest)
- Lowest possible total score is 5 and highest possible total score is 20

While a majority of the *buildings* on Main and Lady Streets are retail, there is still room for more and better retail and restaurants.

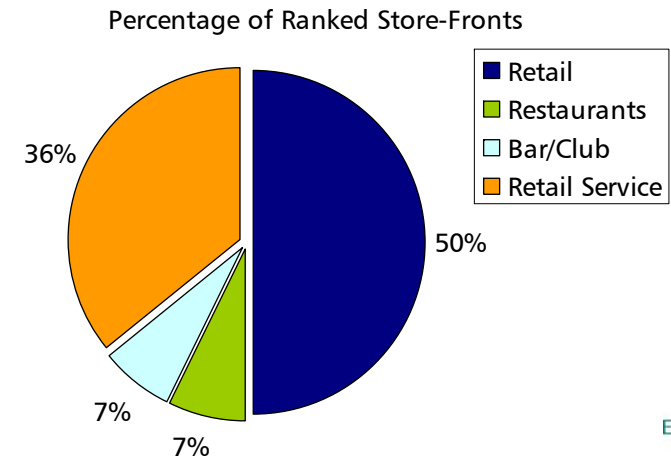
Main Street (Oct. 2007)

- Breakdown of uses by type (89 spaces)
 - Only 28% of building spaces are retail, which includes apparel, convenience goods, jewelry, shoes, souvenirs, wigs, home furnishings, and other miscellaneous retail
 - 10% of spaces are retail service, which include tailors, salons, dry cleaners and other miscellaneous services
 - 9% are restaurants
 - 2% are bar/clubs
 - 29% are offices or residential
 - The remaining 21% of spaces are currently vacant



Lady Street (Oct. 2007)

- Breakdown of uses by type (36 spaces)
 - Only 19% of building spaces are retail, which includes apparel, home furnishings, art galleries, and miscellaneous other retail
 - 3% are restaurants
 - 3% are bar/clubs
 - 14% are retail services
 - 42% are offices
 - The remaining 19% of spaces are currently vacant



The Qualitative Assessment is a tool for the Retail Recruiter to document storefronts and identify strengths and weaknesses along Main and Lady Street.

Main Street

Strengths:

- Original building facades are attractive and are unique in Columbia
- Proximity to the Vista

Weaknesses:

- The majority of retail storefronts have darkly tinted windows, which reduces visibility of merchandise
- Some original building facades are covered with faux and mismatched materials
- Signage over many storefronts need repairs or replacement
- Uses are inappropriate for immediate and potential market

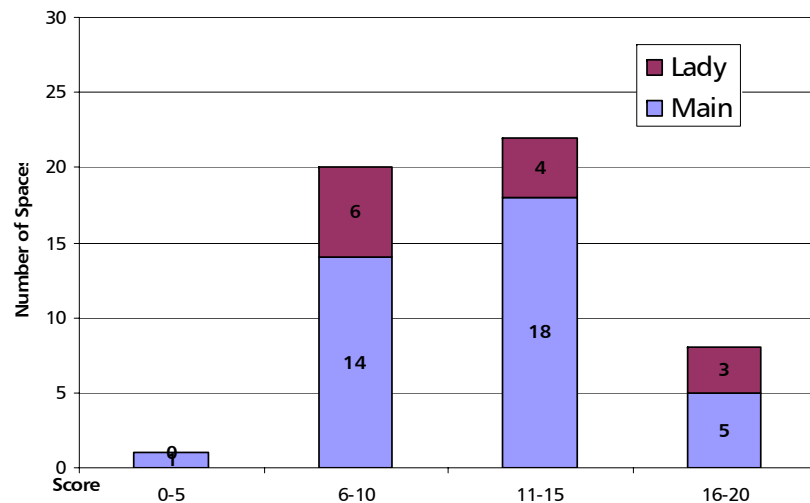
Lady Street

Strengths:

- Existing retail and restaurants are in good condition (zero stores cored below 7 and 53% scored 12 or higher)
- Part of the Vista

Weaknesses:

- Visibility of store windows to sidewalk and street impeded due to:
 - Tinting of store windows
 - Set backs from street and sidewalks
- Lack of continuity of storefronts
- 42% of spaces are offices
- Not connected to Main Street



Score Distribution

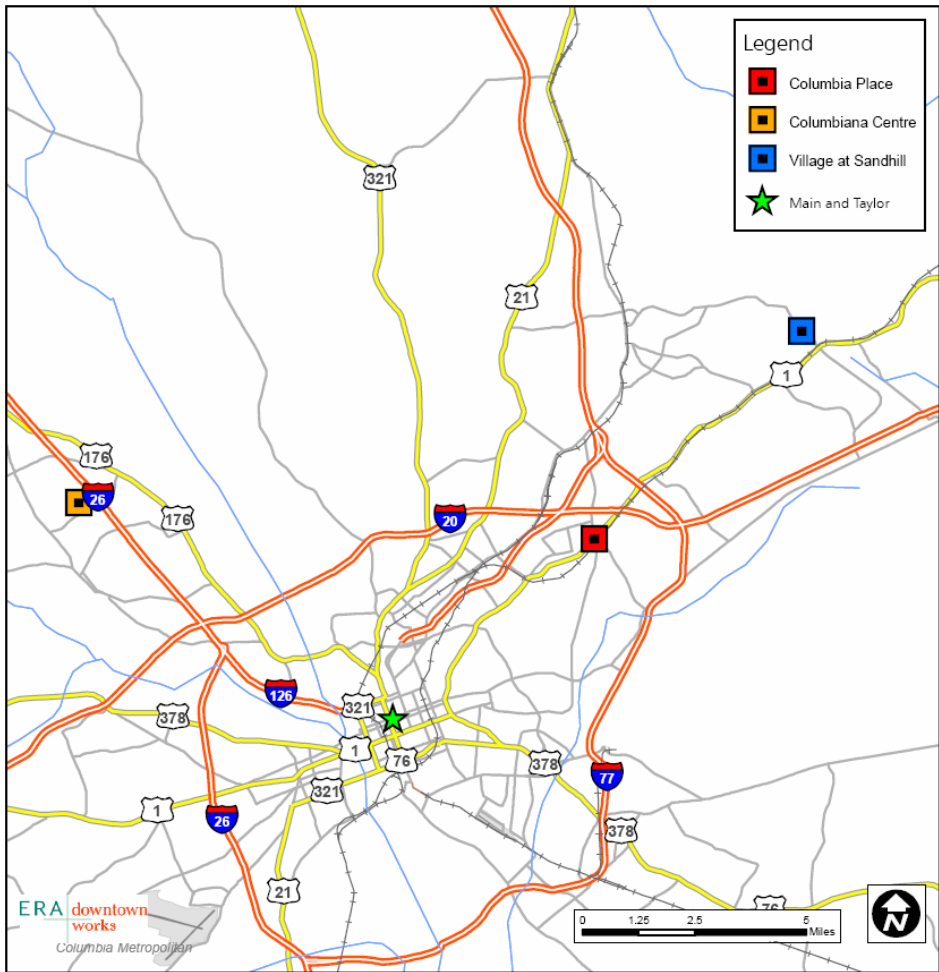


Vacancy

- Main St: 19 of 89 ground level building spaces are vacant
- Lady St: 7 of 36 spaces are vacant

Retail centers surrounding the downtown Core have competitive offerings in some categories, but none can provide the unique and differentiated shopping environment that Main and Lady Streets can.

Surrounding Shopping Centers



Malls and Lifestyle Centers

- Village at Sandhill Lifestyle Center (296,606 SF of retail space, 95 stores)
- Columbiana Center Mall (818,500 SF, 97 stores)
- Columbia Place Mall (1,042,404 SF, 104 stores)

Village at Sandhill



Village at Sandhill

Columbia Place



The Vista is an important part of downtown and together, the Vista and Main Street should define downtown retail...connectivity is key.

- Unique status as entertainment and restaurant destination with some shopping
- Home to many historic buildings that were once warehouses and railway stations
- Mix of office, residential and retail space
- There are currently 45 restaurants and bars, with additional restaurants planned
- Most uses concentrated on Gervais St. between Huger St. and Assembly St.
- Although Main Street is very close to the Vista, they are divided by Assembly St., (6 lanes of traffic)
- The Vista and Main/Lady Street can complement each other



Gervais Street

Strategic Recommendations

- Vista and Downtown Core, Main Street, should, together define downtown retail
- There must be better connectivity between the two streets
- Lady Street will play a key role in this objective – it is the greatest potential to connect the two areas
- Emerging with two identities
 - Entertainment/tourist – West of 4th Ave
 - Residential neighborhood – East of 4th Ave
- Encourage efforts to expand arts in the Vista
- Careful attention should be paid to infill development
 - Optimize retail potential
 - Well designed stores
 - Storefronts flush with sidewalk
 - Parking in rear
- Infill should occur toward Main Street before extending to Huger Street
- Residential growth is important here and throughout downtown

ERA|DW interviewed community stakeholders ranging from building owners, developers, real estate professionals, art-related professionals, etc.

- Great assets – Only city in state with large university with cultural venues and important sports teams, five theaters, three rivers, and critically acclaimed zoo
- Downtown needs more retailers that appeal to middle and upper income households
 - Bistros and Restaurants
 - Prepared foods and delis
 - Stationary
 - Apparel
 - Home furnishings
 - Books
- Currently, very little activity on Main Street after 5pm and on weekends
- Often city processes and permitting are challenging – development community lacks faith in city processes
 - Cumbersome permitting and design review
 - Very lengthy process
 - Needs to be streamlined
- Need incentives, a tool kit.
- Parking should be assessed a business license (% of annual revenue) to discourage land-holding and encourage development
- Nickelodeon will be a great asset for downtown
- Retail rents are low on Main Street (\$12-20 per SF). Similar to Vista and Five Points
- Demographic of Vista is young people who want to be seen – Five Points is mostly for college students.
- Vista should be Arts District

Columbia has several key assets that should be capitalized and accentuated; overcoming challenges will largely require thoughtful and strategic infill development and renovation.

Strengths

- Artistic and cultural center for Columbia, could be for South Carolina
 - 5 Theaters: Trustus, Town Theatre, Workshop, USC and Columbia Marionnette, Nickelodean (currently film, will add on Main Street)
 - University (sports and culture)
 - Museums
- All three customer markets are represented
 - Residents
 - Visitors
 - Employees
- Downtown momentum due to residential development and success of the Vista
- Original building stock remain
- Street is lined with retail or retail opportunities on both sides
- Streetscape improvements were very well executed and great asset
- Lady Street has retail cluster in interesting buildings
- Easily accessible to residential neighborhoods
- Several destination retailers who have thrived despite market conditions



Challenges

- Downtown Perceptions (i.e. unsafe, homeless, panhandling)
- Monolithic office designs extend to pedestrian level
- Rental streams are too low making it difficult to support development or renovation without incentives
- Office design characteristics do not work for retail
 - Setbacks
 - Limited transparency
- Need more residents living in the Core
- Gaps between retail on Main Street and Lady Street
 - Surface parking lots or garages
 - Vacant land
 - Office buildings
- Suburban parking requirements in urban setting on Lady St.
 - 3 to 3.5 per 1,000 sf of retail; 3.3 per 1,000 sf multi-use; 8 per 1000 sf restaurant
 - Do not take into account the public parking garages
 - Results in suburban-like structures in urban area
 - Developments can not reach maximum potential
 - Design Development Overlay: allows some consideration for reduced parking requirements if multiple users share on-site or off-site (garage) parking
 - Most of Main Street does not have parking requirements

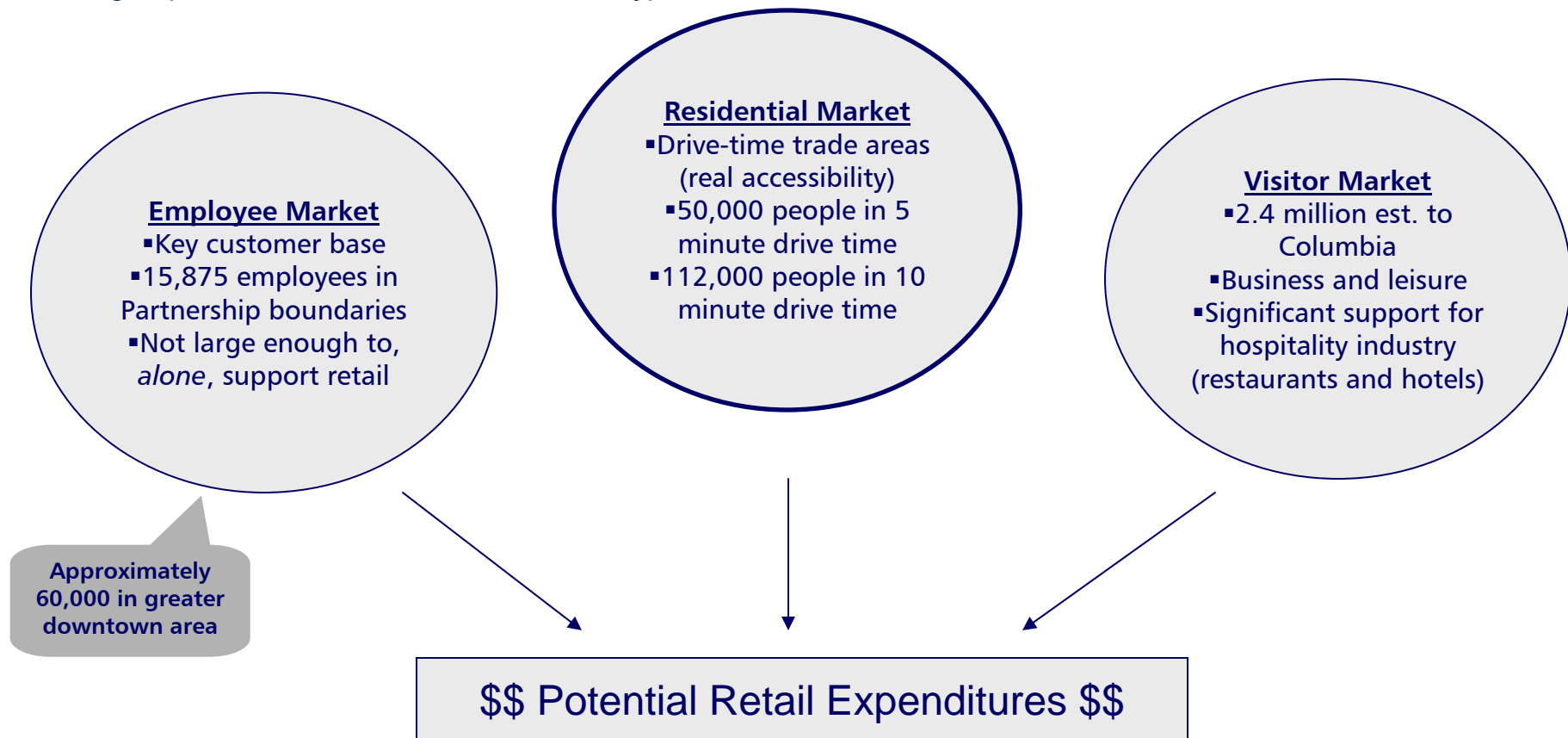
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The first step in assessing retail potential is understanding 1) who are the customers, 2) how much money do they spend and 3) where do they spend money (retail categories).

Methodology

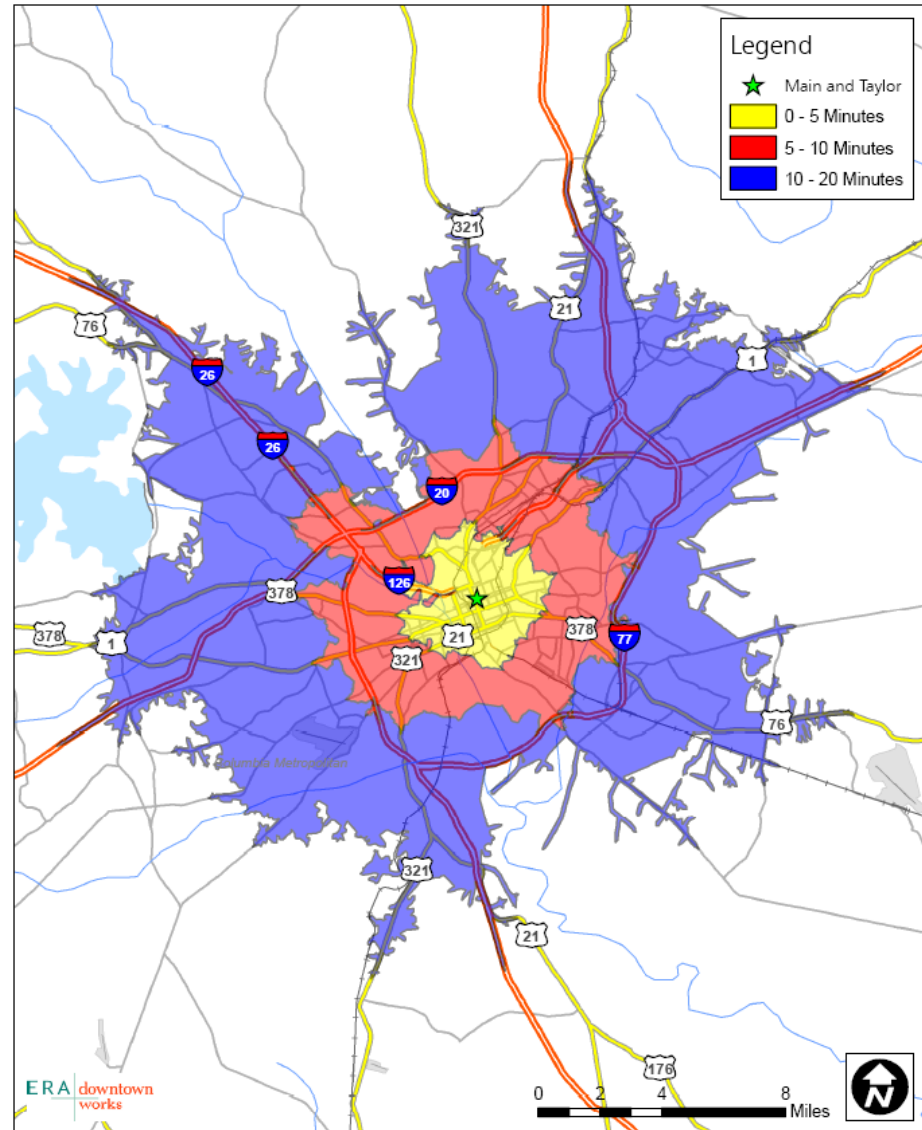
- Determine customer markets by type and geographic area
- Assess total retail expenditures of customer markets
- Determine market penetration rates for each customer group, downtown sub-district, and retail type
- Quantify potential expenditures in sub-district
- Calculate range of supportable square feet for each sub-district



Retail trade areas encompass surrounding households that are potential downtown customers, provided an appealing product is in place.

Retail Trade Areas

- Retail trade areas are different than trade areas used in office, residential, and lodging analyses
- Retail trade areas assess residents who are potential customers that could be drawn to the site
- The trade areas are 5, 10, and 20 minute drive times from downtown
- The trade areas consider the competitive context and accessibility (major roads) to define specific markets
- Primary trade area residents, 5 minute drive time, are expected to be frequent customers
- Secondary trade area residents, 10 minute drive time, are expected to be consistent, but not frequent customers
- Tertiary trade area residents, 20 minute drive time, are likely infrequent customers



Retail trade area population and income are most relevant factors when assessing retail potential.

Demographic Information

| Area Description | Primary | Secondary | Tertiary | Total |
|------------------|---------|-----------|----------|---------|
| 2007 Population | 49,637 | 111,705 | 232,664 | 394,006 |
| 2012 Population | 50,999 | 114,154 | 247,848 | 413,001 |
| CAGR 07-12 | 0.54% | 0.43% | 1.27% | 0.95% |
| 2007 Households | 19,675 | 52,265 | 85,026 | 156,966 |
| 2012 Households | 20,687 | 54,246 | 92,287 | 167,220 |
| CAGR 07-12 | 1.01% | 0.75% | 1.65% | 1.27% |
| Average HH Size | 2.0 | 2.1 | 2.5 | |
| Median Age | 28.3 | 36.8 | 35.3 | |

1/ CAGR is the compound annual growth rate

Source: ESRI Business Information Solutions; Economics Research Associates, 2007

Households with Income

➤ Primary Market

- Median Income: \$28,104 (2007) - \$31,996 (2012)
- Avg Income: \$45,569 (2007) - \$52,076 (2012)

➤ Secondary Market

- Median Income: \$41,804 (2007) - \$47,644 (2012)
- Avg Income: \$57,426 (2007) - \$66,812 (2012)

➤ Tertiary market

- Median Income: \$60,446 (2007) - \$69,758 (2012)
- Avg Income: \$75,613 (2007) - \$90,734 (2012)

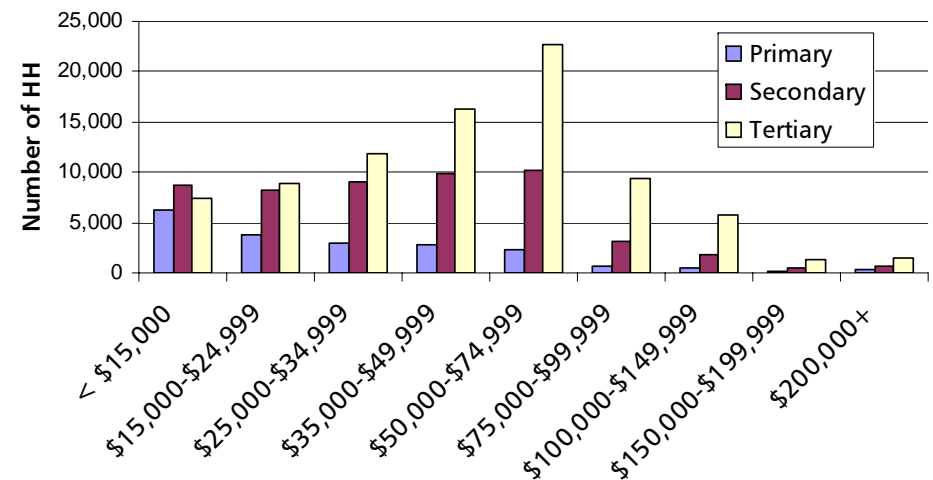
➤ The real growth rate of average household income, the growth rate of income minus inflation, for all three markets is 1.01%

➤ There is a higher percentage of households with high income in the tertiary market

➤ There is also larger population growth projected in the tertiary market

➤ A key success factor for downtown retail is to attract spending from the faster growing, larger income tertiary market

Residential trade Areas, Household Distribution



Residential Expenditures are based on Consumer Expenditure Surveys from the Bureau of Labor and Statistics and include all household expenditures regardless of expenditure location.

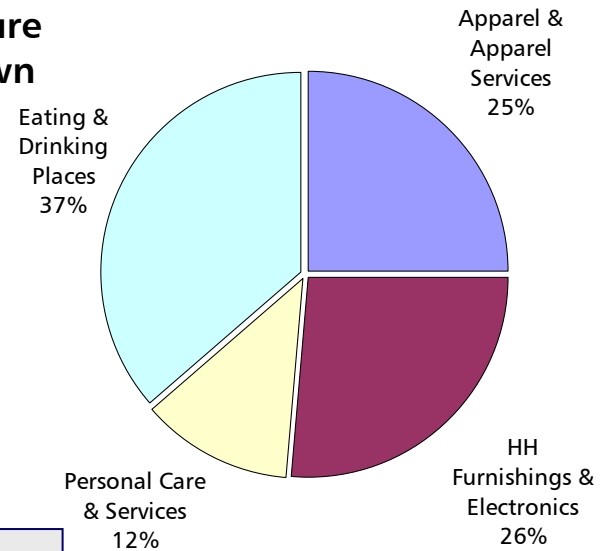
Residential expenditures are a significant portion of downtown demand; therefore, ERA highlights, here, residential spending before downtown market penetration rates are applied

Total Residential Expenditures 2012

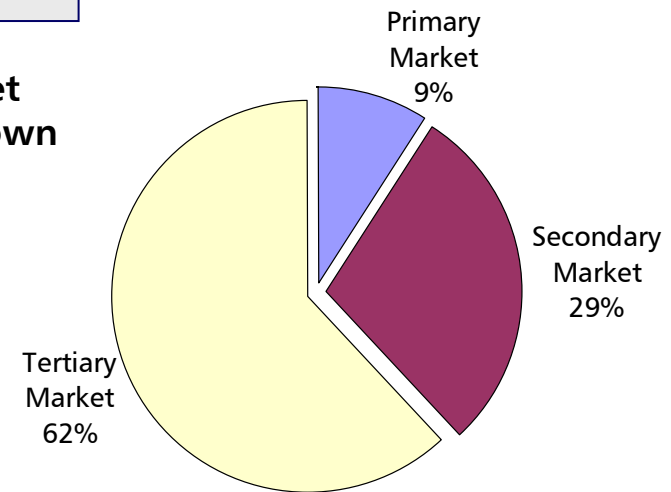
- These expenditures represent household purchases anywhere, including expenditures that do not occur in the trade area or downtown
- **Total** expenditures are estimated to be **\$1.5 billion in 2012**
- The top pie chart breaks down estimated 2012 residential expenditures by specific categories (ESRI Business Analyst)
- The tertiary market constitutes a significant percentage of total expenditures, however, those residents are much less likely to travel to downtown for retail
 - More than half of all expenditures
 - 33% more than the secondary market
 - 51% more than the primary market

Expenditure Breakdown

\$1.5 billion total



Market Breakdown



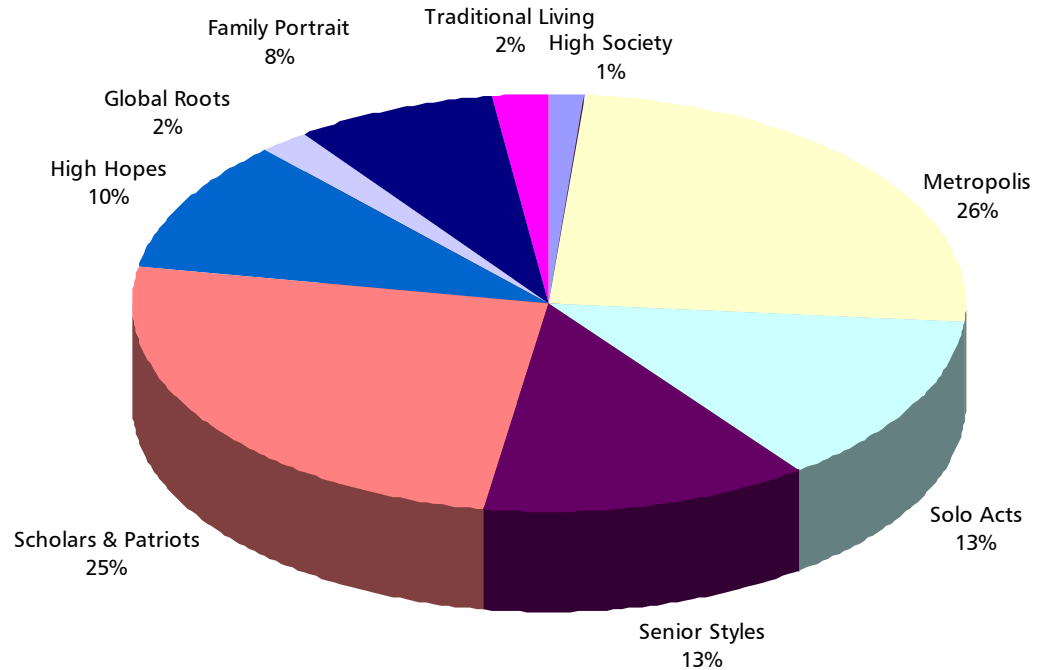
Psychographic information describes the lifestyle preferences and buying patterns of households, which is important when analyzing retail potential and outlining recruitment goals.

Primary Market (5 min. drive)

- Analyzed Life Mode Tapestry groups, which cluster similar lifestyles and life stages
- Each Life Mode group has several more specific segmentation categories (65 in whole system)
- 2nd and 3rd largest groups (Metropolis and Solo Acts), are potential downtown customers
- Scholars and Patriots – 25%
 - College Towns 15% of total
 - 4th youngest of all tapestry segments with a median age of 24.5
 - Median household income is \$28,900
 - Dorms to Diplomas 10% of total
- Metropolis - 26%
 - Metropolitans 13% of total
 - Favor city living, have active urbane lifestyle
 - 75% of those over 25 have college degree or higher
 - Median income \$61,000
 - Modest Income Homes 8% of total
- Solo Acts – 13%
 - Young and Restless 3% of total
 - Young population with median income below US median income, but higher discretionary income because only 23% of these households include children
 - Old and Newcomers 3% of total
 - Typically renters that are starting their careers or retiring
 - Higher percentage than national average of people in their 20's or over 75

High Society is a relevant group for retail - smallest group

- Contains 7 most affluent segments, high disposable income
- Category grows significantly has market extends (3% and 9% of secondary and tertiary markets)



Categories in orange indicate likely customers for urban retail

In the secondary market, a larger segment of the population [than in the primary market] are likely urban customers.

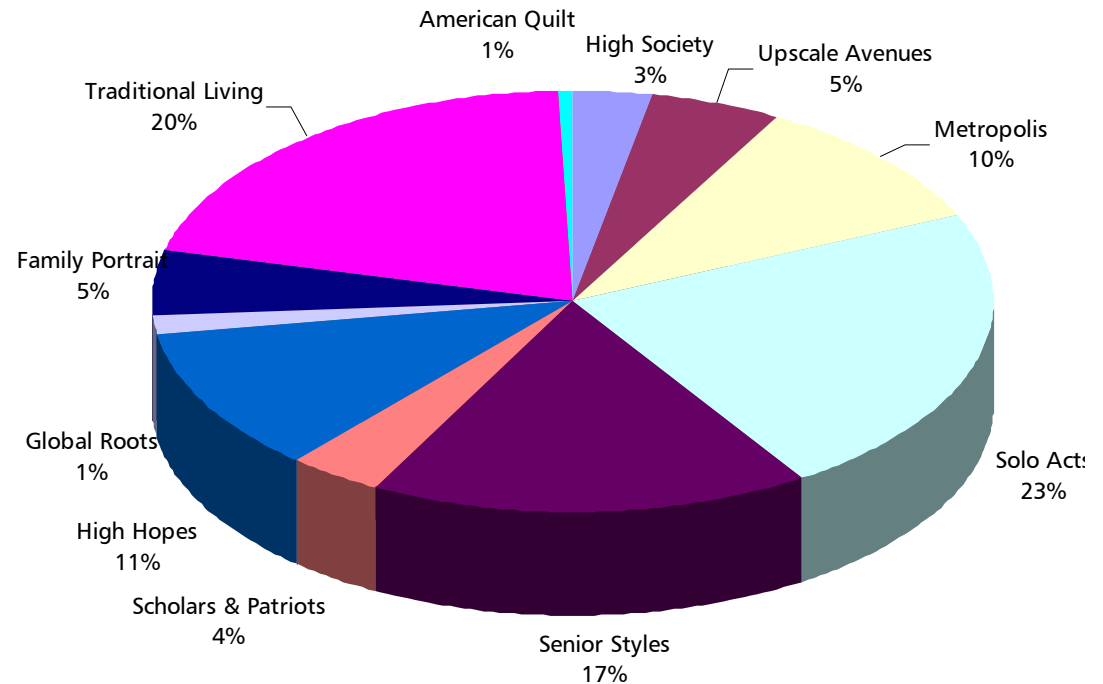
Secondary Market (10 min. drive)

- Solo Acts – 23%
 - **Young and Restless** dominant sub group - 17% of total
 - Young professionals pursuing careers, busy lifestyles
 - Read magazines to stay current on lifestyle, entertainment, and fashion trends
 - Technologically savvy
 - Not yet saving for retirement or investing
 - Frequent movies, clubs, bars

- Traditional Living – 20%
 - **Most are Family Foundations 12% of total**
 - 73% of these households are composed of various family types
 - Median household income is \$42,100
 - They spend on home maintenance and on their families
 - **Midlife Junction are 6% of total**
 - Median age is 40.5
 - Median household income is \$43,600
 - These households spend their money carefully and do not succumb to fads

- Senior Styles – 17%
 - **Prosperous Empty Nesters 5% of total**
 - 56% of Prosperous Empty Nesters are 55 or older
 - Median household income is \$66,200
 - Place a high value on their physical or financial well-being
 - **Rustbelt Retirees 4% of total**
 - Median household income is \$47,400, which is just below the U.S. median household income

- Several equally dominant tapestry groups
- Largest group, Solo Acts, is key group for urban spending
- Could visit downtown on a weekly basis



Categories in orange indicate likely customers for urban retail

The Tertiary Market has the most affluent customer base, but they are the farthest from downtown; the quality of Merchandise Mix will determine their impact.

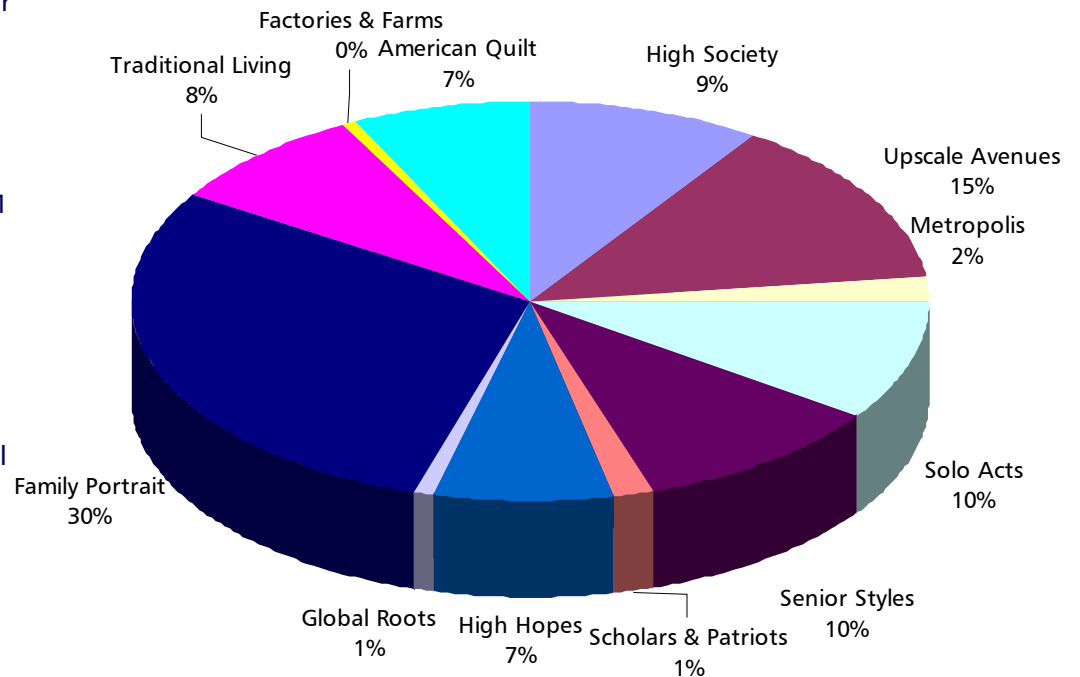
Tertiary Market (20 min. drive)

- Family Portrait – 30%
 - **Up and coming Families are 15% of total**
 - Youngest segment of the most affluent family markets
 - Median age of 31.9 years
 - Mix of Generation X and Baby Boomers
 - Many are beginning or expanding their families
 - **Milk and Cookies are 14% of total**
 - Young, affluent, married couples who are starting their families
 - Median household income is \$60,700

- Upscale Avenues – 15%
 - **Cozy and Comfortable** is most dominant subgroup - 5% of total
 - Middle-aged, married couples with a median age of 41
 - Median household income is \$61,800
 - **In Style** small subgroup 5% of total
 - Live in suburbs but prefer the city lifestyle
 - Median household income of \$67,800

- Senior Styles – 10%
 - Prosperous Empty Nesters, most of group - 9% of total
 - 56% of Prosperous Empty Nesters are 55 or older
 - Median household income is \$66,200
 - Place a high value on their physical or financial well-being

- Distance from downtown limits likelihood of frequent shopping trips to downtown
- Over 60% are households with affluence who enjoy spending
- Must create great retail mix (destination) to attract



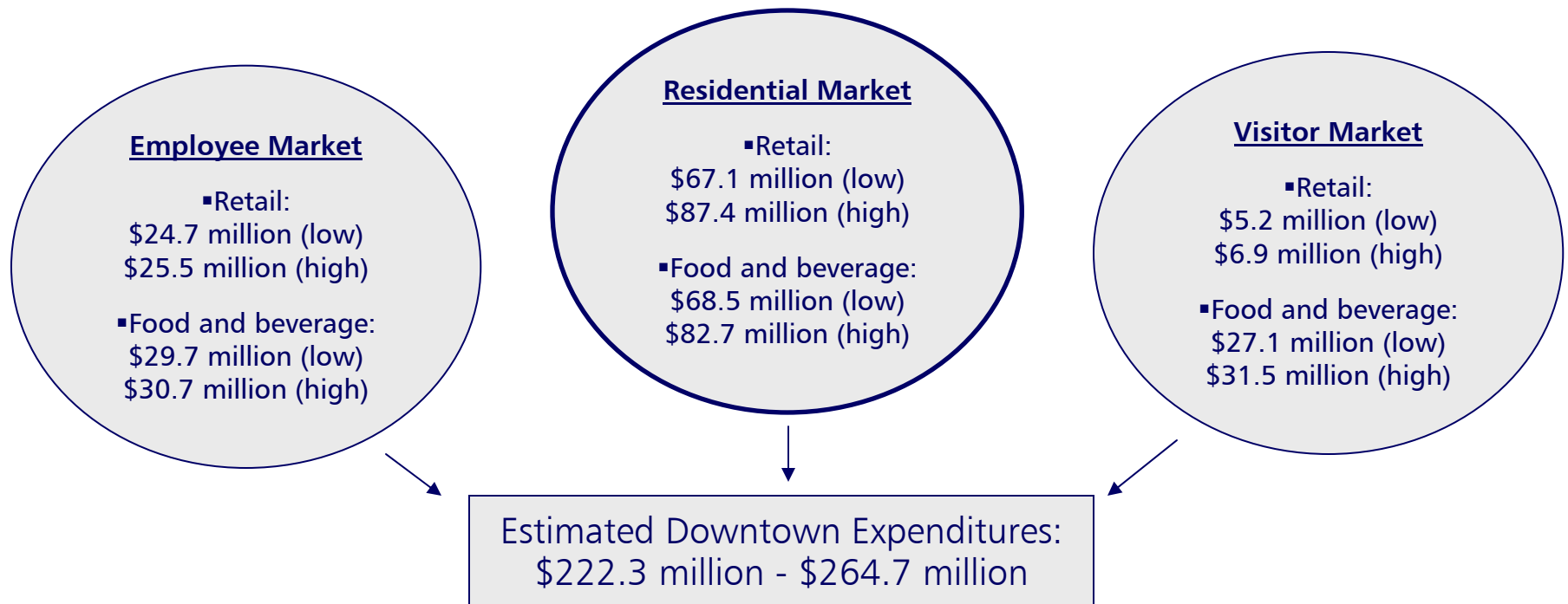
Categories in orange indicate likely customers for urban retail

If downtown retail is successful it will penetrate a portion of total resident, employee, and visitor expenditures (market penetration); market penetration rates vary depending on the sub-district, retail type, and customer type.

Market Penetration

- Market penetration rates or capture rates identify a realistic portion of expenditures that could be spent in a given area
- Rate of 10%, assumes \$10 of every \$100 is spent in a defined area
- Additionally, common consumer behaviors influence the propensity to buy certain items. For example, people:
 - Buy groceries and convenience items close to home
 - Travel farther more often to go to restaurants as opposed to retail

- Market penetration rates take into consideration the following aspects of the sub-districts under study
 - Nature of the sub-district
 - Existing and potential critical mass of retail
 - Competitive context
 - Proximity of market to sub-district

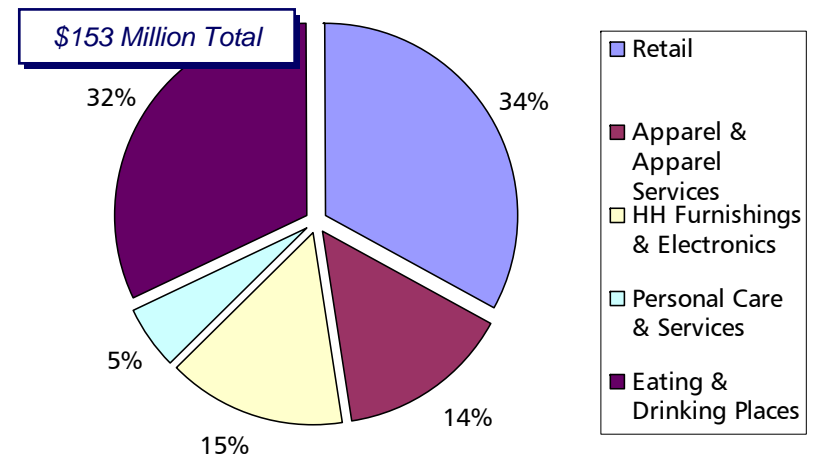


Trade area households are an important customer base for downtown retail; they are constant and large market group with, collectively, a significant amount of money to spend downtown if an appealing Merchandise Mix is in place.

Capture Rates By Category

| | Primary | | Secondary | | Tertiary | |
|------------------------------|---------|------|-----------|------|----------|------|
| | Low | High | Low | High | Low | High |
| Retail | 12% | 15% | 9% | 11% | 5% | 7% |
| Apparel & Apparel Services | 12% | 15% | 10% | 12% | 6% | 8% |
| HH Furnishings & Electronics | 12% | 15% | 10% | 12% | 6% | 8% |
| Personal Care & Services | 12% | 15% | 8% | 10% | 3% | 5% |
| Eating & Drinking Places | 20% | 25% | 15% | 18% | 10% | 12% |

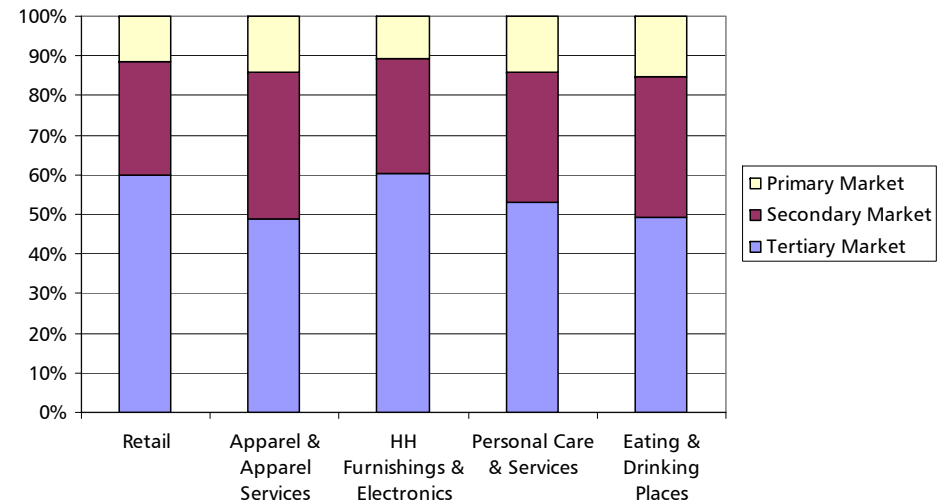
2012 Estimated On-Site Expenditures



Discussion

- Total market expenditures do not equal on-site spending
- Utilize capture rates specific to trade areas to calculate likely on-site spending
 - 10% = \$10 of every \$100 spent will occur at proposed site
- Considered shopping behaviors and proximity to competitive offerings
- Inflow accounts for potential spending by residents beyond the defined primary and secondary trade areas
- Inflow potential is limited due to surrounding 5.5 million square feet of retail in central business district of Columbia
- Estimated on-site expenditures assume that a tenant mix reflecting customers' characteristics is in-place
- Although the primary trade area is smaller, its residents account for a higher percentage of the total spending
- Eating and Drinking places account for 32% of expenditures; typically a retail center devotes 25%-35% of tenant mix to such uses
- A collection of restaurants can function as an anchor; people are more likely to travel farther for a restaurant than other retail

2012 Distribution of Category Spending by Trade Area



Employees can have a strong impact on downtown retail, if there is a critical mass; it is important for Columbia to grow its professional employee base in downtown.

Major Employment Industries

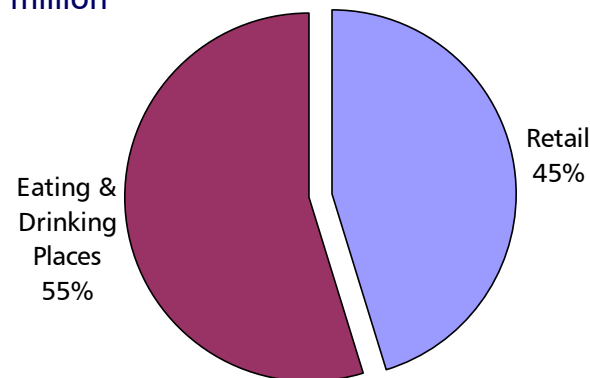
- 60,000 employees in all of downtown Columbia
- 15,875 employees in Center City Partnership downtown area
- The downtown employee base is not large enough, alone, to support retail
- Major Employers in Columbia:
 - State of South Carolina (11,500)
 - Palmetto Health Alliance (9,300)
 - USC (4,500)
 - SCANA/SCE & G (2,210)
 - City of Columbia (2,000)
- Major industries in CCP area of downtown Columbia:
 - Health Care and Social assistance (25%)
 - Public Administration (20%)
 - Professional, Scientific, and Technology (20%)
 - Finance and Insurance (12%)
 - other (22%)

National Trends

- **Increase** - Employees not buying lunch
 - 4% in 1987 and 17% in 2003
- **Increase** - Lunches purchased at delis/carry-out/grocery businesses (double)
- **Decrease** - Office workers travel time to lunch (avg 6 min)
 - Less than 5 min: 25% in 1987 and 40% in 2003
- **Increase** - Employees stopping for after work dinner/ drinks close to office
 - 12% in 1987 and 25% in 2003

Employee Spending

- Eating and Drinking Places Total employee expenditures: \$29.7-\$30.7 million
- Retail total employment expenditures: \$24.7-\$25.5 million



Downtown Employee Expenditures

Downtown Employment, 2007-2012

| Industry | 2007 | 2012 |
|--|---------------|---------------|
| | Employees | Employees |
| Health care & Social Assistance | 4,012 | 5,287 |
| Public Administration | 3,243 | 4,273 |
| Professional, Scientific & Tech Services | 3,231 | 4,257 |
| Finance & Insurance | 1,934 | 2,548 |
| Other | 3,455 | 4,553 |
| Total | 15,875 | 20,918 |

Source: InfoUSA, 2007; Economics Research Associates, 2007

Employee Spending

- 15,875 employees in Center City Partnership downtown area
- Employees primarily spend on food and beverage, including lunch and dinner after work

Average Annual Employee Expenditures, 2007

Retail: \$1,180-\$1,217

Eating and Drinking: \$1,421-\$1,466

Downtown Employee Spending, 2007-2012

| Retail Category | 2007 Expenditures | | 2012 Expenditures | |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
| | Low | High | Low | High |
| Retail | \$ 18,732,741 | \$ 19,324,301 | \$ 24,683,972 | \$ 25,463,465 |
| Eating & Drinking Places | \$ 22,564,081 | \$ 23,276,631 | \$ 29,732,495 | \$ 30,671,416 |
| Total | \$ 41,296,823 | \$ 42,600,933 | \$ 54,416,467 | \$ 56,134,882 |

Source: InfoUSA, 2007; Economics Research Associates, 2008.

2012 employee spending downtown:
\$54.4-\$56.1 million

Visitors primarily support the food/beverage and hospitality industry; they are a captive audience; the visitor market is strong.

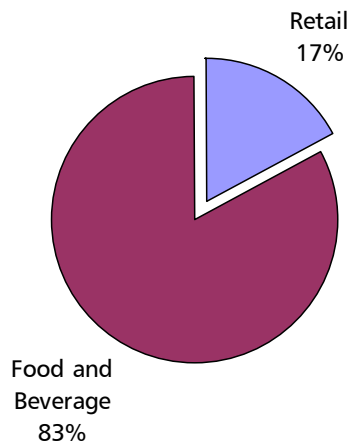
Columbia Visitors

- ERA estimated approximately 1.9 million visitors to the Columbia area
 - 539,000 business visitors
 - 1,380,000 leisure visitors
- Richland county accounted for the 5th most expenditures from domestic travel among SC counties and Columbia attracts 34% of SC visitors
- These figures come from a Travel Industry Association report commissioned by the SC Dept. of Parks, Recreation, and Tourism in 2006 and a Dept. of Parks tourism survey in 2004.
- The convention center business is strong
 - First full year in operation (2005): 132,208 visits
 - By 2007, 155,683 visits
 - 2008 year-to-date up 35% from same period 2007

Visitor Characteristics

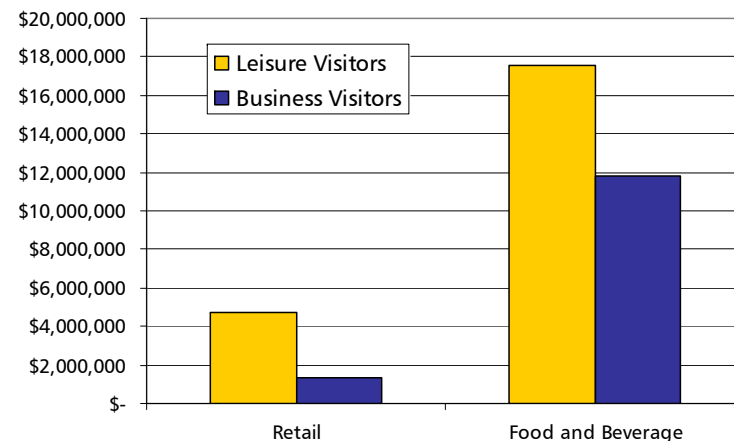
- Median household income for SC visitors was \$40,000 - \$59,000
- Non-coastal South Carolina visitation stems from neighboring states
 - 41% of metro area's visitation is from within SC
 - 21% from North Carolina
 - 11% from Georgia
 - 4% from Florida
- Of people going to the region (Lake Murray County and Capital City), 87% go to Columbia.
- Visitors spend on food, beverage, accommodations, transportation
- Conventioneers food is often handled through the convention center
- Leisure visitors typically spend more on retail than business visitors

2012 Approximate Captured Visitor Spending



2012 Captured Visitor Spending:
\$32.3 million - \$38.4 million

2012 Approximate Captured Visitor Spending

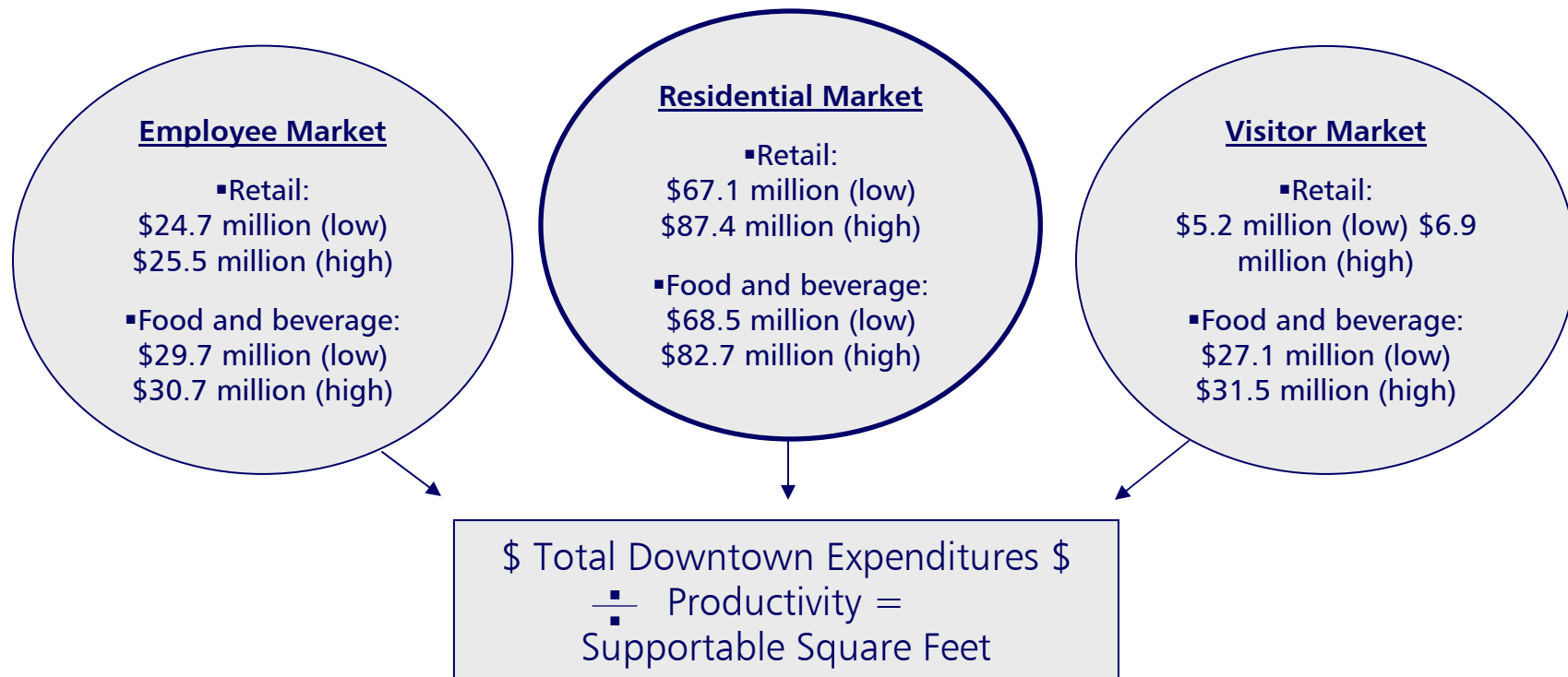


ERA, next, determined the estimated supportable square feet for downtown retail based on estimated downtown expenditures and sales per square feet.

Supportable Square Feet, 2012

➤ Productivity: Gross annual sales per square foot for retail

- May vary, therefore a constant industry and market appropriate standard was applied (between \$300 and \$350 dollars per SF)
- This further qualifies/conditional the tenant mix as one with successful retailers that can pay a sufficient rent and maintain appropriate inventory levels and merchandise
- Typically rent is between 8 – 12 percent of gross sales
- Sufficient rent enables landlords continually maintain and renovate buildings



Based on expenditures and estimated productivity there is market support for between 663,000 and 788,000 square feet of retail in downtown by 2012.

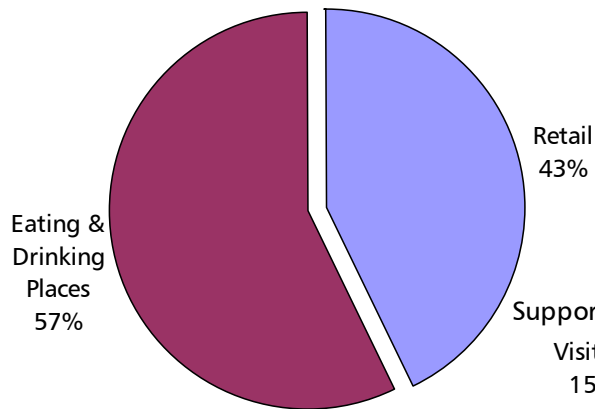
Discussion

- Charts reflect an average of high and low estimated supportable square feet
- Residential market spending accounts for the highest percentage
- If job growth occurs downtown then employee spending will supplement the residential market spending

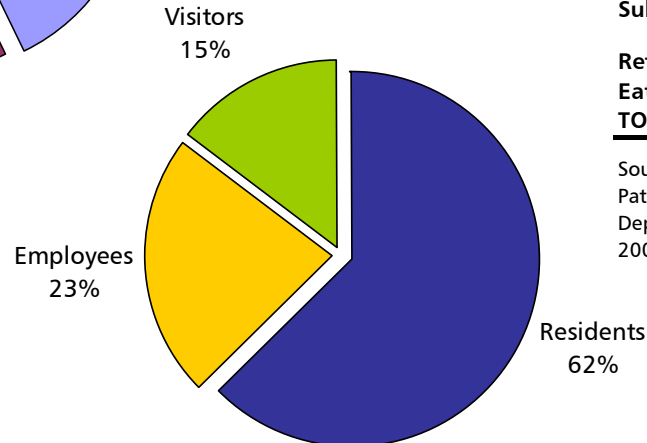
These estimates do not indicate demand for new space; a portion of this market demand is already met by existing retail that is either in good condition or in need of repair and renovation

Estimated Supportable Square Feet

Supportable Square Feet by Use



Supportable Square Feet by Consumer



| Retail Category and Market | Supportable Square Feet | | % of Category | |
|-------------------------------------|-------------------------|----------------|---------------|-------------|
| | Low | High | Low | High |
| Retail | | | | |
| Residents | 191,631 | 249,767 | 69% | 73% |
| Employees | 70,526 | 72,753 | 25% | 21% |
| Visitors | 14,941 | 19,699 | 5% | 6% |
| Subtotal | 277,098 | 342,219 | 100% | 100% |
| Eating & Drinking Places | | | | |
| Residents | 210,814 | 254,522 | 55% | 57% |
| Employees | 91,485 | 94,374 | 24% | 21% |
| Visitors | 83,375 | 96,999 | 22% | 22% |
| Subtotal | 385,674 | 445,894 | 100% | 100% |
| Retail | 277,098 | 342,219 | 42% | 43% |
| Eating & Drinking Places | 385,674 | 445,894 | 58% | 57% |
| TOTAL | 662,772 | 788,113 | 100% | 100% |

Source: ESRI Business Information Solutions; InfoUSA; ICSC Office Worker Retail Spending Patterns (2003); Midlands Council of Government Research Department; South Carolina Department of Parks, Recreation and Tourism; CoStar; Economics Research Associates, 2007

Based on the amount of existing retail, there is market support for between 103,000 and 220,000 square feet of retail in downtown, by 2012.

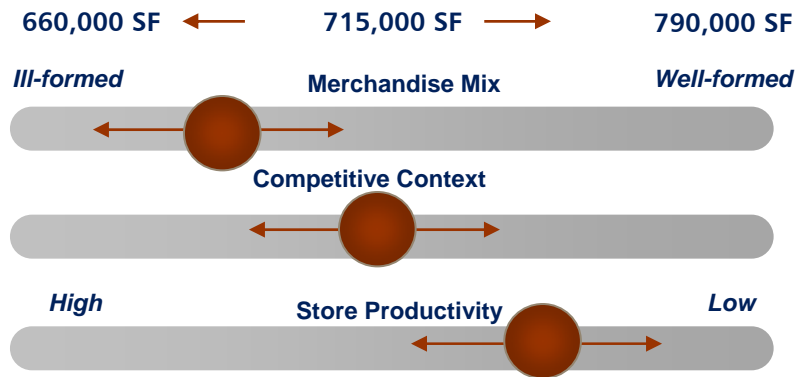
| Existing Retail Space | |
|---|--------------------|
| ➤ ERA estimated the amount of existing retail space utilizing CoStar (a national industry resource for real estate information) | |
| ➤ Includes buildings that are classified as retail, but not currently leased to stores | |
| ▪ Much of the market demand applies to these buildings that should be renovated, released, or replaced over time as retail grows. | |
| Area | Retail Square Feet |
| Main Street | 133,852 |
| Vista (including Lady Street) | 428,740 |
| Lady Street | 111,836 |
| Total Downtown | 562,600 |
| Source: CoStar; Economics Research Associates, 2007 | |

| Additional Supportable Square Feet | | |
|---|-------------------------|----------------|
| Downtown Additional Supportable Square Feet, 2012 | | |
| Category | Supportable Square Feet | |
| | Low | High |
| Space Demand | | |
| Retail | 274,915 | 339,316 |
| Eating & Drinking Places | 390,641 | 442,907 |
| Total | 665,555 | 782,223 |
| Existing Retail Estimate | 562,600 | |
| Additional Supportable SF | 102,955 | 219,623 |
| Source: ESRI Business Information Solutions; InfoUSA; ICSC Office Worker Retail Spending Patterns (2003); Midlands Council of Government Research Department; South Carolina Department of Parks, Recreation and Tourism; CoStar; Economics Research Associates, 2007 | | |

| Discussion |
|---|
| ➤ New projects or tenants in downtown and market conditions will influence the supportable SF |
| ➤ The SF of retail type does not indicate number of stores; stores size varies |
| ➤ Typical store sizes: <ul style="list-style-type: none"> ▪ Apparel 500 - 3,500 SF ▪ Accessories 500 – 3,500 SF ▪ Personal Care 500 – 15,000 SF ▪ Household Furnishings 3,500 – 10,000 SF ▪ Restaurants 2,000 – 6,000+ SF ▪ Quick Service food 1,000 – 3,500 SF |

Multiple factors will ultimately affect the supportable square feet and success of retail over the long-term.

Factors Affecting Market Supportable Demand

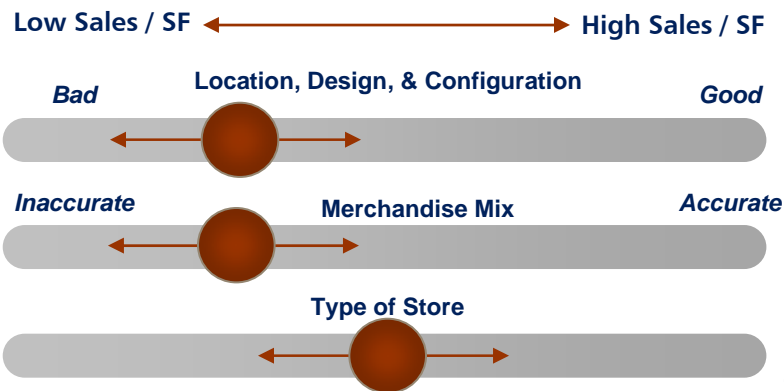


The success and appeal of a retail cluster is directly linked to its merchandise mix and its function as a destination.

New catalytic or competitive development projects can either facilitate additional demand or monopolize market support

The trade areas are capable of spending a certain amount. If more \$\$ are spent in one store less \$\$ will be spent elsewhere.

Factors Affecting Store Productivity



A store's size, location, interior and storefront design are part of total appeal for customers

Price-points and merchandise should accurately reflect the demographics and lifestyle characteristics of the consumers

Merchandise quality (price), quantity (inventory level), and mark-up, as well as store size, influence retailers' profitability (Sales / SF)

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- IV. Merchandise Mix Plan
- V. Implementation Program

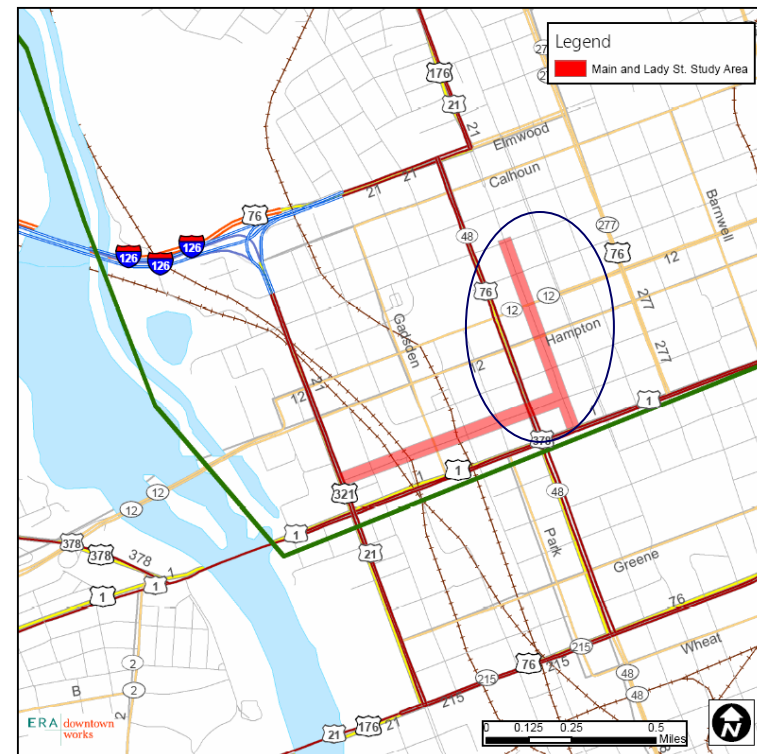
The Merchandise Mix Plan on Main Street will differentiate downtown from other retail districts and strengthen its potential as a retail destination.

Main Street Merchandise Mix

- Surrounding Museum
 - Art galleries
 - Photography
 - Sculpture
 - Decorative Paper
 - Other cultural/art related uses
- Food Uses
 - Full service restaurants of varying cuisine
 - Café's and coffee shops
- Apparel
 - Men's
 - Women's
- Accessories
 - Shoes
 - Hand bags
 - Watches/jewelry (complement Sylvan Bros)
- Home décor and furnishings
- Daily needs for employees and new residents
 - Personal Care
 - Stationary
 - Card/gift
 - Book Store
 - Retail Services
- Focus on all blocks equally

Avoid Leasing To

- Quick Service
- Deep-discount stores
- Retail Services
 - Ultimately (long-term) should ideally be in side streets



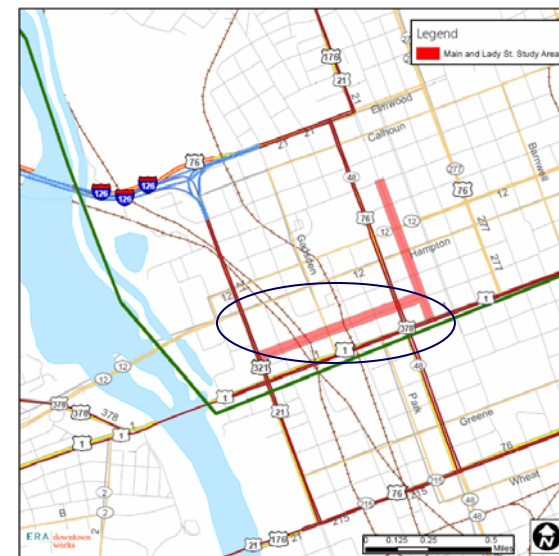
The Merchandise Mix Plan addresses not only types of retail, but also location, Lady Street will need to focus on clustering retail.

Lady Street Merchandise Mix

- Lady Street is very long, too long to have retail the whole length
- Continue to cluster retail around Lincoln
- Retail growth must move towards Main Street to benefit downtown as a whole
 - Both Vista and Downtown will be stronger if connected
- Build on existing apparel successes with more apparel - younger appeal than Main Street
- Salons and services
- Creative offices such as architects, designers, graphics, arts professionals
- Accessories
 - Shoes
 - Hand bags
 - Watches/jewelry (complement Sylvan Bros)
- Home furnishing showrooms
- Urban hardware/home supply
- Art supply
 - Canvas, easels, paints, brushes

Infill Development

- Infill development along Lady Street is one of the most critical aspects in downtown Columbia's retail growth
- Development must be designed to link Main Street and the Vista
- The City and City Center Partnership must ensure that the ground level spaces are designed appropriately
 - This is where people interact with the building,
- If retail, then retail design specialists should be on board



Successful urban retail requires more than indication of a quantitative demand; it requires proper design, operations, and location.

- Retail functions best when double-sided (across the street) and contiguous (side-by-side)
- Over time, storefronts should be built to the street
 - No arcades or set backs
- The quality of the recruited retail is critical for the ultimate success of retail downtown
 - No retail is better than bad retail
 - Proper inventory levels, accurate merchandising, and creative displays are all characteristics of successful retail
- Not all retail is appropriate for the primary retail streets
 - Eventually, retail services should be located on side streets

"Great places are created from the bottom up"

--Quote from successful urban developer



Good

- **Recommendation:** Not all buildings MUST have retail in the ground floor; however those on primary retail streets should
- **Recommendation:** Assure that, when retail is present, ground level and storefront designs are appropriate
 - Create specific mandatory design parameters for developers that guide how retail storefronts address the street
 - Designed by professional retail architects or designers
 - Storefronts distinguished from each other with design – well articulated
 - Monolithic design of tower not carried to pedestrian level
- **Recommendation: Development and Design guidelines are very important instruments for city to maintain – what can change is streamline**
- **Recommendation: Parking garages should be wrapped with retail, residential, or other uses**



Bad

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Plans and strategies are important tools, but their effectiveness is minimal without a strong and sustained Implementation Program. ERA|DW will jump-start and participate in the implementation of Merchandise Mix Plans.

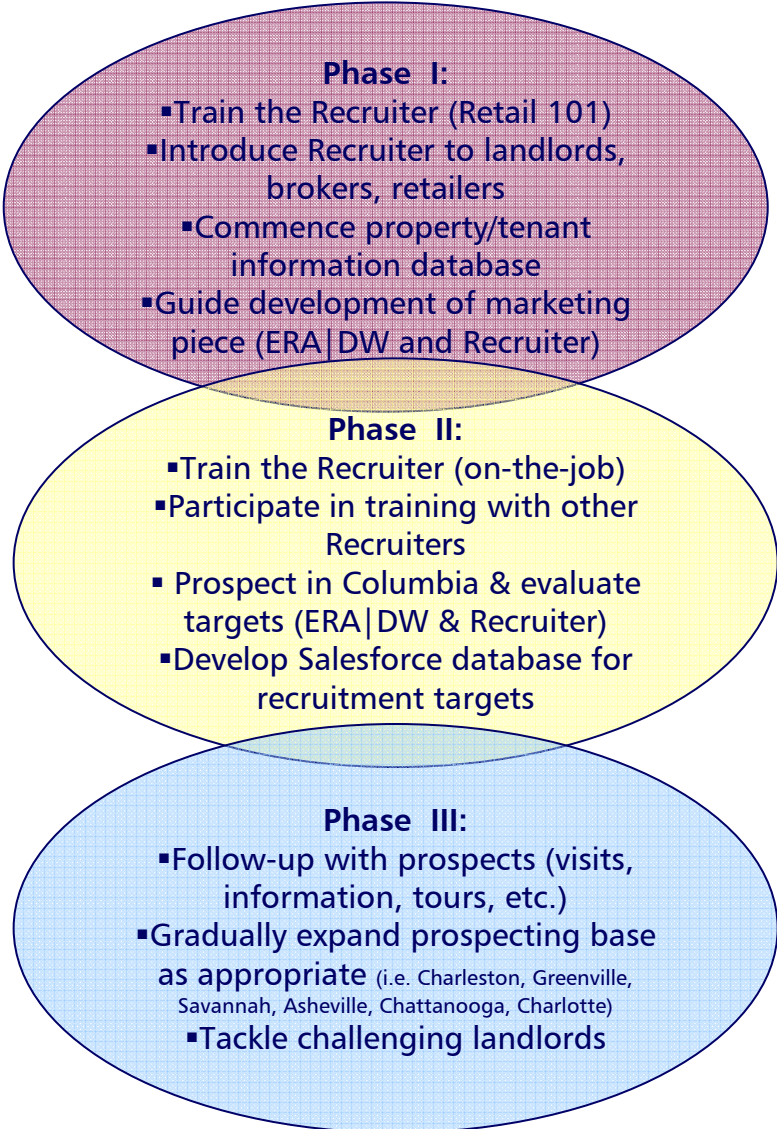
Retail Recruiter

- Central component of the Implementation Program
 - Completed comprehensive hiring process
 - City Center Partnership employee
 - Amy Stone – February 2008 start
- Non-commission based salary
- Brings viable prospects to landlords or their real estate representative – Match Maker
- Ensure that great prospects are not lost
- Work with City or any other relevant agencies to facilitate store opening

Downtown is underserved by most retail categories

Full-service restaurants should be welcomed in any location

Vacancies and short-term leases are priority opportunity sites for retail recruitment efforts



Beyond prospecting for retailers, other action items should be pursued as part of a holistic downtown retail strategy and implementation program.

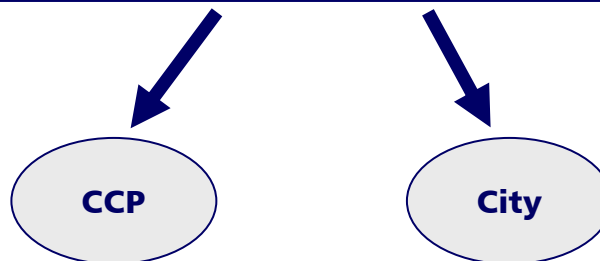
Build consensus and commitment to the Retail Strategy among property owners and stakeholders

Institute incentives to facilitate retail revitalization (tenant build-out, façade improvements, building rehabilitation, etc.)

- Forgivable Loan programs: St. Louis. MO: First round - \$250,000 pool with \$10,000 - \$50,000 forgivable
- Loan forgiven over time, so tenant required to pay attention to quality of business operations
- Requires commitment from all downtown agencies and private sectors (i.e. banks for loans)
- Can dramatically jump-start retail efforts
- To have an impact, incentives MUST be strategically disbursed by location and to tenants that fulfill the Merchandise Mix Plan

Enhance Storefront and Signage Design Guidelines for new development and renovation

- Specific to appropriate retail design (i.e. display space, entryways, sign bands)
- Individual storefronts should be differentiated from storefronts on either side and from floors above
- Created by professional retail designer(s)
- Mandatory or heavily incentivized



CAUTION:
Downtown retail revitalization occurs over long periods of time

Comparable Revitalizations

Austin, Texas:

- Two new stores in first year
- During the first two years Austin's retail recruiter contacted 600 prospective retailers in order to secure deals with ideal retailers in the Merchandise Mix Plan
- After two years six deals with new retailers and three currently in negotiation

Philadelphia, Pennsylvania:

- Over 10 year involvement in downtown Philadelphia, building rental rates have increased on Chestnut and Walnut Sts.
- Chestnut St. saw an increase of \$20-25 per SF to over \$65 per SF
- Walnut St. saw an increase from \$18-34 to an average of \$90 per SF

St Louis, Missouri:

- Downtown Works consulted to the St. Louis Downtown Partnership in 2002 to create and implement a Retail Merchandising Plan and Leasing Strategy
- Between 2003 and the end of 2004, eight new restaurants and ten new retailers opened
- Since the beginning of 2005 and through the end of 2006, 30 new retailers and 13 new restaurants opened
- By fall of 2007, 90 new stores and restaurants had opened.
- Spaces that were originally renting for \$10-12 per square foot are now beginning between \$20-22 per square foot

Downtown Columbia is ready to build upon its downtown successes and add a new dynamic to downtown - retail!

Ultimately the Core will impact the identity and success of the remainder of downtown; while recruitment efforts address all areas in downtown, short-term efforts primarily focus on Main Street and Lady Street in the Core

General Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of February, 2008 and Economics Research Associates has not undertaken any update of its research effort since such date.

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