



**RETAIL ASSESSMENT AND
DEVELOPMENT STRATEGY
CITY OF MANASSAS
ECONOMIC DEVELOPMENT DEPARTMENT**

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FOREWORD

This Retail Assessment and Development Strategy has been prepared to provide a framework for understanding the current retail environment in the City of Manassas and to provide strategic guidance to the Department of Economic Development on retail development opportunities within the City. This document is based on a perspective of the functionality of the Manassas retail node within the competitive retail landscape of Northern Virginia. It is intended to provide a "retailer's perspective" and was not designed to be a tactical handbook for retail tenant solicitation or leasing.

Manassas has lent its name to a retail node where the preponderance of retail activity is occurring outside of the boundaries of the City of Manassas. The node itself has attracted the vast majority of retailers that comprise most major retail nodes in Northern Virginia. Aside from a few box stores, the most visible missing layer of retail is upscale fashion apparel and "lifestyle" retailers.

The Manassas retail node has faced--and will continue to face--direct competition from powerful retail nodes to the east (Fair Oaks/Fair Lakes) and south (Potomac Mills) and an expanding retail node to the west (Gainesville). The Manassas retail node's trade area is contracting at a time when residential development is adding thousands of new consumers to Prince William and adjacent Fauquier counties.

The Prince William Parkway (Route 234) is a "developer's highway" that created residential and commercial development opportunities although largely in the county rather than the City of Manassas.

Retail development and redevelopment opportunities within the City are limited although several sites appear to be well-positioned to capitalize upon broad consumer trends and special market factors. The opportunities are not of a scale that would cause a significant shift of retailing "gravity" from Prince William County into the City of Manassas.

The evolving nature of retailing makes long-term planning a challenging exercise. Many retailers popular today did not exist 20 years ago; similarly, popular retailers 10-20 years hence may not be in existence today.

Shifting consumer purchasing patterns have lead many observers to declare that demand for retail space will decline. The steadily increasing share of "comparison goods" retail sales captured by online merchants (currently approximately 10%) can be expected to reduce the demand for bricks-and-mortar retail space. Some existing retail space may become obsolete and the amount of new space developed may decline compared to past trends. Neighborhood shopping center space of the type predominantly within the City of Manassas may be the least likely category of retail center to be made superfluous by internet shopping. This category of shopping center is more likely to be impacted by changes in the supermarket industry than internet competition in future years.

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SECTION 1:
RETAIL FUNDAMENTALS

RETAIL FUNDAMENTALS

As background, it is important to provide an overview of retail fundamentals:

- Retail node
- Retail trade area
- Shopping center hierarchy / shopping center niche distinctions
- Retail merchandise classifications

DEFINITION: RETAIL NODE

A retail node is a concentration of shopping centers and individual stores that acts as a destination for shopping trips. Nodes are typically named for the community or dominant shopping center in order to provide geographic identity to consumers. Retailers are widely familiar with "Tysons Corner" or "Fair Oaks" as names of large retail nodes. Manassas has been a retail node since its founding in 1873 with activity centered in the area now known as Historic Manassas. The Manassas retail node has expanded beyond the municipal boundaries of the City of Manassas as a function of land availability for large-format shopping centers.

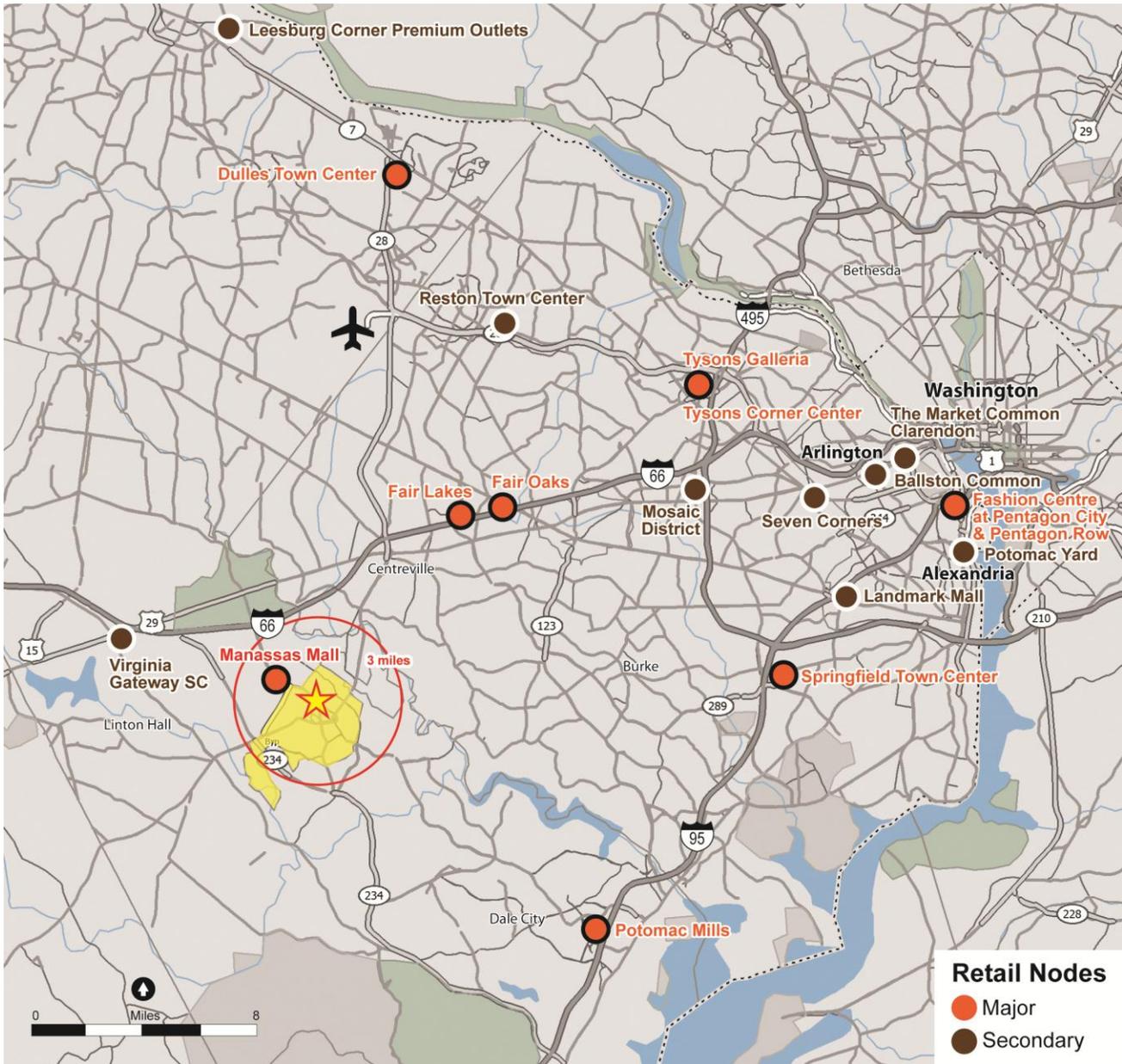
Automobile-oriented suburban growth after World War II ushered in the era of organized shopping centers. Early strip centers were open-air marketplaces serving neighborhood needs. Shopping centers grew larger as department stores followed customers to the suburbs. Beginning in the late 1950s, enclosed malls began to dominate the landscape. These large commercial centers replaced downtown districts as primary shopping destinations with multiple department store anchors and numerous small specialty retailers along with restaurants, movie theaters, and service establishments.

Northern Virginia's primary retail nodes feature multiple department store anchors and/or major destination anchors with regional and super-regional drawing power:

- Tysons Corner / Tysons Galleria
- Dulles Town Center
- Springfield Town Center
- Manassas Mall
- Fair Oaks / Fair Lakes
- Fashion Centre at Pentagon City / Pentagon Row
- Potomac Mills

Northern Virginia's secondary retail nodes are smaller aggregations of retailers with specialty stores and/or large-format "box" stores and may consist of a single shopping center:

- Virginia Gateway
- Reston Town Center
- Leesburg Premium Outlets
- Potomac Yard
- The Market at Clarendon Common
- Landmark Mall
- Seven Corners
- Mosaic District
- Ballston Common
- Kingstowne



Every major highway corridor in Northern Virginia features strip centers and freestanding stores that serve transient consumers and nearby residents. Some of these corridors connect "retail nodes." Note that all major retail nodes are served by an Interstate highway or major highway artery.

DEFINITION: RETAIL TRADE AREA

Real estate site selection begins with a conceptualization of the geographic trade area that will be served from a particular location. Sophisticated retailers are accustomed to evaluating site opportunities based upon geographic areas that will generate predictable and sustained customer support for their stores. Various names including "trade area" and "market area" are used to describe these bases of support. By and large, retail trade areas represent aggregations of consumers defined by distance and/or drive time.

A retail trade area is the geographic region from which a retailer can anticipate the majority of recurring consumer demand. Many retailers and shopping center owners define a trade area as the collection of Zip codes or Census tracts that collectively account for 75% of store sales. Trade areas are identified via customer spotting using proprietary data generated by transactions or consumer research. Trade areas shift in response to road openings/closures, changes in competition, new shopping center development, traffic congestion, and subjective perceptions such as safety and desirability.

Many retailers identify "primary" and "secondary" sectors to acknowledge areas of strength and weakness within a trade area. Ordinarily, sales penetration diminishes as distance from a store increases, so "secondary" trade area sectors would normally be located at the outer edges of a trade area.

Retailers with no experience in a potential retail node may evaluate several aspects of potential trade area delineation. The most basic analysis of market opportunity relies upon comparisons of population density and consumer demographics within concentric rings surrounding a new site with population and demographic composition within rings surrounding existing stores. Many retailers use 1-3-5 mile radii or 3-5-7 mile radii for these basic comparisons.

Sophisticated retailers have customer data including sales by Zip code that can be used to understand existing stores' trade areas and assist in evaluating new store sites. Site selectors can plot clusters of Zip codes as individual store trade areas in order to see where drawing power diminishes. They will then evaluate the potential for a new store to achieve sufficient sales volume in a trade area with minimal overlap with existing trade area(s).

Once a trade area has been defined, many retailers project store sales by applying a "capture rate" to the estimated sales potential generated by the consumer base of the trade area. An individual retailer's "capture rate" is established by internal analysis and becomes part of proprietary sales models. Similarly, developers may use industry-established "capture rates" to project sales for new shopping center developments. Delineating a reasonable trade area is fundamental to accurate sales modeling by individual retailers as well as shopping center developers.

Retailers attempt to minimize "sales transfer" or cannibalization from existing store(s) when opening new store(s) since shifting sales from an established location can undermine the profitability of the existing store. When opening a new store, retailers want to be assured that the new store will achieve profitability without eliminating or seriously reducing the profitability of any existing store(s). In recent years, the cost of capital and Wall Street's heightened focus on the profitability of individual stores has tempered the expansion plans of many retailers and created greater discipline in evaluating new store sites.

Seldom do retail trade area boundaries coincide with political boundaries. At the local level, retailers make no distinction between the City of Manassas and urbanized portions of Prince William County immediately adjacent to the City of Manassas when evaluating potential sites although they may take note of political boundaries in cases of extreme differences in taxation or zoning regulations.

SHOPPING CENTER HEIRARCHY

Shopping centers and areas have evolved into a hierarchy of four basic types, named for the kind of goods sold and/or the geographic trade area to be served. In all cases, a shopping center's type and function are determined by its major tenant or tenants and the size of its trade area; they are never based solely on the area of the site or the square footage of the structure.¹

Convenience Center

A convenience center provides for the sale of personal services and convenience goods similar to those of a neighborhood center. It contains a minimum of three stores, with a total gross leasable area of up to 30,000 square feet. Instead of being anchored by a supermarket, a convenience center usually is anchored by some other type of personal/convenience service such as a mini-market. This type of open-air center is designed to provide convenient access to the day-to-day needs of consumers in the immediate neighborhood. Many convenience centers are anchored by a limited-selection grocery store and/or pharmacy. These anchors are supported by smaller stores offering drugs, sundries, snacks, and personal services. Canterbury Village is an example of a convenience center. Anchored by Walgreens and offering several restaurants, this shopping center serves transient shoppers as well as employees and visitors at the medical center across the street.

Neighborhood Shopping Center

A neighborhood shopping center is usually configured as a straight-line strip. Its primary trade area is typically about three miles. A neighborhood shopping center provides for the sale of convenience goods (food, drugs, and sundries) and personal services (laundry and dry cleaning, barbering, shoe repairing, etc.) for the day-to-day living needs of the immediate neighborhood. It is built around a supermarket as the principal tenant and typically contains a gross leasable area of about 60,000 square feet. In practice, neighborhood shopping centers range in size from 30,000 to 100,000 square feet. Shoppes at Signal Hill on Liberia Avenue is an example of a neighborhood shopping center. It has a full-scale Shoppers Food Warehouse supermarket with an assortment of services and restaurants. Its drawing power is established by its grocery store anchor and is limited by the alignment of supermarkets in the Manassas area.

Community Shopping Center

In addition to the convenience goods and personal services offered by the neighborhood shopping center, a community shopping center provides a wider range of soft lines (wearing apparel for men, women, and children) and hard lines (hardware and appliances). The community shopping center makes merchandise available in a greater variety of sizes, styles, colors, and prices. Many community shopping centers are built around a junior department store, variety store, super drugstore, or discount department store as the major tenant, in addition to a supermarket. Community shopping center tenants sometimes include off-price retailers selling items such as apparel, home improvement/furnishings, toys, electronics, or sporting goods. Community shopping

¹ Dollars and Cents of Shopping Centers: 2000, Urban Land Institute

centers are usually configured as a strip, in a straight line, an “L” or a “U” shape. A community center’s primary trade area is typically less than 3 miles. Manassas Shopping Center is a community retail center encompassing 185,000 square feet. Its anchor tenants are Peebles, Hancock Fabric, and J.E. Rice Hardware. Park Ridge Center, anchored by Kohl's and a Regal Theater, is also a community shopping center.

Regional Shopping Center / Super-Regional Shopping Center

A regional shopping center provides general merchandise, apparel, furniture, and home furnishings in depth and variety, as well as a range of services and recreational facilities. Regional shopping centers are built around one or two full-line department stores of generally not less than 50,000 square feet. The typical size of a regional shopping center is about 500,000 square feet of gross leasable area; in practice, it may range from 250,000 to more than 900,000 square feet. The regional shopping center provides services typical of a business district yet not as extensive as those of a super-regional shopping center. Manassas Mall, anchored by Walmart, Sears, and Macy's, is a regional shopping center. This enclosed mall is also the core element of the Manassas retail node. Virginia Gateway Center in Gainesville is a new regional shopping center comprised of an open-air power center and a shopping/dining "lifestyle" center.

A super-regional shopping center offers extensive variety in general merchandise, apparel, furniture, and home furnishings, as well as a variety of services and recreational facilities. Super-regional shopping centers are built around at least three full-line department stores generally of not less than 75,000 square feet each. Often, a super-regional shopping center offers one or more department stores that are unique. The presence of a department store(s) and specialty tenants not found in all malls provides extended drawing power for super-regional shopping centers. The typical size of a super-regional shopping center is about 1,000,000 square feet of gross leasable area. In practice, the size ranges from about 500,000 to more than 1,500,000 square feet. Fair Oaks Mall, Potomac Mills, and Tysons Corner Center are super-regional shopping centers in the vicinity of Manassas.

SHOPPING CENTER NICHE DISTINCTIONS

Key shopping center niche distinctions warrant discussion. The appeal of some shopping destinations is based upon serving a focused niche rather than overall size and geographic drawing power:

- Power Center / Promotional Center
- Outlet Center
- Specialty Center ("Lifestyle Center")
- Entertainment Center

Power Center / Promotional Center

A power center is a specialized type of community center that contains category-specific, off-price anchors of 20,000 or more square feet. These anchors typically emphasize hard goods, office supplies, pet supplies, sporting goods, electronics/appliances, books/music, linens/household goods, health and beauty supplies, toys, family apparel, shoes, and personal computer hardware/software. They tend to be narrowly focused but deeply merchandised "category killers" together with the more broadly merchandised, price-oriented warehouse club and discount department stores. Anchors in power centers typically occupy 85 percent or more of total GLA; some power centers have no small tenants. Bull Run Plaza is a power center anchored by Dick's Sporting Goods, Ross Dress for Less, Office Depot, and Michael's Arts and Crafts. These are among the most popular box retailers in the U.S. Bull Run Plaza also offers Shoppers Food Warehouse.

Outlet Center

An outlet center (or "manufacturer's outlet mall") originally consisted of manufacturers operating stores to dispose of irregular goods (i.e. "factory seconds"), past-season merchandise, and excess inventory. In recent years, retailers have opened stores in outlet centers to showcase their brands. In many instances, retailers produce goods specifically to be sold in outlet centers. Often, the brands sold in outlet centers are considered to be "aspirational" meaning that outlet goods are priced to appeal to shoppers who may not be willing or able to pay "full price" for merchandise in traditional retail stores. Upscale brands at discounts have broad appeal; the days of using outlet stores to dispose of "factory seconds" are long gone as evidenced by the depth of inventory in most outlet stores. Leesburg Premium Outlets is a traditional outlet center with an upscale fashion merchandising theme.

Specialty Center

Specialty centers are often described as "lifestyle centers" because they combine the traditional retail functions of a shopping mall with leisure amenities oriented towards upscale consumers. Because the concept can be nebulous, and because developers often used the term inconsistently, the International Council of Shopping Centers (ICSC) defines a "lifestyle center" as having a location near affluent residential neighborhoods; an upscale orientation; 150,000 to 500,000 square feet of gross leasable area (GLA); an open-air format; and at least 50,000 square feet of national specialty chain stores. The Promenade at Virginia Gateway is a specialty "lifestyle" center.

Entertainment Center

Entertainment centers have a primary focus on entertainment and/or dining rather than retail goods, although retail merchandise is usually part of the offering. An entertainment center is typically anchored by a multi-screen movie theater or other form of entertainment venue. Family-style restaurants augment the appeal of an entertainment center.

RETAIL MERCHANDISE CLASSIFICATIONS

Retail merchandise generally falls into one of two basic classifications:

1. "Convenience Goods"
2. "Comparison Goods"

The U.S. Department of Commerce measures spending in many merchandise categories of "convenience goods" and "Comparison goods." Expenditure data lends itself to use in assessing demand for retail space.

Convenience Goods

"Convenience goods" include groceries, health and beauty products, greeting cards, and other goods purchased on a daily or weekly basis by most consumers. "Convenience goods" retailers generally have broad appeal in order to serve as many consumers as possible, and annual spending on "convenience goods" is highly predictable since most "convenience goods" are necessities rather than discretionary purchases.

Supermarkets and drug stores are important "convenience goods" retailers. "Convenience goods" retailers generally serve localized trade areas. These retailers tend to locate in convenience shopping centers or neighborhood shopping centers as well as retail corridors.

Comparison Goods

"Comparison goods" include clothing and shoes, electronics/appliances, home furnishings, jewelry, sporting goods, books, and other items purchased on an occasional basis usually after comparing options as part of the final purchase decision. Consumer spending capacity (i.e. income) and preferences (i.e. tastes) heavily influence the purchase of "comparison goods."

Department stores, family apparel stores, and furniture/appliance stores are examples of "comparison goods" retailers. "Comparison goods" retailers generally require larger consumer bases (i.e. trade areas) than "convenience goods" retailers. These retailers generally locate in community shopping centers or regional/super-regional shopping centers.

"Convenience goods" represent the most basic level in the hierarchy of retailing and are typically matched to neighborhood and community level trade areas. "Convenience goods" retailers have different consumer support requirements than "comparison goods" retailers. Every consumer (or household) routinely purchases "convenience goods" but "comparison goods" are purchased on a discretionary basis. "Comparison goods" purchasing is influenced by "wants" rather than "needs" and is subject to subjective factors such as style/design (fashion) as well as price point. As a result, "comparison goods" retailers require locations that are readily accessible to larger consumer bases to allow for adequate consumer support. In contemporary U.S. retailing, "comparison goods" retailers generally prefer to co-locate in critical mass clusters in order to harness the collective

drawing power of multiple compatible retailers. This is the principle behind the development of shopping centers.

Retailers increasingly opt for locations in close proximity to their most direct competitor(s) in order to benefit from cross-shopping and to avoid splitting the market or isolating themselves. Home improvement centers such as Home Depot and Lowes are often very close to one another in order to gain equal access to all shoppers drawn to their general vicinity.

SECTION 2:
PRINCIPLES OF RETAIL SITE SELECTION

FUNDAMENTALS OF RETAILER SITE SELECTION

Multi-unit retailers account for the vast majority of retail establishments in the U.S. These retailers are inherently oriented to expansion to generate increasing sales and profits. Publicly-traded retail companies are particularly driven to expand their store networks in response to shareholder demand for increasing share value and dividend income.

Because adding new stores requires capital investment costs, retailers have become increasingly focused on return on investment. This forces retailers to accurately predict the potential for profitability of new stores as well as the impact of new store openings on established stores. Retailers strive to create an efficient network of stores wherein each location achieves a threshold level of sales and profitability while minimizing sales transfer that could destabilize existing store(s). Some level of "sales cannibalization" may be acceptable if collective profitability is maintained.

Retailers consider location mistakes to be among the most costly and complicated issues to rectify. To assist in evaluating store locations, most multi-unit retailers have developed disciplined, systematic processes and models using internal performance metrics and external data input. Modeling is often based upon store analogs; consumer characteristics are identified as key drivers of success of existing stores, and drive times are analyzed to create trade area dimensions typically based on miles or drive times. Hard data inputs include population and/or household count, household income, and other demographic factors.

General location characteristics and specific site attributes are considered in evaluation of potential store opportunities. The site selection process begins with a retailer's understanding of the level of sales a store must achieve to be profitable and the size and characteristics of the consumer base necessary to achieve a threshold sales volume. Retailers first evaluate a general location before focusing on specific site options. Lease economics and costs of operation are important considerations; municipal boundaries are generally not taken into consideration.

Location Characteristics

- proximity to existing store(s)
- proximity to competitor(s)
- anchors or primary destination retailers nearby or in node
- population density and demographics of consumer base within probable trade area
- highway access (Interstate/freeway, primary artery)

Site Characteristics

- visibility from key access roads
- ease of ingress/egress
- adequacy of parking
- transit accessibility
- size (i.e. "gravity") of shopping center

- traffic movement patterns within shopping center
- storefront visibility within shopping center
- signage opportunities

SITE SELECTION CRITERIA OF SELECTED RETAILERS

It is important to accept the basic premise that individual retailers have established demographic parameters for new stores. Examples of site criteria are presented in the following tables.

TABLE 1

SITE REQUIREMENTS--SELECTED ANCHORS AND MINI-ANCHORS					
	<u>RADIUS</u>	<u>POPULATION</u>	<u>AVG. HSLD. INCOME</u>	<u>VEHICLES PER DAY</u>	<u>OTHER PREFERENCES</u>
KOHL'S	---	100,000	\$40,000	---	TRADE AREAS MUST HAVE HIGH PERCENTAGE OF FAMILIES WITH CHILDREN; NATIONAL RETAILER CO-TENANCY PREFERRED
PEEBLES DEPARTMENT STORES	10 MILES	20,000 - 50,000	---	20,000	TARGET CUSTOMERS ARE WOMEN AGE 25- 54 WITH MEDIAN HOUSEHOLD INCOME \$45,000+; PREFER SITES 20+ MILES FROM DEPARTMENT STORE
STEIN MART	5 MILES	150,000	\$80,000	---	REQUIRES FASHION-CONSCIOUS, HIGH TASTE FEMALES AGES 35-60; OTHER CARRIAGE TRADE RETAILERS NEARBY
HOME DEPOT	10 MILES	55,000	MSA MEDIAN	11,000	NO CONFLICTING CO-TENANTS
PETCO	1 MILE 3 MILES	15,000 100,000	\$45,000+	40,000	MIDDLE TO UPPER MIDDLE INCOME PET OWNERS; 200,000+ SQUARE FOOT SHOPPING CENTERS
PETSMART	3 MILES	75,000	\$90,000	75,000	MINIMUM 200,000 POPULATION WITHIN 5 MILES
PET SUPPLIES PLUS	5 MILES	75,000	\$45,000	20,000	
SPORTS AUTHORITY	5 MILES	200,000	\$55,000	30,000	PREFERS TO BE IN OR NEAR BIG BOX POWER CENTERS
OFFICEMAX	---	70,000	ABOVE MSA	---	MAJOR THOROUGHFARE WITH HIGH VISIBILITY
OFFICE DEPOT	---	40,000	\$40,000	---	GROWTH AREA WITH A MINIMUM OF 40,000 POPULATION
MICHAEL'S ARTS & CRAFTS	5 MILES	100,000	\$35,000	25,000	PREFER TO BE IN OR NEAR BIG BOX POWER CENTERS
BOOKS-A-MILLION	5 MILES	150,000	---	---	WELL-EDUCATED CONSUMERS IN HOUSEHOLDS WITH MODERATE TO ABOVE-AVERAGE INCOMES; DESIRED CO-TENANTS INCLUDE BIG BOX STORES INCLUDING T.J. MAXX OR UPSCALE GROCERY STORE

SITE REQUIREMENTS--SELECTED APPAREL/SHOE RETAILERS

	<u>RADIUS</u>	<u>POPULATION</u>	<u>AVG. HSLD. INCOME</u>	<u>VEHICLES PER DAY</u>	<u>OTHER PREFERENCES</u>
ROSS DRESS FOR LESS	5 MILES	100,000	---	30,000	WHITE COLLAR CUSTOMERS AGES 25-54 MIDDLE INCOME HOUSEHOLDS
RUE 21	10 MILES	35,000	\$35,000 - \$80,000	---	TEENS AGE 11-16 WHO DESIRE TO BE 21 AND ADULTS WHO ASPIRE TO BE 21 AGAIN
DRESSBARN/DRESSBARN WOMAN	5 MILES	120,000	\$60,000	---	150,000+ SQUARE FOOT CENTERS; PREFERRED CO-TENANTS INCLUDE DISCOUNTERS AND OTHER SOFT GOODS; TARGET IS FEMALES SIZES 2-24 AND PETITES
CATO FASHIONS	---	30,000	---	---	SERVES BROAD INCOME RANGE; DESIRED CO-TENANTS INCLUDE DISCOUNTERS AND STRONG GROCERY STORES PREFERES RURAL AND MIDDLE MARKETS
CHRISTOPHER & BANKS	10 MILES	75,000	\$50,000	---	TARGET IS FEMALES AGE 40+ WITH HOUSEHOLD INCOME OF \$50,000 - \$75,000
DEB SHOPS	---	---	---	---	TARGET IS FEMALES AGE 13 - 25; DESIRED CO-TENANTS ARE VALUE-BASED MERCHANTS
FASHION BUG	5 MILES	100,000	\$45,000	---	TARGETS WOMEN AGE 20 - 49; ALSO SERVES TEENS AND GIRLS AGE 7+. DESIRED CO-TENANTS INCLUDE GROCERY AND DISCOUNTERS WITH OTHER WOMEN'S APPAREL
SIMPLY FASHIONS	3 MILES	25,000	---	---	MANDATORY REQUIREMENT OF AT LEAST 5,000 AFRICAN AMERICANS WITHIN 1 MILE RADIUS AND 25,000 AFRICAN AMERICANS WITHIN 3 MILE RADIUS
THE AVENUE	5 MILES	150,000	---	---	TARGET IS WOMEN SIZES 14+, AGES 25 - 55; MEDIAN HOUSEHOLD INCOME \$35,000 - \$85,000
LANE BRYANT	5 MILES	150,000	\$50,000	25,000	FASHION-ORIENTED FEMALES AGES 25 - 45; SIZES 14 - 28; SOFT GOODS/OTHER WOMEN'S APPAREL AS CO-TENANTS
\$10 CLOTHING	2 MILES	20,000	---	---	
CITITRENDS	3 MILES	30,000	---	---	REQUIRES HIGH CONCENTRATION OF AFRICAN AMERICANS
FAMOUS FOOTWEAR	5 MILES	100,000	\$65,000	---	DESIRED CO-TENANTS INCLUDE TARGET, MARSHALL'S
THE ATHLETE'S FOOT	3 MILES	25,000	---	---	LIKE A VARIETY OF SHOPPING CENTER TYPES
SHOE CARNIVAL	---	80,000+	---	---	PREFER CENTERS WITH STRONG APPAREL/FASHION CO-TENANCY; DESIRED CO-TENANTS INCLUDE TARGET, WALMART, MARSHALL'S, DRESS BARN, RUE 21
PAYLESS SHOES	---	50,000	---	15,000	
RACK ROOM SHOES	---	100,000	\$50,000	---	
SHOE SHOW	---	20,000	---	---	PREFERS RURAL MARKETS; DESIRED CO-TENANTS ARE TARGET, WALMART, TJ MAXX/MARSHALL'S, RUE 21, CATO, MAURICE'S
SHOE SENSATION	---	60,000	---	---	PREFER COUNTY SEAT 45 MINUTES+ FROM LARGE CITY
DSW	5 MILES	200,000	\$60,000	---	
ANN TAYLOR	5 MILES	100,000	\$125,000	---	
LOFT	5 MILES	100,000	\$125,000	---	
WHITE HOUSE BLACK MARKET	5 MILES	100,000	\$100,000	---	UPSCALE LIFESTYLE TENANTS OR GOURMET GROCER
CHICO'S	5 MILES	100,000	100,000	---	
J. CREW	---	---	\$75,000		POLO, COACH OR UPSCALE FASHION CO-TENANCY

SITE REQUIREMENTS--SELECTED NON-APPAREL/SHOE RETAILERS

	<u>RADIUS</u>	<u>POPULATION</u>	<u>AVG. HSLD. INCOME</u>	<u>VEHICLES PER DAY</u>	<u>OTHER PREFERENCES</u>
PARTY CITY	5 MILES	150,000	\$50,000	---	25 PERCENT OF POPULATION UNDER AGE 14
DISCOUNT PARTY STORE	2 MILES	20,000	---	---	
CARDSMART	3 MILES	50,000	\$60,000		
KIRKLAND'S	5 MILES	100,000	---	---	EASY ACCESS AND HIGH VISIBILITY
FIVE BELOW	5 MILES	100,000	\$50,000	25,000	10%+ UNDER AGE 9
GAMESTOP	3 MILES	25,000	---	15,000	MEDIAN AGE BELOW 39 WITH 30 PERCENT OF POPULATION UNDER AGE 24; DESIRED CO-TENANTS INCLUDE WALMART SUPERCENTER, TARGET
JOANN'S FABRICS	5 MILES	125,000	\$75,000	---	
CLAIRE'S ACCESSORIES	---	---	---	---	TARGETS TEENS AND TWEENS AGE 7 AND 13
SALLY BEAUTY SUPPLY	3 MILES	35,000	\$34,000	20,000	100,000+ SQUARE FOOT SHOPPING CENTERS WITH AT LEAST ONE MAJOR ANCHOR INCLUDING
GNC	---	30,000	---	---	SENSITIVE TO PROTECTED TERRITORY OF EXISTING FRANCHISEE; DESIRED CO-TENANTS INCLUDE MASS MERCHANDISER INCLUDING TARGET, WALMART
ANNA'S LINENS	5 MILES	150,000	\$35,000 - \$70,000	---	PREFERS AREA WITH 30 PERCENT AFRICAN AMERICANS OR HISPANICS; DESIRED CO-TENANTS INCLUDE NATIONAL BIG BOXES AND GROCERS
HIBBETT SPORTS	5 MILES	20,000	---	---	REQUIRES BIG BOX STORE OR DEPARTMENT STORE CO-TENANCY; \$200+ MILLION RETAIL SALES BASE

SOURCE: Realty Trac

SECTION 3:
MANASSAS RETAIL NODE
AND
CITY OF MANASSAS RETAIL SUB-SECTORS

MANASSAS RETAIL NODE AND SUB-SECTORS

To the retail community, the Manassas Retail Node consists of the multiple shopping centers and highly-developed corridors surrounding the City of Manassas. Most of the stores in the Manassas retail node are located in Prince William County outside of the City of Manassas.

The Manassas retail node has several sub-sectors serving specific roles. A natural sorting process drives tenant interest in each retail sub-sector based upon regional accessibility/visibility, co-tenancy, and consumer niche.

- Sudley Road (including Manassas Mall)
- Historic Manassas (Downtown)
- Mathis Avenue / Centreville Road (including Manassas Shopping Center)
- Liberia Avenue
- Route 28 / Nokesville Road

Sudley Road

The Sudley Road corridor is highly developed with retail centers and stores from Interstate 66 at its outer edge to the vicinity of Diggs Road at its inner edge. It is clearly the largest sub-sector in the Manassas retail node as well as the focal point for "comparison goods" shopping.

Canterbury Village is a convenience/neighborhood shopping center situated opposite the Novant Medical Center complex. This is the only shopping center in the Sudley Road sub-sector that is located within the city limits of Manassas.

"Comparison goods" retailers are generally located outboard of Godwin Drive on freestanding sites and in multiple organized shopping centers including Manassas Mall, Manaport Plaza, Festival at Manassas, Westgate Plaza, Sudley Manor Square, Festival at Bull Run, Bull Run Plaza, Sudley Town Plaza, Promenade at Manassas, and Park Ridge Center. All of these retail centers are located in Prince William County.

Manassas Mall is the dominant shopping center within the node. This 935,000 square foot enclosed regional mall is anchored by Walmart, Macy's, and Sears. Recent merchandising enhancements have added several contemporary juniors apparel retailers such as H & M, Aeropostale, and Forever 21. Two vacant department stores are being retrofitted for use by At Home and an indoor go-kart center. It is highly probable that Manassas Mall's trade area has been geographically constrained in recent years as a result of retail development in the Gainesville area and because of the proliferation of retailing in the Woodbridge / Dale City area.

Subsector vacancy is estimated at less than 5 percent primarily due to the departure of K mart.

Major anchors and destination retailers located in the Sudley Road sub-sector include:

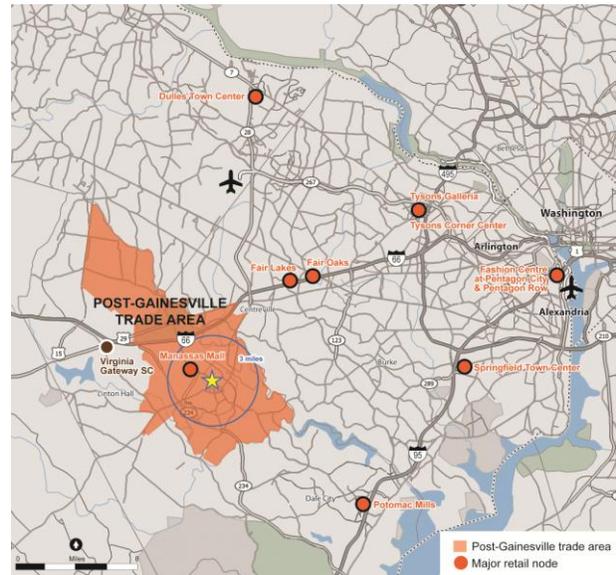
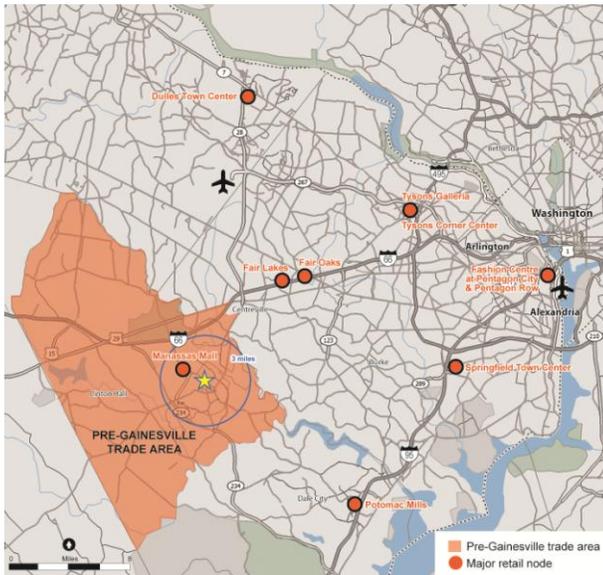
- Macy's
- Sears
- Walmart
- Kohl's
- Costco
- The Home Depot
- Lowe's Home Improvement
- Bed Bath & Beyond
- H. H. Gregg
- Total Wine
- Burlington Coat Factory
- PetSmart
- Old Navy
- Best Buy
- Barnes & Noble
- Toys R Us
- Dick's Sporting Goods
- Marshall's
- Michael's Arts & Crafts
- At Home (opening soon)
- A. C. Moore
- Ross Dress for Less
- Petco

The vast majority of these retail anchors and destination stores are highly duplicated in retail nodes surrounding the Manassas retail node to the west (Fair Oaks/Fair Lakes) and to the east (Gainesville).

Function: Sudley Road serves as a regional shopping destination with a secondary role as a destination for dining and consumer services. The node's geographic drawing power is based upon driving time and is constrained by the proliferation of major anchors and destination retailers across Northern Virginia.

The Sudley Road sub-sector functions as a community/regional retail destination. Over time, the Manassas retail node's function as a regional shopping destination has probably eroded following the extensive amount of retail development in the Gainesville area. The addition of "comparison goods" in Gainesville has reduced the need to access stores in Manassas; the retail cluster at the junction of Route 29 and Interstate 66 pre-empts many shopping trips that previously flowed to the Manassas retail node. Macy's and Sears are the principal retailers not duplicated in Gainesville; residents of the Gainesville/Haymarket area may continue to access these stores in Manassas or they may opt to by-pass Manassas in favor of the Fair Oaks / Fair Lakes retail node where superior versions of these stores are located.

The emergence of a retail node in Gainesville has undoubtedly reduced the effective trade area served by the Manassas retail node. The illustrations below depict the concept of a shrinking Manassas retail node trade area.



Historic Manassas (Downtown)

Center Street is the primary commercial spine in Historic Manassas with double-loaded storefronts in a pedestrian setting. The two blocks between West Street and Main Street are lined by historic commercial buildings with attractive street-level facades. The pedestrian rhythm of Center Street is interrupted by a motel occupying the block between Main Street and East Street. Beyond East Street to the east, Center Street's contiguous storefronts give way to freestanding buildings including the city hall complex and a mix of commercial uses including a long-established ice and fuel depot. Continuing east, Center Street becomes residential in character with a mix of old and new housing.

Church Street is parallel to Center Street but it lacks the contiguous double-loaded storefronts that make for an intimate and efficient retail street. The predominant use is offices.

West, Battle, and Main streets run perpendicular to Center Street and provide walking paths to the Amtrak/Virginia Rail Express station and a major parking garage. The Harris Pavilion is a frequently used venue at the corner of Center and West streets; West Street is also designated as the vehicular path to the Manassas Visitor Center and one route for accessing the Manassas Museum. These three side streets have attracted numerous dining destinations. Battle Street, in particular, has been a focus of municipal investment.

Function: Historic Downtown serves primarily as a specialized entertainment and dining destination. Specialty shopping is a secondary activity. Because of its unique characteristics, Historic Manassas draws residents from a broad geographic region based upon proclivity to enjoy the types of dining and entertainment experiences offered there.

Historic Manassas functions as a site for community celebrations and as a destination for dining with specialty shopping and personal services augmenting its appeal. The environment is unique within Northern Virginia for authentic, experience-driven visits. Similar experiences are offered in the

downtown areas of Leesburg and Occoquan and on a grander scale in Old Town Alexandria. Most of the retail offering is highly specialized and would be classified as "wants" rather than "needs." Shops are independently-owned rather than chains and most are staffed by owners. Events can have wide geographic drawing power if well-publicized. The powerful combination of community events, dining, and specialty shopping in a walking environment has niche appeal that may translate into broad geographic drawing power for Historic Manassas although the share of the general population that is interested in the "experienced-based" offering of Historic Manassas is unknown.

Mathis Avenue / Centreville Road

Mathis Avenue and Centreville Road are parallel streets with extensive commercial development. Centreville Road is a major commuter route connecting Manassas with Centreville and areas to the east whereas Mathis Avenue is a neighborhood connector.

Most of the retail offering in the Mathis Avenue corridor is located in the Manassas Shopping Center, a 230,000 square foot property originally developed in 1955. This shopping plaza pre-dates the contemporary retail development in the Sudley Road sub-sector and consists primarily of "convenience goods" and restaurants with several entertainment uses including a small movie theater and a bowling alley. Peebles is one of the few examples of a "comparison goods" retailer in this subsector.

The retail offering along Centreville Road is "strip retail" consisting of car dealerships and automotive services, banks, fast food restaurants, and other uses occupying frontage pad sites or shallow parcels one-block deep. Despite cross-street access points, these uses block the visibility of the shopping center on Mathis Avenue and deprive businesses of potential patronage.

The Manassas Shopping Center and adjacent Reb-Yank Shopping Center collectively represent approximately 285,000 square feet. Prevailing occupancy is high although some of the businesses may be marginally viable. These properties suffer from long-deferred reinvestment in aesthetics, and surface parking lots may offer additional development sites. Peebles is the most significant "comparison goods" retailer in this sub-sector.

Function: The Mathis Avenue / Centreville Road sub-sector has multiple personalities and functions. In general, the sub-sector serves neighborhood/community needs though its automobile dealerships serve a broader regional market area. Because this area does not serve a regional trade area (except for auto sales), it is not interchangeable with the Sudley Road sub-sector for most "comparison goods" retailers that may be interested in locating in Manassas.

Liberia Avenue

Between Centreville Road and Hastings Drive, Liberia Avenue is heavily developed with retail strip centers--inside the city limits of Manassas and in areas of Prince William County. Major retailers located in this sub-sector include Walmart, H Mart, Petco, Staples, Harris Teeter, The Home Depot, Shoppers Food Warehouse, and H Mart. There are many family restaurants and professional service establishments in the strip centers along Liberia Avenue. Several automobile dealerships are

located near the intersection of Liberia Avenue and Centreville Road. Many of the retailers in the sub-sector are located in Prince William County.

Function: Liberia Avenue is a neighborhood/community retail sub-sector. Its two largest retailers--Walmart and Home Depot--are replicated in the Sudley Road sub-sector, thereby limiting its drawing power from the northern portion of Manassas and nearby Manassas Park.

For the most part, the businesses on Liberia Avenue serve a neighborhood/community trade area. Vacancy is low. Evening hours are relatively busy because of the concentration of dining establishments.

Route 28 / Nokesville Road

Route 28 / Nokesville Road is a minor retail sub-sector in terms of overall square footage of retail development but the Target Greatland store no doubt serves a broad trade area since it is the only Target store in the Manassas retail node. Harris Teeter anchors a strip center to the east of the Target store. Residential development along Route 28 will attract continued retail interest.

Function: Route 28 / Nokesville Road is a neighborhood/community retail sub-sector.

SECTION 4:

CITY OF MANASSAS

RETAIL DEMAND ANALYSIS

AND MARKET VOIDS

RETAIL SALES PERFORMANCE AND DEMAND ANALYSIS

Retail sales in 2014 in the City of Manassas are presented in Table 3. These actual sales by store category as reported to the Virginia Department of Taxation will be compared to projected demand generated by residents of the City of Manassas to assess under-performance in key store categories.

TABLE 2
2014 SALES BY STORE CATEGORY

	<u>CITY OF MANASSAS</u>
"Convenience Goods"	
Food & Beverage Stores	\$83,734,691
Health and Personal Care Stores	\$10,367,735
"Comparison Goods"	
Clothing Stores	\$6,011,645
General Merchandise Stores	\$20,329,650
Furniture/Furnishings Stores	\$2,329,633
Electronics/Appliance Stores	\$2,403,552
Building Materials Stores	\$53,842,712
Sporting Goods/Hobby/Book/Music Stores	\$2,800,294
Restaurants	\$78,170,188

SOURCE: Virginia Department of Taxation

Table 4 presents 2014 per capita sales by store type in the City of Manassas and in Northern Virginia.

- The City of Manassas is reasonably well-represented in "convenience goods" stores but its under-representation in most "comparison goods" store types results in per capita sales in the City falling short of the averages for Northern Virginia.
- Per capita sales recorded in the City of Manassas in food & beverage stores (i.e. grocery stores) are almost 15% lower than the per capita for Northern Virginia. This reflects the transfer of some food and beverage store spending by City residents to businesses located outside of the City including the Walmart Supercenters at Manassas Mall and on Liberia Avenue and Costco.
- The City's per capita spending in personal care stores (i.e. drug stores/pharmacies) is almost identical to the per capita average across Northern Virginia. This category of stores is well-represented the City therefore per capita sales are on par with the Northern Virginia average.
- Per capita spending levels in all categories of "comparison goods" stores except building materials/garden centers in the City of Manassas are well below Northern Virginia's per

capita spending levels. This demonstrates the under-representation of these types of stores in the City. Demand exists but stores are not present to capture spending. City residents are spending their dollars in "comparison goods" stores outside of the City where greater selection can be found.

- Of interest, per capita restaurant sales in the City are almost identical to the per capita average for Northern Virginia.

TABLE 3
2014 PER CAPITA SALES
CITY OF MANASSAS VS. NORTHERN VIRGINIA

	<u>CITY OF MANASSAS</u>	<u>NORTHERN VIRGINIA</u>
"Convenience Goods"		
Food & Beverage Stores	\$2,002	\$2,312
Health and Personal Care Stores	\$248	\$258
"Comparison Goods"		
Clothing Stores	\$144	\$878
General Merchandise Stores	\$486	\$2,163
Furniture/Furnishings Stores	\$56	\$365
Electronics/Appliance Stores	\$57	\$273
Building Materials Stores	\$1,287	\$610
Sporting Goods/Hobby/Book/Music Stores	\$67	\$255
Restaurants	\$1,869	\$1,897

SOURCE: Virginia Department of Taxation; H. Blount Hunter Retail & Real Estate Research Co.

Compared to Northern Virginia's "balanced" retail market, the City of Manassas deficiencies in "comparison goods" categories including clothing/accessories general merchandise, furniture, electronics/appliances, sporting goods/hobbies/books/music. These "imbalances" reflect the absence of stores inside the City's boundaries--not the absence of demand. An ample offering of stores in all of these merchandise categories can be found in the Sudley Road corridor within easy access by City residents. The Manassas retail node as a whole lacks very few major retailers when compared to similar community/regional retail nodes elsewhere in Northern Virginia.

Table 5 presents a Gap / Surplus Analysis by store category in the City of Manassas.

- The largest sales deficits ("voids") in the City of Manassas are associated with general merchandise stores and clothing/shoe stores. These are important categories at Manassas Mall. It is likely that City residents are spending aggregate amounts comparable to the deficit volumes in stores just outside of the City in Prince William County.

- On the other hand, the City's sales in building materials/garden center stores shows a surplus attributable to sales imported from beyond the City to The Home Depot located on Liberia Avenue just inside the City limits.
- Restaurant sales are at virtual parity with eating and drinking place sales across Northern Virginia. This is a category where visitor spending could easily drive sales in Manassas to a level higher than elsewhere in Northern Virginia. Restaurants in Historic Manassas are well-suited to import spending from beyond the City and spending by visitors to the area.

TABLE 4
GAP / SURPLUS ANALYSIS
CITY OF MANASSAS SALES VS. DEMAND

	<u>SALES</u>	<u>DEMAND</u>	<u>SURPLUS OR (DEFICIT)</u>
"Convenience Goods"			
Food & Beverage Stores	\$83,734,691	\$96,692,990	(\$12,958,299)
Health and Personal Care Stores	\$10,367,735	\$10,792,958	(\$425,223)
"Comparison Goods"			
Clothing Stores	\$6,011,645	\$36,718,584	(\$30,706,939)
General Merchandise Stores	\$20,329,650	\$90,460,363	(\$70,130,713)
Furniture/Furnishings Stores	\$2,329,633	\$15,281,356	(\$12,951,723)
Electronics/Appliance Stores	\$2,403,552	\$11,425,262	(\$9,021,710)
Building Materials Stores	\$53,842,712	\$25,511,357	\$28,331,355
Sporting Goods/Hobby/Book/Music Stores	\$2,800,294	\$10,663,461	(\$7,863,167)
Restaurants	\$78,170,188	\$79,349,436	(\$1,179,248)

SOURCE: Virginia Department of Taxation; H. Blount Hunter Retail & Real Estate Research Co.

MANASSAS RETAIL NODE CURRENT MARKET VOIDS--MISSING RETAIL ELEMENTS

The Manassas retail node encompasses the typical assortment of specialty retailers and "box" stores found in **most** of the secondary retail nodes in Northern Virginia. The disconcerting fact is that the stores on this recruiting list would most likely gravitate to site options in Prince William County--just beyond the city boundaries of Manassas. Their presence would reinforce the Manassas retail node without bolstering the City's coffers.

The following "box" stores are conspicuous in their absence from the Manassas retail node as they are represented in all/most retail nodes of comparable size in Northern Virginia:

- Home Goods
- The Sports Authority
- DSW Shoes

Upscale specialty retailing is the "layer" of retailing most noticeably absent from the Manassas retail node. "Lifestyle" retailers are driven by household income and population density. They have well-defined co-tenancy requirements and are highly selective in terms of site amenities.

- Ann Taylor
- Talbots
- Chico's
- J. Jill
- Banana Republic
- Pottery Barn
- Loft
- Soma
- White House/Black Market
- J. Crew
- Michael Kors
- Crate & Barrel
- Jos. A. Bank
- Pottery Barn
- Williams Sonoma
- Apple
- Coach

Table 5 (on the following pages) depicts the retailer overlap between the Manassas retail node and the two nearest competing nodes in Fair Oaks/Fair Lakes and Gainesville. Retailers in the established Fair Oaks/Fair Lakes node are increasingly choosing between Manassas and Gainesville for the one location for their next store.

TABLE 5

STORE OVERLAP ANALYSIS

	MANASSAS	GAINESVILLE	FAIR OAKS
<u>DEPARTMENT STORES</u>	<u>NODE</u>	<u>NODE</u>	<u>NODE</u>
Macy's	X		X
Sears	X		X
Kohl's	X	X	X
Target	X	X	X
Walmart	X	X	X
JCPenney			X
Lord & Taylor			X
<u>BOX STORES</u>			
Costco	X		X
BJ's Wholesale Club		X	X
Old Navy	X		X
DSW		X	X
Barnes & Noble	X		X
At Home	X		
Lowe's Home Improvement	X	X	X
The Home Depot	X		X
Michael's Arts & Crafts	X	X	X
Bed Bath & Beyond	X	X	X
A. C. Moore	X		X
Best Buy	X		X
H. H. Gregg	X		X
Toys R Us	X		X
T. J. Maxx	X		X
Marshall's	X		X
Ross Dress for Less	X	X	
Home Goods		X	X
Stein Mart		X	X
The Sports Authority		X	X
Dick's Sporting Goods	X	X	X
Modell's			X
REI			X
Pier 1	X	X	X
Cost Plus			X
Peebles	X		
Petco	X		X
PetSmart	X		X
Staples	X	X	X
Office Max/Office Depot	X		X
Ulta	X		X
Men's Wearhouse	X		X
Burlington Coat Factory	X		X

STORE OVERLAP ANALYSIS

	MANASSAS	GAINESVILLE	FAIR OAKS
<u>SPECIALTY RETAILERS</u>	<u>NODE</u>	<u>NODE</u>	<u>NODE</u>
H & M	X		X
Aeropostale	X		X
Victoria's Secret			X
PacSun	X		X
Charlotte Russe	X		
Rue 21	X		
Wet Seal	X		
Express			X
Loft		X	X
Soma		X	
White House Black Market		X	X
Francesca's		X	X
Jos. A. Bank		X	X
Williams-Sonoma			X
Kirkland's		X	X
Yankee Candle Co.		X	X
Arhaus			X
Pottery Barn			X
Sleep Number		X	X
The Gap			X
Baby Gap/Kids Gap			X
Hollister			X
Justice		X	X
Abercrombie & Fitch			X
Apple			X
Bebe			X
Coach			X
Michael Kors			X
Chico's			X
South Moon Under			X
Plow & Hearth			X
Ann Taylor			X
Banana Republic			X
American Eagle Outfitters			X
Aerie			X
Eddie Bauer			X
Zumiez			X
Express			X
J. Crew			X
J. Jill			X
Talbots			X
 <u>MISCELLANEOUS RETAILERS</u>			
Wegman's		X	X
The Fresh Market			
Whole Foods			X
Trader Joe's			X
Total Wine	X		X

SECTION 5:
DEMOGRAPHICS

DEMOGRAPHIC COMPARISONS OF COMPETING RETAIL NODES

Retailers seeking a location in the Interstate 66 corridor might compare the Fair Oaks, Manassas, and Gainesville nodes on the basis of a 5 mile radius for consistency. Intuitively, retailers would understand that a store in Fair Oaks probably has a larger trade area than a 5 mile radius while a store in Manassas or Gainesville would probably serve a trade area with a 5 mile radius.

As shown in Table 6, the choice of Fair Oaks over Manassas and Gainesville is clear based upon superior demographics including population, households, average household income, and actual counts of households at all "upper" income brackets.

In a head-to-head comparison with Manassas, Gainesville fares well in the number of households with income of \$200,000+ within a 5 mile radius (5,458 in Gainesville vs. 5,738 in Manassas) while being clearly superior to the Manassas node in average household income at all three radius levels. Retailers that have by-passed Manassas in their western expansion have opted for maximum spacing from the Fair Oaks node. They appreciate Gainesville's strategic highway location with access to the Route 29 corridor, the rate of household growth, and high household income levels.

TABLE 6
DEMOGRAPHIC COMPARISON RETAIL NODES (2015)

	MANASSAS NODE	GAINESVILLE NODE	FAIR OAKS NODE
POPULATION			
1 MILE RADIUS	13,528	3,648	22,692
3 MILE RADIUS	97,370	50,718	94,503
5 MILE RADIUS	175,217	107,725	262,055
HOUSEHOLDS			
1 MILE RADIUS	4,508	1,111	10,337
3 MILE RADIUS	30,868	17,256	35,950
5 MILE RADIUS	54,670	37,675	93,385
AVERAGE HOUSEHOLD INCOME			
1 MILE RADIUS	\$76,016	\$155,386	\$120,786
3 MILE RADIUS	\$88,614	\$147,851	\$145,350
5 MILE RADIUS	\$110,423	\$136,324	\$155,195
5 MILE RADIUS			
\$75,000+ HOUSEHOLDS	31,539	24,177	66,529
\$100,000+ HOUSEHOLDS	23,279	19,236	55,135
\$200,000+ HOUSEHOLDS	5,738	5,458	21,340

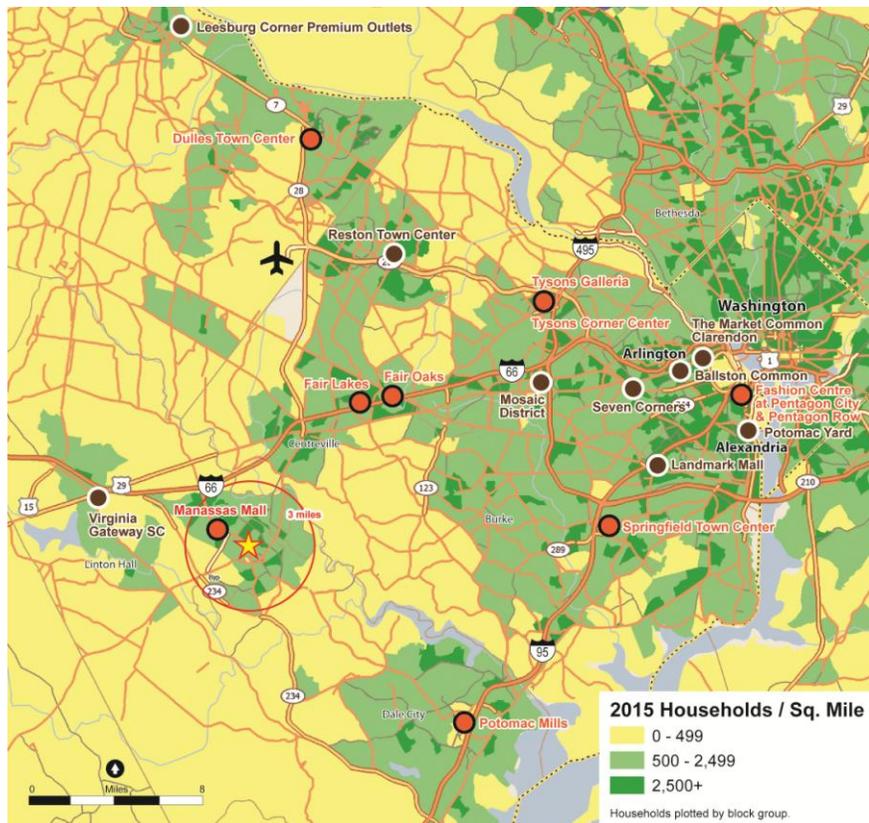
SOURCE: Claritas

TABLE 7
DEMOGRAPHIC COMPARISON RETAIL NODES (2020)

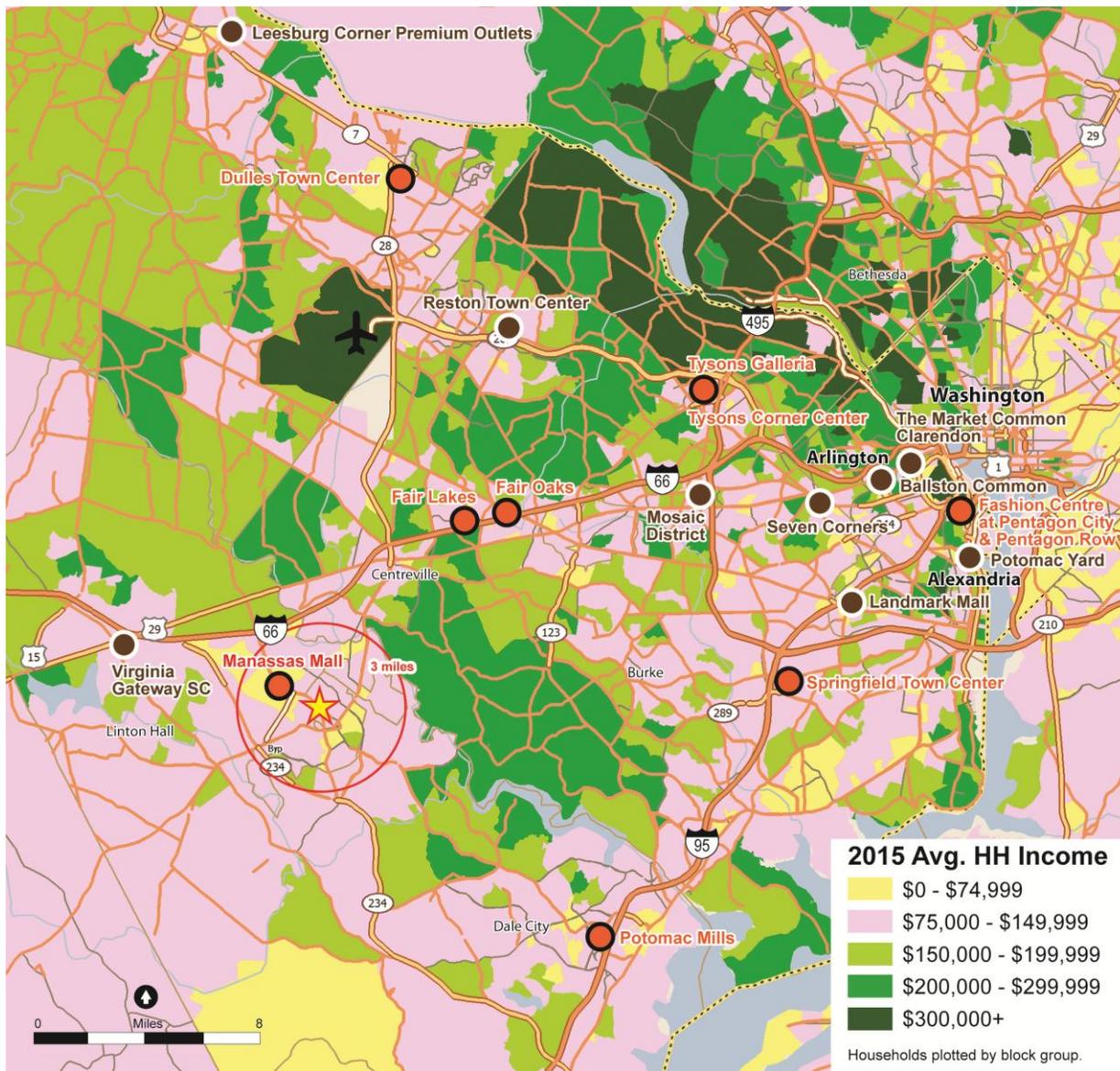
	MANASSAS NODE	GAINESVILLE NODE	FAIR OAKS NODE
POPULATION			
1 MILE RADIUS	14,070	4,166	24,893
3 MILE RADIUS	105,145	57,717	101,874
5 MILE RADIUS	190,793	121,808	278,827
HOUSEHOLDS			
1 MILE RADIUS	4,677	1,256	11,216
3 MILE RADIUS	33,182	19,734	38,610
5 MILE RADIUS	59,229	42,159	99,175
AVERAGE HOUSEHOLD INCOME			
1 MILE RADIUS	\$82,597	\$176,072	\$132,452
3 MILE RADIUS	\$95,632	\$163,507	\$156,019
5 MILE RADIUS	\$118,762	\$150,415	\$165,558

SOURCE: Claritas

The following map illustrates the household density pattern in Northern Virginia. Vast portions of the low household density areas surrounding Manassas will remain low density in perpetuity.



The following map illustrates the household income pattern in Northern Virginia. The yellow and pink areas indicate lowest average household incomes. Note the prevalence of these income levels in the vicinity of Manassas compared to areas surrounding other retail nodes--especially those to the east and north of Manassas.



TRAFFIC COUNTS

Average daily vehicle counts monitored by VDOT in 2014 illustrate differential between the Sudley Road corridor and the Centreville Road corridor. Average daily traffic counts on the Prince William Parkway are approaching those on Sudley Road in the retail-heavy area between Sudley Manor Drive and Interstate 66.

Traffic counts in the Sudley Road corridor are highest in the retail core near Manassas Mall--50,000 vehicles daily. The average daily vehicle count on Centreville Road is slightly over half the level near

Manassas Mall. Retailers seeking a site to serve a regional market would naturally gravitate to the Sudley Road corridor rather than Centreville Road based on its traffic level. Sites in these two areas would not be perceived as equal options for retailers seeking to serve a regional consumer base.

**TABLE 8
2014 AVERAGE DAILY VEHICLE COUNTS**

On Sudley Road:	
Between Grant Avenue and Manassas city limits	27,000
Between Manassas city limits and Sudley Manor Drive	43,000
Between Sudley Manor Drive and Rosemary Drive	50,000
Between Rosemary Drive and Interstate 66	50,000
On Centreville Road:	
Between Center Street and Prince William County line	28,000
On Prince William Parkway:	
Between Dumfries Road and Route 28	41,000
Between Route 28 and Wellington	38,000
Between Wellington and Balls Ford Road	45,000
On Interstate 66:	
At Route 234	121,000

Drive distances and times from Gainesville and Manassas to selected retail destinations are shown in the following table. Retailers use these dynamics when planning store locations.

As shown in Table 9, shoppers from Gainesville can reach Fair Oaks Mall almost as fast as they can drive to the Mathis Road area. This dynamic explains why the Mathis Road sub-sector is not likely to be attractive to retailers seeking sites to serve a broad regional trade area.

**TABLE 9
DRIVE DISTANCES AND TIMES**

STARTING POINT	END POINT	MILES	DRIVE TIME
GAINESVILLE	MANASSAS MALL	7.5 miles	11 minutes
GAINESVILLE	MATHIS ROAD		
	--via Sudley Road	10.1 miles	16 minutes
	--via Wellington Ave	9.8 miles	17 minutes
	--via VA 234	11.5 miles	18 minutes
GAINESVILLE	FAIR OAKS MALL		
	--via I-66 to VA 50 W	17.4 miles	19 minutes
	--via I-66 to VA 286 N	17.4 miles	19 minutes
	--via Lee Highway	16.1 miles	23 minutes
MANASSAS	FAIR OAKS MALL		
	--via I-66 to VA 50 W	14.1 miles	17 minutes
	--via I-66 to VA 286 N	14.2 miles	20 minutes
MANASSAS	POTOMAC MILLS	16.7 miles	27 minutes

SECTION 6:
SITUATION ANALYSIS

SITUATION ANALYSIS--2015

Most of the large-scale retail development in the Manassas retail node has occurred outside of the small footprint of the City of Manassas. Virginia's annexation laws preclude expansion of the City's boundaries to include retail projects on the outskirts of the City.

The "surplus/deficit" calculations presented in this report should not be interpreted as suggesting the need for significant retail development within the City of Manassas. State and federal data sources do not facilitate an analysis of retail sales occurring in the portion of Prince William County immediately outside of the City of Manassas; such an evaluation would most likely show per capita spending levels in various "comparison goods" categories in the Manassas retail node approaching the per capita spending levels registered across Northern Virginia.

The Manassas retail node is largely built-out; the few retailers that might be considered viable potential additions require access to the regional consumer base not available via sites located within the City. The City cannot annex the portions of Prince William County that contain the lion's share of retailing in the node. Within the city limits, there are few large parcels available for retail development in locations that would stem sales outflow or attract sales inflow from a broad regional trade area. Development and redevelopment sites within the City's boundaries present opportunities for "incremental" rather than "transformative" growth of the City's retail base. For the foreseeable future, all major retail competitors are in place; few "comparison goods" retailers (if any) could sustain additional locations within the City in response to the sales deficits inside the City's boundaries as identified in this analysis. The overall gravity of the Manassas retail node will not shift from county to City.

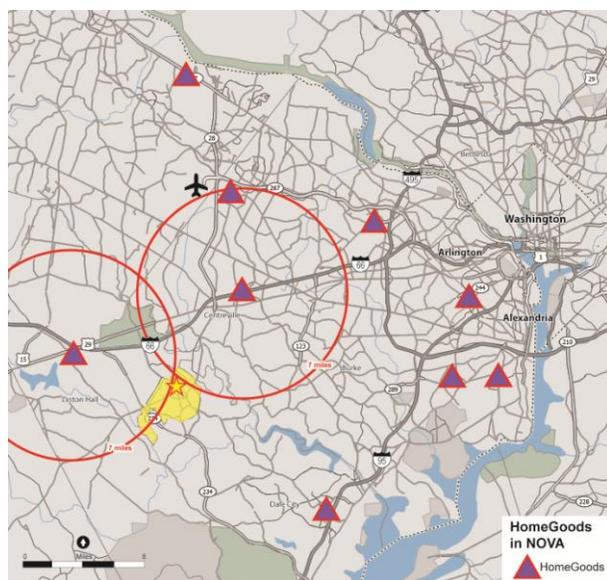
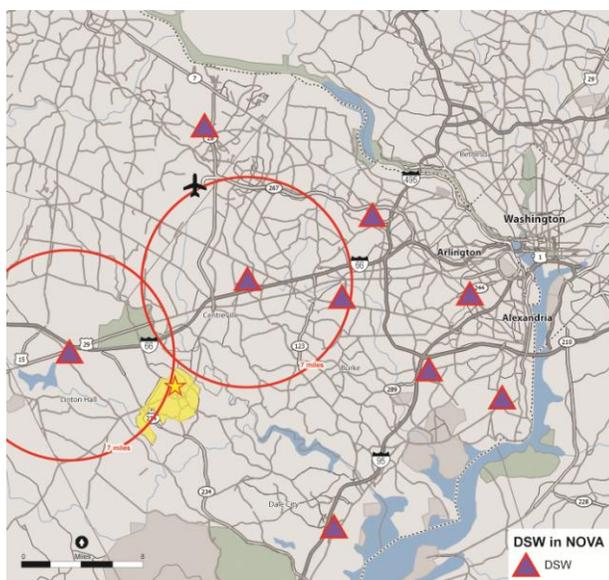
- Historic Manassas cannot accommodate the space requirements of contemporary chain retailers by virtue of its physical limitations though it can remain an attractive site for independent merchants and restaurants. Retail space should be part of new development in Historic Manassas, but future development will be driven primarily by residential demand rather than retail demand.
- A wholesale redevelopment of the Mathis Avenue corridor would not attract enough retailers to wipe out the sales deficits in "comparison goods" categories as highway access to this sub-sector is not adequate for serving a broad regional trade area.
- Parcels in the Liberia Avenue corridor--within the city limits--are too small to support new large-scale retail development. Existing retail centers are generally fully occupied.
- Any initial impression of development potential in the Prince William Parkway corridor must be tempered by the reality that the vast majority of desirable parcels at intersections and interchanges are located in the county rather than the City. Barriers to residential development including a national forest and a military base also limit the amount of retail that will gravitate to this corridor.

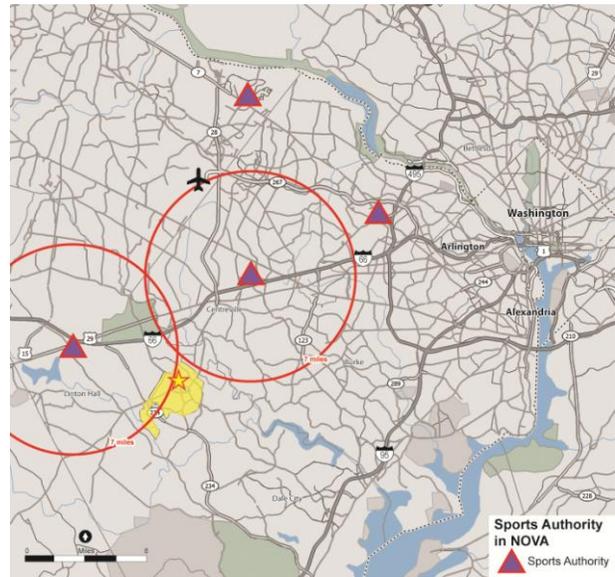
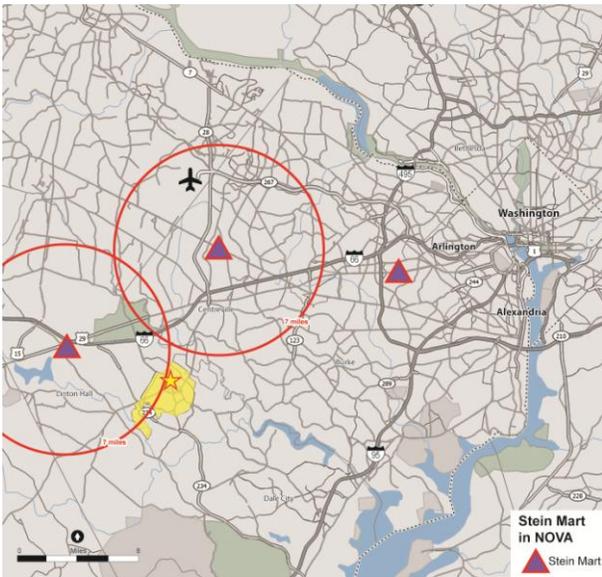
Macy's, Sears, and Costco are the three key destination retailers in the Manassas retail node that are not yet represented in the Gainesville area. The addition of one or more of these retailers to the Gainesville node would further reduce the drawing power of the Manassas retail node from areas to the west. Just as important, all three stores are represented in the Fair Oaks node, so shoppers from the Gainesville area can access these retailers on comprehensive shopping trips to the Fair Oaks/Fair Lakes area. Driving past Manassas in favor of Fair Oaks requires an additional 10-15 minutes of driving but gives shoppers access to a vastly superior retail and dining offering. Shoppers from the Gainesville area may still visit the Manassas retail node for low-value shopping trips while saving their high-spending trips for the Fair Oaks/Fair Lakes area.

The Manassas retail node faces an uphill battle to remain relevant as new competition follows residential development to areas near Gainesville/Haymarket and beyond. Retail development in these emerging areas has trimmed the western edge of the Manassas retail node's trade area. Continued retail development will further reduce sales inflow that once benefitted the Manassas retail node. As its trade area diminishes, maintaining the current level of sales will be a challenge for the Manassas retail node.

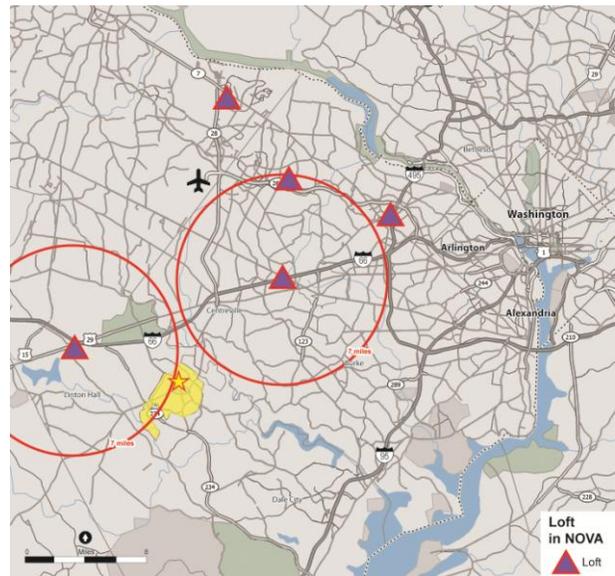
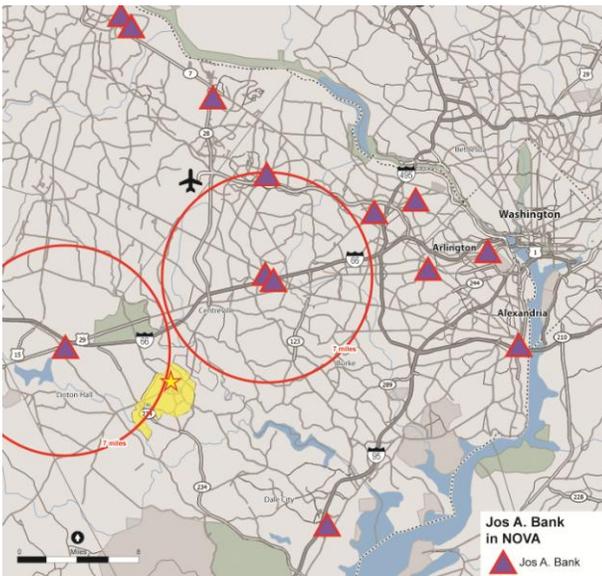
Most of the retailers that would be expected to be located in the Manassas retail node are already present. Those that are not present--including DSW, The Sports Authority, Stein Mart, and Home Goods--skipped over the Manassas retail node in favor of locations in the Gainesville retail node. These retailers are no longer realistic prospects for the Manassas retail node.

When presented with an opportunity to locate stores at the convergence of several major highways, in a high-growth corridor with high levels of affluence, retailers have flocked to the Gainesville area. Many retailers perceive Gainesville offers optimum distance from Fair Oaks Mall. Residential growth forecasts do not support the concept of back-filling the Manassas retail node by retailers that have opted for Gainesville sites.





Arguably, the missing "layer" of retail in the Manassas retail node is "better" quality specialty fashion retailers such as Ann Taylor, Loft, Jos. A. Bank, Soma, White House/Black Market, Chico's, and Talbots and other "lifestyle" retailers such as Apple, Williams Sonoma, and Pottery Barn. Several of these retailers (Loft, White House Black Market, Soma) have branched out from Fair Oaks/Fair Lakes area to Gainesville in search of higher income shoppers. Jos. A. Bank is set to join them in the near future. These specialty retailers are unlikely to open back-fill stores in the Manassas retail node because there is inadequate population not served by existing locations or because the Manassas retail node does not offer appropriate household income characteristics for these retailers to succeed. The "lifestyle" cluster can be expected to draw similar co-tenants as existing merchants achieve notable sales productivity levels.



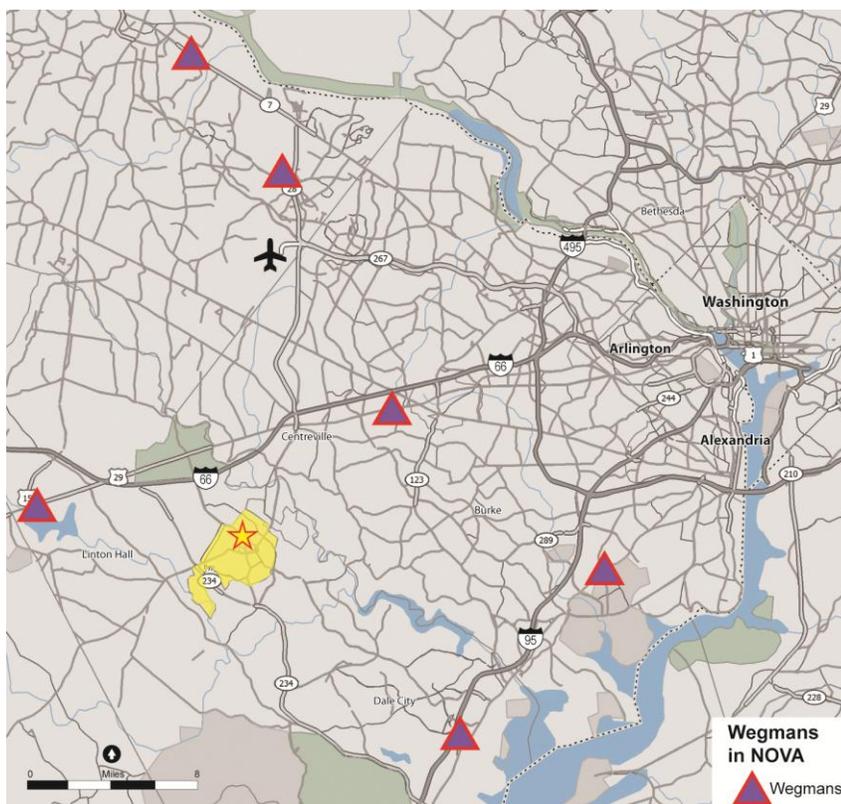
SECTION 7:
RETAIL OPPORTUNITIES

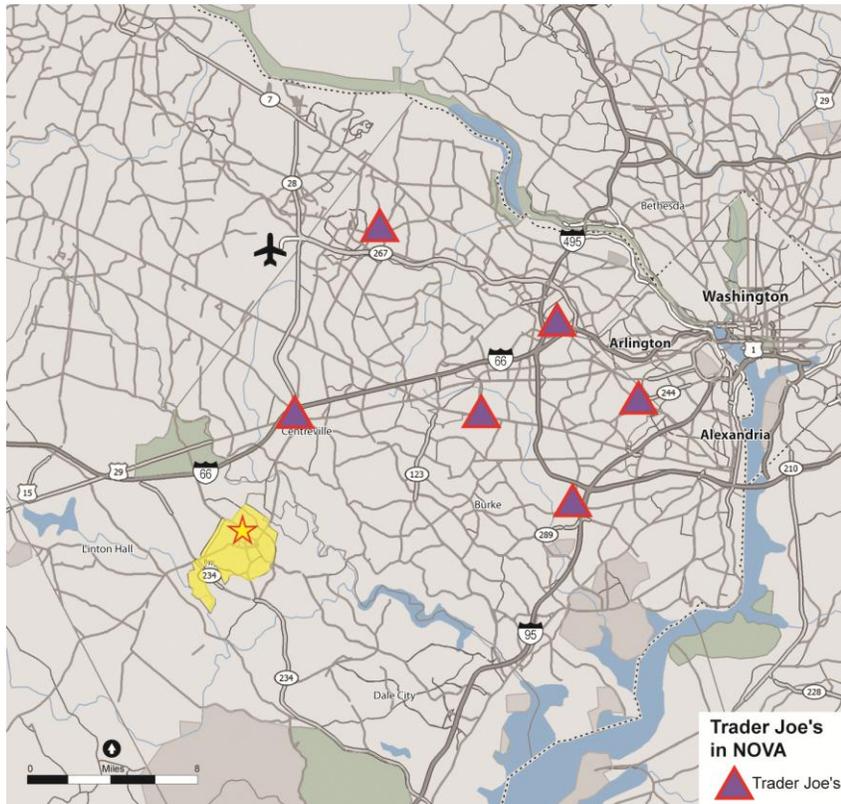
GROCERY STORES

The City of Manassas is under-performing in the grocery store sector because of the placement of major supermarkets, and the Manassas retail node lacks key grocery store competitors including Wegmans, Trader Joe's, Whole Foods, and The Fresh Market. The latter two retailers require generally deeper pockets of high income households than present in the Manassas retail node. Wegmans and Trader Joe's could be candidates for recruitment if high visibility/high accessibility regional sites can be identified. There is a strong possibility that initiating interest in these retailers would result in stores opening in the Manassas retail node but outside of the City of Manassas. Wegmans and Trader Joe's existing locations are shown on the maps on the following pages.

Wegmans does not appear to be a viable candidate based upon its current store alignment (see map on next page). Wegmans stores in Northern Virginia are generally 12-20 miles apart. The Wegmans in Lake Manassas/Gainesville is approximately 10.5 miles from the City of Manassas. The Wegmans in Woodbridge is approximately 17 miles from Manassas. Much of the area between Manassas and Woodbridge cannot be developed for residential use; a comprehensive analysis of opportunity for Wegmans would evaluate planned residential development (unit count and timing) in Prince William County that could be served by a store in the City of Manassas--presumably in the Prince William Parkway corridor.

Trader Joe's may ultimately need a store on the western edge of the market, creating an opportunity for landlords or developers in the Manassas or Gainesville retail nodes. This retailer will seek a site that is regionally accessible; in the Manassas retail node, this requirement would likely favor sites outside the City of Manassas.





SHORT-TERM OPPORTUNITIES (1-5 YEARS)

The neighborhood- and community-scaled retail base inside the City of Manassas will come under less pressure from new competition than the regional retailers located elsewhere in the Manassas retail node. Over the next 5 years, the Department of Economic Development can bolster the retail base inside the City of Manassas--and increase the overall fiscal impact of retailing--without presuming a wholesale reinvention of the Manassas retail node.

Mathis Avenue / Centreville Road Corridor

The Manassas Shopping Center property is privately owned and has been entrusted to a strong leasing/management company (The Rappaport Companies) after years of management by its owner. Bringing this property into a more competitive position to attract new tenants will require upgraded aesthetics and will likely entail investments in the physical plant. The City of Manassas can play a role in the timing of a property upgrade through the use of various financial tools including low interest loans and economic development grants.

An important axiom of real estate is evident here: marginal quality real estate attracts marginal quality tenants. Upgrading the property brings the opportunity to improve the tenant mix. Additional development on the parcel can be encouraged via pad sites along Mathis Avenue. Functional and ceremonial "gateway" streets linking Centreville Road to the Manassas Shopping Center would enhance visibility and accessibility of businesses in the shopping center. These enhanced links would, in effect, become entrances to the shopping center from Centreville Road.

Historic Manassas

An infill redevelopment opportunity exists on the parcel bounded by Center, Church, Main and East streets. The current use of the property for a motel does not represent the highest and best use of this strategic site even though lodging of a different quality level may be a desired use within the context of Historic Manassas. A mixed-use development on the site could offer residential units on 2-3 floors above commercial storefronts at street level. Public space including a town green or small park could also be incorporated into this redevelopment block as an amenity for additional restaurants as well as a gathering place for event programming. Again, the City of Manassas can play a role in the redevelopment of this parcel by highlighting the opportunity within the development community and working to secure a developer to execute the community's redevelopment vision. The City can also apply various financial tools to facilitate redevelopment.

Route 28 / Nokesville Road

Land at the intersection of Route 28 and the Prince William Parkway (within the City's boundary) may be attractive for retail development. This is a highly visible and accessible location with a water feature that could serve as an amenity and backdrop for an entertainment/dining-oriented use. Development could be driven by an economic development initiative that is independent of predictable consumer demand for dining and entertainment, and these induced uses will succeed based upon the quality of execution of a very unique theme. The amount of retail space that can be added to augment dining and entertainment uses is likely to be minimal without one or more retail anchor tenants. There are few retail anchor prospects at this time based on the very short list of store voids in the Manassas retail node.

LONG-TERM OPPORTUNITIES (5-10+ YEARS)

Mathis Avenue / Centreville Road Corridor

The Reb-Yank Shopping Center appears to be in worse physical condition than neighboring Manassas Shopping Center. Some of its current tenants may be viable, profitable businesses although the long-term viability of the movie theater must be questioned based on its small number of screens and aging physical plant. This parcel is well-suited to accommodate residential development as an expansion of the adjacent neighborhood. The parcel could accommodate increased density and a mix of uses although residential demand is likely to be the primary driver of redevelopment. Non-residential uses may be considered; however, a significant element of retail would appear to be unnecessary despite the attractiveness of ground floor retail to "new urbanists" who favor locating shops and services in pedestrian settings. The Mathis Avenue Sector Plan envisioned a substantial element of retailing as a ground floor use below residential on this site. This image appears overly ambitious given current retail conditions and the difficulty of identifying one or more "anchor" uses to drive traffic to sustain small tenants. The retail landscape is changing quickly as online shopping changes consumer patterns and frequency of use of bricks-and-mortar stores, and the Centreville Road corridor is unlikely to be attract tenants with drawing power beyond the neighborhood/community level because of its lack of major artery access. One or more retail anchors would be necessary to provide drawing power beyond the immediate vicinity, and

potential retail anchors are difficult to envision at this time. The supporting consumer base lacks the affluence sought by upscale specialty retailers; this is not a location to envision upscale specialty retailing.

Recently strengthened property rights in Virginia limit the ability of the City of Manassas to condemn private property for uses other than clear public purposes. The Economic Development Authority (or a private developer) may opt to land bank frontage parcels along Centreville Road. These parcels are relatively shallow and do not lend themselves to the creation of traditional shopping centers but stimulating a new generation of retail and service uses could result in aesthetic improvements to this busy gateway corridor. Creating an "auto mall" is a potential strategy that would retain existing businesses and offer the potential for some aesthetic upgrade of the Centreville Road corridor. It is not a foregone conclusion that the auto manufacturers would support an "auto mall" in this location as Centreville Road lacks regional access and visibility sought by manufacturers when dictating dealership locations.

Route 234 (Prince William Parkway)

Route 234 is a limited access arterial that links Interstates 95 and 66. It is a "developer's highway" that promises to stimulate residential development along with office and retail developments. Unfortunately, most of the frontage on both sides of the parkway is located in Prince William County rather than the City of Manassas. The clear exception is the intersection of Route 28 where parcels on the south side of the interchange with Route 234 are located within the City of Manassas.

Historic Manassas

Over the long-term, the boundaries of Historic Manassas can expand across the railroad tracks to encompass parcels currently used for surface parking as well as the land surrounding the Manassas Museum. Imposing a street grid on this large open parcel would reconnect Historic Manassas with the residential area to the south of the museum. Transit-oriented development at a height and scale complementary to Historic Manassas could accommodate a mix of uses including residential units, offices, retail storefronts, and public space. The Manassas Museum and/or other civic and cultural institutions could be incorporated into this area.

The parcel currently occupied by Manassas Ice and Fuel Company (9009 Center Street) offers a sizeable site for redevelopment. This industrial use is not consistent with the residential character of its surroundings, but the site is well-situated for a mixed use project consisting of residential and commercial uses. Residential demand rather than retail demand will drive this redevelopment.

SECTION 8:
SUMMARY

SUMMARY

Residents of the City of Manassas have more retail options than would be expected for a municipality of approximately 40,000 residents because the retail node centered around Manassas serves a consumer base of approximately 150,000 within a 5 mile radius. Unfortunately, the vast majority of retail sales activity in the Manassas retail node does not generate a stream of sales tax revenue, real estate taxes, or business personal property taxes for the City of Manassas because these businesses are located outside of the boundaries of the City. City residents have the benefit of convenient shopping options without receiving the direct fiscal impact associated with their spending.

The sales deficits in key merchandise categories identified in the demand analysis in this report are "theoretical" based upon the arbitrary boundaries of the City. These sales deficits would disappear if adequate data existed to perform a surplus/void analysis encompassing the entire Manassas retail node.

No reasonably predictable retail development activity within the City could close the "theoretical" merchandise gaps. Retail sites within the City are few in number, limited in size, and not appropriate for retailers seeking to serve regional trade areas. These factors, in combination, suggest that the City of Manassas has limited potential to "import" sales and associated tax revenue from beyond its boundaries. To be sure, there are retail development and redevelopment opportunities within the City that will enhance the quality of life for residents and enhance the City's fiscal well-being--but none would substantially realign the retail landscape in a significant manner or have more than incremental impact on the City's stream of retail sales tax revenue.

The Manassas retail node faces the challenge of retaining its competitive position and sales momentum as the Gainesville retail node strengthens. Fortunately, the City's retail base generally consists of neighborhood- and community-focused businesses that will be less impacted by regional competition than the merchants in the Sudley Road corridor. The City's historic downtown area can continue to evolve into a unique regional destination that "imports" sales dollars from outside of the City, and its orientation to dining benefits the City because food and beverage taxes are more lucrative than retail sales taxes. Similarly, development in the Prince William Parkway corridor can "import" sales dollars by virtue of proximity to residential areas emerging outside of the City's boundaries.

Municipal boundaries have great meaning to elected officials but have little or no meaning to retailers. The City of Manassas is not unique in having the bulk of retailing activity occurring outside of its boundaries. The Department of Economic Development can facilitate retail development inside the City by publicizing opportunities, soliciting developers, and applying economic development tools deemed appropriate by elected officials in situations where assistance can leverage desired results.