



Valbridge

PROPERTY ADVISORS

Lipman Frizzell & Mitchell LLC

Retail Market Analysis

Odenton Town Center
Anne Arundel County
Maryland

FOR
Anne Arundel Economic Development Corporation
2660 Riva Road--Suite 200
Annapolis, MD 21401

**Valbridge Property Advisors
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PROPERTY ADVISORS

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August 20, 2013

Ms. Mary Burkholder
Anne Arundel Economic Development Corporation
2660 Riva Road
Suite 200
Annapolis, MD 21401

**Subject: Odenton Town Center
Retail Market Analysis**

Dear Ms. Burkholder:

Valbridge Property Advisors/Lipman Frizzell & Mitchell LLC (Valbridge/LF&M) has been retained by Anne Arundel Economic Development Corporation (AAEDC) to conduct a retail market analysis of Odenton Town Center in Anne Arundel County, Maryland.

We find that the Odenton Town Center trade area is healthy and growing. OTC retailers can draw upon demand from a sizeable and growing residential household base which is well-educated and affluent, as well as from an employment base (centered on Fort Meade) and commuter traffic which generate significant demand. We estimate that the market supports substantial new retail development in OTC across a range of retail categories and formats. The enclosed report outlines our reasoning process.

It has been a pleasure working with you on this project. Please call me at (410) 423-2372 should you have any questions or comments.

Respectfully submitted,

VALBRIDGE PROPERTY ADVISORS/LIPMAN FRIZZELL & MITCHELL LLC

Joseph M. Cronyn

Joseph M. Cronyn
Senior Managing Director

I. INTRODUCTION

Valbridge Property Advisors/Lipman Frizzell & Mitchell LLC (Valbridge/LF&M) has been retained by Anne Arundel Economic Development Corporation (AAEDC) to conduct a retail market analysis of Odenton Town Center in Anne Arundel County, Maryland.

Purpose of Assignment

The purpose of this assignment is to assess prospects for retail development in the Odenton Town Center area currently and over a 5-year time horizon based on an understanding of supply/demand dynamics at play—in particular, the area’s role within the regional retail environment. The quantity and quality of residential and employment development planned for Odenton over time are critical factors in evaluating the area’s most probable supply/demand balance and trajectory.

AAEDC may use the work product for its own planning purposes, for discussions with the West County Chamber of Commerce and other community groups and in its efforts to attract retailers to the Odenton area.

Scope of Work

Valbridge/LF&M has accomplished the following work tasks within our scope of work for this assignment:

- Define and describe the market area for Odenton retail, particularly as shaped by major regional retail concentrations nearby (Arundel Mills, Waugh Chapel, etc.);
- Consult with the Anne Arundel County Office of Planning & Zoning and others regarding planning assumptions made for Odenton Town Center’s retail components;
- Draw/analyze demographic and economic data concerning the market area, focusing on consumer spending available to support retail uses;
- Estimate consumer demand reasonably available to Odenton retail uses over time and by retail category;
- Quantify and survey the characteristics of the principal retail uses within the market according to retail category and other factors;
- Determine gaps within the Odenton retail inventory by retail category;
- Interview knowledgeable sources within the West County Chamber of Commerce and the Odenton community to better understand the area’s development context;
- Make recommendations concerning phasing of retail development, zoning changes as appropriate, most favorable new retail uses and other issues as useful.

Valbridge/LF&M summarizes our analysis and conclusions in the final report below.

Organization of Report

Following this introduction, Valbridge/LF&M has organized the report in ** sections as follows:

- Section II – A description of the Odenton Town Center study area and an overview of its place within the competitive regional retail market.
- Section III - A definition of the Odenton Town Center trade area and analysis of economic and demographic trends within the area.
- Section IV - An analysis of retail demand by category within the trade area, leading to an estimate of market-supported retail space..
- Section V - An analysis of existing and potential retail development within the trade area.
- Section VI - Conclusions regarding particular retail strategies by segment.

Underlying Assumptions and Limiting Conditions

The conclusions reached in a market feasibility analysis are inherently subjective and should not be relied upon as a determinative predictor of results that will actually occur in the marketplace. Thus a market study is not a substitute for management's ultimate decision-making responsibilities. There can be no assurance that the estimates made or assumptions employed in preparing this report will in fact be realized or that other methods or assumptions might not be appropriate. The conclusions expressed in this report are as of the date of this report, and an analysis conducted as of another date may require different conclusions. The actual results achieved will depend on a variety of factors including the performance of management, the impact of changes in general and local economic conditions and the absence of material changes in the regulatory or competitive environment.

II. REGIONAL MARKET

In this section, Valbridge/LF&M briefly describes the Odenton Town Center area and its location within the competitive regional retail marketplace.

A. ODENTON TOWN CENTER

Referring to the 2009 Odenton Town Center Master Plan, “Odenton Town Center” (OTC) is comprised of approximately 1,620 acres and is one of three designated “Town Centers,” in Anne Arundel County, the others being Parole to the southeast and Glen Burnie to the northeast. We summarize relevant sections of the Master Plan below.

Location

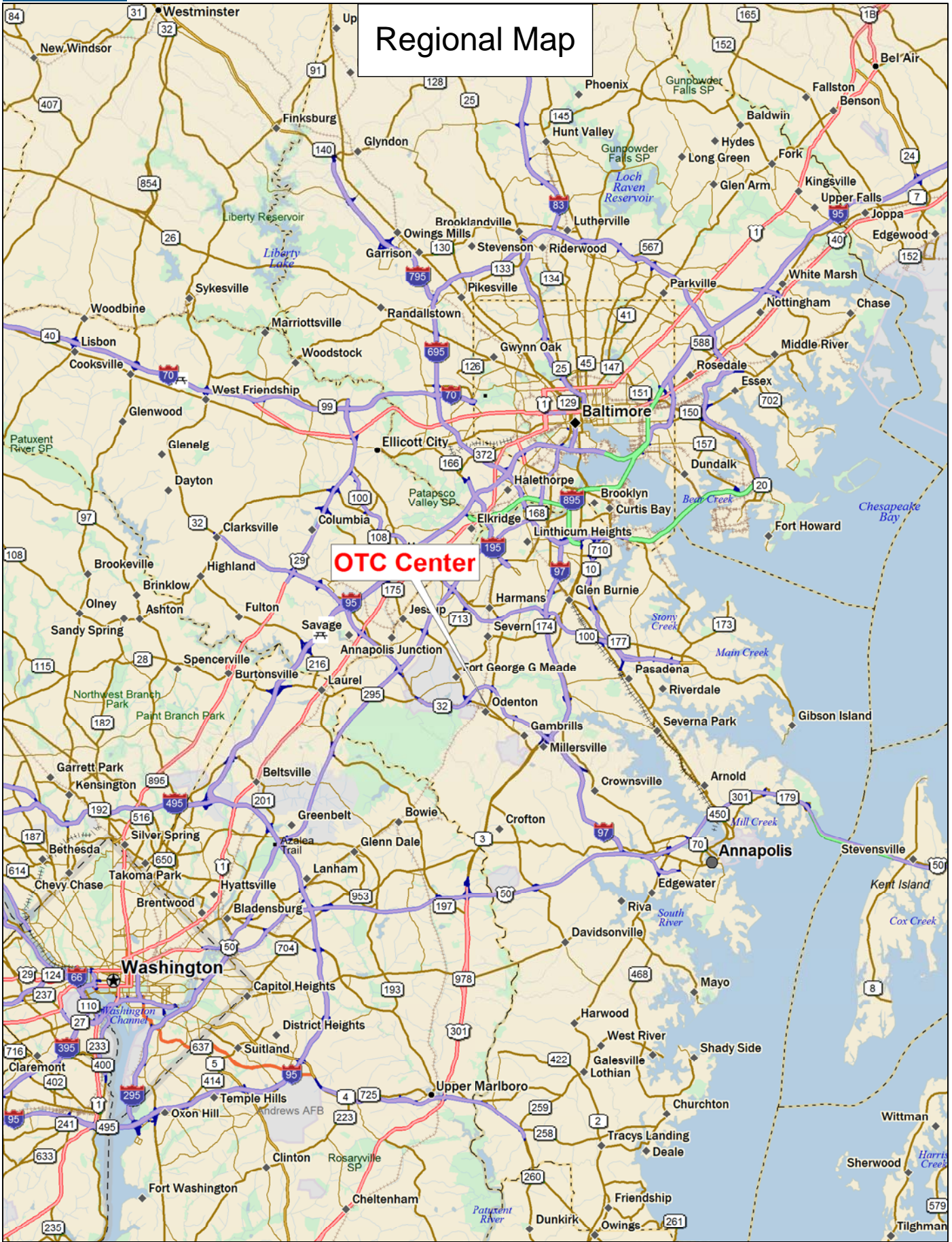
The OTC is strategically located in the Washington-Baltimore corridor at the junction of MD Routes 32, 170 and 175 with close connections to the Baltimore Washington Parkway and I-97, as depicted in the map on the following page. Its location on MARC’s (Maryland Area Regional Commuter) most popular Penn Line train line has played a significant role in Odenton’s development—with an estimated 2,837 boardings daily as of June 2013. The adjacent U.S. Army Base, Fort George G. Meade, is an important economic influence on the area.

Vision

OTC is envisioned as a vital community where some live and work and others come for the shopping, entertainment, cultural enhancement and transportation access provided there. The Odenton Town Center is at the heart of an area that has experienced tremendous residential and business growth in recent decades and is expected to experience even more growth in decades to come, most recently from BRAC relocation of jobs to Fort Meade just west of OTC and now from the expansion of the Cyber Command.

Planning for OTC began with the 1972 Odenton Plan, followed by the 1995 Odenton Town Center Growth Management Area Plan (updated in 1999). The Odenton Town Center Master Plan was completed in 2003 and updated in 2009.

Regional Map

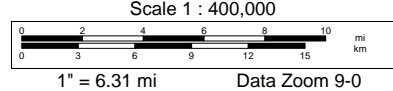
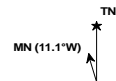


OTC Center

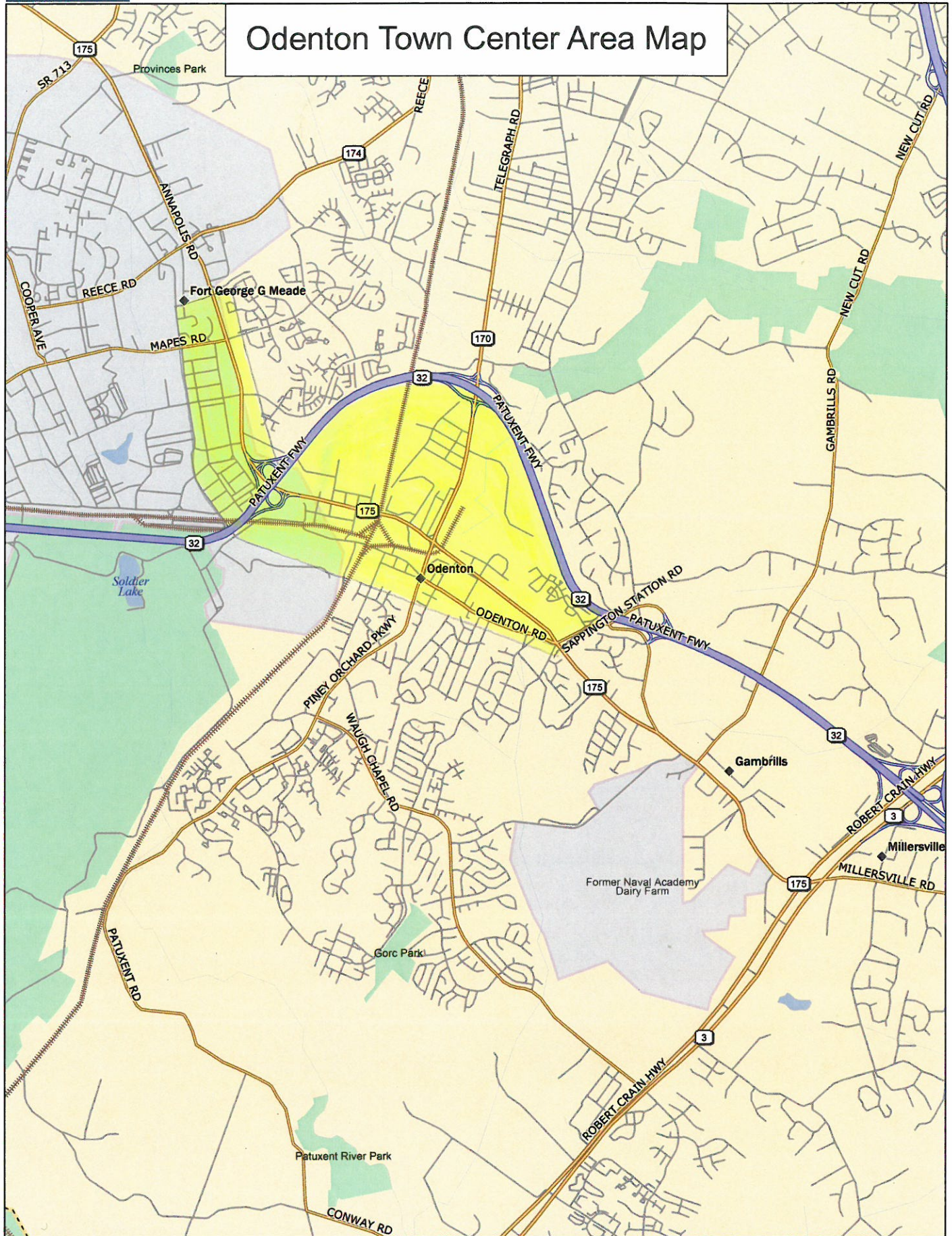
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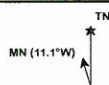
Odenton Town Center Area Map



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Scale 1 : 50,000



1" = 4,166.7 ft

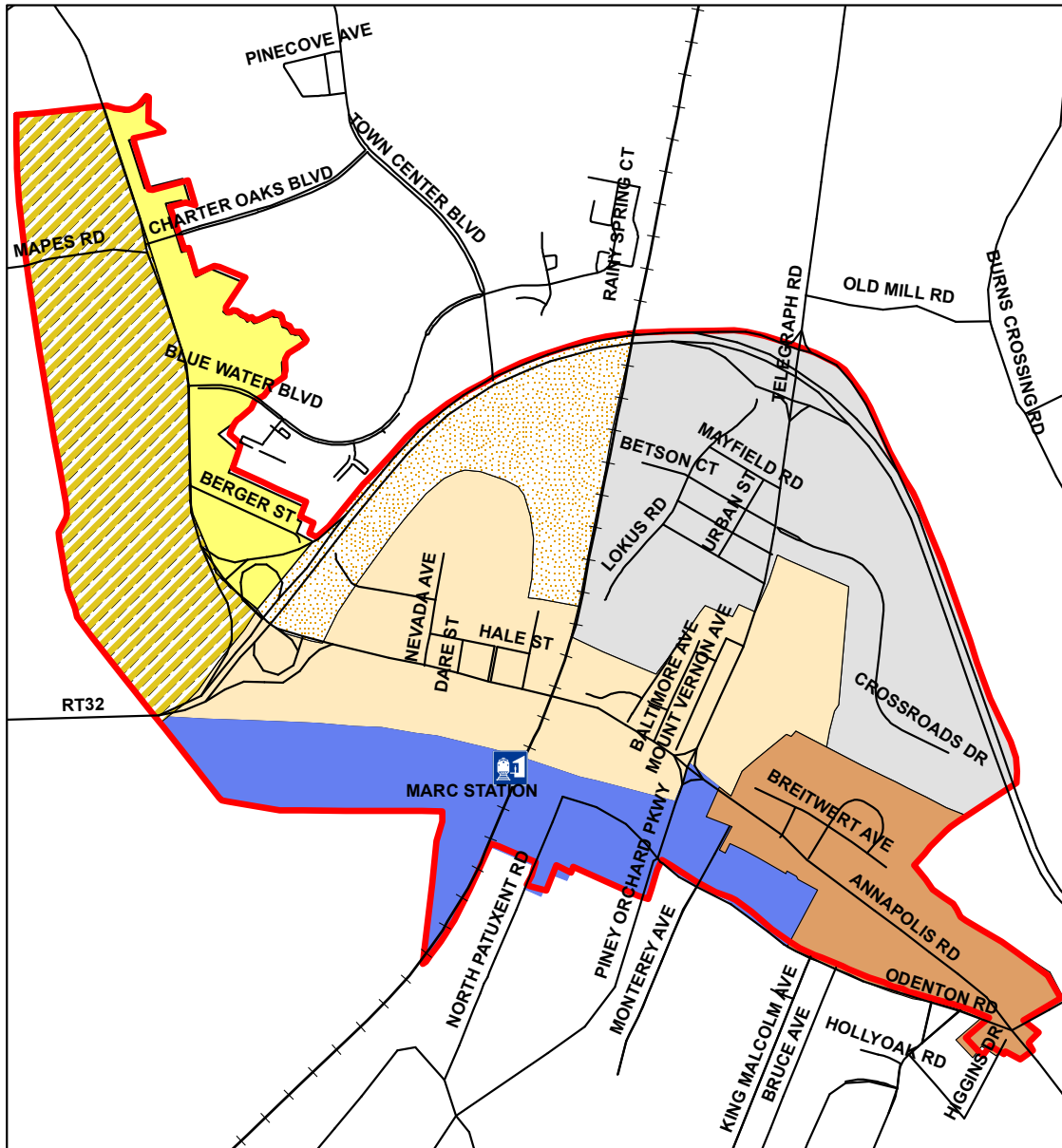
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Sub-Areas

Within OTC, there are seven Sub-Areas which serve as regulatory zoning districts, each of which has a specific character/purpose and are located as depicted on the map on the following page.

- Core (O-COR) – The heart of the OTC with a diverse mix of retail, office, civic, and housing uses combined to create a vibrant live/work community. The Core will also serve as a regional destination for the surrounding community, meeting shopping, business, service, entertainment, and transit needs—with a strong pedestrian environment.
- Village (O-VIL) – The Village area of the OTC is the historic center of the community. The area includes a designated historic district, which includes several historic properties that set the framework for the general character and scale of the village. The transit station will be a focal point of activity for the village with development of small specialty shops in the immediate area.
- Transition (O-TRA) – A mixture of moderate density office, housing and retail is envisioned in this area just north of the Core. The area’s larger development sites are envisioned as locations for larger, more auto-oriented businesses that will serve the greater Odenton area, as well as the highway travelers along MD 32.
- Industrial (O-IND) – Large-scale industrial development has already set a pattern in the industrial area to the east of Telegraph Road.
- East Odenton (O-EOD) – This area centers on the commercial corridor along Route 175 to the east of the Core and Village. The corridor itself is lined with local-serving businesses, and is planned to continue to be a business center for the community. The character of the road will continue to be primarily auto-oriented with development patterns consistent with convenience retail and services.
- North Odenton (O-NOD) – The MD 175 corridor along the edge of Fort Meade is envisioned to be a business community serving the needs of the local military personnel and their families, the surrounding neighborhoods, and local office development across MD 175 in the Fort Meade area.
- Fort Meade Development Area (O-FTM) – Fort Meade’s Master Plan has proposed moderate density office uses in the area. These office uses would be primarily government agencies supporting the military base needs such as Department of Defense services and contractors.

Figure 1-7: Sub-Area Regulatory Zoning Map










Odenton Town Center
Master Plan Update

2009

Office of Planning and Zoning
Long Range Planning Division

Odenton Sub-Areas

- | | |
|---|--|
|  Core - O-COR |  North Odenton -O-NOD |
|  East Odenton -O-EOD |  Transition -O-TRA |
|  Fort Meade Areas -O-FTM |  Village -O-VIL |
|  Industrial -O-IND | |

Land Use Mix

Within the context of an OTC planned community intended to be relatively high density, transit-oriented and walkable, the mix of land uses differs within OTC and its seven sub-areas depending on a variety of factors. There are eight land use mix categories: Commercial, Industrial, Office Retail, Residential, Town Center, Transit Village, Office Park, and Office. Their locations are depicted in the Master Plan's Figure 3-3 following.

At least two land uses are required to be developed on most sites according to the Master Plan's Figure 3-4 matrix following. Other than in the Town Center Mix area (where 100% of ground level space must be retail), the contribution of any one of the four uses can be as low as 0%.

Significant density is encouraged according to the Master Plan's Figure 3-5 following, which states maximum heights (up to eight stories) and maximum Floor Area Ratio/FAR (up to 4.0) for each block of parcels within each of the Sub-Areas. In only the two highest height categories (A and B) is a minimum height requirement of "2 Apparent Stories" stated.

B. REGIONAL COMPETITION

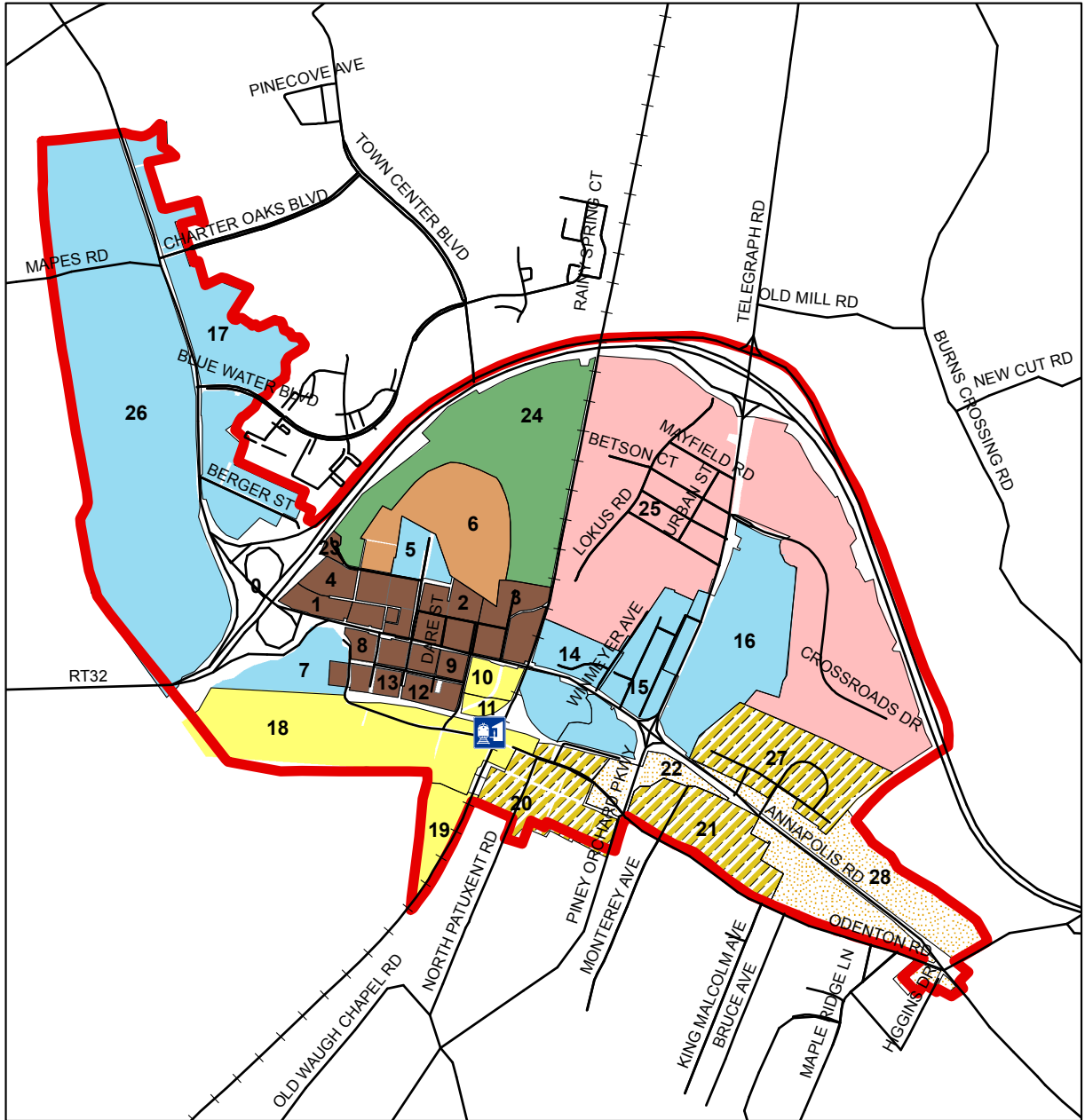
The trade area for Odenton Town Center is shaped by the following major retail concentrations in Anne Arundel County.

Arundel Mills

Arundel Mills is located approximately four miles northwest of the subject at MD Routes 295 (Baltimore-Washington Parkway) and 100. The area is mixed use including hospitality, multifamily, residential and other uses—benefiting from proximity to Thurgood Marshall BWI Airport and Fort Meade in particular. Principal retail components include:

- Arundel Mills Mall - The 1.4 million sq.ft. super-regional mall anchors the area. The mall was built in 2000 and offers retailers including: Bass Pro Shops Outdoor World, Muvico Egyptian 24-screen Movie Theater Complex, Dave & Buster's, Medieval Times, Modell's Sporting Goods, Best Buy, Bed Bath & Beyond and many off-price stores in a popular mix of retailing and entertainment.
- Arundel Mills Marketplace - Built in 2002, the 98,213 sq.ft. center is located at 7659-7667 Arundel Mills Boulevard and offers retailers including: Michaels, PetSmart, Staples, Banfield/The Pet Hospital, H.H. Gregg, Mattress Warehouse.
- Arundel Village - Built in 2004, the 86,480 sq.ft. center is located at 7643-7651 Arundel Mills Boulevard and includes the following tenants: Safeway, Arundel Nail & Spa, Arundel Wine & Spirits, Baja Fresh Mexican Grill, Cold Stone Company, Flippin Pizza, Go Wireless,

Figure 3-3: Mix of Uses Functional Plan



**Odenton Town Center
Master Plan Update
2009**
Office of Planning and Zoning
Long Range Planning Division

Land Use Mix Categories

- | | |
|---|---|
|  Commercial Mix |  Office Retail Mix |
|  Industrial Mix |  Residential Mix |
|  Office Mix |  Town Center Mix |
|  Office Park Mix |  Transit Village Mix |

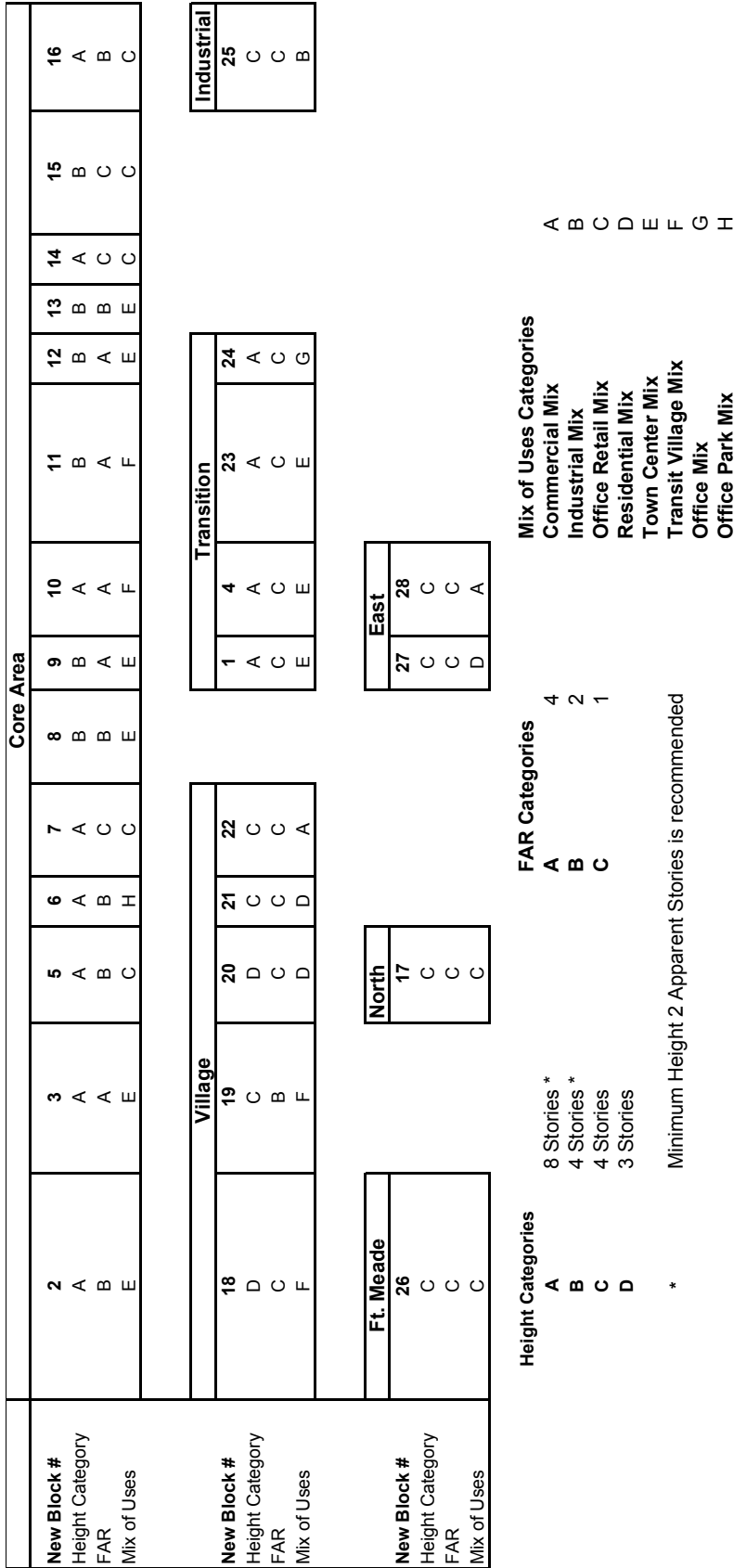


Figure 3-4: Land Use Mix Categories

	Residential	Retail	Office	Industrial
Land Use Mix Categories				
Residential Mix <i>(Each site shall have at least 2 land uses)</i>	50- 80 %	0-50%	0-50%	0 %
Town Center Mix <i>(Each project of 2 stories and above shall have at least 2 land uses)</i>	0-100 % (on second story and above)	Requires 100 % retail at street level. <i>* Retail can also be used as a secondary use with office or residential on the second story and above.</i>	0-100 % (on second story and above)	0 %
Office Retail Mix <i>(Each site shall have at least 2 land uses)</i>	0-80 %	0-80 %	20 -80 %	0-10 %
Industrial Mix <i>(Each site shall have at least 2 land uses)</i>	0 -40%	0- 60 %	0- 60 %	0- 80 %
Transit Village Mix <i>(Each site shall have at least 2 land uses)</i>	50- 70 %	0- 50 %	0- 50 %	0 %
Commercial Mix <i>(Each site shall have at least 2 land uses)</i>	0- 85 %	15- 80 %	0- 85 %	0 %
Office Park Mix	0-20 %	0-20%	0-100 %	0-20%
Office Mix <i>(Each site shall have at least 2 land uses)</i>	0-20 %	0 -20%	0-95 %	0-20%

- Notes:**
1. All sites of 3 acres or greater must comply with the Land Use Mix requirements when developing under the Optional Method.
 2. Institutional uses are permitted in all Land Use Mix Categories and may occupy 100% of the Floor Area on any site.
 3. Modifications to the Land Use Mix requirements may be granted in accordance with Chapter 5, Section 1.3.

Figure 3-5: Summary of Development Requirements by Sub-Areas



Retail Competition



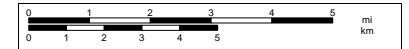
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Scale 1 : 200,000



1" = 3.16 mi

Data Zoom 10-0

Odenton Town Center—Retail Market Analysis

Hair Cuttery, Panera Bread, Pat's Hallmark Shop, Sleepy's, Starbucks, Village Cleaners, Yankee Candle.

- Maryland Live Casino - Opening in June 2012, the casino is the largest gambling facility in Maryland, featuring 4,750 slot and electric table games. Restaurant/entertainment venues at Maryland Live include: Rams Head Center Stage, Bobby's Burger Palace, Prime Rib, Cheesecake Factory and Phillips Seafood.

Waugh Chapel

This mixed use and retail concentration is located at the intersection of MD Route 3 and Waugh Chapel Road in Gambrills, less than four miles southeast of the subject:

- Village at Waugh Chapel - The 71-acre mixed-use project combines 404,000 sq.ft. of retail space, 400 residential units, fast food outparcels an office building, a movie theater and a restaurant park. Major retailers include: Safeway, Marshalls, LA Fitness, Dress Barn, Home Goods, Robert Andrews Day Spa, Pier One Imports
- Waugh Chapel Towne Centre - The 79.4 acre mixed use center is located adjacent to the Village at Waugh Chapel and includes: Wegmans (140,000 sq.ft.), Target (137,000 sq.ft.), Regal Cinemas, Dick's Sporting Goods, PetCo, Bed Bath & Beyond, Men's Wearhouse, Old Navy, Ulta, Red Robin, Starbucks, Bonfish Grill, Chico's, Jos. A. Bank, White House Black Market.

Quarterfield Crossing Shopping Center

The 113-acre mixed use center is located at George Clauss Boulevard and I-97, approximately 4.6 miles northeast of the subject. The 590,000 sq.ft. retail power center includes a 184,000 sq.ft. Wal-Mart Supercenter (184,000 sq.ft.), Lowe's (138,000 sq.ft.), Sam's Club (135,000 sq.ft.), Kohl's (96,000 sq.ft.), Rite Aid pharmacy.

Arundel Gateway

The 238-acre mixed use development is located at MD Route 198 and MD Route 295 (Baltimore-Washington Parkway), about five miles west of the subject and just south of Fort Meade. The development is planned to include 150,000 sq.ft. of retail space and is expected to begin development in 2013.

C. LOCAL COMPETITION

Within the Odenton area there are three existing neighborhood shopping centers which have served the local market. All were designed as supermarket-anchored centers, though the supermarket space in Odenton Shopping Center is currently vacant.

- Seven Oaks Shopping Center - Located at 2288 Blue Water Boulevard within the Seven Oaks planned community, the center is also located across from the main entrance to Fort Meade. The center was constructed in 2001 and offers 80,717 sq.ft. in two buildings. Anchored by a 40,000 sq.ft. Weiss supermarket, in-line tenants include Chun Mi Park, Fino Cafe, Seven Oaks Cleaners, Nails Today, Navy Federal Credit Union, Quiznos Sub, Seven Oaks Beauty Supply, Transformations Fitness, Allstate Insurance, Columbia Bank. The center also includes a 3-story 68,753 sq.ft. office building which was constructed in 2011. The retail component is reported 86.6% occupied and the office building is 6.6% occupied.
- Piney Orchard Marketplace - Located at 8769 Piney Orchard Parkway in the Piney Orchard planned community, this 52,983 sq.ft. neighborhood center was constructed in 1998. The property is anchored by a 37,981 sq.ft. Food Lion supermarket and also includes Piney Orchard Marketplace, ABC Phones, Dunkin Donuts, Great Clips, Hotels Etcetera Inc., Orchard Cafe, Parcel & Office Solutions, Subway, Tight N Up Barber Shop, Top Nails, Wireless Zone. There are two pad sites: Sandy Spring Bank and a gasoline service station with convenience store. Parking ratio is 5 per 1,000 sq.ft. Center is reported 97.0% occupied.
- Odenton Shopping Center - The Odenton Shopping Center is located at 1133 Annapolis Road. The 224,000 sq.ft. center was originally constructed in 1956 and renovated in 1986. Tenants at the center include Dollar Tree, Advance Auto Parts, Budget Truck Rental, Five Guys, H&R Block, Hunan L'Rose,, Nail Salon, Odenton Barber, Odenton Liquors Inc., Subway, Rent-A-Center, The UPS Store, Three Brothers Pizza, U.S. Post Office, Wheels Skating Center. Parking ratio is 4 per 1,000 sq.ft. Center is reported 72.2% occupied, with the former SuperFresh supermarket site being the largest vacancy.

C. SUMMARY

In summary, Odenton Town Center is well-located in western Anne Arundel County and within the regional transportation grid. Retail development in OTC must respond to consumer demand (as shaped by regional and local competitors), but also to requirements of the Odenton Town Center Master Plan.

III. ODENTON TRADE AREA

In this section, Valbridge/LF&M defines the Odenton Town Center's trade area. This is the area within which the subject's retailers will compete for most of their consumers. We briefly review population, housing and economic trends within the trade area in order to better understand the demand for goods and services within the context of the subject's total market environment.

A. TRADE AREA DEFINITION

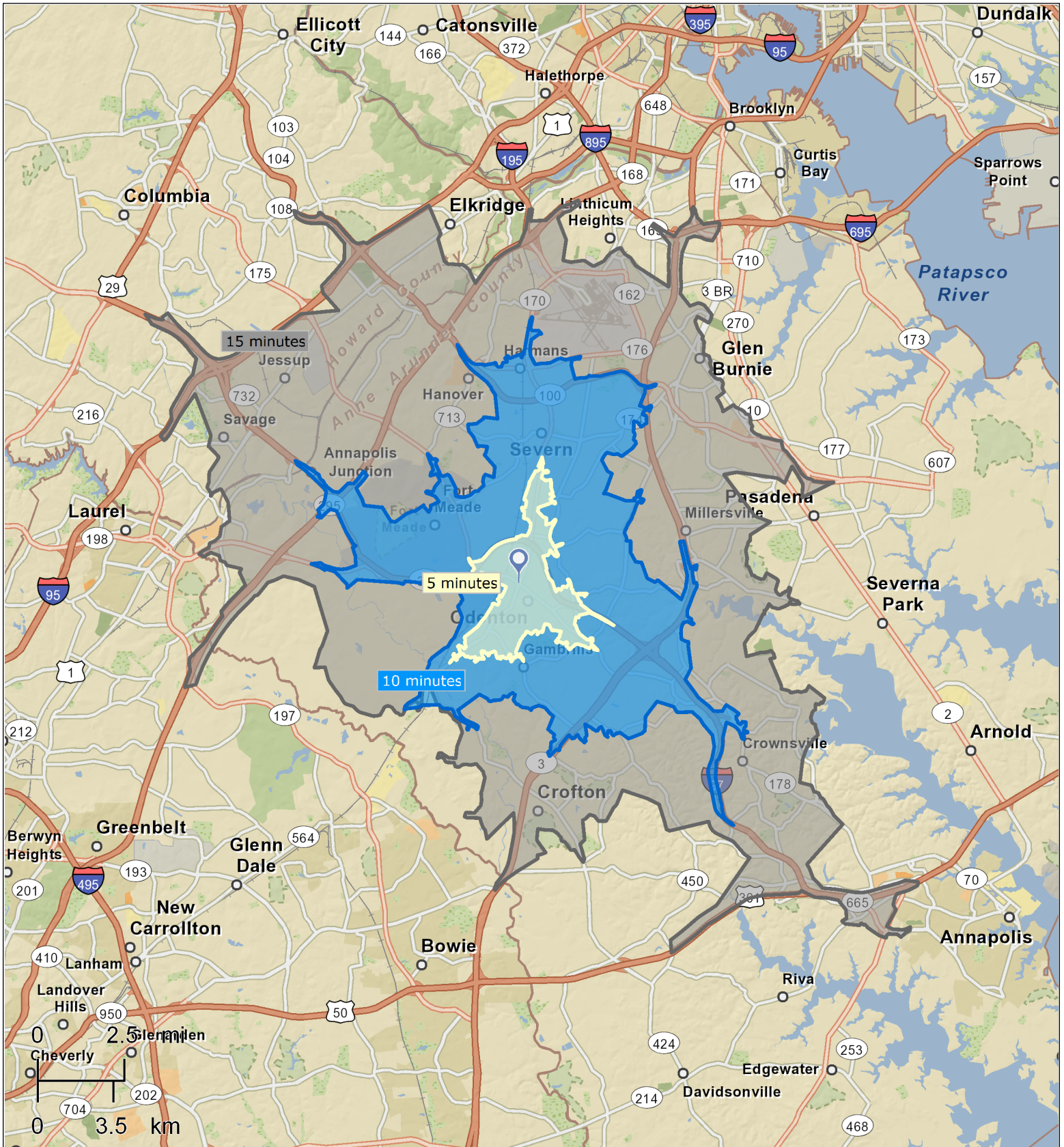
Odenton Town Center is aligned west-to-east along MD Route 175 (Annapolis Road). OTC is centered more or less on the Odenton MARC commuter rail station—based on the local highway network, traffic generated by the MARC station and development land available in that area.

Retail Trade Area

Valbridge/LF&M has defined the subject property's geographic trade area to be the geography which reasonably speaking can be reached within a 10-minute drive of the intersection of Annapolis and Telegraph Roads. That trade area is depicted on the map on the following page, which also displays tighter 5-minute and more expansive 15-minute drive-time geographies for reference.

It is our judgment that retail businesses in OTC will serve a relatively constrained trade area, shaped by the reality that major regional retail concentrations (most notably Arundel Mills and Waugh Chapel) are already serving OTC residents and workers for many of their shopping needs. In particular, most "shoppers goods," which typically require some amount of comparison shopping and are sold in the department store type of environment, are currently found in those locations. The retailers selling those categories of goods are already located in those locations—or, if not, would prefer to enter the market at a spot which already demonstrates the ability to generate the desired level of consumer traffic.

The Master Plan does allude in a number of places to the probability that most businesses in OTC will be serving a local need. Offices in particular are likely to be oriented toward Fort Meade contractors. Retailers will be oriented principally to "convenience" demand for goods and services which do not require a lot of comparison shopping and for which consumers are less interested in driving long distances. In the 15-minute drive-time band, for example, we find that a high proportion of those households are likely to do most of their shopping at



the competitors already established at the periphery of the OTC trade area because of quicker drives to those retailers.

Though patrons (especially those who work in the area but live elsewhere) will surely come from a very broad geography, we judge that OTC retailers will be most attractive to a core of consumers who live in the defined trade area. OTC remains a suburban location with most travel using the automobile, though there may be walk-in traffic from the 5-minute geography. The walk-in traffic should be encouraged by the provision of sidewalks throughout OTC.

Sources

This analysis uses demographic and economic data available from the 2000 and 2010 U.S. Census and from the Census Bureau's American Community Survey. We have also used current (2012) estimates and future (2017) projections of population, households and incomes calculated by Environmental Systems Research Institute, Inc. (ESRI), a nationally recognized data provider; the ESRI forecasts incorporate 2010 Census data. We judge the ESRI data to be reasonable but conservative—not fully accounting, in our opinion, for the strong residential growth which is now taking place in the Odenton area. The ESRI data may be underreporting growth by approximately 50% based on known recent deliveries and near-term pipeline developments.

B. DEMOGRAPHIC & ECONOMIC CHARACTERISTICS

Valbridge/LF&M focuses on the trends for households residing within the 10-minute drive-time trade area, while providing context by making comparison to the demographics of the tighter 5-minute and more expansive 15-minute drive-time geographies.

- Population Trends - As outlined in Table III-1, the 10-minute drive-time trade area population stood at approximately 71,371 persons in 2012. That figure represents growth of 15,806 persons (28.4%) between 2000 and 2012. Through 2017, the area is projected to gain an additional 3,319 persons (4.7%) over five years.

Western Anne Arundel County has been the fastest growing area in the County in recent years. The 15-minute drive-time area, for example, saw an increase of 33,316 persons (17.2%) between 2000 and 2012—with growth of another 11,895 (5.2%) projected through 2017.

- Household Trends - The number of households in the 10-minute drive-time trade area stood at approximately 26,044 in 2012. That figure represents significant growth of 6,577 households (33.8%) between 2000 and 2012. Through 2017, the area is projected to gain an additional 1,342 households (5.2%) over five years—or an average of 268 households per year.

Table III-1
ODENTON TOWN CENTER
Population and Households
Drive-Times: 5-, 10- and 15-Minutes
2000, 2010, 2012, 2017

	Population		Change (00-10)		2012	Change (10-12)		2017	Change (12-17)	
	2000	2010	Persons	Percent		Persons	Percent		Persons	Percent
5-Minute	12,009	13,623	1,614	13.4%	14,095	472	3.5%	15,163	1,068	7.6%
10-Minute	55,565	70,197	14,632	26.3%	71,371	1,174	1.7%	74,690	3,319	4.7%
15-Minute	193,383	221,887	28,504	14.7%	226,699	4,812	2.2%	238,594	11,895	5.2%

	Households		Change (00-10)		2012	Change (10-12)		2017	Change (12-17)	
	2000	2010	Hhlds	Percent		Hhlds	Percent		Hhlds	Percent
5-Minute	4,638	5,533	895	19.3%	5,706	173	3.1%	6,134	428	7.5%
Avg. Household Size	2.58	2.46	-0.12	-4.7%	2.47	0.01	0.4%	2.47	0.00	0.0%
10-Minute	19,467	25,627	6,160	31.6%	26,044	417	1.6%	27,386	1,342	5.2%
Avg. Household Size	2.83	2.69	-0.14	-4.9%	2.69	0.00	0.0%	2.68	-0.01	-0.4%
15-Minute	67,673	80,433	12,760	18.9%	82,146	1,713	2.1%	86,857	4,711	5.7%
Avg. Household Size	2.71	2.66	-0.05	-1.8%	2.66	0.00	0.0%	2.65	-0.01	-0.4%

Source: 2000 & 2010 U.S. Census of Population and Housing; 2012 & 2017 ESRI estimates and forecasts;
 compiled by Valbridge/Lipman Frizzell & Mitchell LLC.

In 2012, approximately 5,706 households or one fifth (21.9%) of trade area households resided within reasonable walking distance of the center if OTC, as defined by the 5-minute drive-time area. The trade area has been growing faster than the 15-minute drive-time area, which saw an increase of 14,473 households (21.4%) between 2000 and 2012.

Household sizes approximate 2.7 persons in the trade area and the 15-minute drive-time area, somewhat larger and more suburban than the more urban 2.5 persons in the 5-minute area.

- Types of Households - The trade area is home to a full range of household types, as illustrated in Table III-2. Though over one fifth (22.5%) of households are single persons, almost three quarters (71.4%) are families—about half of them with children. The proportion of single person households rises to 29.1% within the walking core of OTC.
- Population by Age - With a median age of 34.8 years, the population of the trade area is also diverse. Table III-3 demonstrates that over half (52.2%) of the area's population is in the age 20-54 range, favorable for retailers.
- Educational Attainment - Among persons age 25+ in the trade area, educational attainment is high. Almost two fifths (38.0%) of residents have earned at least a college degree, as reported in Table III-4.
- Transportation to Work - According to Table III-5, the trade area is still very suburban, with four fifths (81.0%) of workers commuting to work alone in a motor vehicle. Virtually all (96.3%) households have cars and the average number of vehicles per household is 2.0 in the trade area.
- Homeownership - In the 2010 U.S. Census, the trade area's homeownership rate was 71.1%. Within the trade area, the median value of an owner-occupied home is a very solid \$317,812 according to Table III-6).
- Rents - A recent Valbridge/LF&M survey of the trade area apartment market indicates that the rents being achieved among the newest multifamily communities are high. Rents are averaging \$1,557 for one bedroom units, \$1,818 for two bedroom units and \$2,102 for three bedroom units. Using standard management qualification ratios, households are typically required to have incomes of at least \$60,000 per year in order to reside in the apartments. A review of demographic reports from Odenton apartment properties indicates high proportions of residents coming from out-of-state (29%) for government employment (20%) and earning high wages (10%-15% of earners making \$100,000+ per year).

Table III-2
ODENTON TOWN CENTER
Households by Household Type
Drive-Times: 5-, 10- and 15-Minutes
2010

	5-Minute		10-Minute		15-Minute	
	Households	% of Total	Households	% of Total	Households	% of Total
Total Households	5,534	100.0%	25,628	100.0%	80,433	100.0%
Households with 1 Person	1,608	29.1%	5,778	22.5%	18,997	23.6%
Households with 2+ Persons	3,926	70.9%	19,850	77.5%	61,436	76.4%
Family Households	3,513	63.5%	18,305	71.4%	56,119	69.8%
Husband-Wife Families	2,565	46.3%	13,533	52.8%	41,315	51.4%
with own children	1,156	20.9%	6,404	25.0%	19,457	24.2%
Other Family (no spouse present)	948	17.1%	4,771	18.6%	14,804	18.4%
with own children	481	8.7%	2,648	10.3%	8,075	10.0%
Non-Family Households	413	7.5%	1,545	6.0%	5,317	6.6%
All Households with Children	1,811	32.7%	10,003	39.0%	30,455	37.9%
Multigenerational Households	229	4.1%	1,279	5.0%	3,838	4.8%
Unmarried Partner Households	361	6.5%	1,511	5.9%	5,315	6.6%
Male-Female	318	5.7%	1,310	5.1%	4,695	5.8%
Same Sex	43	0.8%	201	0.8%	620	0.8%

Source: U.S. Census of Population and Housing, 2010; compiled by Valbridge/LF&M

Table III-3
ODENTON TOWN CENTER
Population by Age
Drive-Times: 5-, 10- and 15-Minutes
2012

	5-Minute		10-Minute		15-Minute	
	Population	% of Total	Population	% of Total	Population	% of Total
Age 0-4	982	7.0%	5,495	7.7%	16,692	7.4%
Age 5-9	886	6.3%	5,212	7.3%	15,361	6.8%
Age 10-14	870	6.2%	4,818	6.8%	14,748	6.5%
Age 15-19	766	5.4%	4,239	5.9%	13,211	5.8%
Age 20-24	821	5.8%	4,738	6.6%	15,660	6.9%
Age 25-34	2,285	16.2%	11,390	16.0%	37,825	16.7%
Age 35-44	2,162	15.3%	11,022	15.4%	34,672	15.3%
Age 45-54	2,001	14.2%	10,081	14.1%	33,277	14.7%
Age 55-64	1,580	11.2%	7,684	10.8%	24,719	10.9%
Age 65-74	978	6.9%	4,221	5.9%	12,889	5.7%
Age 75-84	562	4.0%	1,845	2.6%	5,604	2.5%
Age 85+	204	1.4%	626	0.9%	2,043	0.9%
Total	14,097	100.0%	71,371	100.0%	226,701	100.0%
Median Age	37.1		34.8		35.0	

Source: 2012 ESRI estimate; compiled by Valbridge/Lipman Frizzell & Mitchell LLC.

Table III-4
ODENTON TOWN CENTER
Educational Attainment
Drive-Times: 5-, 10- and 15-Minutes
Population 25 Years and Over
2005-2009

	5-Minute		10-Minute		15-Minute	
	Persons	% of Total	Persons	% of Total	Persons	% of Total
Total	9,874	100.0%	38,453	100.0%	139,141	100.0%
Less than 9th Grade	279	2.8%	1,023	2.7%	4,197	8.3%
9th-12th Grade, No Diploma	647	6.6%	1,980	5.1%	10,078	18.3%
High School Graduate	2,229	22.6%	8,940	23.2%	34,795	29.6%
Some College	2,304	23.3%	8,690	22.6%	31,194	16.9%
Associate Degree	827	8.4%	3,211	8.4%	10,440	4.4%
Bachelor's Degree	2,212	22.4%	8,699	22.6%	29,757	11.8%
Graduate/Professional Degree	1,376	13.9%	5,910	15.4%	18,680	10.7%
College/Graduate Degree	3,588	36.3%	14,609	38.0%	48,437	22.5%

Source: American Community Survey, 2005-2009; compiled by Valbridge/Lipman Frizzell & Mitchell LLC.

Table III-5
ODENTON TOWN CENTER
Transportation to Work: Workers Age 16+
Drive-Times: 5-, 10- and 15-Minutes
2005-2009

<u>Commuting</u>	5-Minute		10-Minute		15-Minute	
	Workers	% of Total	Workers	% of Total	Workers	% of Total
Drove Alone - Car, Truck, Van	6,355	79.8%	26,331	81.0%	88,829	79.7%
Carpooled - Car, Truck, Van	703	8.8%	2,792	8.6%	10,056	9.0%
Public Transportation	375	4.7%	1,418	4.4%	4,399	3.9%
Walked	176	2.2%	646	2.0%	1,667	1.5%
Other (Bike, Motorcycle, etc.)	77	1.0%	295	0.9%	637	0.6%
Worked at Home	273	3.4%	1,040	3.2%	5,826	5.2%
Total	7,959	100.0%	32,522	100.0%	111,414	100.0%

<u>Vehicles per Hhld</u>	5-Minute		10-Minute		15-Minute	
	Hhlds	% of Total	Hhlds	% of Total	Hhlds	% of Total
0	197	3.3%	817	3.7%	2,925	3.9%
1	1,965	33.0%	6,513	29.3%	22,536	29.7%
2	2,694	45.2%	9,721	43.7%	32,512	42.9%
3	687	11.5%	3,347	15.0%	12,783	16.9%
4	278	4.7%	1,312	5.9%	3,699	4.9%
5+	133	2.2%	530	2.4%	1,387	1.8%
Total	5,954	100.0%	22,240	100.0%	75,842	100.0%
Average Vehicles per Household	1.9		2.0		1.9	

Source: American Community Survey, 2005-2009; U. S. Census 2000

Table III-6
ODENTON TOWN CENTER
Value for Specified Owner-Occupied Housing Units
Drive-Times: 5-, 10- and 15-Minutes
2012

	5-Minute		10-Minute		15-Minute	
	Units	% of Total	Units	% of Total	Units	% of Total
Less than \$50,000	6	0.1%	22	0.1%	52	0.1%
\$50,000 - \$99,999	17	0.4%	142	0.8%	368	0.7%
\$100,000 - \$149,999	59	1.5%	408	2.3%	993	1.9%
\$150,000 - \$199,999	308	7.7%	1,037	5.8%	3,662	6.9%
\$200,000 - \$249,999	997	24.8%	2,435	13.5%	8,680	16.3%
\$250,000 - \$299,999	1,047	26.1%	3,928	21.8%	10,812	20.3%
\$300,000 - \$399,999	1,041	25.9%	5,721	31.8%	14,442	27.1%
\$400,000 - \$499,999	342	8.5%	2,496	13.9%	6,727	12.6%
\$500,000 - \$749,999	174	4.3%	1,611	9.0%	6,400	12.0%
\$750,000 - \$999,999	14	0.3%	145	0.8%	768	1.4%
\$1,000,000 or more	12	0.3%	36	0.2%	356	0.7%
Total	4,017	100.0%	17,981	100.0%	53,260	100.0%
Median Value	\$279,679		\$317,812		\$314,285	

Source: ESRI estimates, 2012; compiled by Valbridge/Lipman Frizzell & Mitchell LLC.

- Household Incomes - Households in the trade area have high incomes, indicated by a median income estimated at \$81,259 in 2012 (Table III-7). Almost two fifths (38.2%) of households have incomes exceeding \$100,000. Trade area incomes are expected to grow at an average pace of at least 2.2% annually through 2017. The aggregate household income (i.e., the total of all household incomes) of the trade area is over \$2.4 billion in 2012—growing to a projected \$2.8 billion by 2017.

C. LIFESTYLE SEGMENTATION

Using its “Tapestry Segmentation” methodology, ESRI also segments OTC trade area households by lifestyle characteristics, operating on the theory that people with similar tastes, lifestyles, and behaviors tend to seek others with the same characteristics. Neighborhoods with the most similar characteristics are grouped together, while neighborhoods showing divergent characteristics are separated—creating a model of various lifestyle classifications or distinct behavioral market segments.

Selection of the variables used to identify consumer markets begins with data that includes household characteristics such as type (single person or family), income, relationships (single or multigenerational), and owner/renter status; personal traits such as age, sex, education, employment, and marital status; and housing characteristics like home value or rent, type of housing (single family, apartment, or townhouse), seasonal status, and owner costs relative to income. In essence, any characteristic that is likely to differentiate consumer spending and preferences is assessed for use in identifying consumer markets. Sixty-five distinct lifestyle segments result.

ESRI identifies the three largest lifestyle segments within the OTC trade area as: Enterprising Professionals (33.8% of households), Sophisticated Squires (18.7%) and Pleasant-Ville (11.0%). Together the segments represent almost two thirds (63.5%) of trade area households. As described by ESRI, the principal lifestyle segments have the following characteristics:

- Enterprising Professionals - Young, educated, single, married, working professionals, residents of Enterprising Professionals neighborhoods have a median age of 32.8 years. Forty-three percent of the households are singles who live alone or share housing with roommates, and 43 percent are married couple families. These households comprise approximately 2% of total US households. Median household income is \$63,837. Approximately half of the population aged 25 years and older hold a bachelor’s or graduate degree. Enterprising Professionals move frequently to find growth opportunities and better jobs, preferring to own rather than rent. For those who rent, the average gross rent is 36% higher than the US average.

They are young and mobile with growing consumer clout. Those who rent hold renter’s insurance policies. They rely on cell phones and e-mail to stay in touch. They go online to

Table III-7
ODENTON TOWN CENTER
Household Incomes
Drive-Times: 5-, 10- and 15-Minutes
2012, 2017

<u>2012</u>	Households:			Percent by Income:		
	5-Minute	10-Minute	15-Minute	5-Minute	10-Minute	15-Minute
Under \$15,000	294	1,297	4,194	5.2%	5.0%	5.1%
\$15,000 - \$24,999	258	1,122	4,212	4.5%	4.3%	5.1%
\$25,000 - \$34,999	347	1,431	5,325	6.1%	5.5%	6.5%
\$35,000 - \$49,999	632	2,413	9,004	11.1%	9.3%	11.0%
\$50,000 - \$74,999	1,336	5,339	16,375	23.4%	20.5%	19.9%
\$75,000 - \$99,000	1,026	4,481	12,469	18.0%	17.2%	15.2%
\$100,000 - \$149,999	1,234	6,285	18,566	21.6%	24.1%	22.6%
\$150,000 - \$199,999	450	2,828	7,457	7.9%	10.9%	9.1%
\$200,000 or more	129	848	4,540	2.3%	3.3%	5.5%
Total Households	5,706	26,044	82,142	100.0%	100.0%	100.0%
Median Income	\$74,613	\$81,259	\$78,000			
Average Income	\$85,723	\$93,488	\$94,249			
Aggregate Income	\$489,135,438	\$2,434,801,472	\$7,741,801,358			

<u>2017</u>	Households:			Percent by Income:		
	5-Minute	10-Minute	15-Minute	5-Minute	10-Minute	15-Minute
Under \$15,000	278	1,224	4,059	4.5%	4.5%	4.7%
\$15,000 - \$24,999	210	904	3,525	3.4%	3.3%	4.1%
\$25,000 - \$34,999	281	1,133	4,336	4.6%	4.1%	5.0%
\$35,000 - \$49,999	493	1,853	7,143	8.0%	6.8%	8.2%
\$50,000 - \$74,999	1,180	4,530	14,396	19.2%	16.5%	16.6%
\$75,000 - \$99,000	1,429	5,949	17,052	23.3%	21.7%	19.6%
\$100,000 - \$149,999	1,508	7,155	21,632	24.6%	26.1%	24.9%
\$150,000 - \$199,999	592	3,600	9,425	9.7%	13.1%	10.9%
\$200,000 or more	162	1,038	5,286	2.6%	3.8%	6.1%
Total Households	6,133	27,386	86,854	100.0%	100.0%	100.0%
Median Income	\$83,629	\$90,013	\$87,532			
Average Income	\$95,541	\$104,043	\$106,165			
Aggregate Income	\$585,952,953	\$2,849,321,598	\$9,220,854,910			

Source: ESRI estimates and forecasts, 2012 and 2017; compiled by Valbridge/LF&M LLC

download videos and music, track their investments, and shop for items, including personal computers and software. They own laptops, video game systems, and digital camcorders. They love to travel abroad and in the United States often. They play video games, visit theme parks, jog, and swim. They read computer, science, and technology magazines and listen to alternative, public-all-talk, and sports radio. They eat out at Cheesecake Factory and Chili's Grill and Bar. They shop for groceries at stores such as Publix and Albertson's.

- Sophisticated Squires - Sophisticated Squires enjoy cultured country life on the urban fringe. These city escapees accept longer commutes to live near fewer neighbors. Mostly married couple families; more than 40% of the households are married couples with children that range from toddlers to young adults. The median age is 39.7 years. Most are Baby Boomers and are aged between 35 and 54 years. These residents are educated; more than one-third of the population aged 25 years or older holds a bachelor's or graduate degree. Most work in white-collar jobs. The median household income is \$83,079. Approximately 90% of the housing is single-family homes. Seventy-four percent of the housing was built before 1990. More than 80% of households own at least two vehicles. They prefer compact SUVs; however, many drive minivans or full-size SUVs.

Do-it-yourselfers, they take care of their lawns and landscaping; home improvements; and remodeling projects such as bathroom remodeling, installing new light fixtures, painting home interiors, staining decks, and cleaning carpets with their steam cleaners. They like to barbecue on their gas grills and make bread with their bread-making machines. Many households own a motorcycle. A typical household will own three or more cell phones. Looking toward the future, many residents own stocks, bonds, and large life insurance policies. When dieting, they go on Weight Watchers; many own a treadmill or stationary bike to stay fit. They go power boating, play board and word games, do woodworking projects, and attend football and baseball games. Adults also take photos, play golf, and ride their motorcycles. Children play games on the home personal computer and typically own a video game system. Residents listen to soft adult contemporary music; classic hits; news; all-talk; and sports radio, including broadcasts of professional games. Although many households have four or more TVs, residents watch as much television as typical US households. Favorite programs include news, comedies, dramas, and programs on HGTV.

- Pleasant-Ville - Prosperous domesticity distinguishes the settled lives of Pleasant-Ville residents. Families, especially middle-aged married couples, characterize Pleasant-Ville neighborhoods. The average family size is 3.3; nearly 40% of the households include children; 13% of households have adult children. The median age of 40.5 years is slightly older than the US median of 37.2 years. These residents have a median household income of \$76,642. Approximately one in five households receives retirement income, a ratio that is expected to increase. Residents live in single family homes. Two thirds have lived in the same house since 1995, when they bought their homes for much lower

prices. Home ownership remains high at 82%. To maintain their comfortable lifestyle, 12% commute an hour or more to work. Transportation is important; two thirds maintain two or more vehicles.

Because older homes require maintenance and renovation, home improvement projects are a priority in Pleasant-Ville neighborhoods. Not do-it-yourselfers, residents hire contractors for remodeling projects. They shop at warehouse stores for value and use coupons for discounts. For more upscale items, they shop at department stores. Pleasant-Ville residents spend time with their families, dine out, play cards and board games, attend baseball games, and visit theme parks. They take sightseeing vacations and beach trips in the United States or cruise to foreign ports. They own and use older PCs to shop online for small items, check e-mail, and read the news. These residents listen to contemporary hit, all-news, all-talk, and sports radio, particularly during their commute times. The sports fanatics listen to ball games on the radio and watch a variety of major sports on TV. For exercise, they usually work out on the treadmill at home, walk, and swim. To keep abreast of current events, they would probably read two or more daily newspapers.

We find, therefore, that OTC trade area households tend to be relatively affluent, well-educated and active, with diverse lifestyle and consumer choices often determined by age. ESRI's "Spending Potential Index" for the OTC trade area indicates that household spending on most consumer goods and services is approximately 35% above the national average.

D. FORT MEADE & B-W PARKWAY CORRIDOR

Fort Meade (including the National Security Agency or NSA) occupies 5,067 acres and contains over 9.6 million sq.ft. of improvements. Fort Meade is home to approximately 11,000 military personnel and about 29,000 civilian employees, with nearly 6,000 family members residing on post. At more than 56,000 employees (only 25% of them military), Fort Meade is Maryland's largest employer and has the third largest workforce of any Army installation in the U.S.

- BRAC in Place - In response to the military's Base Realignment and Closure (BRAC) plan, construction of new facilities was completed by 2011 for relocation of the Defense Adjudication Activities, the Defense Information Systems Agency and the Defense Media Activity operations to the base—totaling 5,702 military, civilian and contractor employees on-site.
- U.S. Cyber Command - Cyber Command became operational at Fort Meade in 2010, with Phase 1 of its campus construction (1.8 million sq.ft. of new office space and 6,500 personnel) to be complete by 2015. Phases 2 and 3 with another 4.0 million sq.ft. of office and 4,500 new positions are scheduled for development in the 2015-2029 period.

Its headquarters is now under construction on Fort Meade and is expected to draw another 1,100 jobs to the base in the near future.

- Military Community - Fort Meade also serves a broader community estimated at over 97,000 persons including active military (not on-post), military reserve, military retirees, Department of Defense civilian employees—and all their dependents.

Baltimore Washington Parkway Corridor

Anchored by Fort Meade, the Baltimore Washington Parkway (MD Route 295) has been developing into the region's premier technology corridor. Many high technology companies have chosen to locate along this corridor due to its good highway access, strategic location between Baltimore and Washington, proximity to BWI Marshall Airport and major federal facilities such as Fort Meade, and the availability of developable land. Scientific and technology companies will continue to locate in this area in the coming years. Eight out of the top ten U.S. Department of Defense contractors are located in the area.

A premier example is the National Business Park. Located along the west side of MD Route 295, the 490-acre business park lies between MD Route 175 on the north and MD Route 32 on the south. National Business Park is a mixed use development which will total 5.5 million square feet of predominately office improvements at completion—with 3.5 million sq.ft. already in place. Existing tenants at National Business Park include: BAE, Boeing, Booz Allen Hamilton, Computer Sciences Corporation, General Dynamics, ITT, L-3 Communications, Northrop Grumman Corporation, Sun Microsystems and the United States Government (50% of total space). Current employment at National Business Park is estimated at 12,000 workers—expanding by another 10,000 workers over the next decade. The business park currently includes approximately 25,000 sq.ft. of retail space—most of which is occupied by a daycare center and fitness center.

E. TRAFFIC

OTC is well served by the regional highway network, with Annapolis Road (MD Route 175) and Telegraph Road (MD Route 170) providing easy access to all locations in the Baltimore-Washington area—via MD Routes 32, 3 and 295. OTC's Annapolis Road transportation spine is now principally a local-serving road, but local traffic is supplemented by commuter traffic directed to the Odenton MARC Station (over 2,800 boardings per day) and Fort Meade. Shuttle buses to/from the Piney Orchard neighborhood and Fort Meade serve MARC commuters.

The Maryland State Highway Administration's "average annual daily traffic" (AADT) volumes reported for 2012 (the most recent available data) for OTC's principal highways are:

Annapolis Road (just west of Reece Road)	21,452 trips
Telegraph Road (just north of Annapolis Road)	15,871 trips

Nearby, the regional highway network carries even heavier volumes (measured at intersections with Annapolis Road): 95,681 AADT on MD Route 295: 44,862 AADT on MD Route 32 and 65,830 on MD Route 3 (Crain Highway).

F. PIPELINE DEVELOPMENT

Four major residential properties have been delivered in the OTC market in the past two years, totaling almost 1,000 units:

- Town Center Commons (126 for-sale units) beginning in 2011
- Haven at Odenton Gateway (252 apartment units) in 2011
- Village at Odenton Station (235 apartment units) in 2012
- Flats 170 at Academy Yard (369 apartment units) in 2013—currently in lease-up

The real estate development active pipeline in OTC is extensive (totaling over 3,300 units) and currently includes at least the following significant residential projects in the immediate area:

- Reece Crossings (Corvias Military Living) - 800 beds on Fort Meade for enlisted persons
- Novus at Odenton Town Center (Novus) - 175 apartments
- Berger Square (US Terra One) – 48 apartments
- Broadstone (Alliance Residential) – 212 apartments
- Parkside (Ryan Homes) – 251 townhomes
- Arundel Gateway/Liberty Valley (Ribera) – 1,850 townhomes, apartments, condos
- North Patuxent Road/Becknel Avenue – 51 single family homes (attached, detached)

In addition, the Independence Park at Odenton Town Center (Halle Companies) is currently in permitting for the first two buildings: each six stories and 146,000 sq.ft. on Town Center Boulevard. The 128-acre mixed use project is ultimately proposed as 2.95 million sq.ft. of high-tech office space, 75,000 sq.ft. of retail and 525,000 sq.ft. of residential space.

G. SUMMARY

Valbridge/LF&M finds that the Odenton Town Center retail trade area is dynamic and growing as indicated by:

- Population & Household Trends – The trade area has a 2012 population of 71,371 persons in 26,044 households—growth of 28.4% and 33.8% since 2000 alone.

Aggressive growth is anticipated to continue, adding an average of 268 households per year through 2017.

- Demographic Characteristics - The trade area is home to a full range of household types (single persons as well as families) and ages. Over half (52.2%) of the area's population is in the age 20-54 range, favorable for retailers. Almost two fifths (38.0%) of residents have earned at least a college degree. There is an average of 2.0 vehicles per household in the trade area.
- Housing Trends – Homeownership is high at 71.1% in the trade area and home values are substantial with a median value of \$317,812 in 2012. Rents being achieved in the newest apartment communities range upwards from \$1,557 for one bedroom units—requiring minimum household incomes of \$60,000.
- Economic Trends – Incomes are substantial—with a 2012 median household income estimated at \$81,259. Incomes are growing at a pace of approximately 2.2% annually. The aggregate household income (i.e., the total of all household incomes) of the trade area is over \$2.4 billion in 2012—growing to a projected \$2.8 billion by 2017.
- Lifestyle Segmentation - OTC trade area households tend to be relatively affluent, well-educated and active, with diverse lifestyle and consumer choices often determined by age. ESRI's "Spending Potential Index" for the OTC trade area indicates that household spending on most consumer goods and services is approximately 35% above the national average.
- Additional Critical Factors - The OTC trade area includes major retail demand generators supplementing demand from its residential population including:
 - Fort Meade and the B-W Parkway Corridor - At 56,000 on-site employees, Fort Meade is Maryland's single largest employment site. Fort Meade anchors the high-tech Baltimore-Washington Parkway Corridor, which contains major business parks such as National Business Park. Quality retail support in proximity is not available.
 - Commuter Traffic - Commuter traffic along Annapolis Road is strong, drawn by Fort Meade and the Odenton MARC Station. Traffic volumes currently exceed 20,000 AADT.

In summary, OTC retailers can draw upon demand from a sizeable and growing residential household base which is well-educated and affluent, as well as from an employment base (centered on Fort Meade) and commuter traffic which generate significant demand.

IV. RETAIL DEMAND

In this section, Valbridge/LF&M explains our methodology for estimating retail expenditures, then presents our calculations regarding consumer demand within the defined trade area for the types of goods and services which might be offered by Odenton Town Center retailers. We also estimate the total amount of retail space which is market-supported within the trade area. Throughout, our approach is conservative and likely underestimates total demand.

A. METHODOLOGY

We use the following straightforward methodology in estimating the amount of retail space which can be supported within the defined trade area:

- Determine the number of households living in the area;
- Estimate their average income;
- Calculate the aggregate household income for the area;
- Calculate aggregate consumer spending for various categories of goods and services based on national statistics;
- Estimate capture rates for neighborhood shopping centers and other retailers in the area;
- Divide the potential sales for neighborhood shopping centers and other retailers by average sales productivity rates.

In this analysis, we have relied in particular on the U.S. Department of Labor's Consumer Expenditure Survey (CES) in estimating consumer demand. The CES is the ultimate source for all research into the buying habits of American households. The CES includes data on the expenditures and incomes of consumer households as well as their demographic characteristics. The survey is conducted annually and we use data from the 2011 report, which is the most recent publicly available.

CES General Observations

We make the following general observations on our use of CES data in estimating consumer demand for the Odenton Town Center trade area:

- In 2011, American households spent an average of 78.0% of their gross annual income: \$49,705 out of their \$63,685 income before taxes (\$2011). We consider national spending patterns (overall and by retail category) to be reasonable and conservative

gauges of local patterns, while acknowledging that local needs/tastes will certainly differ in detail.

- Over one third (35.7%) of the average household's gross income tends to be spent on retail/service categories which can be found in a local retail environment. Shelter (mortgage/rent, utilities) expenses and transportation (vehicle purchase, public transportation) expenses are two major expenditure categories which together account for at least another one third of income on average.
- The retail expenditure categories are heavily weighted towards goods rather than services. The impact of spending on the wide range of services which is offered in local retail space is, therefore, not fully incorporated in estimates derived from the above data. The "sales per square foot" industry benchmark by which a supermarket (for example) judges its performance is simply not applicable to the way that banks, investment advisors, auto leasing companies or tutoring services measure their success. Though consumer spending on some service categories is reported by the CES, we will make adjustments in our later calculations to account for the different way in which those expenditures translate into supportable commercial space within the market area.
- We make no adjustment to the CES share of income spent on various expenditure categories. Research demonstrates that, with the exception of the very wealthy, consumers spend approximately the same proportion of their incomes on each category: more affluent households buy more expensive goods than less affluent households. Though trade area incomes are higher on average than the national norms, therefore, the spending pattern remains much the same as the rest of the country.

Conservative Methodology

Our methodology is conservative, producing baseline estimates of demand which rely on well-documented expenditure patterns of residential households. Those expenditures will certainly be supplemented by spending from daytime employment in the trade area and from drive-through commuter traffic along Annapolis and Telegraph Roads. Given the reality that much of the worker/commuter spending is discretionary, local capture rates for those dollars are somewhat more speculative.

B. CONSUMER EXPENDITURE PATTERNS

On average, American consumers tend to make retail purchases within certain ranges (as a proportion of their incomes), which have been well-established over time. In Table IV-1 following, we have identified broad CES retail purchase categories and the income shares devoted to them which are most likely to be demanded in a local retail environment such as Odenton Town Center. We note that total household spending is estimated—for which all

Table IV-1
ODENTON TOWN CENTER
Consumer Expenditures by Category
Trade Area: 10-Minute Drive-Time
2012, 2017

	Share	2012	2017	Growth
Households		26,044	27,386	1,342
Income before taxes		\$93,488	\$104,043	\$10,555
Aggregate Income		\$2,434,801,472	\$2,849,321,598	\$414,520,126
<u>Food & Alcohol</u>				
Food at home	6.0%	\$146,734,208	\$171,715,416	\$24,981,208
Food away from home	4.1%	\$100,167,698	\$117,221,050	\$17,053,352
Alcoholic beverages	0.7%	\$17,433,767	\$20,401,832	\$2,968,064
<u>Household</u>				
Maintenance, repairs, insurance, other expenses	1.8%	\$42,819,779	\$50,109,762	\$7,289,983
Personal services	0.6%	\$15,216,314	\$17,806,862	\$2,590,547
Other household expenses	1.1%	\$27,679,929	\$32,392,382	\$4,712,453
Housekeeping supplies	1.0%	\$23,512,647	\$27,515,628	\$4,002,982
Household furnishings and equipment	2.4%	\$57,883,166	\$67,737,660	\$9,854,494
<u>Apparel & Services</u>	2.7%	\$66,523,586	\$77,849,094	\$11,325,509
<u>Automotive</u>				
Gasoline and motor oil	4.2%	\$101,505,816	\$118,786,980	\$17,281,164
Maintenance and repairs	1.3%	\$30,776,716	\$36,016,391	\$5,239,675
Vehicle rental, leases, licenses, and other charges	0.7%	\$16,554,433	\$19,372,792	\$2,818,359
<u>Medical & Pharmacy</u>				
Medical services	1.2%	\$29,362,134	\$34,360,980	\$4,998,845
Drugs	0.8%	\$18,695,422	\$21,878,280	\$3,182,858
Medical supplies	0.2%	\$5,123,081	\$5,995,275	\$872,194
<u>Entertainment</u>				
Audio and visual equipment and services	1.5%	\$37,352,611	\$43,711,819	\$6,359,208
Pets, toys, hobbies, and playground equipment	1.0%	\$24,124,358	\$28,231,482	\$4,107,124
Other entertainment supplies, equipment, and services	0.6%	\$14,145,820	\$16,554,118	\$2,408,298
<u>Other Expenditures</u>				
Personal care products and services	1.0%	\$24,239,054	\$28,365,705	\$4,126,651
Reading	0.2%	\$4,396,674	\$5,145,199	\$748,525
Education	1.7%	\$40,181,775	\$47,022,643	\$6,840,868
Tobacco products and smoking supplies	0.6%	\$13,419,413	\$15,704,041	\$2,284,628
<u>Financial</u>				
Life and other personal insurance	0.5%	\$12,119,527	\$14,182,852	\$2,063,325
Total	35.7%	\$869,967,928	\$1,018,078,244	\$148,110,316

Source: Consumer Expenditure Survey, 2011, US Dept of Labor; Valbridge/LF&M.

retailers are contending. The ability of local businesses to capture their share of the total spending is dependent on numerous competitive factors.

Using the demographic and economic data from Section III above as our inputs, we estimate that OTC trade area consumers are already spending significant amounts on various retail categories and that those amounts are growing robustly, for example:

- Food at Home – Trade area households are estimated to spend 6.0% of gross income for food to be prepared at home in 2012 or \$146.7 million—which is projected to grow by almost \$25 million to \$171.7 million by 2017. These grocery sales are the core of the supermarket business, typically accounting for about three quarters of total sales. Consumers are, however, spending their grocery money in a highly segmented retail category including, for example: Giant, Safeway, Food Lion, Trader Joe’s, Fresh Market, Whole Foods, Wal-Mart, Target and many more—each in its own niche.
- Food away from Home - Trade area households are estimated to spend 4.1% of gross income for food away from home in 2012 or \$100.2 million—which is projected to grow by \$17 million to \$117.2 million by 2017. These sales are spread across the full range of the restaurant business from fast food to fine dining, including take-out and delivery, concession stands and vending machines. These sales do not include alcoholic beverages, which are included in the next line—with on-sales (at restaurants, bars, taverns) typically accounting for about two fifths of total alcohol sales.
- Personal Services - Trade area households are estimated to spend 0.6% of gross income for personal services in 2012 or \$15.2 million—which is projected to grow by \$2.6 million to \$17.8 million by 2017. Personal services include baby-sitting, daycare, nursery school tuition, adult daycare and domestic services.
- Apparel & Services - Trade area households are estimated to spend 2.7% of gross income for apparel and services in 2012 or \$66.5 million—which is projected to grow by \$11.3 million to \$77.8 million by 2017. This category includes clothes for men/boys, women/girls, infants as well as footwear. Certain services such as drycleaning, shoe and watch repair are also covered.
- Automotive - Trade area households are estimated to spend 6.1% of gross income for automotive services in 2012 or \$148.8 million—which is projected to grow by \$25.3 million to \$174.2 million by 2017. This category includes oil and gasoline, maintenance/repair services, vehicle leasing.
- Medical & Pharmacy - Trade area households are estimated to spend 2.2% of gross income for medical services, drugs (prescription and over-the-counter) and medical supplies in 2012 or \$53.2 million—which is projected to grow by \$9.0 million to \$62.2 million by 2017. These are out-of-pocket expenses and do not include payments for health insurance. (This category does not include medical offices.)

- Entertainment - Trade area households are estimated to spend 3.1% of gross income for media and sports equipment, pets and hobbies in 2012 or \$75.6 million—which is projected to grow by \$12.9 million to \$88.5 million by 2017. Not included are admission fees for movies, sporting events.
- Other Expenditures - Trade area households are estimated to spend 3.4% of gross income for personal care products/services, reading, education and smoking products in 2012 or \$82.2 million—which is projected to grow by \$14.0 million to \$96.2 million by 2017.
- Financial - Trade area households are estimated to spend 0.5% of gross income for life and other personal insurance policies in 2012 or \$12.1 million—which is projected to grow by \$2.1 million to \$14.2 million by 2017. Not included are retirement fund contributions.

On an aggregate trade area income of \$2.4 billion in 2012, we estimate conservatively that OTC households are spending \$870.0 million on consumer goods and services. Those expenditures are projected to increase by 17.0% through 2017—totaling over \$1.0 billion in that year.

C. CAPTURE RATE

Much of the consumer spending estimated above is currently escaping the trade area. The ability of local retailers to capture consumer spending is shaped by the spending patterns of consumers and the types of retail/commercial space available in a setting such as OTC.

- Consumer Spending Patterns - Retail categories are now more fluid than ever, with for example Wal-Mart and Walgreens both selling groceries and competing directly with supermarkets. Consumers are more likely to purchase shoppers-goods in department stores (now including Wal-Mart, Target, Kohl's as well as Macy's) located in malls and power centers. Supermarket-anchored shopping centers—where consumers can accomplish most of their weekly shopping errands—provide convenience shopping more proximate to the consumer.
- Retail Space - The physical characteristics of properly-zoned land available for retail uses are important. “Big box” retailers, for example, need sites of sufficient scale to accommodate their 50,000-150,000 sq.ft. stores plus surface parking in the range of 4-5 spaces per 1,000 sq.ft. of retail space. Existing retail spaces may be functionally or economically obsolete. Retailers prefer to locate in high-visibility sites on high-traffic thoroughfares. Ground level retail in walkable town center environments can be popular, but are typically better-suited to small- and medium-sized retailers. These factors affect

OTC with its limited number of larger land parcels (especially on Annapolis Road), fair share of older commercial buildings and so-far incomplete town center.

The capture rate we are able to attribute to individual OTC retail segments will, therefore, range from a low of perhaps 10%-15% for apparel retailers (with stiff competition from the regional malls) to a high of up to 80%-90% for supermarkets. Certain OTC retail categories (e.g., drycleaners or gasoline service stations) are already amply supplied—though incremental upgrades may be required. Demand for medical and pharmacy services will expand as medical offices in Odenton expand.

Overall, we would expect that OTC retailers could capture up to half of the retail expenditures of trade area households.

D. SUPPORTABLE RETAIL SPACE

We estimate the total amount of retail space which the Odenton Town Center trade area can support making three key assumptions:

- Capture Rate - OTC is able to capture up to 50% of available consumer spending in the retail categories analyzed above. That share is subject to many influences, particularly competitive pressures from retail centers outside OTC.
- Sales per Square Foot - We estimate the average sales performance expectation for retailers at \$400 per sq.ft. That gross figure represents the average in a range of \$300-\$500 per sq.ft. for sales at most competitive stores.
- Non-Retail Tenants - There are many service businesses which want to occupy space in retail locations and which, in our opinion, are not fully accounted for in the above calculation. Service providers include: banks, finance companies, medical offices, financial advisors, real estate brokers, income tax preparers, day care centers, military recruiting offices, etc. Those businesses are assumed to occupy approximately 20% of OTC's retail space.

In Table IV-2, we estimate the total amount of retail space which the OTC trade area can support by category in 2012 and 2017. Based on a reasonable capture rate of available demand, we find that the trade area can support approximately 1.3 million sq.ft. of retail space currently. The total rises to 1.5 million sq.ft. in 2017, accommodating the increase of households and household incomes in the interim.

Table IV-2
ODENTON TOWN CENTER
Supportable Retail Space
Trade Area: 10-Minute Drive-Time
2012, 2017

	Share	2012	2017	Growth
<u>Food & Alcohol</u>				
Food at home	6.0%	183,418	214,644	31,227
Food away from home	4.1%	125,210	146,526	21,317
Alcoholic beverages	0.7%	21,792	25,502	3,710
<u>Household</u>				
Maintenance, repairs, insurance, other expenses	1.8%	53,525	62,637	9,112
Personal services	0.6%	19,020	22,259	3,238
Other household expenses	1.1%	34,600	40,490	5,891
Housekeeping supplies	1.0%	29,391	34,395	5,004
Household furnishings and equipment	2.4%	72,354	84,672	12,318
<u>Apparel & Services</u>				
	2.7%	83,154	97,311	14,157
<u>Automotive</u>				
Gasoline and motor oil	4.2%	126,882	148,484	21,601
Maintenance and repairs	1.3%	38,471	45,020	6,550
Vehicle rental, leases, licenses, and other charges	0.7%	20,693	24,216	3,523
<u>Medical & Pharmacy</u>				
Medical services	1.2%	36,703	42,951	6,249
Drugs	0.8%	23,369	27,348	3,979
Medical supplies	0.2%	6,404	7,494	1,090
<u>Entertainment</u>				
Audio and visual equipment and services	1.5%	46,691	54,640	7,949
Pets, toys, hobbies, and playground equipmen	1.0%	30,155	35,289	5,134
Other entertainment supplies, equipment, and services	0.6%	17,682	20,693	3,010
<u>Other Expenditures</u>				
Personal care products and services	1.0%	30,299	35,457	5,158
Reading	0.2%	5,496	6,431	936
Education	1.7%	50,227	58,778	8,551
Tobacco products and smoking supplies	0.6%	16,774	19,630	2,856
<u>Financial</u>				
Life and other personal insurance	0.5%	15,149	17,729	2,579
Total	35.7%	1,087,460	1,272,598	185,138
Total Adjusted for Service Providers		1,304,951.89	1,527,117.37	222,165.47

Source: Valbridge/LF&M.

E. SUMMARY

In summary, Valbridge/LF&M finds that OTC trade area households have an aggregate income of at least \$2.4 billion in 2012 and are spending approximately \$870.0 million on consumer goods and services. Based on a reasonable local capture rate, that spending can support approximately 1.3 million sq.ft. of retail space currently—rising to a projected 1.5 million sq.ft. in 2017 due to rising area population and incomes. Those numbers are bolstered by demand from daytime employment and commuter traffic.

V. RETAIL SUPPLY

In this section, Valbridge/LF&M reviews conditions in OTC's existing retail supply and some of the implications of Master Plan requirements on retail development.

A. EXISTING RETAIL SUPPLY

Using the CoStar Group's commercial brokerage multiple list database as our principal source, we have outlined the OTC trade area existing retail inventory in Table V-1. We find that the area's retail supply currently consists of approximately 941,000 sq.ft. of retail in various formats (freestanding, small and large shopping centers) and in a range of conditions. Having checked the CoStar data against Maryland State Department of Assessment & Taxation (SDAT) records, we judge them to be a reasonable statement of the facts.

Supply Characteristics

In a retail environment which is constantly evolving in response to changing consumer and retailer demands, we observe that "all retail space is not created equal." More than with any other type of real estate use, retail space is prone to functional and economic obsolescence over a relatively shorter time period. We note the following:

- Age - Within the identified OTC retail inventory, almost three fifths (59.0%) of retail space was built before 1990 and a total of more than three quarters (77.4%) was built before 2000. Though some of that older space has been updated to contemporary standards, much is obsolete.
- Sites - Among the 80 sites inventoried, the median parcel size is only 0.875 acres. Twenty eight of the 38 Annapolis Road parcels are less than one acre. Current retail formats and current planning requirements make small sites more difficult to develop, particularly when they have highway frontage.

Upgrading older retail properties and assembling some of the smaller land parcels in order to accommodate contemporary retail formats can assist in improving the quality of the OTC retail supply.

Table V-1
ODENTON TOWN CENTER
Existing Retail Space
Trade Area: 10-Minute Drive-Time
2013

Building Address	Building Name	City	PropertyType	Built	Sq. Ft.	Acres
1101 Annapolis Road		Odenton	General Retail	2009	2,200	0.8
1103 Annapolis Road		Odenton	General Retail (Community Center)	1978	28,671	2.7
1115 Annapolis Road	Odenton Shopping Center	Odenton	General Retail (Community Center)	1956	224,000	13.3
1136 Annapolis Road	McDonalds	Odenton	General Retail	1981	3,015	0.9
1161 Annapolis Road		Odenton	General Retail (Community Center)	1978	3,167	0.8
1179 Annapolis Road		Odenton	General Retail	1972	2,889	2.7
1185 Annapolis Road		Odenton	General Retail	1973	6,550	0.8
1200 Annapolis Road	Papa John's Pizza	Odenton	General Retail	1997	1,056	0.7
1219 Annapolis Road	FCNB Bank Bldg	Odenton	General Retail	1989	4,115	0.3
1253 Annapolis Road	PNC Bank	Odenton	General Retail	1999	3,520	0.7
1257 Annapolis Road	Academy Crossing	Odenton	General Retail (Strip Center)	2003	10,200	1.2
1318 Annapolis Road	Exxon	Odenton	General Retail	2000	2,640	1.0
1405 Annapolis Road		Odenton	General Retail	1970	2,680	0.8
1419 Annapolis Road	Fisher Auto Parts	Odenton	General Retail	1950	3,960	0.7
1433 Annapolis Road		Odenton	General Retail	1983	1,916	0.5
1492 Annapolis Road	Firestone Complete Auto Care	Odenton	General Retail	1972	4,960	0.9
1496 Annapolis Road		Odenton	General Retail	1993	6,834	0.5
1518 Annapolis Road	Hess	Odenton	General Retail	1966	3,256	0.6
1558 Annapolis Road	Royal Farms	Odenton	General Retail		3,326	1.0
1564 Annapolis Road		Odenton	General Retail	1945	3,017	0.6
1566 Annapolis Road		Odenton	General Retail	1979	3,200	0.1
1576 Annapolis Road		Odenton	General Retail	1974	7,055	0.4
1592 Annapolis Road		Odenton	General Retail	1973	1,461	0.8
1600 Annapolis Road		Odenton	General Retail	2005	2,552	1.1
1614 Annapolis Road	Dunkin' Donuts	Odenton	General Retail	1977	2,720	1.1
1628 Annapolis Road		Odenton	General Retail	1955	10,599	0.8
1634 Annapolis Road	Video Outlet	Odenton	General Retail	1970	2,471	0.7
1642 Annapolis Road		Odenton	General Retail	1950	6,624	0.2
1652 Annapolis Road		Odenton	General Retail	1955	3,920	0.2
1658 Annapolis Road		Odenton	General Retail	1984	2,000	0.3
1668 Annapolis Road		Odenton	General Retail	1950	9,824	0.2
1682 Annapolis Road	Kentucky Fried Chicken	Odenton	General Retail	1969	2,207	0.8
1698 Annapolis Road		Odenton	General Retail	1940	1,469	0.7
2610 Annapolis Road		Severn	General Retail (Neighborhood Center)	1987	2,022	0.5
2610 Annapolis Road	Severn Square Shopping Center	Severn	General Retail (Neighborhood Center)	1984	40,686	0.5

Building Address	Building Name	City	PropertyType	Built	Sq. Ft.	Acres
2612 Annapolis Road	Mini-lube	Severn	General Retail (Neighborhood Center)	1987	1,921	0.5
2614 Annapolis Road	Popeye's	Severn	General Retail (Neighborhood Center)	1987	18,372	2.9
2616 Annapolis Road		Severn	General Retail (Neighborhood Center)		20,400	2.9
388 Baltimore Avenue	Exxon	Odenton	General Retail		4,079	
1369 Becknel Avenue		Odenton	General Retail	1947	1,152	0.4
1351 Blair Drive	M & T Bank	Odenton	General Retail	2008	3,709	1.0
2288 Blue Water Boulevard	Seven Oaks Shopping Center	Odenton	General Retail (Neighborhood Center)	2001	55,883	2.1
2288 Blue Water Boulevard		Odenton	General Retail (Neighborhood Center)	2001	24,834	13.0
500 Donaldson Avenue	7-Eleven	Severn	General Retail	1983	2,727	11.9
473 Higgins Drive		Odenton	General Retail	1967	1,490	11.3
478 Higgins Drive		Odenton	General Retail	1954	2,500	0.2
8250 Lokus Road	Noah's Ark Day Care Center	Odenton	General Retail	1999	8,232	0.4
1099 Odenton Road		Odenton	General Retail	1967	1,900	1.1
1101 Odenton Road	Luckies	Odenton	General Retail	1982	1,824	0.7
1107 Odenton Road	Collins Building	Odenton	General Retail	1962	5,347	0.5
1200 Odenton Road	Bowl America	Odenton	General Retail	1961	24,640	2.2
1350 Odenton Road		Odenton	General Retail	1960	2,752	0.3
1391 Odenton Road		Odenton	General Retail	1915	2,772	0.5
1439 Odenton Road	Jim's Hideaway	Odenton	General Retail		6,122	1.1
2604 Old Annapolis Road		Severn	General Retail	1968	4,800	1.1
8375 Piney Orchard Parkway	Academy Junction Plaza	Odenton	General Retail (Neighborhood Center)	1981	38,000	3.0
8424 Piney Orchard Parkway		Odenton	General Retail	1997	6,381	6.5
8741 Piney Orchard Parkway		Odenton	General Retail (Neighborhood Center)	1998	19,900	8.7
8749 Piney Orchard Parkway		Odenton	General Retail (Neighborhood Center)	1998	3,724	8.6
8759 Piney Orchard Parkway		Odenton	General Retail (Neighborhood Center)	1999	5,198	1.1
8761 Piney Orchard Parkway		Odenton	General Retail (Neighborhood Center)	1998	52,983	8.2
8290 Portsmouth Drive	Luckies Convenience Market	Severn	General Retail	1978	2,800	0.7
7831 Quarterfield Road	Chick fil-a	Severn	General Retail		1,300	1.1
7858 Quarterfield Road	Shoppes At Quarterfield	Severn	General Retail (Neighborhood Center)	1998	61,667	7.9
7863 Quarterfield Road	Southland Store #15437	Severn	General Retail (Strip Center)	1974	5,923	0.8
805 Reece Road		Severn	General Retail	1987	2,376	1.6
810 Reece Road	McDonald's	Severn	General Retail	1990	2,376	1.9
811 Reece Road		Severn	General Retail	1984	2,500	1.0
908 Reece Road		Severn	General Retail	1940	2,698	0.5
912 Reece Road		Severn	General Retail	1940	1,244	1.0
740 Stevenson Road		Severn	General Retail	2009	2,600	0.8
7733 Telegraph Road		Severn	General Retail		3,027	14.2
7851 Telegraph Road	CVS	Severn	General Retail	2002	11,000	1.8
8141 Telegraph Road	Elsie's Plaza	Severn	General Retail	1988	17,800	1.7
8246 Telegraph Road		Odenton	General Retail	1962	35,270	3.3
8274 Telegraph Road		Odenton	General Retail	1950	1,596	1.4
8318 Telegraph Road		Odenton	General Retail (Strip Center)		13,302	0.7
1110 Town Center Boulevard	Village at Odenton Station	Odenton	General Retail	2012	24,000	3.3
1114 Town Center Boulevard	Village at Odenton Station	Odenton	General Retail	2012	21,674	3.3
1122 Town Center Boulevard	Village at Odenton Station	Odenton	General Retail	2012	16,335	3.3
372 Winnemeyer Drive		Odenton	General Retail	2009	952	0.1
Total					972,864	

Source: CoStar Group, Inc.; compiled by Valbridge/LF&M.

Retail Pipeline

Commercial properties with significant retail components which are currently negotiating the County planning process are:

- Meade Center - Located at 1502 Annapolis Road at the corner of Berger Street, the 43,000 sq.ft. mixed use center will ultimately include approximately 18,000 sq.ft. of ground level retail space.
- Gardner Center - Located at 1566-1572 Annapolis Road, the center is proposed as 30,460 sq.ft. of commercial space, including a drive-through restaurant and car wash.

B. OTC REQUIRED RETAIL SPACE

As related in Section I above, the Odenton Town Center Master Plan promotes an OTC planned community which is envisioned as relatively high density, transit-oriented and walkable with a varying mix of land uses within its seven zoning sub-areas. Though at least two land uses are required to be developed on most OTC sites, only in the Core sub-area (zoned O-COR) are certain properties required to offer retail uses as 100% of ground level space. Those properties are designated as Town Center Mix and intended to be the “Main Street” heart of OTC as it develops over time.

We estimate the minimum amount of retail supply required in the O-COR/Town Center Mix area in order to determine the base from which the Master Plan envisions total retail development in OTC to proceed. Any estimate of ground level retail in the core area is necessarily somewhat crude, but we have made the following assumptions in our analysis:

- Land - Comparing the Master Plan identification of Town Center Mix blocks with the SDAT tax maps and zoning designations and consulting with the Planning Department, we have quantified the land area involved as approximately 95.5 acres involving 48 identified land parcels and other land as outlined in Table V-2.
- Retail Requirement - We assume that all parcels will ultimately be redeveloped subject to the ground level retail requirement. This is regardless of current ownership (private or public) or parcel size (smaller parcels may be assembled) or development status (existing structures may be demolished and redeveloped).
- Retail Density Calculation - We assume that the average land coverage ratio for structures will ultimately be 0.13 and that 100% of that structure footprint will be retail use. This calculation uses Village at Odenton Town Center as a model. This mixed use property includes 57,000 sq.ft. of retail on the ground level below 235 multifamily apartment units on a development parcel of approximately 10.1 acres. Delivered in 2012

Table V-2
ODENTON TOWN CENTER
Town Center Core/Town Center Mix Properties
Ground Level Retail Requirement

Address			Map	Grid	Parcel	Ownership	Acres
	BERGER	ST	0021	0016	0042	RELIABLE CONTRACTING CO INC	30.53
334	BALDWIN	RD	0021	0022	0045	PHELPS HOWARD N	0.61
331	LOKUS	RD	0021	0022	0078	STATE OF MARYLAND	5.14
342	BALDWIN	RD	0021	0022	0134	PHELPS MARILYN C	1.00
1421	ANNAPOLIS	RD	0021	0022	0135	ODENTON VOLUNTEER FIRE CO INC	0.45
1420	DUCKENS	ST	0021	0022	0136	ODENTON VOLUNTEER FIRE DEPARTMENT	0.52
	SECOND	AVE	0021	0022	0137	ANNE ARUNDEL COUNTY	4.00
1426	HALE	ST	0021	0022	0140	HOGAN PROPERTY COMPANY LC	0.61
1420	HALE	ST	0021	0022	0141	GCI ODENTON LLC	1.00
328	DARE	ST	0021	0022	0143	ODENTON LAND COMPANY LLC	1.00
1418	ANNAPOLIS	RD	0021	0022	0144	GARRISON JOHN R	0.95
1416	ANNAPOLIS	RD	0021	0022	0145	GOODMAN GERALD	0.66
1419	ANNAPOLIS	RD	0021	0022	0146	KAREN L PARSONS TRUST	0.50
	ANNAPOLIS	RD	0021	0022	0147	C & P TELEPHONE CO	1.00
1418	HALE	ST	0021	0022	0151	GCI ODENTON LLC	1.00
1412	HALE	ST	0021	0022	0152	GCI ODENTON LLC	1.07
1417	HALE	ST	0021	0022	0153	ODENTON LAND COMPANY LLC	0.55
	ANNAPOLIS	RD	0021	0022	0155	WUNOFF ODENTON LLC	0.98
1411	ANNAPOLIS	RD	0021	0022	0156	DONALDSON PROPERTIES NO 2 LLC	1.70
	DUCKENS	ST	0021	0022	0167	BANK OF GLEN BURNIE	0.81
1110	TOWN CENTER	BLVD	0021	0022	0187	ODENTON STATION LLC	10.10
	ANNAPOLIS	RD	0021	0022	0205	CH- NICHOLS BETHEL METHODIST CH	1.27
	LOKUS	RD	0021	0022	0208	ODENTON INVESTMENTS LLC	0.21
	LOKUS	RD	0021	0022	0208	ODENTON INVESTMENTS LLC	0.37
	LOKUS	RD	0021	0022	0208	ODENTON INVESTMENTS LLC	0.34
	LOKUS	RD	0021	0022	0208	ODENTON INVESTMENTS LLC	3.27
	LOKUS	RD	0021	0022	0208	ODENTON INVESTMENTS LLC	0.29
1436	BALDWIN	RD	0021	0022	0322	FRATANTUONO DENNIS J	0.26
1430	ANNAPOLIS	RD	0021	0022	0324	HEDRICK JAMES R	0.15
1426	ANNAPOLIS	RD	0021	0022	0326	HEDRICK JAMES R	0.22
328	NEVADA	AVE	0021	0022	0327	LOWMAN STELLA G	1.00
326	NEVADA	AVE	0021	0022	0328	OGLE ROSE A	1.00
324	NEVADA	AVE	0021	0022	0329	FBN REALTY LLC	0.54
318	NEVADA	AVE	0021	0022	0331	O'CONNOR ET AL MARY C	1.00
	HALE	ST	0021	0022	0350	ANNE ARUNDEL COUNTY	0.64
348	BALDWIN	RD	0021	0022	0360	JMJ VENTURES LTD LIABILITY	1.04
1433	ANNAPOLIS	RD	0021	0022	0394	ODENTON VENTURES LLC	0.85
	ANNAPOLIS	RD	0021	0022	0405	ODENTON VOL FIRE DEPT INC	2.79
334	LOKUS	RD	0021	0022	0421	ODENTON HOTEL INVESTMENTS LLC	1.40
1413	ANNAPOLIS	RD	0021	0022	0440	SHINABERRY HENRY	0.45
	DARE	ST	0021	0022	0450	ODENTON LAND COMPANY LLC	0.40
1411	HALE	ST	0021	0022	0462	ODENTON LAND COMPNAV LLC	0.74
	ANNAPOLIS	RD	0021	0022	0474	C & P TELEPHONE CO	0.89
1413	ANNAPOLIS	RD	0021	0022	0476	SHINABERRY HENRY	0.45
1429	DUCKENS	ST	0021	0022	0499	LENFEST/O'CONNOR JOINT VENTURE	1.10
1405	ANNAPOLIS	RD	0021	0022	0509	BANK OF GLEN BURNIE	0.68
325	LOKUS	RD	0021	0022	0517	STATE OF MARYLAND	2.58
1440	DUCKENS	ST	0021	0022	0555	ODENTON VENTURES LLC	0.61
	OTHER (as identified by Planning)						6.81
Total							95.50

and subject to all the O-COR/Town Center Mix requirements, the property seems to embody the scale of development envisioned in the Master Plan for the core.

Acknowledging the imprecision of all the above assumptions, we judge that the overall scale of ground level retail required by the OTC Master Plan is reasonably represented in the following calculation:

O-COR/Town Center Mix Land Area (Acres)	95.50
Retail Density	<u>0.13</u>
Total Retail Footprint (Acres)	12.42
Square Feet per Acre	<u>43,560</u>
Total Retail Square Feet	541,015

As far as we can tell, the Master Plan does not directly address the issue of total retail area to be developed in the core area. Nonetheless, we judge that the Master Plan requires that approximately 540,000 sq.ft. of ground level retail space ultimately be delivered in the OTC core area.

C. OTHER OTC LAND

Other than the Town Center Mix land, OTC land is not required to include development with retail uses. Though most parcels are expected to contain two uses, many will certainly choose from residential, office and industrial uses—and exclude retail uses. Retail land available for new construction includes:

- Nevamar Site - Approximately 37 acres of the Nevamar site remains for development. This property is the largest single commercial site available in OTC and is favorably located at the corner of Annapolis and Telegraph Roads. Planned for commercial redevelopment, the site could be redeveloped with a mix of retail and offices uses and is located in the Office Retail Mix zone.
- Auxiliary Retail - Certain office development will require at least auxiliary retail uses in support of its workers' lunch-time and other convenience shopping needs. Halle's Independence Park, for example, is planning auxiliary retail as part of its first phase of development.
- Redevelopment - Assemblage, demolition and new construction will certainly take place as part of the normal cycle of retail redevelopment.

D. PARKING

Though beyond the scope of this analysis, cost considerations are an important factor in retail and other real estate development. Surface parking supports all of the retail uses in our demand and supply analyses above. Consumer expectations and retail rents in the OTC trade area have historically been adjusted to surface parking in proximity to a retailer's front door. The OTC Master Plan's vision of a high-density and walkable core, however, requires a significant amount of structured parking. In addition, small land parcels within the core cannot support their own structured parking—calling for a shared parking solution.

We note that the cost of structured parking (typically \$15,000-\$20,000 per space) is likely to add \$5-\$10 per sq.ft. to the annual expenses for retail space—whether that cost is borne by the property owner or passed through to the retailer. Understanding that rents of at least \$20-\$30 per sq.ft. are necessary to justify construction of new retail space, the addition of another \$5-\$10 in expenses is a serious matter.

Shared parking and other strategies for reducing the parking expense to retailers will aid in the absorption of core retail space in the near-term.

E. SUMMARY

In summary, we find that the OTC trade area already includes approximately 941,000 sq.ft. of existing retail space. Over time, that supply will be supplemented by new retail space in various formats:

- Up to 540,000 sq.ft. of ground-level retail in the core area,
- Some larger-scale retail on major parcels such as Nevamar,
- Some redevelopment of obsolete retail space,
- Some upgrades to existing space.

In the interest of offering consumers a diverse retail mix, it is important that some reasonable balance be achieved between the OTC core ground-level retail and retail in other formats (free-standing, mixed use, shopping centers) elsewhere in OTC. Our estimates would indicate that core retail could either go vacant (due to demand being met elsewhere) or "crowd out" other retail in the OTC (due to oversupply). Further, shared parking and other strategies for reducing the parking expense to retailers will aid in the absorption of core retail in the near-term.

VI. CONCLUSIONS

Valbridge/LF&M finds that the Odenton Town Center trade area is healthy and growing. OTC retailers can draw upon demand from a sizeable and growing residential household base which is well-educated and affluent, as well as from an employment base (centered on Fort Meade) and commuter traffic which generate significant demand.

Odenton Town Center Positioning

OTC must differentiate itself from existing successful retail concentrations at the edges of its trade area. OTC can offer pedestrian-oriented, human-scale retail in the core area as well as more traditional auto-oriented retail along transportation corridors.

Economic & Demographic Trends

The trade area has an estimated 2012 population of 71,371 persons in 26,044 households—growth of 28.4% and 33.8% since 2000 alone. Aggressive growth is anticipated to continue, adding an average of at least 268 households per year through 2017. Almost two fifths (38.0%) of residents have earned at least a college degree. Homeownership is high at 71.1% and home values are high with a median value of \$317,812 in 2012. Incomes are substantial—with a 2012 median household income estimated at \$81,259. The aggregate household income (i.e., the total of all household incomes) of the trade area is over \$2.4 billion in 2012—growing to a projected \$2.8 billion by 2017. Estimates are conservative in our opinion since they do not seem to fully incorporate recent and near-term future residential development.

Market Support

Based on ever-stronger resident demographics, we find that consumer demand can support at least 1.3 million sq.ft. of retail space currently—growing to 1.5 million sq.ft. by 2017. Compared to an existing supply of 941,000 sq.ft. (some of it functionally and economically obsolete), at least 400,000 sq.ft. of additional retail space is, therefore, supported by consumer demand in 2013—growing to at least 600,000 sq.ft. through 2017.

Supplementing robust residential demand, the OTC trade area includes other major retail demand generators including:

- Fort Meade and the B-W Parkway Corridor - At 56,000 on-site employees, Fort Meade is Maryland's single largest employment site. Fort Meade anchors the high-tech Baltimore-

Washington Parkway Corridor, which contains major business parks such as National Business Park. Quality retail support in proximity is not available.

- Commuter Traffic - Commuter traffic along Annapolis Road is strong, drawn by Fort Meade and the Odenton MARC Station. Traffic volumes currently exceed 20,000 AADT.

Retail Opportunities

We judge that strong opportunities present themselves in the certain retail categories, which we quantify as follows:

- Supermarket - Trade area households are currently spending almost \$200 million per year on “Food at Home” and other typical supermarket goods. At a conservative capture rate of only 50%, we find the trade area can support at least 240,000 sq.ft. of supermarket space in OTC today and approximately 280,000 sq.ft. by 2017. Since existing supermarkets in the trade area (Food Lion and Weis) comprise less than 80,000 sq.ft. of space combined, we estimate that there is actually room for at least two new supermarkets at this time.
- Restaurant - Based on our analysis of spending on “Food Away from Home,” we find that trade area households are already spending \$100 million on restaurants today. The trade area can support at least 125,000 sq.ft. of restaurant space in OTC today—growing to at least 147,000 sq.ft. by 2017. From SDAT records, we estimate that restaurant space in the trade area totals 70,000-80,000 sq.ft. including fast food, restaurants, bars/taverns, social clubs. Consumer demand, therefore, is estimated to support an additional 50,000 sq.ft. of restaurant space currently.
- Other Retail - Less accurate supply-side information is available on the following retail categories, though based on our observations we judge there are opportunities:
 - Daycare - Our analysis of the “Personal Services” spending category indicates that the trade area can support approximately 20,000 sq.ft. of that type of space in OTC—largely in child- but also adult-daycare.
 - Apparel/Entertainment/General Retail - We estimate that the trade area can support 50,000-75,000 sq.ft. of general retail including apparel and entertainment, competing in retail niches which are not fully served by the regional retailers on the OTC periphery. In the town core, boutique retailers can be successful.
 - Medical/Pharmacy - We estimate that the trade area can support at least 30,000 sq.ft. of medical/pharmacy space.

- Financial/Other Services - We estimate that the trade area can support at least 15,000 sq.ft. of financial (i.e., credit union, bank, insurance agent, financial advisor) and other service space.

Retail Product

We estimate a total need for up to 600,000 sq.ft. of new retail space in the mid-term. Comparing that to our estimate that 540,000 sq.ft. of ground-level retail space is required by the Master Plan in the Town Center Mix area, it would seem that accommodations must be made in order to offer consumers a diverse retail mix. It is important that some reasonable balance be achieved between the OTC core ground-level retail and retail in other formats (free-standing, mixed use, shopping centers) elsewhere in OTC. Our estimates would indicate that core retail could either go vacant (due to demand being met elsewhere) or possibly “crowd out” other retail in the OTC (due to oversupply).

Parking

Consumer expectations and retail rents in the OTC trade area have historically been adjusted to surface parking in proximity to a retailer’s front door. The OTC Master Plan’s vision of a high-density and walkable core, however, requires structured parking. The high expenses for structured parking (adding \$5-\$10 per sq.ft. to lease rates) make it difficult to attract retailers in today’s market. Shared parking and other strategies for reducing the parking expense to retailers will aid in absorption of retail space in the near-term.

Timing

We judge that Odenton Town Center offers a strong local market to retailers today—and that its market logic will only improve in the mid-term future with continuing household and employment growth. OTC’s appeal to decision-makers in the short-term will be improved with evidence of continuing new construction—and, if possible, new structured parking in the core area to support ground-level retail.

APPENDIX A

Valbridge Property Advisors/Lipman Frizzell & Mitchell, LLC

Company Overview

Valbridge Property Advisors/Lipman Frizzell & Mitchell, LLC (Valbridge/LF&M) is a multifaceted real estate consulting and appraisal firm serving the Mid-Atlantic since 1977. Valbridge/LF&M is the largest real estate advisory firm headquartered in the Region, with 25 professionals in our Columbia, MD offices.

Valbridge/LF&M provides clients with objective advice and practical assistance at every stage of decision-making on the development, use or reuse of all types of real estate. Our clients include corporations, institutions, real estate owners, builders, developers, and government entities. Our professional staff has an exceptional capability to use a vast array of information and resources to assist clients in making sound, timely decisions through the real estate planning, financing and development process.

Seven senior members of the firm hold the MAI designation and other advanced degrees. Professional licenses are held by various members of the firm in Maryland, District of Columbia, Pennsylvania, Delaware and Virginia. Academic degrees and professional designations are combined with hands-on real estate investment, development and ownership expertise-- offering our clients many decades of accumulated counseling and valuation experience.

In March 2013, Lipman Frizzell & Mitchell LLC announced that it had combined with 41 other appraisal firms to form Valbridge Property Advisors, which provides independent valuation and advisory services to local, regional, multi-market and national clients. Based on publicly available information and company estimates, Valbridge ranks among the top three national commercial real estate valuation and advisory services firms, with 145 MAIs, 59 office locations and 600 staff across the U.S.

Researcher for this Analysis

The Valbridge/LF&M principal-in-charge of this assignment has been Joseph Cronyn, Senior Managing Director. He has over 35 years of real estate development, finance and consulting experience. Most relevant to this assignment, he has successfully completed feasibility assessments for residential and commercial opportunities throughout the Mid-Atlantic in the District of Columbia, Maryland, Pennsylvania, Delaware and Virginia. His resume is attached.

Qualifications of Consultant JOSEPH M. CRONYN

Cronyn has more than three decades of professional experience in real estate research, sales and marketing, development, public policy, financing and appraisal. His experience includes market and financial feasibility analyses of major real estate projects; land acquisition and marketing for commercial and residential development; planning for mixed use development, including historic preservation concerns; tax-motivated and conventional financing for single family and multifamily residential projects; TIF (Tax Increment Financing) bond analysis; and advising public, nonprofit and private clients concerning economic and community development strategies.

PROFESSIONAL EXPERIENCE

Valbridge Property Advisors/Lipman Frizzell & Mitchell, LLC, Columbia, MD (1997-present)
Senior Managing Director

Legg Mason Realty Group, Inc., Baltimore, MD (1989-1997), *Vice President*

Financial Associates of Maryland, Baltimore, MD (1987-1989), *Vice President*

Baltimore Federal Financial, F.S.A., Baltimore, MD (1982-1987), *Sr. Vice President*

Neighborhood Reinvestment Corp., Washington, DC (1978-1982), *Asst. Director*

Baltimore Federal Savings & Loan, Baltimore, MD (1976-1978), *Mortgage Underwriter*

EDUCATION

Master of Business Administration, Loyola University Maryland, Executive Program, 1986

Bachelor's Degree, English & Philosophy, Boston College, 1969

AFFILIATIONS

Neighborhood Housing Services of Baltimore, Chairman of the Board emeritus

Citizens Planning and Housing Association, Member

National Trust for Historic Preservation, Member

Maryland Economic Development Association (MEDA), Member

Lambda Alpha International Land Economics Society, Baltimore Chapter, Director

Maryland Affordable Housing Coalition, Member

QUALIFIED AS EXPERT WITNESS

Before Maryland public administrative bodies, zoning hearing examiners and/or boards of appeals: Anne Arundel County, Baltimore County, Carroll County, Charles County, Frederick County, Harford County, Howard County, Montgomery County, Prince George's County