catalyst

STATION AREA MARKET ANALYSIS

& FORM BASED CODE REVIEW

presented to:

FARMERS BRANCH

December 2011

catalyst

GATEWAYPLANNING
Design • Implementation • Value Capture

Skyscraper City

FARMERS BRANCH

Publisher: Jason Claunch

© Copyright 2011 CATALYST COMMERCIAL. The information provided herein is deemed reliable and is subject to errors, omissions, change of terms and / or conditions. Prepared by Catalyst Commercial, a Texas based retail consulting and market research firm that combines strategy, technology and retail analytics to deliver high-impact retailer recruitment and development strategies to local governments, private developers, retailers and economic development organizations.

catalyst

FARMERS BRANCH

catalyst

The Study Area is defined as the 143.7 acres of property located at Valley View and Interstate 35 in Farmers Branch, Texas. The area is bounded on the north by Havenhurst Street, on the east by Pepper Hill Addition and Rawhide Creek, on the south by Farmers Branch Lane, and on the west by Interstate Highway 35E. The Study Area is primarily serviced by Interstate Highway 35E and Farmers Branch Station, which is served by the Green Line on the DART Light Rail System.

Farmers Branch is approximately 12 miles north of Dallas' central business district and 10 miles east of Dallas/Fort Worth International Airport.

Purpose of Study

This retail and hospitality market analysis is a tool for identifying and quantifying retail and hospitality opportunities existing in the marketplace and for developing market-based strategies for influencing the redistribution of those opportunities so they may be absorbed within the Study Area. A thorough understanding of the market for new development of retail and hospitality provides the necessary context to develop marketing and development strategies for uses which are consistent with the market.

The market analysis and land use policies, set forth by the stakeholders of the City of Farmers Branch, will help assist in unlocking the potential of the Study Area. As part of this process, Gateway Planning Group has reviewed the existing form based code and its associated regulating plan to assess:

A. Is the existing form based code consistent with requirements for development and investment?
B. Are there any elements of the code which may unfavorably detract new development/investment?
C. Is form based code in alignment with market demands?

Ultimately, developing the Study Area to its highest and best use is the result of a coordinated effort which takes into account input from the residents of the surrounding community, economic and market conditions, planning experts and development partners and the end-user (i.e. tenant/operator) community.

FARMERS BRANCH

catalyst

Initial Conditions Assessment

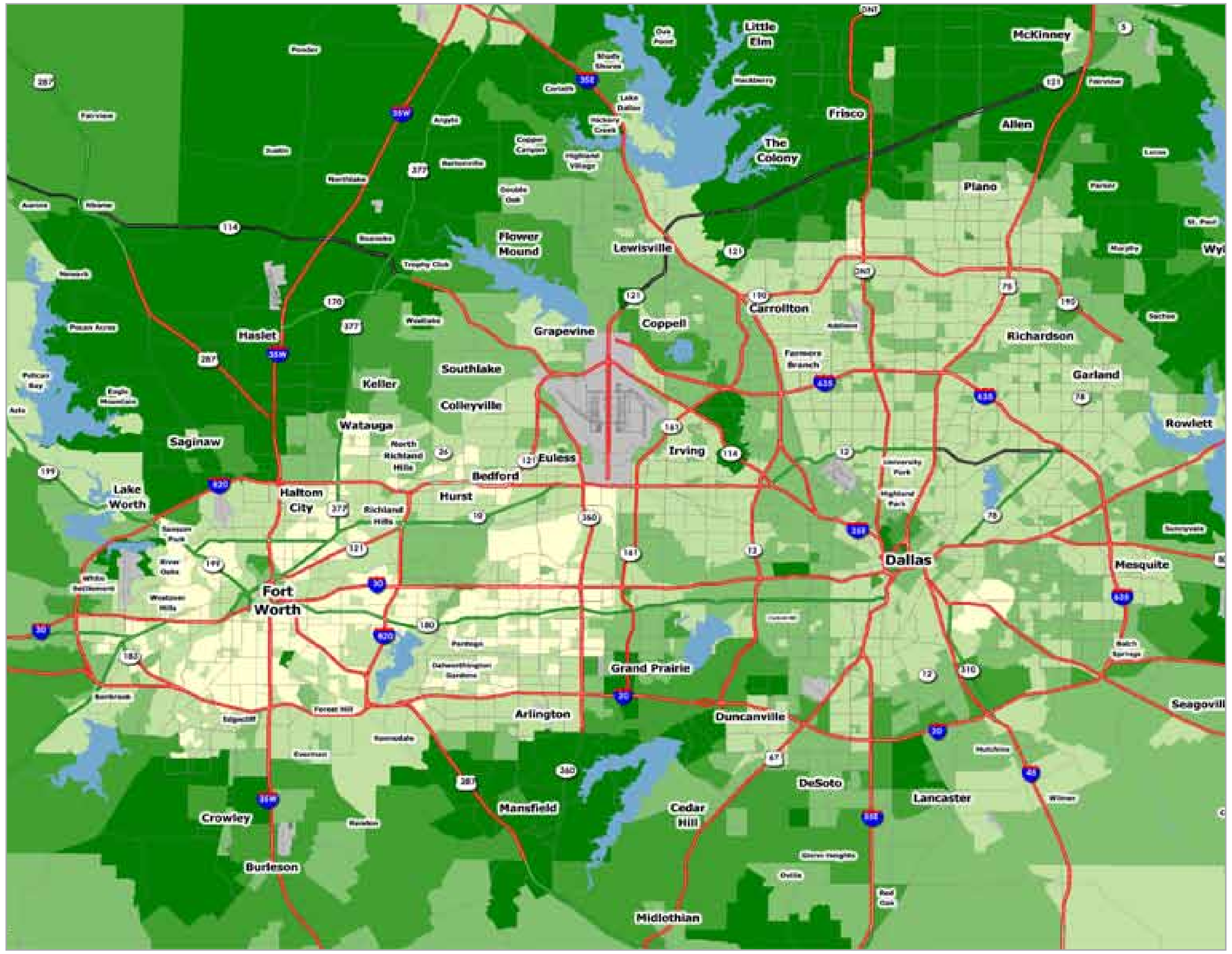
In Catalyst's review of the Station Area, the primary drivers are traffic, residential population, workforce, and limited visitors. The immediate influences to the Study Area are Interstate 35, DART, Farmer's Branch municipal offices, and the Dr Pepper StarCenter. However, peripheral land uses have failed to leverage the demand generated by these destinations. Existing retail development in Study Area predates the redevelopment of the Station Area. Retail businesses are almost exclusively comprised of automobile servicing, service-oriented and Hispanic-oriented operators. Furthermore, the majority of existing retail structures are aged and obsolecent. There does exist, however, an abundance of developable land along primary and secondary corridors within the Study Area, upon which new development can be accommodated.

Population Analysis

Over the past decade the Dallas/Fort Worth Metroplex has experienced unprecedented population and job growth. Between 1998 and 2008, DFW's population grew by over 1.5 million new residents. This growth is expected to continue, as the Metroplex is projected to add roughly 1 million new residents every six years. The Dallas/Fort Worth Metroplex has had positive job growth of 2.9 million over the past 15 years.

As population growth, job growth and income growth continue to occur in the region, so too will the need for office space, residential units and retail goods and services. By projecting Total Retail Demand at 2015 and keeping the ratio of retail square footage retail demand constant, within a 1, 3 and 5 mile radius from the Study Area, there is expected to be 76,562 square feet, 946,961 square feet, and 3,782,832 square feet of net new retail development respectively.

Vacancy rates have stayed between 8% and 18% in the majority of submarkets. Without an excess of inventory on the market, new retail deliveries, particularly in convenience and neighborhood formats, should be absorbed within the market.



	2010 POPULATION	2015 POPULATION	POPULATION GROWTH %	2010 AVERAGE HH INCOME	2015 AVERAGE HH INCOME	2010 TOTAL RETAIL DEMAND	2015 TOTAL RETAIL DEMAND	PERCENT CHANGE	EXISTING RETAIL SQUARE FOOTAGE	2015 PROJECTED NET NEW SQUARE FEET
1 Mile Radius	7,001	7,130	1.80%	$71,824	$79,896	$53,639,332	$60,434,358	12.67%	604,377	76,562
3 Mile Radius	80,550	82,593	2.50%	$71,348	$79,240	$737,632,529	$839,715,814	13.84%	6,842,543	946,961
5 Mile Radius	257,642	267,680	3.90%	$84,382	$94,583	$3,019,723,228	$3,514,159,558	16.37%	23,103,292	3,782,832

Demand Characteristics

SPI

The Spending Potential Index (SPI) is household-based, and represents the amount spent for a product or service relative to a national average of 100. (ESRI) The Spending Potential Index table shows the average amount spent on each category per resident in the trade area, the total estimated spending per category in the trade area and SPI. Total Expenditures spent by the average household in the trade area exceeds that of the national average by 20% with an SPI of 120. SPIs of most other categories in the trade area are 10% to 20% above that of the national average. More detailed reports broken down into subcategories can be found in the appendix. The SPI within the immediate 5 mile area from the Study Area reflects greater than average national demand for most retail categories.

5 MILE RADIUS	SPI	AVERAGE SPENT	TOTAL	PERCENT
Total Expenditures	120	$80,856.05	$7,816,112,146	100.0%
Food	124	$9,564.33	$924,555,499	11.8%
Food at Home	123	$5,510.56	$532,689,412	6.8%
Food Away from Home	126	$4,053.77	$391,866,086	5.0%
Alcoholic Beverages	130	$740.91	$71,621,446	0.9%
Housing	125	$25,407.18	$2,456,036,118	31.4%
Shelter	127	$20,084.17	$1,941,476,836	24.8%
Utilities, Fuel and Public Services	117	$5,323.01	$514,559,283	6.6%
Household Operations	117	$1,853.85	$179,205,652	2.3%
Housekeeping Supplies	120	$838.48	$81,053,448	1.0%
Household Furnishings and Equipment	106	$2,187.81	$211,488,937	2.7%
Apparel and Services	89	$2,128.23	$205,729,384	2.6%
Transportation	122	$12,257.52	$1,184,897,913	15.2%
Travel	119	$2,260.85	$218,549,467	2.8%
Health Care	110	$4,096.92	$396,036,915	5.1%
Entertainment and Recreation	121	$3,900.38	$377,037,680	4.8%
Personal Care Products & Services	123	$858.10	$82,950,407	1.1%
Education	123	$1,504.00	$145,387,103	1.9%
Smoking Products	118	$506.10	$48,923,157	0.6%
Miscellaneous	119	$1,397.18	$135,060,888	1.7%
Support Payments/Cash Contributions/ Gifts in Kind	118	$2,885.24	$278,907,135	3.6%
Life/Other Insurance	107	$445.38	$43,053,401	0.6%
Pensions and Social Security	122	$8,023.60	$775,617,600	9.9%

FARMERS BRANCH

catalyst

MPI

While population density and income convey the purchasing power of the population within a specified region, MPI (Market Potential Index) is useful for studying consumer preferences specific to the population within the trade area. An MPI measures the relative likelihood of the adults/HHs in the specified trade area to exhibit certain consumer behavior or purchasing patterns compared to the U.S. An MPI of 100 represents the U.S. average.

The purchasing patterns of residents within the Station Area's trade area closely match that of the national average with MPIs for most categories falling between 90 and 110. Consumer demand and purchasing preferences should, therefore, provide sufficient support for most retail categories.

5 MILE RADIUS	EXPECTED # OF ADULTS / HHS	PERCENT OF ADULTS / HHS	MPI
Apparel (Adults)			
Bought any men's apparel in last 12 months	98,509	51.2%	102
Bought any women's apparel in last 12 months	85,515	44.4%	97
Bought apparel for child <13 in last 6 months	55,539	28.9%	102
Bought any shoes in last 12 months	103,057	53.5%	102
Bought any costume jewelry in last 12 months	39,370	20.5%	98
Bought any fine jewelry in last 12 months	44,881	23.3%	102
Bought a watch in last 12 months	37,631	19.5%	95
Automobiles (Households)			
HH owns/leases any vehicle	82,123	85.0%	97
HH bought new vehicle in last 12 months	8,210	8.5%	103
Automotive Aftermarket (Adults)			
Bought gasoline in last 6 months	159,814	83.0%	96
Bought/changed motor oil in last 12 months	90,326	46.9%	91
Had tune-up in last 12 months	63,033	32.7%	104
Beverages (Adults)			
Drank bottled water/seltzer in last 6 months	124,463	64.7%	103
Drank regular cola in last 6 months	98,677	51.3%	98
Drank beer/ale in last 6 months	87,258	45.3%	107

FARMERS BRANCH

catalyst

5 MILE RADIUS	EXPECTED # OF ADULTS / HHS	PERCENT OF ADULTS / HHS	MPI
Cameras & Film (Adults)			
Bought any camera in last 12 months	26,938	14.0%	94
Bought film in last 12 months	41,285	21.4%	91
Bought digital camera in last 12 months	13,252	6.9%	98
Bought memory card for camera in last 12 months	15,060	7.8%	103
Cell Phones/PDAs & Service (Adults)			
Bought cell/mobile phone/PDA in last 12 months	58,506	30.4%	103
Avg monthly cell/mobile phone/PDA bill: $1-$49	45,637	23.7%	92
Avg monthly cell/mobile phone/PDA bill: $50-99	65,158	33.9%	107
Avg monthly cell/mobile phone/PDA bill: $100+	32,119	16.7%	109
Computers (Households)			
HH owns a personal computer	70,895	73.3%	102
HH spent <$500 on home PC	8,109	8.4%	93
HH spent $500-$999 on home PC	16,520	17.1%	93
HH spent $1000-$1499 on home PC	15,332	15.9%	108
HH spent $1500-$1999 on home PC	9,189	9.5%	115
Spent $2000+ on home PC	8,079	8.4%	108
Convenience Stores (Adults)			
Shopped at convenience store in last 6 months	113,793	59.1%	99
Bought cigarettes at convenience store in last 30 days	24,638	12.8%	87
Bought gas at convenience store in last 30 days	54,429	28.3%	85
Spent at convenience store in last 30 days: <$20	19,815	10.3%	106
Spent at convenience store in last 30 days: $20-39	19,868	10.3%	103
Spent at convenience store in last 30 days: $40+	59,835	31.1%	89
Entertainment (Adults)			
Attended movies in last 6 months	116,344	60.4%	103
Went to live theater in last 12 months	26,802	13.9%	111
Went to a bar/night club in last 12 months	37,635	19.6%	107
Dined out in last 12 months	23,827	49.5%	101

5 MILE RADIUS	EXPECTED # OF ADULTS / HHS	PERCENT OF ADULTS / HHS	MPI
Gambled at a casino in last 12 months	7,214	15.0%	93
Visited a theme park in last 12 months	10,284	21.4%	96
DVDs rented in last 30 days: 1	1,260	2.6%	99
DVDs rented in last 30 days: 2	92,238	47.9%	98
DVDs rented in last 30 days: 3	30,874	16.0%	100
DVDs rented in last 30 days: 4	46,969	24.4%	110
DVDs rented in last 30 days: 5+	5,423	2.8%	106
DVDs purchased in last 30 days: 1	8,943	4.6%	99
DVDs purchased in last 30 days: 2	5,618	2.9%	94
DVDs purchased in last 30 days: 3-4	8,153	4.2%	106
DVDs purchased in last 30 days: 5+	26,636	13.8%	105
Entertainment (Adults)			
Spent on toys/games in last 12 months: <$50	10,863	5.6%	90
Spent on toys/games in last 12 months: $50-$99	4,776	2.5%	91
Spent on toys/games in last 12 months: $100-$199	12,736	6.6%	93
Spent on toys/games in last 12 months: $200-$499	20,552	10.7%	103
Spent on toys/games in last 12 months: $500+	9,989	5.2%	94
Financial (Adults)			
Have home mortgage (1st)	33,263	17.3%	95
Used ATM/cash machine in last 12 months	98,820	51.3%	101
Own any stock	17,374	9.0%	100
Own U.S. savings bond	13,057	6.8%	96
Own shares in mutual fund (stock)	18,438	9.6%	102
Own shares in mutual fund (bonds)	10,544	5.5%	95
Used full service brokerage firm in last 12 months	11,283	5.9%	96
Used discount brokerage firm in last 12 months	3,753	1.9%	99
Have 401K retirement savings	33,234	17.3%	104
Own any credit/debit card (in own name)	136,396	70.9%	97
Avg monthly credit card expenditures: <$111	24,483	12.7%	87
Avg monthly credit card expenditures: $111-225	15,687	8.1%	90

FARMERS BRANCH

catalyst

5 MILE RADIUS	EXPECTED # OF ADULTS / HHS	PERCENT OF ADULTS / HHS	MPI
Avg monthly credit card expenditures: $226-450	15,343	8.0%	93
Avg monthly credit card expenditures: $451-700	14,941	7.8%	108
Avg monthly credit card expenditures: $701+	29,788	15.5%	113
Grocery (Adults)			
Used beef (fresh/frozen) in last 6 months	125,325	65.1%	94
Used bread in last 6 months	182,935	95.0%	99
Used chicken/turkey (fresh or frozen) in last 6 months	141,614	73.6%	99
Used fish/seafood (fresh or frozen) in last 6 months	93,708	48.7%	95
Used fresh fruit/vegetables in last 6 months	161,381	83.8%	97
Used fresh milk in last 6 months	171,416	89.1%	98
Health (Adults)			
Exercise at home 2+ times per week	57,178	29.7%	101
Exercise at club 2+ times per week	26,786	13.9%	120
Visited a doctor in last 12 months	139,950	72.7%	93
Used vitamin/dietary supplement in last 6 months	88,251	45.8%	96
Home (Households)			
Any home improvement in last 12 months	25,481	26.4%	84
Used housekeeper/maid/professional cleaning service in last 12 months	15,828	16.4%	104
Purchased any HH furnishing in last 12 months	10,849	11.2%	106
Purchased bedding/bath goods in last 12 months	53,298	55.1%	101
Purchased cooking/serving product in last 12 months	27,228	28.2%	104
Bought any kitchen appliance in last 12 months	16,337	16.9%	95
Insurance (Adults)			
Currently carry any life insurance	80,927	42.0%	87
Have medical/hospital/accident insurance	128,356	66.7%	92
Carry homeowner insurance	82,965	43.1%	81
Carry renter insurance	14,663	7.6%	126
Have auto/other vehicle insurance	151,808	78.9%	94

FARMERS BRANCH

catalyst

5 MILE RADIUS	EXPECTED # OF ADULTS / HHS	PERCENT OF ADULTS / HHS	MPI
Pets (Households)			
HH owns any pet	38,131	39.4%	83
HH owns any cat	18,340	19.0%	81
HH owns any dog	25,658	26.5%	77
Reading Materials (Adults)			
Bought book in last 12 months	93,814	48.7%	98
Read any daily newspaper	74,571	38.7%	90
Heavy magazine reader	37,426	19.4%	98
Restaurants (Adults)			
Went to family restaurant/steak house in last 6 mo	136,835	71.1%	97
Went to family restaurant/steak house last mo: <2 times	49,445	25.7%	99
Went to family restaurant/steak house last mo: 2-4 times	50,846	26.4%	96
Went to family restaurant/steak house last mo: 5+ times	36,543	19.0%	97
Went to fast food/drive-in restaurant in last 6 mo	171,344	89.0%	99
Went to fast food/drive-in restaurant <5 times/mo	57,517	29.9%	98
Went to fast food/drive-in 5-12 times/mo	60,593	31.5%	100
Went to fast food/drive-in restaurant 13+ times/mo	53,208	27.6%	100
Fast food/drive-in last 6 mo: eat in	75,078	39.0%	101
Fast food/drive-in last 6 mo: home delivery	23,150	12.0%	108
Fast food/drive-in last 6 mo: take-out/drive-thru	93,852	48.8%	93
Fast food/drive-in last 6 mo: take-out/walk-in	46,457	24.1%	98
Telephones & Service (Households)			
HH owns in-home cordless telephone	55,428	57.3%	89
HH average monthly long distance phone bill: <$16	25,002	25.9%	93
HH average monthly long distance phone bill: $16-25	10,391	10.7%	92
HH average monthly long distance phone bill: $26-59	8,435	8.7%	90
HH average monthly long distance phone bill: $60+	4,286	4.4%	101

FARMERS BRANCH

catalyst

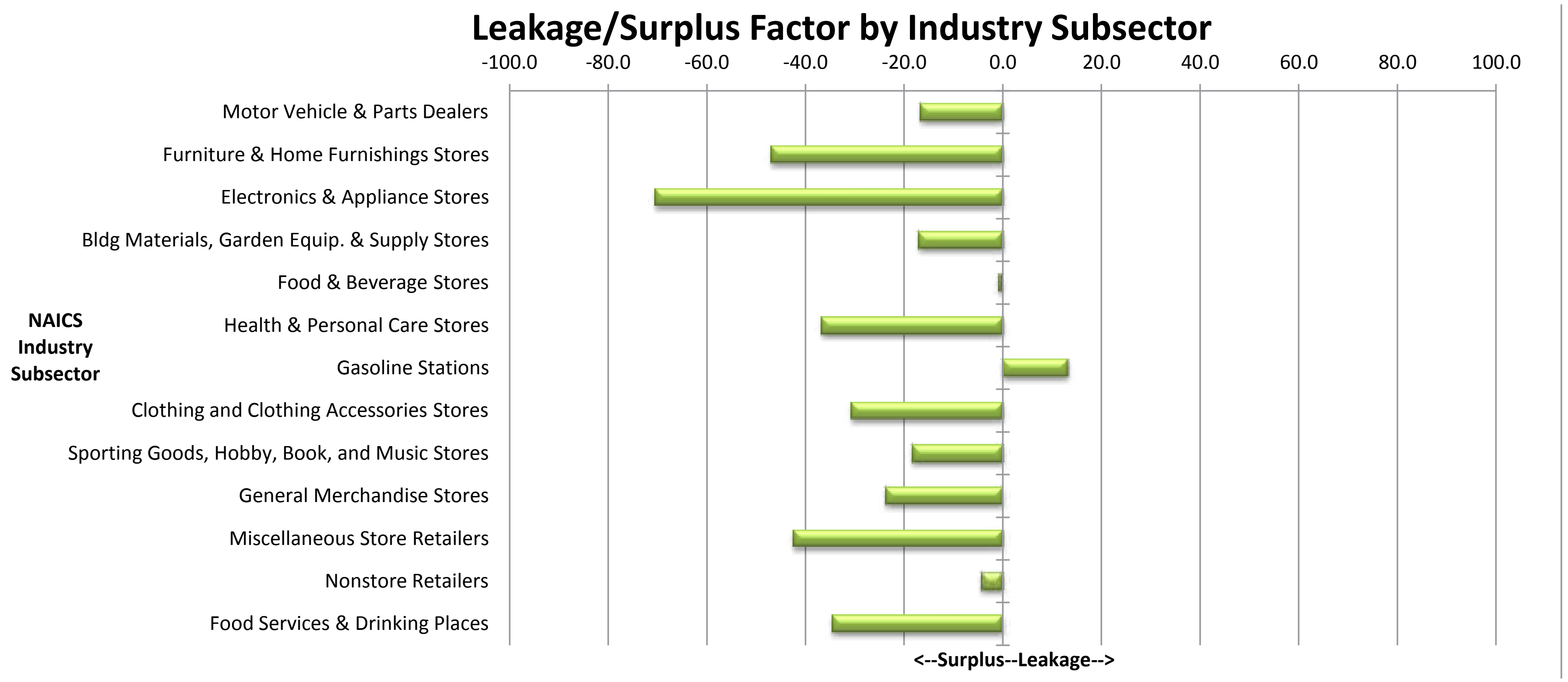
5 MILE RADIUS	EXPECTED # OF ADULTS / HHS	PERCENT OF ADULTS / HHS	MPI
Television & Sound Equipment (Households)			
HH owns 1 TV	23,013	23.8%	120
HH owns 2 TVs	26,217	27.1%	102
HH owns 3 TVs	19,990	20.7%	92
HH owns 4+ TVs	16,374	16.9%	81
HH subscribes to cable TV	59,565	61.6%	107
HH watched 15+ hours of cable TV last week	54,140	56.0%	93
Purchased audio equipment in last 12 months	8,854	9.2%	110
Purchased CD player in last 12 months	5,428	5.6%	107
Purchased DVD player in last 12 months	10,135	10.5%	99
Purchased MP3 player in last 12 months	9,769	10.1%	116
Purchased video game system in last 12 months	9,009	9.3%	107
Travel (Adults)			
Domestic travel in last 12 months	100,722	52.3%	99
Took 3+ domestic trips in last 12 months	40,842	21.2%	102
Spent on domestic vacations last 12 mo: <$1000	24,047	12.5%	99
Spent on domestic vacations last 12 mo: $1000-1499	13,058	6.8%	98
Spent on domestic vacations last 12 mo: $1500-1999	7,836	4.1%	101
Spent on domestic vacations last 12 mo: $2000-2999	8,122	4.2%	102
Spent on domestic vacations: $3000+	9,710	5.0%	104
Foreign travel in last 3 years	55,351	28.8%	115
Took 3+ foreign trips by plane in last 3 years	10,307	5.4%	118
Spent on foreign vacations last 12 mo: <$1000	11,677	6.1%	110
Spent on foreign vacations last 12 mo: $1000-2999	9,126	4.7%	119
Spent on foreign vacations: $3000+	9,789	5.1%	109
Stayed 1+ nights at hotel/motel in last 12 months	76,312	39.6%	96

FARMERS BRANCH

catalyst

Supply/Demand Analysis

ESRI: Supply (retail sales) estimates sales to consumers by establishments. Sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at retail establishments. Supply and demand estimates are in current dollars. The Leakage/Surplus Factor presents a snapshot of retail opportunity. This is a measure of the relationship between supply and demand that ranges from +100 (total leakage) to -100 (total surplus). A positive value represents 'leakage' of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area. The Retail Gap represents the difference between Retail Potential and Retail Sales. ESRI uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments subsector.



Virtually all categories show a surplus in supply. This does not necessarily mean that these categories are oversupplied and that there is not room for additional retailers within those categories in the trade area. The surplus simply indicates that the supply within a given geography exceeds the typical purchasing power (or demand) within the geography analyzed. Within the 5 mile trade area, there are over many retail shopping centers.

It should be noted that while this leakage analysis is a useful and insightful snapshot into the supply and demand relationship between merchants and residents within the trade area, it is an imperfect and incomplete methodology as it does not portray the whole side of the demand equation. Factors such as the trade area's workforce population, visitor & tourism economy and traffic are all significant generators of demand for retail goods and services. While most consumer expenditures, such as groceries, apparel and electronics, occur near residents' homes, they also have a need for dining and convenience-oriented shopping as they work, travel and commute. An analysis on the trade area's workforce population can be found in a later section.

INDUSTRY GROUP	DEMAND (RETAIL POTENTIAL)	SUPPLY (RETAIL SALES)	RETAIL GAP	SURPLUS / LEAKAGE FACTOR
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	$3,157,390,228	$5,028,869,785	-$1,871,479,557	-22.9
Total Retail Trade (NAICS 44-45)	$2,679,396,490	$4,046,131,773	-$1,366,735,283	-20.3
Total Food & Drink (NAICS 722)	$477,993,738	$982,738,012	-$504,744,274	-34.6

INDUSTRY GROUP	DEMAND (RETAIL POTENTIAL)	SUPPLY (RETAIL SALES)	RETAIL GAP	SURPLUS / LEAKAGE FACTOR
Motor Vehicle & Parts Dealers (NAICS 441)	$680,180,016	$953,240,537	-$273,060,521	-16.7
Automobile Dealers (NAICS 4411)	$591,631,800	$845,869,034	-$254,237,234	-17.7
Other Motor Vehicle Dealers (NAICS 4412)	$44,402,437	$48,164,676	-$3,762,239	-4.1
Auto Parts, Accessories, and Tire Stores (NAICS 4413)	$44,145,779	$59,206,827	-$15,061,048	-14.6
Furniture & Home Furnishings Stores (NAICS 442)	$114,679,766	$317,468,363	-$202,788,597	-46.9
Furniture Stores (NAICS 4421)	$67,052,191	$200,599,678	-$133,547,487	-49.9
Home Furnishings Stores (NAICS 4422)	$47,627,575	$116,868,685	-$69,241,110	-42.1
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	$94,358,619	$544,716,482	-$450,357,863	-70.5
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	$113,939,677	$160,608,251	-$46,668,574	-17.0
Building Material and Supplies Dealers (NAICS 4441)	$107,039,100	$149,942,587	-$42,903,487	-16.7
Lawn and Garden Equipment and Supplies Stores (NAICS 4442)	$6,900,577	$10,665,664	-$3,765,087	-21.4
Food & Beverage Stores (NAICS 445)	$537,213,108	$545,975,453	-$8,762,345	-0.8
Grocery Stores (NAICS 4451)	$502,979,692	$473,837,214	$29,142,478	3.0
Specialty Food Stores (NAICS 4452)	$9,870,606	$18,200,811	-$8,330,205	-29.7
Beer, Wine, and Liquor Stores (NAICS 4453)	$24,362,810	$53,937,428	-$29,574,618	-37.8
Health & Personal Care Stores (NAICS 446/NAICS 4461)	$72,539,491	$156,754,211	-$84,214,720	-36.7
Gasoline Stations (NAICS 447/NAICS 4471)	$414,957,209	$317,939,740	$97,017,469	13.2
Clothing and Clothing Accessories Stores (NAICS 448)	$135,192,389	$254,913,128	-$119,720,739	-30.7
Clothing Stores (NAICS 4481)	$109,972,117	$192,091,905	-$82,119,788	-27.2
Shoe Stores (NAICS 4482)	$11,650,170	$24,722,660	-$13,072,490	-35.9
Jewelry, Luggage, and Leather Goods Stores (NAICS 4483)	$13,570,102	$38,098,563	-$24,528,461	-47.5

FARMERS BRANCH

catalyst

INDUSTRY GROUP	DEMAND (RETAIL POTENTIAL)	SUPPLY (RETAIL SALES)	RETAIL GAP	SURPLUS / LEAKAGE FACTOR
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	$37,211,754	$54,001,729	-$16,789,975	-18.4
Sporting Goods/Hobby/Musical Instrument Stores (NAICS 4511)	$17,918,588	$32,801,141	-$14,882,553	-29.3
Book, Periodical, and Music Stores (NAICS 4512)	$19,293,166	$21,200,588	-$1,907,422	-4.7
General Merchandise Stores (NAICS 452)	$299,591,634	$486,481,933	-$186,890,299	-23.8
Department Stores Excluding Leased Depts. (NAICS 4521)	$122,579,943	$265,876,061	-$143,296,118	-36.9
Other General Merchandise Stores (NAICS 4529)	$177,011,691	$220,605,872	-$43,594,181	-11.0
Miscellaneous Store Retailers (NAICS 453)	$41,865,827	$103,649,844	-$61,784,017	-42.5
Florists (NAICS 4531)	$5,548,627	$9,192,804	-$3,644,177	-24.7
Office Supplies, Stationery, and Gift Stores (NAICS 4532)	$12,754,144	$41,097,051	-$28,342,907	-52.6
Used Merchandise Stores (NAICS 4533)	$3,821,091	$4,275,045	-$453,954	-5.6
Other Miscellaneous Store Retailers (NAICS 4539)	$19,741,965	$49,084,944	-$29,342,979	-42.6
Nonstore Retailers (NAICS 454)	$137,667,000	$150,382,102	-$12,715,102	-4.4
Electronic Shopping and Mail-Order Houses (NAICS 4541)	$97,744,554	$75,861,646	$21,882,908	12.6
Vending Machine Operators (NAICS 4542)	$18,893,205	$33,137,512	-$14,244,307	-27.4
Direct Selling Establishments (NAICS 4543)	$21,029,241	$41,382,944	-$20,353,703	-32.6
Food Services & Drinking Places (NAICS 722)	$477,993,738	$982,738,012	-$504,744,274	-34.6
Full-Service Restaurants (NAICS 7221)	$166,790,275	$424,248,210	-$257,457,935	-43.6
Limited-Service Eating Places (NAICS 7222)	$229,350,423	$274,218,174	-$44,867,751	-8.9
Special Food Services (NAICS 7223)	$63,361,468	$103,625,574	-$40,264,106	-24.1
Drinking Places - Alcoholic Beverages (NAICS 7224)	$18,491,572	$180,646,054	-$162,154,482	-81.4

FARMERS BRANCH

catalyst

Lifestyle Segmentation

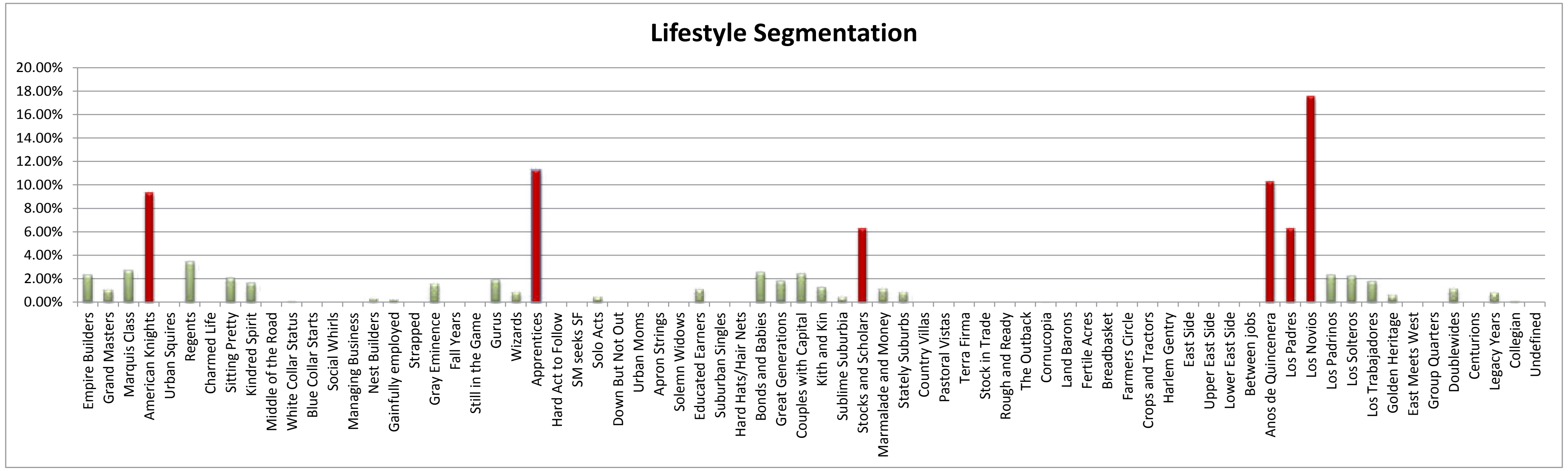
Catalyst utilized STI: Landscape™ neighborhood segmentation system to provide further insight into the lifestyle and buying patterns of residents in the trade area. The following is an excerpt from Synergos Technologies' description of the Landscape™ product:

While the United States is well known around the world as a melting pot with a diverse range of educational levels, races, income levels, and more — as well as a place of fierce individuality — our neighborhoods are still overwhelmingly homogeneous. This speaks to the fact that while we like our freedom to be who we are, we also like to live near people who are like us. This birds-of a-feather geographic flocking propensity is a boon for retailers, because it makes it easier to analyze their customers' demographics and find more similar customers using the science of neighborhood segmentation.

Many retailers today segment their customers by a variety of means: including demographics (describes consumer types), psychographics (identifies consumers' values, attitudes, and product preferences), custom models (marketing programs), and geodemographics (mappable neighborhood segments). While each system has its place in the business world, only neighborhood segmentation recognizes that geographic groups of people share similar needs, desires, and expectations for the products or services that they purchase.

Sophisticated neighborhood segmentation systems identify, categorize, and describe neighborhood subgroups so that businesses can better identify their unique consumer niches and more effectively focus their resources. Thanks to people's penchant for geographic clustering, the science of market segmentation has expanded significantly since the 1960s — becoming increasingly fine-tuned as researchers learned more about people's consumption habits and created more sophisticated tools for segmenting consumers according to geodemographic factors.

Predominant Neighborhood Segments in the Trade Area (in red):



Los Novios

Los Novios neighborhoods are neighborhoods with the highest percentage of married-with-children households. So their Spanish name, which means "newlyweds" is a perfect fit. What's more the median-age range of residents is in the lowest category — 20s and low-30s. Fittingly, these areas rank highest in children under six at nearly 75-percent-above-average. But they also have a 50-percent-higher-than-average level of kids six- to 13-years-old. While many of the residents are married, there are also above-average levels of single-parent households: with the highest level (interestingly) in single-male-with-children at over 75-percent-above average. The highly urban Los Novios areas share several demographics with their fellow Espaniola segments, including a high percent of residents without high-school educations (three-times-the national-average); median household incomes too broad to classify without misleading market researchers; and high rankings on income from public assistance (three-times-above-average). However, the residents also rank at an average level of income from their predominantly blue-collar jobs. They rank extremely high in five occupations: farming/fishing/forestry (a whooping seven-times-the-average), building maintenance (two-and-a-half-times-average), construction and production (both at nearly two-times-average), and transportation (about 75-percent-above-average).

Apprentices

Sharing the spotlight in the illustrious emerging single-by-choice-or-circumstance demographic are the residents of the highly urban Apprentices neighborhoods. These areas are home to the youngest residents of the Thriving Alone category. They are dominated by single people in their 20s and low-30s without children, who are alone primarily because they've never been married. In fact, Apprentices rank at almost three-times-the-national-average in non-family households. Owing to their young age, it's too early to tell if the Apprentices' dwellers will remain single, but for now they are living the good life with incomes in the $50,000s and $60,000s. You can imagine this group being able to, on a whim, drop off their briefcases in their well-decorated homes and take off for a weekend at the shore or on the slopes. These overridingly college-educated segments' residents generate their income from white-collar management and professional occupations. They earn less from interest/dividends than other Thriving Alone sectors, but this will likely change as the segment matures.

Anos de Quincenera

Among the six predominantly Hispanic Espaniola market segments, two of them share the highest median age range — Anos de Quincenera is one of them. That fact, combined with the fact that these areas are home to the largest percent of married-with children families, has given the segment its name, which is a Spanish term that means "parents with daughters coming of marriage age." As a result, with older children under their roofs, these residents may very likely be at the peak of their purchasing years. While the median household income of the areas is too broad to classify without misleading market researchers, one indicator in particular points to the lower-end of the income scale: Residents living in these areas are seeking public assistance at a rate of over-50-percent-above-average. Bolstering this assumption are the facts that these areas rank as blue-collar, and show only some high-school education, but very little higher education. In fact, the highly urban neighborhoods ranks at a nearly two-times-average-level of resident without high-school degrees. The largely urban Anos de Quincenera areas show an average-level-of-income from wages/salaries, with particularly high standings in building maintenance (over-50-percent-above-average) and transportation (over-25-percent-above-average).

American Knights

American Knights are the "youngsters" of the highly urban Crème de la Crème category of neighborhood segments. Not only is the median age range in the 20s and 30s, but also these areas have an above-average number of children below the age of six. These characteristics correlate to the higher-than average number of married-with-children-under-18 households. Though young, these urban neighborhoods are home to higher-than-average number of earners in white-collar management and professional occupations. These mostly college-educated residents enjoy incomes in the $70,000s and $80,000s, largely from salaries and wages. They also earn incomes at a slightly-higher-than-average level from interest/ dividends. However, unlike many other Crème de la Crème neighborhoods, who have higher self employment income levels, the American Knights residents are just at the national average in this measurement.

Los Padres

As anyone who knows anything about Hispanic culture knows, family is very important to this demographic. In particular, parents are regarded as the kings and queens of their castles. The aptly named Los Padres (Spanish for "parents") neighborhoods weight in with the second-largest percentage of children — which, of course, means there are many parents as well. In these highly urban Espaniola neighborhoods, the percentage of married-couple households is just below the national-norm; the level of single-female-parent homes is 25-percent-above-average; and (interestingly) the level of single-male-parent homes is more than 50-percent-aboveaverage. The children in the homes span all ages, but show the highest ranking in kids under- six (nearly 50-percent-above-average). This is obviously because of the residents' relatively young age: The median age of Los Padres areas is in the 30s. The median household income in these areas is too broad to classify without misleading market researchers. But by looking at other factors, one can assume the income levels are lower than-average. These residents have two-and-a-half-times-average number of people with less-than-high-school educations. They also rank very high in four blue-collar occupations: farming/fishing/forestry (two-and-a-half-times-average), building maintenance (two-times-average), construction (over 50-percent-above-average), and production (over 50-percent-above-average). This group also shows a 50-percent to two times-average level of income from public-assistance.

Stocks & Scholars

As their name implies, Stocks & Scholars segments are chock-a-block with high-income smarties. You can almost see them searching their Sunday papers, not just for local arts and leisure activities, but also for the next great investment opportunity. This Retired in the Suburbs segment ranks in with one of the highest levels of college-educated residents: over two-times-the national-average. This group of neighborhoods also weights in with one of the highest levels of income from interest/dividends. However, the group is also notable for a 50-percent-higher-thanaverage level of residents with self-employment income. Those who have to work in traditional occupations are largely employed in white-collar management, financial, and other professional positions. Add to that a growing population of seniors drawing retirement income, and it all adds up to a median-income range of in the $70,000s and $80,000s. Stocks & Scholars neighborhoods are inhabited predominately by married couples. Those who have children tend to have older kids in the 13- to 17-age range.

Regents

Regents are highly urban Crème de la Creme neighborhoods with the vast majority of their residents in their 40s, fewer-than-average children under 17 years old, and a higher-than-average number of 65-plus-year-olds. Though they have fewer children, the residents in these areas have a higher-than national-average quota of married couples. Also higherthan-average are the number of college-educated residents, people employed in white-collar management and professional positions, and income from retirement investments/social security. The combination of income avenues, put these

FARMERS BRANCH

catalyst

neighborhoods solidly in the $70,000s to $80,000s median annual income range — making their "middle-age" years extremely financially secure and materially comfortable.

Marquis Class

While the highly urban Marquis Class share many of "the good life" characteristics with other Crème de la Crème urban segments, they are uniquely home to a larger number of 65-plus-year-old residents than other areas in this upscale category. Marquis Class sectors also have a slightly above-average number of 40-year-olds, and they have lower-than average percentiles of children and teenagers. Understandably, based on the age demographics, Marquis Class areas show higher-than-average levels of retirement/social security income. However, they also have higher-than-average incomes in other areas, such as interest/dividend income and self-employment earnings. The residents who have to work are typically employed in white-collar management and professional occupations. Overall, this group enjoys an annual income in the $70,000s and $80,000s. Also, presumably owing to the age distribution, while these neighborhoods have a near national-average ratio of married-with-children families, they also show a slight up-tick in the married-with-no-children division. Marquis Class segments also measure twice the-national-average in college-educated residents.

Bonds & Babies

If your dream customer is a smart, well-off, white collar, two-parent family with lots of children under 17-years-old — drive to almost any home in a Bonds & Babies suburban neighborhood. These Married in the Suburbs areas are the epitome of the classic American dream — surrounded by everything from big, green lawns (for their many children to play in) to big, new vehicles (to drive into their white-collar jobs). Plus, ranked between the $70,000s and $80,000s income levels, they have the funds to support these high-end lifestyles. Bonds & Babies areas rank well over two-times-average in college education. They have a similarly high ranking of white-collar managerial, professional, and sales jobs. Along with incomes from these positions, they also generate a 75-percent-higher-than-average level of income from interest/dividends. These neighborhoods are also home to a relatively high number of people generating well-above-the-average in self-employment income. Other above average rankings of Bonds & Babies includes the percent of married households with children. While there are children of all ages in these areas, they show a slightly higher percent of kids ages six to 17.

Couples & Capital

When people think of suburbs, they invariably think of kids, bicycles, ice cream trucks, and baseball games. But Couples & Capital neighborhoods defy this stereotypical suburb scenario — simply because they are home to a below-the-national-average level of children. Since these areas also rank below-average in single residences, what you'll find if you knock on most doors are white-collar working couples. Most likely, the doors on which you knock are located in some pretty impressive homes — because people in these areas earn annual incomes of $70,000s and $80,000s. Since residents of these Married in the Suburbs segments aren't spending their money on children, it's logical to assume their spending it on nice homes, nice vacations, and other luxuries. However, since these 30-somethings are relatively young, the possibility of adding children to their homes is alive and well. But for now they'll continue to spend their days driving to their white-collar management and professional jobs — instead of to soccer games. And they'll continue looking for the wise investments that have them ranking well-above-average in interest/dividend income.

Workforce Demand

The trade area's workforce is also a significant source of demand for retail goods and services and dining establishments. A 2004 study conducted by the International Council of Shopping Centers (ICSC) titled Office Worker Retail Spending Patterns yielded the following key findings:

- Lunch has become less social in nature and more convenience-driven for office workers, with the proverbial "lunch hour" shrinking by 10 minutes

- Consumers working in downtown areas with limited retail are more likely to drive to lunch than those who work in downtown ample retail areas, which increases their total time away from the office during their lunch break – 44 minutes on average compared to 40 minutes among those working in downtown ample areas.

- 84% to 85% of downtown workers purchase lunch outside the office ($26 to $28/weekly)

- 58% to 61% shop before, during and/or after work ($14 to $15 on variety, drug, convenience items/weekly)

- 35% to 36% socialize after work ($13 to $15 on dinner & drinks/ Weekly)

The trade area has an estimated workforce of approximately 84,912 workers, which equates to 54,344 full-time equivalent workers (estimated ratio of 1.5 part time employees per every 1 full time employees; 2.5 part time employees = 1 full time equivalent). Using findings from the ICSC Office Worker Retail Spending Patterns report and assuming $300 per square foot in sales yields the estimated square footage of retail supported by the existing workforce.

Assuming employment in the trade area grows at the same projected rate of 2.2% annually as the Dallas/Fort Worth Metroplex, total employment is expected to grow to 94,672 workers, which equates to 60,590 full-time equivalent workers. These additional workers will create additional demand for lunch, shopping and dining options over the next 5 years.

2011 Workforce Generated Retail Demand

WORKFORCE	WEEKLY	ANNUAL	RETAIL DEMAND
Lunch Expenditures	$1,412,936	$70,646,784	235,489 sf
Shopping Expenditures	$760,812	$38,040,576	126,802 sf
Dinner/Drinks Expenditures	$706,468	$35,323,392	117,745 sf

(Net Change)

WORKFORCE	WEEKLY	ANNUAL	RETAIL DEMAND
Lunch Expenditures	$162,414	$8,120,682	27,069 sf
Shopping Expenditures	$87,454	$4,372,675	14,576 sf
Dinner/Drinks Expenditures	$81,207	$4,060,341	13,534

2015 Workforce Generated Retail Demand (Projected)

WORKFORCE	WEEKLY	ANNUAL	RETAIL DEMAND
Lunch Expenditures	$1,575,349	$78,767,466	262,558 sf
Shopping Expenditures	$848,265	$42,413,251	141,378 sf
Dinner/Drinks Expenditures	$787,675	$39,383,733	131,279

FARMERS BRANCH

catalyst

Hospitality Analysis

With job growth and population growth comes growth demand for lodging accommodations. Demand generators for room nights vary by market. The relative strength of the demand generators present in a given market makes up the demand profile(s) for various hotel segments and price points. These demand generators may include:

- Residential Population
- Employment centers
- Projected employment growth
- Nearby amenities
- Highway traffic, access and visibility
- Airport
- Colleges/universities
- Hospitals/surgery centers
- Sports facilities

As examined in previous sections of this report, the trade area is currently experiencing residential, income and employment growth, all of which are projected to continue into the foreseeable future. This growth will provide additional support for room nights across most hotel segments. In addition to favorable demand conditions, current supply conditions also bode favorably for prospective hotel development in the trade area. As the economy contracted in 2008, business and leisure travel contracted to an even greater degree, delivering a blow to the lodging industry across the majority of segments. This shock in demand combined with a lack of availability for construction financing all but brought new hotel development to a halt.

As demand continues to shift favorably, existing and well-positioned hotel inventories will achieve stabilized occupancy rates, priming the market for new hotel development. New hotel developments which are correctly-positioned and priced (i.e. aligned with prevailing demand profiles) should be well-received by the market.

The trade area is flanked to the east (North Dallas/Tollway Corridor), west (Irving/Las Colinas) and south (Northwest Dallas/East Irving) by very strong hotel markets in which many of the national brands are already represented in. However, there may exisit demand for a midscale extended stay brand to capitalize on the demand generated by nearby commercial areas and visitor activity. Valwood Park has over 26 million of completed square footage with 500 buildings and 1,500 tenants. Currently there is only one extended stay hotel within a 3 mile radius of the study area, which performing relatively well with an estimated revenue per available room (RevPAR) of $61.40.

HOSPITALITY PERFORMANCE BY SEGMENT (3 MILE RADIUS)		
Full Service	537	$63.76
Extended Stay	100	$61.40
Select Service	146	$35.81
Limited Service	685	$25.77
Economy	388	$12.66

FARMERS BRANCH

catalyst

Station Area Code Analysis

Catalyst contracted with Gateway Planning to review the Farmers Branch Station Area Code by Catalyst Commercial. Gateway's review is based on extensive experience with planning and implementing walkable mixed use communities in Texas and the rest of the United States for both public sector and private sector clients. Gateway has experience working on several form-based code formats including frontage based codes, SmartCodes, modified transect-based codes. In addition, they have a keen understanding of the market dynamics needed to implement such plans. The following is a summary of Gateway's review of the Station Area Code:

Building Height

Current requirements:

- Minimum height of 4 and 3 stories along most frontages.
- 10-story minimum requirement at northeast corner of I-35 and Valley View and a 6 story minimum.

Issues with minimum requirements:

- Will be difficult to have adequate market demand in the short-run (less than 10 years) to meet the minimum height requirement.
- Will be difficult to attract some types of retailers (grocery stores, etc) since they typically tend to be one-story retail formats.
- The cost of all new development will require structured parking and may require significant public participation on the parking or may not pencil out until market demand catches up.

Possible solutions:

- Land bank some key blocks with proximity to the train station for higher intensity development.
- Identify some locations where modest 1 – 2 story development over the next 5 – 10 years is okay and these properties can get redeveloped into higher intensity sites when the market demand warrants it.
- Identify alternative solutions to highlight the intersection of Valley View Lane and I-35 with more modest minimum building heights and vertical public art or other markers.

I-35 Frontage

Current standards: require "urban" frontage along the I-35 frontage road (minimum of 50% of the building frontage along a block to be built to the build-to line)

Issue: Will be difficult to make highway frontage pedestrian friendly

Possible Solution:

- Recommend a hybrid development strategy along

GATEWAYPLANNING
Design • Implementation • Value Capture

catalyst

Station Area Code Analysis

the I-35 frontage with auto-oriented development frontage along I-35 transitioning to a pedestrian-oriented frontage along Denton Drive.

Street Types

Current Standards: Code currently treats all street frontages the same with respect to how buildings address the streets. Code requires between 85% and 75% of buildings to front along most blocks.

Issue:

- Need to identify how service and some auto-oriented functions can be accommodated without compromising the frontages on narrow lots since the Code needs to allow for both individual lots and consolidated blocks to be redeveloped.
- All blocks may not have alleys at build out and some streets will have to accommodate service functions such as trash, loading/unloading, and access to parking areas/structures.

Possible Solutions:

- Identify some service streets or blocks.
- Identify some locations, along certain streets, where it may be okay to allow surface parking as an interim step to phase in higher intensity development.

Other Issues:

- Evaluate architectural standards – applies uniformly on all 4 sides of a building as long as the façade is visible from the street. It may be okay to treat some facades (Service Street facades) with lesser architectural treatment than other blocks.
- Site Plan expirations - approved site plans expire after 24 months if a building permit is not issued.
    - Presuming that the original site plan met the standards in the code, there may not be a need for site plans to expire. This may put an additional burden on development.
- There are no provisions for minor modifications to standards in the code. This would allow for small deviations from the standards in the code to be approved administratively.

Conclusions

The Study Area's location is in a market which is experiencing both employment growth and population growth which outpace national averages. There exists ingredients which reflect an opportunity to create a dense, transit-oriented neighborhood development. Furthermore, the lifestyle segmentation analysis of the residents in the trade area shows several neighborhood segments of households who are more likely to be interested in living near transit such as empty nesters, young singles, and immigrants.

However, in any first-ring suburb such as Farmer's Branch, access to transit is a secondary driver of development behind access to major highways and the quality of nearby residential and commercial neighborhoods. Development must be consistent with and developed to serve already existing market forces. The study area's ability to capture a disproportionate share of regional growth can by influenced by accommodative land use policies and public programs which can reduce the costs and risks of development.

Current trends in both residential and office tenant preferences are consistent with the attributes and vision of the Study Area. Area office brokers have predicted that office spaces that provide a multitude of area amenities within walking distance are likely to be in higher demand in 2012 and that a ccess to public transportation also continues to become more important for corporations making long-term decisions.

While the development of new office and residential units with the Study Area will induce further demand for retail and hospitality, additional development of those uses will be primarily driven by demand generated from the greater trade area. Convenience, amenity and personal service oriented retail, such as grocery, drug, personal services, may be developed as parts of more intensive office and residential developments. Pedestrians are generally willing to walk approximately ¼ mile before seeking alternative modes of transportation. Beyond pedestrian traffic, the neighborhood retail can be expected to serve employees and workers within a 5 minute drive time, or 1 to 1.5 miles from their respective locations.

From a retail perspective, a premium should be placed on unique, destination-oriented tenants which can induce regional shopping and dining, contribute to the "brand" or "identity" of the station area and whose greater regional draw can be a catalyst to other blocks of the development and are less at risk to competition, substitutes and cannibalization. Regionally positioned retail can be expected to serve residents and workforce within a 15 to 20 minute drive time or 10 to 15 miles. Such use types can be developed as part of a hybrid strategy – auto-oriented to along the interstate frontage and pedestrian oriented along Denton Drive – so as to be to be cohesive with balance of development.

Stakeholders should be selective when vetting prospective

FARMERS BRANCH

catalyst

Conclusions

tenants interested in locating in more regional positions within the study area and whose formats may deviate from the code. While some generic, chain-stores may initially be well received and provide a return on investment, they are at an increased risk to competition, substitutes and cannibalization and their draw to the development may not be sustainable.

Minor altercations to the existing Station Area code which are more reflective of the current and projected market conditions and development trends will increase the Station Area's likelyhood of capturing the next wave of development growth in the region. Stakeholders' patience and focus on the long-term time horizon can help to ensure that the Station Area is developed optimally and consistent with the vision which led to the adoption of the original Station Area code.

FARMERS BRANCH

catalyst

catalyst

STATION AREA MARKET ANALYSIS

&

FORM BASED CODE REVIEW

presented to:

FARMERS BRANCH

December 2011