Downtown Chapel Hill Retail Mix Analysis

Prepared for the Chapel Hill Downtown Partnership

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Overview

Introduction

Several retail market analyses over the past several years have focused on the retail mix within the Town of Chapel Hill, yet none of these analyses specifically investigated the mix of businesses in the downtown core. In an effort to fill this gap, the Chapel Hill Downtown Partnership has commissioned this downtown retail mix analysis that focuses on understanding which retail categories present expansion opportunities. The report also provides an overview of demographic and retail market conditions in the area that are relevant to attracting retail tenants. Finally, the report evaluates how the demographics of Chapel Hill compare to those of other well-known American college towns, and whether Chapel Hill may be able to attract national retail chains that have demonstrated a propensity to locate in these peer college towns.

Brief History of Chapel Hill

Nicknamed the "Southern Part of Heaven," Chapel Hill was named after New Hope Chapel, which stood upon a hill at the crossing of two main roads, now the site of the Carolina Inn. Lots of land began to be auctioned in 1793 when work began on the first University of North Carolina building. Chapel Hill's history is thus "inextricably linked to the University," which it was created to serve (Town of Chapel Hill Website).

Since its founding over 200 years ago, Chapel Hill has grown steadily and now is a thriving, cosmopolitan university town. Much of the town's population growth has occurred in the last fifty years, as the Research Triangle Region has evolved into a leading center of education and scientific research and the University has continued to be one of the strongest institutions of higher education in the nation. In a region known for its sprawling spatial structure and segregated land uses, Downtown Chapel Hill offers a walkable, authentic experience that boasts an eclectic mix of restaurants and budding retail shops (Rohe, 2011).

Downtown Chapel Hill Demographics

Key Demographic Indicators

Chapel Hill's downtown core is the town's hub of activity and life. As Table 1 shows, there is a concentration of population in the area within a two-mile radius of the downtown center, which for purposes of this study, we define as the central intersection of Franklin Street and Columbia Street. The population density is greatest within a one-mile radius of downtown, as compared to a two-mile radius of downtown and the town as a whole. The median household income in the town as a whole is twenty-three percent higher than that of households within a two-mile radius of downtown, which likely owes to a greater proportion of households with full-time workers versus students in outlying areas of the town.
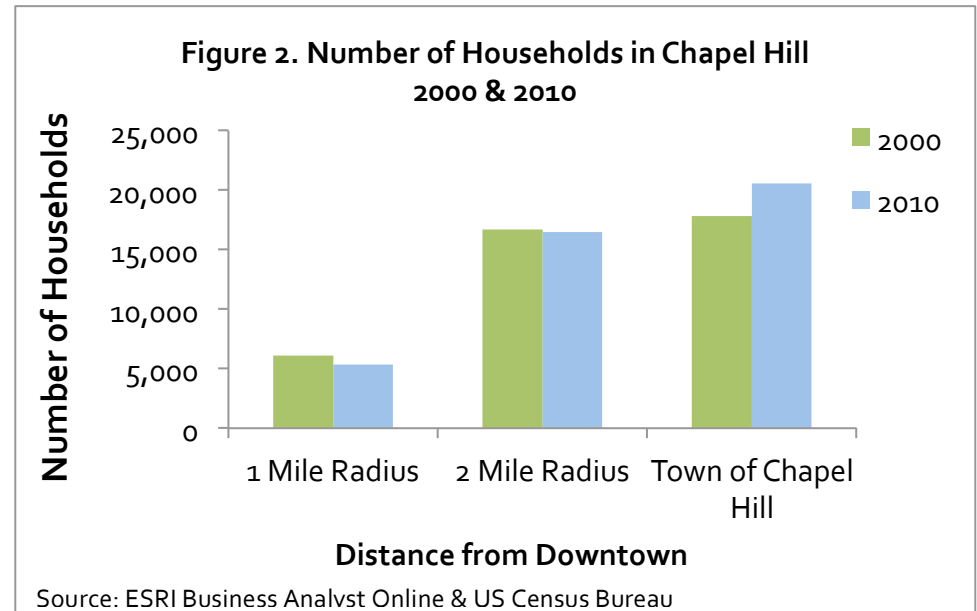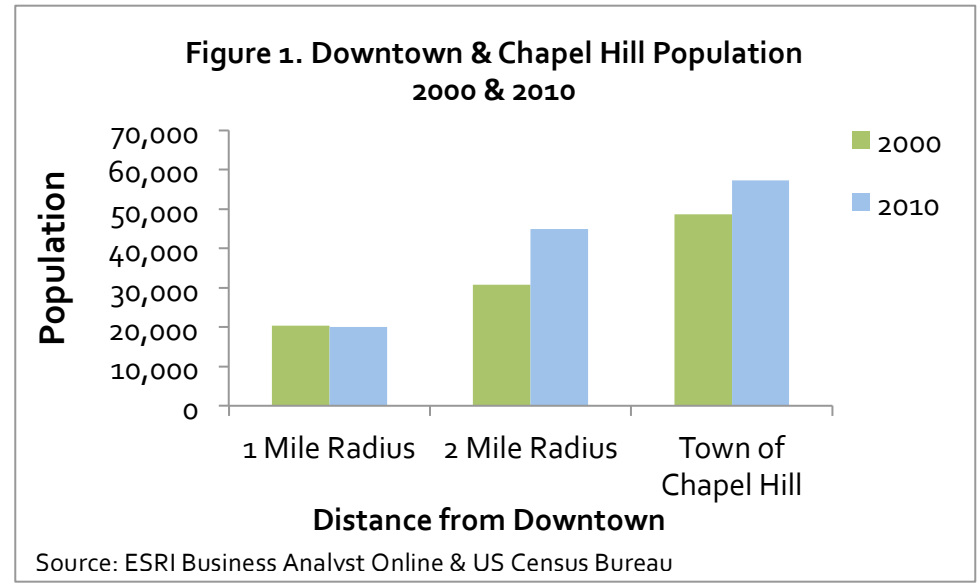
Table 1. Key Demographic Indicators

	1 Mile Radius	2 Mile Radius	Town of Chapel Hill
Population	20,073	44,844	57,233
Population Density (persons per square mile)	6,389	3,569	2,687
Households*	5,333	16,497	20,564
Median Household Income*	$33,793	$41,208	$53,743

* Does not include students living on campus, who are classified as living in group quarters
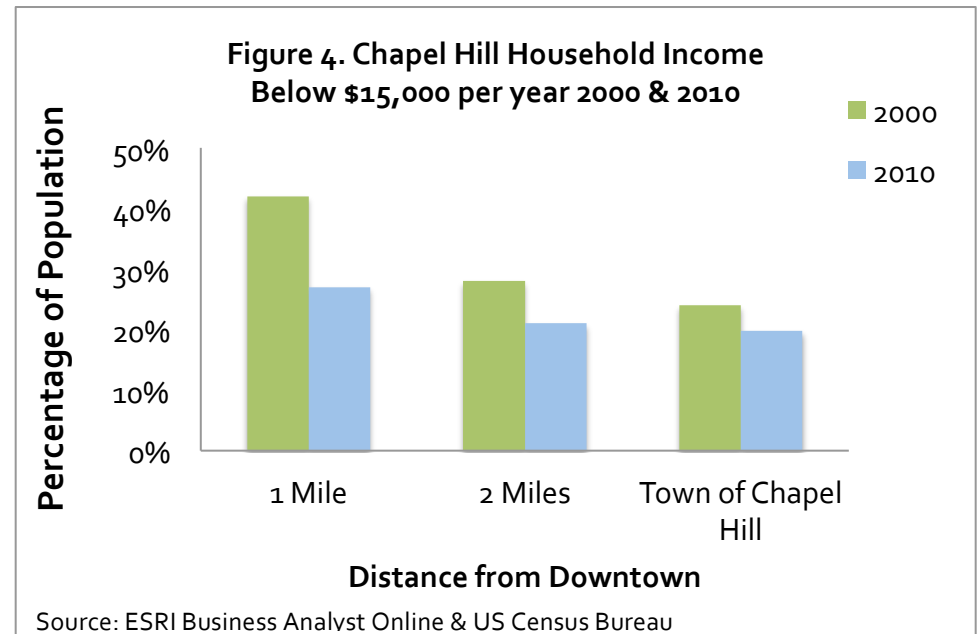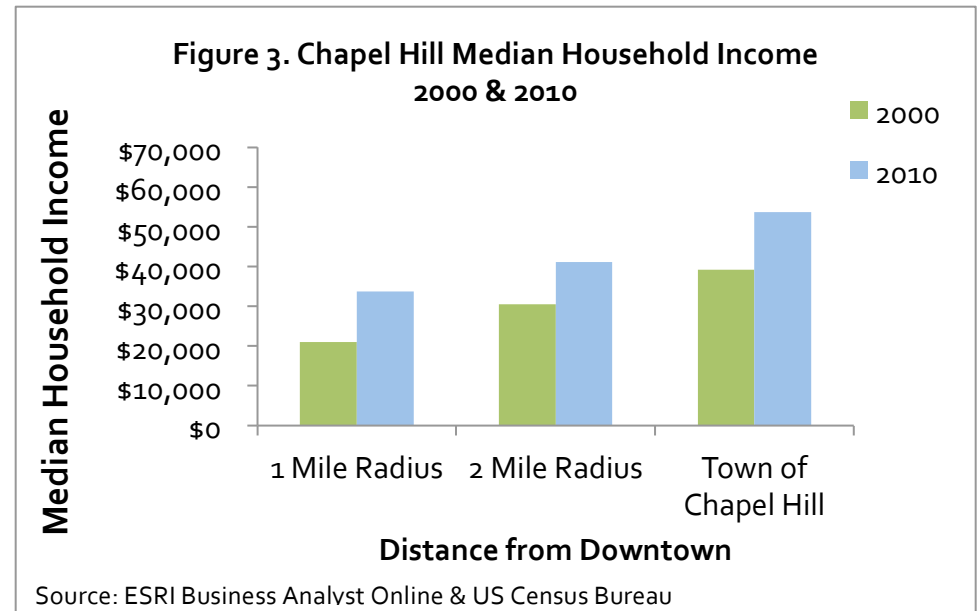Source: ESRI Business Analyst Online

Population & Households

The population of Chapel Hill's downtown area is increasing. Figure 1 shows the change in population for the downtown area and town as a whole for 2000 and 2010. The data reveals that while the population of those who live within a one-mile radius of the downtown has remained relatively flat, over the past decade, the population of those who live within a two-mile radius has increased by approximately thirty-three percent. This population growth is occurring at a much faster rate than the town as a whole, which experienced a fourteen-percent increase in population over the same period.   Figure 2 demonstrates that while the population of the downtown is growing, the number of households has remained unchanged over the past decade.   This suggests that the average household size is increasing.   While the town as a whole experienced a modest increase (fifteen-percent) in households between 2000 and 2010, the downtown center did not experience this same change.

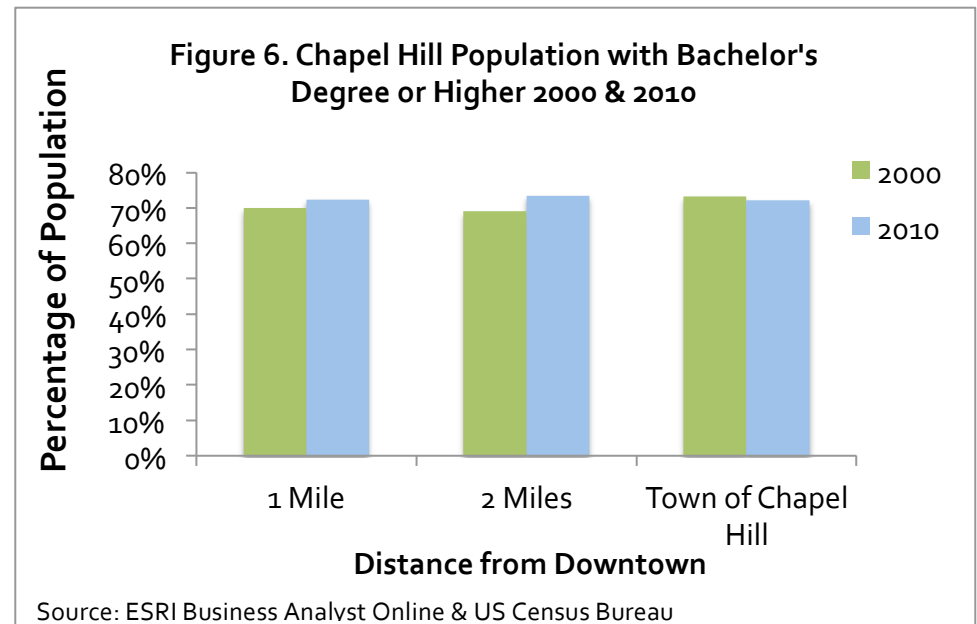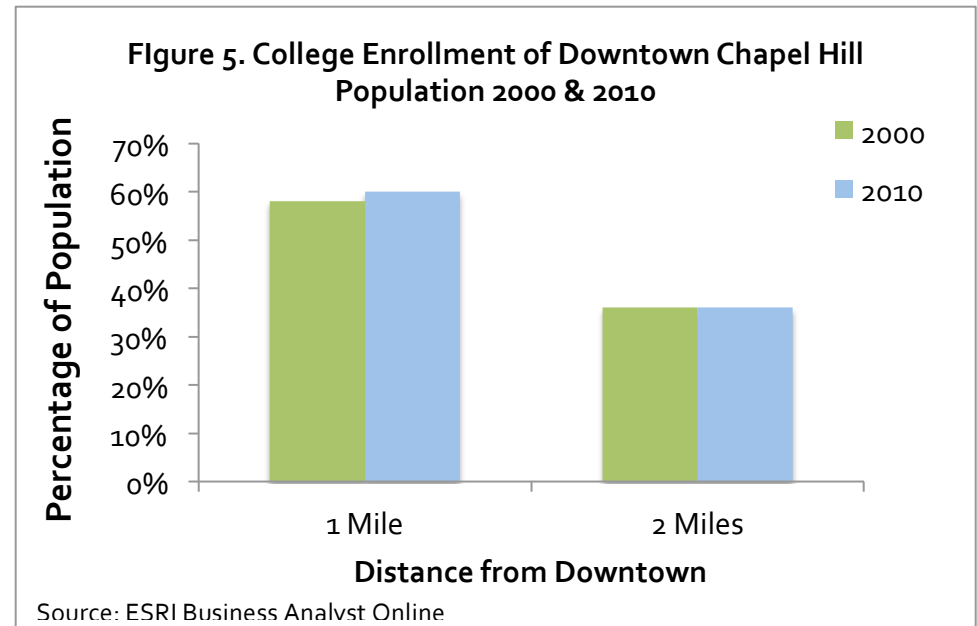**Figure 1. Downtown & Chapel Hill Population**
2000 & 2010

Source: ESRI Business Analyst Online & US Census Bureau

Figure 2. Number of Households in Chapel Hill
2000 & 2010

Source: ESRI Business Analyst Online & US Census Bureau

Income

In the past decade, the median household income has increased for the Town of Chapel Hill as a whole. However, the median income of households living within a one-mile radius of downtown has increased at a faster rate than in larger Town geographies, as shown in Figure 3. The median income of households within a one-mile radius of downtown increased by thirty-five percent over the past decade, compared to a twenty-six percent increase in income growth for households within a two-mile radius of downtown and the town as a whole over the same period. While the town's downtown has historically had a concentration of low-income people, in the past decade the percentage of the population earning at or below the poverty line ($15,000) has decreased, as shown in Figure 4. In 2000, approximately 42% of the population that resided within a one-mile radius of downtown earned less than $15,000, but by 2010, this percentage shrunk to twenty-six percent, which is more in line with the concentration of poverty in a two-mile radius of downtown and the Town of Chapel Hill as a whole. This change indicates increasing self-sufficiency and spending power of the population in the immediate vicinity of the downtown area.

Figure 3. Chapel Hill Median Household Income 2000 & 2010

Source: ESRI Business Analyst Online & US Census Bureau

Figure 4. Chapel Hill Household Income Below $15,000 per year 2000 & 2010

Source: ESRI Business Analyst Online & US Census Bureau

Educational Attainment

Chapel Hill's population is highly educated. As Figure 5 shows, the downtown center has a concentrated of college students, with approximately sixty-percent of the population within a one-mile radius and forty-percent of those within a two-mile radius of downtown enrolled in college in 2000 and 2010. Approximately seventy-percent of the population of downtown and the town as a whole have a Bachelor's Degree or higher (see Figure 6). This high level of educational attainment attests to the Town's ability to remain competitive in the increasingly knowledge-based, globalized economy in the decades ahead (Cortright, 2008).

FIgure 5. College Enrollment of Downtown Chapel Hill Population 2000 & 2010

Source: ESRI Business Analyst Online

Figure 6. Chapel Hill Population with Bachelor's Degree or Higher 2000 & 2010

Source: ESRI Business Analyst Online & US Census Bureau

Downtown Chapel Hill Real Estate Trends

Retail Vacancy and Average Rent

Downtown Chapel Hill is comparatively active and vibrant, unlike many North Carolina towns of comparable size. While the downtown area has historically posted some of the lowest retail vacancy rates in Orange County, the recent economic recession disproportionately affected downtown. As Figure 7 demonstrates, retail vacancy rates spiked to over twenty-percent in 2007, and hovered there through 2010 when the vacancy rate began to come down. During the most recent quarter, the vacancy rate decreased to approximately seven-percent, a rate much more consistent with Orange County as a whole and surrounding counties.

The average retail rents in Downtown Chapel Hill are also considerably higher than those of Orange and surrounding counties (see Figure 8). The average rent of downtown retail space spiked during the economic recession of 2008-2009, but subsequently has declined steadily. However, the average price per square foot of downtown retail space is still approximately $6 per square foot more than that of Orange County, and approximately $8 per square foot more than Durham County.

Figure 7. Chapel Hill Retail Vacancy Rate, 2006-2011
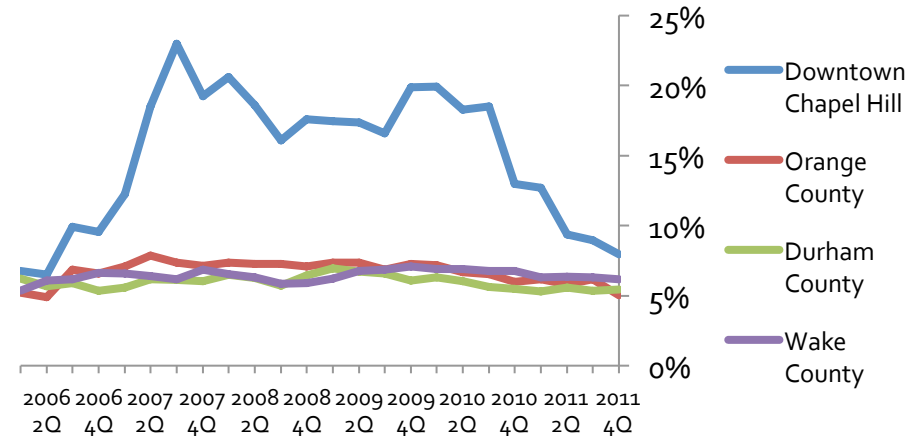
Source: CoStar Group

Figure 8. Chapel Hill Retail Average Rent (NNN), 2006-2011
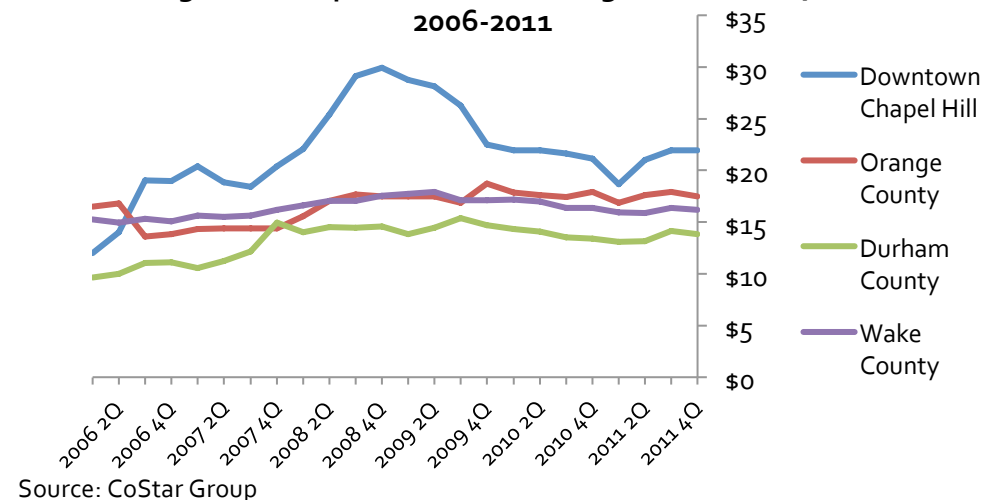
Source: CoStar Group

Net Absorption

The net absorption (the net increase or decrease in occupied retail space each quarter) of Orange County retail space has fluctuated over the past five years. Encouragingly, the most recent quarter (fourth quarter of 2011) showed the highest net absorption of any quarter in the past five years. Moreover, in most quarters, even during the depths of the Great Recession in 2008-2010, net absorption has been positive. See Figure 9.

New Developments

There are several new development projects underway that will substantially increase the opportunities for retail development in Downtown Chapel Hill, due to the square feet of retail space they will add and the influx of residents and employees they will engender. These mixed-use projects include:

- 140 West Franklin (under construction)
  140 condos
  26,000 square feet of retail

- Shortbread Lofts (approved)
  85 apartments
  6,500 square feet of retail

- 123 West Franklin at University Square (in planning)
  150 apartments
  40,000 square feet of retail
  275,000 square feet of office space

Source: 140 West Franklin Website; Town of Chapel Hill Website; *Daily Tar Heel*

FIgure 9. Orange County Retail Net Absorption
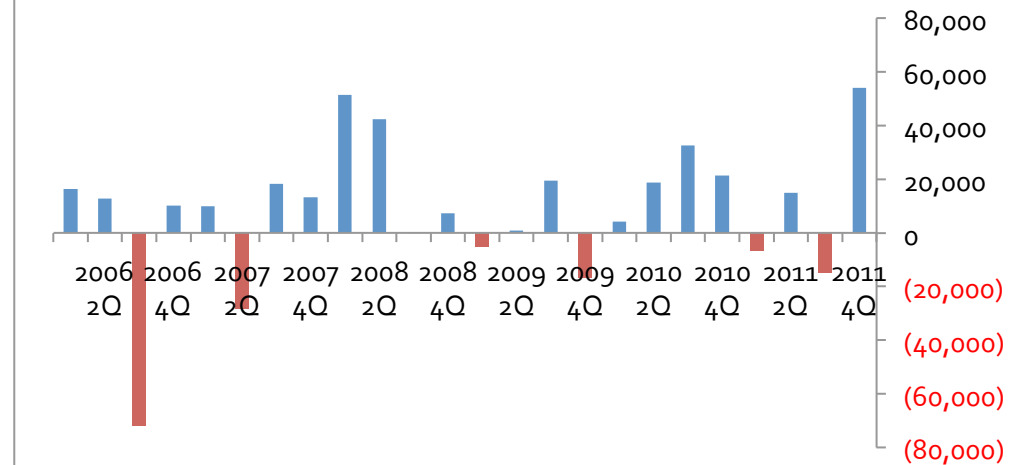
Source: CoStar Group

Figure 10: The Shortbread Lofts on West Rosemary Street

Retail Gap Analysis

Purpose

The purpose of this retail gap analysis is to determine which retail categories are undersupplied in Downtown Chapel Hill. This analysis determines which categories have sufficient supply to meet the demand of the trade area, and which categories do not have sufficient supply to meet demand, in which case a retail gap exists. Understanding which categories have a retail gap helps identify recruitment targets for Downtown Chapel Hill in order to rationalize the retail recruitment process and foster a richer downtown retail experience.

Past Chapel Hill Retail Market Analyses

Several recent retail market analyses have provided excellent data on the retail environment of the Town of Chapel Hill and its vicinity. They are detailed below. The present analysis is distinguished from these previous analyses by its exclusive focus on understanding the downtown retail business mix.

Economics Research Associates Market Analysis Report (2004): This analysis focuses on the retail potential of two sites in Downtown Chapel Hill, and estimates retail demand based upon the spending potential of residents, on-campus students, and downtown employees. This analysis projected that Downtown Chapel Hill could support up to 666,000 square feet of new retail space. In addition to now being eight years old, this analysis differs from the present analysis by considering a primary trade area of a 10-mile radius from Downtown Chapel Hill, and not reporting findings by detailed retail category.

Retail Market Analysis Chapel Hill, North Carolina (2009): Dwight Basset of the Town of Chapel Hill conducted this retail market analysis, which focuses on the spending potential of residents and employees living within the Town of Chapel Hill by detailed retail category. The analysis projected that Chapel Hill had a retail gap of about $338 million, with 1,669,519 square feet of new retail space supportable. This analysis differs in including the entire Town as its trade area, rather than just the downtown core.

Development Concepts Town of Chapel Hill Retail Market Study (2011): This recent study considered spending potential by residents, employees, and off-campus students at several different geographic levels – The Town of Chapel Hill, and 15-minute and 20-minute drive radiuses of Downtown Chapel Hill. Within the Town itself, the analysis projected a retail gap of about $50 million, which could support up to 200,000 square feet of leasable space. Like the other studies, this study did not focus narrowly on the downtown area.

Trade Area

A one-mile radius centered on the intersection of Franklin and Columbia Streets forms the trade area for this analysis. This trade area fully encompasses the core downtown retail streets of Franklin and Rosemary, as well as many of the neighborhoods walkable to downtown that form the clientele for downtown retail. While the market area for downtown retail is of course much larger than a one-mile radius, selecting this trade area enables us to focus narrowly on the downtown retail mix, without considering retail supply in the Town that is beyond one-mile from Downtown Chapel Hill such as University Mall, the Shops at Eastgate, and other suburban-style shopping centers. This trade area measures a district that is relatively convenient for downtown residents, employees and on-campus students to traverse without an automobile.

Methodology

This analysis considers the spending potential of three key segments within the trade area: households, employees, and on-campus students.   For each segment, annual retail spending potential is estimated in twenty-four key retail categories, and compared against annual retail sales to determine if there is leakage of retail sales outside the trade area. Retail sales data is provided by ESRI Business Analyst Online. The methodology for calculating annual retail spending potential for each of three segments is detailed on the next page.

Source: ESRI Business Analyst Online; Google Maps

Households: The retail spending potential of the 5,333 households (which includes students living *off-campus*) within the trade area is provided by ESRI Business Analyst Online for each of the twenty-four retail categories. These estimates are calculated by the company using a proprietary methodology based on area demographics. The retail spending potential of students living on campus must be estimated separately since these students are classified as living in group quarters, and thus are not included as residents of households.

Employees: The retail spending potential of employees is calculated in a multi-step process. First, in order to determine the number of employees working in the trade area, the US Census Bureau's OnTheMap database was used to determine the number of employees in a geography comprised of Census Block Groups that corresponds as closely as possible to the trade area. 3,642 employees were identified in the trade area, of which 110 were removed from the analysis because they also live in the trade area. Thus, the spending potential of 3,532 employees is considered by this analysis.

In order to estimate how much each employee spends near work, the analysis relies on an estimate provided by Economics Research Associates (2004), derived from the International Council of Shopping Centers, that Downtown Chapel Hill employees spend $2,890 per year on retail near work. This spending is broken down into three categories: $2,023 on Food & Beverage, $145 on General Retail, and $723 on Convenience. In order to translate these amounts into current dollars for twenty-four detailed retail categories, an inflation factor of 23% is first applied to reflect the change in the Consumer Price Index between 2003 and 2011. Next, each of the twenty-four detailed retail categories was assigned to either Food & Beverage (4 categories), General Retail (16 categories), or Convenience (4 categories). The spending in these three larger categories was then distributed into the twenty-four categories based upon the ratio of spending in the detailed category to the larger category amongst households. For instance, General Retail spending is estimated to be $179 after applying the inflation factor. Because the clothing category makes up 15% of all household spending within the sixteen categories that comprise General Retail, it is assumed that 15% of worker spending on General Retail is on clothing, which is equal to $28 per worker. The spending potential of each worker per category is then multiplied by the total number of workers (3,532), to produce the aggregate amount of employee retail spending potential by category.

On-campus students: The retail spending potential of on-campus students is also calculated in a multi-step process. First, the number of on-campus students is derived from the UNC Office of Housing and Residential Education, which reports about 9,000 students live on campus. In order to estimate how much each on-campus student spends in Downtown Chapel Hill, the analysis again relies on an estimate provided by Economics Research Associates (2004), derived from the US Consumer Expenditure Report, that on-campus students spend $3,594 per year on retail near school. This spending is broken down into four categories: $419 on Food & Beverage, $1,433 on General Retail, $1,083 on Convenience, and $559 on Entertainment. The amount spent on Entertainment is ignored for the purposes of this analysis because it does not directly translate into any of the detailed retail categories under consideration. In order to translate the amount spent into current dollars, an inflation factor of 23% is again applied. Next, spending in the three large categories is distributed to the twenty-four detailed retail categories using an identical methodology as described above for employees. The spending potential by

each on-campus student per category is then multiplied by the total number of on-campus students (9,000), to produce the aggregate amount of on-campus student retail spending potential by category.

The spending potential of these three segments is then summed for each category to produce the amounts shown in the "Resident, Worker & Student Demand" column in Table 2 below. As previously mentioned the "Retail Supply" column is populated by estimates from ESRI Business Analyst Online. Subtracting the demand from the supply produces the calculated "Retail Gap" for each category. In order to project the amount of new supportable square feet of space per category, a capture rate must first be applied. Since it is unrealistic to expect 100% of unmet retail spending potential to be met downtown, due to competing shopping centers elsewhere and other factors, a 50% capture rate is assumed for all categories.

After applying the 50% capture rate, for each category, the amount of unmet retail spending potential per year able to be captured must be divided by the annual sales productivity per square foot to arrive at the number of supportable square feet by category. The analysis relies on retail sales productivity data by category provided in the *Dollars & Cents of Shopping Centers* by the Urban Land Institute and International Council or Shipping Centers to accomplish this. This study provides data on the national median annual sales per square foot in regional and community shopping centers for each of the categories under consideration. Because the South region's median sales per square foot for all retail is 79% of the national median sales per square foot for all retail, the national median sales per square foot in each category is multiplied by 79% to produce the estimates in the "Sales per Square Foot" column. Thus the final estimate in the "Supportable Square Feet" column is calculated by multiplying the Retail Gap by the 50% capture rate, and then dividing this product by the sales per square foot. For categories that do not have a retail gap, the supportable square feet is shown as zero rather than negative. Categories with a retail gap are highlighted in yellow in Table 2.

Table 2: Full Results of Retail Gap Analysis

Store Type	Resident, Worker & Student Demand	Supply	Retail Gap	Capture Assumption	Sales Per Square Foot	Supportable Square Feet
Furniture Stores	$2,179,454	$19,045	$2,160,409	50%	$123	8,768
Home Furnishings Stores	$2,253,773	$552,672	$1,701,101	50%	$165	5,160
Electronics & Appliance Stores	$4,908,899	$3,109,222	$1,799,677	50%	$238	3,780
Bldg Material & Supplies Dealers	$5,451,663	$1,797,826	$3,653,837	50%	$306	5,968
Lawn & Garden Equip & Supply Stores	$925,247	$0	$925,247	50%	$306	1,511
Grocery Stores	$33,353,071	$14,808,555	$18,544,516	50%	$383	24,234
Specialty Food Stores	$282,674	$683,058	-$400,384	50%	$152	-
Beer, Wine & Liquor Stores	$1,542,999	$2,368,215	-$825,216	50%	$312	-
Health & Personal Care Stores	$5,460,472	$6,559,290	-$1,098,818	50%	$338	-
Clothing Stores	$6,450,143	$7,634,003	-$1,183,860	50%	$183	-
Shoe Stores	$629,419	$350,896	$278,523	50%	$152	917
Jewelry, Luggage & Leather Goods Stores	$1,215,208	$977,949	$237,259	50%	$239	496
Sporting Goods/Hobby/Musical Instr Stores	$3,272,834	$1,268,457	$2,004,377	50%	$173	5,787
Book, Periodical & Music Stores	$1,921,510	$3,116,386	-$1,194,876	50%	$194	-
Department Stores Excluding Leased Depts.	$5,861,244	$145,736	$5,715,508	50%	$120	23,900
Other General Merchandise Stores	$3,136,885	$293,682	$2,843,203	50%	$118	12,072
Florists	$278,553	$603,853	-$325,300	50%	$208	-
Office Supplies, Stationery & Gift Stores	$2,009,706	$9,386,759	-$7,377,053	50%	$159	-
Used Merchandise Stores	$431,831	$314,729	$117,102	50%	$108	542
Other Miscellaneous Store Retailers	$537,528	$740,807	-$203,279	50%	$195	-
Full-Service Restaurants	$16,944,243	$48,991,245	-$32,047,002	50%	$282	-
Limited-Service Eating Places	$8,264,291	$12,104,058	-$3,839,767	50%	$276	-
Special Food Services	$3,834,882	$5,316,311	-$1,481,429	50%	$219	-
Drinking Places - Alcoholic Beverages	$2,294,705	$4,595,756	-$2,301,051	50%	$282	-

Source: ESRI Business Analyst Online; U.S. Census Bureau; Economics Research Associates, 2004; ULI & ICSC, 2008; UNC Housing Website

Analysis

As can be seen in Table 2, twelve of the twenty-four retail categories possess a retail gap. Among the categories that do not have a gap are well-supplied categories like full-service restaurants, limited-service eating places, and clothing stores. Table 3 highlights the categories calculated to have a gap. These categories in aggregate are estimated to have a retail gap of $39.98 million in unmet annual spending potential, which corresponds to 93,136 feet of supportable new retail space.

While some categories are not projected to have enough unmet demand to support a new establishment (i.e. jewelry or used merchandise stores), most of these categories are expected to be able to support at least one new establishment. For some categories, the unmet retail spending potential may require innovative, small and mid-size formats rather than traditional suburban store formats. For instance, a grocery store of about 24,000 square feet is estimated to be supportable, which is less than half the size of a typical big-box suburban grocery store. Engaging with retail entrepreneurs and existing chains willing to experiment with small and mid-size formats in the grocery, general merchandise, and furniture categories may be crucial to filling in the gaps in the Downtown Chapel Hill business mix.

Table 3: Opportunity Categories

Store Type	Resident, Worker & Student Demand	Supply	Retail Gap	Supportable Square Feet
Furniture Stores	$2,179,454	$19,045	$2,160,409	8,768
Home Furnishings Stores	$2,253,773	$552,672	$1,701,101	5,160
Electronics & Appliance Stores	$4,908,899	$3,109,222	$1,799,677	3,780
Bldg Material & Supplies Dealers	$5,451,663	$1,797,826	$3,653,837	5,968
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Grocery Stores	$33,353,071	$14,808,555	$18,544,516	24,234
Shoe Stores	$629,419	$350,896	$278,523	917
Jewelry, Luggage & Leather Goods Stores	$1,215,208	$977,949	$237,259	496
Sporting Goods/Hobby/Musical Instr Stores	$3,272,834	$1,268,457	$2,004,377	5,787
Department Stores Excluding Leased Depts.	$5,861,244	$145,736	$5,715,508	23,900
Other General Merchandise Stores	$3,136,885	$293,682	$2,843,203	12,072
Used Merchandise Stores	$431,831	$314,729	$117,102	542
TOTAL	**$63,619,528**	**$23,638,769**	**$39,980,759**	**93,136**

Source: ESRI Business Analyst Online; U.S. Census Bureau; Economics Research Associates, 2004; ULI & ICSC, 2008; UNC Housing Website

Peer College Town Comparison

Purpose

The purpose of this peer college town comparison is to evaluate how the demographics of Chapel Hill compare to similar college towns, and then leverage this information to evaluate whether Chapel Hill could potentially attract additional national retailers. The analysis focuses on a set of national retailers that have shown a willingness to locate in similar college towns, and considers the feasibility of Chapel Hill being able to attract these retailers.

Peer College Towns Selected

The six peer college towns chosen are presented in Table 4. These towns were chosen based for having national reputations as leading college towns, as well as roughly similar populations and university enrollments as the Town of Chapel Hill, and the University of North Carolina at Chapel Hill, respectively.

Population

As can be seen in Figure 12, the Town of Chapel Hill ranks fifth of the seven towns in the comparison set, with a population of 57,233. The populations of the other towns range from 115,452 in Athens, GA to 37,819 in Amherst, MA. Thus, in comparison to these peer college towns, Chapel Hill has a below average population.

Table 4: Peer College Towns

College Town	Major University
Chapel Hill, NC	University of North Carolina at Chapel Hill
Amherst, MA	University of Massachusetts Amherst
Athens, GA	University of Georgia
Bloomington, IN	Indiana University Bloomington
Boulder, CO	University of Colorado Boulder
Charlottesville, VA	University of Virginia
Santa Cruz, CA	University of California, Santa Cruz

Figure 12. Peer College Town Population, 2010
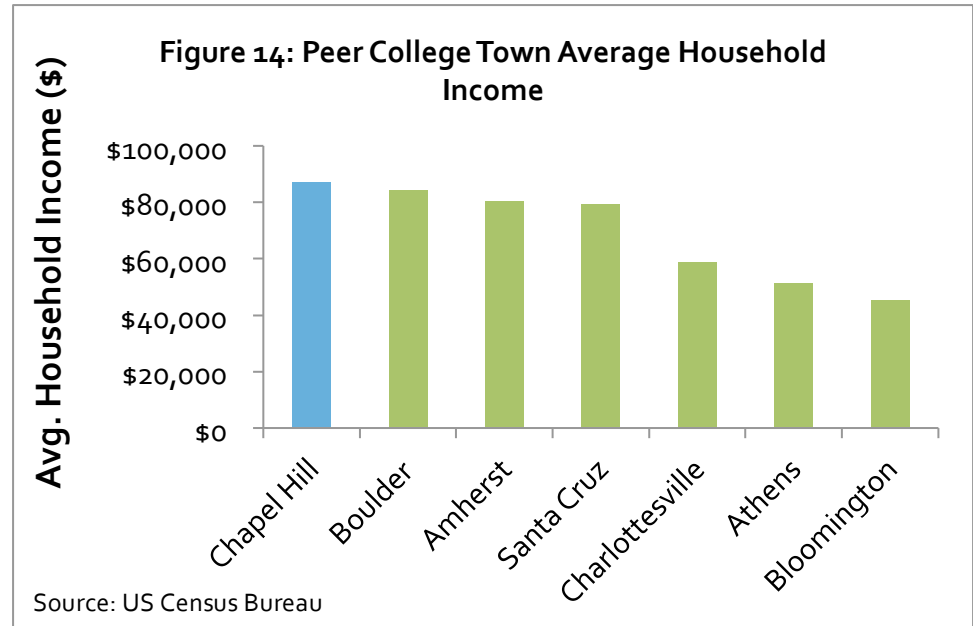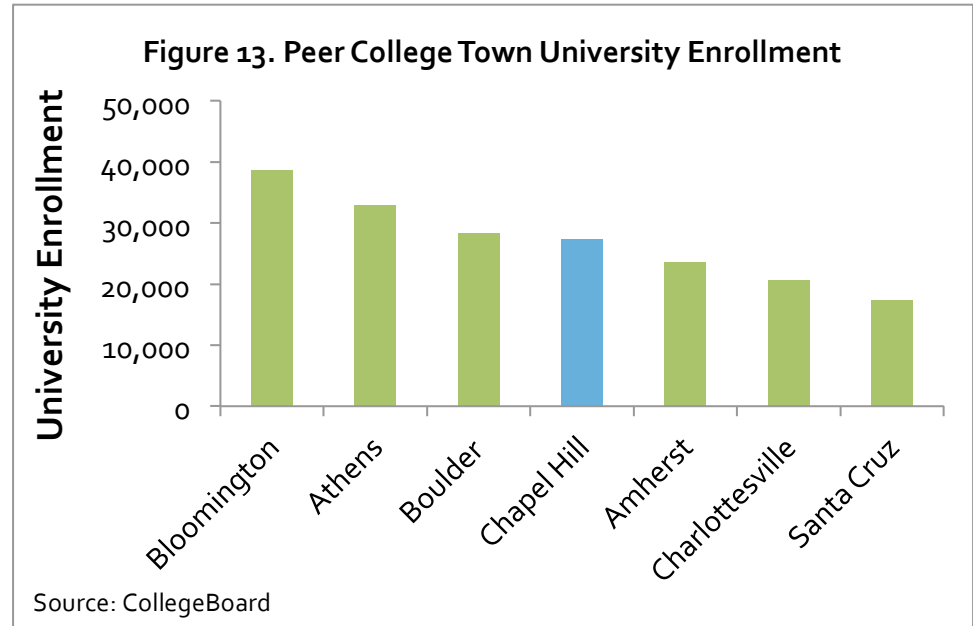
Source: US Census Bureau
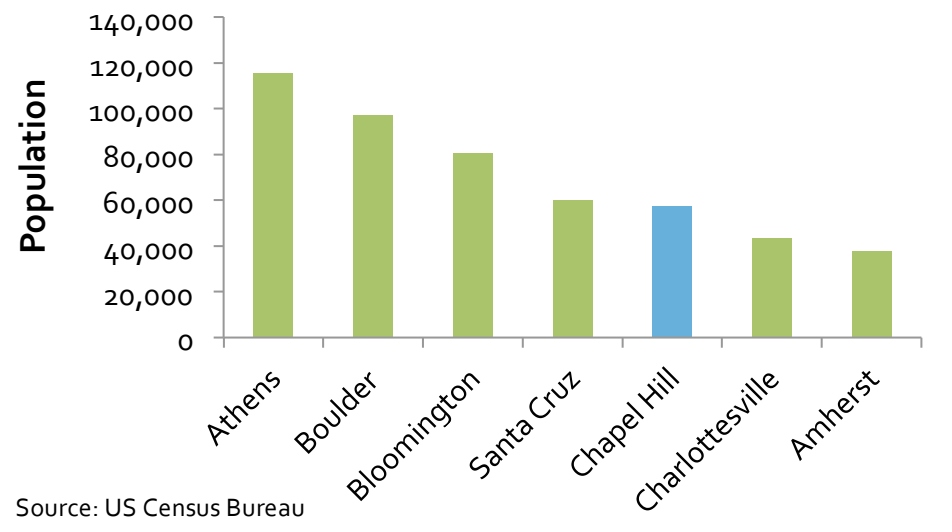
University Enrollment

Figure 13 displays the university enrollment (undergraduate and graduate students) of each of the major universities located within the peer college towns. Chapel Hill ranks right in the middle, with the fourth highest university enrollment of the seven college towns. UNC's enrollment is estimated at 27,252. Enrollments at the other universities range from 38,557 at Indiana University Bloomington, to 17,372 at the University of California, Santa Cruz.

Average Household Income

Average household income is where Chapel Hill distinguishes itself from these peer college towns. As shown in Figure 14, Chapel Hill has an average household income of $87,094, almost $3,000 higher than second-place Boulder, CO. Chapel Hill's average household income is nearly twice that of Bloomington, IN, which has the lowest average household income in the peer set. This very high average household income bodes well for Chapel Hill's ability to attract retailers, particularly those selling up-market goods.

Figure 13. Peer College Town University Enrollment

Source: CollegeBoard

Figure 14: Peer College Town Average Household Income

Source: US Census Bureau

Aggregate Household Income

Aggregate household income is a function of the number of households in an area and their average income. It may be thought of as a comprehensive picture of the spending power of residents in a community. As can be seen in Figure 14, even though Chapel Hill has only the fifth largest population in the peer set, because it has such a high average household income, it ranks third of the seven towns in aggregate household income. Chapel Hill's aggregate household income of $1.72 billion trails that of only Boulder, CO and Athens, GA, both of which are much larger communities. Chapel Hill's aggregate spending power surpasses that of Santa Cruz, CA and Bloomington, IN, which both are larger than Chapel Hill.

This analysis suggests Chapel Hill has a favorable demographic profile in comparison to these peer college towns, and would likely be attractive to national retailers who have demonstrated a propensity to locate in these other college towns. However, as the following analysis reveals, locations elsewhere in the Triangle may limit Chapel Hill's ability to attract these retail chains.

Figure 14: Peer College Town Aggregate Household Income

Source: US Census Bureau
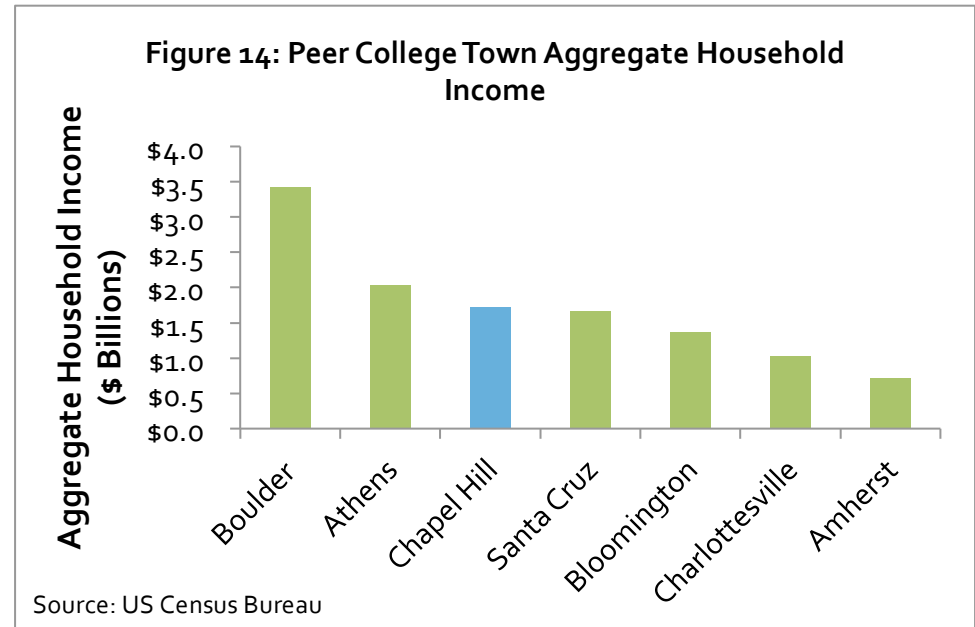
National Retailers Absent from Chapel Hill

Table 5 reveals eight national retailers that are present in at least two of Chapel Hill's peer college towns. These retailers were selected based on a study of business listings and directories in each of the other six college towns, and their location was confirmed via each chain's store locator webpage. None of these national retailers currently have a Chapel Hill location. One chain is present in all of the peer college towns (Goodwill), three are present in four (AT&T, Barnes & Noble, and Urban Outfitters), one is present in three (Gap), and three are present in two (American Apparel, Anthropologie, and Origins). Each retailer is located in at least one peer college town with lower aggregate household income than Chapel Hill. Yet aside from American Apparel, all of these national retailers have a location in Durham County that is within ten miles of Downtown Chapel Hill.

Table 5: National Retailers Absent from Chapel Hill but Present in Peer College Towns

Retailer	Peer College Town Locations	Closest Triangle Location	Distance from Chapel Hill
American Apparel	Boulder, Santa Cruz	None	N/A
Anthropologie	Boulder, Charlottesville	Streets at Southpoint	7.9 miles
AT&T Store	Athens, Bloomington, Boulder, Charlottesville	Patterson Place	4.9 miles
Barnes & Noble	Athens, Bloomington, Boulder, Charlottesville	New Hope Commons	4.9 miles
Gap	Athens, Charlottesville, Santa Cruz	Streets at Southpoint	7.9 miles
Goodwill	Amherst, Athens, Bloomington, Boulder, Charlottesville, Santa Cruz	Garrett Road	6.1 miles
Origins	Boulder, Charlottesville	Streets at Southpoint	7.9 miles
Urban Outfitters	Bloomington, Boulder, Charlottesville, Santa Cruz	Streets at Southpoint	7.9 miles

Source: Retailer Websites

Analysis

Despite Chapel Hill's favorable demographic profile, existing locations in Durham County will likely prevent these retailers from considering a Downtown Chapel Hill location. The analysis of each retailers' location patterns did not suggest they would be amenable to having two locations in such close proximity to one another. Unless Downtown Chapel Hill could provide a more profitable location than these current Durham County locations, it seems unlikely these chains would re-locate to Downtown Chapel Hill. Despite the many advantages Chapel Hill enjoys by being located in a thriving metropolitan area, this analysis speaks to the challenges it faces in terms of retail competition with other municipalities that more isolated college towns (e.g. Charlottesville, VA, Athens, GA, and Bloomington, IN) may not face.

The analysis of business listings and directories in peer college towns also revealed that college towns feature unusually high concentrations of independent retail. Given the foregoing analysis, it is likely that cultivating innovative local retail offerings holds greater promise for Downtown Chapel Hill than targeting other chains already located nearby. This strategy could be complemented by selective recruitment of national (e.g. American Apparel) and regional retailers that are well-suited to the Town's demographic profile.

Recommendations

1. **Engage with leasing managers of developments in pipeline (e.g. 140 West Franklin, Shortbread Lofts) to develop targeted retail recruitment strategy.**
   The new developments coming online in the next few years represent over 70,000 square feet of new retail space, and depending on their configurations may allow individual store floor plates larger than available elsewhere in Downtown Chapel Hill. These developments may offer significant opportunities to attract some retail categories with larger store sizes to the downtown area, in addition to helping to fill in gaps in the current business mix amongst retail categories with smaller store sizes. Coordinating with leasing managers at these developments, for instance by helping them develop marketing materials showcasing Chapel Hill's strengths, can help the downtown area attain a richer mix of retail establishments.

2. **Emphasize creation *or* recruitment of a small to mid-sized grocery store, a small format department / general merchandise store, and a small format furniture store.**
   The retail gap analysis identifies these three categories as prime opportunities to attract what would amount to an anchor retail tenant for Downtown Chapel Hill. The Chapel Hill Downtown Partnership and the Town of Chapel Hill should study examples of business models in these categories that have succeeded in peer college towns. By assisting entrepreneurs in establishing new retail ventures, the Chapel Hill Downtown Partnership and Town of Chapel Hill could enhance and diversify the burgeoning downtown retail environment. It is also worthwhile to explore recent trends in small and mid-size chain stores to clarify recruitment opportunities in these categories.

3. **Continue to advocate for downtown residential projects that enhance the market for downtown retail.**
   The Chapel Hill Downtown Partnership could play a crucial role in advocating for new residential projects that will enhance the retail market potential in Downtown Chapel Hill. The ability of residential development to buoy downtowns has been noted by a variety of academic studies (e.g. Birch, 2009), and cultivating rental housing downtown is one of Real Estate expert Christopher Leinberger's twelve steps for "Turning Around Downtown." Not only will such projects increase the retail footprint of available space in the downtown core, but they will also increase the number of potential consumers available to take advantage of new retail options. By encouraging both rental and owner housing in the downtown core, Chapel Hill can move closer to having a 24/7/365 downtown.

4. **Prioritize the creation of an improved public realm and pedestrian experience along Franklin and Rosemary Streets.**
    Many authors (e.g. Paumier, 2004) have articulated the value of inviting pedestrian streets in sustaining activity in urban centers. For the most part, Chapel Hill boasts a picturesque downtown with walkable streets and dense retail development. Yet many opportunities exist to build on the existing strengths of the downtown core to enhance the public realm and pedestrian experience, particularly along West Franklin and Rosemary Streets. These opportunities include: streetscaping, increasing connectivity of streets and walkways, and reduced building setbacks. These improvements will increase the success of the many new development projects underway and make Chapel Hill's downtown even more appealing to consumers.

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