

**RETAIL MARKET FEASIBILITY STUDY
PROPOSED MEQUON TOWN CENTER
MEQUON, WISCONSIN**

**PREPARED FOR
THE CITY OF MEQUON, WISCONSIN
MARCH 2006**



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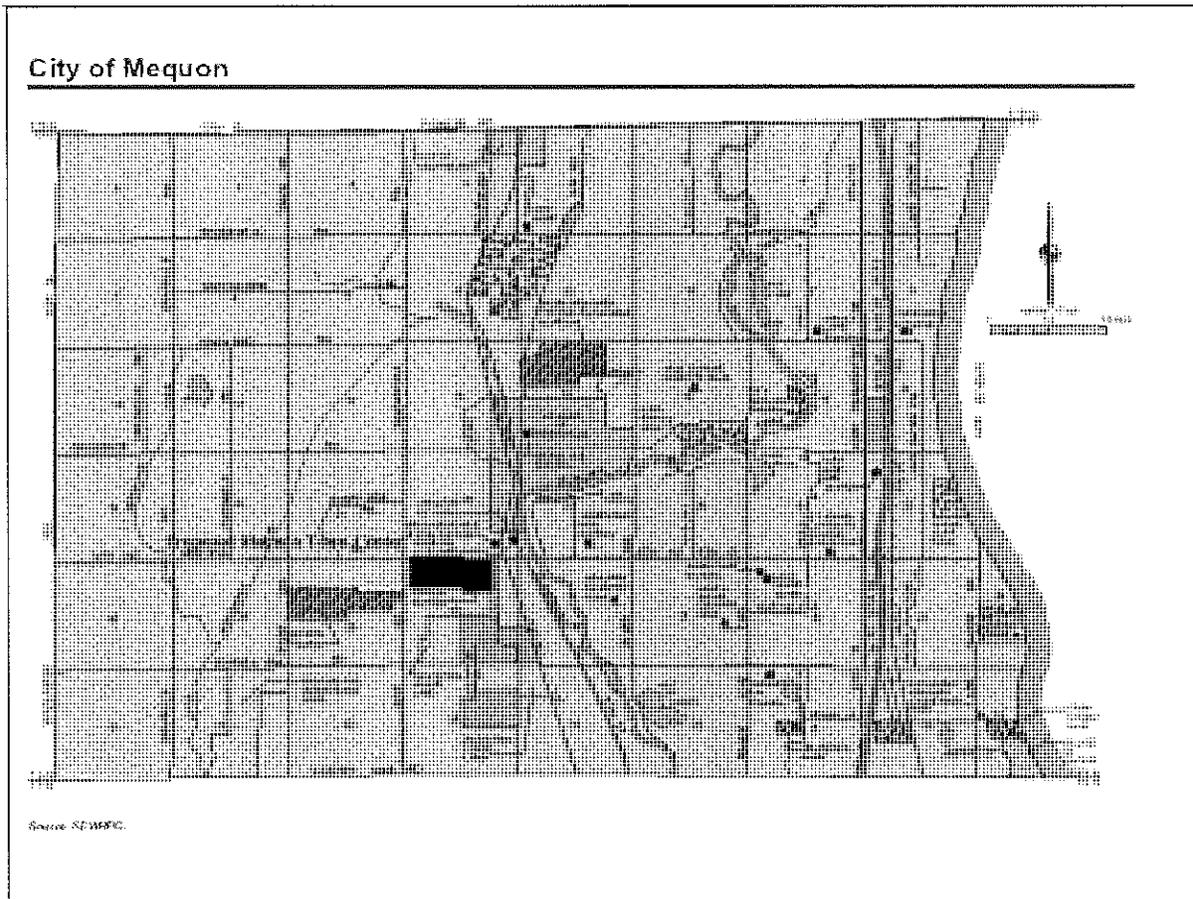
SECTION I

ASSIGNMENT

Our assignment has been to conduct a market feasibility study of the Proposed Mequon Town Center planned on the south side of Mequon Road (Wisconsin Highway 167) between the Wisconsin Central Railroad tracks on the east and Wauwatosa Road (Highway 181) on the west in the city of Mequon, Wisconsin. Currently, the area consists of some existing buildings and vacant land.

We have been told that the above-indicated site has approximately 48 acres. Also, there are approximately 128,800 square feet of existing buildings in this area, and the property can provide a total of approximately 357,000 square feet of buildings, including the existing or redeveloped buildings. *Figure 1.A* depicts the location of the Proposed Mequon Town Center.

Figure 1.A



ASSUMPTIONS

1. No major malls, shopping centers, lifestyle centers, or major big box competitors, other than those identified in this report, will be constructed within the Trade Area. Any such development would require a reassessment of the conclusions and recommendations contained herein.
2. The economy of the United States will not experience another major recession or any significant adjustment in consumer spending objectives or attitude. Furthermore, gasoline prices will not exceed \$3.00 per gallon. If this occurs, significant changes may occur in shopping patterns.
3. The United States will not expand the current war on terrorism or escalate military operations overseas, nor will the United States experience any major catastrophe or terrorist act that would interrupt or change shopping habits, driving, mail delivery, or spending patterns.
4. A considerable amount of data has been gathered, sorted, and analyzed. Much of the data has come from agencies of federal, state, county, and the city, along with local real estate companies. Additionally, secondary sources have been utilized, where pertinent. Where possible, our staff has examined the information for its validity and authenticity. Since we have no way of controlling the development of these data sources, we take no responsibility for any inaccuracy.
5. We assume that the properties in the designated Town Center area will be available, buildable, and that there are no environmental or subsurface conditions that would prohibit development or redevelopment.

We certify that we have no present or prospective interest in any properties in the Milwaukee area that are the subject of this report and we have no personal interest or bias with respect to the parties involved. Our compensation is not contingent upon any action or event resulting from this analysis, opinions, or conclusions, in or use of this report.

Throughout this study, we have utilized standard real estate statistical and analytical techniques involving both objective and subjective judgments in order to arrive at the conclusions and recommendations. Also, we have brought to bear our over 40 years of worldwide real estate analytical experience.

SECTION II

EXECUTIVE SUMMARY

The Executive Summary combines all of our conclusions and recommendations in this section of the report. They are summarized below.

CONCLUSIONS

1. The City of Mequon

Mequon, located in the northern portion of the Milwaukee Metropolitan Area, covers approximately 47 square miles making it the 4th largest community in the State of Wisconsin. Interstate 43, a major north-south interstate freeway, bi-sects the community on its eastern edge and most of Mequon's commercial facilities are concentrated on Port Washington Road near the Interstate 43 interchange at Mequon Road.

Thiensville, Mequon's sister community, is surrounded by Mequon. Both communities share their resident's Personal Consumption Expenditures, although shopping for major durable goods is generally outside of both the communities.

2. Demographics

According to the 2000 U.S. Census of Population, Mequon had a population of 21,823 and was estimated by the Census Bureau's American Factfinder Survey at 23,793 in 2004. Population is currently estimated at 24,450. Persons per household amount to 2.75 persons and the median age is 42.5 years. Average household income is currently estimated at \$145,625, according to Claritas, the demographic forecasting company. .

3. Accessibility

The proposed Town Center will be very accessible. Mequon Road (Wisconsin 57) is a major east-west traffic artery which intersects with all of the major and many of the minor north-south traffic arteries. Mequon Road also junctions with Interstate 43 near the eastern end of the City. Cedarburg Road (Wisconsin 57) is the nearest major north-south traffic artery to the proposed Mequon Town Center. Cedarburg Road extends northward from Mequon into Thiensville and on to other communities in Ozaukee County. To the south, Cedarburg Road extends into the City of Brown Deer and becomes Green Bay Road. Wauwatosa Road (Wisconsin Highway 181) is a north-south primarily two lane road. To the north, Wauwatosa Road ends at Washington Street in Grafton. To the south, Wauwatosa Road becomes 76th Street and extends into Brown Deer and southward throughout the Milwaukee area.

4. Mequon/Thiensville retail sales changes 1997 – 2002

Table 2.1 shows that Mequon's 1997 *Retail and Foodservice* sales amounted to \$221,181,000. In 2002, Mequon recorded *Retail and Foodservice* sales of \$254,766,000, for an increase over the five year period of \$33,585,000. Mequon's *Retail* sales grew from \$194,652,000 in 1997 to \$217,888,000 in 2002, or an increase of \$23,236,000. (The "D" in many of the categories indicates that the Census Bureau decided not to disclose the data for

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confidentially reasons) The *Furniture and Household Furnishing* category showed a decrease in sales from 1997 to 2002 of -\$22,049,000, while the *Foodservice* category increased by \$10,349,000 as did the *Health & Personal Care* category (includes *Drug Stores*) which increased by \$21,789,000. *Clothing* declined during the same period by -\$3,496,000.

Table 2.1

1997 and 2002 Economic Census of Retail and Foodservice Mequon, Thiensville, and Combined Figures Sales by Defined Categories

Retail and Foodservice Categories	Mequon			Thiensville			Combined		
	1997 000	2002 000	Change 000	1997 000	2002 000	Change 000	1997 000	2002 000	Change 000
Total Retail and Foodservice Sales	\$221,181	\$254,766	\$33,585	\$79,090	\$81,241	\$2,151	\$300,271	\$336,007	\$35,736
Total Retail Sales	\$194,652	\$217,888	\$23,236	\$73,311	\$72,985	-\$326	\$267,963	\$290,873	\$22,910
Building Materials & Hardware	\$14,367	\$15,599	\$1,232	D	D		D	D	D
Food Stores	D	\$40,355	D	\$3,451	D		D	D	D
General Merchandise	D		D	D	D		D	D	D
Clothing	\$14,447	\$10,951	-\$3,496	D	D		D	D	D
Furniture & Household Furnishings	\$35,383	\$13,334	-\$22,049	D	D		D	D	D
Electronics & Appliances	\$3,595	\$3,628	\$33	D	D		D	D	D
Jewelry, Luggage & Leather Goods	\$2,914	\$3,009	\$95	D	D		D	D	D
Miscellaneous Retail Stores	\$2,695	D	D	D	D		D	D	D
Foodservice	\$26,529	\$36,878	\$10,349	\$5,779	\$8,256	\$2,477	\$32,308	\$45,134	\$12,826
Health & Personal Care	\$6,466	\$21,789	\$15,323	D	D		D	D	D
Miscellaneous Retail Stores	D	D	D	D	D		D	D	D

Source: *Economic Census of Retail and Foodservice Sales, 1997 and 2002 and Melaniphy & Associates, Inc. 2006*

Thiensville's *Retail and Foodservice* increased from \$79,090,000 in 1997 to \$81,241,000 in 2002, or an increase of \$2,151,000. However, the *Retail* portion only, decreased from \$73,311,000 in 1997 to \$72,985,000, or a decline of -\$326,000. *Foodservice* sales stood at \$5,779,000 in 1997 and rose to \$8,256,000 in 2002, or an increase of \$2,477,000. The other categories were not disclosed.

5. Mequon's Trade Area

The trade area of the proposed Mequon Town Center has been delineated on the basis of existing road patterns, driving time analysis, accessibility, generative facilities, existing and proposed competition, present and future demographics, employment, physical and psychological barriers, shopping habits and patterns, the 2005 Mequon Household Survey, and our experience in evaluating shopping centers throughout the world.

Differing trade area methodologies have been tested such as mile radii, amoebas (polygons), census tracts, zip codes, driving time zones, and others. In our opinion, the best reflection of consumer orientation in relation to Mequon is driving time distances. Thus, we have delineated the **Primary Trade Area** as 10 minutes. This is the area of "convenience" that

most consumers think of when shopping for consumable items such as food, drugs, hardware, liquor, quick service food operations, and consumer services. The **Primary Trade Area** is that geographic area from which the most frequent visitors originate.

The **Secondary Trade Area** has been designated as between 10 and 15 minutes driving time from the Subject Town Center. These residents are important customers who come somewhat less frequently, but will be good customers. However, as the Town Center is expanded, they will increase their frequency of visits and become even more important. Finally, the **Tertiary Trade Area** has been designated as between 15 and 20 minutes and represents the geographic area where residents will come to the Town Center less frequently, but will be supportive of the facilities.

Normally, a trade area can define the geographic area from which approximately 80 to 90 percent of the customers will originate. However, because of employment and visitors, it is very difficult and expensive to identify the 10 to 20 percent that may come from anywhere in the world. Therefore, we define a geographic area, in this case a 20 minute driving time, and then add 15 percent additional sales to the forecasted retail sales estimates for the Proposed Town Center. Thus, 85 percent of the sales will originate within the Trade Area and 15 percent will come from beyond the Trade Area.

Based upon this evaluation, we have established the trade area depicted in *Figure 2.A* on the following page. Trade Area demographic data was compiled using 2000 Census Tract and Block Group population and household statistics for the city of Mequon and Thiensville, the Census Bureau's American Fact Finder forecasts for 2004, City of Mequon New Dwelling Unit Forecasts, and forecasts prepared by our staff to 2010 and 2015 with the use of data from Claritas, Inc. and Tactician, Inc.

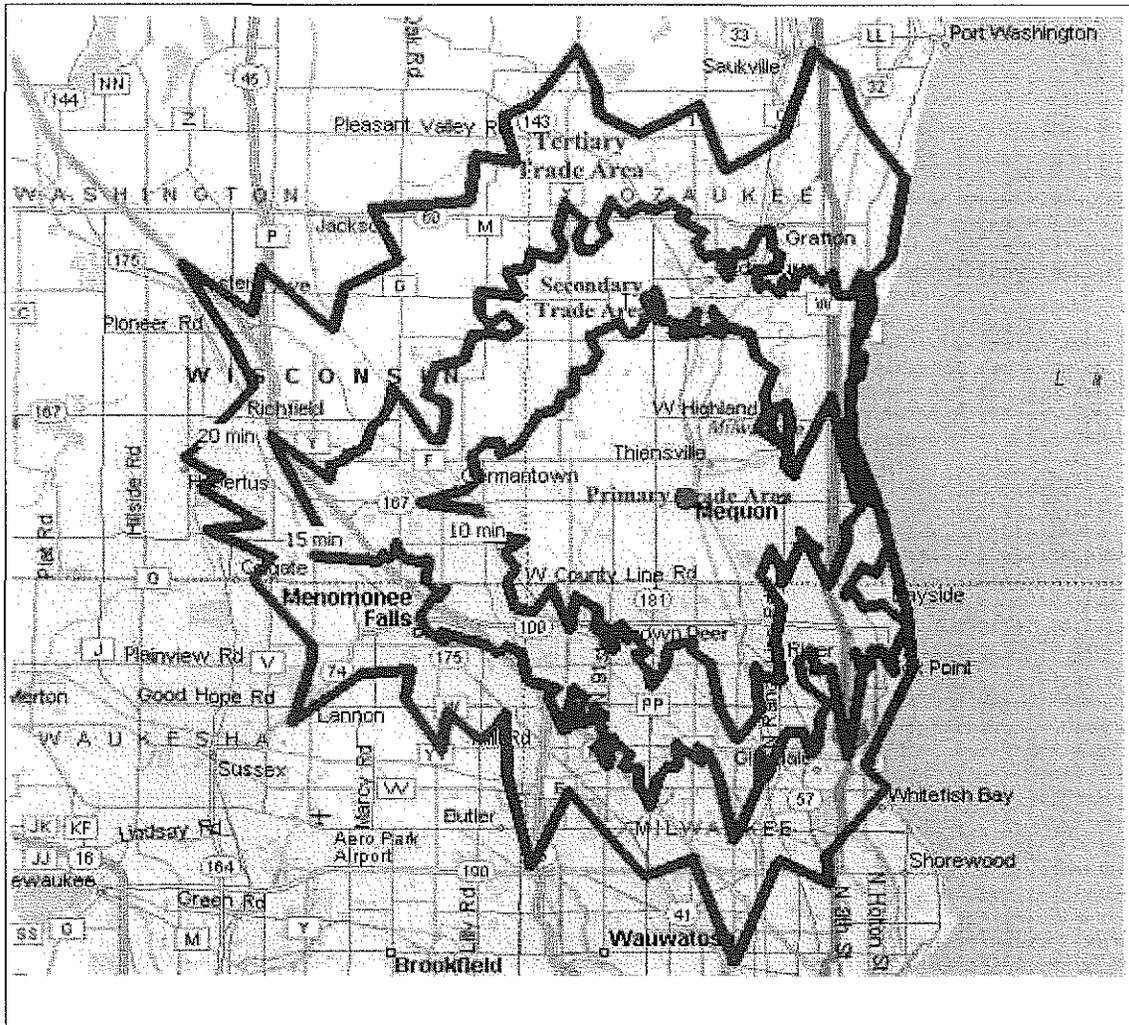
The **Total Trade Area** represents the combined Primary, Secondary, and Tertiary portions of the Trade Area. Once the trade area was delineated, we computed and forecast retail expenditures and compared the results to Mequon's 2002 retail sales.

6. **The Proposed Town Center's Geographic Position**

The proposed Town Center is approximately three miles west of the Mequon retail concentration at Mequon Road and Port Washington Road near the Interchange 43 interchange. It is also close to the center of Mequon. Thiensville's retail concentration is closer to the proposed Town Center, and it serves both its population and visitors to the historic buildings in the area. However, its retail sales are stagnant while its Foodservice sales are increasing. Nonetheless, the center of Mequon will need convenient retail facilities as the community goes forward and continues to grow, especially to the west. Distance from modern retail facilities will begin to adversely affect housing demand. The Town Center can provide centralized shopping in a quaint and convenient setting while meeting Mequon's architectural requirements. Thus, Mequon would have two retail concentrations to serve the community; a large concentration at Port Washington Road and a smaller concentration in the Town Center to serve the western part of the community.

Figure 2.A

Proposed Mequon Town Center
Primary, Secondary, and Tertiary Trade Area
Mequon, Wisconsin



7. Mequon's Retail Performance

Mequon is importing retail and foodservice sales primarily to the Port Washington Road concentration from other communities in most categories. Table 2.2 provides a comparison of Mequon's 2002 retail sales from the 2002 Economic Census of Retail Trade and Foodservice and a comparison of our computations of market potential of Mequon residents.

**Mequon and Thiensville Retail Sales & Resident Expenditures
1970 and 2002**

Table 2.2

Retail and Foodservice Categories	Mequon			Thiensville			Combined		
	2002 Sales	Resident Expenditures	Difference (Leakage)	2002 Sales	Resident Expenditures	Difference (Leakage)	2002 Sales	Resident Expenditures	Difference
Total Retail and Foodservice Sales	\$254,766,000	\$297,226,360	\$42,460,360	\$81,241,000	\$38,184,300	(\$43,056,700)	\$336,007,000	\$335,410,660	(\$596,340)
Total Retail Sales	\$217,888,000	\$244,567,000	\$26,679,000	\$72,985,000	\$31,059,000	(\$41,926,000)	\$290,873,000	\$275,626,000	(\$15,247,000)
Building Materials & Hardware	\$15,599,000	\$23,373,120	\$7,774,120	D	D	D	D	D	D
Food Stores	\$40,355,000	\$76,189,091	\$35,834,091	D	D	D	D	D	D
General Merchandise	D	\$82,961,455		D	D	D	D	D	D
Clothing	\$10,951,000	\$27,959,280	\$17,008,280	D	D	D	D	D	D
Furniture & Household Furnishings	\$13,334,000	\$45,000,240	\$31,666,240	D	D	D	D	D	D
Electronics & Appliances	\$3,628,000	\$27,959,280	\$24,331,280	D	D	D	D	D	D
Jewelry, Luggage & Leather Goods	\$3,009,000	\$7,542,720	\$4,533,720	D	D	D	D	D	D
Miscellaneous Retail Stores	D	D	D	D	D	D	D	D	D
Foodservice	\$36,878,000	\$52,659,360	\$15,781,360	\$8,256,000	\$7,125,300	(\$1,130,700)	\$45,134,000	\$59,784,660	\$14,650,660
Health & Personal Care	\$21,789,000	\$25,817,520	\$4,028,520	D	D	D	D	D	D

Source: Economic Census of Retail and Foodservice Sales, 1997 and 2002 and Melaniphy & Associates, Inc. 2005

Table 2.2 on the previous page shows that Mequon in 2002 captured retail and foodservice sales of \$254,766,000. In contrast, Mequon's Resident retail and foodservice Expenditures amounted to \$297,226,360. This means that Mequon exported (leakage) approximately \$42,460,360 outside of the community. If Foodservice is excluded, Mequon exported only \$26,679,000 in retail sales. Mequon's three major supermarkets captured sales in 2002 of approximately \$40,355,000. Mequon residents spent a total of \$76,189,091 on food. Therefore, Mequon residents exported approximately \$35,834,000 outside of Mequon.

The Foodservice category includes restaurants and quick service food shops. Mequon generated 2002 sales in this category of \$36,878,000 while the residents spent an estimated \$52,659,000. Mequon, therefore, exported at least \$15,781,000. Mequon resident are also exporting retail sales dollars in the Electronics and Appliance category, the Building Materials category, and the Clothing category.

Thiensville's 2002 Economic Census of Retail and Foodservice data disclosed only total Retail Sales and Foodservice Sales. In both instances, Thiensville is importing dollars. Total 2002 retail and foodservice sales in Thiensville amounted to \$81,241,000, while Thiensville residents spent an estimated \$38,184,300. Thus, Thiensville is importing approximately \$43,056,700, close to what Mequon is exporting. When foodservice is eliminated, Thiensville's retail sales amounted to \$72,985,000, while the residents spent \$31,059,000. Once again, Thiensville is importing retail sales of approximately \$41,926,000, greater than Mequon's \$26,679,000 exported retail sales dollars. The Census Bureau only disclosed sales in the Foodservice category for Thiensville. 2002 Foodservice sales amounted to \$8,256,000 versus resident estimated expenditures of \$7,125,300, resulting in an exporting of \$1,130,700.

On a combined basis (Mequon and Thiensville together), total retail and foodservice amounted to \$336,007,000. Residents of both communities spent an estimated \$335,410,660, of which approximately \$596,340 is imported. When foodservice is eliminated, the combined retail sales amounted to \$290,873,000, while the combined residents spent approximately \$227,626,000, resulting in an importing of an estimated \$15,247,000. The only category other than those discussed above disclosed was the Foodservice category. On a combined basis, total sales in 2002 were \$45,134,000, in contrast to the combined resident expenditures of an estimated \$59,784,660, resulting in an exporting of \$14,650,660.

It should be pointed out, that this does not mean that there is not a market for new retailers. Geographic positioning of retail stores in Mequon is also very important. Currently, almost all of Mequon's retail facilities are located in the extreme eastern portion of the City, some three miles from the proposed Town Center. Thiensville is providing some of those stores and services, but generally not the larger ones. Moreover, Thiensville retail sales are declining and they lack the land to provide for larger stores with more economies and efficiency. In the future, three miles is too far for convenience goods stores, services, and specialty retail facilities. The existing River Center shopping center with Piggly Wiggly and other retail and service shops is not fully meeting consumer desires. Piggly Wiggly, which was recently sold, needs to become more aggressive in providing what the Mequon and Thiensville consumer wants. In addition, new stores should be developed on Mequon Road

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to meet consumer demands and to serve new developments to the west. Finally, in our opinion, Mequon needs a core area around its civic activities functioning as a downtown area.

MEQUON'S MARKET PENETRATION

Table 2.3 depicts Mequon market penetration by major retail categories. The Table shows that Mequon had 2002 Retail and Foodservice Sales of \$254,766,000 in contrast to Mequon Resident's Potential Expenditures of \$297,226,360. Thus, in the combined categories of retail shops and foodservice in 2002, Mequon had a market penetration of 85.71 percent of resident's expenditures. In the Retail Sales category, Mequon had a market penetration with Mequon Residents of 89.09 percent. In the Food Stores category, Mequon in 2002 captured \$40,355,000 in sales compared to Resident expenditures in this category of \$76,189,120. Thus, Mequon had a market penetration of 52.97 percent of resident expenditures. Obviously, Mequon was exporting or "leaking" dollars elsewhere in this category.

Table 2.3

Mequon's Market Penetration of Resident Expenditures Retail Sales and Resident Expenditures by Categories 2002

Retail and Foodservice Categories	Mequon's 2002 Sales & Market Potential			
	2002 Sales	Mequon's Resident Expenditures	Difference (Leakage)	Mequon's Market Share
Total Retail and Foodservice Sales	\$254,766,000	\$297,226,360	\$42,460,360	85.71%
Total Retail Sales	\$217,888,000	\$244,567,000	\$26,679,000	89.09%
Building Materials & Hardware	\$15,599,000	\$23,373,120	\$7,774,120	66.74%
Food Stores	\$40,355,000	\$76,189,091	\$35,834,091	52.97%
General Merchandise	D	\$82,961,455	D	D
Clothing	\$10,951,000	\$27,959,280	\$17,008,280	39.17%
Furniture & Household Furnishings	\$13,334,000	\$45,000,240	\$31,666,240	29.63%
Electronics & Appliances	\$3,628,000	\$27,959,280	\$24,331,280	12.98%
Jewelry, Luggage & Leather Goods	\$3,009,000	\$7,542,720	\$4,533,720	39.89%
Miscellaneous Retail Stores	D	D	D	D
Foodservice	\$36,878,000	\$52,659,360	\$15,781,360	70.03%
Health & Personal Care	\$21,789,000	\$25,817,520	\$4,028,520	84.40%

Source: Economic Census of Retail and Foodservice Sales, 1997 and 2002 and Melaniphy & Associates, Inc. 2005

Other major retail categories reflect the following market share levels in 2002 for Mequon:

- In Building Material and Hardware Mequon's market penetration in 2002 was 66.74 percent.
- In the Clothing category, Mequon's market penetration of resident expenditures was 39.17 percent.

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- In the Furniture & Home Furnishings, Mequon's market penetration was 29.63 percent.
- Mequon's weakest market penetration was in the Electronics & Appliances at 12.98 percent.
- In the Jewelry, Luggage & Leather Goods category, Mequon's market penetration was 39.89 percent.
- In the Foodservice category which includes meals consumed away from home, Mequon's market penetration was 70.03 percent.
- In the Health & Personal Care category (Drug Stores), Mequon's market penetration was 84.40 percent.

MEQUON'S COMPETITIVE COMMERCIAL SITES

To date almost all commercial development has occurred on Port Washington Road near the Mequon Road interchange with Interstate 43. There are two remaining commercially-zoned sites on Port Washington Road north of Mequon Road which provide developers with land for additional retail and foodservice development. **Since retailers follow retailers, as long as these sites are available, they will delay the full development of the Proposed Town Center**

PROPOSED MEQUON TOWN CENTER'S MARKET PENETRATION AND SALES FORECAST

The next step was to estimate the market penetration which the Proposed Mequon Town Center might capture in each individual retail category, and the resulting estimated sales. **Table 2.4** presents the total estimated retail expenditures for each Trade Area segment by retail category. The final step included computing the likely market penetration by individual retail category for each Trade Area segment. Market penetration for a retail complex or retailer is the level of market share that the facility is capturing or expected to capture of Personal Consumer Expenditures within a defined trade area.

The market penetration was computed by comparing the total potential retail, foodservice, and services expenditures available in each retail category against the likely sales volume we expect the Proposed Mequon Town Center might capture in each category, in contrast to competitive facilities. We have forecast the Proposed Town Center's sales volume and market penetration by individual retail category. **Table 2.5** presents the total expenditure potential, estimated market penetration, and the estimated sales by Trade Area segment in Phases I, II, and III. The forecasts are based upon current potential and demographic forecasts for 2010, and 2015. Some of the individual retail categories may not match those in Table 2.6 because some are combined and rounded.

Our estimates indicate that in Phase I, the Mequon Town Center will have an estimated market penetration of approximately 1.0 percent of the Trade Area Expenditures. In Phase II, the

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Mequon Town Center will see its market penetration increase to an estimated 3.9 percent, and in Phase III, the Mequon Town Center market penetration is estimated to rise to 4.8 percent.

Our analysis indicates that the proposed development should be undertaken in three phases. Phase I will take approximately five years to fully implement. Phase II can begin before Phase I is completed, and follow in three to five years. The final phase (Phase III) will take an additional two to three years. The timing will depend upon how quickly the area is initially developed. If it is done by an experienced developer, the timing will be shorter. If it is undertaken with several developers, the process will take longer and may not be as successful.

During the Phase I, we have concluded that the River Center Shopping Center will need to be upgraded and re-leased to compete in the new environment. However, its projections are not part of this process.

Table 2.4

Total Potential Retail Expenditures By Store Category Primary, Secondary, Tertiary, and Total Trade Area 2005 and 2010												
Store Category	Primary Trade Area			Secondary Trade Area			Tertiary Trade Area			Total Trade Area		
	2005	2010	2015	2005	2010	2015	2005	2010	2015	2005	2010	2015
General Merchandise	\$80,796,663	\$97,766,793	\$112,431,812	\$52,828,376	\$65,305,896	\$73,142,604	\$114,456,836	\$131,710,708	\$147,515,992	\$248,081,875	\$294,783,397	\$333,090,408
Home Improvement / Hardware	\$20,919,316	\$25,313,105	\$29,110,071	\$29,918,320	\$36,984,720	\$41,422,886	\$70,442,450	\$81,061,344	\$90,788,705	\$121,280,086	\$143,359,169	\$161,321,663
Food Stores	\$65,498,714	\$79,255,739	\$91,144,100	\$56,475,952	\$69,814,992	\$78,192,791	\$127,379,382	\$146,581,271	\$164,171,024	\$249,354,048	\$295,652,002	\$333,507,915
Drug Stores	\$31,015,403	\$37,529,724	\$43,159,183	\$26,844,520	\$33,184,920	\$37,167,110	\$63,446,786	\$73,011,114	\$81,772,447	\$121,306,709	\$143,725,758	\$162,098,741
Furniture & Home Furnishings	\$28,162,769	\$34,077,937	\$39,189,628	\$12,336,184	\$15,249,864	\$17,079,848	\$28,857,114	\$33,207,199	\$37,192,063	\$69,356,067	\$82,535,000	\$93,461,538
Electronics & Appliances	\$31,518,809	\$38,138,863	\$43,859,693	\$12,868,976	\$15,908,496	\$17,817,516	\$29,634,410	\$34,101,669	\$38,193,869	\$74,022,195	\$88,149,028	\$99,871,077
Apparel & Accessories	\$74,448,154	\$90,084,875	\$103,597,606	\$18,114,928	\$22,393,488	\$25,080,707	\$42,459,794	\$48,860,424	\$54,723,675	\$135,022,876	\$161,338,787	\$183,401,988
Automobile Aftermarket	\$6,740,047	\$8,155,693	\$9,379,047	\$5,696,776	\$7,042,296	\$7,887,372	\$13,311,194	\$15,317,799	\$17,155,935	\$25,748,017	\$30,515,788	\$34,422,353
Eating Places	\$64,380,034	\$77,902,097	\$89,587,412	\$44,098,784	\$54,514,464	\$61,056,200	\$96,773,352	\$111,361,515	\$124,724,897	\$205,252,170	\$243,778,076	\$275,368,508
Miscellaneous Retail	\$51,710,983	\$60,395,681	\$69,455,033	\$34,303,608	\$42,405,768	\$47,494,460	\$80,061,488	\$92,130,410	\$103,186,059	\$166,076,079	\$194,931,859	\$220,135,552
Neighborhood Services	\$26,428,815	\$30,867,452	\$35,497,569	\$37,664,296	\$46,560,216	\$52,147,442	\$87,737,286	\$100,963,301	\$113,078,897	\$151,830,397	\$178,390,969	\$200,723,909

Source: U.S. Department of Commerce, Census of Retail Trade, 2002 and Melaniphy & Associates, Inc. projections, 2006

Table 2.5

Trade Area Total Retail Expenditure Potential And Estimated Market Shares By Trade Area Segment 2005, 2010, and 2015									
Store Category	Total Potential			Estimated Market Shares			Sales Volume (\$000)		
	Current	2010	2015	Current	2010	2015	Phase I	Phase II	Phase III
General Merchandise									
Primary	\$80,796,663	\$97,766,793	\$112,431,812	0.0%	2.0%	4.0%	\$0	\$1,955,336	\$4,497,272
Secondary	\$65,305,896	\$73,142,604	\$114,456,836	0.0%	1.0%	2.0%	\$0	\$731,426	\$2,289,137
Tertiary	\$114,456,836	\$131,710,708	\$147,515,992	0.0%	0.0%	0.0%	\$0	\$0	\$0
Total	\$260,559,395	\$302,620,104	\$374,404,641	0.0%	0.9%	1.8%	\$0	\$2,686,762	\$6,786,409
Home Improvement / Hardware									
Primary	\$20,919,316	\$25,313,105	\$29,110,071	0.0%	0.0%	4.0%	\$0	\$0	\$1,164,403
Secondary	\$36,984,720	\$41,422,886	\$70,442,450	0.0%	0.0%	2.0%	\$0	\$0	\$1,408,849
Tertiary	\$70,442,450	\$81,061,344	\$90,788,705	0.0%	0.0%	2.0%	\$0	\$0	\$1,815,774
Total	\$128,346,486	\$147,797,336	\$190,341,226	0.0%	0.0%	1.4%	\$0	\$0	\$2,573,252
Food Stores									
Primary	\$65,498,714	\$79,255,739	\$91,144,100	0.0%	15.0%	20.0%	\$0	\$11,888,361	\$18,228,820
Secondary	\$69,814,992	\$78,192,791	\$127,379,382	0.0%	10.0%	10.0%	\$0	\$7,819,279	\$12,737,938
Tertiary	\$127,379,382	\$146,581,271	\$164,171,024	0.0%	2.0%	2.0%	\$0	\$2,931,625	\$3,283,420
Total	\$262,693,088	\$304,029,801	\$382,694,506	0.0%	7.4%	8.9%	\$0	\$22,639,265	\$34,250,179
Drug Stores									
Primary	\$31,015,403	\$37,529,724	\$43,159,183	13.0%	15.0%	15.0%	\$4,032,002	\$5,629,459	\$6,473,877
Secondary	\$33,184,920	\$37,167,110	\$63,446,786	2.0%	2.0%	2.0%	\$0	\$743,342	\$1,268,936
Tertiary	\$63,446,786	\$73,011,114	\$81,772,447	0.5%	1.0%	1.0%	\$317,234	\$730,111	\$817,724
Total	\$127,647,109	\$147,707,949	\$188,378,417	0.0%	4.8%	4.5%	\$5,012,935	\$7,102,912	\$8,560,538
Furniture & Home Furnishings									
Primary	\$28,162,769	\$34,077,937	\$39,189,628	0.0%	15.0%	16.0%	\$0	\$5,111,691	\$6,270,340
Secondary	\$15,249,864	\$17,079,848	\$28,857,114	0.0%	10.0%	10.0%	\$0	\$1,707,985	\$2,885,711
Tertiary	\$28,857,114	\$33,207,199	\$37,192,063	0.0%	5.0%	5.0%	\$0	\$1,660,360	\$1,859,603
Total	\$72,269,747	\$84,364,984	\$105,238,805	0.0%	10.1%	10.5%	\$0	\$8,480,035	\$11,015,655
Electronics & Appliances									
Primary	\$31,518,809	\$38,138,863	\$43,859,693	0.0%	5.0%	6.0%	\$0	\$1,906,943	\$2,631,582
Secondary	\$15,908,496	\$17,817,516	\$29,634,410	0.0%	3.0%	4.0%	\$0	\$534,525	\$1,185,376
Tertiary	\$29,634,410	\$34,101,669	\$38,193,869	0.0%	1.0%	1.0%	\$0	\$341,017	\$381,939
Total	\$77,061,715	\$90,058,048	\$111,687,972	0.0%	3.1%	3.8%	\$0	\$2,782,485	\$4,198,897
Apparel & Accessories									
Primary	\$74,448,154	\$90,084,875	\$103,597,606	0.0%	5.0%	5.0%	\$0	\$4,504,244	\$5,179,880
Secondary	\$22,393,488	\$25,080,707	\$42,459,794	0.0%	3.0%	3.0%	\$0	\$752,421	\$1,273,794
Tertiary	\$42,459,794	\$48,860,424	\$54,723,675	0.0%	1.0%	1.0%	\$0	\$488,604	\$547,237
Total	\$139,301,436	\$164,026,005	\$200,781,075	0.0%	3.5%	3.5%	\$0	\$5,745,269	\$7,000,911
Automobile Aftermarket									
Primary	\$6,740,047	\$8,155,693	\$9,379,047	0.0%	15.0%	15.0%	\$0	\$1,223,354	\$1,406,857
Secondary	\$7,042,296	\$7,887,372	\$13,311,194	0.0%	10.0%	10.0%	\$0	\$788,737	\$1,331,119
Tertiary	\$13,311,194	\$15,317,799	\$17,155,935	0.0%	5.0%	5.0%	\$0	\$765,890	\$857,797
Total	\$27,093,537	\$31,360,863	\$39,846,176	0.0%	8.9%	9.0%	\$0	\$2,777,981	\$3,595,773
Eating Places									
Primary	\$64,380,034	\$77,902,097	\$89,587,412	6.5%	7.0%	8.0%	\$4,184,702	\$5,453,147	\$7,166,993
Secondary	\$54,514,464	\$61,056,200	\$96,773,352	3.0%	4.0%	5.0%	\$1,635,434	\$2,442,248	\$4,838,668
Tertiary	\$96,773,352	\$111,361,515	\$124,724,897	1.0%	2.0%	2.0%	\$967,734	\$2,227,230	\$2,494,498
Total	\$215,667,850	\$250,319,812	\$311,085,660	3.1%	4.0%	4.7%	\$6,787,870	\$10,122,625	\$14,500,158
Miscellaneous Retail									
Primary	\$51,710,983	\$60,395,681	\$69,455,033	3.0%	7.0%	13.0%	\$1,551,329	\$4,227,698	\$9,029,154
Secondary	\$42,405,768	\$47,494,460	\$80,061,488	1.0%	4.0%	7.0%	\$424,058	\$1,899,778	\$5,604,304
Tertiary	\$80,061,488	\$92,130,410	\$103,186,059	0.0%	1.0%	3.0%	\$0	\$921,304	\$3,095,582
Total	\$174,178,239	\$200,020,551	\$252,702,580	1.1%	3.5%	7.0%	\$1,975,387	\$7,048,780	\$17,729,040
Neighborhood Services									
Primary	\$26,428,815	\$30,867,452	\$35,497,569	5.0%	5.0%	5.0%	\$1,321,441	\$1,543,373	\$1,774,878
Secondary	\$46,560,216	\$52,147,442	\$87,737,286	1.0%	3.0%	3.0%	\$465,602	\$1,564,423	\$2,632,119
Tertiary	\$87,737,286	\$100,963,301	\$113,078,897	1.0%	1.0%	1.0%	\$877,373	\$1,009,633	\$1,130,789
Total	\$160,726,317	\$183,978,195	\$236,313,753	1.7%	2.2%	2.3%	\$2,664,416	\$4,117,429	\$5,537,786
TOTAL	\$1,645,544,919	\$1,906,283,647	\$2,393,474,809	1.0%	3.9%	4.8%	\$16,440,607	\$73,503,544	\$115,748,598

Source: Melaniphy & Associates, Inc., 2006

PHASING OF THE PROPOSED MEQUON TOWN CENTER

Table 2.6 presents the sizes and sales by Phase. A discussion of each phase is as follows:

Table 2.6

PROPOSED MEQUON TOWN CENTER MEQUON ROAD MEQUON, WISCONSIN PHASES I, II, AND III						
STORE CATEGORY	PHASE I		PHASE II		PHASE III	
	GENERAL SIZE	ESTIMATED SALES ¹	SIZE	ESTIMATED SALES ¹	SIZE	ESTIMATED SALES ¹
Supermarket			40,000	\$22,600,000	40,000	\$34,000,000
Electronics stores			5,000	\$2,700,000	5,000	\$4,200,000
Drug Store	14,000	\$5,000,000	14,000	\$7,000,000	14,000	\$8,500,000
Apparel and Accessories			20,000	\$5,700,000	25,000	\$7,000,000
Furniture and Home Furnishings			25,000	\$8,400,000	25,000	\$11,000,000
Book Store			20,000	\$6,000,000	20,000	\$7,000,000
Office Supplies					20,000	\$4,100,000
Restaurants	7,500	\$5,000,000	12,000	\$7,500,000	16,000	\$10,000,000
Quick Service Food Facilities	2,500	\$1,500,000	6,000	\$3,000,000	9,000	\$6,100,000
Miscellaneous Retail Stores	6,000	\$1,800,000	30,000	\$7,600,000	50,000	\$13,000,000
Services	10,000	\$2,600,000	14,000	\$4,000,000	17,000	\$5,500,000
Total	40,000	\$15,900,000	186,000	\$74,500,000	241,000	\$110,400,000

¹. All sales figures have been rounded to the nearest \$100,000.
 The sales estimates are subject to the assumptions stated in Section I
 Store sizes are approximate and will be adjusted to suit individual
 retailers

Source: Melaniphy & Associates, Inc., 2006

Phase I

Phase I can be implemented immediately. Our computations indicate that Phase I can contain approximately 40,000 square feet and generate upscale retail, foodservice, and service sales of an estimated \$15,900,000. There can be several variations for Phase I. For example, Phase I might include a supermarket like Whole Foods which might add an additional 40,000 square feet. Since they are only now entering the Milwaukee market their interest is unknown. Also, Piggly Wiggly needs to be strengthened and this will give them time to accomplish the improvement.

Phase II

Phase II is forecast to occur after 2010 and add approximately 146,000 square feet bringing the total retail development to 186,000 square feet. Sales are estimated at \$74,500,000. Phase II can begin as soon as Phase I is leased and ready for construction.

Phase III

The market for Phase III should occur near 2015 and add approximately 55,000 square feet, bringing the total retail developed up to approximately 241,000 square feet with sales estimated at \$110,400,000. Phase III can start as soon as Phase II is open.

RETAIL, FOODSERVICE, AND SERVICE CATEGORIES

A discussion of the individual retail, foodservice, and service categories is as follows:

■ Supermarket

In Mequon, the food store category is currently served primarily by Pick 'N Save, Sendik's, and Piggly Wiggly. In Phase II, we recommend a unique supermarket be included with between 30,000 and 40,000 square feet. We recommend a store that is different from the existing stores such as Whole Foods, Wild Oats, or someone like them. They feature organically grown produce and meats for health conscience consumers. Their customers have upper-middle to upper incomes and a high level of college degrees. We estimate that such a store could expect to capture initial estimated sales of \$22,600,000, rising to \$34,000,000 within five years. If securing a Whole Foods does not work, we suggest focusing upon someone local or the smaller Trade Joe's, a gourmet food and wine shop that requires approximately 10,000 square feet.

■ Drug Store

The drug store category is currently served by Walgreen's and neighborhood drug stores. Should a supermarket be secured with a drug store, then a separate drug store could not be supported. Based upon the competition in the marketplace, we estimate that a major drug store with approximately 14,000 square feet could initially capture sales of approximately \$5,000,000, rising to \$7,000,000 within five years. Osco Drugs represents a possible immediate tenant. Walgreen's may be a Phase II or III tenant.

■ Book Store

A major book store such as Barnes & Noble might be added in the second phase. The store should be at least 20,000 square feet and can generate initial sales of an estimated \$6,000,000 rising to \$7,000,000 in the third phase. Barnes & Noble will have a new store in Bayshore Mall. Border's is also a candidate; however they currently have a store in Fox Point.

■ Furniture, Home Furnishings, and Accessories

The Furniture, Home Furnishings, and Accessories category has potential in the Mequon Town Center in Phase II. We anticipate a store of approximately 20,000 to 25,000 square feet with sales estimated at \$8,400,000, rising to \$11,000,000 in Phase III. There will also be a market for some small home furnishing stores.

■ Electronics

Mequon is very weak in Electronics sales. We envision Bose, Bang & Olufsen or others as possible tenants in this category that focus on upscale equipment and service. We expect that Best Buy will develop a new store in Grafton which will adversely affect this market. Circuit

Retail Market Feasibility Study, Proposed Mequon Town Center, Mequon, Wisconsin

City operates at Brown Deer Road and 76th Street which will probably be relocated. We estimate that the market will support 5,000 square feet in this category and generate estimate sales of approximately \$2,700,000 in Phase II, rising to \$4,200,000 in Phase III.

■ Apparel & Accessories

There will be little demand for apparel & accessory stores in Phase I. The Bayshore Mall expansion has everyone waiting to see who will be there and what the overall impact will have upon apparel stores. Nonetheless, in Phase II, we anticipate demand in this category for approximately 20,000 square feet with a sales potential of an estimated \$5,700,000, rising to \$7,000,000 in 25,000 square feet in Phase III. We recommend a mix of local and national chain lifestyle stores.

■ Miscellaneous Retail

The Miscellaneous Retail Store category includes the following types of stores: sporting goods, jewelry, liquor, camera, toy, hobby, gift, luggage, mail order houses, florists, pet stores, and antique stores, among many others. In Phase I, the market will support approximately 6,000 square feet in this category with an estimated sales of \$1,800,000. In Phase II we recommend an additional 24,000 square feet, and in Phase III, an additional 20,000 square feet bringing the total to 50,000 square feet. Sales in Phase II are estimated at \$7,600,000, rising to \$13,000,000 with the implementation of Phase III.

■ Office Supply Store Category

The Office Supply Store category will generate demand in Phase III for a store in the 20,000 square foot range with sales estimated at approximately \$4,100,000.

■ Restaurants and Quick Service Food Facilities

In Phase I, we recommend the development of approximately 7,500 square feet of restaurant space and approximately 2,500 square feet of quick service food facilities, for a total of 10,000 square feet of foodservice. The restaurants should be different from those currently in Mequon and Thiensville. Also, an attempt should be made to encourage existing well-known Milwaukee restaurants to develop a northern unit in the Mequon Town Center. We expect the Town Center to initially capture sales in this category of \$6,500,000. Phase II of the development restaurants and quick service food facilities should increase to 18,000 square feet with combined sales of an estimated \$10,600,000. Within five years, we expect this category contain a total of 25,000 square feet and generate sales of approximately \$16,100,000.

■ Services

In Phase I in the Proposed Mequon Town Center there will be a market for approximately 10,000 square feet of services which include beauty salons, nail shops, cleaners, real estate and insurance offices, and others. Revenues are initially estimated at \$2,600,000. In Phase II, an additional 4,000 square feet should be added, raising revenues to an estimated \$4,000,000. In Phase III, an additional 3,000 square feet should be added raising revenues to an estimated \$5,500,000.

■ **All Categories**

In summary, based upon the initial market potential for the proposed Town Center, Phase I sales are estimated at approximately \$15,900,000 in 40,000 square feet. Phase II is expected to have a total of approximately 186,000 square feet and estimated sales of approximately \$74,500,000. The final Phase (III) can commence following the opening of Phase II. Thus, the total retail project can be expected to contain approximately 241,000 with sales estimated at approximately \$110,400,000.

ALTERNATIVE SCENARIOS

Based upon our analysis of the retail market in Mequon (and Thiensville), and the market demand to create a Town Center, we have examined the following scenarios leading to our recommendations. A discussion of the alternatives based upon market demand is as follows.

1. The Proposed Town Center on Mequon Road

The first alternative examined was the market for a Town Center concept on Mequon Road tying into Mequon Civic Center fronting on Cedarburg Road. As the report indicates, there is a market for developing a Town Center over time in several phases. We have reviewed the Town Center concept plans, and we believe that such an improvement will be a long term benefit to the community. The physical improvements will delineate the Mequon Town Center's civic and business activity into a downtown area with adequate identity, aesthetics, access and parking.

The Town Center should be phased to meet market demand. This will permit the costs of the public physical improvements for the Town Center to be partially borne by the developments. Thus, the City of Mequon will have full control of the types of retailers, appearance, texture, presentation, design, material, and landscaping.

2. A Town Center for only Mequon Residents

As requested, we have examined the possibility of creating a Town Center to serve only the residents of Mequon and Thiensville. First, this scenario analysis revealed that Mequon and Thiensville are currently importing retail sales dollars from other communities. Second, there is no way to control shopping other than not having any retail stores. As Mequon grows, the demand for additional retail facilities will be either in the Mequon Town Center area or other locations to the west. The community can best serve this growing need by focusing the demand in the designated Town Center area (Downtown Mequon) where vacant land is available and some properties need redevelopment.

3. Do nothing

This alternative assumes that City Officials decide to take no action regarding the Town Center proposal. It further assumes that development of the land on the south side of Mequon Road will be left to market demand to initiate activity. Any development would be subject to the community zoning and building ordinances.

In our opinion, this alternative will be slow and eventually create a mixed bag of commercial facilities. Moreover, in our opinion it would be a "Stagnant Strategy," risking the loss of an opportunity to create a Downtown area with needed retail and service facilities. If for no other reason, convenience good stores should be within one and one-half to two miles of residents to provide convenient and efficient shopping. The area near the center of Mequon which houses City Hall and the Library is the best location to serve as the next retail and service concentration. Moreover, it provides an opportunity to synergize both the civic and business elements of the community. New retail facilities will be needed in the community, and therefore, the best strategy will be to concentrate them where governmental and business activities are already located. Such a development will also represent the current resident's contribution to the future of Mequon. A Town Center will establish a better "sense of place," identity, and continuity. Lastly, it provides a "Gateway" to both government and business in the center of Mequon's very large community.

RECOMMENDATIONS

1. Develop the Proposed Town Center

Mequon needs a "Gateway" or a "Center" of the community that integrates the Civic Center with a needed second Commercial concentration. We recommend that Mequon proceed to develop a Town Center on the south side of Mequon Road, as designated. This will provide a very specific set of guidelines so that retailer and developers will fully understand the physical requirements. The initial retail magnets such as a Supermarket or Drug store may need to be set back from Mequon Road with parking in front. However the road frontage can be developed as out-buildings for quick service food shops, medical clinics, services, and other smaller users. To make the Town Center work, it may be necessary to some assistance or incentive to at least one major generator. The phasing, size, and estimated sales of each phase has been previously discussed.

2. Public Financing

Some level of public assistance will be necessary to complement or initiate the Town Center's private development. Also, a public presence will be necessary to set the tone for the development by creating the character and architectural vision.

Currently, retailers are focused on Port Washington Road where other retailers are located. Public dollars may be necessary to initially attract some of the larger generators in Phase I and II. Public financing will also be needed for some of the public improvements. Each development can be expected to contribute to the needed public and private improvements in accordance with the City's architectural and design guidelines.

Our experience indicates that initial public expenditures jump-start a development and set the stage for further additions and expansions. The process can be assisted by Tax Increment Financing (TIF) or a Special Service Area (SSA) or District (SSD), or some other public/private assistance vehicle. We have found today that most communities are using TIF as the vehicle for public expenditures and financing, which are recovered over the life of the TIF. It is our understanding that your TIF guidelines have considerable flexibility in timing

and size. We recommend that TIF be utilized along with private assistance from each development.

3. **Steps Toward Mequon Town Center Development**

Logically, the Town Center plan should be implemented from east to west, starting closet to the River Center and extending west. The City's role should be that of facilitator. The implementation steps should include:

- The first step in the Town Center development process is deciding to implement the program.
- The next step is to meet with the property owners in the designated area to explain the Town Center Plan so that the owners can decide how they can participate.
- The need for a developer(s) should be discussed along with the possibilities for joint-ventures between themselves and experienced developers. Experienced developers can get the project off to a running start and assist in the full implementation of the Town Center. Experienced developers usually already know the retailers and restaurants have credibility, and proven track record to complete the process successfully.
- Several experienced developers should be invited to Mequon to review the location and the possibility. Next, their joint-venture type of agreements should be discussed to better understand how Milwaukee area developers proceed.
- The City should facilitate the meeting of land owners and developers. Some land owners may wish to sell and others to participate in the development.
- The area should be established a TIF or a Special Service Area.

Again, our experience is that this should be implemented by the private sector and assisted by the City in creating the environment for implementation. The City should not be the development coordinator, but rather the facilitator toward completion.

4. **Suggested Retailers to be Contacted**

Some stores that should be contacted for each phase of the development are listed on the following pages. Independent retailers and restaurateurs should also be contacted about location here.

Food Stores

Whole Foods or Wild Oats
Trader Joe's
Cost Plus World Market

Suggested Retailers to be Contacted (Continued)

Book Stores

Barnes & Noble
Border's
Books a Million

Apparel and Accessory Stores

American Eagle Outfitters
Ann Klein
Ann Taylor and Ann Taylor Loft
Anthropologie
Anchor Blue
April Cornell
Avenue
Chico's
Coldwater Creek
Club Monaco
DKNY
H&M
Hollister Co.
Hot Topic
J Crew
J Hill
Johnson & Murphy
Jos. A Banks
Lerner New York
Polo Sports
Talbot's

Shoes

Steve Madden
Rockport
Footlocker

Jewelry Stores

Most likely local operators

Home Furnishings

Ashley Furniture
Le Gourmet Chef
Pottery Barn
White House/Blank Market
Restoration Hardware
Room Store Furniture
Z Gallerie

Suggested Retailers to be Contacted (Continued)

Home Improvement

Ace or True Value Hardware

Electronics

Bose

Bang & Olufsen

Sharper Image

Restaurants

An additional unit of famous Milwaukee restaurants

Applebee's

Claim Jumper

Champp's

Claddagh Irish Pub

Joe's Crabshack

On the Border

Mitchell's Fish Market

Cameron's Steak House

Martini Italian Bistro

Brio Tuscan Grill

Johnny Rockets

PF Chang's

Portillo's

Red Robin

Ruth Chris

Buffalo Wings Wild

White Chocolate Grill

Numerous local restaurants

Quick Service Restaurants

Alterra Coffee

Buddy Squirrel

Caribou Coffee

Cold Stone Creamery

Dunkin Donuts

Gloria Jean's Coffee

Godiva Chocolatier

Maggie Moo's Ice Cream

Potbelly Sandwich Works

QDoba Mexican Grill

Rocky Rococo

Starbuck's Coffee

St. Louis Bread Co

Suggested Retailers to be Contacted (Continued)

Miscellaneous Retail Stores

Art Galleries
Build A Bear Workshop
Cell Phone Stores
GNC Live Well
Radio Shack
Sharper Image
Yankee Candle

Non-Retail Users

Health Club
Curves for Women
Curves for Men
Lifetime Fitness
Xsport Fitness
Bank
Banquet Facilities

SECTION III

METHODOLOGY AND DEFINITIONS

METHODOLOGY

Our basic approach has been to analyze the market forces which either directly or indirectly affect the development potential of the Proposed Mequon Town Center on Mequon Road in Mequon, Wisconsin. In order to determine the market potential, we have carried out a number of research steps. They are summarized below:

Previous studies conducted by our firm in Milwaukee and suburban communities were reviewed. This included a review of the data and recent studies contained in our library. A search of published and unpublished data regarding population, housing, employment, income, competitive facilities, proposed facilities, commercial development trends, directional growth patterns, accessibility, and other data pertinent to this analysis. The Internet and other library sources were utilized. Primary sources included:

- United States Department of Commerce; Bureau of the Census, Census of Population and Housing 1970, 1980, 1990, and 2000
- United States Department of Commerce, Bureau of the Census; American Fact Finder, Ozaukee County and City of Mequon, 2001, 2002, 2003, and 2004 estimates
- United States Department of Commerce; Economic Census of Retail Trade 1982, 1987, 1992, 1997, and 2002
- United States Department of Commerce, Economic Census of Accommodations and Foodservice, 1997 and 2002.
- Southeastern Wisconsin Regional Planning Commission (SEWRPC)
- State of Wisconsin - Department of Administration (DOA)
- State of Wisconsin - Department of Commerce
- State of Wisconsin - Department of Transportation (WISDOT)
- State of Wisconsin - Department of Industry, Labor, and Human Relations (DILHR)
- State of Wisconsin - Department of Public Instruction
- State of Wisconsin - Department of Revenue
- Metropolitan Milwaukee Association of Commerce
- Mequon Chamber of Commerce
- Thiensville Chamber of Commerce
- *Milwaukee Journal Sentinel*
- *The Business Journal*
- The Polacheck Company
- Judson & Associates, Inc.
- Grubb & Ellis / The Boerke Co.
- NAI MLG Commercial
- International Council of Shopping Centers (ICSC)
- *Shopping Centers Today*
- *Shopping Center Business*

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- *Globe Street Retail*
- Urban Land Institute (ULI)
- Tactician, Inc.
- Claritas, Inc.

Members of our staff visited the Subject Site on numerous occasions and conducted a field reconnaissance of Mequon, Thiensville, and surrounding communities. This field review included three major elements. First, existing retail were inventoried and evaluated from a quantitative and qualitative perspective. Second, accessibility was evaluated in terms of both existing conditions and potential future conditions. Thirdly, a detailed driving time analysis was conducted in all directions by five-minute intervals for 20 minutes. These research steps provided information regarding population density, general socioeconomic structure, and development patterns in Milwaukee and surrounding areas.

The specific elements of the data analysis are as follows:

- A. An inspection of Mequon Road between the Cedarburg Road and Wauwatosa Road was undertaken regarding types of uses, existing tenants, merchandise mix, placement, vacancy, access, and visual appeal. This will also include any changes that have occurred in recent years.
- B. Identification was made of present and future trends affecting Mequon retail development and the likelihood of attracting new retail businesses to the Proposed Town Center. These trends included demographics, employment, occupation, education, workforce skills, income levels, and retail sales. Examination and comparison of local and regional trends were undertaken in order to identify local and regional retail growth sectors.
- C. Examination was completed of the existing retail base in the Mequon-Thiensville area, the existing and expected rent structure, and anticipated rental rate growth.
- D. A review was undertaken of past retail development in Mequon and recent development focus. This provided insight into the strength of the Mequon market, general sales performance, vitality, barriers to entry, if any, consumer patronage, and general business climate.
- E. An examination was conducted of vacant commercially-zoned land on Port Washington Road near Mequon Road. In recent years, almost the total focus of new retail development has been in this area. Two sites remain covering approximately 15 acres.
- F. An examination of the existing road network and the changes, that are planned or proposed, was completed. Furthermore, we evaluated the existing traffic flow and traffic counts in Mequon.
- F. An evaluation was conducted of the current inventory of existing and proposed competitive retail concentrations that influence the City of Mequon and the Village of Thiensville. Since

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Mequon and Thiensville are so intertwined, it is difficult to look at one and not consider the other. Specifically, we focused upon locations, tenants, types, sizes, turnover, vacancy, timing of past developments, performance levels, and any major store closings or relocations. We also identified any proposed developments, along with their probable tenants and likely timing of projects. The primary objective was to identify the major retail centers located outside Mequon that influence Mequon's Trade Area causing retail sales leakage. This evaluation also included a general opinion of how the type, timing, value, and quality of future development/redevelopment will be affected by proposed public improvements within the Town Center area.

- G. A driving time analysis was conducted in all directions from Mequon and Cedarburg roads to simulate the distances a consumer can drive during given time allocations. The detailed driving time analysis assisted in the delineation of the Trade Area.
- H. Data from the 1997 and 2002 Economic Census of Retail Trade and Accommodations and Foodservice were obtained for Milwaukee, Ozaukee, and Washington counties by major retail and foodservice categories. Similar data was obtained for both Mequon and Thiensville and the data were compared for changes that took place over the five year period
- I. The Proposed Town Center's Trade Area was delineated on the basis of the driving time analysis, existing and planned retail and restaurant concentrations, competitive alignment, road patterns, traffic flow, physical and psychological barriers, demographics, growth, household income, and existing shopping habits and patterns. The Trade Area was segmented into Primary, Secondary, and Tertiary parts.
- J. Demographics of the Trade Area were compiled and population and household forecasts were prepared for 2002, 2005, 2010, and 2015. We evaluated household income, household structure, spending patterns, household size, age structure, employment, commuting patterns, and other factors which influence Personal Consumption Expenditures. Household income was forecast to 2005, 2010, and 2015.
- K. Personal Consumption Expenditures were computed for 2002 and forecast to 2005, 2010, and 2015. Personal Consumption Expenditures include food, drugs, general merchandise, apparel, shoes, hardware, electronics, furniture, appliances, eating and drinking places, and a plethora of other types of retail stores. This essentially defines the market for which any retail development would be competing. Resident's Personal Service Expenditures were also forecast since service stores and retail shops are a part of almost all shopping centers.
- L. We determined the Total Retail Market Potential of the Proposed Mequon Town Center Trade Area. We also determined the retail sales leakage out of the community based upon the market potential and estimated retail sales currently captured in Mequon.
- M. Mequon's market penetration was computed overall and by individual categories. Also, a determination was made regarding whether the City was importing or exporting sales.

- N. A determination was made of the market for additional retail development in the Proposed Mequon Town Center area. This includes the type of retail development and redevelopment that the market will successfully support, the retail sales that can be expected initially, as well as in 2010, and 2015; the types of stores that can be supported; specific retailers for which there is a market, square footages required; parking requirements, placement, timing, and overall land needs.
- O. Alternative development scenarios were considered that focused on retail facilities designed to meet market demand, in contrast to retail facilities developed to meet only the demand of Mequon residents.
- P. Phasing alternatives were defined and discussed.
- Q. We prepared a list of possible retail and restaurant tenants that should be pursued.
- R. We determined the need for public development assistance, including Tax Increment Financing (TIF) and Special Service Area (SSA)..

DEFINITIONS

The following definitions have been gathered from the International Council of Shopping Centers, the National Retail Federation, *The Selection of Retail Locations, Market Research for Shopping Centers, Restaurant and Fast Food Site Selection*, Urban Land Institute, *The Dollars and Cents of Shopping Centers, ICSC's Dictionary of Shopping Center Terms*, and from our own experience over the past 40 years of evaluating markets for retailers and shopping center developers.

- **A Major Mall or Center** can be either open or enclosed and contains at least two department stores anchoring the addition of numerous specialty stores. Malls usually range in size between 400,000 and 1,500,000 square feet.
- **A Super Regional Mall or Center** usually range between 1,500,000 and 1,750,000 square feet with four or more department stores with over 150 specialty stores, food court operators, and restaurants.
- **Lifestyle Centers** usually are a collection of apparel, home, accessory, entertainment, and other specialty stores located in upper middle or upper income areas along with both quick service and full service restaurants ranging in size from 200,000 to 800,000 square feet. Most do not contain department stores.
- **Community Centers** are usually older centers with an old Kmart or some other major retail generator along with a mix of retail stores and service shops. They range in size from 100,000 to 350,000 square feet. Many however have either been converted to Power Centers or have considerable vacancies.

- **Power Centers or Power Towns** are usually a collection of Big Box retailers including discounters, home improvement, book stores, appliance stores, pet stores, supermarkets, warehouse and club stores, linen stores, sporting goods, computer stores, restaurants, and other box retailers. Stores in this category include Wal-Mart, Target, Meijer's, Kohl's, Home Depot, Lowe's, Menards, Best Buy, Circuit City, Fry's Electronics, Barnes & Noble, Border's Books, Bed Bath & Beyond, Linens 'n Things, Ross Dress for Less, The Sports Authority, Dick's Sporting Goods, Big Kmart, and others. They can range from approximately 300,000 to 1,000,000 square feet.
- **Outlet Centers** usually are a combination of manufacturing company stores and off-price retailers normally located at an Interstate interchange usually on a highway which connects vacation concentrations with urban areas. There are some very large examples of Outlet Centers on the edge of major metropolitan areas.
- **Big Box Retailers** include almost any large retailer such as Wal-Mart, Target, Kohl's, Kmart, Costco, Sam's Club, Sears Essentials, Home Depot, Lowe's, Menards, Best Buy, Circuit City, Ikea, Barnes & Noble, Border's Books, Bed Bath & Beyond, Linens 'n Things, Ross Dress for Less, The Sports Authority, Dick's Sporting Goods, Rooms to Go, Pick n' Save, Walgreens, CVS, Office Max, Office Depot, Staples, Theaters, and others. They can be either part of a power center or freestanding. They normally range in size from 20,000 square feet to over 200,000 square feet. Super Big Box retailers include Cabela's and Ikea, generate a significant customer base from wide area attraction and operate stores ranging from 200,000 to over 450,000 square feet.
- **Neighborhood Convenience Centers** are usually anchored by a supermarket, a supermarket combination unit with a drug store, or a major drug store, along with a collection of convenience and service oriented stores, ranging in size from 30,000 square feet up to 150,000 square feet.
- **Downtown** is usually an older part of an urban area where the city first started to grow. It usually contains a concentration of office, financial, government, retail, and civic uses surrounded by a combination of residential and industrial uses.
- **Strip Service Centers** are very small shopping centers typically with a convenience food mart and other convenience and service shops ranging in size between 7,000 to 20,000 square feet.
- **Convenience Goods and Service Stores** are stores directed toward the convenience of the shoppers. These include supermarkets, food marts, drug stores, hardware, stores, liquor shops, video shop, meat markets, fish markets, fast food shops, restaurants, cleaners, laundry, currency exchange, and other shops serving a narrow market. These stores are shopped on a highly frequent basis to meet local everyday needs.

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- **Shopper Goods Stores** are stores selling durable goods such as apparel for every member of the family, shoes, accessories, jewelry, appliances, furniture, home furnishings, toys, books, bedding, office goods, and others durable goods.
- **Entertainment** includes cinemas, comedy clubs, family entertainment centers, bowling, laser tag, electronic games, electronic sports, and other indoor entertainment venues.
- **A Trade Area** represents that portion of a market area where a retailer or retail concentration can expect to capture between 80 and 90 percent of its customers. Because of driving patterns, visitors, employment, and infrequent shopping visitors, it is difficult, if not impractical, to define a Trade Area more precisely. As more distance is added, the area covered grows geometrically making the assessment beyond 90 percent usually uneconomic.
 - **Primary Convenience Trade Area** is that area from which the most frequent customers to convenience goods stores originate.
 - **Primary Shoppers Trade Area** is that area from which the most frequent customers originate to purchase shoppers goods items.
 - **Secondary Trade Area** is generally the area from which less frequent customers originate to make purchases.
 - **Tertiary Trade Area** is used with very large and dynamic projects which attract customers from a very wide area. The Tertiary Trade Area usually defines the area from which very infrequent customers will originate.
- **Market Penetration**, sometimes referred to as “Market Share,” is the percentage captured by a retailer, shopping center, or retail complex of the potential retail and foodservice expenditures generated within its respective Trade Area.
- **Personal Consumption Expenditures** represent the dollars available for the purchase of goods and services during a year. They usually represent approximately 30 to 40 percent of a household’s income.
- **Travel or Driving Time Analysis** represents the distance that one can drive at five-minute intervals during normal shopping periods following either posted speed limits or keeping up with traffic. Driving times are usually conducted for 15 minutes in each direction from an area of interest.

SECTION IV

MEQUON AREA MARKET DYNAMICS

MEQUON POPULATION

Mequon, Wisconsin is located in the northern Milwaukee suburban area and enjoys an excellent quality of life. The City of Mequon covers approximately 47 square miles making it the 4th largest community in the State of Wisconsin. Interstate 43, a major north-south interstate freeway, traverses the community on its eastern edge. Also, most of Mequon's commercial facilities are concentrated on Port Washington Road near the Interstate 43 interchange at Mequon Road.

Thiensville, Mequon's sister community, is surrounded by Mequon. Both communities share their resident's personal consumption and service expenditures, although shopping for major durable goods is generally outside of the communities.

Mequon had a 2000 Census of Population count of 21,823 persons. According to the U.S. Census Bureau's American Fact Finder Survey, Mequon had an estimated 2004 population of 23,793 persons, up from 22,643 in April 2000. Table 4.1 depicts the estimated population change from April 2000 to July 1, 2004.

Table 4.1

U.S. Census Bureau
American Fact Finder Population Survey
2000 - 2004

Geographic area	Population Estimates					Census 2000
	July 1, 2004	July 1, 2003	July 1, 2002	July 1, 2001	July 1, 2000	April 1, 2000
Mequon city, Ozaukee County	23,793	23,482	23,280	22,738	22,683	21,823

Source: U.S. Department of Commerce; Bureau of the Census; Census of Population, American Fact Finder Survey, 2005

HOUSEHOLDS

The number of households in the Milwaukee MSA continues to rise from 561,256 households in 1990 to 587,657 households in 2000. This represents an increase of 4.7 percent. The fastest growing counties, in terms of population, were also the fastest growing counties in terms of household growth. Between 1990 and 2000, Washington County experienced household growth

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of 27.5 percent. Over the same time period, the number of households in Ozaukee County increased by 20.0 percent. Milwaukee County households decreased by -3.3 percent between 1990 and 2000.

Table 4.2 on the following page presents the household characteristics for the Milwaukee MSA, each county of the MSA, and the city of Milwaukee for 1990, 2000, and 2020.

Table 4.2

**Household Characteristics
1990, 2000 Census and 2030 Projections**

Region	Year			Percent Change	
	1990	2000	2030	1990-2000	2000-2030
Milwaukee County	390,715	377,729	442,105	-3.3%	17.0%
Ozaukee County	25,707	30,857	39,208	20.0%	27.1%
Washington County	34,382	43,843	61,351	27.5%	39.9%
Waukesha County	110,452	135,229	172,166	22.4%	27.3%
Milwaukee MSA	561,256	587,657	604,015	4.7%	2.8%
City of Milwaukee	240,540	232,188	257,411	-3.5%	10.9%
Racine County	63,736	70,819	85,436	11.1%	20.6%
Kenosha County	47,029	56,057	79,720	19.2%	42.2%
Southeastern Wisconsin	672,021	714,533	769,171	6.3%	7.6%
State of Wisconsin	1,822,118	2,084,556	2,667,688	14.4%	28.0%

Source: U.S. Department of Commerce, Bureau of the Census, 1990 and 2000; Wisconsin Department of Commerce; and the State of Wisconsin Department of Administration 2030 Projections

Overall, Ozaukee County is and will continue to grow as a result of housing demand in areas with good schools, safety, and quality of life.

AGE STRUCTURE

The average age of Milwaukee County residents increased from 35.8 years in 1990 to 37.4 years in 2000. The county with the youngest average age was Washington County. By 1990, the average age was 33.4 years which increased to 35.8 years in 2000. Ozaukee County had a 1990 average age of 34.8 years which increased to 37.1 years in 2000. **Table 4.3** presents the average age of residents of each county for 1990 and 2000. Mequon's current average age is estimated at 40.9 years.

Table 4.3

**Average Age
Milwaukee MSA Counties
1980, 1990, and 2000**

County	1990 Census	2000 Estimate
Milwaukee	35.8 years	37.4 years
Ozaukee	34.8 years	37.1 years
Washington	33.4 years	35.8 years
Waukesha	34.3 years	36.7 years

Source: U.S. Department of Commerce, Bureau of the Census, 1980, 1990, and 2000

EMPLOYMENT

The Milwaukee Metro Area contains eight Fortune 500 companies according to the magazine's 2005 list. The eight firms include Johnson Controls, Inc., Glendale; Northwestern Mutual, Milwaukee; Manpower, Inc., Glendale; Kohl's Corp, Menomonee Falls; Harley-Davidson Inc., Milwaukee; Wisconsin Energy Corp., Milwaukee, and Roundy's in Pewaukee..

Economic indicators for the Milwaukee Metropolitan Area posted improved performance in 2005. After showing signs of strength in early 2003, the local economic trends see-sawed in mid 2003 through 2005 suggesting that a full recovery was some months off.

Table 4.4 shows the distribution of employment and the percent that each category represents of the total Ozaukee County employment. The data reflects a fairly balanced distribution of suburban employment.

Table 4.4

Ozaukee County Employment by Industry - 2004

<u>Category</u>	<u>Person Employed</u>	<u>Percent</u>
Construction	1,674	4.5
Education and Health	5,974	16.2
Financial Activities	2,648	7.2
Information	N/A	N/A
Leisure and Hospitality	3,984	10.8
Manufacturing	9,887	26.8
Natural Resources	170	0.5
Other Services	1,294	3.5
Professional and Business Services	3,171	8.6
Public Administration	1,660	4.5
Trade, Transportation, and Utilities	<u>6,456</u>	<u>17.5</u>
Total	37,140	100.0

Note: the total does not equal the sum of the individual categories due to data suppression. Ozaukee, County

Note: Table revised July 2005.

The slowing of the national economy in 2004 and 2005 and particularly the manufacturing sector had an impact around the country, and in the Milwaukee area. Employment indicators in the Milwaukee MSA showed the Manufacturing sector was particularly weak. Trends in the manufacturing sector continued to slump. In January 2000, the jobless rate stood at only 3.1 percent. The unemployment rate in Milwaukee is slightly lower than the national unemployment rate of 6.2 percent. The jobless rate in the metro area is approximately 4.0 percent.

RETAIL DEVELOPMENT TRENDS

The four most significant national trends affecting the retail market include the following:

- ◆ No malls are planned and only a handful will be opened in the United States this year.

- ◆ The slowdown in development in all but power centers, lifestyle centers, and freestanding stores;
- ◆ Consolidations continue in the retail industry especially with department stores;
- ◆ The expansion of promotional “Big Box,” superstore retail chains and freestanding drug stores and including Wal-Mart, Target, Lowe’s, Home Depot, and Menards
- ◆ The development continues of entertainment concepts in shopping centers including multi-screen cinema complexes, theme restaurants, nightclubs, and family entertainment centers, among others.

Milwaukee has been affected by the same national trends. Retail development has principally been driven by growth of freestanding supermarkets, drug stores, big box retailers, and superstores. Expansion among the “Big Box” retailers continued at a steady pace again in 2005 . This expansion was led by Pick ‘N Save, Wal-Mart, Kohl’s, Lowe’s, and Menards. Some of the “Big Box” retailers expanding in the Milwaukee Market in 2005 included: Target, Wal-Mart, Pick “N Save, Menards, Home Depot, Kohl’s Department Store, Petco, Linens-N-Things, Bed Bath & Beyond, Ashley Furniture, AJ Wright, Gordman’s, Michael’s, Pier 1, Walgreens, and Aldi, Whole Foods, Trader Joe’s among others. Finally, there was an increase in the number of “dollar stores” in the market including Deals, Nothing Over a Dollar, Always 99 Cents, Dollar Tree, Dollar Discount, Family Dollar, and Dollar General. Many will close or relocate because of an overdevelopment of these types of stores.

POPULATION PROJECTIONS

The Southeastern Wisconsin Regional Planning Commission (SEWRPC) prepares population forecasts for the region. The forecasts are determined in part by the development policy enacted in Southeastern Wisconsin. There are three alternative scenarios under which the forecasts were prepared. They are as follows: the 2020 Recommended Land Use Plan, the 2020 High-Growth Decentralized Plan, and the 2020 High Growth Centralized Plan. For the purposes of this study, we have utilized the population and household forecasts for the 2020 Recommended Plan. The data and projections may have to be re-forecast following receipt of the 2000 Census data.

The Wisconsin Department of Commerce prepared population projections from the 2000 Census to the year 2030. **Table 4.5** presents the population data and projections for Milwaukee, Ozaukee, Washington, Waukesha counties, the Milwaukee MSA, and the city of Milwaukee and Kenosha and Racine counties for the year 2030. The 1990 and 2000 Census figures are also provided for comparison.

Table 4.5

**Population Projections for 2030
Compared to 1980, 1990, and 2000**

Region	Year				Percent Change		
	1980	1990	2000	2030	1980-1990	1990-2000	2000-2030
Milwaukee County	964,988	959,275	940,164	1,030,644	-0.6%	-2.0%	9.6%
Ozaukee County	66,981	72,831	82,317	97,668	8.7%	13.0%	18.6%
Washington County	84,848	95,328	117,493	145,314	12.4%	23.3%	23.7%
Waukesha County	280,203	304,715	360,767	436,986	8.7%	18.4%	21.1%
Milwaukee MSA	1,397,020	1,432,149	1,500,741	1,710,612	2.5%	4.8%	14.0%
City of Milwaukee	636,295	628,088	596,974	621,868	-1.3%	-5.0%	4.2%
Racine County	173,132	175,034	188,831	214,902	1.1%	7.9%	13.8%
Kenosha County	123,137	128,181	149,577	198,258	4.1%	16.7%	32.5%
Southeastern Wisconsin	1,693,289	1,735,364	1,839,149	2,123,772	2.5%	6.0%	15.5%
State of Wisconsin	4,705,642	4,891,769	5,363,715	6,415,923	4.0%	9.6%	19.6%

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population 1980, 1990, and 2000, the State of Wisconsin Department of Commerce; Department of Administration (DOA) 2030 Forecasts.

Ozaukee County had a 2000 population of 82,317 which is forecast to increase to 97,668 by 2030, or 18.6 percent according to the Wisconsin Department of Commerce; Department of Administration. Washington County is forecast to have the second highest percentage growth from a 2000 population of 117,493 to a forecasted 2030 population of 145,314, or 23.7 percent.

SECTION V

RETAIL MARKET ANALYSIS

SITE/LOCATION

The proposed Mequon Town Center is located on the south side of Mequon Road (Wisconsin Highway 167) between the Wisconsin Central Railroad tracks on the east and Wauwatosa Road (Wisconsin Highway 181) on the west. Currently, most retail facilities in Mequon are concentrated approximately three miles to the east at Port Washington and Mequon roads near the interchange with Interstate 43. Thiensville, Wisconsin, surrounded by Mequon, has its retail facilities concentrated along Cedarburg Road (Main Street in Thiensville). *Figure 5.A* on the following page presents the Area Map which depicts the location of the proposed Mequon Town Center.

ACCESSIBILITY

Mequon Road (Wisconsin Highway 167) is the primary traffic artery which will serve the Proposed Mequon Town Center. Mequon Road is a major east-west traffic artery that commences at North Lake Shore Drive near Lake Michigan on the east and extends westerly to Interstate 43 where an interchange is provided. Mequon Road then continues on a westerly course through Mequon to Germantown and U.S. 41-45. Primary north-south access will be provided by Cedarburg Road (Wisconsin Highway 57) and Wauwatosa Road (Wisconsin Highway 181).

Mequon Road is a four-lane traffic artery with turning lanes at important intersections. The speed limit is generally 40 miles per hour in the City.

Interstate 43 commences from its junction with Interstate 94 in Milwaukee and extends northward through the suburbs to Green Bay, Wisconsin. Interstates 43-94 connect Milwaukee and Chicago.

A. Driving Time Analysis

A detailed Driving Time Analysis was conducted from the Subject Property in all directions. The Driving Time Analysis assists in the delineation of the Trade Area by determining the distances a consumer can travel during given time allocations. It should be pointed out that differing distances at different times can occur. The Driving Time Study was conducted during non-peak travel times to simulate the normal shopping habits of consumers. Of course, traffic accidents and construction activity can significantly increase driving times. The Driving Time Analysis was conducted for 20 minutes in each direction by five-minute intervals. *Figure 5.B* presents the Driving Time Analysis by five minute interval, following *Figure 5.A*.

Figure 5A

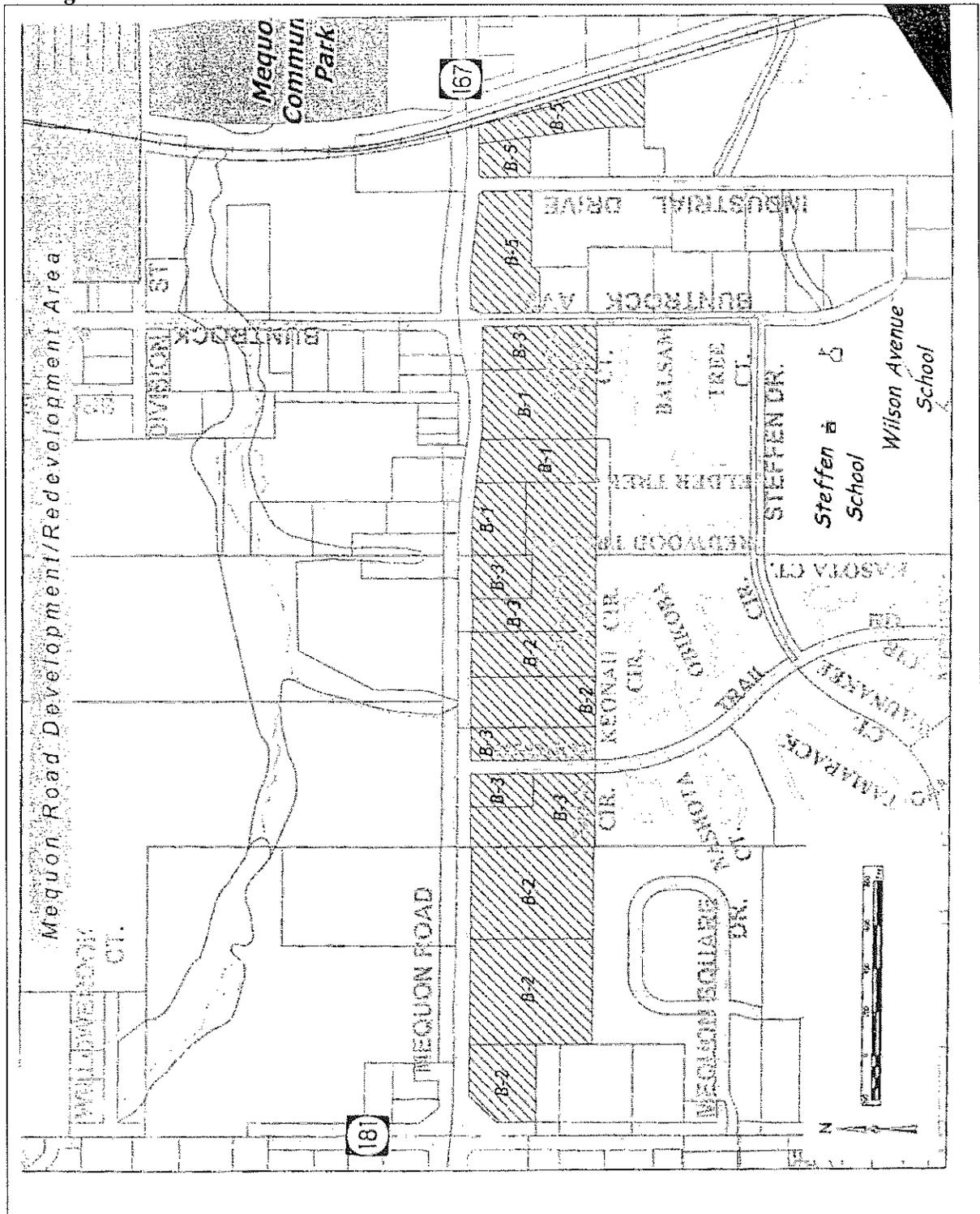
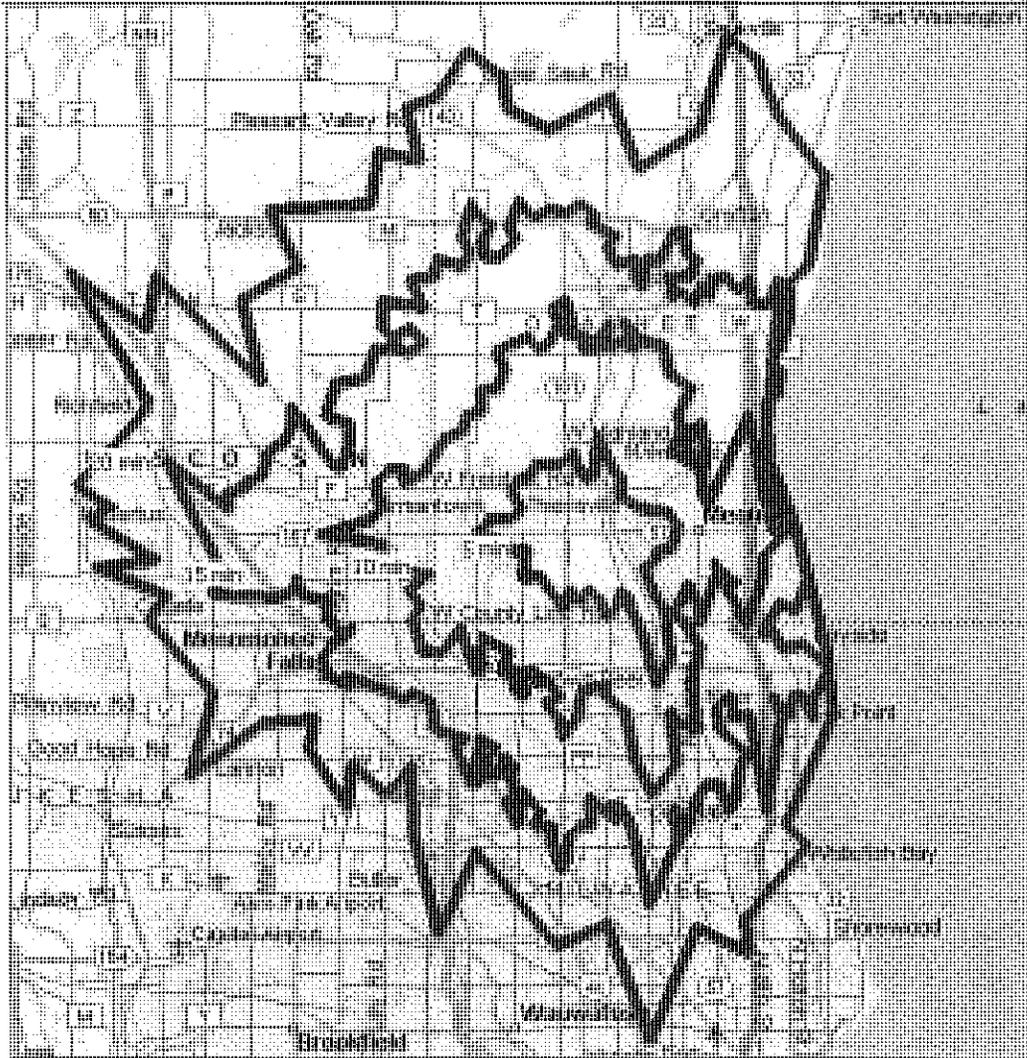


Figure 5.B

Travel Time Analysis
Proposed Mequon Town Center
Mequon, Wisconsin



Each of the “Zones” in *Figure 5.B* above represents five minutes of driving in various directions.

B. Traffic Counts

The most recent traffic volume data was provided by the Mequon’s Community Development Department for all of the major and many of the minor traffic arteries. **Table 5.1** presents the 2004 average daily traffic counts for Mequon and Thiensville. *Figure 5.C* presents the 2002 traffic count map for the Milwaukee Highway System. The 2002 counts are the most recent average daily traffic statistics available from the Wisconsin Department of Transportation District 2.

Table 5.1

**Average Daily Traffic Counts
Mequon and Thiensville, Wisconsin
2004**

<u>Location</u>	<u>Traffic Count</u>
◆ Mequon Road - eastbound just east of Port Washington Road	14,500
◆ Mequon Road – west bound from Interstate 43	13,700
◆ Mequon Road – east bound at the Milwaukee River	11,900
◆ Mequon Road – westbound at the Milwaukee River	12,300
◆ Mequon Road – westbound at the Wisconsin Central RR tracks	9,300
◆ Mequon Road – eastbound at the Wisconsin Central RR tracks	8,200
◆ Cedarburg Road – northbound toward Mequon Road	6,600
◆ Cedarburg Road – southbound from Mequon Road	7,800
◆ Cedarburg Road – northbound from Mequon Road	8,600
◆ Cedarburg Road – southbound toward Mequon Road	8,800
◆ Port Washington Road – northbound at the Pavilion	7,800
◆ Port Washington Road – southbound at the Pavilion	8,600
◆ Port Washington Road – northbound near the Hospital	11,200
◆ Wauwatosa Road – northbound from Mequon Road	5,400
◆ Wauwatosa Road – southbound toward Mequon Road	5,900
◆ Wauwatosa Road – southbound from Mequon Road	6,100
◆ Wauwatosa Road – northbound toward Mequon Road	6,200

Source: State of Wisconsin Department of Transportation, District 2, 2005

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area from which the most frequent visitors originate. The Secondary Trade Area has been designated as the area between 10 and 15 minutes driving from the Proposed Town Center. These residents are important customers who will come slightly less often. However, as the Town Center is expanded, they will increase their frequency of visits. Finally, the Tertiary Trade Area has been designated as the area between 15 and 20 minutes and represents the geographic area where residents will come to the Town Center occasionally. Normally, a trade area can define the geographic area from which approximately 80 to 90 percent of the customers will originate. Because of employment and visitors to the area, it is difficult and expensive to identify the 10 to 20 percent that may come from anywhere in the world. Therefore, we define a geographic area, in this case a 20 minute driving time, and then add 15 percent additional sales to the forecasted retail sales estimates for the Proposed Town Center. Thus, 85 percent of the sales will originate within the Trade Area and 15 percent will come from beyond the Trade Area.

Based upon this evaluation, we have established the trade area depicted in *Figure 5.D* on the following page. Trade Area demographic data was compiled using 2000 Census of Population and Housing, Census Tract and Block Group population and household statistics, demographic data for both Mequon and Thiensville, as well as forecasts to 2010 and 2015 prepared by Tactician, Inc., Claritas, Inc., and Melaniphy & Associates, Inc..

The **Total Trade Area** represents the combined Primary, Secondary, and Tertiary portions of the Trade Area.

TRADE AREA MARKET SUPPORT FACTORS

General demographic characteristics of the Primary, Secondary, Tertiary, and combined Total Trade Area of the proposed project are provided in **Table 5.2** entitled “**Trade Area Market Support Factors.**” This indicates the level of market support available within the delineated trade area. Demographic data was obtained from United States Department of Commerce, Bureau of the Census from the 1990 and 2000 Decennial Census of Population and Housing. These data were aggregated by Block Groups to arrive at counts for the Primary, Secondary, and Tertiary Trade Areas. The data were then forecast to 2005, 2010, and 2015. As a check on the Census Data, we also utilized census forecasts from the city of Mequon, the Wisconsin Department of Administration Demographic Services Center, Southeastern Wisconsin Regional Planning Commission, and computerized demographic services including Tactician, Inc. and Claritas. Projections for 2015 were prepared by Melaniphy & Associates, Inc. All are discussed in the following pages.

A. Population

The Primary Trade Area (10 minute driving time) contained 23,708 persons in 1980. By 1990, the number of persons increased to 24,885 persons. The population within the Primary Trade Area in 2000 was 27,492 persons. In 2005, the population is estimated at 27,967 persons and forecast to 28,427 persons by 2010. The 2015 population has been estimated at 29,802 persons.

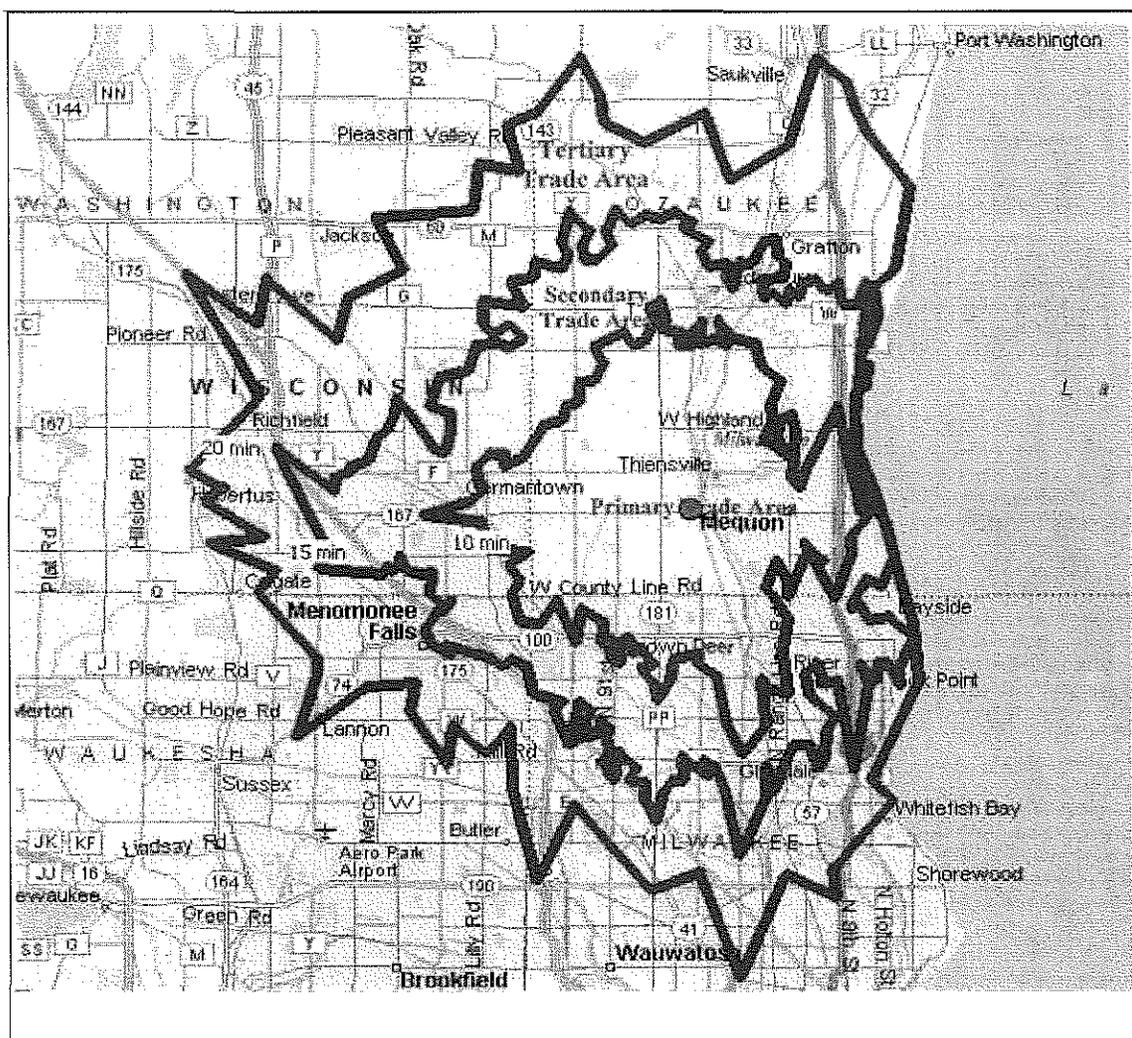
The Secondary Trade Area (the area between a 10 and 15 minute driving time) had a 1980 population of 44,794 persons which had grown to 46,939 persons in 1990. In 2000, the population of this defined area was found to be 49,268 persons. In 2005, the population was

Retail Market Feasibility Study, Proposed Mequon Town Center, Mequon, Wisconsin

estimated at 49,984 persons and is expected to rise to 50,664 persons by 2010 and to 51,373 in 2015.

Figure 5.D

**Mequon Town Center
Primary, Secondary, & Tertiary Trade Area
Mequon, Wisconsin**



Source: Melaniphy & Associates, Inc. Driving Times December 2006 and January 2006.

The Tertiary Trade Area (an area between a 15 and 20 minute driving time) had a 1980 population of 88,811 persons, which rose to 93,371 persons in 1990. By 2000, the population rose to 97,146 persons and by 2005, the population was estimated at 97,162 persons. The 2010 population is estimated at 97,225 persons and the 2015 is estimated at 97,111 persons.

The Total Trade Area had a 2000 population of 173,906 persons. In 2005, the combined population of the Primary, Secondary, and Tertiary Trade Area was estimated at 175,113

Retail Market Feasibility Study, Proposed Mequon Town Center, Mequon, Wisconsin

persons. The 2010 population is estimated at 176,316 persons and the 2015 population is estimated at 178,286 persons.

Table 5.2

**Trade Area Market Support Factors
Proposed Mequon Town Center**

Population Change	Primary Trade Area 10 minutes		Secondary Trade Area - 15 minutes		Tertiary Trade Area 20 minutes		Total
	Number	Percent Change	Number	Percent Change	Number	Percent Change	Trade Area
1980 Census	23,708		44,794		88,811		157,313
1990 Census	24,885	5.00%	46,939	4.79%	93,371	5.13%	165,195
2000 Census	27,492	10.50%	49,268	4.96%	97,146	4.04%	173,906
2005 Projection	27,967	1.70%	49,984	1.45%	97,162	0.02%	175,113
2010 Projection	28,427	1.60%	50,664	1.36%	97,225	0.06%	176,316
2015 Projection	29,802	1.50%	51,373	1.40%	97,111	-0.12%	178,286
Households							
1980 Census	8,341		15,823		30,860		55,024
1990 Census	9,683	16.10%	18,408	16.34%	34,007	10.20%	62,098
2000 Census	11,220	15.90%	19,818	7.66%	36,248	6.59%	67,286
2005 Projection	11,547	2.90%	20,151	1.68%	36,398	0.41%	68,096
2010 Projection	11,865	2.80%	20,481	1.64%	36,564	0.46%	68,910
2015 Projection	12,297	3.64%	20,968	2.38%	37,105	1.48%	70,370
Ethnic Characteristics							
White	23,545	84.20%	36,082	76.50%	62,872	70.00%	122,499
Black	2,704	9.70%	10,361	16.80%	26,705	22.70%	39,770
Asian	786	2.80%	1,162	2.50%	2,656	2.60%	4,604
Native American	47	0.20%	146	0.20%	300	0.30%	493
Hawaiian / Pacific Islander	3	0.00%	4	0.00%	8	0.00%	15
Two or More	660	2.40%	1,496	2.80%	3,238	3.10%	5,394
Other Race	222	0.80%	734	1.20%	1,382	1.30%	2,338
Total	27,967	100.00%	49,985	100.00%	97,161	100.00%	
Hispanic	580	2.10%	1,312	2.40%	2,745	2.60%	4,637
Not Hispanic	27,387	97.90%	48,673	97.60%	94,416	97.40%	170,476
Households by Tenure (2005)							
Owner Occupied	8,372	68.30%	13,695	65.10%	24,665	64.40%	46,732
Renter Occupied	3,175	25.90%	6,456	28.40%	11,733	29.40%	21,364
Vacant	717	5.80%	1,460	6.40%	2,273	6.10%	4,450
Total	12,264	100.00%	21,611	100.00%	38,671	100.00%	72,546

Table 5.2 (Continued)

Trade Area Market Support Factors
Proposed Mequon Town Center

	Primary Trade Area 10 minutes		Secondary Trade Area - 15 minutes		Tertiary Trade Area 20 minutes		Total
	Number	Percent Change	Number	Percent Change	Number	Percent Change	Trade Area
Age Distribution							
Age 0-4	1,390	4.97%	3,388	6.10%	7,572	7.10%	12,350
Age 5-9	1,579	5.65%	3,486	6.50%	8,003	7.50%	13,068
Age 10-14	1,947	6.96%	3,684	7.20%	7,950	7.80%	13,581
Age 15-19	1,873	6.70%	3,266	6.60%	6,913	6.90%	12,052
Age 20-24	1,367	4.89%	2,353	4.80%	5,433	5.20%	9,153
Age 25-29	1,317	4.71%	2,467	4.90%	5,484	5.30%	9,268
Age 30-34	1,198	4.28%	2,707	5.00%	5,892	5.60%	9,797
Age 35-39	1,552	5.55%	3,135	6.00%	6,679	6.50%	11,366
Age 40-44	2,175	7.78%	3,732	7.60%	7,526	7.70%	13,433
Age 45-49	2,623	9.38%	4,096	8.60%	7,734	8.30%	14,453
Age 50-54	2,551	9.12%	3,861	8.20%	6,991	7.70%	13,403
Age 55-59	2,215	7.92%	3,249	7.00%	5,725	6.40%	11,189
Age 60-64	1,621	5.80%	2,425	5.20%	4,164	4.70%	8,210
Age 65-69	1,173	4.19%	2,014	4.10%	3,097	3.60%	6,284
Age 70-74	1,084	3.88%	1,769	3.70%	2,499	3.10%	5,352
Age 75-79	876	3.13%	1,528	3.10%	2,163	2.60%	4,567
Age 80-84	730	2.61%	1,345	2.70%	1,593	2.10%	3,668
Age 85+	698	2.50%	1,481	2.80%	1,739	2.20%	3,918
Total	27,969	100.00%	49,986	100.00%	97,157	100.00%	
Median Age	44		41.9		38.6		39
Income							
Less Than \$10,000	558	4.80%	1,213	5.60%	2,401	6.10%	4,172
\$10,000-\$14,999	343	3.00%	724	3.40%	1,652	4.00%	2,719
\$15,000-\$19,999	389	3.40%	892	4.00%	1,841	4.60%	3,122
\$20,000-\$24,999	445	3.90%	995	4.50%	1,930	4.90%	3,370
\$25,000-\$29,999	481	4.20%	975	4.60%	2,001	5.10%	3,457
\$30,000-\$34,999	539	4.70%	1,009	4.90%	2,093	5.30%	3,641
\$35,000-\$39,999	537	4.70%	1,039	5.00%	2,045	5.30%	3,621
\$40,000-\$49,999	938	8.10%	1,986	9.20%	3,772	9.80%	6,696
\$50,000-\$59,999	821	7.10%	1,755	8.10%	3,173	8.40%	5,749
\$60,000-\$74,999	1,160	10.00%	2,115	10.30%	4,122	10.90%	7,397
\$75,000-\$99,999	1,609	13.90%	2,616	13.30%	4,838	13.30%	9,063
\$100,000-\$124,999	1,182	10.20%	1,708	9.10%	2,676	8.20%	5,566
\$125,000-\$149,999	700	6.10%	937	5.20%	1,365	4.40%	3,002
\$150,000-\$199,999	720	6.20%	892	5.10%	1,088	4.00%	2,700
\$200,000-\$249,999	301	2.60%	351	2.10%	392	1.50%	1,044
\$250,000-\$499,999	431	3.70%	487	2.90%	492	2.10%	1,410
\$500,000+	393	3.40%	456	2.70%	516	2.00%	1,365
Total	11,547	100.00%	20,150	100.00%	36,397	100.00%	68,094

Table 5.2 (Continued)

Trade Area Market Support Factors
Proposed Mequon Town Center

	Primary Trade Area 10 minutes		Secondary Trade Area 15 minutes		Tertiary Trade Area 20 minutes	
	Number	Percent Change	Number	Percent Change	Number	Percent Change
Population Change						
Household Income						
Median Household Income		\$69,348		\$60,960		\$55,653
Average Household Income		\$98,473		\$87,627		\$77,667
Average Family Income		\$120,794		\$107,098		\$92,396

Source: Tactician, Inc. and Melaniphy & Associates, Inc. 2006

B. Households

The Primary Trade Area contained 11,220 households in 2000. The number of households in 2005 is estimated at 11,547 households. By the year 2010, the number of households within the Primary Trade Area is expected to rise to 11,865 households and by 2015 to 12,297 households.

Within the Secondary Trade Area, the number of households amounted to 19,818 households in 2000. In 2005, households are estimated at 20,151 households and by 2010, the number of households is forecast to increase to 20,481 households. Households in 2015 are forecast to be approximately 20,968.

The Tertiary Trade Area had 36,248 households in 2000. The number of households in 2005 is estimated at 36,398 households. By the year 2010, the number of households is forecast to increase to 36,564 households and to 37,105 households by 2015.

Households in the Total Trade Area in 2000 amounted to 67,286. In 2005, households were estimated at 68,096 and by 2010 households are expected to rise to 68,910. Households in 2015 are forecast to 70,370 households.

C. Ethnic Characteristics

The ethnic characteristics of the residents of the Primary Trade Area in 2005 were mixed with the White population accounting for 23,545 persons, or 84.2 percent. The Afro-American population accounts for 2,704 persons (9.7 percent), Asian's account for 786 persons (2.8 percent), Hispanics account for 580 persons (2.10 percent) while all others account for 353 persons.

The Secondary Trade Area in 2005 had a White population of 36,082 persons, an Afro-American population of 10,361 persons, an Hispanic population of 1,312 persons, and an Asian population of 1,162 persons.

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The Tertiary Trade Area in 2005 had a White population of 62,872 persons, an Afro-American population of 26,705 persons, an Hispanic population of 2,745, and an Asian population of 2,656 persons.

D. Age

The median age within the Primary Trade Area in 2005 was estimated at 44.0 years. The Secondary Trade Area's median age in 2005 was estimated at 41.9 years. The Tertiary Trade Area had an estimated median age of 38.6 years. Both the Primary and Secondary Trade Area portions have an older population.

C. Income

In the Primary Trade Area, the median household income in 2005 is estimated at \$69,348, while the average household income was \$98,473. The average family income was estimated at \$120,794. A family includes only the immediate spouses and children, whereas households include grandparents and other extended family members.

The Secondary Trade Area had an estimated 2005 median household income estimated at \$60,960. The average household income is estimated at \$87,627 and the average family income in 2005 was estimated at \$107,098.

The median household income in the Tertiary Trade Area in 2005 was estimated at \$55,653. The average household income was estimated at \$77,667, while the average family income was estimated at \$92,396.

2005 MEQUON VISIONING SURVEY

The Mequon Visioning Survey was conducted in September 2005 as a mail survey to 8,018 Mequon Residents and 773 businesses. The response rate was reportedly 40 percent with a Confidence Level of 95 percent. Some of the highlights affecting retail development demand are as follows:

- 65 percent of the respondents have no children in the household
- 71 percent felt Mequon should have more housing for the retired and empty-nester
- 68 percent want more fine dining restaurants
- 67 percent want more family restaurants
- 55 percent want more small specialty shops
- 42 percent want more entertainment venues
- 39 percent want more specialty grocery stores

The above indicate that there is support for new restaurants and some retail facilities in the proposed Town Center.

COMPETITIVE ENVIRONMENT

Mequon's major retail concentration is located on Port Washington Road near the interchange with Mequon Road and Interstate 43. Interstate 43 is the major north-south freeway through the northern part of the Milwaukee area. To the south, Interstate 43 links with interstate 94 near downtown Milwaukee and extends southward to the Illinois Tollway (Interstate 94).

The competitive retail concentrations located in and outside the Trade Area are discussed in the following paragraphs. Many of these facilities provide some level of direct and indirect competition to the Subject Property, or they proscribe the Trade Area in some capacity. **Table 5.3** at the end of the competitive discussion presents the Competitive Retail Inventory. The table highlights the name of the shopping center, location, size, year opened, number of stores, occupancy rate, major anchors, and anchor sizes, where available. Although some of the centers identified in the inventory are not directly competitive, they influence the size of the prospective Town Center Trade Area. *Figure 5.E* presents the Competitive Retail Inventory Map depicting the location of these facilities in relation to the Subject Property.

The major shopping centers and freestanding retailers in the Milwaukee MSA are briefly discussed in the following paragraphs.

1. Bayshore Mall

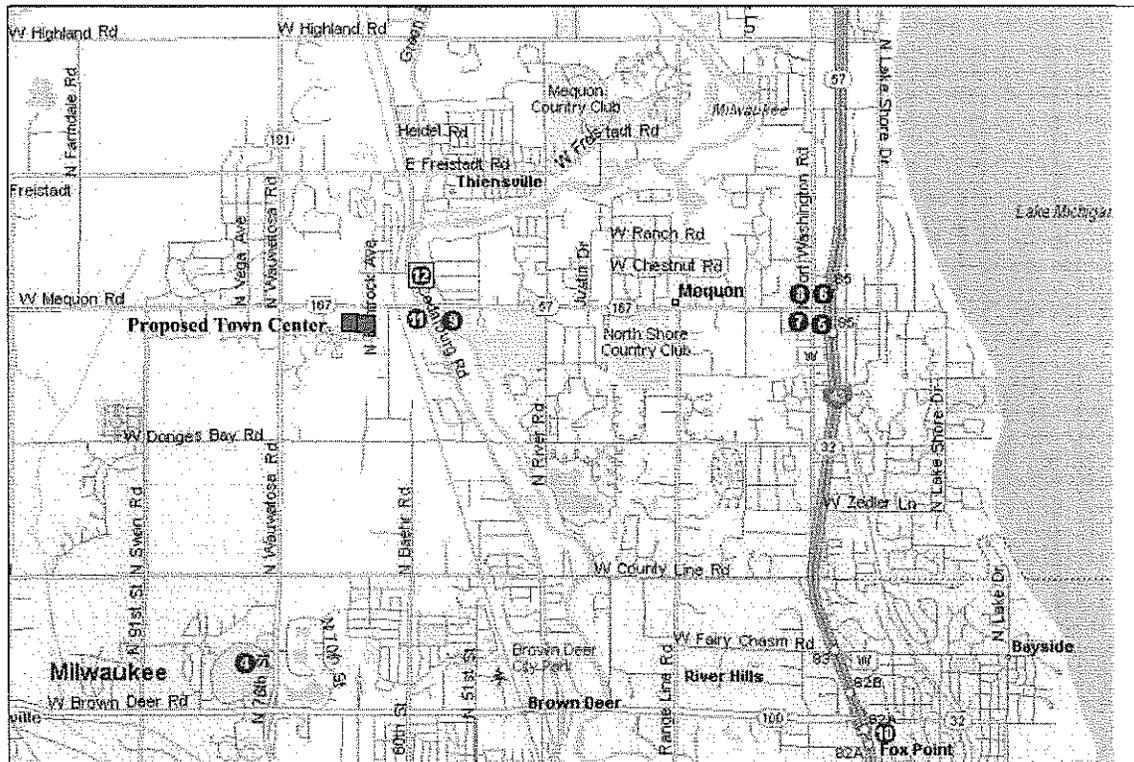
Bayshore Mall, a 538,000 square foot regional center, located in the northeast quadrant of Interstate 43 and Silver Spring Drive in Glendale, is the closest major mall to Mequon. Previously, Northridge Mall was larger and also quite convenient to residents. However, the mall's sales declined, lost tenants, and subsequently closed.

The majority of Bayshore Mall is one level with the exception of the Boston Store which has two levels. The primary anchor tenants included the Boston Store, Sears, Barnes & Noble, Zany Brainy, and Walgreens. Some of the other more notable stores included the Gap, Banana Republic, Abercrombie & Fitch, Blockbuster Video, Williams-Sonoma, Gymboree, the Nature of Things, Tumbleweed Restaurant, and Applebee's Neighborhood Grill and Bar, among others. Bayshore Mall has capitalized upon the decline in shopper patronage to Northridge Mall and Grand Avenue Mall. Sears basically built a new store in 1993/1994 and the Boston Store completed a major renovation and expansion in 1997. Demand for space at Bayshore Mall has been strong.

Bayshore Mall announced in November 2001 that the mall would undergo a major expansion featuring new retailers and restaurants. The City of Glendale and mall owner Corrigan Properties, Inc. agreed to the major improvements. Glendale and Corrigan formed a public/private partnership to expand the mall and enhance the aesthetics and retail offerings around Silver Spring Drive and Port Washington Road. The approximate 400,000 square foot expansion includes new marquee retailers, restaurants, specialty retailers, services, office space, and residential uses. Corrigan Properties added Steiner + Associates, Inc. to assist in the development. Steiner + Associates, Inc. developed Eaton Towne Center in Columbus, Ohio. Eaton Towne Center is one of the premier lifestyle centers in the country. The mall expansion is scheduled for completion later this year.

Figure 5.E

Competitive Inventory Map
Proposed Mequon Town Center
Mequon, Wisconsin



2. **Mayfair Mall**

Mayfair Mall, the premier upscale mall in the Milwaukee Area, is a 980,000 square foot, two-level, rectangular-shaped, enclosed mall located in the western suburb of Wauwatosa. The mall opened in 1958 and currently contains approximately 160 stores and parking for over 7,000 vehicles. The primary anchor tenants include Marshall Field's (288,000 square feet) and the Boston Store (210,000 square feet). In 1994, Mayfair Mall added a General Cinema 18-screen cinema complex to the mall. There is also a 28,000 square foot Barnes & Noble. The Mall completed a \$25.0 million, 90,000 square foot expansion of the second level which opened in late August of 2001. A special section of the mall is devoted to children with stores like Build-A-Bear Workshop, Pottery Barn Kids, Club Libby Lu, Talbot Kids, Gap Kids, Abercrombie Kids, Disney Store, Limited Too, and Zutopia, among others.

Some of the newer stores added to Mayfair Mall in recent years are what the industry refers to as Lifestyle stores. These include Abercrombie & Fitch, Absolutely Knot, All that Glitters, Ann Taylor, Barnes & Noble, Coach Shop, Crate & Barrel, Gymboree, Eddie Bauer/Eddie Bauer Home, J Crew, Pottery Barn, Restoration Hardware, William-Sonoma, Warner Bros. Studio Store, the Museum Company and Panera Bread. Sharper Image opened in 2002. P. F. Chang's China Bistro, Maggiano's, and Cheesecake Factory have also been added to the Mall. Best Buy is building a new store across from Mayfair Mall.

3. Brookfield Square

Brookfield Square is a 1,200,000 square foot, cross-shaped center located in the western Milwaukee suburb of Brookfield. The mall contains nearly 115 stores and 6,000 parking spaces. The center opened in 1967 and was expanded in 1986 including the break-up of Chapman's. The Limited operates several of their divisions in the former Chapman's space. The primary anchor tenants include Boston Store (218,705 square feet), J.C. Penney (201,403 square feet), and Sears (229,183 square feet). Barnes & Noble Booksellers and Bravo! Cucina Italiano were located in the front of Brookfield Square in 1996. Additional tenants to be added to the site include Flemings Prime Steakhouse and Wine Bar, Abuelo's Mexican Food Embassy and another 20,000 square feet.

4. Granville Station (former Northridge Mall)

Northridge Mall closed in 2003. This former bi-level, cross-shaped, enclosed regional mall is situated on 106 acres. The former mall, located at Brown Deer Road and 76th Street in Milwaukee, contained 1.1 million square feet for approximately 135 stores and parking for 7,500 vehicles. The primary anchor tenants included the Boston Store and Sears. The Mall was sold to Tucker Development Corporation which planned a redevelopment. The project, called Granville Station, envisioned a redevelopment anchored by a 161,000 square foot Menards and a 59,000 square foot Pick 'N Save. The balance of the former mall continues to be for sale as another use.

5. The Pavilions at Mequon

The Pavilion at Mequon is located in the southeast quadrant of Mequon Road and Interstate 43 and contains approximately 53 stores in 218,000 square feet. Included in the complex are Sendik's Food Market, Bed Bath & Beyond, Office Depot, Harry W. Schwartz book store, Blockbuster, Eddie Z's, Truffel's, Hallmark Cards, Aurora Pharmacy, Einstein's Bagels, Casa Grande Mexican Grill, UPS store, Lemstone Christian store, Hallmark Gold Crown shop, Great Clips, Men's Warehouse, Maurice's Apparel, Ashade Better Apparel, Famous Footwear, Gourmet Outfitters, the Chancery Restaurant, Pong & Palace, Fitness Together, Midori Japanese Restaurant, Wild Birds International, Hockey Heaven, Caribou Coffee, Lockers Florist, Subway, Dairy Queen, Bokra Framing, Gold & Gems Jewelry, and others. A Culver's is located on the corner of the intersection. There is only limited vacancy in the shopping center.

6. Pick 'N Save and Walgreens

Both Pick 'N Save (55,000 square feet) and Walgreens (14,000 square feet) are located in the northeast quadrant of Mequon Road and Interstate 43, along with a gas station and McDonald's.

7. East Towne Square I & II

The shopping complex includes Laoche & Jags, Landmark Luggage & Gifts, Lorriane's Apparel, Eva's Alterations, Creatively Yours, Last Detail, Acentrics, Café Bakery, Valentina, Alure Intimate Apparel, Andre Furs, Erik of Norway, Bank, and real estate offices. The project has approximately 60,000 square feet.

8. Mequon Court II

Located at Mequon Road and Port Washington Road, the complex contains approximately 62,000 square feet. Mequon Court II contains Cousin's, Panera Bread, Bath & Body

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Boutique, Bungalow by the Bay, Zucherman's Jewelry, The Snappy Turtle, Paper Perfect, Private Gardner, A Shoe Affair, Mademoiselle, Carson Travel, Spa Nebula, Scott Trade, Pink Whimsy, and others.

9. **Riversite Shopping Center**

The Riversite shopping center, located on the southeast corner of Mequon and Cedarburg roads, contains approximately 30,600 square feet of retail and service shops. Tenants include Farmers Wood Shop, Ladies Only Fitness Center, Impressions, Rivage Optical, Express Personal Services, the Riversite Restaurant, and other service facilities.

10. **Riverpoint Shopping Center**

This complex, located at Brown Deer Road, Port Washington Road, and Interstate 43, contains over 290,000 square feet. Major tenants include Best Buy, Border's Books, and Osco Drugs.

11. **River Center**

River Center, located in the southwest quadrant of Mequon and Cedarburg roads in Mequon, contains approximately 80,000 square feet. The center contains a Piggly Wiggly supermarket, a bank, paint store, and others.

12. **Thiensville Retail Concentration**

Downtown Thiensville extends along Cedarburg Road (Main Street) north of Mequon Road. The area contains a variety of convenience goods stores and service shops and some shopper goods stores. The area also contains restaurants and quick service food facilities.

13. **Grafton Big Box Development**

Located near the interchange of Interstate 43 and Washington Street (Wisconsin 60) on Port Washington Road in Grafton are Target, Home Depot, and Office Max. A new Costco is planned for the northeast quadrant of the intersection and an additional shopping center has been proposed next to Costco. This is becoming a major big box cluster that will, no doubt, see additional big boxes attracted here.

In addition to the major and many minor shopping centers, many of the freestanding "Big Box" retailers were identified. For convenience, we have provided a brief list of the "Big Box" retailers and their locations in the northern part of the Milwaukee Metropolitan Area.

• **Target**

Grafton	Interstate 43 and State Highway 60
Menomonee Falls	County Line Road & Appleton Ave. (State Highway 175)
Milwaukee	Brown Deer Road and 85th Street

• **Wal-Mart**

Germantown	Appleton Avenue and Maple Road – Proposed (Supercenter)
Menomonee Falls	County Line Road and Appleton Avenue
Milwaukee	Brown Deer Road and 76 th Street
Milwaukee	Capitol Drive and Holton
Pewaukee	Capitol Drive and Pewaukee Road

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- **Wal-Mart (Continued)**
West Bend U.S. Highway 45 and Paradise Drive (**Supercenter**)

- ♦ **Costco**
Grafton Interstate 43 and Washington Street (Wisconsin 60) (**Planned**)

- ♦ **Menards**
Menomonee Falls Appleton Avenue and County Line Road
Pewaukee Capitol Drive and Pewaukee Street
West Bend Paradise Drive and Main Street

- **Home Depot**
Grafton Interstate 43 and State Highway 60
Menomonee Falls County Line Road
Milwaukee Port Washington Road north of Capitol Drive
Milwaukee 76th Street and Good Hope Road
West Allis 108th and National Avenue

In summary, the Milwaukee Area contained four regional shopping centers encompassing over 4.0 million square feet. The occupancy rate in the regional malls in the Metropolitan Area stands at approximately 98.0 percent with a 2.0 percent vacancy rate. The occupancy rate in Community Shopping Centers amounted to 93 percent with a 7 percent vacancy rate. In total, the Milwaukee Metropolitan Area contains over 23 million square feet of shopping center space. Based upon the population, this represented approximately 15.50 square feet of retail space per capita.

Proposed Shopping Centers

In addition to the shopping center inventory, there were several redevelopment projects proposed in the Metropolitan Area which have some effect on the market in Mequon. A brief description of each of the proposed facilities is presented below:

1. Bayshore Mall – Proposed Expansion

The previously announced \$100 million expansion of Bayshore Mall is underway. Plans envision an open air connected to the enclosed Mall, a Village Center - Main Street concept with attractive landscaping, fountains, and ice skating rink anchored by marquee retailers and restaurants. This master-planned mixed-use development also envisions some office space as well as row houses/townhouses. The row houses are proposed along Lydell Avenue to buffer the development from the adjacent residential area in Whitefish Bay.

2. Proposed Power Center – Grafton

A developer has proposed a shopping center next to the planned Costco site near the interchange of Interstate 43 and Washington Street. While no tenant names have been announced, it appears that the focus will be upon additional big box retailers who usually concentrate near other major big boxes.

Retail Market Feasibility Study, Proposed Mequon Town Center, Mequon, Wisconsin

Table 5.3

COMPETITIVE RETAIL INVENTORY

Map Key	Name/Location	Year Opened	Gross Square Feet	Number of Stores	Occupancy Rate	Major Anchors	Anchor Size
1	Mayfair Mall 2500 N. Mayfair Road Wauwatosa	1958	880,000	160	98%	Marshall Field's Boston Store General Cinema - 18 Barnes & Noble	288,000 210,000 28,000
2	Brookfield Square 16900 W. Blue Mound Brookfield	1967	1,200,000	115	97%	Sears Boston Store J.C. Penney Old Navy	229,183 218,705 201,403
3	Bayshore Mall 5900 North Port Washington Road Glendale To be added	1954	538,821 400,000	76	99%	Boston Store Sears Kohl's (Freestanding)	152,727 117,696 86,000
4	Market Place (Brown Deer Center) Highway 57 & Brown Deer Road Brown Deer	1989	225,000	15	100%	Kohl's Dept. Store Burlington Coat Factory Pick' N Save T.J. Maxx Office Max/Copy Max Michael's Marshall's Megastore	70,000 45,000 65,000 25,000 25,000 30,000 40,000
5	Pavilion at Mequon 11000 N. Port Washington Road Mequon	1988	218,000	54	97%	Sendik's Food Market Bed Bath & Beyond Office Depot Blockbuster Video	45,441 30,000 25,000 6,000
6	East Towne Square I 11029-11031 Port Washington Road Mequon	1989	16,300	18	100%	Starbucks Coffee Stefan's Soccer Wares Fitness & Bicycles Allen Edmonds Shoe Bank	
7	East Towne Square II 1505-1515 Mequon Road Mequon	1990	50,000	16	100%	Faye I Laacke & Joys Lorain's Apparel	
8	River Centre 6001-6111 Mequon Road Mequon	1990	78,904	15	96%	Piggly Wiggly Sherwin Williams	30,000 15,000
9	Free-Standing		69,000	2	100%	Walgreen's Pick ' N Save	14,000 55,000

Table 5.3

COMPETITIVE RETAIL INVENTORY (Continued)

Map Key	Name/Location	Year Opened	Gross Square Feet	Number of Stores	Occupancy Rate	Major Anchors	Anchor Size
10	Riversite 11122 Cedarburg Road Mequon	1988	30,582	6	100%	Riversite Restaurant Framer's Workshop	N/A N/A
12	Brown Port/Riverpoint S.C. 8705 N. Port Washington Road Fox Point	1960	290,166	64	96%	Proposed Best Buy Osco Drug Borders Books	40,000 15,000 25,000
13	Audubon Court 8704 Port Washington Road Fox Point	1990	60,000	26	100%	Audubon Ct Books Fatigues Chico's Graffi's Boutique	N/A N/A N/A N/A
14	Mequon Court II NWC of Mequon and Port Washington Roads Mequon		60,000			Panera Bread Cusion's	
15	Port Washington Road & Washington Road Grafton						
	Target	2005	125,000				
	Home Depot	2005	128,000				
	Office Max	2005	25,000				
	Proposed Costco	2007	115,000				
	Proposed Shopping Center	2007					

Grafton is becoming a major concentration of big box retailers with Target, Home Depot, and Office Max. Costco has recently announced a new major store at Interstate 43 and Washington Street (Wisconsin 60). Others can be expected to follow.

SHOPPING HABITS AND PATTERNS

The *Milwaukee Journal Sentinel Consumer Analysis* provided an in depth analysis of consumer shopping habits and patterns in the Milwaukee Metropolitan Area for decades. It was one of the longest-running consumer studies of its kind in the United States, conducted annually since 1922. Unfortunately, the 2003 issue was the last. The 2003 Consumer Analysis utilized a sample size of 2,108 metropolitan area residents. The survey clearly indicates the continuing consumer trend away from department stores to big box retailers.

In the 2003 survey, the **Shopping Center visited most often** was Mayfair Mall, followed by Brookfield Square, Southridge, Bayshore Mall, Brookfield Fashion Square, Greenfield Fashion Center, Downtown, and The Shops at Grand Avenue. Mayfair Mall had a strong and balanced tenant mix with both upscale and moderately priced stores. Mayfair Mall had been successful in leasing space to many specialty chain stores which operate only one store in the Milwaukee

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Market. Not surprisingly, Northridge and Grand Avenue malls experienced erosion in consumer patronage, according to this consumer analysis. The shopping center identified and the percentage of consumers mentioning the center is presented in **Table 5.4** on the following page. The table represents the household shopping habits of metro Milwaukee consumers within the last thirty days (2003). The table provides a comparison of prior surveys from 1996 to 2003.

Mayfair Mall continued to be the most heavily patronized mall in the Milwaukee Metropolitan Area with 53 percent of the sample, up from only 46 percent in 2000. The unique tenant mix has helped differentiate Mayfair Mall from its competition. Also, store additions since 2003 can only have strengthened the Mall's attraction. Brookfield Square was second in responses with 40 percent, down from 41 percent in 2000. The additional retailers in Brookfield Square should also have improved their attractions. Southridge received 38 percent, down from 41 percent in 2000. Southridge Mall has redeveloped the former Younkers space, which probably has had a positive impact upon the Mall's attraction. Northridge Mall's demise has eliminated them from customer orientation.

The survey also shows the decline of Grand Avenue Mall (Shoppes of Grand Avenue) in downtown Milwaukee. In 1991, approximately 27 percent of those surveyed shopped at Grand Avenue Mall in the last 30 days. In the 1996 survey, only 14 percent mentioned Grand Avenue. In the 2003 survey, only 10 percent mentioned the Shoppes of Grand Avenue.

Bayshore Mall has maintained fairly consistent patronage over the years ranging from 16 to 20 percent of those surveyed. The 2003 Survey records Bayshore Mall at 20 percent. With the expansion of Bayshore Mall with lifestyle tenants, we expect to see the Mall's customer attraction increase substantially.

In terms of the stores shopped in the last 30 days for **General Merchandise**, Kohl's was mentioned by 69 percent of those surveyed. This is not surprising given that Milwaukee is Kohl's hometown and that the store is a strong promotional department store. Another 68 percent mentioned Wal-Mart and 63 percent mentioned Target. Kmart was mentioned by 56 percent of the sample down from 68.0 percent in 2000. The figures do not add up to 100 percent due to multiple responses permitted. In the 1996 survey, Kohl's Department Store was mentioned by 66.0 percent of those surveyed, followed by Kmart at 63 percent, Target at 61 percent, and Wal-Mart at 46 percent. The addition of Wal-Mart Supercenters has, no doubt, increased Wal-Mart's position in the market.

Table 5.5 presents household buying within the last 30 days for General Merchandise. Interestingly, Kohl's, Wal-Mart, Target, and Kmart all recorded higher percentages than the department stores, showing the continuing shifting of shopping patterns toward big boxes. Wal-Mart was mentioned by 68 percent of the sample. The Boston Store was mentioned by 42 percent of those surveyed. Sears and J.C. Penney were mentioned by 30 percent and 28 percent, respectively. Sam's Club was indicated by 37 percent of the sample. Marshall Field's was mentioned by 16 percent. Marshall Field will probably be renamed Macy's sometime in 2006. Shopko was indicated by only 12.0 percent down from 15.0 percent in 2000 sample.

Table 5.4

**Malls and Shopping Center's Shopped in During the Past 30 Days
Milwaukee Area Shoppers
2003**

Mall	2003	2002	2001	2000	1999	1998	1997
Mayfair Center	53%	55%	46%	46%	37%	40%	39%
Brookfield Square	40%	45%	40%	41%	36%	32%	31%
Southridge Mall	38%	43%	38%	41%	36%	36%	36%
Bayshore Mall	20%	19%	19%	18%	17%	17%	16%
Brookfield Fashion Square	16%	20%	19%	17%	16%	13%	13%
Greenfield Fashion Center	14%	17%	17%	16%	14%	12%	12%
Downtown Milwaukee *	10%	10%	9%	10%	9%	10%	9%
The Shoppes of Grand Ave.	10%	13%	11%	15%	14%	15%	15%
V Richards Plaza	10%	13%	11%	11%	10%	N/A	N/A
Brownstones - Brookfield	8%	10%	9%	8%	7%	8%	8%
Northridge Mall	7%	15%	16%	22%	21%	23%	23%
East Town Square - Mequon	6%	6%	6%	5%	5%	5%	4%
Pavilion - Mequon	6%	7%	5%	5%	5%	5%	5%
West Allis Towne Center	6%	8%	8%	7%	8%	9%	8%
Downtown Waukesha	5%	6%	6%	6%	6%	6%	5%
Galleria West - Waukesha	5%	6%	6%	5%	6%	5%	6%
Manchester Mall - Grafton	5%	6%	7%	5%	5%	5%	5%
Mitchell Street Center	5%	6%	5%	4%	4%	3%	3%
Riverpoint Village - Fox Point	4%	6%	5%	5%	2%	5%	6%
Northwest Fashion Center	2%	2%	2%	2%	2%	2%	2%
Old Orchard - Skokie	2%	3%	2%	2%	2%	N/A	N/A
Regency Mall - Racine	2%	3%	3%	3%	2%	2%	2%
Water Tower Place - Chicago	2%	4%	3%	3%	2%	N/A	N/A
Woodfield Mall - Schaumburg	2%	3%	3%	2%	1%	N/A	N/A

Source: Milwaukee Journal Sentinel, Consumer Analysis, 2003

Both East Town Square and the Pavilion in Mequon recorded 6 percent. The Pavilion declined from 7 percent in 2002.

Table 5.5

**General Merchandise Buying Within the Past 30 Days
Milwaukee Area Shoppers**

Stores	2003	2002	2001	2000	1999	1998	1997
Kohl's Department Store	69%	73%	70%	70%	69%	70%	68%
Wal-Mart	68%	67%	61%	60%	53%	50%	50%
Target	63%	67%	65%	66%	63%	63%	62%
Kmart	56%	67%	67%	68%	64%	63%	65%
Boston Store	42%	43%	41%	40%	40%	44%	44%
Sam's Club	37%	39%	36%	34%	30%	29%	28%
Sears	30%	36%	38%	38%	37%	35%	37%
J C Penney	28%	30%	28%	32%	32%	33%	36%
Marshall Field's	16%	18%	16%	17%	17%	17%	20%
J C Penney Outlet	13%	12%	14%	14%	16%	16%	19%
Shopko	12%	15%	16%	15%	14%	11%	11%

Source: Milwaukee Journal Sentinel, Consumer Analysis, 2003

RETAIL EXPENDITURE PATTERNS

The analysis up to this point has brought into focus the factors which either directly or indirectly affect the retail market potential and the attraction of consumer dollars to the Proposed Mequon Town Center, as opposed to competitive shopping centers. The Trade Area has been delineated and the demographic characteristics within the respective portions of the Trade Area have been evaluated. Next, per capita expenditures by retail category were calculated based upon the 2002 Economic Census of Retail Trade and Foodservice and the updates to 2005. Finally, all of the other factors which have an impact on the market potential of the Subject Property were thoroughly studied including: competition, proposed facilities, accessibility, traffic counts, road patterns, retail sales trends, spending patterns, and development activity. This section of the report addresses retail expenditures for which the Proposed Mequon Town Center will be competing.

The 1997 and 2002 Economic Census of Retail Trade and Foodservice, compiled by the United States Department of Commerce; Bureau of the Census, is the principal source of retail sales data in Wisconsin. The Census of Retail Trade and Foodservice is compiled and published every five years; the most recent publication being 2002.

The next step in the analysis process was to evaluate retail sales by retail category within the northern and northwest portions of the Milwaukee Metropolitan Area, including Milwaukee County, Ozaukee County, and Washington County. Also, retail sales for Mequon and Thiensville were evaluated for 1997 and 2002. The objective was to determine their market penetration and the per capita expenditures for each major retail category in each of these geographic areas. The per capita expenditures by retail category were calculated by dividing the actual retail sales captured in each category by the area population in 1997 and 2002. From these calculations, the per capita expenditures for individual retail categories were determined for the proposed Town Center trade area.

In order to forecast the 2005 retail expenditures, it was necessary to evaluate those factors which have affected retailing between 1997 and 2002 (latest Economic Census of Retail Trade). We have analyzed the changes in retail sales by retail category. Lastly, it was necessary to forecast these expenditures for 2010 and 2015. These forecasts were accomplished several ways. First, household income data were evaluated. Since consumers tend to spend fairly consistent percentages of their household income for specific types of goods and services, income dynamics were analyzed. The income composition also provided insight into the expenditures within individual retail categories. Next, we computed the per capita retail sales by individual retail categories for Milwaukee County, Ozaukee County, Washington County, and Mequon, and Thiensville, and forecast the findings for 2005, 2010, and 2015.

RETAIL SALES CHANGES 1997 TO 2002

Table 5.6 presents the 1997 and 2002 Economic Census of Retail Trade and Foodservice figures for the Milwaukee County, Ozaukee County, and Washington County and the percentage changes that occurred by major retail category.

Some of the significant retail sales changes that occurred between 1997 and 2002 in either the counties of Milwaukee, Ozaukee, and Washington (**Table 5.6**) are as follows: (Note: a "D" in a

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category indicates that retailers objected to “disclosure” of the data and the Census officials agreed).

- Milwaukee County increased in overall *Retail and Foodservice* sales from 1997 to 2002 by 13.2 percent. Sales in 1997 amounted to \$8.9 billion and increased to \$10.1 billion in 2002. If *Foodservice* is removed, the increase was 9.7 percent, from \$8.1 billion in 1997 to 8.9 billion in 2002.
- Ozaukee County saw its *Retail and Foodservice* sales decline between 1997 and 2002. Ozaukee County had *Retail and Foodservice* sales in 1997 amounting to \$1.0 billion which declined to \$937 million in 2002. Without *Foodservice* sales, the Ozaukee County *Retail* Sales accounted for \$940 million in 1997 and \$836 million in 2002. Regardless, Ozaukee County experienced a decline in *Retail* sales while the county was growing. The biggest dollar decline occurred in the *Motor Vehicle* category (automobile dealers) which declined from 1997 to 2002 by over \$200 million. The *Furniture and Home Furnishings* also declined by \$22 million. During the same period, *Foodservice* increased by \$24 million. Finally, the *Electronics and Appliance* category had sales of only \$6.1 million, well below normal.
- Washington County’s *Retail and Foodservice* sales in 1997 were \$1.3 billion and grew to \$1.4 billion in 2002. If *Foodservice* is removed, *Retail* sales in 1997 amounted to \$1.2 billion and increased to approximately \$1.3 billion in 2002. Even so, the county’s *Motor Vehicle* sales declined by \$183.2 million. The *Building Materials* category increased from \$97.5 million in 1997 to \$142.4 million, or up \$44.9 million

Table 5.6

Retail Sales Comparison 1997 - 2002 Milwaukee, Ozaukee, and Washington Counties									
Retail Categories	Counties - Retail Sales								
	1997	2002	1997-2002	1997	2002	1997-2002	1997	2002	1997-2002
	Milwaukee \$1,000	Milwaukee \$1,000	Percent Change	Ozaukee \$1,000	Ozaukee \$1,000	Percent Change	Washington \$1,000	Washington \$1,000	Percent Change
Retail trade and food service	\$8,930,244	\$10,105,914	13.2%	\$1,007,908	\$937,352	-7.0%	\$1,288,632	\$1,407,797	9.2%
Retail trade	\$8,065,189	\$8,851,410	9.7%	\$940,130	\$835,860	-11.1%	\$1,201,484	\$1,296,713	7.9%
Motor vehicle and parts dealers	\$2,101,154	\$2,357,023	12.2%	\$470,970	\$270,704	-42.5%	\$576,770	\$393,555	-31.8%
Automobile dealers	\$1,902,172	\$2,139,944	12.5%	\$441,536	\$217,322	-50.8%	\$526,716	\$334,549	-36.5%
New car dealers	\$1,789,290	\$2,003,367	12.0%	\$432,279	\$213,477	-50.6%	\$508,243	\$271,615	-46.6%
Used car dealers	\$112,882	\$137,577	21.9%	\$9,257	D	N/A	\$18,473	\$52,934	186.5%
Other motor vehicle dealers	\$50,521	\$87,667	73.5%	\$25,177	\$48,384	92.2%	\$24,874	\$38,227	53.7%
Recreational vehicle dealers	D	\$47,312	N/A	D	d	N/A	D	D	N/A
Recreational vehicle dealers	D	D	N/A	D		N/A	D	D	N/A
Motorcycle, boat, and other motor vehicle dealers	D	\$40,355	N/A	D	\$48,384	N/A	D	D	N/A
Automotive parts, accessories, and tire stores	\$148,461	\$129,412	-12.8%	D	D	N/A	\$25,180	\$20,779	-17.5%
Automotive parts and accessories stores	\$113,734	\$102,809	-9.6%	D	D	N/A	D	D	N/A
Tire dealers	\$34,727	\$26,603	-23.4%	D	D	N/A	D	D	N/A
Furniture and home furnishings stores	\$309,104	\$300,990	-2.6%	\$46,034	\$24,484	-46.8%	\$21,471	\$22,822	6.3%
Furniture stores	\$213,039	\$187,532	-12.0%	\$12,658	\$8,248	-34.8%	\$11,073	\$11,413	3.1%
Furniture stores									
Furniture stores									
Home furnishings stores	\$96,065	\$113,458	18.1%	\$33,376	\$16,236	-51.4%	\$10,398	\$11,409	9.7%
Floor covering stores	\$59,434	\$57,623	-3.0%	D	\$6,640	N/A	D	\$7,504	N/A
Floor covering stores					D	N/A	D	D	N/A
Other home furnishings stores	\$36,631	\$55,835	52.4%	D	\$9,596	N/A	D	\$3,905	N/A
Window treatment stores	D	\$2,601	N/A	D	D	N/A	D	D	N/A
All other home furnishings stores	D	\$53,234	N/A	D	D	N/A	D	D	N/A
Electronics and appliance stores	\$269,366	\$303,063	12.5%	\$6,571	\$6,125	-6.8%	\$13,061	\$21,582	65.2%
Electronics and appliance stores									
Appliance, television, and other electronic stores	\$239,966	\$273,857	14.1%	D	D	N/A	D	D	N/A
Household appliance stores	\$25,294	\$25,436	0.6%	D	D	N/A	D	D	N/A
Radio, television, and other electronics stores	\$214,672	\$248,421	15.7%	\$3,497	D	N/A	\$3,471	D	N/A
Computer and software stores	\$29,400	\$29,206	-0.7%	D	D	N/A	D	D	N/A
Computer and software stores	D	D		D	D	N/A	D	D	N/A
Camera and photographic supplies stores	D	D		D	D	N/A	D	D	N/A

Table 5.6 Continued

Retail Sales Comparison 1997 - 2002									
Milwaukee, Ozaukee, and Washington Counties									
Retail Categories	1997	2002	1997-2002	1997	2002	1997-2002	1997	2002	1997-2002
	Milwaukee \$1,000	Milwaukee \$1,000	Percent Change	Ozaukee \$1,000	Ozaukee \$1,000	Percent Change	Washington \$1,000	Washington \$1,000	Percent Change
Building material and garden equipment and supply stores	\$665,486	\$631,951	-5.0%	\$71,244	\$78,270	9.9%	\$97,547	\$142,385	46.0%
Building material and supply dealers	\$633,050	\$588,383	-7.1%	\$57,777	\$65,828	13.9%	\$73,325	\$95,145	29.8%
Home centers	D	D		D	D	N/A	D	D	N/A
Paint and wallpaper stores	D	D		D	D	N/A	D	D	N/A
Hardware stores	\$48,189	\$55,987	16.2%	D	D	N/A	D	D	N/A
Other building material dealers	\$400,576	\$251,527	-37.2%	\$39,345	\$23,713	-39.7%	\$59,900	\$45,522	-24.0%
Lawn and garden equipment and supply stores	\$32,438	\$43,568	34.3%	\$13,467	\$12,442	-7.6%	\$24,222	\$47,240	95.0%
Nursery, garden center, and farm supply stores	\$26,413	\$39,755	50.5%	\$10,585	\$8,912	-15.8%	\$22,365	\$43,549	94.7%
Food and beverage stores	\$1,450,111	\$1,363,755	-6.0%	\$125,326	\$139,459	11.3%	\$174,852	\$202,714	15.9%
Grocery stores	\$1,312,220	\$1,202,342	-8.4%	D	D	N/A	D	D	N/A
Supermarkets and other grocery stores	\$1,277,255	\$1,160,084	-9.2%	\$117,425	\$127,333	8.4%	\$164,248	\$179,469	9.3%
Convenience stores	\$34,965	\$42,258	20.9%	D	D	N/A	D	D	N/A
Specialty food stores	\$37,241	\$46,073	23.7%	D	D	N/A	D	\$16,616	
Beer, wine, and liquor stores	\$100,650	\$115,340	14.6%	D	D	N/A	D	\$0	N/A
Health and personal care stores	\$556,502	\$762,529	37.0%	\$28,162	\$56,568	100.9%	\$33,441	\$59,355	77.5%
Pharmacies and drug stores	\$481,380	\$662,379	37.6%	D	\$49,012	N/A	D	\$52,956	
Cosmetics, beauty supplies, and perfume stores	\$16,033	\$20,995	30.9%	D	D	N/A	D	D	N/A
Optical goods stores	\$33,694	\$30,225	-10.3%	D	D	N/A	\$2,678	D	N/A
Other health and personal care stores	\$25,395	\$48,930	92.7%	D	D	N/A	D	D	N/A
Gasoline Stations	\$530,963	\$695,197	30.9%	\$56,903	\$80,421	41.3%	\$124,957	\$149,575	19.7%
Gasoline stations with convenience stores	\$390,726	\$538,619	37.9%	\$43,581	\$66,017	51.5%	\$102,803	\$128,557	25.1%
Other gasoline stations	\$140,237	\$156,578	11.7%	D	D	N/A	\$22,154	\$21,018	
Clothing and clothing accessories stores	\$396,981	\$491,884	23.9%	\$23,529	\$23,856	1.4%	\$17,314	\$14,608	-15.6%
Clothing stores	\$240,335	\$327,926	36.4%	\$11,378	\$12,457	9.5%	\$6,653	D	N/A
Men's clothing stores	\$30,963	\$31,835	2.8%	D	D	N/A	D	D	N/A
Women's clothing	\$75,298	\$82,557	9.6%	D	D	N/A	D	D	N/A
Children's and infant's clothing	\$9,925	\$18,973	91.2%	D	D	N/A	D	D	N/A
Family clothing stores	\$90,750	\$136,155	50.0%	D	D	N/A	D	D	N/A
Clothing accessories stores	\$5,700	\$14,183	148.8%	D	D	N/A	D	D	N/A
Other clothing stores	\$27,699	\$44,223	59.7%	D	D	N/A	D	D	N/A
Shoe stores	\$85,237	\$90,585	6.3%	D	D	N/A	D	D	N/A
Men's shoe stores	D	D	N/A	D	D	N/A	D	D	N/A
Women's shoe stores	D	D	N/A	D	D	N/A	D	D	N/A
Children's and juveniles shoe stores	D	D	N/A	D	D	N/A	D	D	N/A
Family shoe stores	\$47,311	\$48,303	2.1%	D	D	N/A	D	D	N/A
Athletic footwear stores							D	D	N/A

Table 5.6 Continued

Retail Categories	1997	2002	1997-2002	1997	2002	1997-2002	1997	2002	1997-2002
	Milwaukee \$1,000	Milwaukee \$1,000	Percent Change	Ozaukee \$1,000	Ozaukee \$1,000	Percent Change	Washington \$1,000	Washington \$1,000	Percent Change
Jewelry, luggage, and leather goods stores	\$71,409	\$73,373	2.8%	\$7,091	\$6,374	-10.1%	\$6,685	\$7,555	13.0%
Jewelry stores	D	D	N/A	D	D	N/A	D	\$7,555	N/A
Luggage stores	D	D	N/A	D	D	N/A	D	D	N/A
Sporting goods, hobby, book, and music stores	\$215,529	\$228,120	5.8%	\$13,017	\$10,427	-19.9%	\$11,222	D	
Sporting goods stores	\$61,184	\$58,934	-3.7%	\$5,296	\$6,850	29.3%	D	\$10,517	#VALUE!
General-line sporting goods stores	\$22,440	\$21,316	-5.0%	D	D	N/A	D	D	N/A
Specialty-line sporting goods stores	\$38,744	\$37,618	-2.9%	D	D	N/A	D	D	N/A
Hobby, toy, and game stores	\$50,666	\$51,926	2.5%	D	D	N/A	\$4,468	D	N/A
Sewing, needlework, and piece goods stores	\$13,050	\$14,329	9.8%	D	D	N/A	D	D	N/A
Musical instrument and supplies stores	\$18,232	\$20,003	9.7%	D	D	N/A	D	D	N/A
Book, periodical, and music stores	\$72,397	\$82,928	14.5%	D	D	N/A	D	D	N/A
Book stores and news dealers	\$44,717	\$55,899	25.0%	D	D	N/A	D	D	N/A
Book stores general	\$32,695	\$39,176	19.8%	D	D	N/A	D	D	N/A
Specialty book stores	D	D	N/A	D	D	N/A	D	D	N/A
College book stores	D	D	N/A	D	D	N/A	D	D	N/A
Prerecorded tape, compact disc, and record stores	\$27,680	\$27,029	-2.4%	D	D	N/A	D	D	N/A
General merchandise stores		\$1,206,922	N/A	\$66,425	\$97,578	46.9%	D	\$209,176	#VALUE!
Department stores	\$902,472	D	N/A	D	D	N/A	D	D	N/A
Discount department stores	\$504,065	\$653,504	29.6%	\$66,425	D	N/A	\$69,540	D	N/A
Other general merchandise stores	D	D	N/A	D	D	N/A	D	D	N/A
Warehouse clubs and supercenters	D	D	N/A	D	D	N/A	D	D	N/A
All other general merchandise stores	\$29,198	D	N/A	D	D	N/A	D	D	N/A
Variety stores	D	D	N/A	D	D	N/A	D	D	N/A
Miscellaneous retail stores	D	\$214,185	N/A	\$13,542	\$19,966	47.4%	D	\$38,215	N/A
Florists	\$19,844	\$19,963	0.6%	D	\$3,724	N/A	D	D	N/A
Office supplies, stationery, and gift shops	\$84,746	\$90,067	6.3%	D	\$8,790	N/A	D	\$18,663	N/A
Office supplies and stationery stores	\$41,390	\$48,301	16.7%	D	D	N/A	D	D	N/A
Gift, novelty, and souvenir stores	\$43,356	\$41,766	-3.7%	D	D	N/A	D	D	N/A
Used merchandise stores	\$28,634	\$35,658	24.5%	D	D	N/A	D	D	N/A
Pet and pet supply stores	\$18,841	\$24,190	28.4%	\$2,069	D	N/A	\$863	D	N/A
Art dealers	\$7,264	\$9,456	30.2%	D	D	N/A	D	D	N/A
All other miscellaneous stores	\$42,392	\$34,851	-17.8%	D	D	N/A	D	D	N/A
Nonstore retailers	\$334,769	\$295,791	-11.6%	\$18,407	\$28,001	52.1%	\$26,607	\$19,655	-26.1%
Electronic shopping and mail-order houses	\$221,233	\$223,362	1.0%	D	\$16,503	N/A	D	D	N/A
Vending machine operators	\$19,499	D	N/A	D	D	N/A	D	D	N/A
Direct selling establishments	\$104,037	D	N/A	\$16,427	D	N/A	\$26,607	D	N/A
Food services and drinking places	\$865,055	\$1,055,677	22.0%	\$67,778	\$92,061	35.8%	\$87,148	\$101,398	16.4%
Full-service restaurants	\$355,996	\$423,447	18.9%	\$37,446	\$47,672	27.3%	\$40,633	\$47,241	16.3%
Limited-service eating places	\$362,981	\$425,034	17.1%	\$21,997	\$33,330	51.5%	\$35,685	\$44,547	24.8%
Limited service restaurants		\$377,292	N/A	D	D	N/A	D	D	N/A
Cafeterias, buffets, and grill buffets	D	D		D	D	N/A	D	D	N/A
Snack and nonalcoholic beverage bars	D	D		D	D	N/A	D	D	N/A
Special food services	\$66,721	\$119,697	79.4%	\$4,113	\$8,200		\$1,585	D	N/A
Drinking places	\$79,357	\$97,499	22.9%	D	D	N/A	\$9,245	\$8,033	-13.1%

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Table 5.7 depicts the 1997 and 2002 *Retail and Foodservice* sales for Mequon and Thiensville, individually and in the aggregate.

Table 5.7

Retail and Foodservice Categories	Mequon			Thiensville			Combined		
	1997 \$1,000	2002 \$1,000	Change \$1,000	1997 \$1,000	2002 \$1,000	Change \$1,000	1997 \$1,000	2002 \$1,000	Change \$1,000
Total Retail and Foodservice Sales	\$221,181	\$254,766	\$33,585	\$79,090	\$81,241	\$2,151	\$300,271	\$336,007	\$35,736
Total Retail Sales	\$194,652	\$217,888	\$23,236	\$73,311	\$72,985	-\$326	\$267,963	\$290,873	\$22,910
Building Materials & Hardware	\$14,367	\$15,599	\$1,232	D	D		D	D	D
Food Stores	D	\$40,355	D	\$3,451	D		D	D	D
General Merchandise	D		D	D	D		D	D	D
Clothing	\$14,447	\$10,951	-\$3,496	D	D		D	D	D
Furniture & Household Furnishings	\$35,383	\$13,334	-\$22,049	D	D		D	D	D
Electronics & Appliances	\$3,595	\$3,628	\$33	D	D		D	D	D
Jewelry, Luggage & Leather Goods	\$2,914	\$3,009	\$95	D	D		D	D	D
Miscellaneous Retail Stores	\$2,695	D	D	D	D		D	D	D
Foodservice	\$26,529	\$36,878	\$10,349	\$5,779	\$8,256	\$2,477	\$32,308	\$45,134	\$12,826
Health & Personal Care	\$6,466	\$21,789	\$15,323	D	D		D	D	D
Miscellaneous Retail Stores	D	D	D	D	D		D	D	D

Note: "D" in column indicates that the Census Bureau did not disclose the retail sales in this category due to confidentiality.
 Source: Economic Census of Retail and Foodservice Sales, 1997 and 2002 and Melaniphy & Associates, Inc. 2006

Table 5.7 shows that Mequon's 1997 *Retail and Foodservice* sales amounted to \$221,181,000. In 2002, Mequon recorded *Retail and Foodservice* sales of \$254,766,000, for an increase over the five year period of \$33,585,000. Mequon's *Retail* sales grew from \$194,652 in 1997 to \$217,888,000 in 2002, or an increase of \$23,236,000. The *Furniture and Household Furnishing* category showed a decrease in sales from 1997 to 2002 of -\$22,049,000, while the *Foodservice* category increased by \$10,349,000. *Health & Personal Care* category (includes *Drug Stores*) increased by \$21,789,000. *Clothing* declined during the same period by -\$3,496,000. Several of the other retail categories were not disclosed by the Census Bureau.

Thiensville's *Retail and Foodservice* increased from \$79,090,000 in 1997 to \$81,241,000 in 2002, or an increase of \$2,151,000. However, the *Retail* portion only, decreased from \$73,311,000 in 1997 to \$72,985,000, or a decline of -\$326,000. *Foodservice* sales stood at \$5,779,000 in 1997 and rose to \$8,256,000, or an increase of \$2,477,000. The other categories were not disclosed.

Table 5.8 (on the following three pages) presents the per capita expenditures by retail category for 2002 covering Milwaukee County, Ozaukee County, and Washington County. These data were derived from the respective 2002 Economic Census's of Retail Trade and Foodservice

Table 5.8

**2002 Retail Sales and Per Capita Sales
Milwaukee County, Ozaukee County, & Washington County**

Retail Categories	Counties - 2002 Retail Sales				Per Capita Retail Expenditures			
	Milwaukee \$1,000	Ozaukee \$1,000	Washington \$1,000	Combined \$1,000	Milwaukee County	Ozaukee County	Washington County	Combined \$1,000
Retail trade and Accommodation and food service	\$10,105,914	\$937,352	\$1,407,797	\$12,451,063	\$10,829	\$11,057	\$11,517	\$10,920
Retail trade	\$8,851,410	\$835,860	\$1,296,713	\$10,983,983	\$9,485	\$9,860	\$10,608	\$9,633
Motor vehicle and parts dealers	\$2,357,023	\$270,704	\$393,555	\$3,021,282	\$2,526	\$3,193	\$3,220	\$2,650
Automobile dealers	\$2,139,944	\$217,322	\$334,549	\$2,691,815	\$2,293	\$2,564	\$2,737	\$2,361
New car dealers	\$2,003,367	\$213,477	\$271,615	\$2,488,459	\$2,147	\$2,518	\$2,222	\$2,182
Used car dealers	\$137,577	D	\$52,934	D	\$147	D	\$433	D
Other motor vehicle dealers	\$87,667	\$48,384	\$38,227	\$174,278	\$94	\$571	\$313	\$153
Recreational vehicle dealers	\$47,312	D	D	D	D	D	D	D
Recreational vehicle dealers			D	D	D	D	D	D
Motorcycle, boat, and other motor vehicle dealers	\$40,355	\$48,384	D	D	\$43	\$571	D	D
Automotive parts, accessories, and tire stores	\$129,412	D	\$20,779	D	\$139	D	D	D
Automotive parts and accessories stores	\$102,809	D	D	D	\$110	D	D	D
Tire dealers	\$26,603	D	D	D	\$29	D	D	D
Furniture and home furnishings stores	\$300,990	\$24,484	\$22,822	\$348,296	\$323	\$289	\$187	\$305
Furniture stores	\$187,532	\$8,248	\$11,413	\$207,193	\$201	\$97	\$93	\$182
Furniture stores								
Furniture stores								
Home furnishings stores	\$113,458	\$16,236	\$11,409	\$141,103	\$122	\$192	\$93	\$124
Floor covering stores	\$57,623	\$6,640	\$7,504	\$71,767	\$62	\$78	\$61	\$63
Floor covering stores		D	D	D				
Other home furnishings stores	\$55,835	\$9,596	\$3,905	\$69,336	\$60	\$113	\$32	\$61
Window treatment stores	\$2,601	D	D	D	\$3	D	D	D
All other home furnishings stores	\$53,234	D	D	D	\$57	D	D	D
Electronics and appliance stores	\$303,063	\$6,125	\$21,582	\$330,770	\$325	\$72	\$177	\$290
Electronics and appliance stores								
Appliance, television, and other electronic stores	\$273,857	D	D	D	\$293	D	D	D
Household appliance stores	\$25,436	D	D	D	\$27	D	D	D
Radio, television, and other electronics stores	\$248,421	D	D	D	\$266	D	D	D
Computer and software stores	\$29,206	D	D	D	\$31	D	D	D
Computer and software stores	D	D	D	D	D	D	D	D
Camera and photographic supplies stores	D	D	D	D	D	D	D	D

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Table 5.8

2002 Retail Sales and Per Capita Sales Milwaukee County, Ozaukee County, & Washington County								
Retail Categories	Counties - 2002 Retail Sales				Per Capita Retail Expenditures			
	Milwaukee \$1,000	Ozaukee \$1,000	Washington \$1,000	Combined \$1,000	Milwaukee County	Ozaukee County	Washington County	Combined \$1,000
Building material and garden equipment and supply stores	\$631,951	\$78,270	\$142,385	\$852,606	\$677	\$923	\$1,165	\$748
Building material and supply dealers	\$588,383	\$65,828	\$95,145	\$749,356	\$630	\$777	\$778	\$657
Home centers	D	D	D		D	D	D	D
Paint and wallpaper stores	D	D	D		D	D	D	D
Hardware stores	\$55,987	D	D		\$60	D	D	D
Other building material dealers	\$251,527	\$23,713	\$45,522	\$320,762	\$270	\$280	\$372	\$281
Lawn and garden equipment and supply stores	\$43,568	\$12,442	\$47,240	\$103,250	\$47	\$147	\$386	\$91
Nursery, garden center, and farm supply stores	\$39,755	\$8,912	\$43,549	\$92,216	\$43	\$105	\$356	\$81
Food and beverage stores	\$1,363,755	\$139,459	\$202,714	\$1,705,928	\$1,461	\$1,645	\$1,658	\$1,496
Grocery stores	\$1,202,342	D	D	D	\$1,288	D	D	D
Supermarkets and other grocery stores	\$1,160,084	\$127,333	\$179,469	\$1,466,886	\$1,243	\$1,502	\$1,468	\$1,286
Convenience stores	\$42,258	D	D	D	\$45	D	D	D
Specialty food stores	\$46,073	D	\$16,616	D	\$49	D	\$136	D
Beer, wine, and liquor stores	\$115,340	D	\$0	D	\$124	D	D	D
Health and personal care stores	\$762,529	\$56,568	\$59,355	\$878,452	\$817	\$667	\$486	\$770
Pharmacies and drug stores	\$662,379	\$49,012	\$52,956	\$764,347	\$710	\$578	\$433	\$670
Cosmetics, beauty supplies, and perfume stores	\$20,995	D	D	D	\$22	D	D	D
Optical goods stores	\$30,225	D	D	D	\$32	D	D	D
Other health and personal care stores	\$48,930	D	D	D	\$52	D	D	D
Gasoline Stations	\$695,197	\$80,421	\$149,575	\$925,193	\$745	\$949	\$1,224	\$811
Gasoline stations with convenience stores	\$538,619	\$66,017	\$128,557	\$733,193	\$577	\$779	\$1,052	\$643
Other gasoline stations	\$156,578	D	\$21,018	D	\$168	D	\$172	D
Clothing and clothing accessories stores	\$491,884	\$23,856	\$14,608	\$530,348	\$527	\$281	\$120	\$465
Clothing stores	\$327,926	\$12,457	D	D	\$351	\$147	D	D
Men's clothing stores	\$31,835	D	D	D	\$34	D	D	D
Women's clothing	\$82,557	D	D	D	\$88	D	D	D
Children's and infant's clothing	\$18,973	D	D	D	\$20	D	D	D
Family clothing stores	\$136,155	D	D	D	\$146	D	D	D
Clothing accessories stores	\$14,183	D	D	D	\$15	D	D	D
Other clothing stores	\$44,223	D	D	D	\$47	D	D	D
Shoe stores	\$90,585	D	D	D	\$97	D	D	D
Men's shoe stores	D	D	D	D	D	D	D	D
Women's shoe stores	D	D	D	D	D	D	D	D
Children's and juveniles shoe stores	D	D	D	D	D	D	D	D
Family shoe stores	\$48,303	D	D	D	\$52	D	D	D
Athletic footwear stores								

Table 5.8

2002 Retail Sales and Per Capita Sales Milwaukee County, Ozaukee County, & Washington County								
Retail Categories	Countries - 2002 Retail Sales				Per Capita Retail Expenditures			
	Milwaukee \$1,000	Ozaukee \$1,000	Washington \$1,000	Combined \$1,000	Milwaukee County	Ozaukee County	Washington County	Combined \$1,000
Jewelry, luggage, and leather goods stores	\$73,373	\$6,374	\$7,555	\$87,302	\$79	\$75	\$62	\$77
Jewelry stores	D	D	\$7,555	D	D	D	\$62	D
Luggage stores	D	D	D	D	D	D	D	D
Sporting goods, hobby, book, and music stores	\$228,120	\$10,427	D	D	\$244	\$123	D	D
Sporting goods stores	\$58,934	\$6,850	\$10,517	\$76,301	\$63	\$81	\$86	\$67
General-line sporting goods stores	\$21,316	D	D	D	\$23	D	D	D
Specialty-line sporting goods stores	\$37,618	D	D	D	\$40	D	D	D
Hobby, toy, and game stores	\$51,926	D	D	D	\$56	D	D	D
Sewing, needlework, and piece goods stores	\$14,329	D	D	D	\$15	D	D	D
Musical instrument and supplies stores	\$20,003	D	D	D	\$21	D	D	D
Book, periodical, and music stores	\$82,928	D	D	D	\$89	D	D	D
Book stores and news dealers	\$55,899	D	D	D	\$60	D	D	D
Book stores general	\$39,176	D	D	D	\$42	D	D	D
Specialty book stores	D	D	D	D	D	D	D	D
College book stores	D	D	D	D	D	D	D	D
Prerecorded tape, compact disc, and record stores	\$27,029	D	D	D	D	D	D	D
General merchandise stores	\$1,206,922	\$97,578	\$209,176	\$1,513,676	\$1,293	\$1,151	\$1,711	\$1,328
Department stores	D	D	D	D	D	D	D	D
Discount department stores	\$653,504	D	D	D	\$700	D	D	D
Other general merchandise stores	D	D	D	D	D	D	D	D
Warehouse clubs and supercenters	D	D	D	D	D	D	D	D
All other general merchandise stores	D	D	D	D	D	D	D	D
Variety stores	D	D	D	D	D	D	D	D
Miscellaneous retail stores	\$214,185	\$19,966	\$38,215	\$272,366	\$230	\$236	\$313	\$239
Florists	\$19,963	\$3,724	D	D	\$21	\$44	D	D
Office supplies, stationery, and gift shops	\$90,067	\$8,790	\$18,663	\$117,520	\$97	\$104	\$153	\$103
Office supplies and stationery stores	\$48,301	D	D	D	\$52	D	D	D
Gift, novelty, and souvenir stores	\$41,766	D	D	D	\$45	D	D	D
Used merchandise stores	\$35,658	D	D	D	\$38	D	D	D
Pet and pet supply stores	\$24,190	D	D	D	\$26	D	D	D
Art dealers	\$9,456	D	D	D	\$10	D	D	D
All other miscellaneous stores	\$34,851	D	D	D	\$37	D	D	D
Nonstore retailers	\$295,791	\$28,001	\$19,655	\$343,447	\$317	\$330	\$161	\$301
Electronic shopping and mail-order houses	\$223,362	\$16,503	D	D	\$239	\$195	D	D
Vending machine operators	D	D	D	D	D	D	D	D
Direct selling establishments	D	D	D	D	D	D	D	D
Accommodation and food services	\$1,254,504	\$101,492	\$111,084	\$1,467,080	\$1,344	\$1,197	\$909	\$1,287
Accommodations	\$188,827	\$9,431	\$9,686	\$207,944	\$202	\$111	\$79	\$182
Food services and drinking places	\$1,055,677	\$92,061	\$101,398	\$1,249,136	\$1,131	\$1,086	\$829	\$1,096
Full-service restaurants	\$423,447	\$47,672	\$47,241	\$518,360	\$454	\$562	\$386	\$455
Limited-service eating places	\$425,034	\$33,330	\$44,547	\$502,911	\$455	\$393	\$364	\$441
Limited service restaurants	\$377,292	D	D	D	D	D	D	D
Cafeterias, buffets, and grill buffets	D	D	D	D	D	D	D	D
Snack and nonalcoholic beverage bars	D	D	D	D	D	D	D	D
Special food services	\$119,697	\$8,200	D	D	\$128	\$97	D	D
Drinking places	\$97,499	D	\$8,033	D	\$104	D	\$66	D
Neighborhood services	\$1,068,784	\$73,862	\$118,028	\$1,260,674	\$1,145	\$871	\$966	\$1,106

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The table shows that per capita total *Retail and Foodservice* sales Milwaukee County in 2002 amounted to \$10,829. Ozaukee County in 2002 had similar sales of \$11,057 and Washington County had sales of \$11,517. In *Retail* sales only, Milwaukee County had per capita sales of \$9,485; Ozaukee County had per capita sales in the same category of \$9,860; and Washington County had similar per capita sales of \$10,608.

Food and Beverage category per capita sales for Milwaukee County in 2002 amounted to \$1,461; in Ozaukee County per capita sales in this category amounted to \$1,645 and in Washington County, \$1,658. On a combined basis, per capita *Food and Beverage* sales amounted to \$1,496.

Furniture and Household Furnishings reflected per capita sales in 2002 for Milwaukee County of \$323. Ozaukee and Washington counties recorded \$289 and \$187, respectively. Combined per capita sales in this category amounted to \$305.

In the *Electronics and Appliance* category per capita 2002 sales in Milwaukee County amounted to \$325. Ozaukee and Washington counties recorded \$72 and \$177 respectively. Combined per capita sales in this category amounted to \$290. Nonetheless, there is definitely a market for a major appliance retailer in Ozaukee County.

Building Materials and Garden Equipment and Supply Stores had 2002 per capita sales in Milwaukee County of \$677. Ozaukee County recorded per capita sales of \$923, while Washington County had per capita sales of \$1,165.

The *Clothing and Clothing Accessories* category reflected per capita sales for Milwaukee County of \$527. Ozaukee and Washington counties recorded \$281 and \$120, respectively. The combined per capita sales figure amounted to \$465.

The *General Merchandise Stores* category includes department stores, discount department stores, warehouse clubs and supercenters, and other general merchandise stores. Per capita sales for Milwaukee County in this category amounted to \$1,293. Ozaukee and Washington counties recorded \$1,151 and \$1,711, respectively. The combined per capita sales amounted to \$1,328.

Miscellaneous Retail Stores category includes florists, office supplies, gift shops, novelty stores, art dealers, pet shops, and other small retail shops. The per capita sales in this category for Milwaukee County in 2002 amounted to \$230. Ozaukee County recorded a per capita of \$236, while Washington County in 2002 amounted to a per capita sale of \$313. The combined per capita amounted to \$239.

Foodservice includes full-service restaurants, limited-service restaurants, special food services, and drinking places. Milwaukee County in 2002 had per capita sales in this category of \$1,131. Ozaukee County recorded per capita sales in the category amounting to \$1,086, while Washington County recorded \$829. The combined per capita sales in this category for all three counties amounted to \$1,096.

Neighborhood Services in Milwaukee County had per capita sales of \$1,145, in contrast to Ozaukee County which had per capita sales of \$871. Washington County had per capita neighborhood services of \$966.

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The per capita expenditures were forecast for the projection years and applied to the population within the respective portions of the Trade Area. The result is an estimate of the overall expenditure potential within each individual retail category and within each Trade Area segment. **Table 5.9** depicts our estimates of per capita expenditures by major retail categories. Although many of our judgments are necessarily subjective, they are based upon recognized techniques and methodology, understood and accepted by developers and merchants across the country.

Table 5.9

Per Capita Retail Expenditures by Store Category and Trade Area Segment Proposed Mequon Town Center 2005, 2010, and 2015									
Store Category	Primary Trade Area			Secondary Trade Area			Tertiary Trade Area		
	2005	2010	2015	2005	2010	2015	2005	2010	2015
General Merchandise	\$2,889	\$3,322	\$3,721	\$1,289	\$1,482	\$1,660	\$1,178	\$1,355	\$1,517
Home Improvement / Hardware	\$748	\$860	\$963	\$730	\$840	\$940	\$725	\$834	\$934
Food Stores	\$2,342	\$2,693	\$3,016	\$1,378	\$1,585	\$1,775	\$1,311	\$1,508	\$1,689
Drug Stores	\$1,109	\$1,275	\$1,428	\$655	\$753	\$844	\$653	\$751	\$841
Furniture & Home Furnishings	\$1,007	\$1,158	\$1,297	\$301	\$346	\$388	\$297	\$342	\$383
Electronics & Appliances	\$1,127	\$1,296	\$1,452	\$314	\$361	\$404	\$305	\$351	\$393
Apparel & Accessories	\$2,662	\$3,061	\$3,429	\$442	\$508	\$569	\$437	\$503	\$563
Automobile Aftermarket	\$241	\$277	\$310	\$139	\$160	\$179	\$137	\$158	\$181
Eating Places	\$2,302	\$2,647	\$2,965	\$1,076	\$1,237	\$1,386	\$996	\$1,145	\$1,283
Miscellaneous Retail	\$1,849	\$2,052	\$2,299	\$837	\$963	\$1,078	\$824	\$948	\$1,061
Neighborhood Services	\$945	\$1,049	\$1,175	\$919	\$1,057	\$1,184	\$903	\$1,038	\$1,163

Source: U.S. Department of Commerce, Census of Retail Trade, 1997 and Melaniphy & Associates, Inc., 2005

MEQUON'S MARKET PENETRATION

Table 5.10 depicts Mequon and Thiensville's 2002 retail sales by major retail categories. The Table shows that Mequon had 2002 Retail and Foodservice Sales of \$254,766,000 in contrast to Mequon Resident's Potential Expenditures of \$197,226,360. Thus, in the combined categories of retail shops and foodservice in 2002, Mequon had a market penetration of 85.71 percent. In the Retail Sales only category, Mequon had a market penetration with Mequon Residents of 89.09 percent. In the Food Stores category, Mequon in 2002 captured \$40,355,000 in sales compared to Resident expenditures in this category of \$76,189,120. Thus, Mequon had a market penetration of 52.97 percent of resident expenditures.

Table 5.10
Mequon's Market Penetration of Resident Expenditures
Retail Sales and Resident Expenditures by Categories
2002

Retail and Foodservice Categories	Mequon's 2002 Sales & Market Potential			
	2002 Sales	Mequon's Residents Expenditures	Difference (Leakage)	Mequon's Market Penetration
Total Retail and Foodservice Sales	\$254,766,000	\$297,226,360	\$42,460,360	85.71%
Total Retail Sales	\$217,888,000	\$244,567,000	\$26,679,000	89.09%
Building Materials & Hardware	\$15,599,000	\$23,373,120	\$7,774,120	66.74%
Food Stores	\$40,355,000	\$76,189,091	\$35,834,091	52.97%
General Merchandise	D	\$82,961,455	D	D
Clothing	\$10,951,000	\$27,959,280	\$17,008,280	39.17%
Furniture & Household Furnishings	\$13,334,000	\$45,000,240	\$31,666,240	29.63%
Electronics & Appliances	\$3,628,000	\$27,959,280	\$24,331,280	12.98%
Jewelry, Luggage & Leather Goods	\$3,009,000	\$7,542,720	\$4,533,720	39.89%
Miscellaneous Retail Stores	D	D	D	D
Foodservice	\$36,878,000	\$52,659,360	\$15,781,360	70.03%
Health & Personal Care	\$21,789,000	\$25,817,520	\$4,028,520	84.40%

Source: Economic Census of Retail and Foodservice Sales, 1997 and 2002 and Melaniphy & Associates, Inc. 2005

Other major retail categories reflect the following market penetration levels in 2002 for Mequon:

- In Building Material and Hardware Mequon's market penetration in 2002 was 66.74 percent.
- In the Clothing category, Mequon's market penetration was 39.17 percent.
- In the Furniture & Home Furnishings, Mequon's market share was 29.63 percent.
- Mequon's weakest market penetration was in the Electronics & Appliances at 12.98 percent.
- In the Jewelry, Luggage & Leather Goods category, Mequon's market penetration was 39.89 percent.

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- In the Foodservice category which includes meals consumed away from home, Mequon's market penetration was 70.03 percent.
- In the Health & Personal Care category, Mequon's market penetration was 84.40 percent.

Overall, Mequon has very strong market penetration. Admittedly, some of the sales are coming from Thiensville and surrounding communities. However, Mequon residents are also spending money outside of Mequon.

PROPOSED MEQUON TOWN CENTER'S MARKET PENETRATION AND SALES FORECAST

The next step was to determine the percentage of business which the Proposed Mequon Town Center might capture in each individual retail category. **Table 5.11** presents the total retail expenditure potential for each Trade Area segment by retail category. The final step is to compute the likely market share by individual retail category for each Trade Area segment. Market share for a retail complex or retailer is the level of market penetration that the facility is capturing or expected to capture of Personal Consumer Expenditures within a defined trade area.

The market penetration was computed by comparing the total potential available in each retail category against the likely sales volume we expect the Proposed Mequon Town Center to capture in each category, in contrast to competitive facilities. We have forecast the Subject Property's sales volume and market share by individual retail category. **Table 5.12** presents the total retail expenditure potential, estimated market penetration, and sales estimates for the respective portions of the Trade Area in Phases I, II, and III. The forecasts are based upon demographic forecasts for 2005, 2010, and 2015. Some of the individual retail categories may not match those in Table 5.13 because some are combined.

Our analysis indicates that the development should be undertaken in three phases. Phase I will take approximately five years to fully implement. Phase II can begin before Phase I is completed, and follow in three to five years. The final phase (Phase III) will take an additional two to three years. The timing will depend upon how the area is developed. If it is done by an experienced developer, the timing will be shorter. If it is undertaken with several developers, the process will take longer and may not be as successful.

During the Phase I era, we have concluded that the River Center Shopping Center will need to be upgraded and re-leased to compete in the new environment. However, its projections are not part of this process.

A discussion of each phase is as follows:

Table 5.11

Total Potential Retail Expenditures By Store Category Primary, Secondary, Tertiary, and Total Trade Area 2005 and 2010												
Store Category	Primary Trade Area			Secondary Trade Area			Tertiary Trade Area			Total Trade Area		
	2005	2010	2015	2005	2010	2015	2005	2010	2015	2005	2010	2015
General Merchandise	\$80,796,663	\$97,766,793	\$112,431,812	\$52,828,376	\$65,305,896	\$73,142,604	\$114,456,836	\$131,710,708	\$147,515,992	\$248,081,875	\$294,783,397	\$333,090,408
Home Improvement / Hardware	\$20,919,316	\$25,313,105	\$29,110,071	\$29,918,320	\$36,984,720	\$41,422,886	\$70,442,450	\$81,061,344	\$90,788,705	\$121,280,086	\$143,359,169	\$161,321,663
Food Stores	\$65,498,714	\$79,255,739	\$91,144,100	\$56,475,952	\$69,814,992	\$78,192,791	\$127,379,382	\$146,581,271	\$164,171,024	\$249,354,048	\$295,652,002	\$333,507,915
Drug Stores	\$31,015,403	\$37,529,724	\$43,159,183	\$26,844,520	\$33,184,920	\$37,167,110	\$63,446,786	\$73,011,114	\$81,772,447	\$121,306,709	\$143,725,758	\$162,098,741
Furniture & Home Furnishings	\$28,162,769	\$34,077,937	\$39,189,628	\$12,336,184	\$15,249,864	\$17,079,848	\$28,857,114	\$33,207,199	\$37,192,063	\$69,356,067	\$82,535,000	\$93,461,538
Electronics & Appliances	\$31,518,809	\$38,138,863	\$43,859,693	\$12,868,976	\$15,908,496	\$17,817,516	\$29,634,410	\$34,101,669	\$38,193,869	\$74,022,195	\$88,149,028	\$99,871,077
Apparel & Accessories	\$74,448,154	\$90,084,875	\$103,597,606	\$18,114,928	\$22,393,488	\$25,080,707	\$42,459,794	\$48,860,424	\$54,723,675	\$135,022,876	\$161,338,787	\$183,401,988
Automobile Aftermarket	\$6,740,047	\$8,155,693	\$9,379,047	\$5,696,776	\$7,042,296	\$7,887,372	\$13,311,194	\$15,317,799	\$17,155,935	\$25,748,017	\$30,515,788	\$34,422,353
Eating Places	\$64,380,034	\$77,902,097	\$89,587,412	\$44,098,784	\$54,514,464	\$61,056,200	\$96,773,352	\$111,361,515	\$124,724,897	\$205,252,170	\$243,778,076	\$275,368,508
Miscellaneous Retail	\$51,710,983	\$60,395,681	\$69,455,033	\$34,303,608	\$42,405,768	\$47,494,460	\$80,061,488	\$92,130,410	\$103,186,059	\$166,076,079	\$194,931,859	\$220,135,552
Neighborhood Services	\$26,428,815	\$30,867,452	\$35,497,569	\$37,664,296	\$46,560,216	\$52,147,442	\$87,737,286	\$100,963,301	\$113,078,897	\$151,830,397	\$178,390,969	\$200,723,909

Source: U.S. Department of Commerce, Census of Retail Trade, 2002 and Melaniphy & Associates, Inc. projections, 2006

Table 5.12

Trade Area Total Retail Expenditure Potential And Estimated Market Shares By Trade Area Segment 2005, 2010, and 2015									
Store Category	Total Potential			Estimated Market Shares			Sales Volume (\$000)		
	Current	2010	2015	Current	2010	2015	Phase I	Phase II	Phase III
General Merchandise									
Primary	\$80,796,663	\$97,766,793	\$112,431,812	0.0%	2.0%	4.0%	\$0	\$1,953,336	\$4,497,272
Secondary	\$65,305,896	\$73,142,604	\$114,456,836	0.0%	1.0%	2.0%	\$0	\$731,426	\$2,289,137
Tertiary	\$114,456,836	\$131,710,708	\$147,515,992	0.0%	0.0%	0.0%	\$0	\$0	\$0
Total	\$260,559,395	\$302,620,104	\$374,404,641	0.0%	0.9%	1.8%	\$0	\$2,686,762	\$6,786,409
Home Improvement / Hardware									
Primary	\$20,919,316	\$25,313,105	\$29,110,071	0.0%	0.0%	4.0%	\$0	\$0	\$1,164,403
Secondary	\$36,984,720	\$41,422,886	\$70,442,450	0.0%	0.0%	2.0%	\$0	\$0	\$1,408,849
Tertiary	\$70,442,450	\$81,061,344	\$90,788,705	0.0%	0.0%	2.0%	\$0	\$0	\$1,815,774
Total	\$128,346,486	\$147,797,336	\$190,341,226	0.0%	0.0%	1.4%	\$0	\$0	\$2,573,252
Food Stores									
Primary	\$65,498,714	\$79,255,739	\$91,144,100	0.0%	15.0%	20.0%	\$0	\$11,888,361	\$18,228,820
Secondary	\$69,814,922	\$78,192,791	\$127,379,382	0.0%	10.0%	10.0%	\$0	\$7,819,279	\$12,737,938
Tertiary	\$127,379,382	\$146,581,271	\$164,171,024	0.0%	2.0%	2.0%	\$0	\$2,931,625	\$3,283,420
Total	\$262,693,088	\$304,029,801	\$382,694,506	0.0%	7.4%	8.9%	\$0	\$22,639,265	\$34,250,179
Drug Stores									
Primary	\$31,015,403	\$37,529,724	\$43,159,183	13.0%	15.0%	15.0%	\$4,032,002	\$5,629,459	\$6,473,877
Secondary	\$33,184,920	\$37,167,110	\$63,446,786	2.0%	2.0%	2.0%	\$663,698	\$743,342	\$1,268,936
Tertiary	\$63,446,786	\$73,011,114	\$81,772,447	0.5%	1.0%	1.0%	\$317,234	\$730,111	\$817,724
Total	\$127,647,109	\$147,707,949	\$188,378,417	0.0%	4.8%	4.5%	\$5,012,935	\$7,102,912	\$8,560,538
Furniture & Home Furnishings									
Primary	\$28,162,769	\$34,077,937	\$39,189,628	0.0%	15.0%	16.0%	\$0	\$5,111,691	\$6,270,340
Secondary	\$15,249,864	\$17,079,848	\$28,857,114	0.0%	10.0%	10.0%	\$0	\$1,707,985	\$2,885,711
Tertiary	\$28,857,114	\$33,207,199	\$37,192,063	0.0%	5.0%	5.0%	\$0	\$1,660,360	\$1,859,603
Total	\$72,269,747	\$84,364,984	\$105,238,805	0.0%	10.1%	10.5%	\$0	\$8,480,035	\$11,015,655
Electronics & Appliances									
Primary	\$31,518,809	\$38,138,863	\$43,859,693	0.0%	5.0%	6.0%	\$0	\$1,906,943	\$2,631,582
Secondary	\$15,908,496	\$17,817,516	\$29,634,410	0.0%	3.0%	4.0%	\$0	\$534,525	\$1,185,376
Tertiary	\$29,634,410	\$34,101,669	\$38,193,869	0.0%	1.0%	1.0%	\$0	\$341,017	\$381,939
Total	\$77,061,715	\$90,058,048	\$111,687,972	0.0%	3.1%	3.8%	\$0	\$2,782,485	\$4,198,897
Apparel & Accessories									
Primary	\$74,448,154	\$90,084,875	\$103,597,606	0.0%	5.0%	5.0%	\$0	\$4,504,244	\$5,179,880
Secondary	\$22,393,488	\$25,080,707	\$42,459,794	0.0%	3.0%	3.0%	\$0	\$752,421	\$1,273,794
Tertiary	\$42,459,794	\$48,860,424	\$54,723,675	0.0%	1.0%	1.0%	\$0	\$488,604	\$547,237
Total	\$139,301,436	\$164,026,005	\$200,781,075	0.0%	3.5%	3.5%	\$0	\$5,745,269	\$7,000,911
Automobile Aftermarket									
Primary	\$6,740,047	\$8,155,693	\$9,379,047	0.0%	15.0%	15.0%	\$0	\$1,223,354	\$1,406,857
Secondary	\$7,042,296	\$7,887,372	\$13,311,194	0.0%	10.0%	10.0%	\$0	\$788,737	\$1,331,119
Tertiary	\$13,311,194	\$15,317,799	\$17,155,935	0.0%	5.0%	5.0%	\$0	\$765,890	\$857,797
Total	\$27,093,537	\$31,360,863	\$39,846,176	0.0%	8.9%	9.0%	\$0	\$2,777,981	\$3,595,773
Eating Places									
Primary	\$64,380,034	\$77,902,097	\$89,587,412	6.5%	7.0%	8.0%	\$4,184,702	\$5,453,147	\$7,166,993
Secondary	\$54,514,464	\$61,056,200	\$96,773,352	3.0%	4.0%	5.0%	\$1,635,434	\$2,442,248	\$4,838,668
Tertiary	\$96,773,352	\$111,361,515	\$124,724,897	1.0%	2.0%	2.0%	\$967,734	\$2,227,230	\$2,494,498
Total	\$215,667,850	\$250,319,812	\$311,085,660	3.1%	4.0%	4.7%	\$6,787,870	\$10,122,625	\$14,500,158
Miscellaneous Retail									
Primary	\$51,710,983	\$60,395,681	\$69,455,033	3.0%	7.0%	13.0%	\$1,551,329	\$4,227,698	\$9,029,154
Secondary	\$42,405,768	\$47,494,460	\$80,061,488	1.0%	4.0%	7.0%	\$424,058	\$1,899,778	\$5,604,304
Tertiary	\$80,061,488	\$92,130,410	\$103,186,059	0.0%	1.0%	3.0%	\$0	\$921,304	\$3,095,582
Total	\$174,178,239	\$200,020,551	\$252,702,580	1.1%	3.5%	7.0%	\$1,975,387	\$7,048,780	\$17,729,040
Neighborhood Services									
Primary	\$26,428,815	\$30,867,452	\$35,497,569	5.0%	5.0%	5.0%	\$1,321,441	\$1,543,373	\$1,774,878
Secondary	\$46,560,216	\$52,147,442	\$87,737,286	1.0%	3.0%	3.0%	\$465,602	\$1,564,423	\$2,632,119
Tertiary	\$87,737,286	\$100,963,301	\$113,078,897	1.0%	1.0%	1.0%	\$877,373	\$1,009,633	\$1,130,789
Total	\$160,726,317	\$183,978,195	\$236,313,753	1.7%	2.2%	2.3%	\$2,664,416	\$4,117,429	\$5,537,786
TOTAL	\$1,645,544,919	\$1,906,283,647	\$2,393,474,809	1.0%	3.9%	4.8%	\$16,440,607	\$73,503,544	\$115,748,598

Source: Melaniphy & Associates, Inc., 2006

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Phase I

Phase I can be implemented immediately focusing on the 2010 projections. Table 5.13 presents the sizes and sales by Phase. Our computations indicate that Phase I should contain approximately 40,000 square feet of upscale retail, foodservice, and service stores with an estimated sales of \$15,900,000. There can be several variations for Phase I. For example, Phase I might include a supermarket like Whole Foods which might add an additional 40,000 square feet. Since they are only now entering the Milwaukee market their interest is unknown. improvement.

Phase II

Phase II is forecast to occur after 2010 and add approximately 146,000 square feet bringing the total retail development to 186,000 square feet. Sales are estimated at \$74,500,000.

Phase III

The market for Phase III should occur near 2015 and add approximately 55,000 square feet, bringing the total retail developed up to approximately 241,000 square feet with sales estimated at \$110,400,000.

PHASING OF THE PROPOSED MEQUON TOWN CENTER

Table 5.13 presents the sizes and sales by Phase. A discussion of each phase is a follows:

Table 5.13

PROPOSED MEQUON TOWN CENTER MEQUON ROAD MEQUON, WISCONSIN PHASES I, II, AND III						
STORE CATEGORY	PHASE I		PHASE II		PHASE III	
	GENERAL SIZE	ESTIMATED SALES ¹	SIZE	ESTIMATED SALES ¹	SIZE	ESTIMATED SALES ¹
Supermarket			40,000	\$22,600,000	40,000	\$34,000,000
Electronics stores			5,000	\$2,700,000	5,000	\$4,200,000
Drug Store	14,000	\$5,000,000	14,000	\$7,000,000	14,000	\$8,500,000
Apparel and Accessories			20,000	\$5,700,000	25,000	\$7,000,000
Furniture and Home Furnishings			25,000	\$8,400,000	25,000	\$11,000,000
Book Store			20,000	\$6,000,000	20,000	\$7,000,000
Office Supplies					20,000	\$4,100,000
Restaurants	7,500	\$5,000,000	12,000	\$7,500,000	16,000	\$10,000,000
Quick Service Food Facilities	2,500	\$1,500,000	6,000	\$3,000,000	9,000	\$6,100,000
Miscellaneous Retail Stores	6,000	\$1,800,000	30,000	\$7,600,000	50,000	\$13,000,000
Services	10,000	\$2,600,000	14,000	\$4,000,000	17,000	\$5,500,000
Total	40,000	\$15,900,000	186,000	\$74,500,000	241,000	\$110,400,000

¹ All sales figures have been rounded to the nearest \$100,000.

The sales estimates are subject to the assumptions stated in Section I

Store sizes are approximate and will be adjusted to suit individual retailers

Source: Melaniphy & Associates, Inc., 2006

RETAIL, FOODSERVICE, AND SERVICE CATEGORIES

A discussion of the individual retail, foodservice, and service categories is as follows:

■ **Supermarket**

In Mequon, the food store category is currently served primarily by Pick 'N Save, Sendik's, and Piggly Wiggly. In Phase II, we recommend a unique supermarket be included with between 30,000 and 40,000 square feet. We recommend a store that is different from the existing stores such as Whole Foods or someone like them. They feature organically grown produce and meats for health conscience consumers. Their customers have upper-middle to upper incomes and a high level of college degrees. We estimate that such a store could expect to capture initial estimated sales of \$22,600,000, rising to \$34,000,000 within five years. If securing a Whole Foods does not work, we suggest focusing upon someone else, such as the smaller Trade Joe's, a gourmet food and wine shop that requires approximately 10,000 square feet.

■ **Drug Store**

The drug store category is currently served by Walgreen's and neighborhood drug stores. Should a supermarket be secured with a drug store, then a separate drug store could not be supported. Based upon the competition in the marketplace, we estimate that a major drug store with approximately 14,000 square feet could initially capture sales of approximately \$5,000,000, rising to \$7,000,000 within five years. Osco Drugs represents a possible immediate tenant. Walgreen's may be a Phase II or III tenant.

■ **Book Store**

A major book store such as Barnes & Noble might be added in the second phase. The store should be at least 20,000 square feet and can generate initial sales of an estimated \$6,000,000 rising to \$7,000,000 in the third phase. Barnes & Noble will have a new store in Bayshore Mall. Border's is also a candidate; however they currently have a store in Fox Point.

■ **Furniture, Home Furnishings, and Accessories**

The Furniture, Home Furnishings, and Accessories category has potential in the Mequon Town Center in Phase II. We anticipate a store of approximately 20,000 to 25,000 square feet with sales estimated at \$8,400,000, rising to \$11,000,000 in Phase III. There will also be a market for some small home furnishing stores.

■ **Electronics**

Mequon is very weak in Electronics sales. We envision Bose, Bang & Olufsen or others as possible tenants in this category that focus on upscale equipment and service. We expect that Best Buy will develop a new store in Grafton which will affect this market. Circuit City operates at Brown Deer Road and 76th Street which will probably be relocated. We estimate that the market will support 5,000 square feet in this category and generate estimate sales of approximately \$2,700,000 in Phase II, rising to \$4,200,000 in Phase III.

■ **Apparel & Accessories**

There will be little demand for apparel & accessory stores in Phase I. The Bayshore Mall expansion has everyone waiting to see who will be there and what the overall impact will have upon apparel stores. Nonetheless, in Phase II, we anticipate demand in this category for

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approximately 20,000 square feet with a sales potential of an estimated \$5,700,000, rising to \$7,000,000 in 25,000 square feet in Phase III. We recommend a mix of local and national chain lifestyle stores.

■ Miscellaneous Retail

The Miscellaneous Retail Store category includes the following types of stores: sporting goods, jewelry, liquor, camera, toy, hobby, gift, luggage, mail order houses, florists, pet stores, and antique stores, among many others. In Phase I, the market will support approximately 6,000 square feet in this category with an estimated sales of \$1,800,000. In Phase II we recommend an additional 24,000 square feet, and in Phase III, an additional 20,000 square feet bringing the total to 50,000 square feet. Sales in Phase II are estimated at \$7,600,000, rising to \$13,000,000 with the implementation of Phase III.

■ Office Supply Store Category

The Office Supply Store category will generate demand in Phase III for a store in the 20,000 square foot range with sales estimated at approximately \$4,100,000.

■ Restaurants and Quick Service Food Facilities

In Phase I, we recommend the development of approximately 7,500 square feet of restaurant space and approximately 2,500 square feet of quick service food facilities, for a total of 10,000 square feet of foodservice. The restaurants should be different from those currently in Mequon and Thiensville. Also, an attempt should be made to encourage existing well-known Milwaukee restaurants to develop a northern unit in the Mequon Town Center. We expect the Town Center to initially capture sales in this category of \$6,500,000. Phase II of the development restaurants and quick service food facilities should increase to 18,000 square feet with combined sales of an estimated \$10,600,000. Within five years, we expect this category contain a total of 25,000 square feet and generate sales of approximately \$16,100,000.

■ Services

In Phase I in the Proposed Mequon Town Center there will be a market for approximately 10,000 square feet of services which include beauty salons, nail shops, cleaners, real estate and insurance offices, and others. Revenues are initially estimated at \$2,600,000. In Phase II, an additional 4,000 square feet should be added, raising revenues to an estimated \$4,000,000. In Phase III, an additional 3,000 square feet should be added raising revenues to an estimated \$5,500,000.

■ All Categories

In summary, based upon the initial market potential for the proposed Town Center, Phase I sales are estimated at approximately \$15,900,000 in 40,000 square feet. Phase II is expected to have a total of approximately 186,000 square feet and estimated sales of approximately \$74,500,000. The final Phase (III) can commence following the opening of Phase II. Thus, the total retail project can be expected to contain approximately 241,000 with sales estimated at approximately \$110,400,000.

ALTERNATIVE SCENARIOS

Based upon our analysis of the retail market in Mequon (and Thiensville), and the market demand to create a Town Center, we have examined the following scenarios leading to our recommendations. A discussion of the alternatives based upon market demand is as follows.

1. The Proposed Town Center on Mequon Road

The first alternative examined was the market for a Town Center concept on Mequon Road tying into Mequon Civic Center fronting on Cedarburg Road. As the report indicates, there is a market for developing a Town Center over time in several phases. We have reviewed the Town Center concept plans, and we believe that such an improvement will be a long term benefit to the community. The physical improvements will delineate the Mequon Town Center's civic and business activity into a downtown area with adequate identity, aesthetics, access and parking.

The Town Center should be phased to meet market demand. This will permit the costs of the physical improvements for the Town Center to be partially borne by the developments. Thus, the City of Mequon will have full control of the types of retailers, appearance, texture, presentation, design, material, and landscaping.

2. A Town Center for only Mequon Residents

As requested, we have examined the possibility of creating a Town Center to serve only the residents of Mequon and Thiensville. First, this scenario analysis revealed that Mequon and Thiensville are currently importing retail sales dollars from other communities. Second, there is no way to control shopping other than not having any retail stores. As Mequon grows, the demand for additional retail facilities will be either in the Mequon Town Center area or other locations to the west. The community can best serve this growing need by focusing the demand in the designated Town Center area (Downtown Mequon) where vacant land is available and some properties need redevelopment.

3. Do nothing

This alternative assumes that City Officials decide to take no action regarding the Town Center proposal. It further assumes that development of the land on the south side of Mequon Road will be left to market demand to initiate activity. Any development would be subject to the community zoning and building ordinances.

In our opinion, this alternative will be slow and eventually create a mixed bag of commercial facilities. Moreover, in our opinion it would be a "*Stagnant Strategy*," risking the loss of an opportunity to create a Downtown area with needed retail and service facilities. If for no other reason, convenience good stores should be within one and one-half to two miles of residents to provide convenient and efficient shopping. The area near the center of Mequon which houses City Hall and the Library is the best location to serve as the next retail and service concentration. Moreover, it provides an opportunity to synergize both the civic and business elements of the community. New retail facilities will be needed in the community, and therefore, the best strategy will be to concentrate them where governmental and business

activities are already located. Such a development will also represent the current resident's contribution to the future of Mequon. A Town Center will establish a better "sense of place," identity, and continuity. Lastly, it provides a "Gateway" to both government and business in the center of Mequon's very large community.

RECOMMENDATIONS

1. Develop the Proposed Town Center

Mequon needs a "Gateway" or a "Center" of the community that integrates the Civic Center with a needed second Commercial concentration. We recommend that Mequon proceed to develop a Town Center on the south side of Mequon Road, as designated. This will provide a very specific set of guidelines so that retailer and developers will fully understand the physical requirements. The initial retail magnets such as a Supermarket or Drug store may need to be set back from Mequon Road with parking in front. However the road frontage can be developed as out-buildings for quick service food shops, medical clinics, services, and other smaller users. To make the Town Center work, it may be necessary to some assistance or incentive to at least one major generator. The phasing, size, and estimated sales of each phase has been previously discussed.

2. Public Financing

Some level of public assistance will be necessary to complement or initiate the Town Center's private development. Also, a public presence will be necessary to set the tone for the development by creating the character and architectural vision.

Currently, retailers are focused on Port Washington Road where other retailers are located. Public dollars will be necessary to initially attract some of the larger generators in Phase I and II. Public financing will also be needed for some of the public improvements. Each development can be expected to contribute to the needed public and private improvements in accordance with the City's architectural and design guidelines.

Our experience indicates that initial public expenditures jump-start a development and set the stage for further additions and expansions. The process can be assisted by Tax Increment Financing (TIF) or a Special Service Area (SSA) or District (SSD), or some other public/private assistance vehicle. We have found today that most communities are using TIF as the vehicle for public expenditures and financing, which are recovered over the life of the TIF. It is our understanding that your TIF guidelines have considerable flexibility in timing and size. We recommend that TIF be utilized along with private assistance from each development.

3. Steps Toward Mequon Town Center Development

Logically, the Town Center plan should be implemented from east to west, starting closet to the River Center and extending west. The City's role should be that of facilitator. The implementation steps should include:

- The first step in the Town Center development process is deciding to implement the program.

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- The next step is to meet with the property owners in the designated area to explain the Town Center Plan so that the owners can decide how they can participate.
- The need for a developer(s) should be discussed along with the possibilities for joint-ventures between themselves and experienced developers. Experienced developers can get the project off to a running start and assist in the full implementation of the Town Center. Experienced developers usually already know the retailers and restaurants have credibility, and proven track record to complete the process successfully.
- Several experienced developers should be invited to Mequon to review the location and the possibility. Next, their joint-venture type of agreements should be discussed to better understand how Milwaukee area developers proceed.
- The City should facilitate the meeting of land owners and developers. Some land owners may wish to sell and others to participate in the development.
- The area should be established a TIF or a Special Service Area.

Again, our experience is that this should be implemented by the private sector and assisted by the City in creating the environment for implementation. The City should not be the development coordinator, but rather the facilitator toward completion.

4. Suggested Retailers to be Contacted

Some stores that should be contacted for each phase of the development are listed on the following pages. Independent retailers and restaurateurs should also be contacted about location here.

Food Stores

Whole Foods or Wild Oats
Trader Joe's
Cost Plus World Market

Book Stores

Barnes & Noble
Border's
Books a Million

Apparel and Accessory Stores

American Eagle Outfitters
Ann Klein
Ann Taylor and Ann Taylor Loft
Anthropologie
Anchor Blue
April Cornell
Avenue
Chico's

Suggested Retailers to be Contacted (Continued)

Apparel and Accessory Stores (Continued)

Coldwater Creek
Club Monaco
DKNY
H&M
Hollister Co.
Hot Topic
J Crew
J Hill
Johnson & Murphy
Jos. A Banks
Lerner New York
Polo Sports
Talbot's

Shoes

Steve Madden
Rockport
Footlocker

Jewelry Stores

Most likely local operators

Home Furnishings

Ashley Furniture
Le Gourmet Chef
Pottery Barn
White House/Blank Market
Restoration Hardware
Room Store Furniture
Z Gallerie

Home Improvement

Ace or True Value Hardware

Electronics

Bose
Bang & Olufsen
Sharper Image

Suggested Retailers to be Contacted (Continued)

Restaurants

An additional unit of famous Milwaukee restaurants

Applebee's

Claim Jumper

Champp's

Claddagh Irish Pub

Joe's Crabshack

On the Border

Mitchell's Fish Market

Cameron's Steak House

Martini Italian Bistro

Brio Tuscan Grill

Johnny Rockets

PF Chang's

Portillo's

Red Robin

Ruth Chris

Buffalo Wings Wild

White Chocolate Grill

Numerous local restaurants

Quick Service Restaurants

Alterra Coffee

Buddy Squirrel

Caribou Coffee

Cold Stone Creamery

Dunkin Donuts

Gloria Jean's Coffee

Godiva Chocolatier

Maggie Moo's Ice Cream

Potbelly Sandwich Works

QDoba Mexican Grill

Rocky Rococo

Starbuck's Coffee

St. Louis Bread Co

Miscellaneous Retail Stores

Art Galleries

Build A Bear Workshop

Cell Phone Stores

GNC Live Well

Radio Shack

Sharper Image

Yankee Candle

Suggested Retailers to be Contacted (Continued)

Non-Retail Users

Health Club

Curves for Women

Curves for Men

Lifetime Fitness

Xsport Fitness

Bank

Banquet Facilities

ADDENDA

INTRODUCTION TO MELANIPHY & ASSOCIATES, INC.

Melaniphy & Associates, Inc. is a firm of real estate counselors, site selection specialists, market analysts, retail consultants, and international investment advisors who practice their specialties throughout the world. Members of the firm, evaluate both problems and opportunities involving urban and suburban development and redevelopment. Since its beginning in 1971, the company has successfully advised thousands of national and international clients in both the private and public sectors regarding solutions to their individual needs.

In the private sector, the firm's activities include market and locational feasibility studies, retail store and restaurant development strategies, revenue potential analysis, market development strategies, locational criteria, prioritization, site selection, long range planning, redevelopment alternatives, and financial analysis. Clients include: major retailers, restaurants, supermarkets, fast food chains, shopping centers owners and developers, manufacturing companies, casino's, convenience stores, family entertainment centers, leisure-time attractions, hotels and hotel developers, resorts, sports organizations, financial institutions, insurance companies, pension funds, foreign investment trusts, major and minor mixed use developers, residential developers, condominium converters, industrial park developers, congregate care facilities planners, office complexes, business parks, housing, hospital administrators, and many others. Additional programs include: demographic projections, highest and best use studies, tax impact programs, tax increment financing, rehabilitation programs, mixed-use development analyses, adaptive re-use, and merger and acquisition programs.

In the public sector, services include: neighborhood needs studies, resident shopping surveys, housing programs, downtown revitalization programs, industrial opportunity identification, job-oriented analyses, community assets, stadium and arena feasibility, convention and meeting facilities, demographic forecasts, festival marketplaces, waterfront developments, leisure attractions, airport spatial and expansion requirements, school facility re-use, data base analyses, criminal justice evaluation, and numerous other social and economic programs.

The staff consists of market analysts, site selection specialists, financial analysts, urbanologists, economists, marketing professionals, planners, real estate experts, and real estate professionals.

Melaniphy & Associates, Inc. has both the depth and breadth of experience to provide comprehensive and innovative consultation. The firm is often engaged with clientele throughout the United States, Canada, México, South America, Europe, the Middle East, and the Far East.

PHILOSOPHY

The philosophy of Melaniphy & Associates, Inc. is to analyze a client's problems and provide expert advice and recommendations. Also, the company's mission is to help the client implement the advice to ensure the attainment of his or her goals. We often work with our clients from concept planning to project completion to provide our client with maximum benefit of our experience. Our staff of experts come from a wide variety of disciplines which are financially and economically oriented; thus, our philosophy dictates that we look at each recommended action as though we were spending our own money. Thus, if we were hesitant to invest our money, then we certainly would not recommend risking our clients' resources on a marginal or uneconomic project. This entrepreneurial approach is critical to the consulting business and absolutely essential in providing sound economic investment advice.

Most consultants have never had to implement their own recommendations nor build the project as recommended. Members of our staff have. As a result, we have a profound respect for risk/resources and returns on invested capital.

ABOUT OUR FOUNDER AND PRESIDENT

John C. Melaniphy has been a real estate counselor; restaurant, quick service food and retail site selection specialist; and market analyst for over 40 years. During this time, he has been involved in almost every type of urban and suburban restaurant and retail development and redevelopment problem and opportunity. He began his career with, at that time, the largest market analysis and site selection firm in the world and worked on all phases of the company's business over a 12 year span. The last three years, he was Senior Vice President of Real Estate Research Corporation, in charge of its commercial analyses and the operation of 13 world-wide offices.

In 1969, Mr. Melaniphy resigned from Real Estate Research Corporation to become Corporate Vice President of Kentucky Fried Chicken Corporation. His duties were to establish a real estate and construction division and assist in Financial Management. He was responsible for the selection and development of over 400 KFC units, as well as commissaries, warehouses, office buildings, and other facilities.

Mr. Melaniphy became aware of the need in the corporate world for the unique background he possesses - a combination of both sound theory and practical application in acquiring and developing real estate, estimating sales and strategic market planning and prioritization. With the acquisition of KFC by Heublein, Mr. Melaniphy resigned to establish his own market-oriented consulting firm in 1971. He also assisted in packaging a \$50,000,000 loan for corporate expansion. With the merger of company with Heublein, Melaniphy resigned to start Melaniphy & Associates, Inc.

Mr. Melaniphy is aware of the need in the corporate world for the unique background he possesses; a combination of both scientific analysis and extensive business experience resulting in sound decision making.

Mr. Melaniphy has counseled thousands of companies throughout the world. Some of these include: Marshall Field & Company, J.C. Penney Company, Wal-Mart, Sears Roebuck & Company, Macy's, Lord & Taylor, Saks Fifth Avenue, Dayton Hudson (now Marshall Field's), Neiman Marcus, Federated Department Stores, Target, Meijer, the Hudson Bay Company, El Puerto de Liverpool, Fabricas de Francia, International Multifoods, the Jewel Companies, the House of Escada, Marshalls, Wickes Furniture, the Rouse Company, G.E. Capital, Heller Financial, Household Commercial, Aetna Life Insurance Company,

Travelers Life Insurance Company, Hollywood Casinos, Huizenga Capital Management, The Simon Property Group, Birtcher Realty Advisors, General Growth Properties, Bain Capital, Iowa Electric, Corrigan Properties, Gerald D. Hines Interests, Heitman Capital Management, Avatar Properties, Forest City Enterprises, Zale Construction Company, Concord Developmen, Amoco, Fondo Opcion, S.A., ICA Asociadas, FRISA Division Comercial, Mobile, Union, USX Realty, the Kuwait Bank, Marriott, Sheraton, Hilton, Embassy Suites, Budgetel Inns, Hampton Inns, , Fitness USA, and many others.

Some of the foodservice related clients include: Marriott Corporation, Lettuce Entertain You Enterprises, Schwartz Brothers, Bennigan's, Maggiano's Little Italy, Sir Walter Raleigh, Shaw's Crab House, P F Chang, Friendly's, Restaurant Associates, Arigato Steak House, Charlie Brown's, Big Bowl Asian Café, Columbia Restaurants, Max & Irma's, TGI Friday's, Shorty Small's, Pepe's, Superdawg, Border Cafe, County Line Barbecue, Steak and Stein, Pizza Hut, Pizza Delight, McDonald's, Burger King, Hardee's, Taco Bell, Arby's, Church's, Popeye's, Dunkin Donut, Baja Fresh, and numerous others individual restaurants and fast food operators.

Municipalities assisted include: Chicago, Minneapolis, Cleveland, San Antonio, Charlestown, Louisville, Milwaukee, Omaha, Seattle, Los Angeles, Boston, Atlanta, Dallas, Tampa, and numerous others.

His affiliations have included: The Counselors of Real Estate, Urban Land Institute, International Council of Shopping Centers, Lambda Alpha International Real Estate Economics Fraternity, the National Restaurant Association, the National Retail Federation, Realty Club of Chicago, and many others.

He is the author of **Commercial and Industrial Condominiums** published by Urban Land Institute and **Restaurant and Fast Food Site Selection** published by John Wiley & Sons. He is also a contributing author of the book entitled **Shopping Centers and Other Properties** also published by John Wiley & Sons. Mr. Melaniphy's new book **The Restaurant Site Selection Guidebook** will be published in 2006. The author of over 100 articles, Mr. Melaniphy, also presents seminars covering real estate, mixed-use development, site selection, store development strategies, shopping center opportunities, restaurant and fast food market analysis and site selection, and long range development planning. The seminars are presented throughout the world for associations and private companies. Mr. Melaniphy is an expert witness in all levels of the judicial system. Moreover, he is a much sought after speaker on a wide variety of subjects. For further information, please visit the company's Website @ www.melaniphy.com where over 40 articles are posted, along with January Retail Trends newsletter and the Chicagoland Retail Sales Newsletter.

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REPRESENTATIVE LIST OF CLIENTS

MAJOR DEVELOPERS AND OWNERS

U.S.X. Realty Development Corp.
The Simon Property Group
The Rouse Company
Upland Industries (Union Pacific RR)
Corrigan Properties, Inc.
Merrill Lynch Realty
The RREEF Funds
Gerald D. Hines Interests
Forest City Enterprises
Mills Development Corporation
Birtcher Realty Advisors
Tucker Properties Corporation
CMC Heartland Partners
The Harlan Group
McCaffery Interests, Inc.
Aetna Life Insurance Company
Teachers Insurance and Annuity Assoc.
Metropolitan Real Estate Co.
Trammel Crow Company
Shanrock Properties

CITIES

New York, New York
Chicago, Illinois
Milwaukee, Wisconsin
San Antonio, Texas
Charleston, West Virginia
Cleveland, Ohio
Boston, Massachusetts
Denver, Colorado
Madison, Wisconsin
Lawrence, Kansas
Olathe, Kansas
Manhattan, Kansas
Glen Ellyn, Illinois
Oak Park, Illinois
St. Charles, Illinois
Park Ridge, Illinois
Highland Park, Illinois
Glenwood, Illinois
Brookfield, Wisconsin
Joliet, Illinois

CITY OF CHICAGO PROJECTS

Navy Pier Redevelopment
Neighborhood Needs Analysis-
All of Chicago's Neighborhoods

MAJOR RETAILERS

Marshall Field & Company
Saks Fifth Avenue
Sears, Roebuck & Company
J.C. Penney Company
The May Company
Macy's
Marshalls/ TJ Maxx
The Jewel Companies
Meijer Superstores
Wal-Mart
Federated Department Stores
Dayton-Hudson Company
Neiman Marcus
Wickes Furniture
Target Stores

INTERNATIONAL RETAILERS

Cifra/Wal-Mart
The House of Escada
El Puerto de Liverpool
Fabricas de Francia
Atlantic Wholesalers

FINANCIAL ORGANIZATIONS

Bank of America
First National Bank of Chicago
Harris Trust & Savings Bank
Northern Trust & Savings Bank
Citibank
Chase Manhattan
G.E. Capital Corp.
Bain Capital Partners
Heller Financial
Household Commercial
The RREEF Funds
Huizenga Capital Management

RESTAURANTS/FAST FOOD

Restaurant Selection - Virginia Beach
Lettuce Entertain You Enterprises
Schwartz Brothers
Pizza Delight
Arby's
Sir Walter Raleigh Inns
Shoney's
Friendly's
Brinker

Analysis of over 25 Business Districts
Industrial Park Development Analysis

Restaurant Associates
Burger King

REPRESENTATIVE LIST OF CLIENTS (Continued)

**CITY OF CHICAGO PROJECTS
(Continued)**

Potential for a New Stadium
Mayor's Special Projects
Waste Resource Recovery Analysis
O'Hare International Airport Expansion
Housing Development on Urban
Renewal Properties
Objectives Analysis-Economic
Development Commission
Analysis of Property Disposition-
Chicago Board of Education
Exposition Authority

MANUFACTURERS/PRODUCERS

W.W. Grainger
Atlantic Richfield Company
ITW/Magnaflux
TDW/Hercules Tires
International Multifoods
IBM
Iowa Electric (IE) Industries
William C. Brown Group
Booth Fisheries
Campbell Soup Company
Griffith Laboratories
Exxon Mobil Oil
Texaco
Standard Oil
Dresser Industries
IBM

INTERNATIONAL INVESTMENT FUNDS

Ivanhoe Investment Funds
Coast Investment & Development
Company-Kuwait
Merrill Lynch Capital Markets

HOTELS

Hyatt
Sheridan
Holiday Inn
Marriott
Embassy Suites
Budgetel Inns
Days Inn

**RESTAURANTS/FAST FOOD
(Continued)**

Piccadilly Cafeterias
Baja Fresh
Steak and Stein
Brennan's
Pizza Delight - Canada
Marriott Corporation
Shorty Small's
Popeye's
Hardee's
Pizza Hut
Wendy's

SPECIAL

Wal-Mart Zoning Issues
National Restaurant Association
International Council of
Shopping Centers
Fitness Management Corp.
Catholic Archdiocese of Chicago
Illinois Masonic Medical Center
SBC Ameritech
Chicago Cubs
U.S. Postal Service
Illinois Law Enforcement Commission
Santa Fe Railroad
United Parcel Service
Chicago Northwestern Railroad
Hammond Railroad Consolidation
Project

STATES

IL Dept. of Transportation
IL Capital Development Board
IL Dept. of Commerce and
Community Affairs
Iowa Dept. of Transportation
IN Dept. of Transportation
MI Dept. of Transportation
WI Dept. of Transportation

WATERFRONT PROJECTS

Navy Pier-Chicago
North Coast Harbor-Cleveland, Ohio
Miami Beach Marina Redevelopment

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