

Mini-Market Analysis

Executive Summary

As everyone in Frisco knows well, Frisco is one of the fastest-growing cities in the US.

But, Frisco's downtown was developed for a town of 1,000 – not the city of 170,000 it is today – and, it is having growing pains. The city's rapid growth has triggered a chain of changes downtown – changes in traffic congestion, business composition, public image. In 2017, to help explore potential solutions to these and other challenges the district is facing, and to outline some direction for the downtown's future development, the City engaged Gateway Planning, a Dallas-based urban planning firm, to help create a new comprehensive plan to guide downtown Frisco's development, and Gateway invited our firm, the Community Land Use + Economics Group, to collaborate on downtown economic development and management issues.

To explore how much, and what type of, new retail market demand might exist in the years ahead, we conducted a brief retail market analysis. Our research involved several primary components:

- An analysis of major demographic characteristics that typically influence consumers' shopping decisions, such as household income, household size, age, and education.
- An analysis of psychographic characteristics of Frisco's residents, providing important insights into likely consumer preferences;
- An analysis of downtown Frisco's current business composition;
- Retail sales void analyses for Frisco and for the areas within 5-, 10-, and 15-minute drive times of downtown;
- Gathering and examining vehicular traffic counts through downtown Frisco, on Main Street;
- Identification of where current downtown customers live,

through an in-store mapping project; and

- Estimates (in current-year dollars) of the retail buying power of future Frisco residents, based on the City's projections of population growth.

We also incorporated information from meetings with over 100 community representatives and from two online surveys.

We found a number of interesting data that help understand how much new market demand might exist for retail goods and services in the years ahead, how much new retail and mixed-used space this new demand might support, and the types of shopping experiences Frisco's residents and visitors are likely to prefer.

The most significant finding is this: We found that every new household that moves to Frisco brings with it over \$13,800 in new market demand annually, in current-year dollars, for retail goods and services. Frisco expects to reach its population growth target (362,500) by 2030. Over the next ten years alone, Frisco's new residents will generate enough retail demand to support an estimated 1.4 million square feet of new retail space. This offers the community an unprecedented opportunity to capitalize on this new retail market demand to reshape the downtown landscape, creating new market footholds and a new market position that could define and sustain downtown Frisco in the decades ahead.

Given this phenomenal growth in population and retail buying power, there are many potential combinations of businesses that could, in theory, succeed in downtown Frisco (see note below). Based on the district's current business composition and business performance, its building stock, availability of nearby land, public perceptions, and other characteristics, our recommendations include the following:

- **Create a design district downtown** – one that would offer mid- and up-market furniture, home furnishings, and home design/decor services, tailored to Frisco residents' preferences, and considerably more convenient to Frisco residents than Dallas.
- **Add more restaurants**, offering a wider variety of



cuisine choices than is currently available downtown and incorporating a range of entertainment experiences.

- **Emphasize family-friendly experiences**, incorporating them into businesses, public spaces, and public events.
- **Develop multimedia, multipurpose theatre downtown.** Frisco has grown so quickly in recent years that it now lags behind cities of comparable size in development of arts and cultural institutions – and risks losing market share for arts, cultural, and entertainment activities to the North Dallas region. In addition to the direct benefits of arts institutions, multiple national studies in recent years have demonstrated that the presence of cultural institutions – museums, performing arts centers, multimedia arts centers, etc. – provides a critical boost to business and scientific creativity. There is considerable unmet market demand in Frisco for ticketed arts and cultural events, and filling these voids, and creating a vibrant civic arts culture, will not only help downtown Frisco’s market position but will also strengthen new-economy business development throughout Frisco.

NOTE: The availability of unmet retail market demand alone does not ensure business viability. Business success relies on the skills of the business operator, level of business capitalization, the quality of the physical environment, changes in overall economic conditions, the effectiveness of business and district marketing programs, and many other factors.

Demographic Characteristics

Demographic characteristics significantly shape the types and characteristics of businesses that are likely to thrive in a community or region. Household income has an obvious impact on how much market demand might exist for various products and services. But other demographic characteristics are equally important in identifying opportunities for business growth and development. For example, younger households tend to buy inexpensive furniture

and home furnishings, while older households upgrade the quality of their furniture and furnishings over time. Communities with large percentages of large households are more likely to prefer family dining restaurants, with large tables and selections specifically for children, than communities with lots of one- and two-person households. Communities with large percentages of two-earner households are likely to spend more money on convenience-oriented goods and services than those with larger percentages of households with single earners. And communities with a majority of older households are likely to spend a higher percentage of household income on health care than those with younger households – but they are also more likely to splurge on purchases for grandchildren.

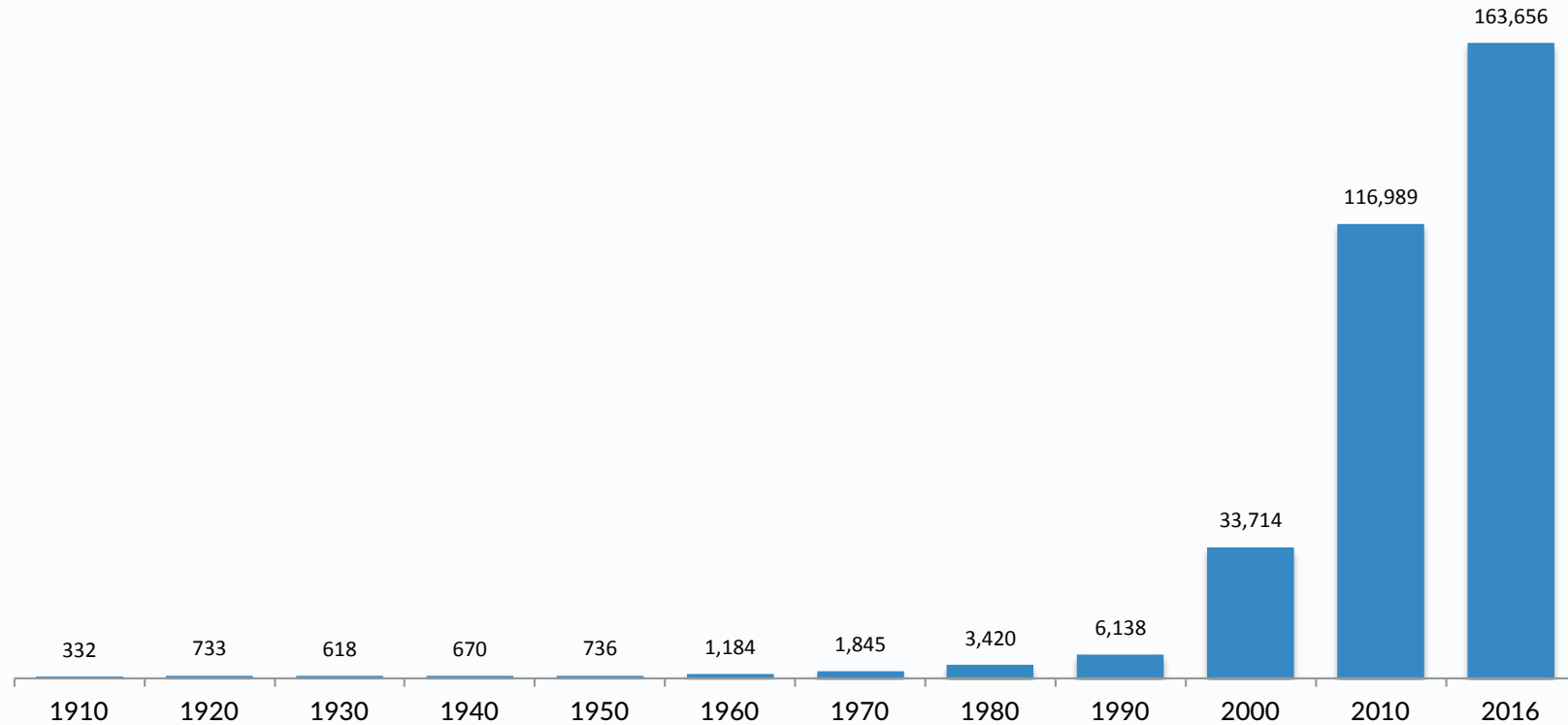
We examined the demographic characteristics most likely to influence the retail shopping preferences of Frisco and regional residents. Among the most significant findings, in terms of retail development:

POPULATION GROWTH IS NOT SLOWING DOWN. As everyone in Frisco knows, Frisco is one of the fastest-growing cities in the US. And, it is growing really fast – a 41 percent increase between 2010-2016; 1,184 people in 1960; 163,656 in 2016. At its current rate of growth, Frisco will reach its targeted build-out level of 362,500 residents within the next 12-15 years. At current-year income levels, every new household generates \$13,823 in new retail spending – so, for at least the next decade or so, Frisco should be able to support lots of new retail development (see chart on page 71).

HOUSEHOLD SIZE ISN’T CHANGING MUCH. In 2010, the average Frisco household had 2.9 people. In 2016, the average household had 3.0 people (see chart on page 74). Only a slight increase in household size.

MEDIAN AGE IS STEADILY INCREASING. Median age grew by eight percent between 2010-2016, from 33.5 to 36.2 (see chart on page 74). That’s significant over the course of just six years. In terms of percentage growth, the fastest growing age groups are both young and old: people between 15-19 years of age (a 104.6 percent increase between 2010-2016), 70-74 (169.5% increase), and 80-84 (182.4% increase). But, numerically, the largest age cohorts remain people under 19 and people in between 35-50 (page 73). The latter group

Population of Frisco, 1910 - 2016



Sources: US Census Bureau's decennial censuses and 2016 American Community Survey

is in its prime spending years, with those on the younger end of the spectrum still furnishing their first households and those on the older end investing in home improvements and remodeling. There could also be some niche opportunities for retail growth among the smaller age cohorts experiencing rapid growth. For instance, because they often have fewer time constraints and often have more disposable income than their adult children, grandparents often enjoy shopping for

children's clothing, toys, and games – and tend to spend buy higher-ticket items than parents do.

EDUCATIONAL ATTAINMENT IS HIGH – AND CONTINUING TO IMPROVE. Frisco is a well-educated city. Nearly 90 percent of Frisco residents have a high school diploma, and nearly 60 percent have a bachelors degree. And, the city's education profile continues



to improve. Since the 2010 Census, the percentage of people with graduate degrees has grown by 23.9 percent, from 17.0 percent in 2010 to 20.9 percent in 2016 (see chart on page 75). That's a significant increase over the course of just six years.

FRISCO IS BECOMING MORE RACIALLY DIVERSE. The Asian population grew by 63 percent between 2010-2016. The total number of Asian residents is still relatively small (9.3 percent of the city's total population in 2010, 15.2 percent in 2016), but that's a substantial increase. The percentage of African-American residents also grew from 6.8 percent of the total population in 2010 to 7.6 percent in 2016, a 12 percent increase.

HOUSEHOLD INCOME IS HIGH. The median income of a Frisco household was \$117,642 in 2016, according to the US Census Bureau's American Community Survey (see chart on page 75). That's more than twice that of the state (\$54,727) and nation (\$55,322). And that means that there is plenty of disposable income for Frisco's households to spend.

OVER HALF OF THE CITY'S EMPLOYED RESIDENTS WORK IN MANAGEMENT, BUSINESS, SCIENCE, AND ARTS OCCUPATIONS. Fifty-nine percent of Frisco's employed workers 16 years old and older have management, business, science, or arts occupations (see chart on page 77).

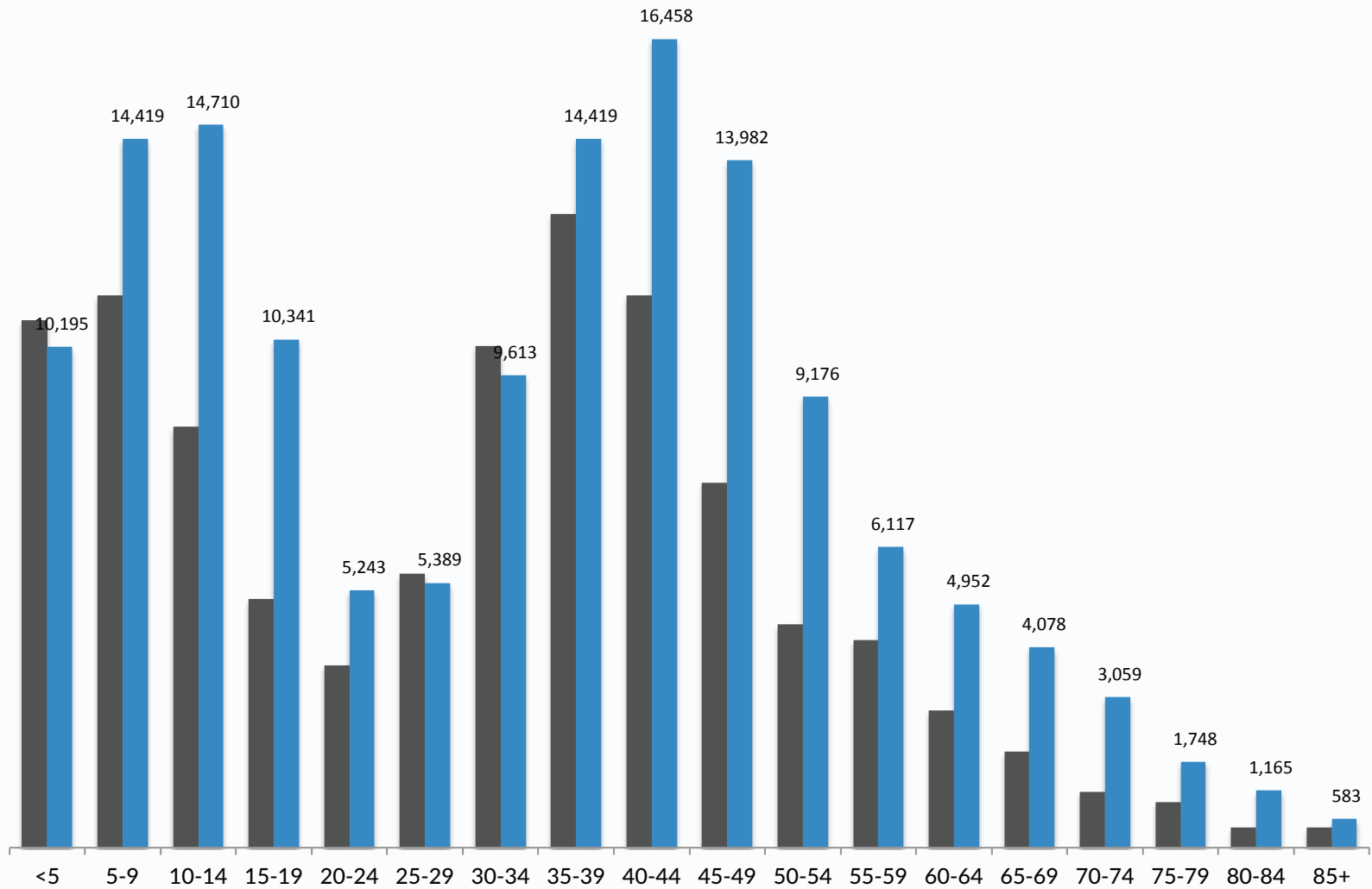
EDUCATION/HEALTH CARE/SOCIAL ASSISTANCE IS THE INDUSTRY THAT EMPLOY THE MOST FRISCO RESIDENTS. Twenty percent of Frisco's employed workers 16 years old and older work in the education, health care, and social assistance industry – and the number of Frisco's workers employed in this industry grew by 60.9 percent between 2010-2016 (see chart on page 77).

LOTS OF PEOPLE WORK FROM HOME. Of the 71,549 Frisco residents in the work force, 11 percent of them – 7,870 people – work from home (see chart on page 76). This number does not include people who occasionally telecommute; these are people whose businesses are home-based. This is one of the highest percentages of home-based workers in the nation – and that suggests that there

could be opportunities for co-working facilities (including some specialized co-working spaces) and “third place” gathering places.

TOTAL POPULATION: As everyone in Frisco knows, the city's population growth rate makes it one of the fastest-growing cities in the US (in 2016, it was second only to Conroe, Texas, according to the US Census Bureau). And, it is growing quickly – a 41 percent increase between 2010-2016; 1,184 people in 1960; 163,656 in 2016. If the city continues to grow at the 4.9 percent annualized growth rate it has experienced over the past five years (according to the City's Department of Development Services), this means Frisco's population will hit 300,000 within 12 years and will reach its anticipated build-out limit of 362,500 residents by 2034 – just 17 years from now. Each new household spends approximately \$13,823 per year on retail goods and services (not including motor vehicles).

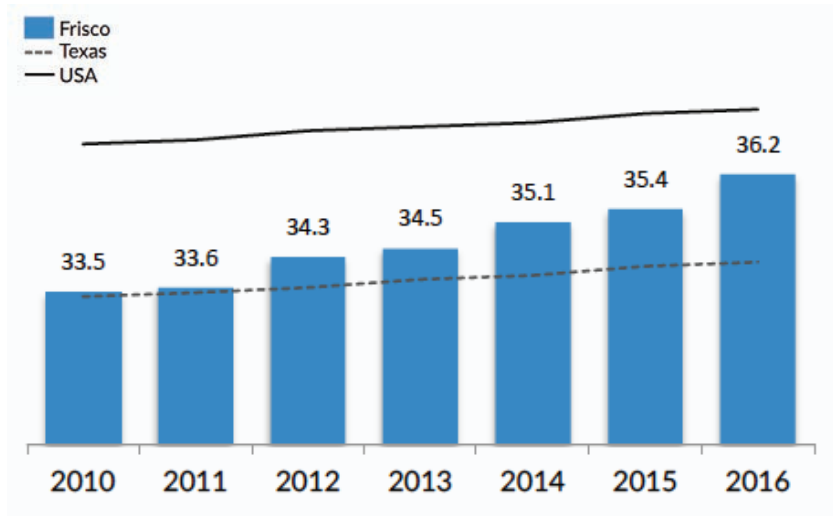
Frisco's Population, by Age Cohort, 2010 and 2016



Sources: US Census Bureau's 2010 decennial census and 2016 American Community Survey

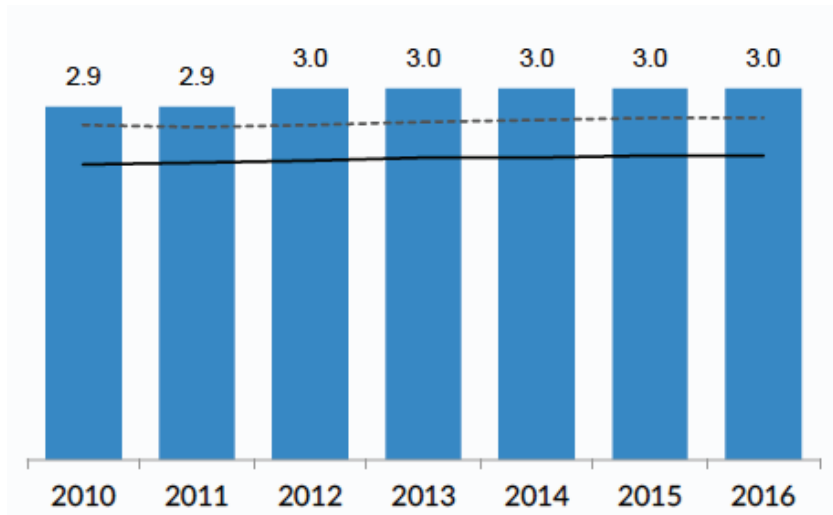


Median Age and Average Household Size, 2010 - 2016



MEDIAN AGE: The median age of Frisco residents grew by 8.1 percent between 2010 - 2016 - which means that Frisco is getting older much faster than either the state (whose median population age grew by 2.4 percent during that six-year period) or nation (2.2 percent).

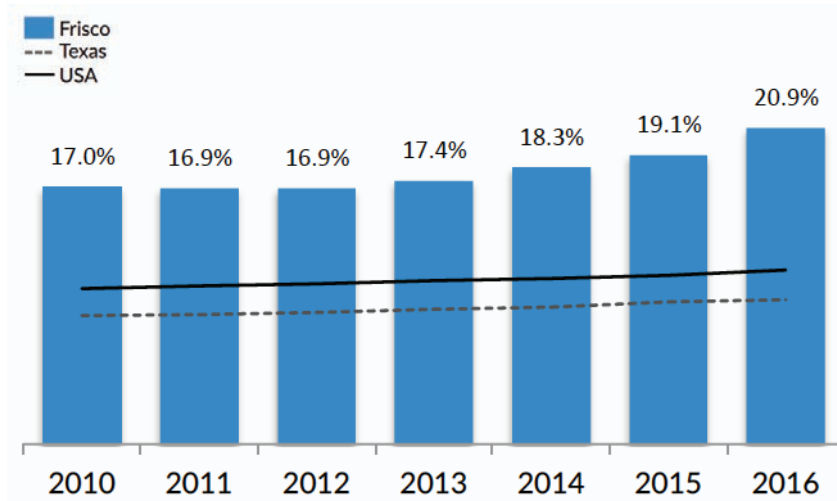
Sources: US Census Bureau's 2010 decennial census and 2016 American Community Survey



AVERAGE HOUSEHOLD SIZE: Frisco's household size barely changed between 2010 - 2016 - and, in fact, it hasn't changed for the last five years. Household sizes in Texas and the US have barely changed either - but Frisco's average household size is slightly larger than that of either the state or nation.

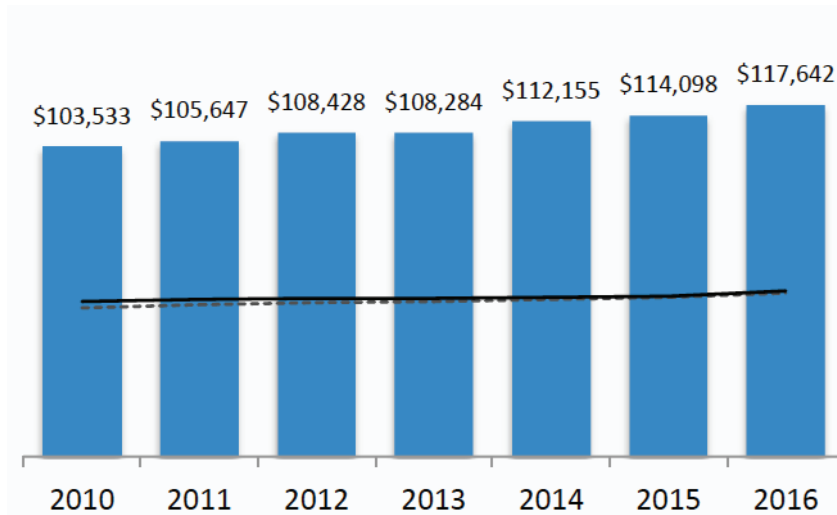
Sources: US Census Bureau's 2010 decennial census and 2016 American Community Survey

Educational Attainment and Median Household Income, 2010 - 2016



EDUCATIONAL ATTAINMENT: More than 20 percent of Frisco's residents have graduate or professional degrees. That percentage has been growing since 2010. The same is true of the state and nation - but almost twice as many Frisco residents have graduate or professional degrees than Texas and Americans overall.

Sources: US Census Bureau's 2010 decennial census and 2016 American Community Survey

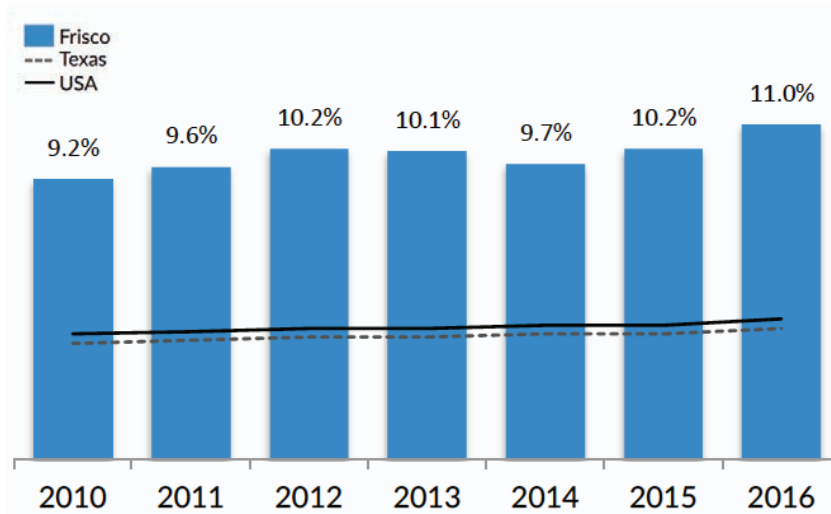


MEDIAN HOUSEHOLD INCOME: Frisco's median household grew by 13.6 percent between 2010 - 2016, outpacing that of the state (10.2 percent) and nation (6.6 percent). More significantly, Frisco's median household income has been roughly twice that of both Texas and the US throughout this period. In 2016, the median household income nationally was \$55,322; in Texas it was \$54,727; and, in Frisco, it was \$117,642.

Sources: US Census Bureau's 2010 decennial census and 2016 American Community Survey



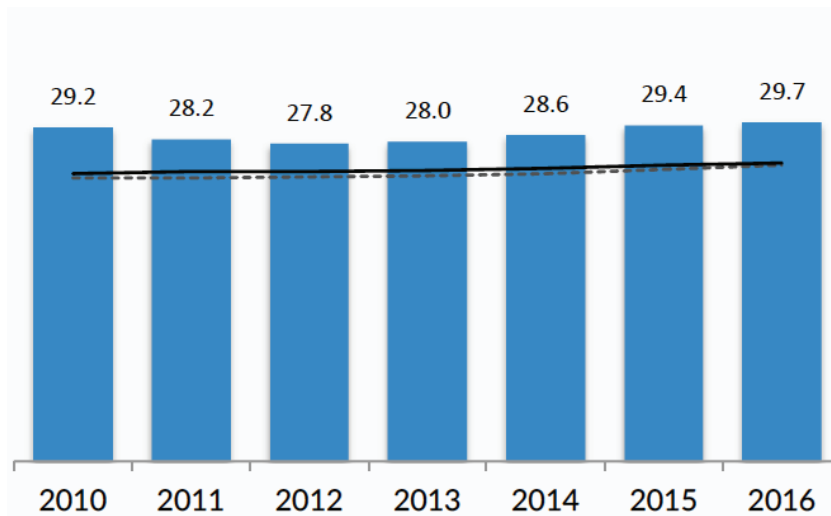
Working from Home and Commuting Time, 2010 - 2016



WORKING FROM HOME: The percentage of Frisco residents in the workforce who work from home is more than twice that of the state and nation. In fact, Frisco appears to have one of the highest percentages of home-based workers in the nation. Among the cities with more than 70,000 residents in the workforce, it has the highest percentage.

The 11 percent of Frisco residents in the workplace who work from home represent 7,870 workers. Of all towns and cities with more than 7,000 working residents who work from home, only two are smaller than Frisco (Boulder, Colorado and Fort Leonard Wood, Missouri).

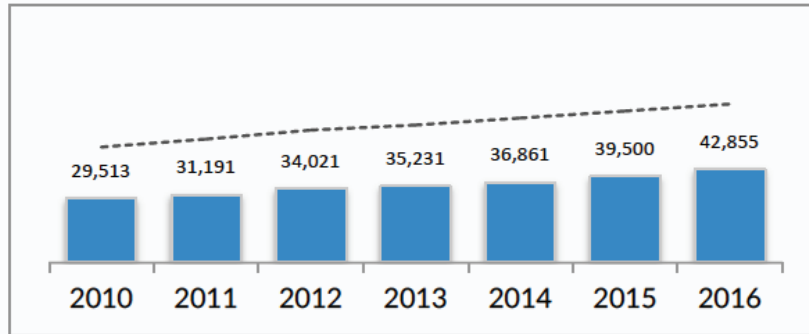
Sources: US Census Bureau's 2010 decennial census and 2016 American Community Survey



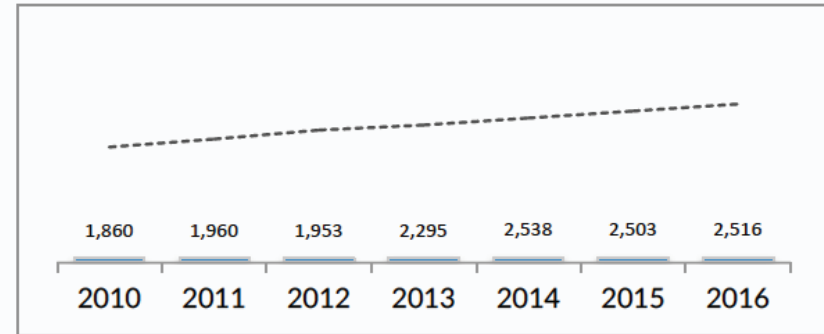
COMMUTING TIME: The mean travel time to work for Frisco residents in the workforce was 29.7 minutes in 2016 - slightly above those for Texas and US workers (25.9 and 26.1 minutes, respectively).

Sources: US Census Bureau's 2010 decennial census and 2016 American Community Survey

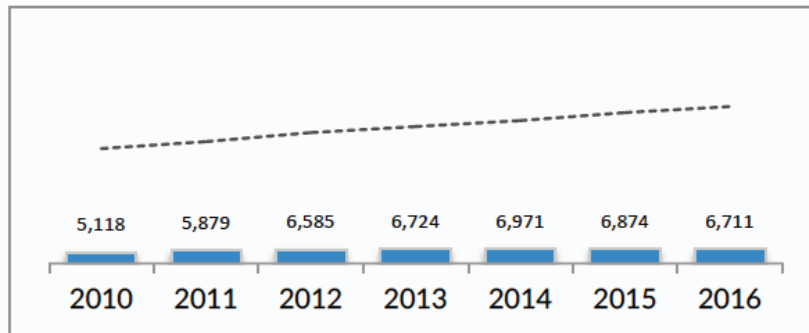
Occupation of Employed Frisco Workers 16+, 2010 - 2016



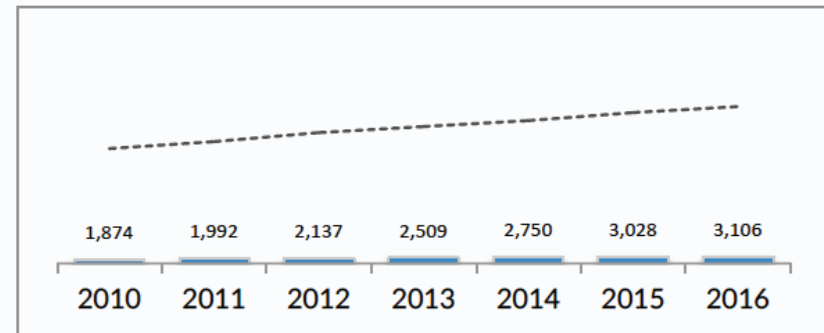
Management, business, science, and arts occupations



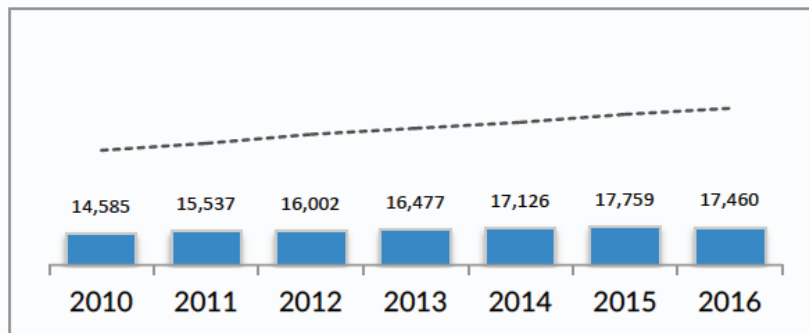
Natural resources, construction, and maintenance occupations



Service occupations



Production, transportation, and material moving occupations



Sales and office occupations

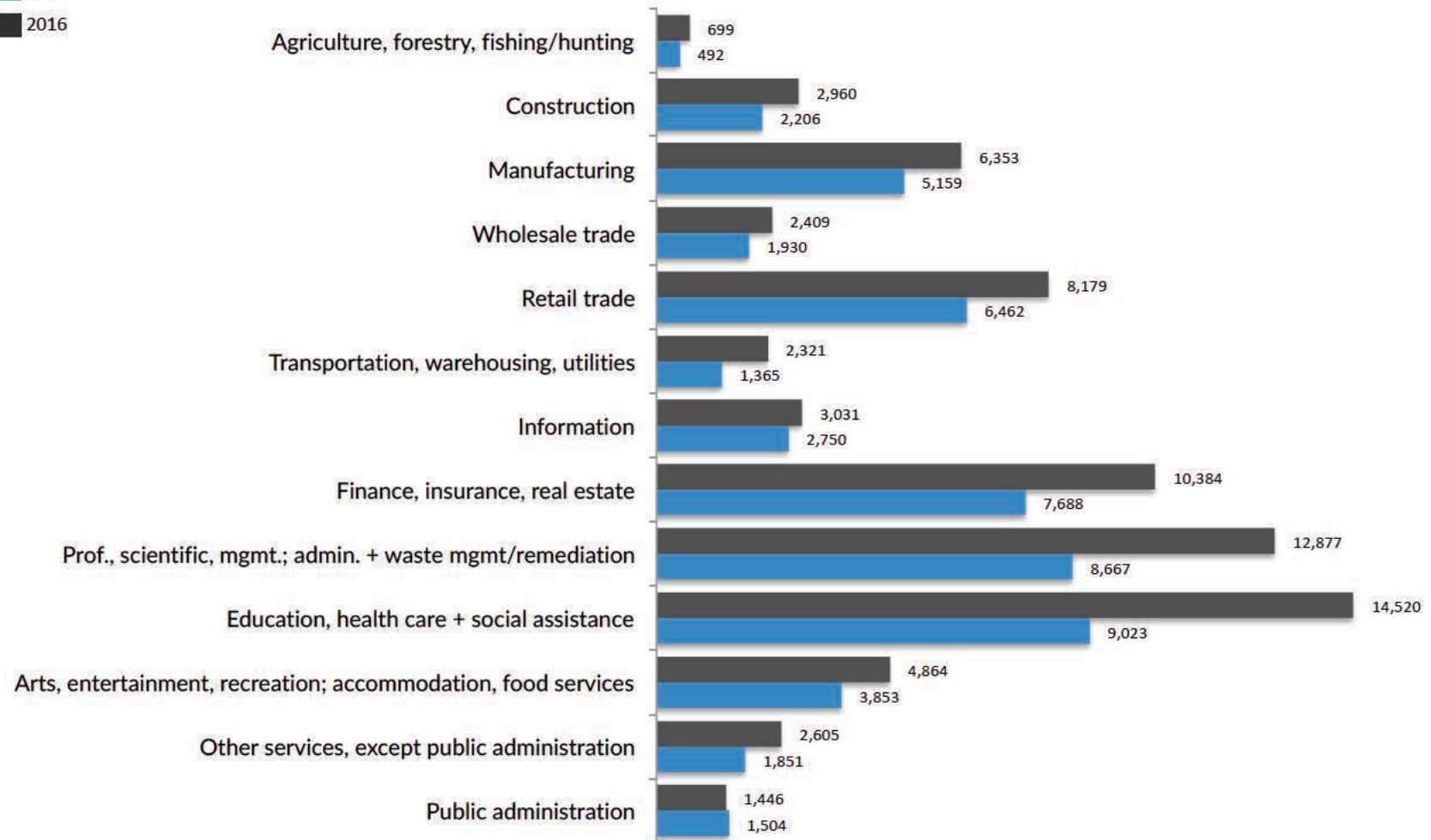
■ Occupation
 --- Frisco's civilian employed population 16 years of age and older

Sources: US Census Bureau's 2010 decennial census and 2016 American Community Survey



Industry of Employment, 2016

2010
2016



Psychographic Characteristics

Demographics describe quantifiable characteristics of individuals and groups of people. Psychographics build on demographic characteristics, helping identify preferences for certain types of products or activities based on a person's values, attitudes, lifestyle, and other factors. Two people might be demographically identical – the same age, household size, profession, income, etc. – but one might prefer canned domestic beer, for example, while the other prefers bottled imports.

To better understand some of the general lifestyle characteristics and consumer preferences of Frisco, we used data from ESRI, a private-sector geospatial information provider. ESRI has developed a proprietary classification system, called Tapestry, to classify residential neighborhoods in the US into 14 major “LifeMode” groups, then into 67 more detailed segments, or subgroups, based on demographic and socioeconomic characteristics. It then identifies concentrations, or clusters, of individuals and households throughout the US according to these characteristics. ESRI uses information from almost 6,000 sources to develop its segments and to identify clusters throughout the U.S. Its sources include data about magazine and newspaper subscriptions, TV watching and radio listening by program and channel, and Internet usage, as well as Census information and direct consumer surveys.

ESRI's Tapestry database has been used by the National Weather Service to predict the locations of potentially vulnerable neighborhoods before hurricanes strike, by political candidates to select locations for campaign events – and, of course, by countless product marketers to design products, create advertising campaigns, and choose store locations. For the purposes of downtown revitalization, Tapestry data can be useful in helping civic leaders and landlords make decisions about the types of businesses to develop or recruit, in helping retail business owners make decisions about the types and price points of merchandise to carry, and in helping create marketing

and promotional events for the district.

On the following pages, we have summarized ESRI's description of each of the major Tapestry LifeMode groups and the detailed subsegments in Frisco. In brief, ESRI has identified clusters in Frisco in nine of its 14 LifeMode groups and, within these six groups, in 12 of its 67 subgroups:

Affluent Estates	Middle Ground
Upscale Avenues	Senior Styles
Uptown Individuals	Midtown Singles
Family Landscapes	Next Wave
Ethnic Enclaves	

NOTE: For more information on the methodology ESRI uses to develop and assign psychographic segments, see Tapestry Segmentation: Methodology (May 2017), available online at http://downloads.esri.com/esri_content_doc/dbl/us/J9941_Tapestry_Segmentation_%20Methodology_2017.pdf.

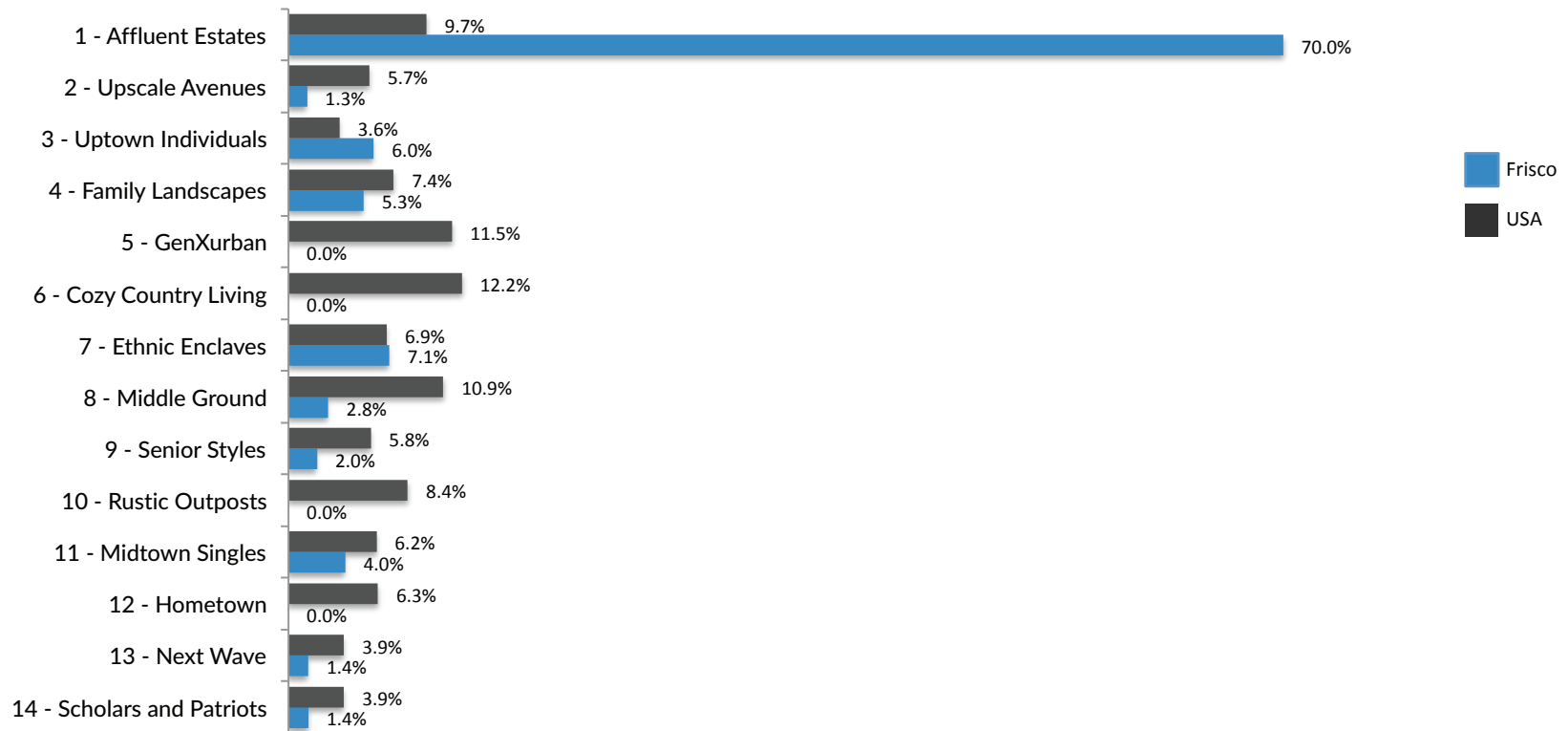
Here's the most amazing finding: A whopping 70 percent of Frisco's households fall into ONE LifeMode group, “Affluent Estates” – and, 63 percent fall into one of its subgroups – Boomburbs. Nationally, only 9.7 percent of households fall into the “Affluent Estates” category. This is a remarkable, and very unusual, degree of psychographic homogeneity. The subgroup that is next in magnitude, “Up and Coming Families”, clocks in at only 6.6 percent, just barely one-tenth the size of the Boomburbs subgroup.

Generally speaking (psychographic prototyping involves plenty of generalizations), Boomburbs residents are affluent young families living in new suburban homes. They are well-educated; nationally, 52 percents are college graduates. Most Boomburbs households own their own homes (and are still paying off their mortgages). Nationally, the median value of a Boomburbs household's home is \$293,000 – quite a bit above the US median of \$177,000. But, they often have long commutes to work, and they consequently often opt for working from home when possible.

Boomburbs residents are style-conscious, both in terms of fashion



LifeMode Groups in Frisco & USA



and home decor. They enjoy gardening, but they often hire service providers to take care of other aspects of home and lawn maintenance. They spend money on toys, sports equipment, and the latest electronic gadgets (they are one of the top markets for new technology).

For leisure, Boomburbs residents enjoy a variety of sports activities – hiking, biking, swimming, golf. They place a high value on physical fitness and often belong to clubs and invest in workout equipment for their homes. They read parenting and business magazines and watch

and listen to movies (streaming and on DVD), sports, TV dramas, sitcoms, talk radio, soft rock. They own the latest smartphones and tablets and know how to use them efficiently, although they often complain that they intrude on their personal time too much. Their vacations tend to be family-oriented, such as visits to theme parks. They are generous in supporting charitable organizations.

The fact that so many of Frisco's households fit many of the characteristics of this particular psychographic subgroup, coupled

Frisco's LifeMode Groups and SubGroups

Groups + Subgroups		Frisco	USA
1	Affluent Estates	70.0%	9.7%
	▪ Top Tier (1A)	2.3%	
	▪ Professional Pride (1B)	4.3%	
	▪ Boomburbs (1C)	63.4%	
2	Upscale Avenues	1.3%	5.7%
	▪ Enterprising Professionals (2D)	1.3%	
3	Uptown Individuals	6.0%	3.6%
	▪ Laptops and Lattes (3A)	1.1%	
	▪ Metro Renters (3B)	4.6%	
	▪ Trendsetters (3C)	0.3%	
4	Family Landscapes	5.3%	7.4%
	▪ Soccer Moms (4A)	2.9%	
	▪ Home Improvement (4B)	1.5%	
	▪ Middleburg (4C)	0.9%	
5	GenXurban	0	11.5%
6	Cozy Country Living	0	12.2%

with the city's enormous anticipated growth in resident consumer demand, could have many implications for downtown retail development, in terms of marketing, store mix, and merchandising.

Among the potential implications:

- The market potential for mid- to upmarket home furnishings products and services is likely to be quite strong.
- Similarly, the market potential for unique apparel is very

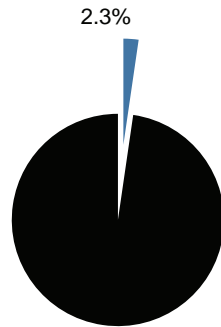
Groups + Subgroups		Frisco	USA
7	Ethnic Enclaves	7.1%	6.9%
	▪ Up and Coming Families (7A)	6.6%	
	▪ American Dreamers (7C)	0.6%	
8	Middle Ground	2.8%	10.9%
	▪ Bright Young Professionals (8C)	2.8%	
9	Senior Styles	2.0%	5.8%
	▪ Silver + Gold (9A)	2.0%	
10	Rustic Outposts	0%	8.4%
11	Midtown Singles	4.0%	6.2%
	▪ Young and Restless (11B)	4.0%	
12	Hometown	0	6.3%
13	Next Wave	1.4%	3.9%
	▪ International Marketplace (13A)	1.4%	
14	Scholars and Patriots	0	1.6%

promising.

- Family-friendly in-store experiences and promotional events are likely to be popular.



Lifemode SubGroups



■ Frisco

TOP TIER (*Affluent Estates Subgroup 1A*)

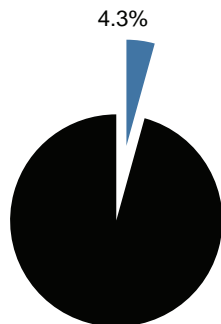
Average Household Size (USA): 2.82

Median Age: 46.2

Median Household Income (USA): \$157,000

The residents of *Top Tier*, the wealthiest Tapestry market, earn more than three times the average US household. They have purchasing power to indulge any choice – but what do they want? They spend money for the upkeep of their lavish homes, and they select upscale salons and fitness centers for their personal well-being. They shop at high-end retailers. Whether short or long, domestic or foreign, their frequent vacations spare no expense. These highly educated professionals have reached their corporate career goals. With accumulated net worth over \$1.5 million, many of these older residents have moved into consulting roles or operate their own businesses. Some other market characteristics:

- They are interested in the fine arts and contribute to arts/cultural organizations, as well as NPR and PBS
- When at home, their schedules are packed with lunch dates, bookclubs, charity dinners, and concerts.
- They farm out their household chores, from property and garden maintenance to housekeeping.



PROFESSIONAL PRIDE (*Affluent Estates Subgroup 1B*)

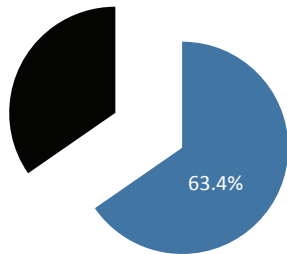
Average Household Size (USA): 3.11

Median Age: 40.5

Median Household Income (USA): \$127,000

Professional Pride consumers are well-educated career professionals who have prospered through the Great Recession. To maintain their upscale suburban lifestyles, these goal-oriented couples work, often commuting far and working long hours. However, their schedules are finely tuned to meet the needs of their school age children. They are financially savvy; they invest wisely and benefit from interest and dividend income. They take pride in their newer homes and spend valuable time and energy upgrading them. Their homes are furnished with the latest in home trends, including finished basements equipped with home gyms and in-home theatres. Some market characteristics:

- These frequent travelers take several domestic trips a year, booking their arrangements online.
- They spend on credit but avoid carrying balances. They spend heavily online; Amazon is a favorite.



BOOMBURBS (*Affluent Estates Subgroup 1C*)

Average Household Size (USA): 3.22

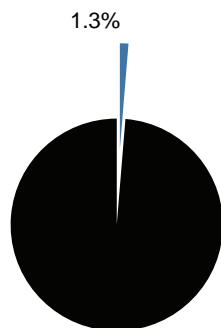
Median Age: 33.6

Median Household Income (USA): \$105,000

Boomburbs residents are young professionals with families that have opted to trade up to the newest housing in the suburbs. This is an affluent market but with a higher proportion of mortgages. Residents are well-educated professionals with a running start on prosperity. Some market characteristics:

- They are well connected: They own the latest devices and use them efficiently.
- Longer commute times from the suburban growth corridors have created more home workers.
- Prefer late model imports, primarily SUVs, and also luxury cars and minivans.
- They like to garden, but more often contract for home services.
- Style matters in the Boomburbs, from personal appearance to their homes.
- Physical fitness is a priority, including club memberships and home equipment.

■ Frisco



ENTERPRISING PROFESSIONALS (*Upscale Avenues Subgroup 2D*)

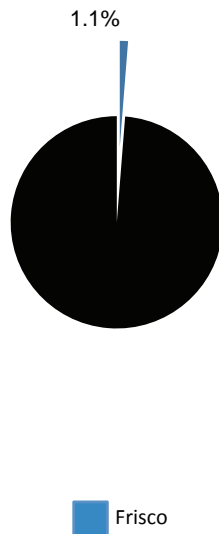
Average Household Size (USA): 2.46

Median Age: 34.8

Median Household Income (USA): \$77,000

Enterprising Professionals residents are well educated and climbing the ladder in STEM occupations. They change jobs often and therefore choose to live in condos, town homes, or apartments; many still rent their homes. Enterprising Professionals residents are diverse, with Asians making up over one-fifth of the population. This young market makes over 1.5 times more income than the US median, supplementing their incomes with high-risk investments. Some market characteristics:

- Early adopters of new technology in hopes of impressing peers with new gadgets.
- Strive to stay youthful and healthy, eat organic and natural foods, run, and do yoga.
- Buy name brands and trendy clothes online.
- Eat out at The Cheesecake Factory and Chick-fil-A; drop by Starbucks for coffee.



LAPTOPS AND LATTES (*Uptown Individuals Subgroup 3A*)

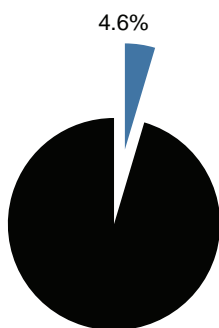
Average Household Size (USA): 1.85

Median Age: 36.9

Median Household Income (USA): \$93,000

Laptops and Lattes residents are predominantly single, well-educated professionals in business, finance, legal, computer, and entertainment occupations. They are affluent and partial to city living and its amenities. Neighborhoods are densely populated. Many residents walk, bike, or use public transportation to get to work; a number work from home. Although single households technically outnumber couples, this market includes a higher proportion of partner households, including the highest proportion of same-sex couples. Residents are more interested in the stock market than the housing market. Other characteristics:

- They are technologically savvy, well connected consumers.
- These are health-conscious consumers who exercise regularly and pay attention to nutrition.
- Environmentally conscious but also image-conscious; both impact their purchasing.
- They favor organic food, buying groceries at higher-end grocery stores.



METRO RENTERS (*Uptown Individuals Subgroup 3B*)

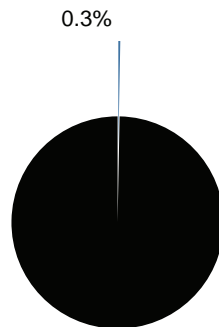
Average Household Size (USA): 1.66

Median Age: 31.8

Median Household Income (USA): \$52,000

Residents of this highly mobile and educated market live alone or with a roommate in apartments or condos in urban areas. This is one of the fastest growing market segments; the popularity of urban life continues to increase for consumers in their late 20s and 30s. *Metro Renters* residents' income is close to the US average, but they spend a large portion of their wages on rent, clothes, and the latest technology. Computers and cell phones are an integral part of everyday life and are used interchangeably for news, entertainment, shopping, and social media. Socializing and social status are very important to Metro Renters. Other characteristics:

- Very interested in the fine arts, they strive to be sophisticated and they value education and creativity.
- Prefer environmentally safe products and are partial to organic foods from Trader Joe's and Whole Foods.
- Shop for clothes at stores like Banana Republic, The Gap, and Nordstrom. Prefer Macs to PCs.



■ Frisco

TRENDSETTERS (*Uptown Individuals Subgroup 3C*)

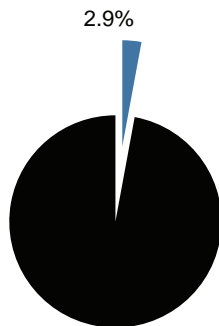
Average Household Size (USA): 2.10

Median Age: 35.5

Median Household Income (USA): \$51,000

Armed with the motto “You’re only young once”, *Trendsetters* residents live life to its full potential. These educated young singles aren’t ready to settle down; they do not own homes and choose to spend their disposable income on upscale city living and entertainment. Dressed head to toe in the most current fashions, their weeknights and weekends are filled discovering local art and culture, dining out, or exploring new hobbies. Their vacations are often spontaneous, packed with new experiences and chronicled on their Facebook pages. Some market characteristics:

- Socially and environmentally conscious, they are willing to pay more for products that support their causes.
- Well paid, with little financial responsibility, these consumers are spenders rather than savers.
- They own the latest in cellphones and tablets, and they are always connected.
- *Trendsetters* jog, run, or walk for exercise and occasionally attend a yoga class.



SOCCER MOMS (*Family Landscapes Subgroup 4A*)

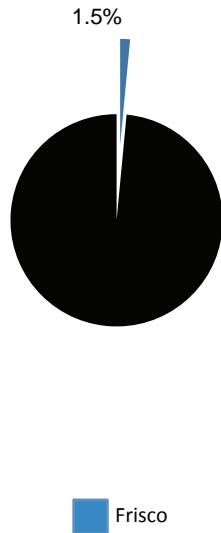
Average Household Size (USA): 2.96

Median Age: 36.6

Median Household Income (USA): \$84,000

Soccer Moms is an affluent, family-oriented market with a country flavor. Residents are partial to new housing away from the bustle of the city but close enough to commute to professional job centers. Life in this suburban wilderness offsets the hectic pace of two working parents with growing children. They favor time-saving devices, like banking online or housekeeping services, and family-oriented pursuits. They tend to carry a higher level of debt, including first and second mortgages and car loans. Other characteristics:

- Family-oriented purchases and activities dominate, like 4+ televisions, movie purchases or rentals, children’s apparel and toys, and visits to theme parks or zoos.
- Home maintenance services are frequently contracted, but these families also like their gardens and own the tools for minor upkeep, like riding mowers and tillers.



HOME IMPROVEMENT (*Family Landscapes Subgroup 4B*)

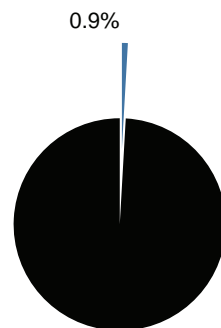
Average Household Size (USA): 2.86

Median Age: 37.0

Median Household Income (USA): \$105,000

Married-couple families occupy well over half of these suburban households. Most Home Improvement residences are single-family homes that are owner occupied, with only one-fifth of the homes occupied by renters. These families spend a lot of time on the go and therefore tend to eat out regularly. When at home, weekends are consumed with home improvement and remodeling projects. Other characteristics:

- Cautious consumers who do their research before buying; they protect their investments.
- They spend heavily on eating out, at both fast-food and family restaurants.
- Own a giant screen TV with fiber-optic connection an premium cable; rent DVDs from Redbox or Netflix.
- Enjoy dining at Chili's, Chick-fil-A, and Panera Bread.
- Make frequent trips to warehouse clubs and home improvement stores in their minivans or SUVs.



MIDDLEBURG (*Family Landscapes Subgroup 4C*)

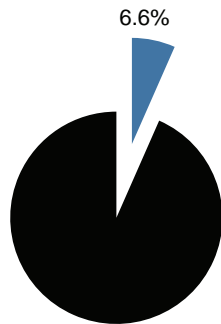
Average Household Size (USA): 2.73

Median Age: 35.3

Median Household Income (USA): \$55,000

Middleburg neighborhoods transformed from the easy pace of country living to semirural subdivisions in the last decade, when the housing boom reached out. Residents are conservative, family-oriented consumers. Traditional values are the norm here – faith, country, and family. Still more country than rock and roll, they are thrifty but willing to carry some debt. They prefer to buy American and travel in the US. This market is younger but growing in size and assets. Some market characteristics:

- Comfortable with the latest technology for convenience and entertainment.
- Residents are partial to trucks, SUVs, and occasionally convertibles or motorcycles.
- Entertainment is primarily family-oriented, TV and movie rentals or theme parks and family restaurants.
- Sports include hunting, target shooting, bowling, and baseball.



Frisco

UP AND COMING FAMILIES (*Ethnic Enclaves Subgroup 7A*)

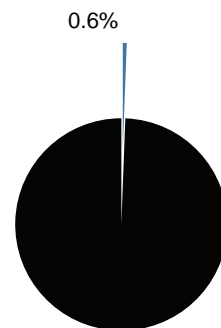
Average Household Size (USA): 3.10

Median Age: 30.7

Median Household Income (USA): \$64,000

Up and Coming Families is a market in transition – residents are younger and more mobile and ethnically diverse than the previous generation. They are ambitious, working hard to get ahead, and willing to take some risks to achieve their goals. The recession has impacted their financial well-being, but they are optimistic. Their homes are new; their families are young. And this is one of the fastest growing markets in the US. Some characteristics:

- Careful shoppers, aware of prices, willing to shop around for the best deals and open to others' opinions.
- Rely on the internet for entertainment, information, shopping, and banking.
- Prefer imported SUVs or compact, late-model cars.
- Find leisure in family activities, movies at home, and sports, from backpacking to weightlifting and yoga.



AMERICAN DREAMERS (*Ethnic Enclaves Subgroup 7C*)

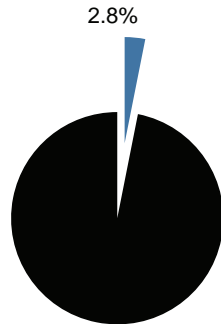
Average Household Size (USA): 3.16

Median Age: 31.8

Median Household Income (USA): \$48,000

Located throughout the South and West, most *American Dreamers* residents own their own homes, primarily single-family houses, farther out of the city, where housing is more affordable. The majority of households include younger married-couple families with children and, frequently, grandparents. Diversity is high; many residents are foreign-born, of Hispanic origin. Hard work and sacrifice have improved their economic circumstances as they pursue a better life for themselves and their families. Spending is focused more on members of the household than on the home. Other characteristics:

- They prefer fast-food dining places like Wendy's or Taco Bell as well as family-friendly restaurants like Olive Garden, Denny's, or IHOP.
- They are captivated by new technology, particularly feature-rich smartphones.



Frisco

BRIGHT YOUNG PROFESSIONALS (*Middle Ground Subgroup 8C*)

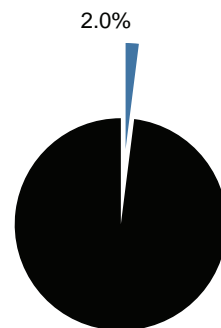
Average Household Size (USA): 2.40

Median Age: 32.2

Median Household Income (USA): \$50,000

Bright Young Professionals is a large market, primarily located in urban outskirts of large metropolitan areas. These communities are home to young, educated, working professionals. One out of three householders is under the age of 35. Slightly more diverse couples dominate this market, with more renters than homeowners. Labor force participation is high, generally white-collar work, with a mix of food service and part-time jobs, particularly among the college students. Residents of this market segment are physically active and current with the latest technology. Some additional market characteristics:

- Read sports magazines and participate in a variety of sports, including basketball, Pilates, weight lifting, and yoga.
- Eat out often at fast-food and family restaurants.
- Own newer computers, iPads, and 2+ televisions.
- Make frequent trips to warehouse clubs and home improvement stores in their minivans or SUVs.



SILVER AND GOLD (*Senior Styles Subgroup 9A*)

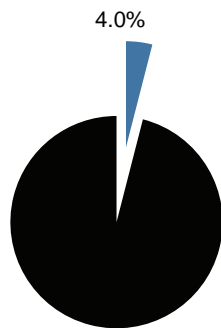
Average Household Size (USA): 2.02

Median Age: 61.8

Median Household Income (USA): \$63,000

Among the oldest senior market, this is also the most affluent senior market – and it's growing. The affluence of *Silver and Gold* residents has afforded the opportunity to retire to sunnier climates that feature exclusive communities and vacation homes. These consumers are primarily retired, but many are still active in the labor force. They have the free time and resources to enjoy the good life. Other characteristics:

- Connected, but primarily to get news and track investments; more likely to own an e-reader or tablet than a smartphone.
- Partial to luxury cars or SUVs; highest demand market for convertibles.
- Generous supporters of charitable organizations.
- Maintain a regular exercise regimen and pay attention to healthy eating habits.



■ Frisco

YOUNG AND RESTLESS (*Midtown Singles Subgroup 11B*)

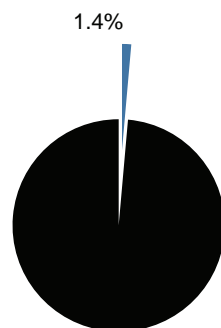
Average Household Size (USA): 2.02

Median Age: 29.4

Median Household Income (USA): \$36,000

Gen Y comes of age: Well-educated young workers, some of whom are still completing their education, are employed in professional/technical occupations as well as sales and office/administrative support roles. These residents are not established yet, but striving to get ahead and improve themselves. This market ranks in the top five for renters, movers, college enrollment, and the labor force participation rate. Almost 1 in 5 residents move each year. Smartphones are a way of life. *Young and Restless* consumers are diverse, favoring densely populated neighborhoods in large metropolitan areas; over 50 percent are located in the South (almost a fifth in Texas), with the rest chiefly in the West and Midwest. Other market characteristics:

- They are careful shoppers, aware of prices, and demonstrate little brand loyalty.
- Enjoy dancing, playing pool, watching Comedy Central, reading fashion magazines, and playing volleyball.
- Purchase natural/organic food, but also frequent fast food restaurants.
- Find leisure in family activities, movies at home, and sports, from backpacking to weightlifting and yoga.



INTERNATIONAL MARKETPLACE (*Next Wave Subgroup 13A*)

Average Household Size (USA): 3.04

Median Age: 32.3

Median Household Income (USA): \$41,000

International Marketplace neighborhoods are a rich blend of cultures, found in densely populated urban and suburban centers, almost entirely in the Mid Atlantic, New England, and California. Almost 40% are foreign-born; 1 in 4 households are linguistically isolated. Young, Hispanic families renting apartments in older buildings dominate this market; about two-fifths have children. Over one-fifth have no vehicle and rely on public transportation, walking, and biking. Some market characteristics:

- Hard-working consumers, striving to get ahead; style matters to them.
- Preserving the environment and being in tune with nature are very important.
- Shop for groceries at warehouse/club stores as well as at specialty markets.
- Family activities include visiting theme parks, going to the beach, playing soccer, dining out for fast food.



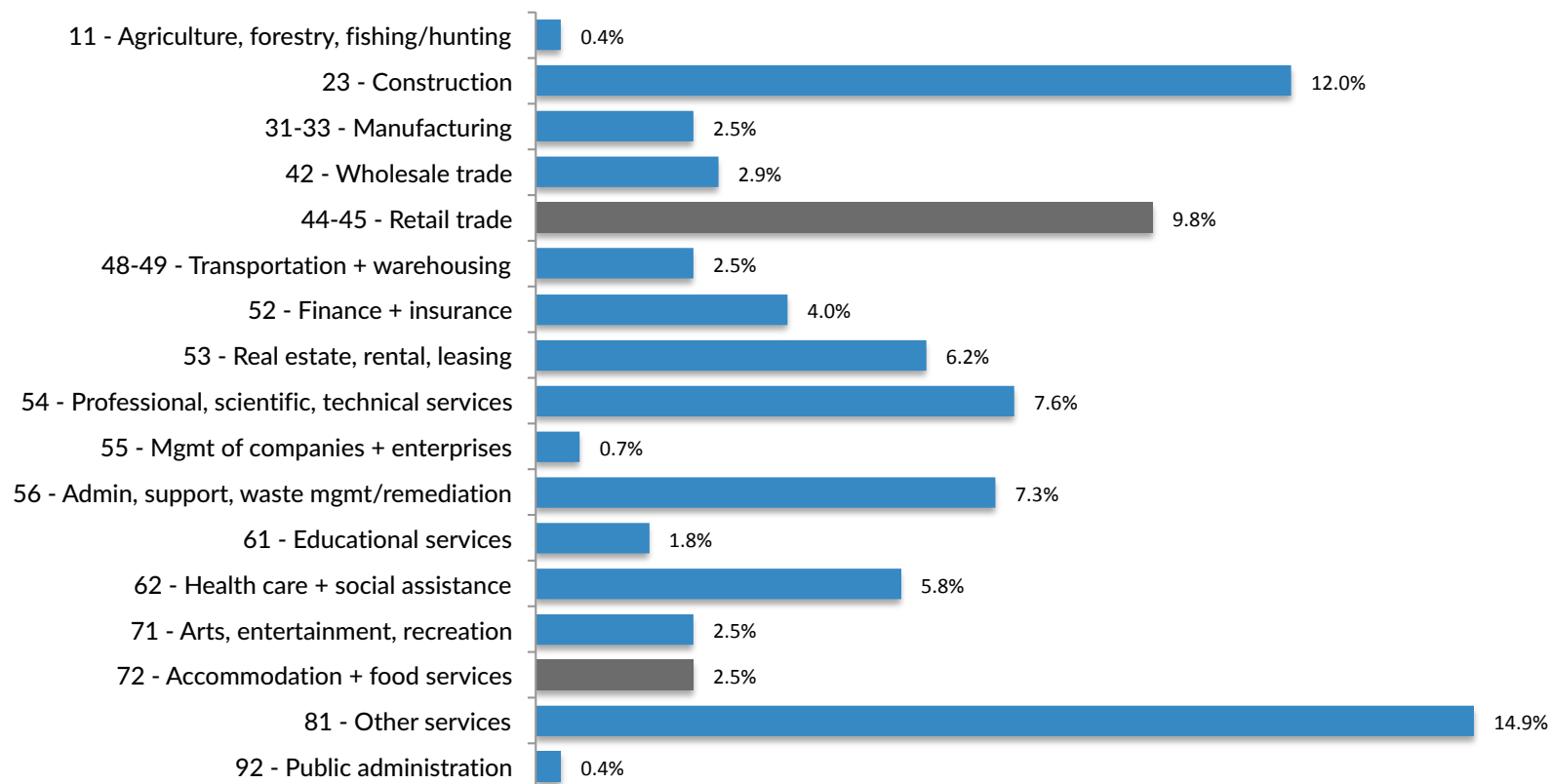
Business Distribution

We compiled an inventory of businesses within one quarter of a mile of the intersection of 4th and W Main Streets, categorizing them by their two-digit North American Industry Classification System (NAICS) category number.

We found that the distribution of businesses, by NAICS code, is

within the typical range of most older downtowns. Retail businesses account for 9.8 percent of all the businesses in the quarter-mile radius, which is slightly low (the national norm for high-performing older and historic downtowns is 15-17 percent). The percentage of businesses in the “accommodation and food services” category – restaurants and hotels – is also slightly low, at 2.5 percent of all businesses (5-7 percent is the norm). But the quarter-mile radius has a range of industry and service-sector businesses, including a hefty percentage of construction businesses (12 percent) and “other services” (14.9

Business Distribution: 1/4 Mile from 4th & Main Streets



percent), which includes services not included in other NAICS categories, such as nonprofit organizations (religious, advocacy, grant making), equipment repair, funeral services, pet care services, dating services, and other various services.

As downtown Frisco evolves, we recommend boosting its percentage of retail and accommodation/food services businesses, gradually moving non-retail and non-food services businesses to side streets, upper floors, and secondary locations for which street exposure is not critical.

RETAIL SALES VOID ANALYSIS

Using data from ESRI (see note below), we compiled sales void analyses for Frisco and for the areas within a five-, ten-, and 15-minute drive-time from the intersection of 4th and Main Streets (see map on page 97).

Sales void analyses compare the sales volume that businesses within a given area are capturing with the amount of money that households living within that area are likely spending, somewhere, based on their income levels and other demographic characteristics. If the resulting sales gap (also called a sales void) is positive, it generally suggests that the area is attracting outside shoppers. If the resulting sales gap is negative, it suggests that area residents are making some of their purchases elsewhere and that their out-of-the-jurisdiction shopping is not being offset by sales the area's businesses are making to customers who live outside the area.

A sales leakage in a particular store category might represent an

opportunity to recapture sales (by adding new merchandise to existing businesses or opening new businesses, for example). But sometimes doing so might be very difficult. For instance, there might be a very strong competitor in a nearby community. Or, there might be preferences or cultural characteristics unique to the community that could make doing so impractical (e.g., a community with a strong tradition of home gardening might not spend as much money on groceries as another community with comparable demographic characteristics). And, while a sales surplus in a store category might mean that a community has absorbed all available sales in that category, it might suggest that the community has become a regional magnet and can absorb even more, building on its surplus.

As recently as just a few years ago, sales void analyses were widely used to estimate the amount of new retail square footage a community could, theoretically, support. But, for a variety of reasons, this is no longer considered a reliable or responsible practice. Internet shopping, in particular, has changed how, where, and when people shop. Five years ago, it might have been reasonable to assume that a community could absorb all or part of the sales leakages it was experiencing by adding new products to existing businesses or by developing new businesses offering the things for which people were shopping out of town. But the variety of products and services available online now, and the convenience that online shopping offers, means that some percentage of a community's retail buying power will be spent online. The impact is less significant in the handful of place-dependent retail categories for which people must shop locally, like gasoline, dining, and groceries. But almost all other categories are affected.

NOTE: ESRI derives its estimates of actual sales from the US Census Bureau's Census of Retail Trade (for establishments with payrolls) and Non-Employer Statistics (for smaller establishments without payrolls); Monthly Retail Trade data from the US Bureau of Labor Statistics; InfoUSA; state sales and use tax revenue reports; and other sources. It derives its estimates of sales demand from the US Bureau of Labor Statistics' Consumer Expenditure Survey and the US Census Bureau's Census of Population and American Community Survey. For the Consumer Expenditure Survey, the Bureau of Labor Statistics surveys thousands of US households, recording data on all household purchases and categorizing them by household demographic characteristics.

Note, also, that the City of Frisco collected tax on \$4.04 billion in taxable sales in FY2017. This is slightly more than ESRI's estimate of actual sales for calendar year 2017. This is because Texas taxes sales in 19 service categories (such as data processing, laundering, and pest control services), in addition to taxing sales of retail goods. ESRI's estimate of actual sales includes only taxable sales of retail goods, not services.



We found that, overall, Frisco has a sales leakage of \$109.9 million – meaning that Frisco residents are probably spending at least this much money outside the city (they are probably spending more than that outside the city, since some of Frisco’s sales are attributable to visitors).

Frisco is experiencing its leakages in several store categories worth mentioning:

- Motor vehicle and parts dealers
- Building materials, garden equipment, and supply stores
- Food and beverage stores (grocery stores)
- Gasoline stations
- Miscellaneous store retailers (including florists, used merchandise stores, office supply stores, pet stores, and other stores that do not fit into one of the other major store categories)
- Food services and drinking places (restaurants and bars)

It is also experiencing leakages in several other categories:

- Electronics and appliance stores: Due to the dominance of online retailers and big-box stores (categorized as “general merchandise stores,” nearly every city in the US now has a leakage in this store category.
- Nonstore retailers: This category consists of businesses that sell products without a traditional storefront (door-to-door sales and vending machines, for example).

Given Frisco’s rapid growth, it isn’t surprising that retail development hasn’t completely kept up with the pace of residential development. Plus, new commercial development – shopping malls, shopping centers, power centers, mixed-use town centers – is booming just a few miles away, and Dallas is less than an hour’s drive.

The area within a five-minute drive-time of 4th and Main has a \$319 million overall retail sales surplus – and the surpluses grow even larger within the ten-minute drive-time area, to \$904.9 million. But, within the 15-minute drive-time area, there is an overall leakage of \$1.3 billion.

In addition to its leakages, Frisco has retail sales surpluses in several major categories: a \$132.3 million in the furniture/home furnishings category, for example, and \$140.1 million in apparel/accessories. These suggest that the city’s retail businesses have established a market foothold in these store categories, attracting shoppers from throughout the region.

What does all this mean for Frisco, and for downtown Frisco, in particular? Several things:

- First, the retail sales void analysis suggests that there might be opportunities to expand retail sales by plugging sales leakages within the city limits (either by adding new product/service lines to existing businesses or by developing or attracting new businesses).
- Second, given that the area within a 15-minute drive-time of 4th and Main Streets has a significant retail sales leakage, there are likely opportunities to capture some regional sales. Frisco has hefty competition for this geographic market from communities south of the city, but competition to the north is thinner.
- Third, the city can build on the market foothold it has established in the furniture/furnishings and apparel/accessories categories to expand sales in these categories as the city’s population grows and as it continues to attract regional shoppers.

Of course, regardless of retail sales leakages, Frisco’s population is growing so quickly that new retail market demand generated by new residents alone is enough to support business growth and development downtown. Downtown Frisco is geographically small and somewhat constrained, and the amount of new retail demand coming down the pike over the next decade or so is more than enough to fill vacancies and spaces in new downtown infill and mixed-use development for the foreseeable future.

RETAIL SALES VOID ANALYSIS FOR THE CITY OF FRISCO

NAICS	Store category	Actual sales	Market demand	Void
441	Motor vehicle + parts dealers	\$ 568,597,000	679,710,000	(111,113,000)
442	Furniture + home furnishings stores	248,226,000	115,929,000	132,297,000
443	Electronics + appliance stores	104,337,000	119,713,000	(15,376,000)
444	Building materials, garden equipment + supply stores	115,166,000	209,754,000	(94,588,000)
445	Food + beverage stores	285,434,000	560,592,000	(275,158,000)
446	Health + personal care stores	554,458,000	172,919,000	381,539,000
447	Gasoline stations	72,978,000	305,169,000	(232,191,000)
448	Clothing + clothing accessories stores	292,260,000	152,151,000	140,109,000
451	Sporting goods, hobby, book, music stores	119,341,000	113,791,000	5,550,000
452	General merchandise stores	658,510,000	561,441,000	97,069,000
453	Miscellaneous store retailers [see note below]	67,360,000	123,499,000	(56,139,000)
454	Nonstore retailers [see note below]	5,080,000	45,965,000	(40,885,000)
722	Food services + drinking places	327,757,000	368,787,000	(41,030,000)
	Total	3,419,504,000	3,529,420,000	(109,916,000)

NOTE: “Miscellaneous store retailers” includes retail stores that do not fall into any of the other major store categories, such as office supply stores, gift stores, florists, used merchandise stores, and pet supply stores. “Nonstore retailers” includes retail businesses that operate outside a retail space *per se*, such as door-to-door sales businesses, food carts, online retailers, and home heating oil dealers.



RETAIL SALES VOID ANALYSIS FOR THE AREA WITHIN A FIVE-MINUTE DRIVE TIME FROM 4TH AND MAIN STREETS

NAICS	Store category	Actual sales	Market demand	Void
441	Motor vehicle + parts dealers	\$ 4,756,000	17,889,000	(13,133,000)
442	Furniture + home furnishings stores	3,411,000	2,937,000	474,000
443	Electronics + appliance stores	14,799,000	3,125,000	11,674,000
444	Building materials, garden equipment + supply stores	29,061,000	5,135,000	23,926,000
445	Food + beverage stores	12,072,000	15,684,000	(3,612,000)
446	Health + personal care stores	29,563,000	4,769,000	24,794,000
447	Gasoline stations	22,251,000	8,502,000	13,749,000
448	Clothing + clothing accessories stores	5,941,000	4,038,000	1,903,000
451	Sporting goods, hobby, book, music stores	9,956,000	2,984,000	6,972,000
452	General merchandise stores	220,376,000	15,184,000	205,192,000
453	Miscellaneous store retailers	6,175,000	3,292,000	2,883,000
454	Nonstore retailers	0	1,272,000	(1,272,000)
722	Food services + drinking places	55,250,000	9,738,000	45,512,000
	Total	413,611,000	94,549,000	319,062,000

RETAIL SALES VOID ANALYSIS FOR THE AREA WITHIN A 10-MINUTE DRIVE TIME FROM 4TH AND MAIN STREETS

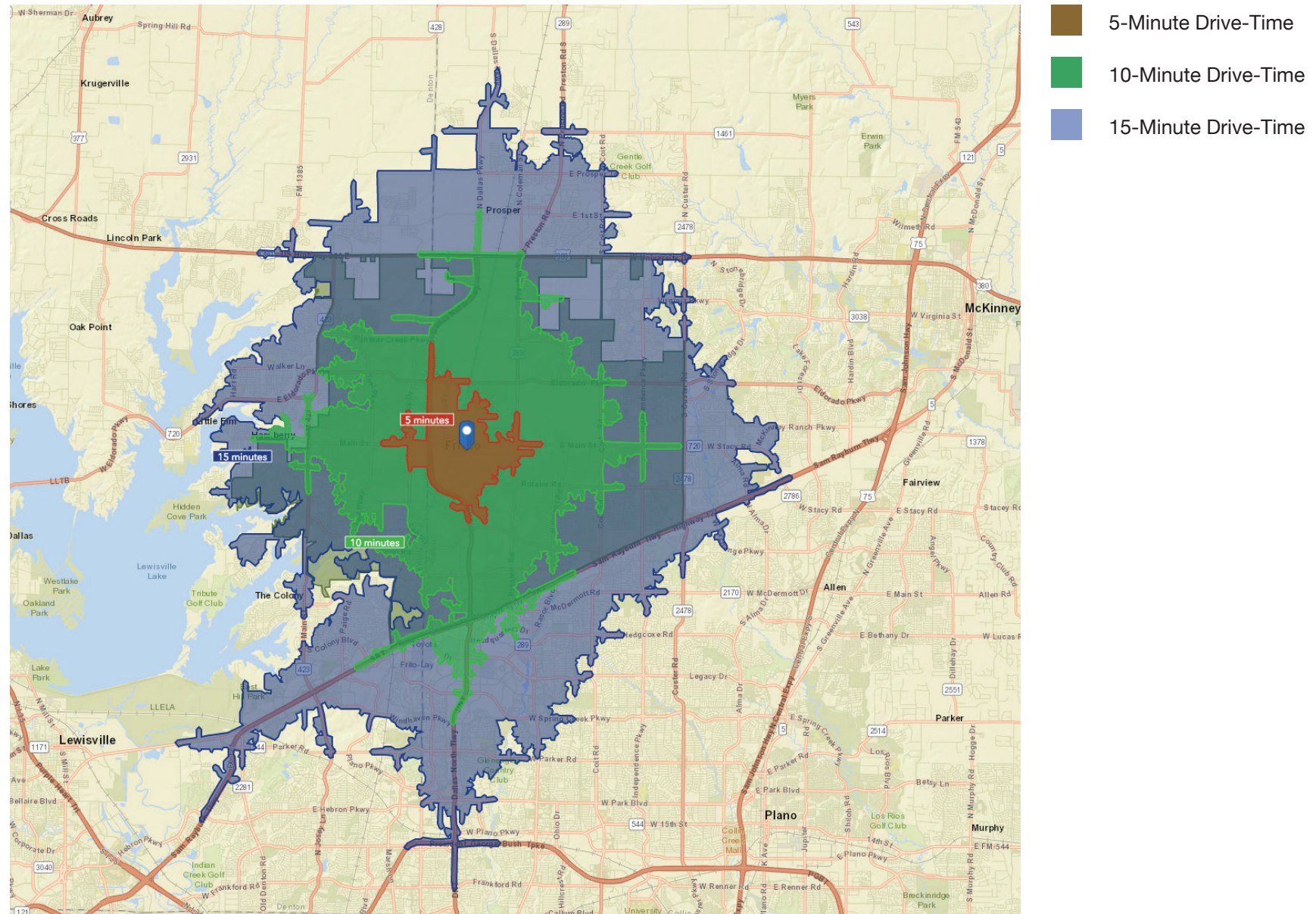
NAICS	Store category	Actual sales	Market demand	Void
441	Motor vehicle + parts dealers	\$ 434,265,000	418,434,000	15,831,000
442	Furniture + home furnishings stores	247,070,000	71,006,000	176,064,000
443	Electronics + appliance stores	130,693,000	73,470,000	57,223,000
444	Building materials, garden equipment + supply stores	88,738,000	126,550,000	(37,812,000)
445	Food + beverage stores	220,781,000	346,867,000	(126,086,000)
446	Health + personal care stores	457,684,000	106,134,000	351,550,000
447	Gasoline stations	71,237,000	189,000,000	(117,763,000)
448	Clothing + clothing accessories stores	308,067,000	93,682,000	214,385,000
451	Sporting goods, hobby, book, music stores	115,459,000	69,938,000	45,521,000
452	General merchandise stores	578,057,000	346,336,000	231,721,000
453	Miscellaneous store retailers	61,997,000	76,011,000	(14,014,000)
454	Nonstore retailers	6,767,000	28,201,000	(21,434,000)
722	Food services + drinking places	357,292,000	227,546,000	129,746,000
	Total	3,078,107,000	2,173,175,000	904,932,000



RETAIL SALES VOID ANALYSIS FOR THE AREA WITHIN A 15-MINUTE DRIVE TIME FROM 4TH AND MAIN STREETS

NAICS	Store category	Actual sales	Market demand	Void
441	Motor vehicle + parts dealers	\$ 1,005,135,000	1,439,731,000	(434,596,000)
442	Furniture + home furnishings stores	362,850,000	244,641,000	118,209,000
443	Electronics + appliance stores	437,809,000	253,068,000	184,741,000
444	Building materials, garden equipment + supply stores	240,712,000	439,591,000	(198,879,000)
445	Food + beverage stores	600,198,000	1,194,933,000	(594,735,000)
446	Health + personal care stores	718,133,000	367,640,000	350,493,000
447	Gasoline stations	151,312,000	649,180,000	(497,868,000)
448	Clothing + clothing accessories stores	455,590,000	323,190,000	132,400,000
451	Sporting goods, hobby, book, music stores	180,653,000	240,489,000	(59,836,000)
452	General merchandise stores	1,204,524,000	1,191,834,000	12,690,000
453	Miscellaneous store retailers	118,324,000	262,274,000	(143,950,000)
454	Nonstore retailers	14,086,000	98,435,000	(84,349,000)
722	Food services + drinking places	680,727,000	783,390,000	(102,663,000)
	Total	6,170,053,000	7,488,396,000	(1,318,343,000)

Drive-Time Areas (from 4th and Main Streets)





Customer Origin Maps

With the City's assistance, we placed maps of the region in eight businesses and city agencies for roughly two weeks during December 2017 and January 2018, with signs asking customers to put a dot on the map to show where they live. The participating businesses and agencies were:

- Eight11 Place
- Bittersweet Ivy
- Chamber of Commerce
- Development Services
- Manny's Tex-Mex Grill
- POParella's Gourmet Popcorn and Treats
- Summer Moon
- Texas Bank and Trust

In instances in which a customer's residence was not covered by the map, he or she wrote his/her home zip code below the map.

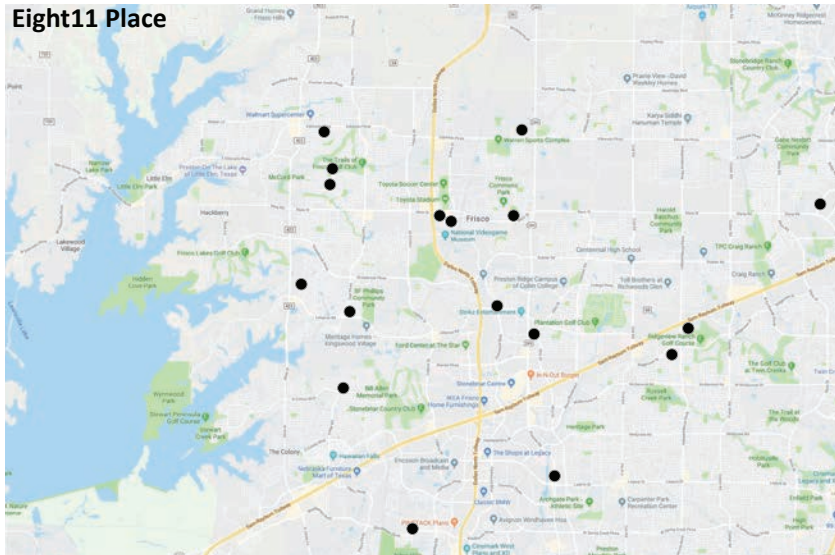
We found some surprising patterns. For example, the coffee shop Summer Moon – which one might expect to be one of downtown Frisco's most locally serving and convenience-oriented businesses – attracted customers from throughout the region, with a pattern very similar to that of Manny's Tex-Mex Grill. POParella's, in Frisco Square, had fewer than half a dozen dots – but many zip codes written on the map, reflecting the fact that the store draws from a geographically large market area and that much of the popcorn shop's business is conducted online and through concession sales through local movie theatres and sports facilities. The same is true for Texas Bank and Trust, which has only eight dots on the map – but many zip codes written on the map, from Celina, Lewisville, DeSoto, and more. And almost all participating businesses and city agencies drew more heavily from areas north of Main Street than from areas south of it.

The customer origin maps suggest some potential opportunities for cross-merchandising between existing businesses. For instance, businesses that draw heavily from throughout the region might exhibit

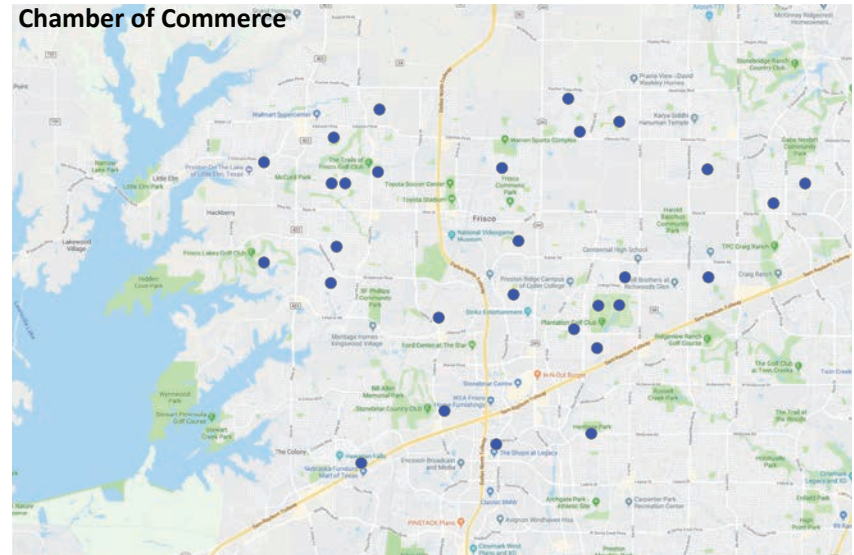
merchandise from, or conduct joint marketing activities with businesses with fewer customers, or with customers who live within a smaller area. The maps also offer some insights into potential new business placement – e.g., placing new businesses dependent on visibility next to established businesses that generate lots of foot traffic.

In-Store Maps

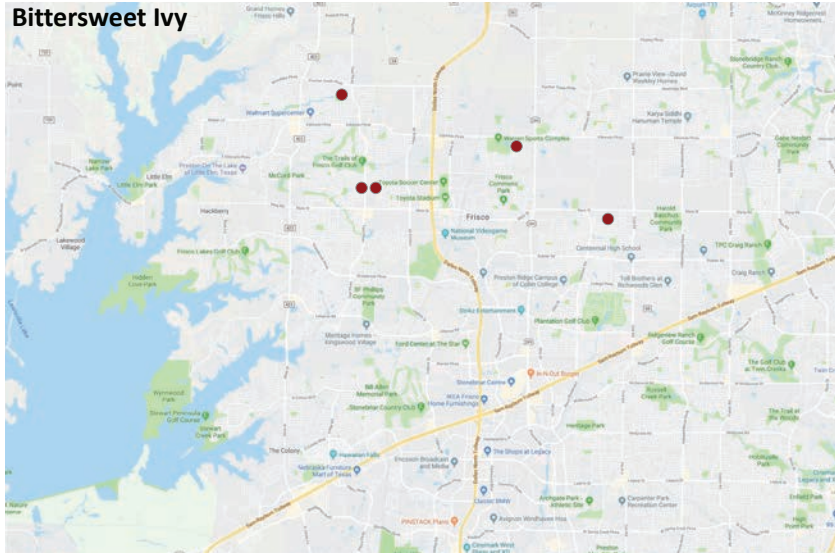
Eight11 Place



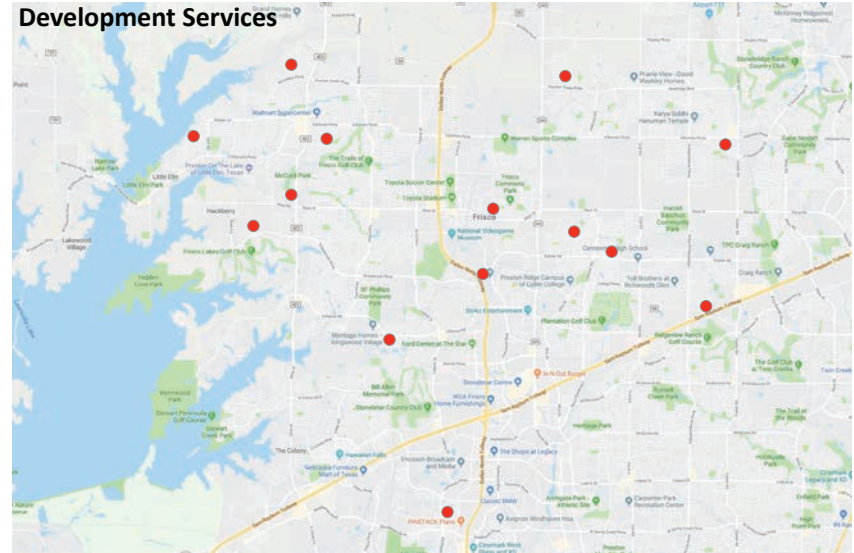
Chamber of Commerce



Bittersweet Ivy

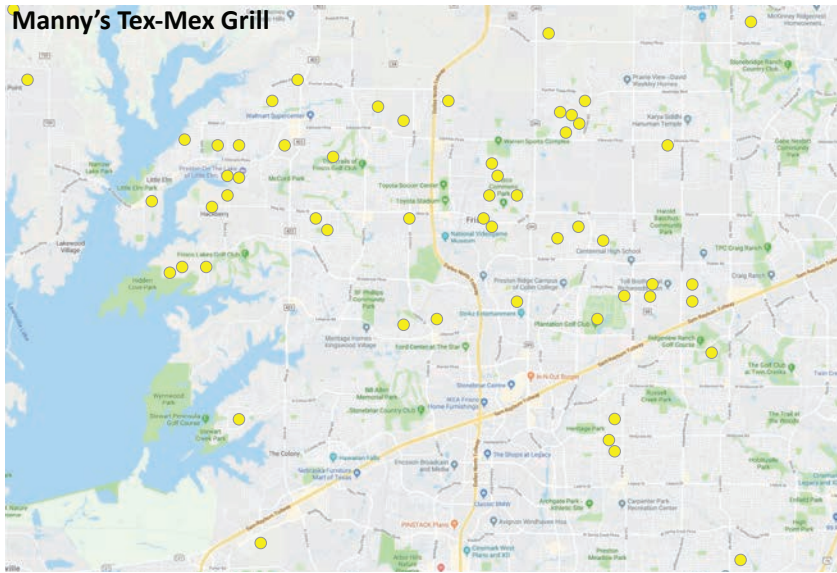


Development Services

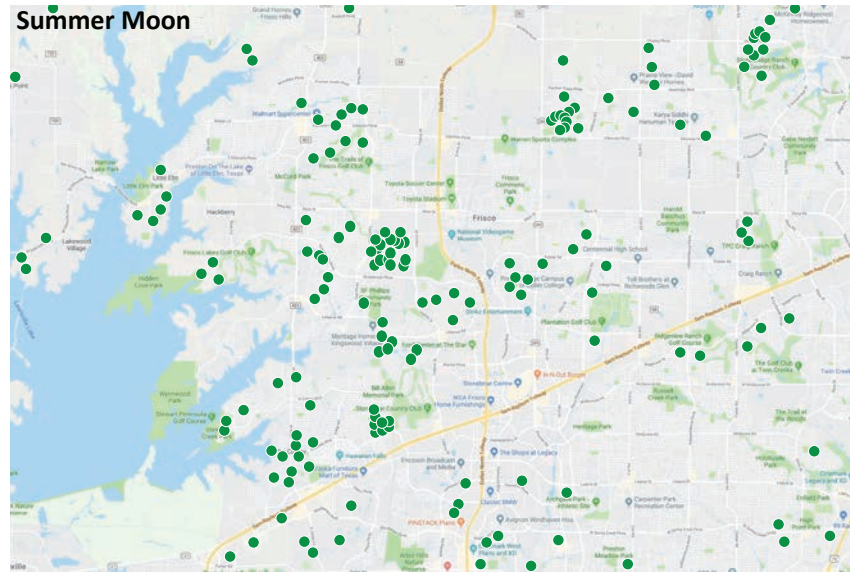




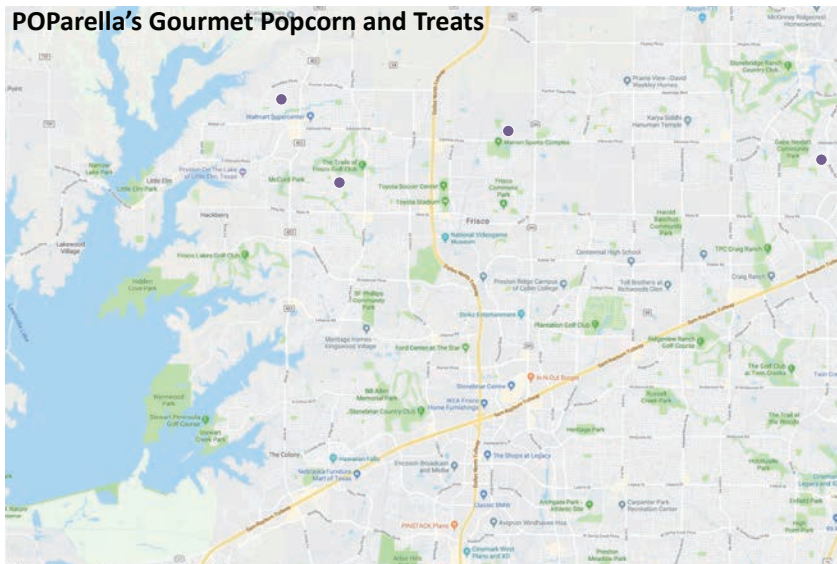
Manny's Tex-Mex Grill



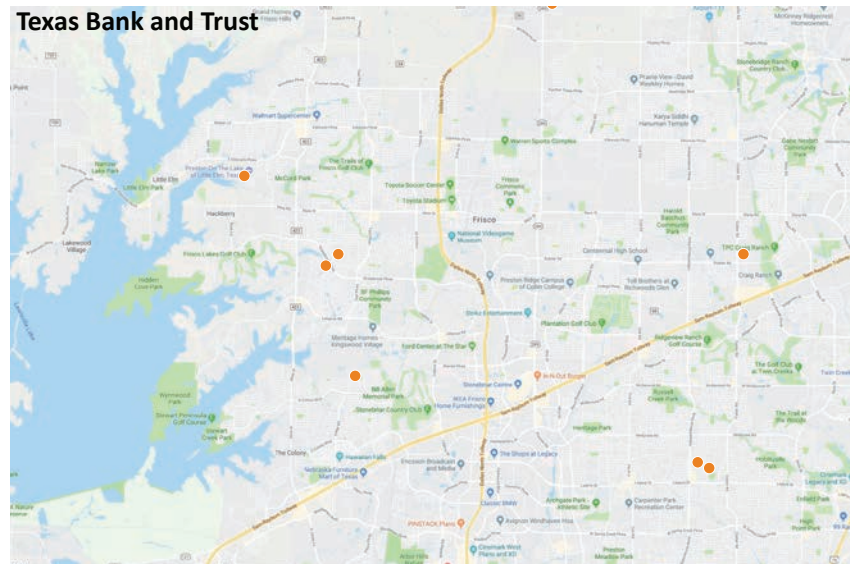
Summer Moon



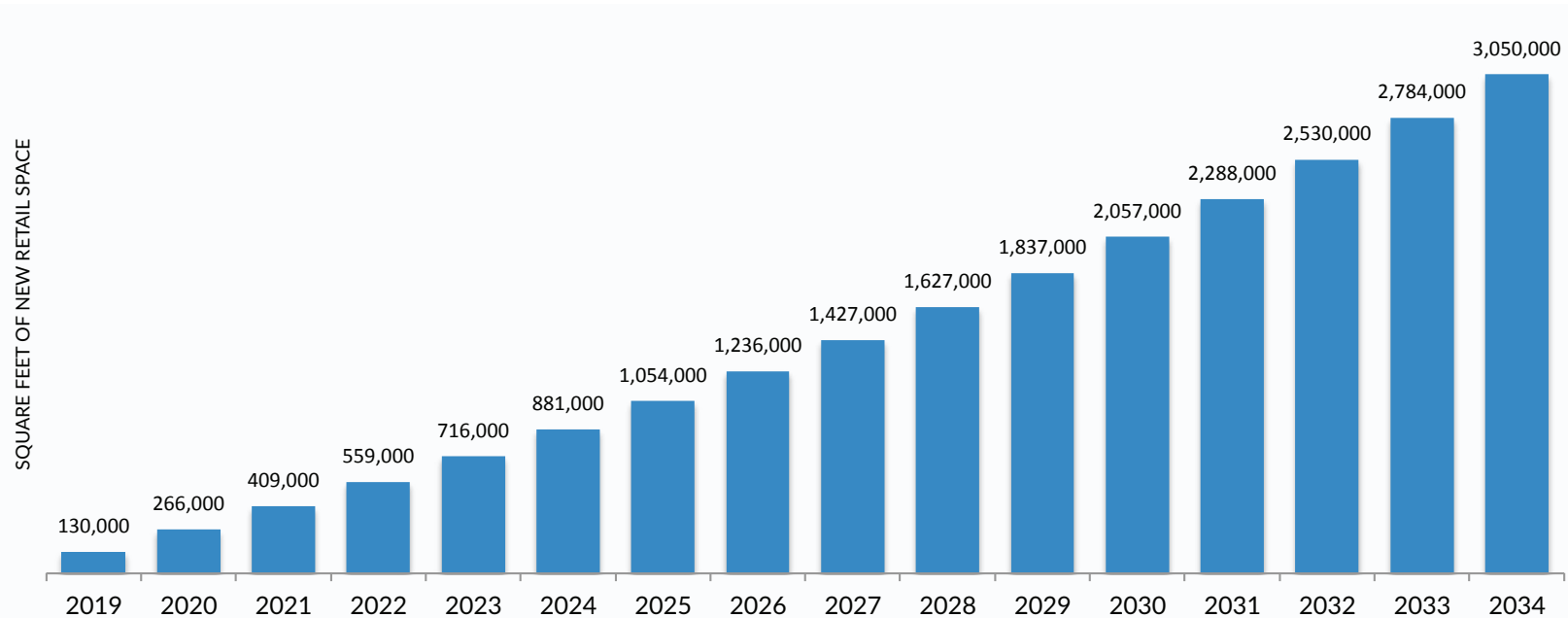
POParella's Gourmet Popcorn and Treats



Texas Bank and Trust



How much new Retail Space can Frisco Support?



Sources: US Bureau of Labor Statistics' Consumer Expenditure Survey; City of Frisco; CLUE Group.

If Frisco's population continues to grow at its recent rate, its resident-generated retail demand will continue to grow, as well. At the city's current five-year annualized growth rate (4.9 percent), and if average household size and household income levels remain constant, this means that the city's new residents would generate enough new retail demand to support an additional 1.4 million square feet of retail space within the next ten years. Between now and 2034, when the town is projected to hit its build-out target of 362,500 residents, Frisco's new residents will generate demand for around 3.05 million square feet of commercial space.

There are plenty of caveats to mention about this estimate. In addition to being based on the assumptions mentioned above (growth rate,

constant household size and household income levels), it assumes that new retail stores will gross \$300/SF in annual sales (in 2018 dollars). That is typical for retail chains in community shopping centers and regional malls but a little high for independently owned businesses. Also, retail sales/SF have declined nationwide in recent years (from an average of \$375/SF 15 years ago to \$325 last year, according to CoStar, a leading real estate data provider) and are likely to continue declining, given the influence of Amazon and other major online retailers, environmentally-motivated shifts towards repairing and repurposing products rather than replacing them, and other factors. So, this estimate might be a little high.

But, this estimate does not include potential spending by people



visiting Frisco. According to the Frisco Convention and Visitors Bureau's 2016/2017 Tourism Economic Impact Study, Frisco attracted 6.09 million visitors in 2016 who spent \$676 million on retail goods and services when visiting. In 2018 dollars, that \$676 million alone could support nearly 2.3 million square feet in retail space. This estimate seems high, given the fact that visitors are likely to make only a fraction of all their annual purchases while on vacation – but the point is that visitor spending augments spending by locals, boosting retail market demand. Downtown Frisco is well positioned to take advantage of visitor spending, for two reasons: Visitors spend money in restaurants, and many of Frisco's visitor attractions are in or near downtown.

We examined five retail store categories that we believe might be a good fit for downtown Frisco:

- Furniture and home furnishings
- Apparel, apparel accessories, and apparel services
- Restaurants/dining out
- Toys, games, arts, crafts
- Musical instruments and accessories (sales and rentals)

For each of these store categories, we have estimated a) how much of the new retail sales likely to be generated by new residents might realistically be captured by downtown Frisco (assuming the district's business mix is improved) and b) how many square feet of new retail space might be supportable (see pages 42-43). We based our estimates on several assumptions:

- Downtown Frisco can realistically capture only a portion of all new retail demand likely to be generated by new residents. We have made what we believe to be relatively conservative assumptions about what portion the district might capture. For the furniture/home furnishings category, for example, we think it is possible that, with development of a downtown design district, downtown Frisco could perhaps capture 20 percent of new retail sales demand – but for musical instruments and accessories (a store category that has intense online

competition), it might only realistically capture 7.5 percent.

- To estimate the square feet of new retail space that might be supportable, we have used low- and mid-range sales-per-square-foot estimates, based on national store averages.

Based on these estimates, we believe that downtown Frisco can support roughly 115,000-130,000 square feet of new retail space within the next five years, plus an additional 70,000 square feet by 2034, when the city's population is expected to reach 362,500.

Of course, the presence of unmet retail market demand alone does not guarantee that a business, or a business district, will be successful. Many factors influence the performance of a downtown retail business, including how well capitalized the business is; the owner's and manager's skills in merchandising, marketing, and management; the district's overall business mix and the quality of the synergy between businesses; the attractiveness of the district; the quality of downtown marketing events; the effectiveness of downtown marketing events in reaching targeted audiences and creating a consistent positive image for the district; the availability of convenient parking; good traffic flow; the overall supply of retail space within the community and region; and many other factors.

Future Demand

CATEGORY/CHARACTERISTICS	POTENTIAL NEW MARKET DEMAND (NOTES 1 + 4)		
	2023	2028	2033
Furniture + home furnishings			
New market demand from NEW Frisco residents	\$ 98,199,000	\$ 124,733,000	\$ 158,440,000
Market capture @ 20% of total new market demand (NOTE 2)	\$ 19,640,000	\$ 24,947,000	\$ 31,688,000
@ \$275/SF gross sales (NOTE 3)	71,400 SF	90,700 SF	115,200 SF
@ \$325/SF gross sales	60,400 SF	76,800 SF	97,500 SF
Apparel + apparel accessories + services			
New market demand from NEW Frisco residents	\$ 109,634,000	\$ 139,259,000	\$ 176,888,000
Market capture @ 20% of total new market demand	\$ 10,963,000	\$ 13,926,000	\$ 17,689,000
@ \$300/SF gross sales	36,500 SF	46,400 SF	59,000 SF
@ \$350/SF gross sales	31,300 SF	39,800 SF	50,500 SF

NOTES:

1. This represents anticipated NEW market demand based on Frisco's projected population growth. It does not include current unmet market demand or demand from Frisco visitors.
2. We have made what we consider to be conservative assumptions about the amount of new market demand that might be realistically captured by businesses in downtown Frisco.
3. We have estimated the amount of supportable square feet based on national store averages.
4. The availability of market demand does not guarantee business success. Business success relies almost entirely on a business's capitalization level and on the skill of the business owner in marketing, management, and merchandising.



CATEGORY/CHARACTERISTICS	POTENTIAL NEW MARKET DEMAND (NEW RESIDENTS)		
	2023	2028	2033
Dining out			
New market demand from NEW Frisco residents	\$ 188,859,000	\$ 239,891,000	\$304,714,000
Market capture @ 20% of total new market demand	\$ 9,443,000	\$ 11,995,000	\$ 15,236,000
@ \$275/SF gross sales	23,600 SF	30,000 SF	38,100 SF
@ \$325/SF gross sales	21,000 SF	26,700 SF	33,900 SF
Toys, games, arts, crafts			
New market demand from NEW Frisco residents	\$ 7,894,000	\$ 10,027,000	\$ 12,736,000
Market capture @ 20% of total new market demand	\$ 789,000	\$ 1,003,000	\$1 274,000
@ \$300/SF gross sales	2,600 SF	3,300 SF	4,200 SF
@ \$350/SF gross sales	2,100 SF	2,700 SF	3,400 SF
Musical instruments + accessories (sales + rentals)			
New market demand	\$ 26,370,000	\$ 33,496,000	\$42,547,000
Market capture @ 7.5%	\$1,978,000	\$ 2,512,000	\$3,191,000
@ \$450/SF gross sales	4,400	5,600	7,100
@ \$550/SF gross sales	3,600	4,600	5,800

GENERAL LIMITATIONS + DISCLAIMER

Retail market analyses, their components (such as retail sales void analyses), and derivative business development plans provide important guidance on how a commercial center should, theoretically, be able to perform and on the sales levels businesses should be able to achieve. However, many factors affect the actual performance of retail businesses and downtowns, including the skills of the business operator, level of business capitalization, the quality of the physical environment, changes in overall economic conditions, the effectiveness of business and district marketing programs, and many other factors. The information in this report is intended to provide a foundation of information for making retail development and downtown revitalization decisions in Frisco, but it does not, and cannot, ensure business success. Accordingly, the CLUE Group makes no warranty or representation that any of the potential results contained in this study will actually be achieved.

As is true of all demographic, economic, and market studies, the reliability of our analysis is limited to the reliability and quality of the data available. Our research assumes that all data made available by federal, state, county, regional, and municipal sources, from community organizations, and from business owners is accurate and reliable. Given these limitations, our report reflects what we believe are reasonable estimates of trends, current conditions, and future possibilities.