

MEMORANDUM

TO: Steve Kearney, Stantec

FROM: Sarah Woodworth

RE: Interview Observations and Potential Non-Residential Opportunities

DATE: June 9, 2015

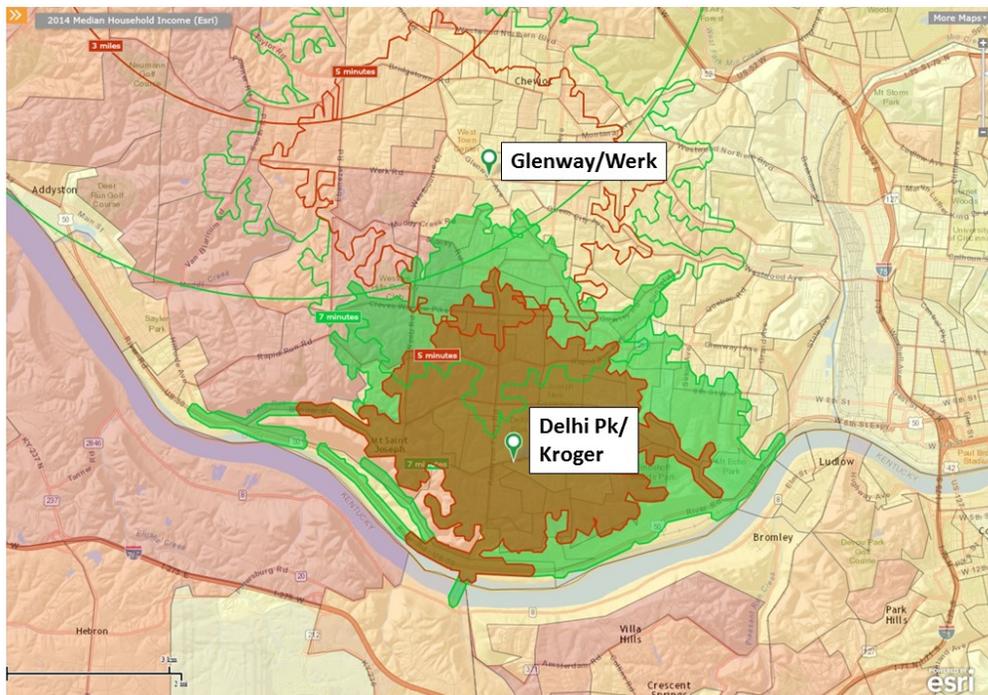
INTRODUCTION

W-ZHA conducted interviews with Township representatives, developers, brokers and appraisers knowledgeable about Delhi Pike and its commercial market. This Memorandum summarizes the highlights from these interviews. The Memorandum also incorporates preliminary analyses to illustrate market opportunities and constraints.

OBSERVATIONS AND POTENTIAL NON-RESIDENTIAL OPPORTUNITIES

DELHI PIKE'S TRADE AREA IS CONSTRAINED BY COMPETITION TO THE NORTH AND THE RIVER TO THE SOUTH.

5- and 7-minute Drive from Kroger on Delhi Pike

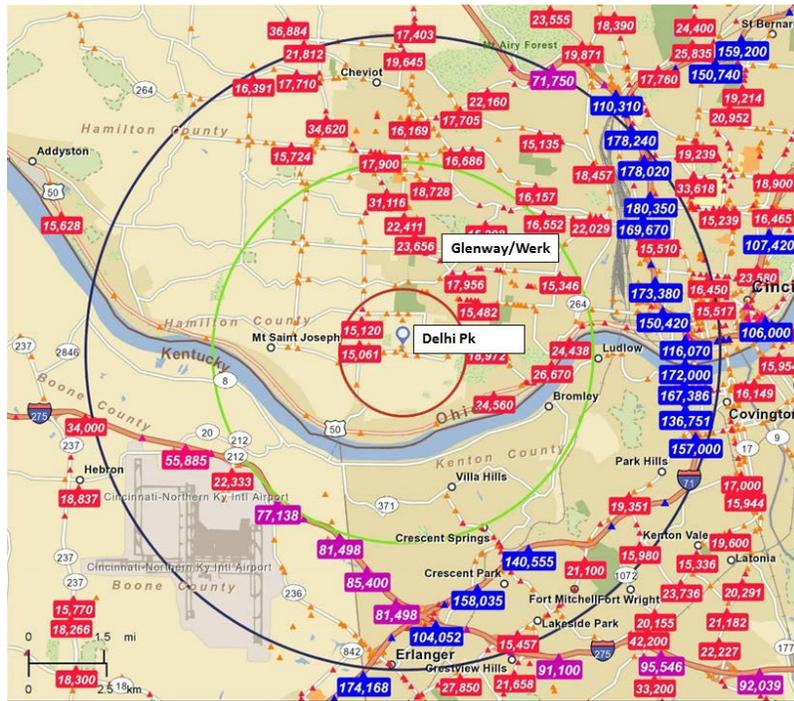


Source: ESRI



The map above illustrates the 5-minute and 7-minute drive times from the Kroger on Delhi Pike. Delhi Pike's trade area is cut off by the Ohio River to the south. The retail cluster at Glenway Avenue and Werk Road is within a 10-minute drive from the Kroger on Delhi Pike.

Traffic Counts



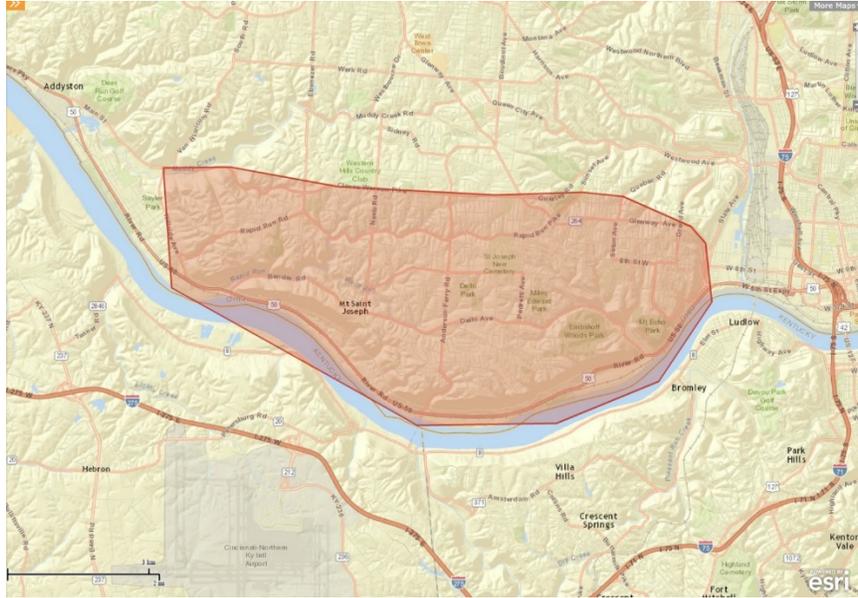
Source: ESRI

The retail cluster at Glenway Avenue and Werk Road consists of big box community retail like Home Depot, Dick's Sporting Goods, and Target. National retail tenants interested in penetrating the Western Hills market, will likely gravitate to the Glenway Avenue and Werk Road cluster rather than Delhi Pike because the Glenway and Werk retail cluster is more robust in terms of retail offerings and traffic counts are higher (see map on the next page).



DELHI PIKE IS STILL AN ATTRACTIVE LOCATION FOR TENANTS SEEKING TO SERVE THE ADJACENT NEIGHBORHOODS.

Delhi Pike Retail Trade Area



Source: W-ZHA

The map above illustrates W-ZHA’s understanding of Delhi Pike’s primary trade area.

**Primary Trade Area Demographics
Delhi Pike
2013**

Population	57,100
Households	20,900
Median Income	\$45,735
Per Capita Income	\$22,462
% College Degree+	22%

Source: ESRI; W-ZHA

F:\8000s, misc\82338 Delhi\[trade area demographics.xlsx]Sheet2

There are almost 60,000 people and almost 21,000 households within Delhi Pike’s primary trade area. This population concentration is generally within a 5-minute drive. These demographics can support community retail.



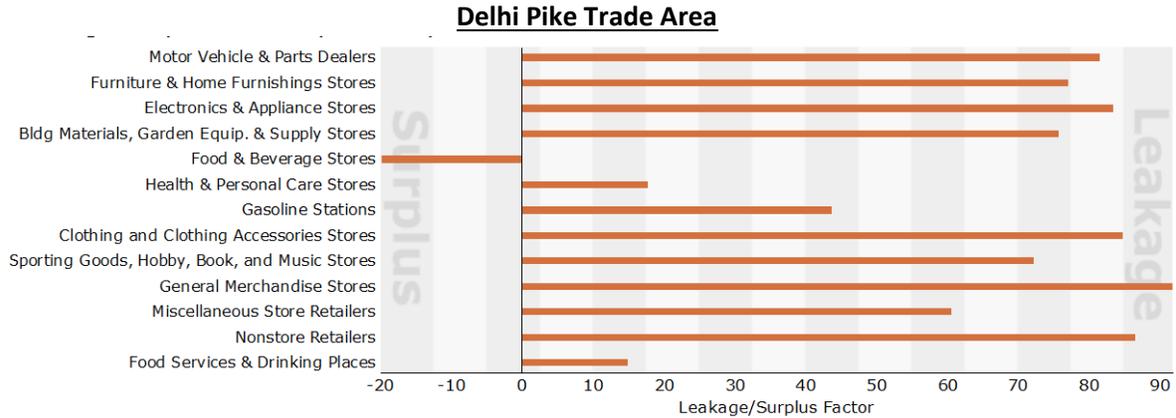
INTERVIEWEES INDICATED THAT MOUNT ST. JOSEPH UNIVERSITY’S POPULATION IS VALUABLE TO THE PIKE’S MARKET POSITIONING.

Mount St. Joseph’s University has approximately 2,300 students. The campus is within a mile of the Study Area. University students patronize the businesses along Delhi Pike. Interviewees indicated that the University student population played into Chipotle’s decision to locate on the Pike.

Potential store-types targeted to the student market include: local coffee shop with Wi-Fi; fast casual food like Blaze Pizza, Noodles & Company; electronics and pharmacy.

COMPARING RETAIL DEMAND TO ACTUAL RETAIL SALES REVEALS THAT PRIMARY TRADE AREA RESIDENTS ARE NOT SHOPPING ON THE PIKE FOR SHOPPER’S GOODS. THERE MAY BE A LIMITED OPPORTUNITY FOR ADDITIONAL GENERAL MERCHANDISE OR APPAREL ON THE PIKE.

Percent of Expenditure Inflow (Negative Numbers) and Outflow (Positive Numbers) by Store-Type



Source: ESRI

As would be expected for a commercial strip oriented to serving the day-to-day needs of nearby neighborhoods, there is considerable spending leakage for store-types like furniture, apparel, and general merchandise. The Pike’s food and beverage stores (like Kroger) draw customers from outside the trade area.

As is apparent with the many Dollar-type stores on the Pike, the general merchandise spending leakage is severe within Delhi Pike’s trade area. The Pike may see more of these types of stores (like Dollar store, Five Below, etc.) in the future. With Kroger’s success, there may also be an opportunity for a shoe store.

THERE MAY BE AN OPPORTUNITY FOR AN ADDITIONAL PHARMACY ON THE PIKE.

There are two pharmacies on the Pike – Kroger’s and Walgreens. Although the chart above indicates only a small percentage of leakage in health and personal care stores, it has been W-ZHA’s experience that pharmacies aggressively position themselves for market share. At the rule of thumb of one pharmacy per 18,000 people, the trade area can support three pharmacies.

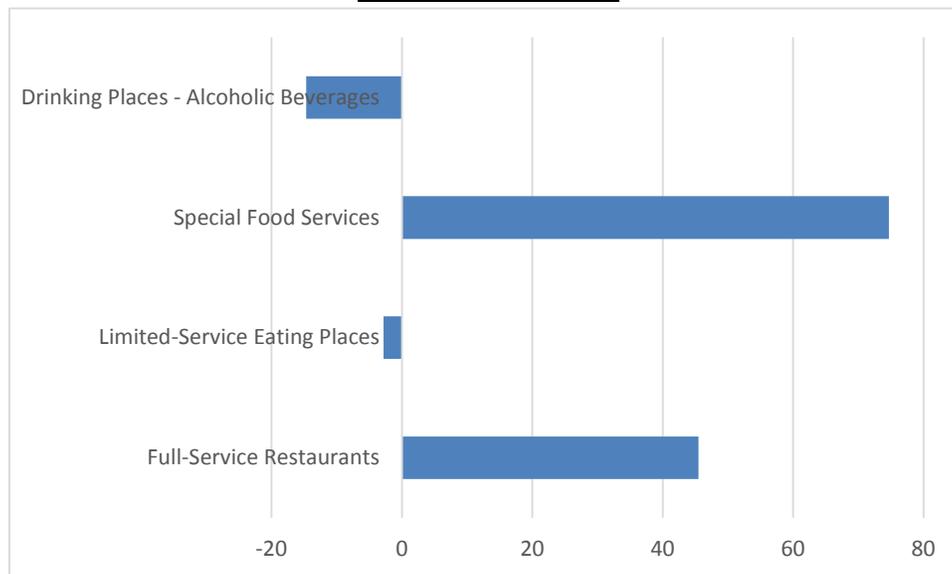


Some interviewees mentioned that CVS may be looking to assemble land. A pharmacy will want a 1 to 2 acre site at a signalized intersection.

INTERVIEWEES REFERRED TO *CHANDLER’S*, A LOCAL RESTAURANT, AS A GOOD EXAMPLE OF THE COMMUNITY’S DEMAND FOR FAMILY RESTAURANTS. EXPENDITURE AND SALES DATA SUPPORT THE NOTION THAT DELHI CAN SUPPORT ADDITIONAL FULL-SERVICE RESTAURANTS.

Multiple interviewees referred to *Chandler’s* success as indicative of the community’s demand for full-service restaurants. People mentioned that the fate of some full-service restaurants had less to do with market demand than with management issues.

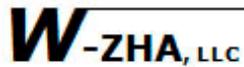
**Percent of Expenditure Inflow (Negative Numbers) and Outflow (Positive Numbers)
Delhi Pike Trade Area**



Source: ESRI

The data indicate that the trade area is sufficiently served with drinking places and fast food restaurants (“limited-service eating places”). There is spending leakage, however, in the full-service restaurant category and special food services. Existing full-service restaurants in the trade area capture less than half of the trade area’s restaurant spending potential. This is consistent with interviewee observations that Frisch’s is a strong performer and Chandler’s is very busy.

The demographics of Delhi also suggest that restaurants may have potential. According to ESRI’s psycho-demographics data, 60 percent of the households are empty nesters and/or want-to-be empty nesters. This demographic dines out more than the average household. Another 10 percent are middle-to upper-class families that tend to dine out a lot.



RENTS ARE LOW ON DELHI PIKE EXCEPT AT THE KROGER CENTER.

Interviewees suggested that space can be leased on the Pike for \$5.00 per square foot net and this is considered low rent for the market. A strong rent on the Pike is \$10.00 per square foot net. The Kroger shopping center is reportedly charging \$10 to \$15 per square foot net. Common area charges generally run at \$3.00 per square foot.

Rents need to be higher to justify the cost of new, mixed-use construction. Rents on the higher end can likely support renovations and/or retail store (as opposed to mixed-use) construction.

THERE IS SOME CONCERN THAT DELHI PIKE IS OVERBUILT WITH RETAIL

Two interviewees suggested that Delhi Pike may have more retail space than the market can support. Pursuing non-retail anchors like a services, medical uses, recreation (for example martial arts, yoga studio, etc.) or housing may have some merit on the Pike. One idea was to have the Township incentivize a target user.

CHALLENGES FACING THE PIKE ARE ITS APPEARANCE AND THE CONCERN ABOUT PRICE HILL CREEP.

Delhi Pike is a county road. To implement transportation/streetscape improvements on the Pike will require the County's cooperation and leadership. The Township does not have much control over Delhi Pike operations.

There is concern that retailers are interested in locations where there is growth. Delhi is essentially built-out. Price Hill to the east has experienced an influx of lower income households. This pattern of development poses a challenge to the Pike.

MEDICAL USES MAY OFFER INFILL OPPORTUNITIES ON THE PIKE.

There is one medical office building in Delhi at the corner of Rapid Run and Ebenezer. TriHealth has physicians at 425 Farrell Court. Delhi Pike's trade area contains 60,000 people. There are 30,000 Delh-esians with an average age among Township residents of almost 40 years old. It appears that there is relatively little medical office space for this market.

Not only is there relatively little medical office space in Delhi, but there is significant competition between Christ Hospital, Mercy Hospital, UC Physicians and TriHealth for market share in the Cincinnati market. Moving into retail space is not unusual for health systems. According to one interview candidate, Mercy moved into a former Kroger store and Christ Hospital moved services into a former Blockbuster video store.

If the health systems need new space they typically team with a developer and enter into a turn-key deal. If they are moving into an existing space they typically require \$120 to \$150 per square foot of fit-out. Medical uses are willing to pay more rent than retail uses.