

US 41 Business District

Retail Market Conditions in Naples Park¹

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¹ This chapter has been excerpted from a more extensive report, entitled “Naples Park - Retail Market Analysis,” completed by J Eppink Partners, January 2003.

EXECUTIVE SUMMARY

Naples Park is a residential community located approximately eight miles north of downtown Naples. This family oriented neighborhood is characterized by smaller single family residential homes. The community is anchored by a neighborhood center, the Pavilion shopping center, located at the intersection of US-41 and Vanderbilt Beach Road. Although Naples Park is relatively small (its 2000 population was 6,741) it is growing, as is the City of Naples (20,976 residents) and the greater Naples Metropolitan Statistical Area (251,377 MSA residents), which grew 10% between 2000 and 2002.

The Naples Park study area is bounded by 111th Avenue to the North, Vanderbilt Beach Road to the South, Gulfshore Drive (and the Gulf of Mexico) to the west and US-41 (Tamami Trail) to the east. Naples Park is a solid residential community exhibiting a high 2002 median income of \$45,441. Neighborhood retail is presently served by establishments located on US-41 and within the Pavilion Shopping Center. The primary trade area exhibits favorable retail demographics with a median income of \$73, 318 and a population of 21,971 residents. Although demographics bode well for the retailing environment, the Naples MSA is saturated with current and planned retail development.

A number of retail centers are located in close proximity to Naples Park. Retailers located near the intersection of US-41 and 111th Ave account for approximately 328,000 sq ft of regional competition. Granada Shops, located adjacent to Naples Park on the east side of US-41, contains both national and regional retailers that attract a number of customers from Naples Park. Immediate outlying competing retail centers include downtown Naples, The Village on Venetian Bay, Tin City, The Oaks, Riverchase Center, Market Place Center, Tanglewood Center, Neopolitan Way Plaza, Park Shore Drive, the Pavilion Shopping Center, Naples Walk, Pine Ridge Crossings, Bed Bath & Beyond Plaza, Carillon Place, Market Place, Green Tree Center, Waterside Shops, Heritage Center, Parkshore Plaza, and adjacent strip centers.

The primary and total trade areas contain numerous retail establishments. The quantity of existing retail centers is magnified by additional planned retail competition within Granada Shops (restaurant pads) and Greenfield sites located at or near: US-41 and Vanderbilt Beach Rd, US-41 and Old US-41 (a 150,000 sq ft retail shopping center), Hidden Lakes, and Naples Center shopping centers.

Having accounted for planned and present retail establishments, this study finds that a total of **169,900 sq ft** of additional neighborhood-oriented retail is supportable within the Naples Park study area (on US-41 - see appendix for details). However, if future retail is to remain viable, retail uses should be neighborhood oriented, focusing on convenience and catering to the adjacent community. The predominant customer base should pull from Naples Park and not rely on tourism or customers living south of Seagate Drive.

The Naples Park community would benefit from more pronounced neighborhood-based retail establishments that are more easily accessible to the adjacent community. Although there is demand and space for additional retail absorption, future development should be overseen by a quasi public-private entity that balances the need for additional retail growth with sound economic revitalization practices

INTRODUCTION

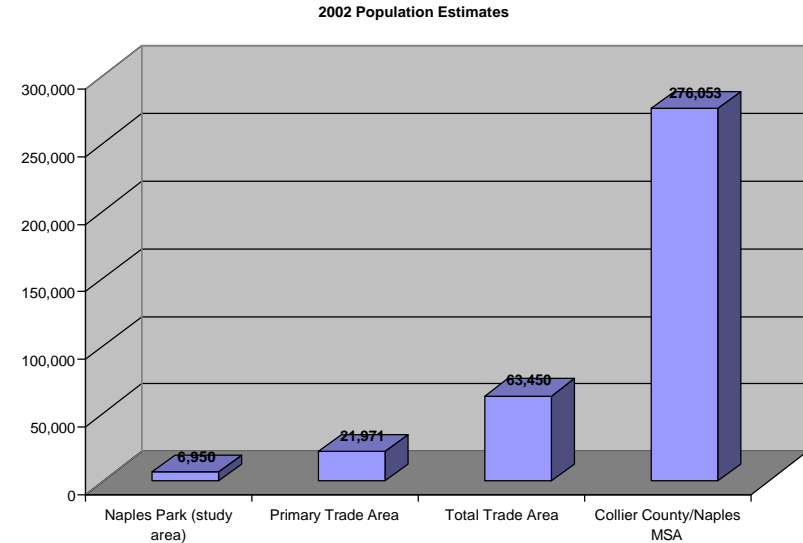
J Eppink Partners (JEP) was commissioned by Dover, Kohl & Partners to provide a retail feasibility study for the Naples Park study area. The retail study, part of a broader master plan for the Naples Park area, is an important planning tool as it provides developers and municipal planners with commercial landuse information. A retail feasibility study also allows local leaders to better structure economic development practices in a way that meets the needs of retailers and business owners.

In keeping with community interests as expressed during the November 2002 planning charrette, this retail study suggests strategies to harmonize the residents' desire for convenience oriented retail with a viable and balanced mix of independent, regional and national tenants.

The JEP approach identifies the additional type and amount of supportable retail, and provides strategies for making current retail establishments more competitive in the context of current and planned retail competition. The following issues were addressed as part of this study:

- Who is the customer base, where are the trade area boundaries, and what are the projected trade area demographics?
- Is additional retail development supportable? If so, what retail uses are recommended?
- What are the requirements for retail success?
- What is an appropriate retail strategy that best meets the needs of Naples Park?

Naples Park, located in the North Naples Planning Community of Collier County, boasts a 2000 population of 6,741 residents living with-



in a primarily single family neighborhood bounded by 111th Avenue to the north, Vanderbilt Beach Road to the South , Gulfshore Drive to the west, and US-41 (Tamami Trail) to the east. The population is growing at an approximate rate of 5% per year. Naples Park is a stable residential community that evolved from a working class neighborhood to a more mixed income area, exhibiting a 2002 median income of \$45,441 (estimated). The majority of neighborhood retail is presently served by establishments located on US-41 and within the Pavilion Shopping Center.

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METHODOLOGY

A detailed field evaluation was conducted in November of 2002 to assess the study area and surrounding existing and planned retail centers within the defined trade areas. Vehicular traffic patterns were assessed at various hours to better understand traffic behavior and its affect on area retailers. A Primary Trade Area and Total Trade Area were also defined for Naples Park. Demographic data was collected from the United States Census Bureau, the Collier County Economic Development Council, and proprietary demographic computer applications used by JEP. This study assumes that all locally provided and U.S. Census data is accurate and reliable.

Demographic analysis and study area evaluation help to provide a quantitative assessment of the retail potential within Naples Park. The fundamental analytic tool employed by this study is the void analysis, which measures the existing retail square footage, by category, against the expenditure potential for each retail category in order to determine retail supportability, that is, unmet retail demand. In other words, surplus expenditure potential was determined by assessing the proportion of the area's expenditure potential already accounted for by existing and planned retail. This methodology assumes there is no "over storing" in a market, meaning that within each retail category the total built square footage should not exceed the market's ability to support it.

Expenditure potential – computed for each retail category – refers to the total dollar amount estimated to be available to be spent. JEP estimates of expenditure potential were computed based on data supplied by the U.S Census Bureau, supplemented with data from Scan US, Claritas, Inc., the International Council of Shopping Centers (ICSC), and JEP evaluation. According to standard practice, it was assumed that expenditure potential will not increase for any given retail category as more competitors are introduced into the market, rather, the

market share for each use will be redistributed. Except in rare circumstances, expenditure potential fluctuates with population and household income growth only.

Furthermore, the following assumptions were made for this analysis:

- Population and housing growth will evolve as projected.
- No new competition (beyond what is stated in this report) will enter the market.
- The proposed retail will serve the residential base of the Primary Trade Area and Total Trade Area.
- Build-out and absorption of new retail development will take place over a five year period.

JEP did not assume additional expansion of US-41 would take place within the timeframe of this study. Retail sales volume typically increases with road expansion and the commensurate increase in traffic volume. However, this is the case only when parking, urban & roadway design, and vehicular & pedestrian movement are planned and accounted for accordingly.

The **Primary Trade Area (PTA)** is the geographic area from which seventy percent (70%) of retail sales in the retail study area can be expected to originate.

The **Total Trade Area (TTA)** is defined as the area from which ten to fifteen percent (10-15%) of total sales are likely to originate.

(Refer to Appendix B for a complete report of the PTA and TTA of Naples Park, as well as an overview of the surrounding market)

RECOMMENDATIONS

The Naples retail market currently offers 34 square feet of retail space per capita, compared to the national average of 18 square feet. The State of Florida (particularly the Naples market) has witnessed an increased amount of retail development within the last five years. In 2002 The National Research Bureau (NRB) ranked Florida as the number one state in new retail center development and number two (behind California) in retail sales and total GLA.

The Naples market is an ideal retail environment fed by a growing business base, high median incomes, consistent tourism, and a growing student population. Though demographics bode well for additional retail development, existing area retail centers are strong competitors to proposed retail development for Naples Park, especially along US-41.

Given the vast quantity of existing retail centers, future retail development within Naples Park should be limited to smaller, community-oriented retail tenants. JEP would caution against additional big box retail development. This study discovered a greater demand for smaller, neighborhood-oriented retail such as additional food establishments, small grocer and/or specialty food store, family entertainment, and family/unisex clothing. The Naples Park area, being attractive to family oriented households, requires greater focus on neighborhood-oriented independent establishments that complement existing and planned national franchises located in the adjacent shopping centers and on US-41.

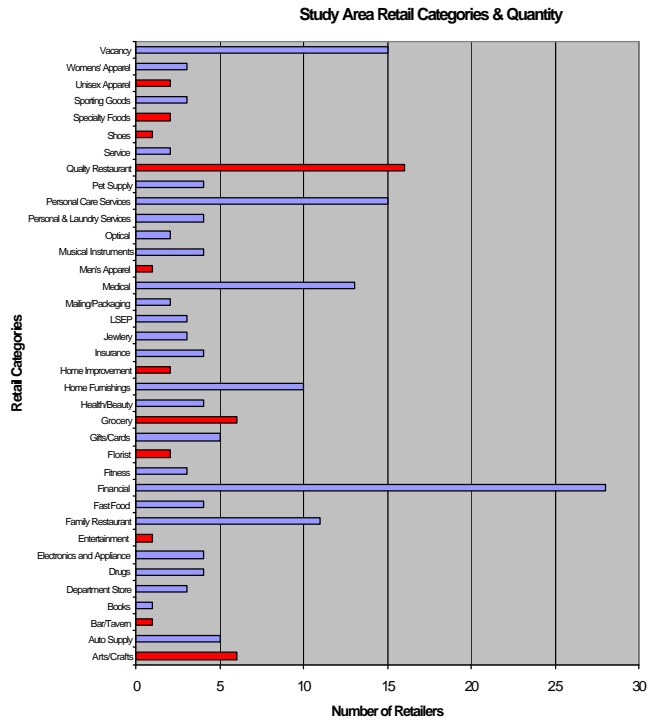
JEP cautions against developing tourist oriented retail (boutiques, gift shops, galleries, etc) within Naples Park. Few tourists may be willing to travel to Naples Park (the US-41 strip) to shop as the area is not pedestrian oriented, lacks transportation options, and is not central to many of the finer shopping establishments. JEP recommends focusing

on attracting patronage from the local residential base (Naples Park, Pelican Bay, Pelican Marsh, and other area subdivisions) as a retail void exists for additional neighborhood-oriented retail uses. A demand does not exist for a cluster of larger national tenants as they are prevalent within the existing PTA and planned retail centers.

The Pavilion Shopping Center will be the major competitor for neighborhood based retailing. But, even with this shopping center, retailing gaps do exist. Chart 3-1 (on the following page) summarizes existing retail uses (and number) within the study area and PTA. Presently, Naples Park is experiencing a void in: video, music (CDs, tapes), accessories, art dealers, athletic shoes, children's apparel, copying/printing, photography, toys & hobby, garden supply, wine/liquor, office supply, and athletic shoe retailers, and general convenience-oriented goods.

Some area businesses could meet this demand by expanding their respective product mix. For example, there is a demand for specialty food items within Naples Park (see chart 3-1). This demand could be met by either developing an additional specialty food store or by encouraging the local Publix to expand its mix to include desired products such as more gourmet items, fine wines and liquors, and a better selection of health and prepared foods.

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This study finds that the Naples Park PTA can viably support a total **169,900 sq ft** of additional retail between 2002-2007. Future retail development should have a pedestrian focus and serve the immediate needs of the adjacent communities. Retail facades should front US-41 (but also provide an additional entrance in the rear) to maximize thoroughfare visibility and to better define the street.

Adequate parking is essential for the success of these retailers – parking must be visible from US-41. Road networks are also important. Neighborhood access points must not be blocked off. Businesses benefit from a road network that is easily navigable, two-way, and does not siphon retailers off from the adjacent community. Sunset Plaza is an example of a poorly planned road network. Retailers are suffering from a road block that does not permit residential through traffic to access US-41. Easy access, convenient parking, and visibility are all integral components to retailing success.

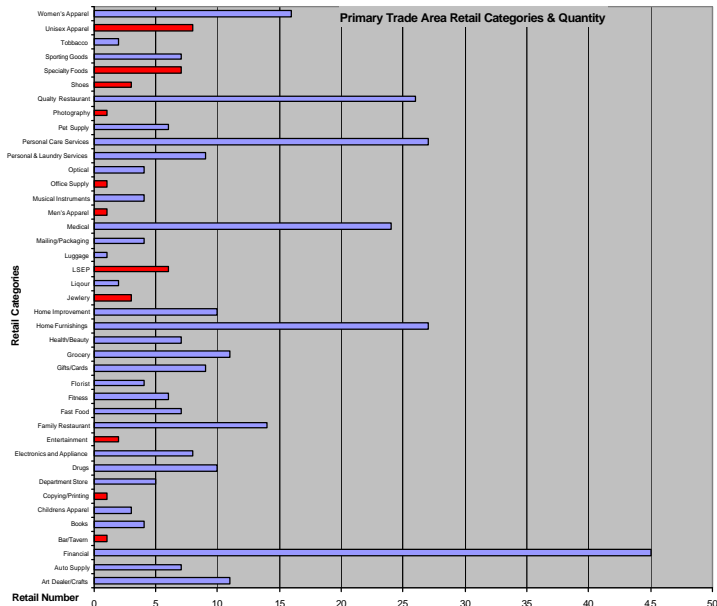
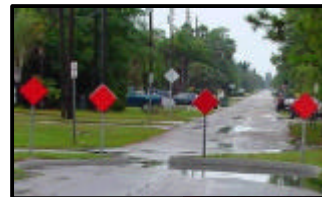


Chart 3-1 - Both the blue and red bars illustrate existing retailers (by number and use category). Red bars indicate a pronounced demand for a retail category based on void analysis and consumer demand (see Appendix B for void analysis and enlarged images).



108th Street road block limits access to US 41.



Businesses in Sunset Plaza receive less patronage due to a road block preventing through traffic down 108th Street to US 41.

The following retail categories are supportable within the Naples Park PTA. Estimates are based on the total 2002 to 2007 absorption (please refer to Appendix B for more information):

-20,000 sq ft Junior Department Store (TJ Maxx, Marshall's)

-7,800 sq ft Warehouse/Club (or expand on existing establishments such as Sam's and/or Costco)

-7,200 sq ft Women's Apparel (encourage independents, but also target existing apparel stores that desire to expand or relocate, such as those located in downtown Naples)

-1,000 sq ft Men's Apparel (encourage independents, but also target existing apparel stores that desire to expand or relocate, such as those located in downtown Naples).

-10,000 sq ft Unisex Apparel (This store, if not a Jr. Dept store, should act as an anchor. Consider Gap, Old Navy, and/or other nationals that caters to men, women, and children).

-6,000 sq ft Athletic Shoes (Foot Locker, Foot Action, Nike Store or area athletic shoe retailer).

-2,300 sq ft Unisex Shoes and Accessories (Steve Madden, Hush Puppies, Kenneth Cole, Rockport, and/or independent retailer).

-21,000 sq ft Quality Restaurants (Brew pub, ethnic restaurants, expand on existing and/or attract area establishments – avoid nationals).

-10,500 sq ft Family Restaurants (attract lunch oriented establishments and 24 hour establishments)

-9,500 sq ft Grocery Store (small organic/specialty food market offering prepared foods, fine wines/liquor, health foods, and gourmet items),

-1,500 Bakery (independent or combine with Grocery Store sq ft).

-5,000 sq ft Liquor (can combine with Grocery Store sq ft).

-6,000 sq ft Bar/Tavern (can also combine with quality restaurants)

-2,400 sq ft Art, Craft, and Sewing (offer art supplies and complement existing craft stores).

-5,000 sq ft Auto Supply

-1,800 sq ft Card and Gifts (don't compete with Borders, expand on existing businesses)

-2,000 sq ft Computer and Accessories (Radio Shack, Electronic Boutique)

-2,500 sq ft Copying and Printing

-5,000 sq ft Variety (Dollar Store)

-2,500 sq ft Entertainment (Billiards, arcade, laser tag)

-3,800 sq ft Florist

-10,000 sq ft Hardware (Ace, True Value, ACO)

-1,000 sq ft Health and Beauty

-1,000 sq ft Jewelry

-3,000 sq ft Independent Movie Theatre (or expand existing theatres)

-3,000 sq ft Music (expand product mix in existing music stores)

-5,500 sq ft Office Supply

-1,900 sq ft Photographic Supply (Moto Photo, Ritz camera, independent).

-2,200 sq ft Sporting Goods (Running, tennis, golf, and fishing supply).

-4,500 sq ft Toy and Hobby

-5,000 sq ft Video (Blockbuster, Hollywood Video, independent)

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The list suggests the **maximum** quantity of retail that can be absorbed within the Naples Park PTA. This report only recommends the maximum retail development; it does not suggest that all listed retail categories be developed (this remains the discretion of a development authority and County planners). It is further assumed that retail within the PTA will be phased in over a five year time span, allowing for increased population, income and household growth.

Rationale

There are several rationales supporting the tenant mix:

1. Naples Park offers a solid community retailing demographic with more than 36,500 residents earning over \$50,000 in a three mile radius of the study area.
2. Naples Park is a logical locale to focus development as land and rents are comparatively inexpensive compared to downtown Naples and area waterfront property.
3. Excellent community access via US-41, 111th Ave and Vanderbilt Beach Road. Retail is highly accessible from US-41 due to the existing grid pattern and easily navigable streets within Naples Park (with the exception of Sunset Plaza at 108th Street). Easy, predictable access to US-41 and businesses is necessary to prevent vehicular confusion, which would deter residents from patronizing local establishments.
4. Retailers can capitalize on the high traffic counts and visibility of US-41 (unlike the Village on Venetian Bay which relies on word of mouth and advertising). Although US-41 offers excellent visibility, this thoroughfare still requires traffic calming (not widening) to improve retail performance. Planned road improvements should consider traffic calming techniques such as landscaped medians, street parking and lower speed limits.

5. The prevalence of competing, auto-oriented retail centers strengthens the argument for more walkable, neighborhood oriented retailing.

Recommended Tenant Mix

US-41 offers an excellent retailing environment, but for neighborhood based retailing to remain viable it must create and maintain a balanced tenant mix both in retail use and in ownership type. A balance of national, regional, and independent retailers is essential, as it lessens locational risk and helps guard against a soft market. For example, a first time business owner is much more likely to fail than a national retailer, such as the Gap. If a neighborhood attracted only independents the risk for potential failure (especially in a down market) is elevated. In a more balanced area (where retailers are comprised of 1/3 national, 1/3 independent, and 1/3 regional) vacancies are usually lower and the customer base is more diversified. Essentially the overall risk of doing business in the area is lowered, which in turn attracts more retail.

It is important for Naples Park retailers to apply a multi faceted retailing approach that focuses on attracting a medley of retailers, such as franchises, nationals, first time independents, successful businesses in adjacent communities, and local entrepreneurs. Successful existing businesses should be encouraged to expand and successful managers should be encouraged to become first time business owners. The National Main Street Association has been very successful in working with a variety of downtowns (such as Denver and San Diego) to diversify tenant mix and ownership. For additional information visit the Main Street web site at www.mainstreet.org.



US 41 lacks a landscape buffer between road and sidewalk. High traffic speeds deter pedestrianism. Businesses are set back from US 41, making it difficult to notice businesses.



Downtown Naples encourages pedestrianism and window shopping by slowing traffic through use of landscaped buffers. Businesses are set closer to the street.

Reconciling Market Reality with Residents' Desires

The attached void analysis (see Appendix B) illustrates that a multitude of retail use categories are supportable. Use categories that should be targeted include unisex apparel, athletic footwear, quality restaurants (restaurants that serve liquor), toys and hobby, and entertainment uses (especially for children) as these retail categories are not well represented in either the study area or the PTA.

Market Challenges

The Naples Park study area currently lacks a solid retail anchor. Existing retail establishments appear to have little visual connection to one another. Although some complementary uses do exist (such as a clustering of craft stores on 107th street), the connection is not well developed or perceived. Retail anchors, (specialty food store or a unisex apparel store) and clustered liner tenants, are necessary to help establish a more pronounced retail identity within the corridor.

Community residents have expressed interest for a specialty food store, but this store must not compete with existing area grocers (at Pavilion Shopping Center, along US-41, and at Pelican Bay). If a specialty food store is developed, it should offer products not found in the bigger national grocery stores such as gourmet items, prepared foods, fine wines/liquors, specialty foods, informational items and classes, and an array of health food and/or beauty products. A national example of this is Whole Foods, which is able to remain competitive in areas with existing main stream grocery stores because it offers a unique product mix such as instructional classes, gardening products, and organic items.

The community, as represented by the charrette, also stated they would like to see more restaurants in Naples Park. Additional restaurants are supportable as there is presently a dearth of quality restaurants that both serve liquor and offer entertainment. New restaurants should be independently operated in order to complement existing and planned national chains within Granada Shops and those located near the intersection of US-41 and 111th Ave. The study area can also support additional athletic footwear and video stores. Sales in both use categories remain strong.

Future and existing retailers would also benefit from the development and analysis of a consumer demand survey and focus groups. Although this void analysis can determine what is supportable, it cannot accurately determine consumer trends, such as preferred shopping times, preferred shopping areas, and reasons for (or lack of) patronage. A consumer demand survey, when coupled with this retail study, can provide a more comprehensive understanding of retail preferences, attitude, and shopping behavior.

REQUIREMENTS FOR SUCCESS

This retail study suggests additional retail categories that are supportable within the Naples Park study area based upon standard assumptions about household shopping patterns. This study cannot guarantee that additional retail will be successful. There are many factors that affect retail success such as location, visibility, interior and exterior design, product mix, parking, marketing, capitalization, community loyalty and available business assistance (especially important for small businesses).

Business Retention

These factors are best addressed by understanding the difference between retail attraction and retail retention. This concept is especially important in Naples Park, since many retail establishments are operated by small business owners. Tenant retention focuses on strategies that keep desired retail tenants in the neighborhood. Tenant retention is best accomplished by understanding the needs and concerns of Naples Park tenants. Many organizations, especially downtown development authorities (DDAs), assess these concerns through business surveys and focus groups. DDAs also provide marketing material to area business owners, informing them of various assistance centers and alternative loaning sources that are often available to businesses desiring to expand and/or make façade improvements.

Small business owners should be made aware of assistance providers such as the Small Business Administrative Center (SBA and S.C.O.R.E) which provide free business assistance in the areas of marketing, merchandising, financial solvency, business expansion, and loan assistance. Some assistance centers (such as regional banks) also provide consultation services where consultants volunteer their time to help address concerns of an existing small business.

Tenant Criteria

Tenant attraction is usually undertaken through the establishment of tenant criteria and marketing. Tenant criteria, usually prepared by a local organization, summarize desirable retail uses and desirable tenants. Criteria may further establish retail square footage, retailing principles important to the community, and help determine/identify parcels of particular significance. Tenant criteria should be used as a planning tool to better assist an organization and/or community in attracting more desirable retail tenants. Tenant criteria are often used as part of a community's marketing package and/or business recruitment package.

Cluster Analysis

A cluster analysis aids in establishing a comprehensive tenant mix and viable retail environment. A cluster analysis is simply a visual representation (usually conducted on a Sanborn map) illustrating current clusters of retail by use category. Clustering is usually undertaken to better understand a specific community profile. An organization may prepare such an analysis to better understand the retailing environment and retailing trends. Retailers are clustered based on **demographics** (grouping retailers that cater to a certain demographic group e.g. drug stores near the elderly), **merchandise type** (grouping retailers based on use such as antiques, galleries, art distributors), **impulse purchases** (clustering retail to encourage impulse buying e.g. locating a candy store next to a doctor's office or cafes next to offices), and **niche markets** (grouping retailers of similar nature such as craft stores or galleries to create a unique retail environment). When clustering, or engaging in retail planning, it is important to remember some basic retailing principles:

- a. Cluster competitors but don't locate them adjacent to one another. Staggered planning will encourage shoppers to walk the entire length of the corridor.

- b. Create distance between incompatible tenants.
- c. Encourage linear movement within a corridor by interspersing stores of complementary goods.
- d. Group stores according to similarities to create cross shopping.
- e. Locate anchors and auto oriented businesses near the end of a corridor (where parking lots are more plentiful). This will encourage more pronounced pedestrianism.
- f. Identify prime retail space and determine key tenants to fill the space. Well-known national tenants and grocery stores should be located at the cross roads where visibility and parking are more plentiful. Smaller independent establishments with less drawing power should be located in the middle of the block of a linear urban corridor.
- g. Locate food oriented establishments such as cafes and restaurants closer to office space and/or residential units and away from apparel stores.

CONCLUSION

The Naples Park area presents an excellent opportunity to capitalize on retail development, particularly neighborhood-oriented retail development. But like any urban corridor, the Naples area must also consider revitalization strategies that go beyond new development. Existing businesses require substantial small business and design assistance. Area businesses currently lack the organizational capacity needed to organize, create surveys, host focus groups and engage in broader economic/retail planning. If the Naples Park community and area retail is to be truly successful it must be able to compete with adjacent communities such as downtown Naples and Pelican Bay by serving the immediate needs of the Naples Park community.