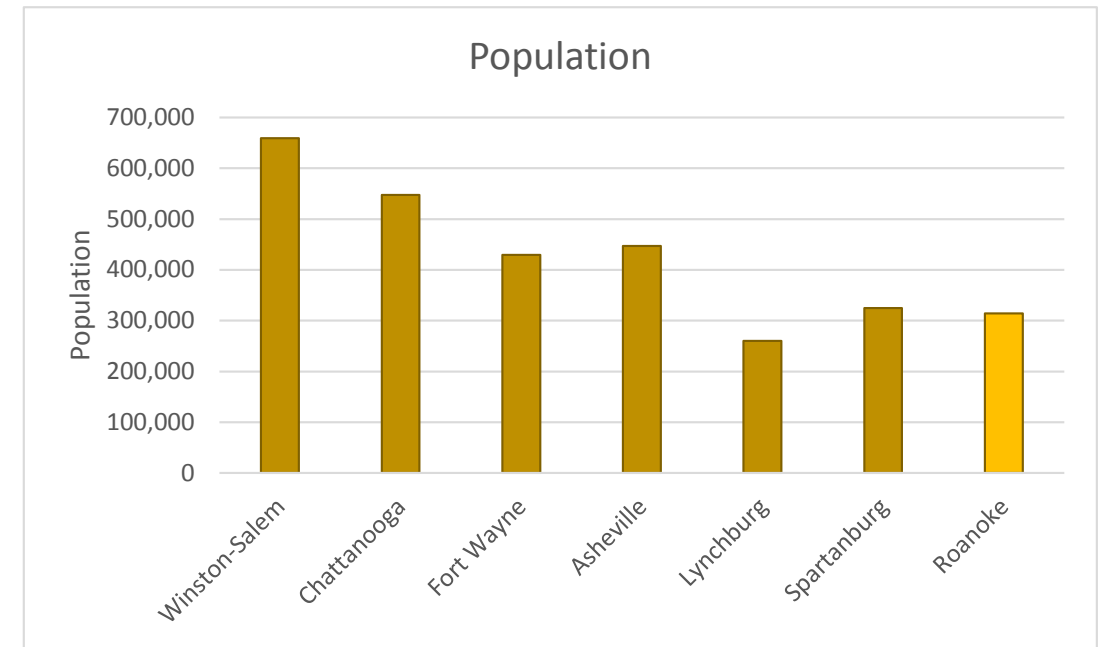


Economic Framework

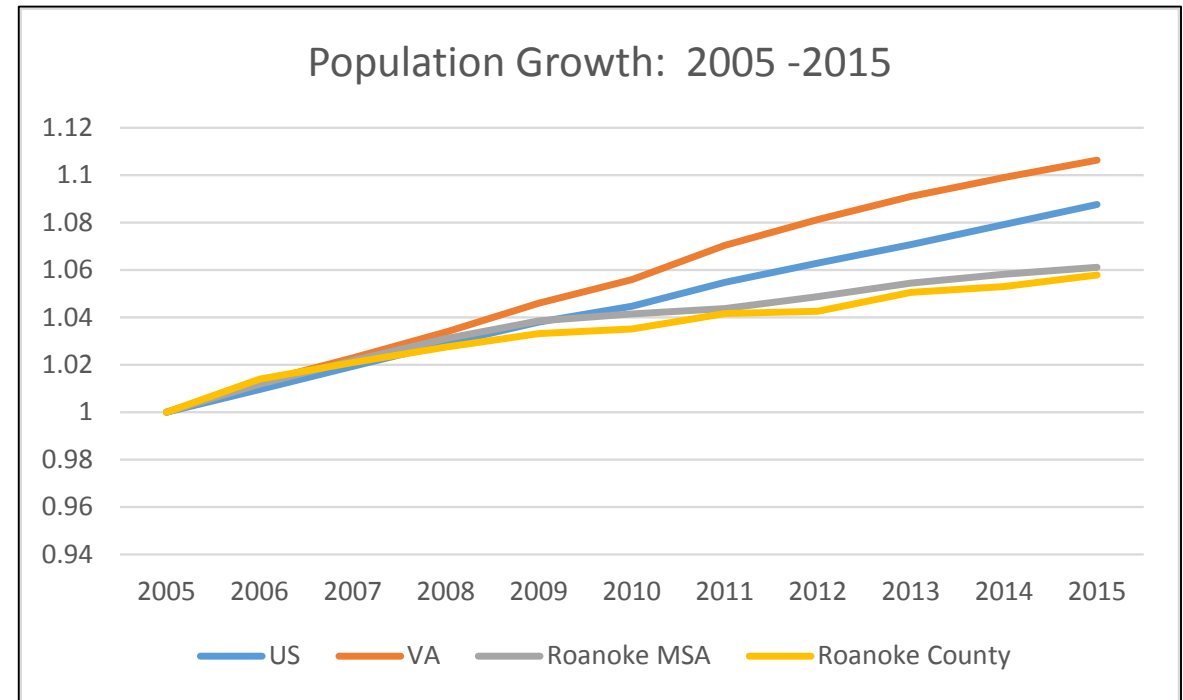
Moderate Sized Metropolitan Area

- Ranked 159 Among 382 US Metro Areas in Population
 - Population is Comparable to Lincoln, NE; Boulder, CO; and Green Bay, WI
- 213,000 People within a 20-Minute Drive from Roanoke Center
 - Cheesecake Factory – 250,000 pop
 - Whole Foods – 200,000 pop
 - Nordstrom Rack – 200,000 pop
- Destination retailers may only have one store in a market of this size.



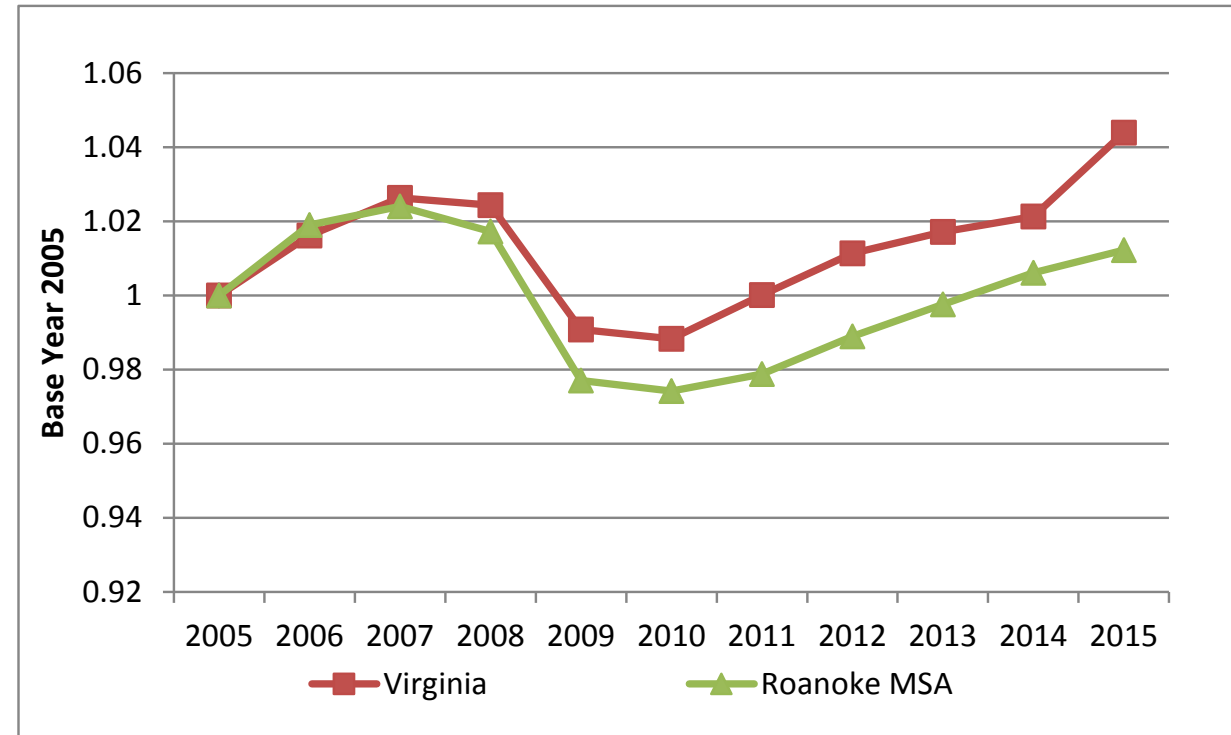
Population Growth Trend - Slow

- Stable, Non-Boom/Bust Economy
- 2005-15 Roanoke Metro Avg Growth: 5.6%
 - United States: 8.8%
 - Virginia: 10.6%



Employment Growth Trend - Recovering

- The Roanoke Metro has yet to recover from the Recession.
- 2010-16 Roanoke Metro Avg Job Growth: 1.2%
 - Virginia: 4.4%



Source: Stats America; Moody's Analytics; W-ZHA

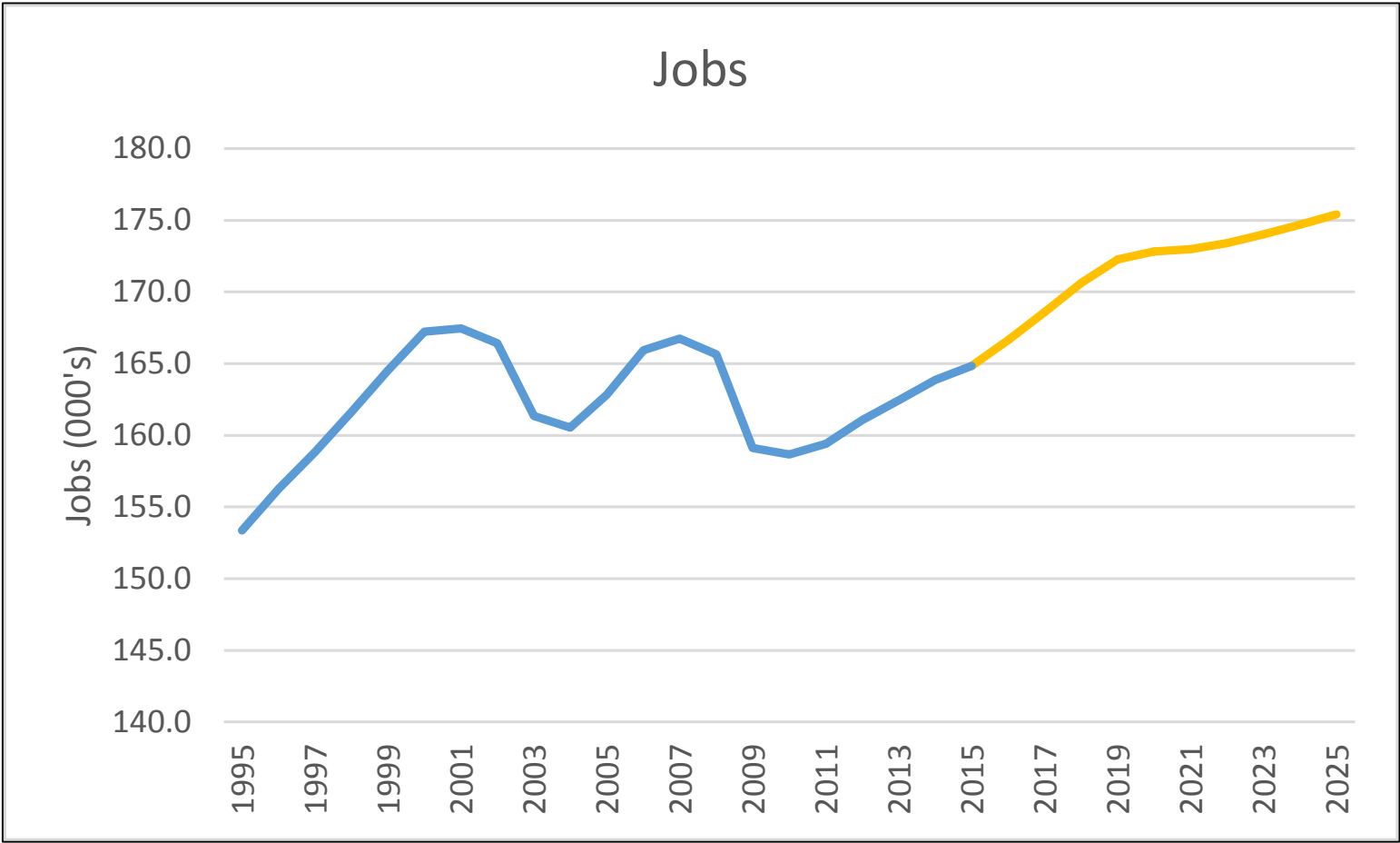
Metro Household Median Income

Metro Household Median Income
below National Average

Median Household Income United States, Virginia, Roanoke 2016	
	Median Income
United States	\$54,149
Virginia	\$64,929
Roanoke Metro	\$49,335
Source: ESRI; W-ZHA	

Jobs in Metro Area Projected to Grow...

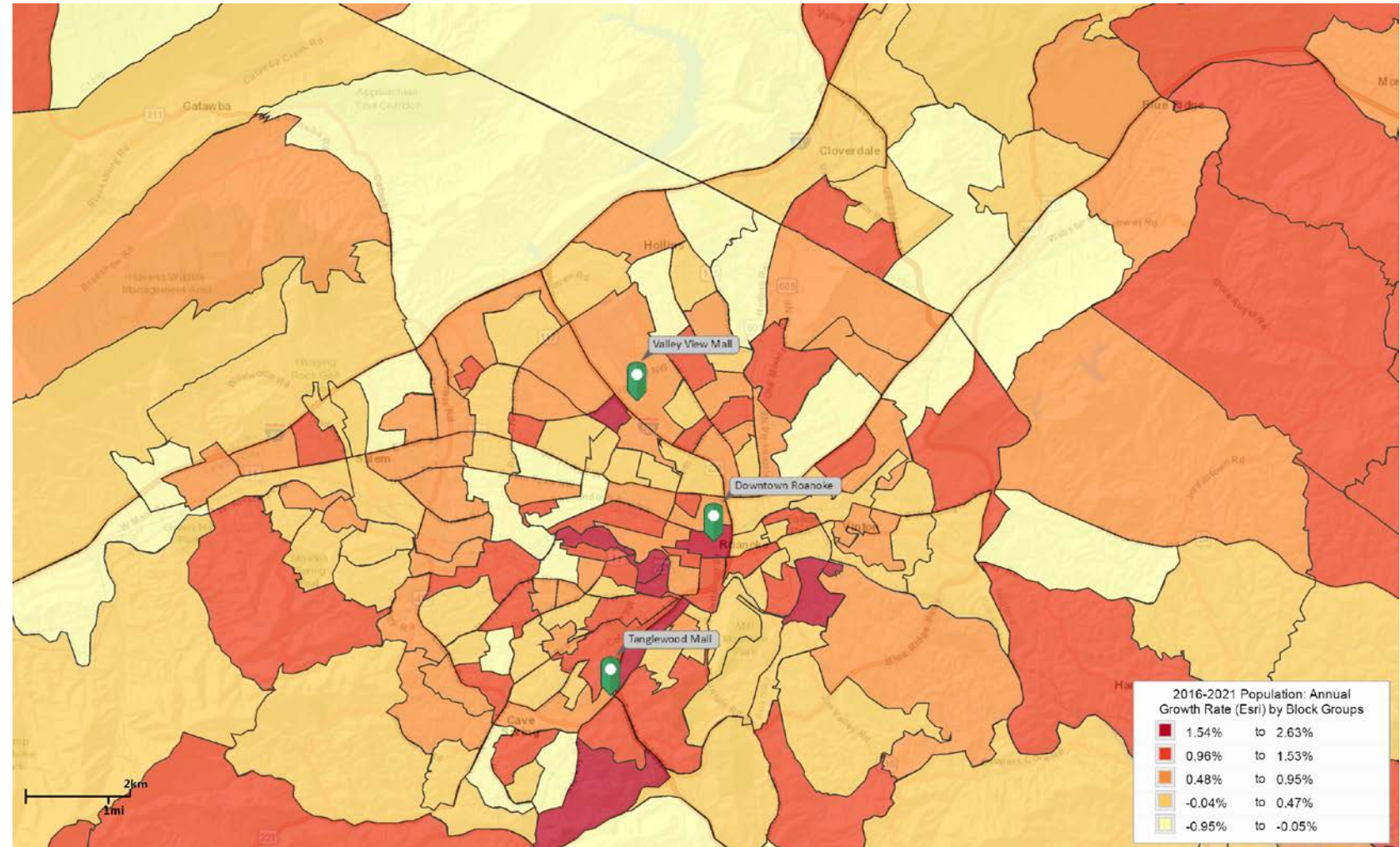
Moody's Analytics projects that jobs in the Metropolitan Area will grow by 5.6% between 2015 and 2025.



Metro Area Population Projected to Grow...

The Weldon Center projects that Metro's population will grow by 5.2% over the next 10 years.

ESRI projects population growth near 419 Study Area.



Study Area Existing Conditions

Existing Conditions: Study Area

- ~800,000 Sq Ft Mall – Interior Storefronts, Many Non-Retail Uses and/or Vacant
- Approximately 1 Million Sq Ft in Shopping Centers in Study Area
- 18 Eat/Drink Establishments in Study Area
- Electric Road 43,000 Daily Traffic Count

Shopping Centers Route 419 Study Area				
	Type	Yr Built	Sq Ft	Anchors
Tanglewood Mall	Regional	1973	793,450	Belks, JC Penney, Barnes & Noble, Kroger
Old Country Plaza	Neighborhood	1983	83,100	Food Lion, Buffalo Wild Wings
The Forum	Community	1993	~ 40,000	Chico's, Jos A Banks, Talbots
Madison Square	Neighborhood	1969	34,940	Play It Again Sports, Once Upon a Child, Platos Closet
The Grand Pavilion	Community	1981	98,820 *	Grand Home Furnishings, Provisions Gourmet, Davidson's Clothing for Men, Frances Kahn, Macado's
The Commons	Neighborhood	1994	25,600	MattressFirm, The Barrel
No Name (Verizon Wireless Center)	Neighborhood	1990	5,990	Batteries + Bulbs, Verizon Wireless
* Two-story building. Likely includes office space.				
Source: Loopnet; Roanoke County Real Estate; W-ZHA \\WZHASRV\data\8000s, misc\82356 Roanoke\[shopping centers in study area.xlsx]Sheet1				

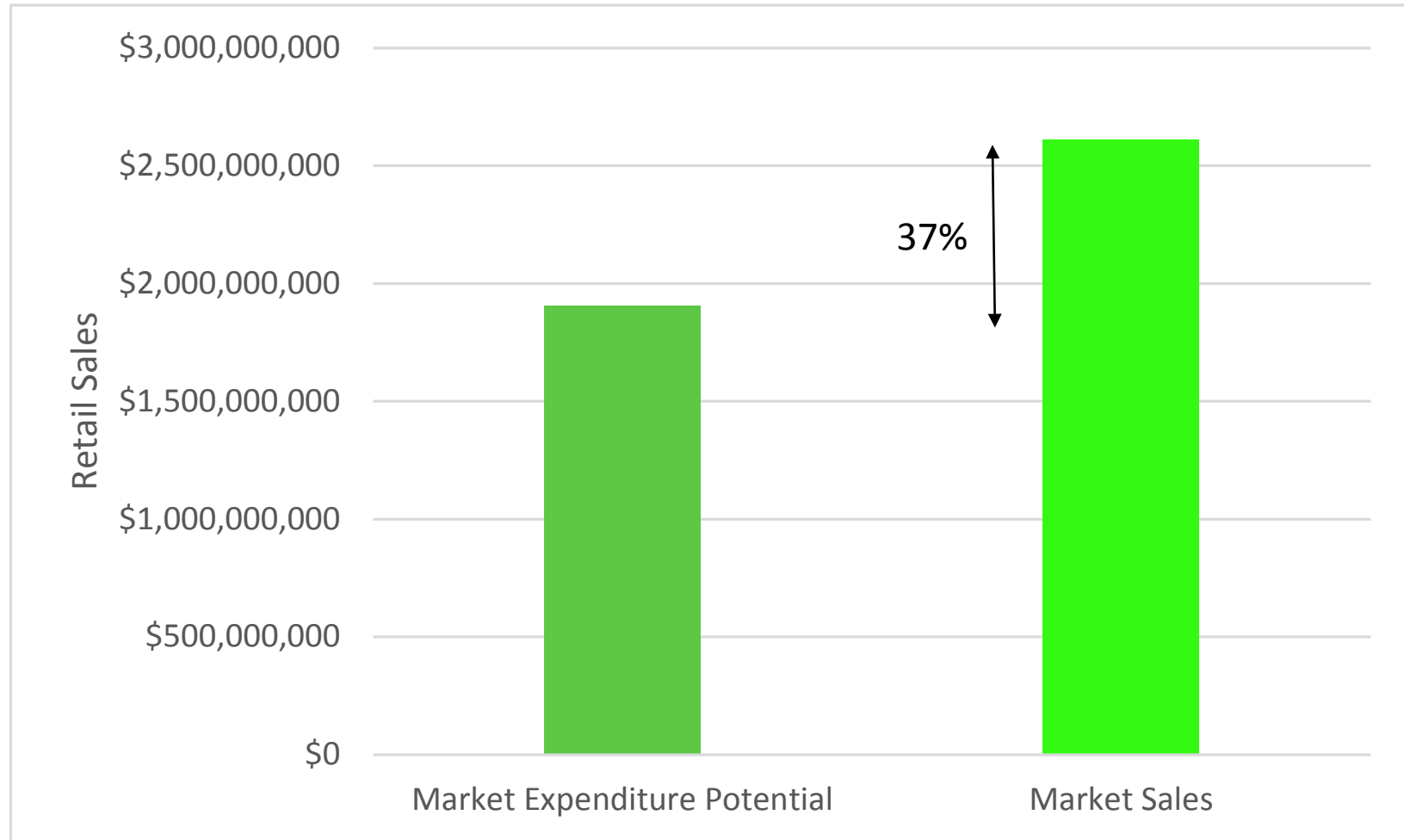
Existing Conditions – Tanglewood Mall

- Major Department Stores and Other Anchors have long term leases.
- Existing leases control parking field
- To change parking or center configuration will require anchor tenant approval and, potentially, compensation.

The Roanoke Retail Landscape

- Roanoke is a regional shopping hub.
- Sales per capita are in-line with other rural Metro Areas.

Retail Expenditure Potential vs Sales*
Roanoke County, City and Salem



* Net of vehicle, gas, and non-store sales.

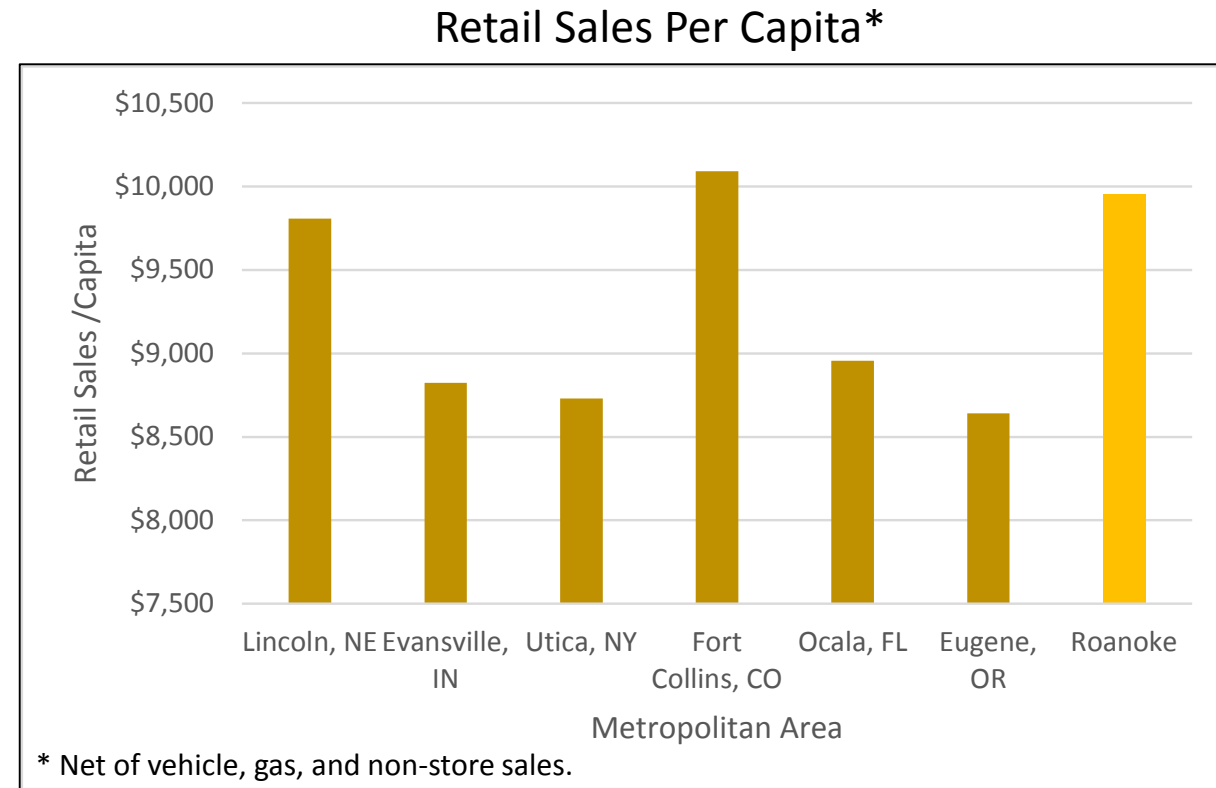
Key Market Questions

1. Is the Tanglewood Mall Challenged because the Roanoke Retail Market is Weak?
2. Is Tanglewood Mall Challenged because There Are More Competitive Retail Locations?
3. Is the Tanglewood Mall Challenged by a Weak Nearby Market?
4. Are There Retail Market Opportunities?
5. Is There a Market for Eating/Drinking Establishments in the Study Area?

Question: Is the Tanglewood Mall Challenged because the Roanoke Retail Market is Weak?

Answer: No

- Compared retail sales experience in other comparably sized, rural metropolitan areas.
- Roanoke is a relatively strong retail market, likely due to tourism.



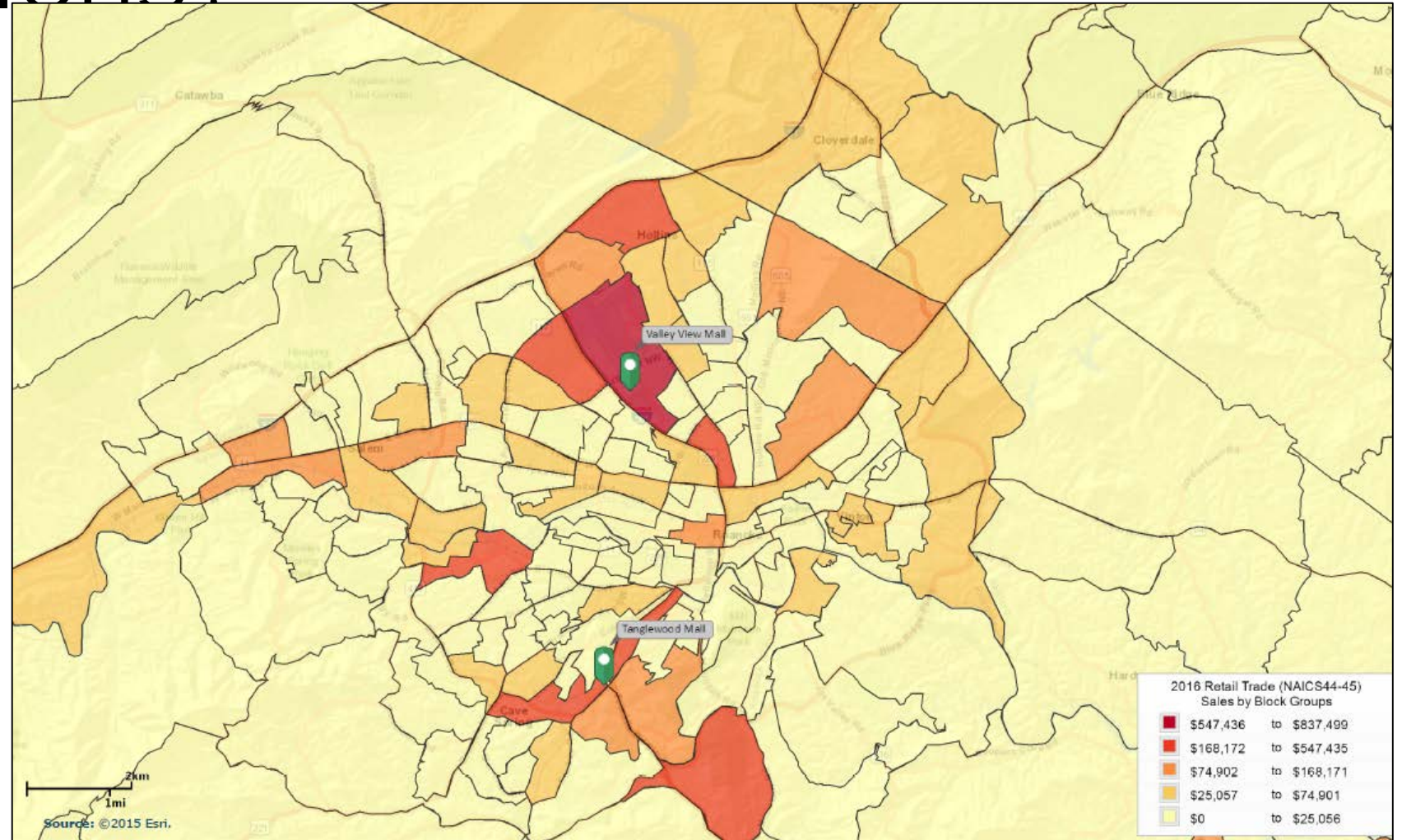
Source: ESRI; W-ZHA

Question: Is Tanglewood Mall Challenged because There Are More Competitive Retail Locations?

Answer: Yes&No

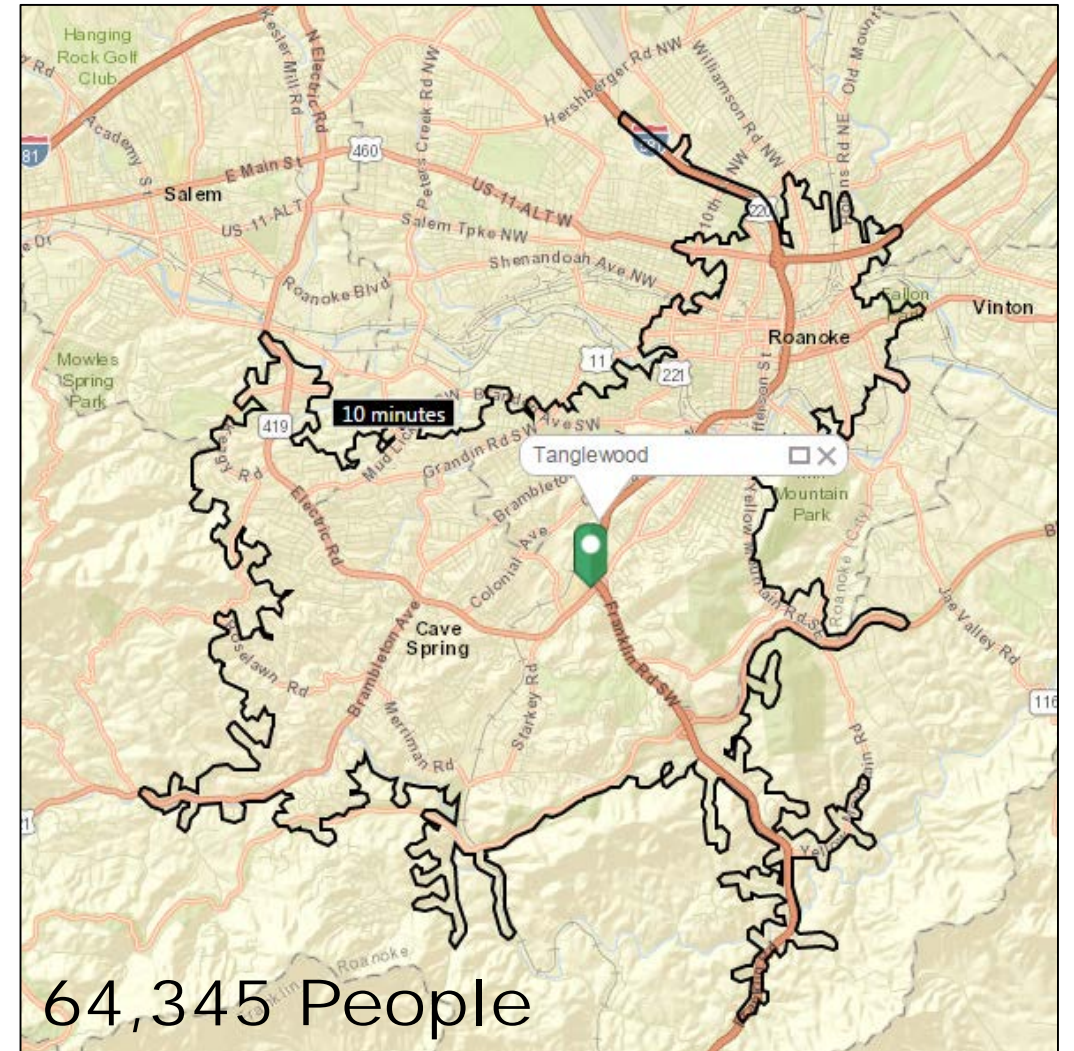
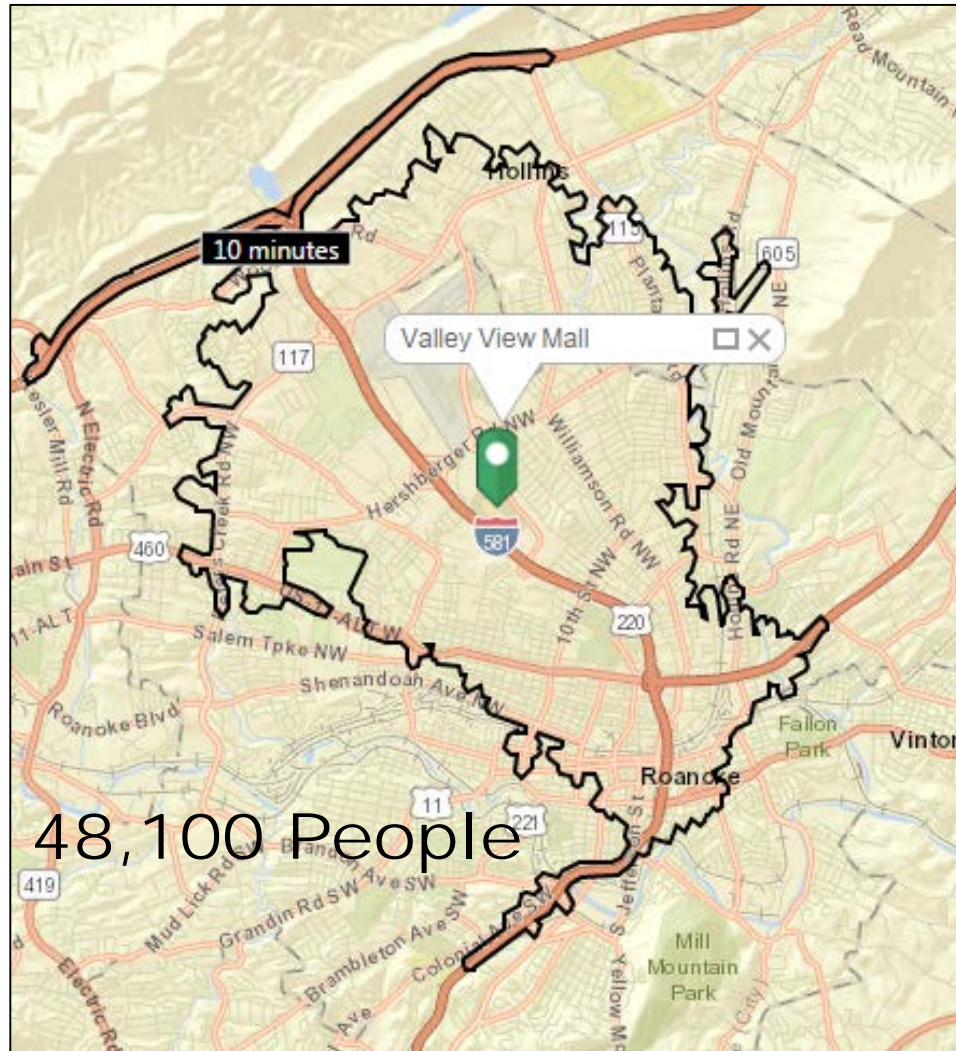
Two Regional Shopping Nodes:

- Valley View Mall and Environs – ~1.8 Million Sq Ft in Shopping Centers
- Tanglewood Mall and Environs – ~1.0 Million Sq Ft in Shopping Centers



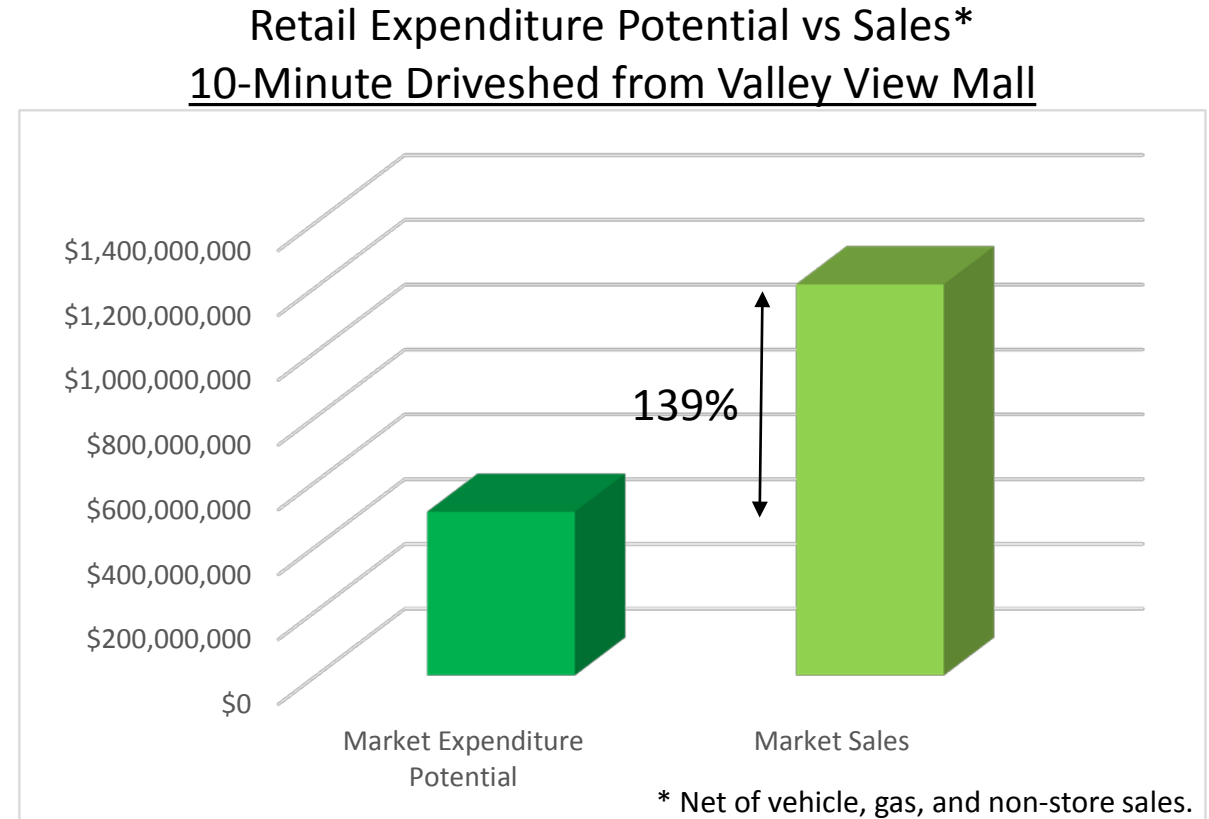
Both of these retail nodes are totally auto-oriented.

The 10-Minute Drive Shed



Valley View Area

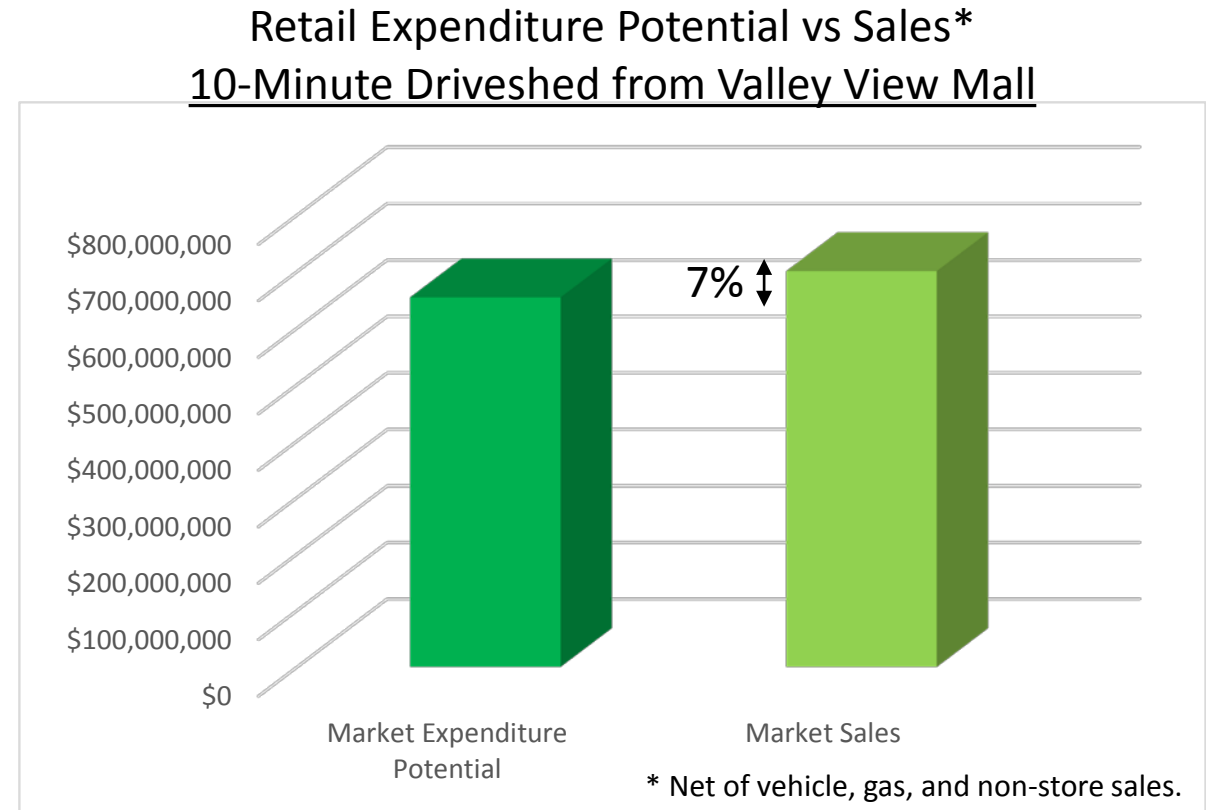
- 1.8 Million Sq Ft in Shpg Centers
- 800,000 Sq Ft Interior Mall
- 1 Mile Radius accounts for almost 20% of Roanoke County/City/Salem sales.
- Trade Area Large Due to I-84
- New Interchange – Better Access + Additional Developable Land
- Strip Center Rent: \$18 - \$22 /Sq Ft



Valley View Area - Super-Regional Shopping Center
The Product – Convenience, Assortment, Value

Tanglewood Area/419 Study Area

- 1 Million Sq Ft in Shpg Centers
- 780,000 Sq Ft Interior Mall, but Interior Storefronts Challenged
- Sales within 1 Mile Radius less than ½ of Valley View
- 43,000 traffic count on Route 419
- Strip Center Rent: \$12 - \$16 /SF



**Tanglewood Mall is NOT a Regional Center
Product - Convenience**

More Competitive Retail Locations? Maybe Not

- The Valley View area has the advantage of critical mass, good access and undevelopable land.
- Other than Downtown Roanoke (where there is very little retail), the shopping outlets target the car, not the pedestrian experience.
- There is no lifestyle retailing, which could compete with auto-centric environments.

The Growing Importance of the Shpg “Experience”...

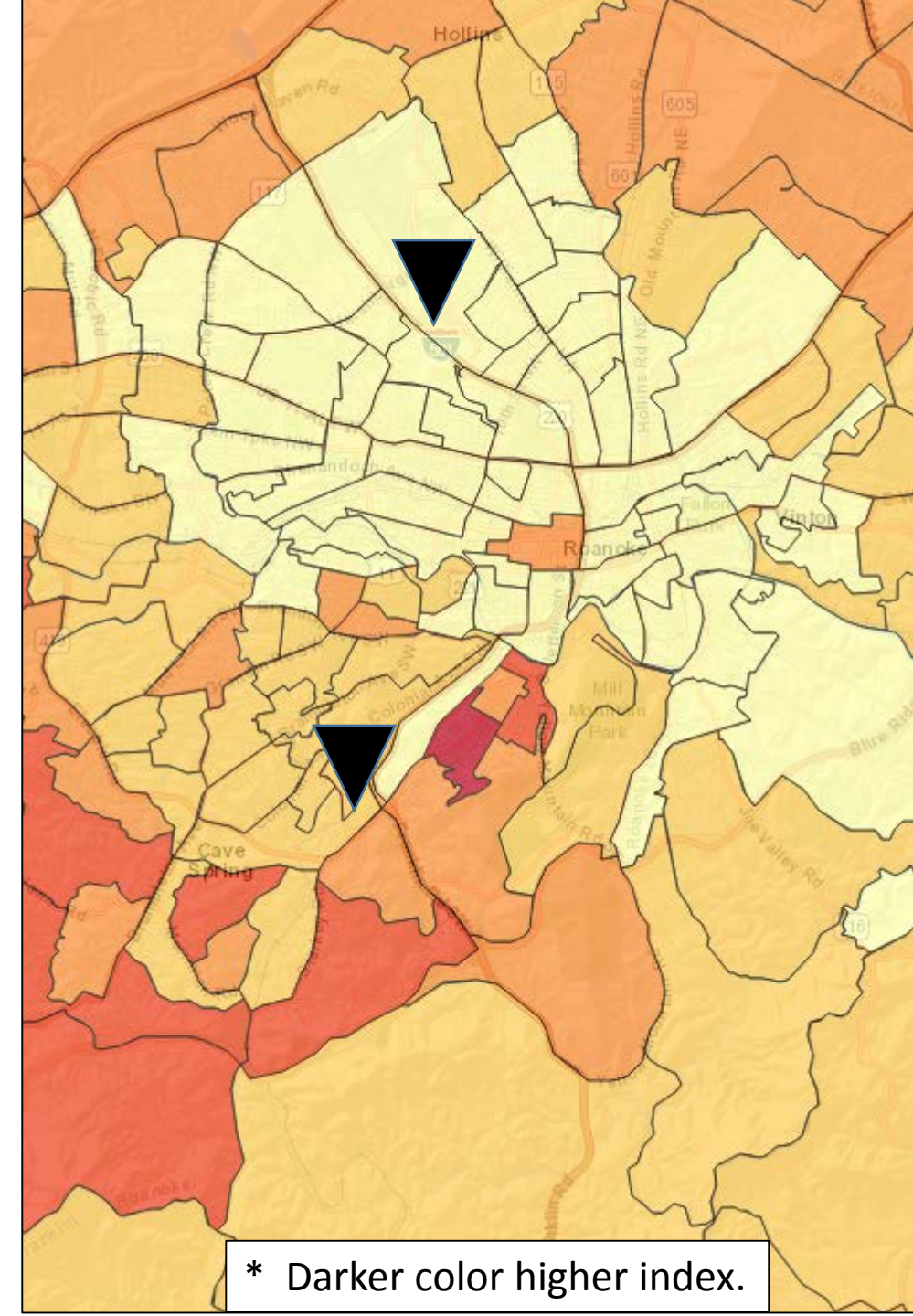
- ❖ On-line shopping spending has been increasing over time.
- ❖ To compete, bricks and mortar retail must offer something beyond the product...service, shopping experience.
- ❖ Stores are looking to co-tenancies and centers that make shopping recreational.
- ❖ Mix of land uses, walkability and environment are all important.

Question: Is the
Tanglewood Mall
Challenged by a Weak
Nearby Market?

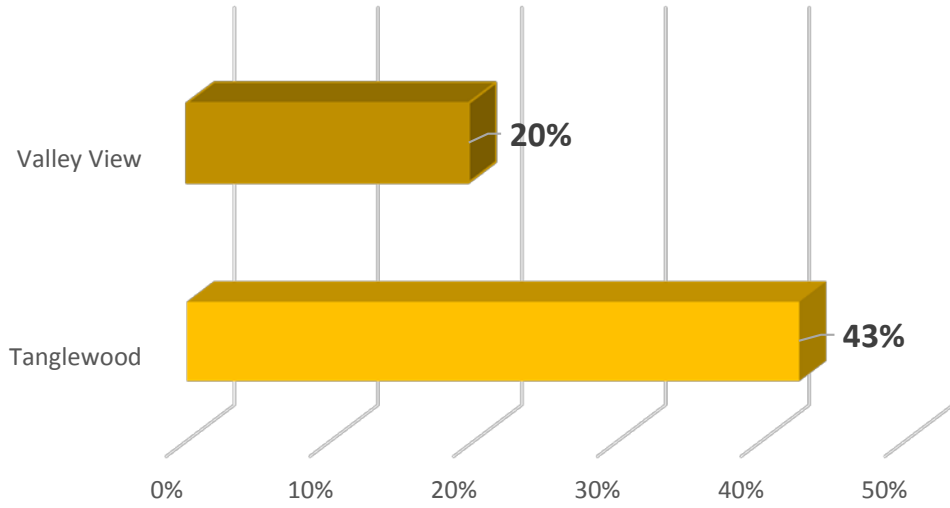
Answer: No

Apparel and Services Spending Index

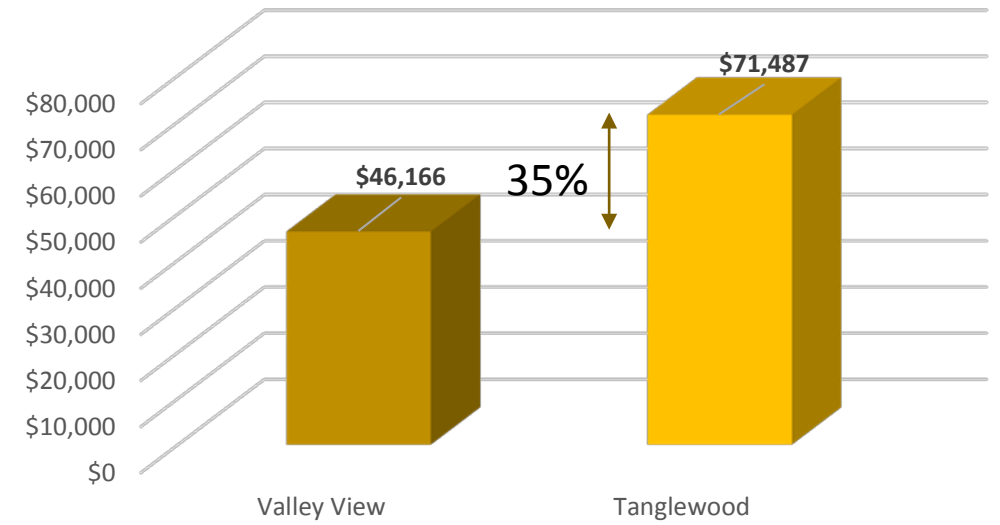
- Households near the Tanglewood Mall have above US average spending in apparel and services.
- Households near Valley View below US average apparel and service spending.



% w/ Bachelors+

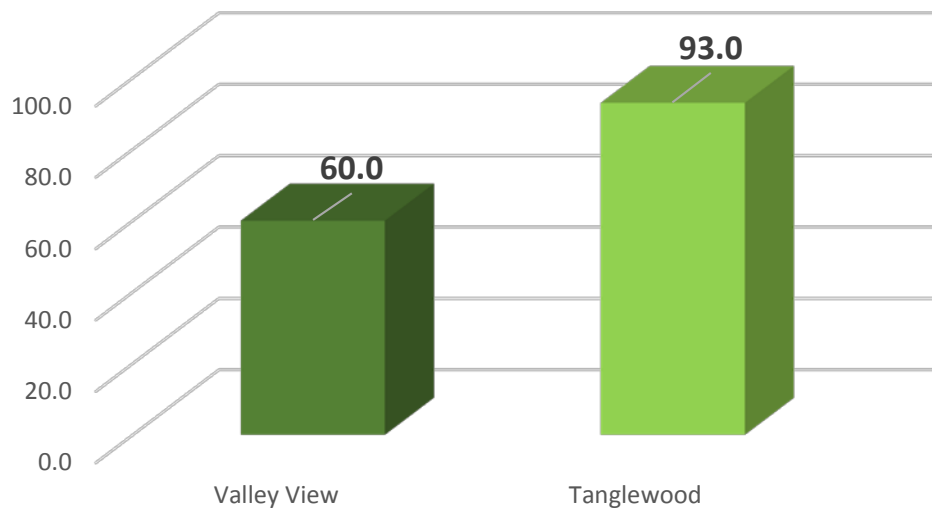


Average Income

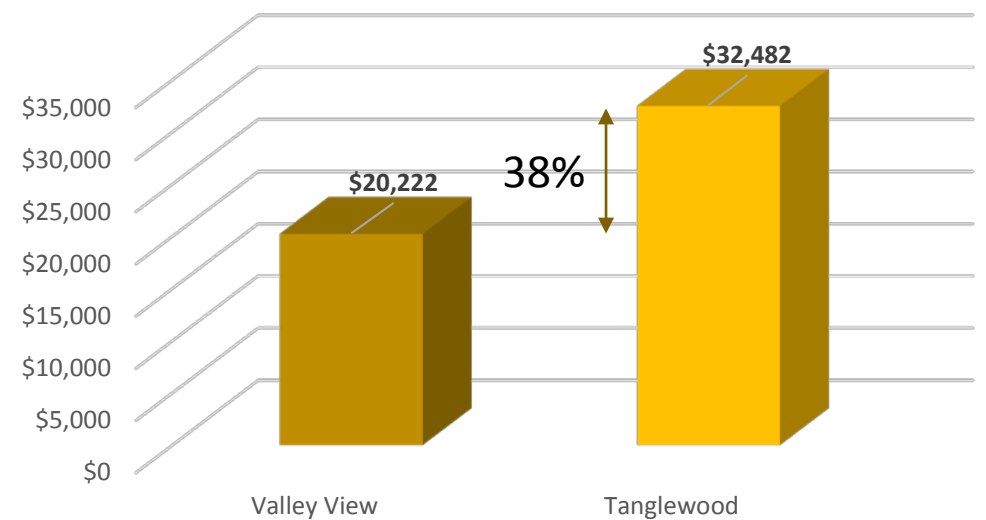


Market within 10-minute Drive:
Higher Income
High Educational Attainment

Apparel & Services Spending Index



Per Capita Income



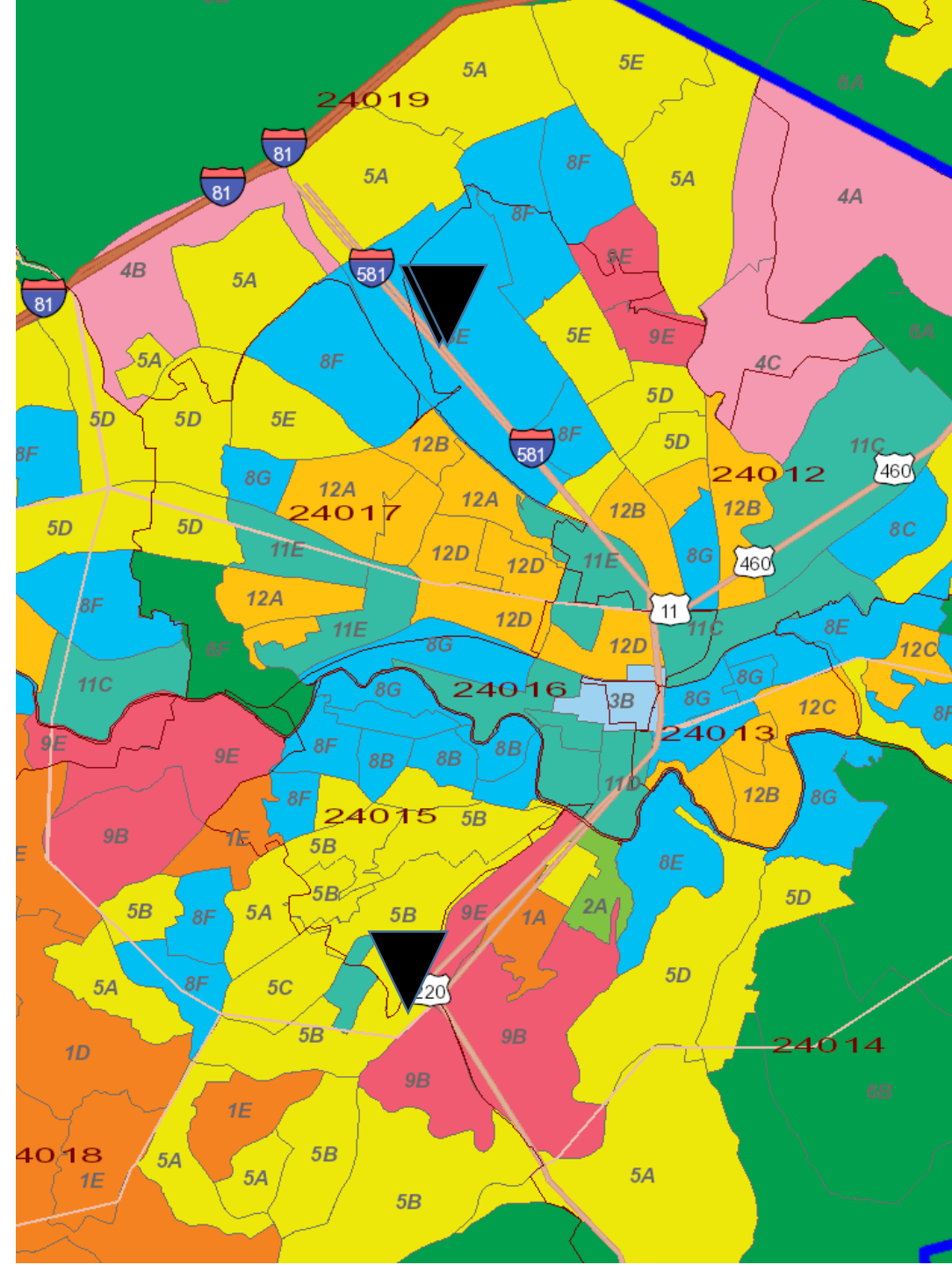
Very Different Nearby Markets

Valley View

- Younger households
- Diversity
- Low-Mid Income
- Renters
- Relatively low educational attainment

Tanglewood

- Urbane, older households
- No children or older children at home
- Affluent
- Owners
- High educational attainment



Neighborhood Shoppers

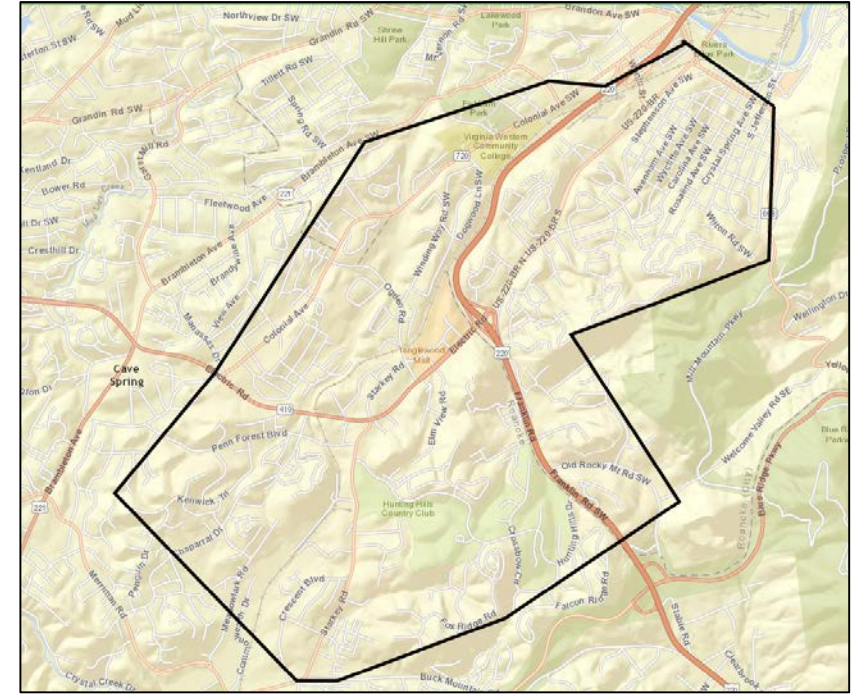
Demographics			
	20-Min Drive	10-Min Drive	Neighborhood Mkt
Average Income	\$62,810	\$71,490	\$86,990
Median Income	\$47,130	\$49,910	\$57,260
% Bachelors+	31%	43%	55%
Median Age	41.8	42.8	46.6
1 & 2 Person Hshlds %	67%	71%	75%

Source: ESRI; W-ZHA

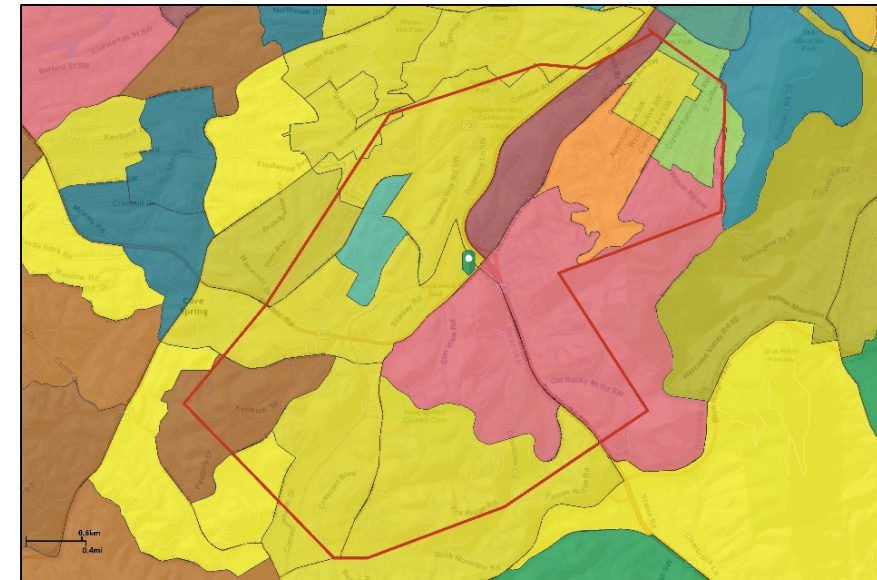
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- ❖ Over 60% Households Empty Nesters or Retirees
- ❖ High Income
- ❖ Well Educated
- ❖ Mobile

The Neighborhood Market Area



Household Segments



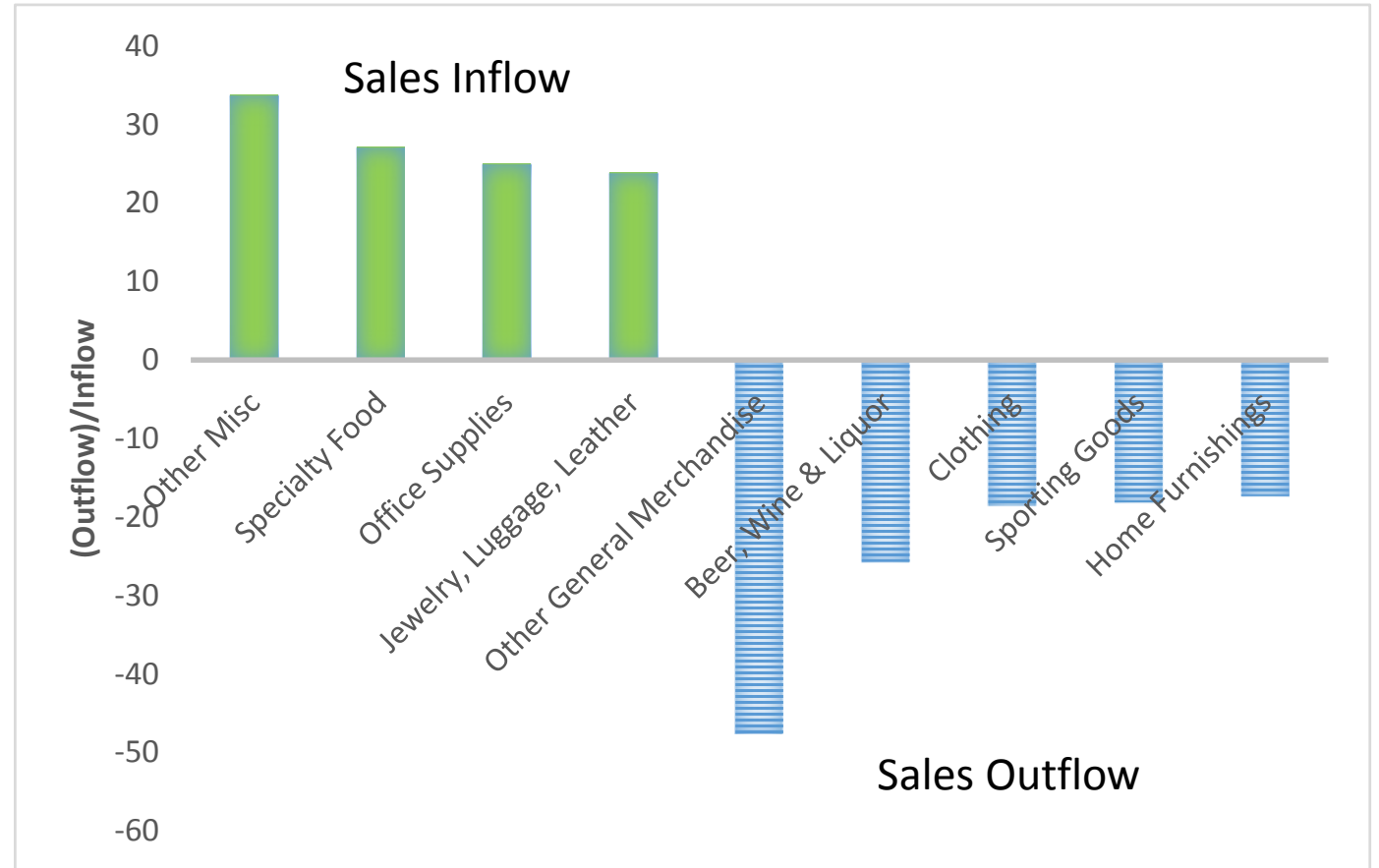
Weak Nearby Market? Definitely Not...

- 419 Study Area is prime location for community shopping because of road network, traffic counts and visibility.
- Reportedly, Kohls, PetSmart and others on US 220 would have located in Study Area if sites were available.
- Stores and services should target mature, higher income households.
- The Tanglewood Mall format with interior storefronts does not align well with community-oriented retail.

Question: Are There Retail Market Opportunities?

There are current opportunities in the following store-types:

- General merchandise
- Beer, Wine, Liquor
- Clothing
- Sporting Goods/Hobby
- Home Furnishings



Are There Retail Market Opportunities?

There will be future retail opportunities with market growth.

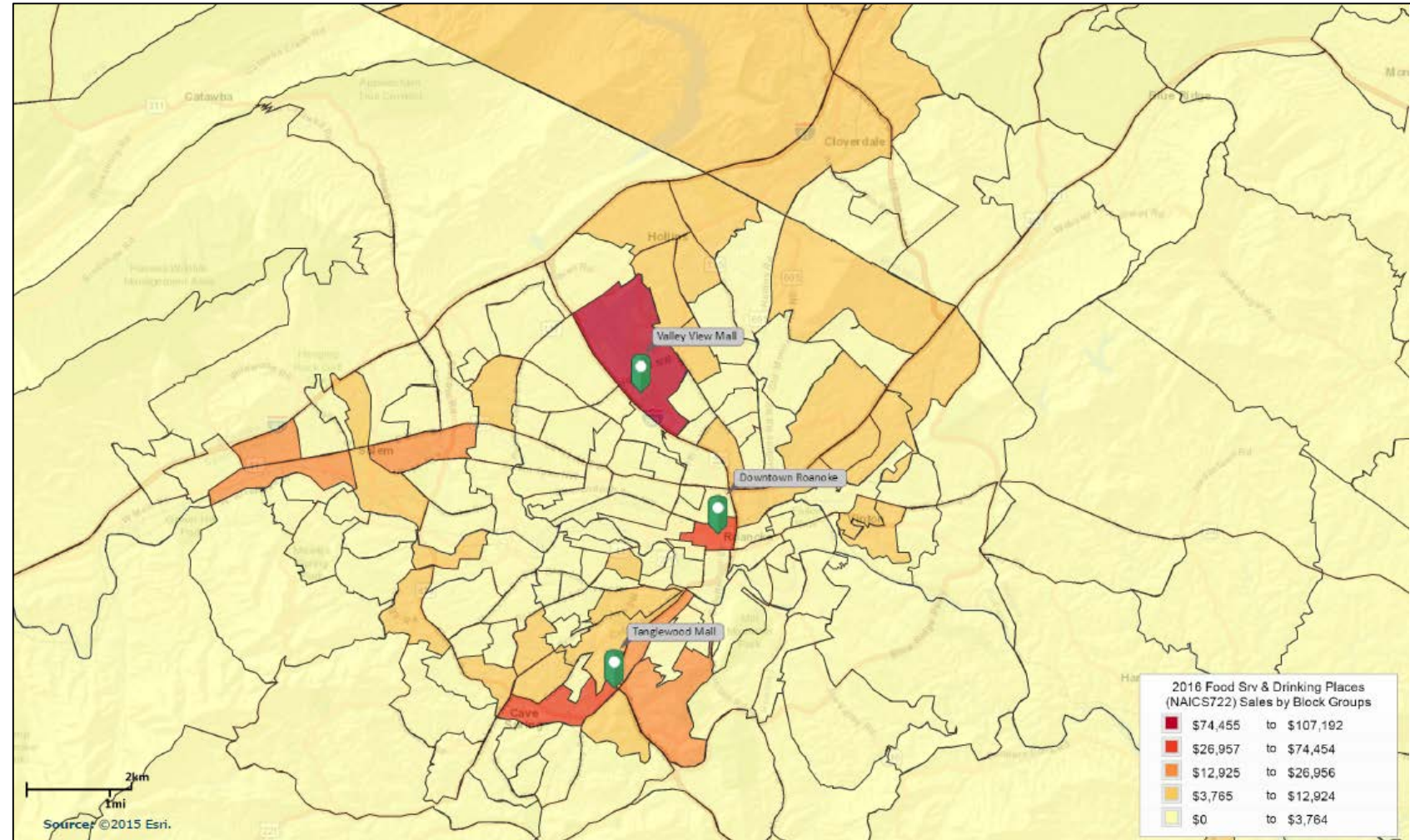
Projected Population Growth and Regional Retail Potential 20-Minute Drive Time from Center of Roanoke			
Primary Trade Area			
Population Growth 2016-26:	12,928		
		New Spending	Sq Ft ^{/2}
Retail Potential ^{/1}		\$77,204,840	308,800
Additional Sales			
Secondary Market @ 25%			102,900
Total Potential			411,700
1. Excludes spending on vehicles, gasoline, non-store retail, and eating and drinking.			
2. Assumes \$250 in sales per square foot.			
Source: ESRI; W-ZHA			
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Projected Population Growth and Community Retail Potential 10-Minute Drive Time from Tanglewood Mall			
Primary Trade Area			
Population Growth 2016-26:	4,855		
		New Spending	Sq Ft ^{/2}
Retail Potential ^{/1}		\$34,629,499	138,500
Additional Sales			
Secondary Market @ 10%			15,400
Total Potential			153,900
1. Excludes spending on vehicles, gasoline, non-store retail, and eating and drinking.			
2. Assumes \$250 in sales per square foot.			
Source: ESRI; W-ZHA			
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Is There a Market for Eating/Drinking Establishments in the Study Area?

Three Major Eat/Drink Nodes:

- Valley View Mall and Environs
- Downtown Roanoke
- Tanglewood Mall and Environs



Eat/Drink Market

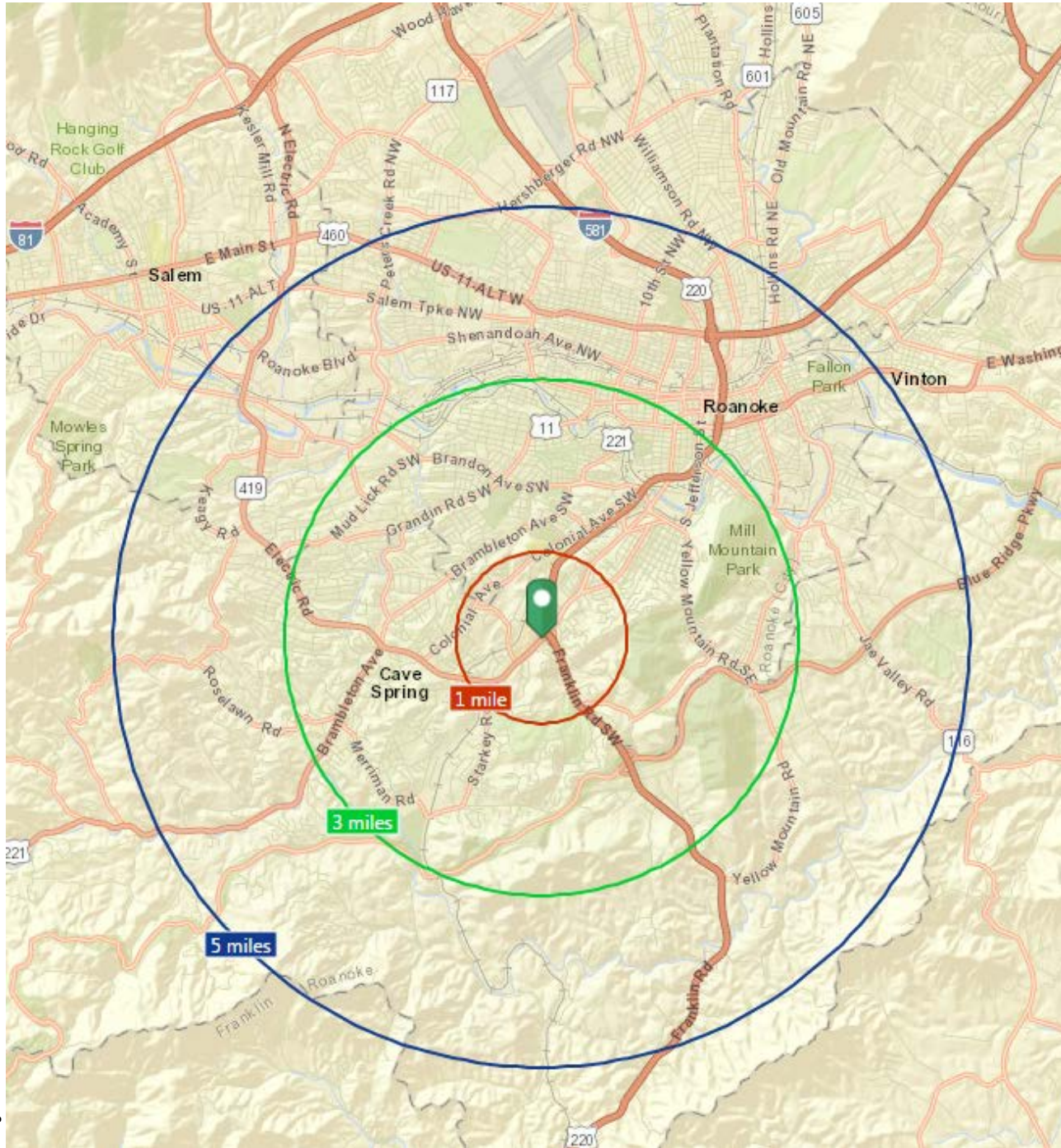
Demographics Radii from Tanglewood Mall			
	1-Mile	3-Mile	5-Mile
Residents	6,565	55,811	115,809
Households	3,466	26,092	50,228
Workers	8,141	83,820	130,531
Avg Hshld Income	\$68,542	\$70,816	\$62,629
Median Hshld Income	\$49,506	\$50,705	\$43,487
Bachelor's Degree	48%	46%	34%
Source: ESRI; W-ZHA			
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Strong traffic count.

Relatively low daytime population and near-in density

Good, but not super, density within 3-miles.

Income is middle market, not upscale restaurant market.



Eat/Drink Considerations

- Downtown Roanoke eat/drink establishments benefit from daytime workforce & walkable environment.
- Valley View eat/drink establishments benefit from super-regional shopping hub. No environment, though.
- Study Area eat/drink establishments benefit from traffic and strong resident demographics. No environment, though.

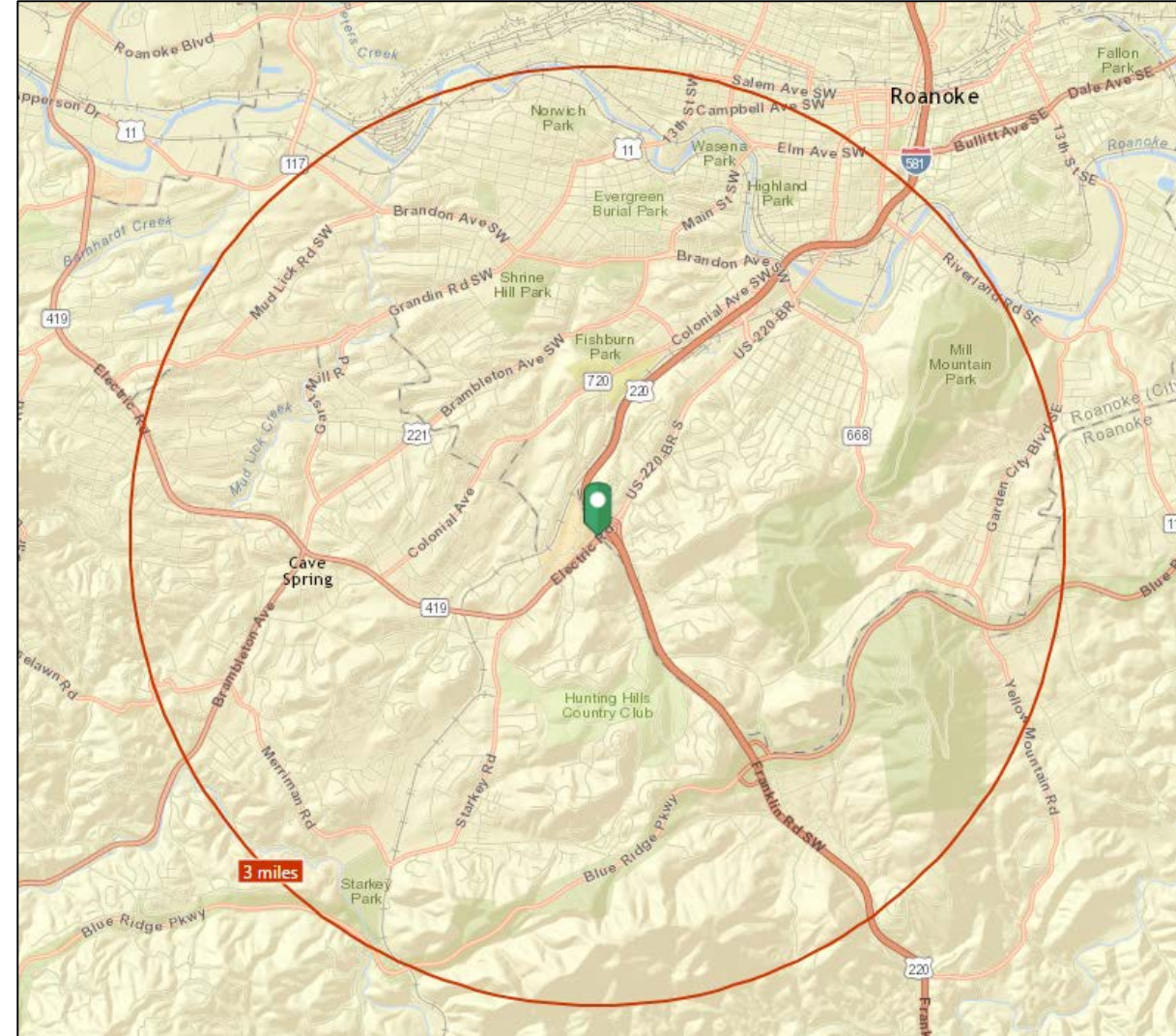
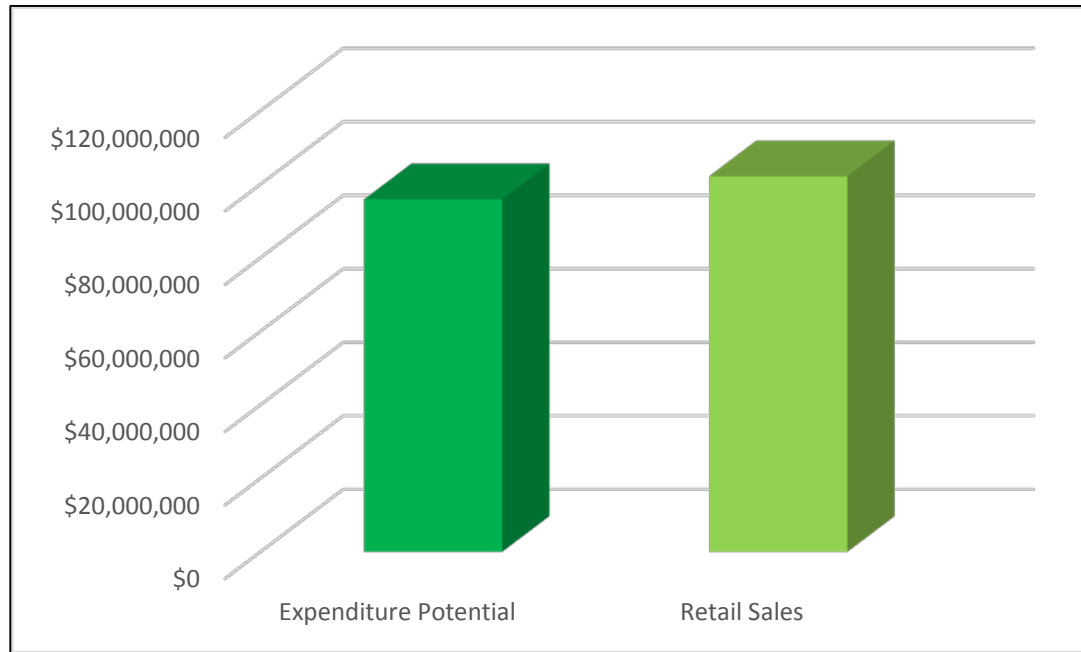
Demographics			
419 Study Area			
	1-Mile	3-Mile	5-Mile
Residents	6,565	55,811	115,809
Households	3,466	26,092	50,228
Workers	8,141	83,820	130,531
Avg Hshld Income	\$68,542	\$70,816	\$62,629
Median Hshld Income	\$49,506	\$50,705	\$43,487
Bachelor's Degree	48%	46%	34%
Downtown Roanoke			
	1-Mile	3-Mile	5-Mile
Residents	12,764	73,119	145,467
Households	5,202	31,677	63,189
Workers	40,283	75,875	153,318
Avg Hshld Income	\$43,970	\$49,534	\$54,857
Median Hshld Income	\$30,574	\$35,617	\$41,169
Bachelor's Degree	23%	26%	28%
Valley View Mall			
	1-Mile	3-Mile	5-Mile
Residents	7,821	67,072	141,705
Households	3,363	28,211	60,286
Workers	9,109	58,438	154,677
Avg Hshld Income	\$43,458	\$45,698	\$55,036
Median Hshld Income	\$34,976	\$35,670	\$41,443
Bachelor's Degree	23%	20%	27%
Source: ESRI; W-ZHA			
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Eat/Drink Considerations

Eat/drink market essentially at equilibrium – spending potential approximates eat/drink sales.

Once again, suggests not a regional center.

Resident Spending Potential versus Sales



Immediate Eat/Drink Market Projected to Grow...

Projected Population Growth and Regional Retail Potential 3-Mile Radius from Tanglewood Mall		
Trade Area		
Population Growth 2016-26:	4,270	
	New Spending	Sq Ft ^{/1}
Eat/Drink Potential	\$7,070,904	20,200
Additional Sales		
Secondary Market @ 15%		3,600
Total Potential		23,800
1. Assumes \$350 in sales per square foot.		
Source: ESRI; W-ZHA		
\\WZHASRV\data\8000s, misc\82356 Roanoke\[retail potential.xlsx]Sheet7		

Is There a Market for Eating/Drinking Establishments in the Study Area?

- The 419 Study Area is a prime restaurant location.
- Franklin Road may compete for this market.
- Franklin Road has developable sites on its north side near the Carilion medical clinic where there is retail being developed.
- Franklin Road's access, traffic counts and visibility are not as good as the Study Area, but Franklin Road has better daytime demographics and is closer to the VA Tech Health Science and Technology Campus.

Retail and Eat/Drink Market Conclusions

Market Analysis Conclusions

- The Study Area is well-positioned in the Southwest Roanoke market.
- The Tanglewood Mall's physical configuration challenges its competitiveness, **not** the market.
- The de-malling of the Tanglewood Mall would enhance the property's competitiveness and benefit the Study Area's economic development.
- De-malling offers an opportunity to create a walkable environment and an enriched shopper experience: an environment not found in Roanoke.

Market Analysis Conclusions

- The Valley View Area has a competitive advantage over the Study Area for the regional retail market looking for convenience, assortment, and value shopping.
- The Roanoke market is not powerful enough to attract premiere lifestyle retailers/restaurants like Pottery Barn, Crate and Barrel, Cheesecake Factory, and, Whole Foods – market size and income are constraints.
- Without a premiere regional tenant, the Tanglewood Mall should target the community market (residents and workers w/in a 10-minute drive) and community-oriented anchors.

Market Analysis Conclusions

- To effectively capture the community market may require both retail and non-retail anchor land uses such as entertainment, recreation, hotel and/or residential uses to create an 18-hour cycle of activity.
- Existing retail leases make wholesale redevelopment unlikely. Incremental redevelopment should aim to create a high-quality, walkable, outdoor destination zones.

Market Analysis Conclusions

- Refreshed & Relocated Cinema Complex as Entertainment Anchor
- Repositioned Barnes and Noble as Entertainment Anchor
- Civic/Recreation Space to Draw People
- Eat-ertainment
- Structured Parking

- Retail – 75,000 – 110,000 Sq Ft
 - Anchors: \$8 - \$10
 - In-Line Shops Lifestyle: \$28 - \$30
 - In-Line Shops Other: \$18 - \$22
 - Tenant Thoughts: Trader Joe's; Total Wine; Sports; Shoes; REI
- Eat/Drink – 15,000 – 20,000 Sq Ft
 - High-Middle Income Target
 - Fast Casual, Full-Service
 - International, Healthy
 - Tenant Thoughts: Starbuck's; Texas de Brazil; Saha Med Grill
 - Large: \$14
 - Small: \$20