

**MARKET RECONNAISSANCE OF
THE EAST ALGONQUIN ROAD CORRIDOR**

A Report to

VILLAGE OF ALGONQUIN

From

GRUEN GRUEN + ASSOCIATES

Urban Economists, Market Strategists & Land Use/Public Policy Analysts

July 2015

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*APPLYING KNOWLEDGE
CREATING RESULTS
ADDING VALUE*

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INTRODUCTION

This memorandum report summarizes the results of the market reconnaissance of the East Algonquin Road corridor. The market reconnaissance included extensive interviews with property owners, developers, real estate brokers, and businesses as well as analysis of real estate, demographic, and income data completed by Gruen Gruen + Associates (“GG+A”). The Village of Algonquin retained GG+A to conduct the market reconnaissance.

WORK COMPLETED

In order to accomplish the study efforts, GG+A completed the following tasks:

- To gain insight into the trade area served, supply competition, advantages and disadvantages associated with the study area, and market factors affecting businesses and property owners located in the East Algonquin Road study area, GG+A staff inspected the study area and conducted interviews. The interviews with property owners, developers, real estate brokers, and businesses were directed to obtaining information and insights about the supply of land uses and real estate in the study area; sources and types of users and customers; competing locations; locational advantages and disadvantages that apply; property and market data; and potential market opportunities and public or private actions or policies that could facilitate the revitalization and enhancement of the East Algonquin Road corridor;
- Identified and analyzed the supply of commercial building space within the trade area and land use and business characteristics of the study area;
- Analyzed demographic, income, and retail expenditure data within the trade area and estimated potential current and future retail demand within the trade area;
- Converted estimates of retail demand or purchasing power into estimates of sales and the amount of on-the-ground retail space the sales could support. These estimates reflect assumptions about the amount of average sales per square foot required for viable tenancies and the development and maintenance of quality built space;
- Evaluated the relationship between the demand for and supply of retail space in the trade area to identify the intensity of competition for retail space users and customers; and
- Synthesized the results of site inspections, interviews, and data analysis to reach conclusions and judgments about the present and likely future market conditions and policy implications drawn from the market reconnaissance.



REPORT ORGANIZATION

The next section summarizes the principal findings and conclusions drawn from the research and analysis summarized in this report. The section following the summary of findings and conclusions presents the land use, building space, and business composition characteristics of the study area. The subsequent section summarizes the advantages and disadvantages associated with the study area. The next sections present the trade area definition, the review of trade area space supply, and estimates of potential retail demand. The final section on the retail market presents the relationship between estimated retail demand and retail space supply in the identified trade area. The last section summarizes findings drawn from the interviews about the residential market. Appendix A presents a demographic trade area comparison of a former restaurant in the study area to two existing restaurants located on Randall Road. Appendix B presents an estimate of the retail sales surplus realized by the Village as a whole.

PRINCIPAL FINDINGS AND CONCLUSIONS

The following summarizes the principal findings and conclusions drawn from the market reconnaissance.

Findings

- The study area contains approximately 867,000 square feet of building space on approximately 124 acres of land.
- Commercial uses total approximately 362,400 square feet of building space, comprising about 42 percent of the study area's building space. Storage/warehouse and industrial space total nearly 130,000 square feet of space or 15 percent of the study area's building space. Office space totals over 40,000 square feet of space, less than five percent of the study area's building space.
- The majority of the study area's building space was developed over a 20 year period, from the mid-1980's to mid-2000's.
- Collectively retail, services (medical/health, personal care and laundry, and financial), restaurants/dining, and grocery and drug stores make up two-thirds of the businesses in the corridor study area. Only six non-franchised regional/national grocery, drug, and service providers are located in the study area; less than 10 percent of all study area businesses. "Mom and pop" businesses seeking low rents and willing to accept lower returns (incomes) than larger companies tend to select locations in the study area. Approximately one quarter or 26 businesses are construction and industrial and automotive related businesses. Medical and health services make up 15 percent of study area businesses (16 businesses).



- Over 200 acres of land remain available for development in the study area.
- The trade area served by retail and commercial properties in the study area is circumscribed, generally not extending more than 1.5 miles in any direction. This radius is about the typical draw of a neighborhood shopping center and is impacted by the large dominant retail supply located along Randall Road, about 2½ miles west of the study area whose trade area extends into the East Algonquin Road corridor. The Randall Road corridor contains more than three million square feet of free-standing big box and power center, community, and neighborhood shopping center space. Downtown Algonquin is located just to the west of the study area on Main Street west of the Fox River and south of Algonquin Road (Route 62). The supply of space within the Downtown Algonquin Main Street totals approximately 85,000 square feet and contains a number of retail, restaurant, and service businesses. The new Riverside Plaza has 12,000 square feet of vacant retail space.
- The Fox River serves as a psychological barrier to attracting shoppers and customers from the west side of Algonquin. The commuting traffic along Algonquin Road limits the attraction of households west of the Fox River to the study area. While the bypass has helped improve traffic flow, the interviews indicate it has not ameliorated traffic congestion during peak commute times.
- The trade area contains 350,000 square feet of convenience and neighborhood retail space. The overall vacancy rate in the study area is an extremely high approximately 30 percent.
- As of 2013, the primary trade area included a population of 12,543 and approximately 4,800 households with an average household income of nearly \$88,000. Total available household income approximated \$419 million in 2013.
- The estimated expenditure rate of 15 percent (for the types of necessity and convenience-related goods typically found in neighborhood shopping centers) multiplied by average household income of nearly \$88,000 within the primary trade area equates to expenditures per household of approximately \$13,200 within the primary trade area.
- Current retail demand or expenditure potential within the trade area of approximately \$63 million is estimated to support 209,700 square feet of space (assuming a sales threshold requirement of \$300 per square foot). We estimate that over the longer term assuming the build-out of the Glenloch subdivision, Prairie Path subdivision, and 47 acres south of Jewel-Osco totaling an additional 450 housing units, supportable retail space demand will increase by 20,000 square feet or 10 percent to 229,400 square feet of space.



- Within the primary trade area, the estimated supply of existing space of over 350,000 square feet exceeds the supportable amount of retail space of 209,700 square feet in 2015 and 229,400 square feet in the future by over 140,000 square feet currently and 120,000 square feet of space in the future.
- To support the amount of existing retail space (including some of the vacant space) in the trade area would require a greater number of additional households than is planned in the remaining subdivisions or land parcels not yet built out in the study area. To achieve supportable retail space of approximately 288,000 square feet based on household retail expenditures will require the addition of at least 1,800 households in the primary trade area. This estimate from the theoretical construct described below does not mean that additional households would not expend income on retail goods and services on Randall Road, at their workplaces and other locations outside the study area as well as via the Internet.
- Developments of single-family projects have been delayed by the housing crisis, Great Recession, and plentiful availability of housing in more desirable locations within and near Algonquin at attractive prices. In addition, the Dundee-Crown High School serving the study area is perceived to have a less positive reputation than Harry D. Jacobs High School which serves the portion of Algonquin generally west of the Fox River. This perceived difference in the high schools and high property taxes in the Community Unit School District 300 serve as constraints on attracting residential development targeted to family-aged households.
- Property owners and members of the business community would prefer greater flexibility from the Village with respect to signage regulations and design requirements that if imposed render development infeasible. For example, one property owner proposed developing market rate housing but certain design requirements such as requiring brick on all sides of the structure raised the costs of producing the homes to the point where prices obtainable for the homes would not be high enough to generate a feasible return on the needed equity investment.



Conclusions

- The study area includes a relatively weak agglomeration of commercial uses and activities, obsolescence of some space, and high vacancy rates. Underlying these factors is a shift in locational growth and development west to include Randall Road, and the location of newer residential subdivisions away from the study area. The study area lacks a concentration of major office space users, which would create worker-based demands for goods and services. Unlike Randall Road in Algonquin, the study area is not known for having unique strengths or magnetic appeal for retail or entertainment uses that would serve to attract customers from a relatively wide trade area. National retail chains prefer the Randall Road location. Appendix A presents a comparison of counts of the number of households, workers, and traffic within one mile of an Arby's unit on Randall Road in Lake in the Hills and a Wendy's unit on Randall Road in Algonquin and the former Wendy's restaurant in the study area. The comparison shows the study area has lower traffic and worker counts than the other locations. These factors are interrelated and will serve to cause an ongoing cycle of decline in the economic health of the study area, if not ameliorated. The formation of the Randall Road retail agglomeration makes it challenging to arrest and reverse the decline in East Algonquin Road's market share.
- The surplus supply of space relative to demand within the primary trade area suggests that competition for retaining and attracting commercial tenants in the study area is intense and explains why tenants operating have relocated within the study area to secure even more attractive rental rates or better locations within the study area. The quantitative model of demand and supply and results of interviews also explain the high store turnover and extended periods for which space has remained vacant or unsold and re-occupied.
- The study area includes property owners who are trying to sell but are not readily able to do so because of building obsolescence, poor design and construction and placement, and associated low rents with relatively high property taxes. As one interviewee put it, the study area "has no sense of cohesion and contains disparate uses in a hodgepodge development pattern".
- A disjointed and non-cohesive, unintegrated development pattern with too many smaller, poorly located separate developments with extensive curb cuts make the whole study area less able to capture contemporary demands.
- The increasing importance of time and continued growth of e-tailing will result in fewer but bigger and better shopping centers. E-tailing will increasingly substitute for the purchase of standard commodities that are not fun or convenient to buy in person. Shopping centers and areas will need to be large and diverse enough to facilitate multi-purpose shopping and service trips. Community- and regional-serving



retail centers in particular will need to combine value, food-offerings, and entertainment and provide interesting, enjoyable, and entertaining experiences in secure environments.

- The interviews suggest some hybrids of commercial/service uses have expressed interest in locations in the corridor. As the housing market and economy further strengthen, because of the large amount of retail space that has been built along the nearby Randall Road, and the shift in shopping patterns, retail development potential will depend upon retaining and attracting convenience and necessity uses such as grocery and drug, fast food, personal or medical services, or automotive-related services that appeal to nearby residents and workers and commuters as well as destination type commercial businesses that:
 - (1) benefit from the high traffic counts associated with the location and have significant advertising programs and established franchise or reputation to draw from a relatively wide trade area;
 - (2) do not need to be in standard retail shopping centers;
 - (3) wish to avoid the higher rent associated with retail centers on Randall Road;
 - (4) need space for storage, assembly or showroom; and
 - (5) want to contribute to and participate in the potential future appreciation of the area.

For example, outdoor/recreation uses (such as pool-related, camping related, swing sets, trampolines, and other playground equipment, and kayaks/canoes) which have needs for showroom and outside storage and assembly space would benefit from the relatively low space and land costs available and high traffic counts in the study area.

Given the excess supply of standard retail space, it would not be surprising if one or both of the former Brunswick Zone and Rec Room properties were ultimately proposed to be reused for the destination type commercial businesses or hybrid uses.

Demand for fast food restaurants is likely to be for types of food uses that are quick serve and attract the drive-by commute traffic either going to work or coming home. “Mom and Pop” local operators are likely to predominate as national chain operators will likely want to locate on Randall Road.

Medical uses are another use for which additional demand may exist especially in light of the retirement center located in the corridor. Outpatient and emergency



clinics may be one type of use that can serve residents who live in or near the study area and capture additional drive by traffic on the corridor.

In addition to service stations and oil-change and brake shops, examples of other automotive-related tenancies for which demand may exist include auto parts, auto alarms and audio installation, window/glass shops, detailing, and painting.

- Planned transportation enhancements currently underway have the potential to significantly reduce regional congestion and improve traffic flow, in particular via the Longmeadow Parkway extension and new bridge crossing that will be located less than two (2) miles south of the corridor. Adding the Longmeadow river crossing is projected to have a positive impact on economic growth. County and municipal studies show that businesses are anticipated to benefit due to better access to customers on both the east and west sides of the Fox River as the transportation network will be enhanced.

Additionally, the East Algonquin Road corridor is only five (5) miles north of I-90, where the Illinois Tollway is in the process of upgrading the on/off-ramps at the Route 25 interchange.

These two regional transportation improvements – combined with the recent 2014 opening of the Route 31 Western Bypass, whose primary objective was to help facilitate improved east-west traffic flow on Algonquin Road – should help better position the East Algonquin Road corridor to be accessible to a larger trade area.

STRATEGIC ACTION RECOMMENDATIONS

The availability of land for building, vacant building space, and relatively low prices can be used to facilitate the implementation of a strategy directed at assisting existing businesses to become more successful, while concurrently attracting new businesses which will make the corridor more desirable and improve its current locational image from the perspective of consumers and space users. We suggest below several actions or programs for the revitalization of the corridor. Many of these recommendations can be pursued concurrently and in the near to medium term.

- **The primary strategic retail use implication is that Algonquin needs to reduce the amount of smaller, older, obsolete unanchored centers** that by their very nature serve limited trade areas, do not encourage multi-purpose trips, do not generate significant sales spillover for adjoining tenancies, and are not positioned to accommodate larger-sized tenants or create dynamic shopping and dining environments through size, tenant mix, and physical improvements.
- Too many small, poorly configured and inadequately sized and tenanted retail uses



with an excessive number of curb cuts are in the corridor. Many of the uses are competitively obsolete and merely serve to siphon off just enough sales and users so that much of the entire supply of retail uses suffers from low sales, low rents, and high vacancy rates. **Adopt a policy of encouraging a smaller number of denser residential and mixed-use developments (while discouraging stand-alone retail locations).** Well designed, accessible centers with plentiful parking and a diverse set of uses and attractions are more likely to produce successful stores than freestanding locations.

- The high speed and level of traffic on East Algonquin Road is such that the study area offers only a limited “billboard” effect for those driving by properties that in some cases are not well placed and not readily visible to drivers. Given this constraint and the prevalence of poorly located and configured commercial uses with limited visibility to East Algonquin Road, consider flexibility on signage standards, especially if such flexibility is taken in conjunction with actions by property owners to make physical or tenanting enhancements to their properties.
- In order to encourage the reuse and re-occupancy of properties vacated for excessive periods of time such as the Brunswick Zone and Rec Room properties, **consider uses in addition to conventional retail or entertainment uses**, such as those listed below:
 - Algonquin captures far more sales from nonresidents than it loses from expenditures from residents made outside of Algonquin. Increasing the number of local residents and jobs in the study area would reduce the reliance upon attracting nonresidents and would especially help support necessity and convenience purchases in the study area. Therefore, **the Village should encourage the development of housing in or near the study area.** Multi-family uses whose occupants tend to be less sensitive to perceptions of high school district reputation than single-family housing occupants. Permit property to be developed for multi-family uses while capital tends to be plentiful for multi-family development, and many consumers are still finding it difficult to obtain mortgage financing for the purchase of single family homes.
 - A major effect of the Affordable Care Act includes the need for lower-cost medical treatment options than hospitals traditionally have been able to provide. Medical clinics, docs-in-boxes, physical therapy, and MRI centers are just some examples of activities that will increasingly occur outside of a hospital environment and should be encouraged to locate in the study area. Accordingly, **making such activities permitted uses and otherwise reducing the regulatory uncertainty and costs of obtaining development and use approvals for medical uses would be appropriate policy.**



- From the perspective of augmenting retail demand and improving the desirability of the study area location for both retail and residential uses, it would be ideal to incorporate into the study area an up-to-date library and meeting rooms and special programs, should the need for a new library branch exist.
- Similarly, a branch of a community college or other educational facilities would augment demand for retail goods and services and increase the appeal of the location for residential uses. A community college branch could also contribute to economic development through the provision of workforce training and lifelong learning opportunities.
- In addition, to the extent recreational facilities (parks, aquatic center, ballfields etc.) are needed and would be supported within the study area, such facilities would also generate traffic for commercial uses and increase the appeal of the study area as a residential location.
- The interviews and analysis of supply trends indicate automobile service related uses have been attracted to locations within the study area (Thorntons is the most recent automotive service use attracted to the study area). It would be ideal to encourage such uses to be concentrated and not spread-out in the study area. If they were concentrated, that part of the study area could be marketed as an auto retailing center through signage, web sites, newsletters, retail maps, and special "mode of transportation" events such as vintage or muscle car shows.

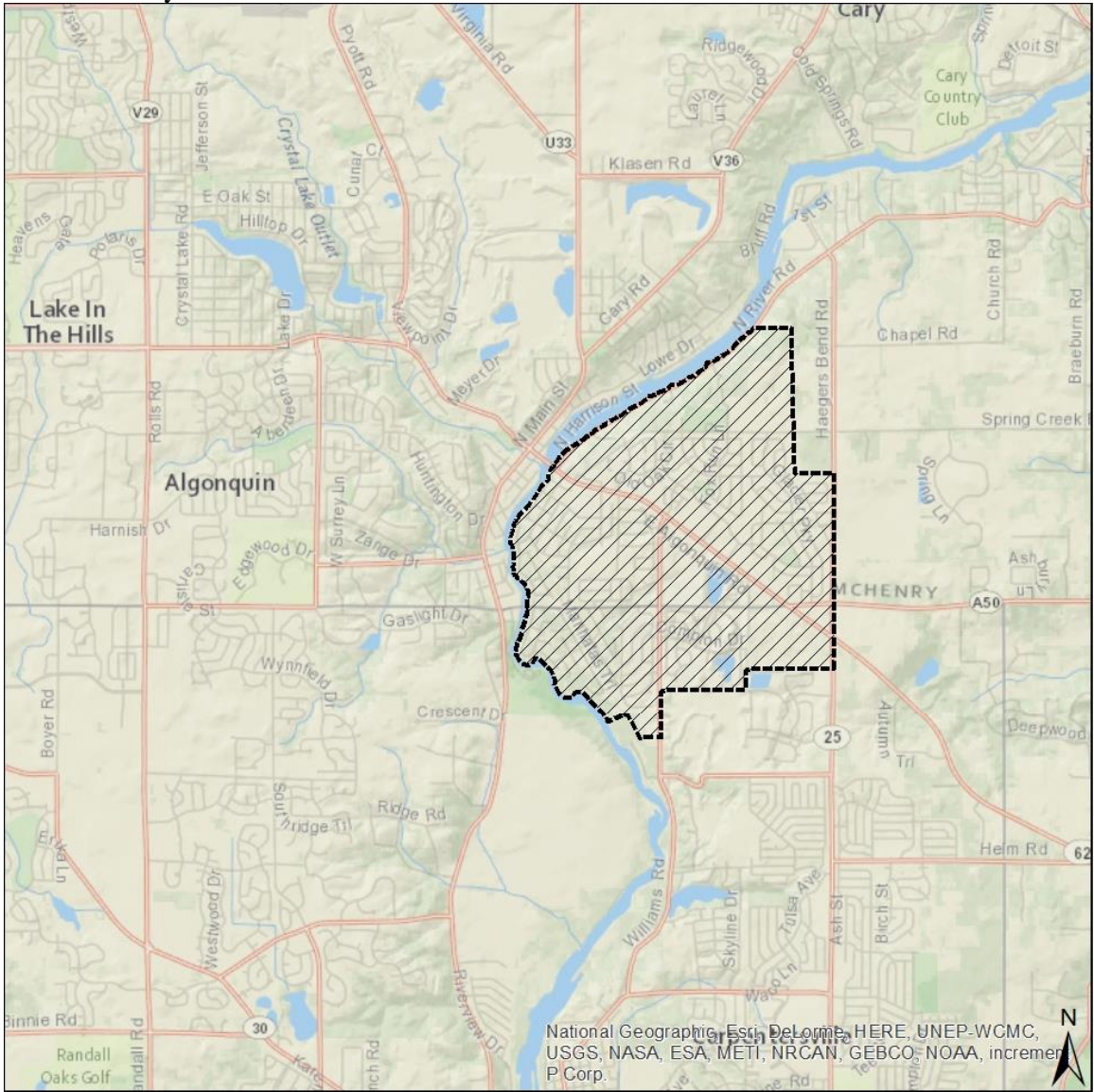


CHARACTERISTICS OF EAST ALGONQUIN ROAD CORRIDOR

The East Algonquin Road corridor study area is located along East Algonquin Road (Route 62) between River Road and Route 25. The study area is located east of the Fox River. Route 62 is a four-lane state highway. Map 1 shows the study area boundary. The corridor is primarily comprised of retail, commercial, and service uses.



MAP 1: Study Area



Legend

 Study Area



MARKET RECONNAISSANCE OF THE EAST ALGONQUIN ROAD CORRIDOR

Based on data from the Algonquin Township Assessor’s office, we estimate that the study area contains approximately 867,000 square feet of building space on approximately 124 acres of land. Table 1 shows the amount of space by building space type and land area in the study area.

TABLE 1		
East Algonquin Road Non-residential Property Inventory		
Property/Building Type	Total Building Space # Square Feet	Total Land Area # Acres
Banks	10,403	6.32
Community Shopping Center	103,155	10.72
Neighborhood Shopping Center	153,979	17.89
Other Retail Stores	68,963	7.05
Restaurants	25,934	5.82
Office	40,632	3.56
Industrial/Manufacturing	6,516	0.78
Storage/Warehouse	123,447	10.19
Other ¹	333,825	15.61
Vacant Commercial Land	0	37.8
Vacant Industrial Land	0	8.06
TOTAL	866,854	123.8
¹ Other includes a 248,625-square-foot senior living facility, several automotive related businesses, a vet clinic, and the vacant 30,000+ square foot Brunswick Zone.		
Sources: Algonquin Township Assessor; Gruen Gruen + Associates.		

Commercial uses which include banks, community and neighborhood shopping centers, other retail stores, and restaurants total approximately 362,400 square feet of commercial space, about 42 percent of the study area’s building space. Storage/warehouse and industrial space total nearly 130,000 square feet of space or 15 percent of the study area’s building space. Office space totals over 40,000 square feet of space, less than five percent of the study area’s building space. Other building space is primarily comprised of building space for the Eastgate Manor of Algonquin, a senior living facility.

Table 2 summarizes the study area’s building space by age/year built.



TABLE 2

East Algonquin Road Non-residential Building Space by Year Built

Property/Building Type	Pre 1986 # Square Feet	1986-1995 # Square Feet	1996-2005 # Square Feet	2006-2015 # Square Feet
Banks	0	10,403	0	0
Community Shopping Center	0	103,155	0	0
Neighborhood Shopping Center	19,782	0	29,601	104,597
Other Retail Stores	4,270	10,836	53,857	0
Restaurants	11,040	4,243	10,672	0
Office	25,687	10,832	0	4,113
Industrial/Manufacturing	6,516	0	0	0
Storage/Warehouse	71,235	52,212	0	0
Other	43,355	22,749	267,721	0
TOTAL	181,885	214,430	361,851	108,710

Sources: Algonquin Township Assessor; Gruen Gruen + Associates.

Prior to 1986, the study area contained just under 200,000 square feet of building space. The majority of the study area’s building space was developed over a 20 year period, from the mid 1980’s to mid-2000’s. The largest shopping center, the 103,155-square-foot Algonquin Town Shopping Center was built in 1988. The majority of other retail and restaurant free-standing space was built in the 1996-2005 period including the former Rec Room building, the former Wendy’s restaurant, the Gourmet House restaurant, Walgreen’s, and Eastgate Court. Neighborhood shopping center space was developed shortly after including the nearly 62,000 square foot Jewel-Osco, one small strip center, and the 22,500-square-foot Glacier Plaza/Fitness Plaza development (which is the study area’s most recent development built between 2007 and 2009). Since 2009, no new building space has been added in the study area.

Table 3 summarizes the number and type of businesses located in the corridor.



TABLE 3

Number of Businesses by Type in East Algonquin Road Corridor: 2015¹

Type	Number of Businesses #	Percentage %
Retail Stores	17	15.7
Medical/Health Services	16	14.8
Construction & Industrial	14	13.0
Personal Care and Laundry Services	13	12.0
Automotive	12	11.1
Restaurant/Dining	12	11.1
Financial Services	9	8.3
Grocery and Drug Stores ²	6	5.6
Other Services	5	4.6
Recreation	4	3.7
Total	108	100.0

¹ Excludes places of worship, schools, and public services (i.e., library, U.S. Post Office, fire department).
² Includes liquor stores.

Sources: Village of Algonquin; Gruen Gruen + Associates

Of the 108 businesses in the study area, collectively retail, services (medical/health, personal care and laundry, and financial), restaurants/dining, and grocery and drug stores make up two-thirds of the businesses in the corridor study area. This make up of businesses represents the type of business makeup generally found in neighborhood shopping centers. Only six non-franchised regional/national grocery, drug, and service providers are located in the study area, less than 10 percent of all study area businesses.

Approximately one quarter or 26 businesses are construction and industrial and automotive related businesses. Approximately 21 percent, or 23 businesses, are retail related and grocery and drug stores. Service businesses including medical and health, personal care and laundry, and financial services make up collectively the largest share of study area businesses at approximately 35 percent. Of the service related businesses, medical and health services makes up 15 percent of study area businesses (16 businesses).

While we did not have data to formally track historical turnover by type of business, discussions with leasing agents and property owners indicate that several businesses have moved within the study area over time. Examples of this turnover within the corridor include:

- Diamond Physical Therapy relocating from the Algonquin Town Shopping Center to Fountain Square;
- Starbucks relocating from the Algonquin Town Shopping Center to a strip center in



front of the larger shopping center;

- Chubby's relocating from the former Wendy's restaurant at 1720 East Algonquin Road to 1450 East Algonquin Road;
- JC's Guitars relocating from 2214 East Algonquin Road (which is now reoccupied by Barrington Resale) to 1078 East Algonquin Road;
- State Farm Insurance relocating from Eastgate Court to a strip center across the street; and
- Walgreen's relocated from Algonquin Town Shopping Center in 1999 to its own free-standing building across the street.

The study area has one new business whose facility is currently under construction. Thorntons is building a 4,400-square-foot convenience store and gas station on 2.5 acres at the northwest corner of Compton and East Algonquin Road, east of the former Brunswick Zone. Next Door Storage located in the study area is planning a remodel and rebuild of its facility.

Table 4 summarizes the available land and development sites in the East Algonquin Road corridor study area. Over 200 acres of land remain available for development in the study area.



TABLE 4		
Available Land in East Algonquin Road Corridor for Office, Industrial, and Retail Development or Redevelopment		
Site/Location	Number of Acres #	<u>Uses</u>
Prairie Path Subdivision	80	Residential – entitled for 130 single-family lots
Glenloch, SWC Algonquin Rd. & Route 25	60	Residential – entitled for 96 single-family lots and 70 townhome units
Behind Jewel-Osco	47	Residential – prior proposal from homebuilder proposed 158 units
Between Compton & Route 25, south side of Algonquin Rd.	16	Commercial
Jewel-Osco Outlots 1501 E. Algonquin	12	Commercial
2200 E. Algonquin Rd.	13	Includes buildings for Tri-County Truck Accessories
2100 E. Algonquin Rd.	7	Retail, Residential, Office
Fountain Square 900-1000 E. Algonquin Rd.	4.90	Three office pads
	1.76	One retail pad
NWC Longwood & E. Algonquin Rd.	2+	
TOTAL	244	
Sources: Village of Algonquin; Loopnet.com; Gruen Gruen + Associates.		

Of the 244 acres of available land, approximately three-quarters or 187 acres is entitled for future residential uses. Another 57 acres of land remains available for retail/commercial and office uses. The majority of this land is located on the south side of Algonquin Road. Two areas for development include the 12 acres of land available for outlot development around Jewel-Osco and another approximately 16 acres of land between Compton Road and Route 25.

ADVANTAGES AND DISADVANTAGES OF EAST ALGONQUIN ROAD CORRIDOR

We completed interviews with property owners, developers, real estate brokers, and businesses to identify comparative advantages or locational strengths and comparative disadvantages or locational weaknesses.



MARKET RECONNAISSANCE OF THE EAST ALGONQUIN ROAD CORRIDOR

Comparative advantages or strengths associated with the study area are limited and include the following:

- Proximity to high volumes of vehicle traffic (approximately more than 39,000 daily vehicles on Algonquin Road);
- Proximity to the Downtown and Fox River, which could generate visitor spillover to the corridor; and
- Ample land capacity.

Comparative disadvantages or weaknesses that discourage potential retail demand include the following:

- A location with significant retail competition from the Randall Road corridor whose trade area extends into the study area corridor;
- The presence of the Fox River which currently serves as an actual and psychological barrier to prospective customers. Traffic congestion especially headed westbound during the afternoon and evening commute time discourage households on the west side of Algonquin from traveling across the Fox River to purchase every day convenience goods;
- The immediate area lacks an existing base of employment generating uses which limits the daytime population;
- The area to the east of the study area (and east of Algonquin's boundary) lacks a significant number of rooftops;
- The immediate area has not experienced residential growth;
- Accessibility to the I-90 Tollway is not as good from the study area as from other areas in Algonquin; and
- A disjointed and non-cohesive, unintegrated development pattern with too many smaller, poorly located and organized separate developments with extensive curb cuts that make the whole study area less able to capture contemporary demands.

REVIEW OF RETAIL SUPPLY AND DEMAND CONDITIONS FOR THE EAST ALGONQUIN ROAD CORRIDOR

This section presents an estimate of the potential demand for retail space for the East



Algonquin Road corridor based on estimates of expenditure potential of households within the trade area that the interviews suggest the study area serves. We then compare the supportable amount of retail space to the existing amount of retail space supply within the identified trade area. The demand potential estimate is based on expenditures that can be expected given the population and household income within the trade area. The sales per square foot productivity threshold estimate used to convert expenditure potential to supportable space demand reflects the sales level needed to sustain viable operations with rents high enough to permit landlords to develop and maintain high quality commercial space.

TRADE AREA SERVED

The trade area of any commercial area is influenced by the size and types of its tenancies. Market areas are dynamic and tend to change as a function of the type and supply of other commercial areas. The travel time people are willing to accept varies, depending on the size of the shopping area and the relative uniqueness and attractiveness of the tenancies and shopping environment. The definition of the primary trade area - which convenience and neighborhood retail space developed in the study area is likely to serve - was derived based on the advantages and disadvantages, geography and access factors summarized above, and the locations and types of retail space within about one mile to three miles from the study area reviewed below that can be expected to compete with the study area corridor for both tenants and customers.

Based on interviews with leasing agents and brokers, developers, and property owners of existing properties and shopping centers in the study area, we estimate that the trade area served by retail and commercial properties in the study area is circumscribed, generally not extending more than 1.5 miles in any direction. This radius is about the typical draw of a neighborhood shopping center and is impacted by the large dominant retail supply located along Randall Road, about 2½ miles west of the study area whose trade area extends into the East Algonquin Road corridor. The Randall Road corridor contains more than three million square feet of free-standing big box and power center, community, and neighborhood shopping center space. Retail sales in Algonquin are significantly higher than would be expected based on the purchasing power of Algonquin households alone. As shown in Appendix B, the Village of Algonquin has a sales surplus given the amount of retail expenditure potential from Village households and workers. In other words, the retail trade area served by the Village of Algonquin extends far beyond the Village borders and include nearby communities which lack a significant retail base.

In addition, Downtown Algonquin is located just to the west of the study area on Main Street west of the Fox River and south of Algonquin Road (Route 62). The supply of space within the Downtown Algonquin Main Street totals approximately 85,000 square feet and contains a number of retail, restaurant, and service businesses. The new Riverside Plaza has 12,000 square feet of vacant retail space. The developer intends to create some space in which to lease out on a short term basis individual “chairs” for a salon operation.



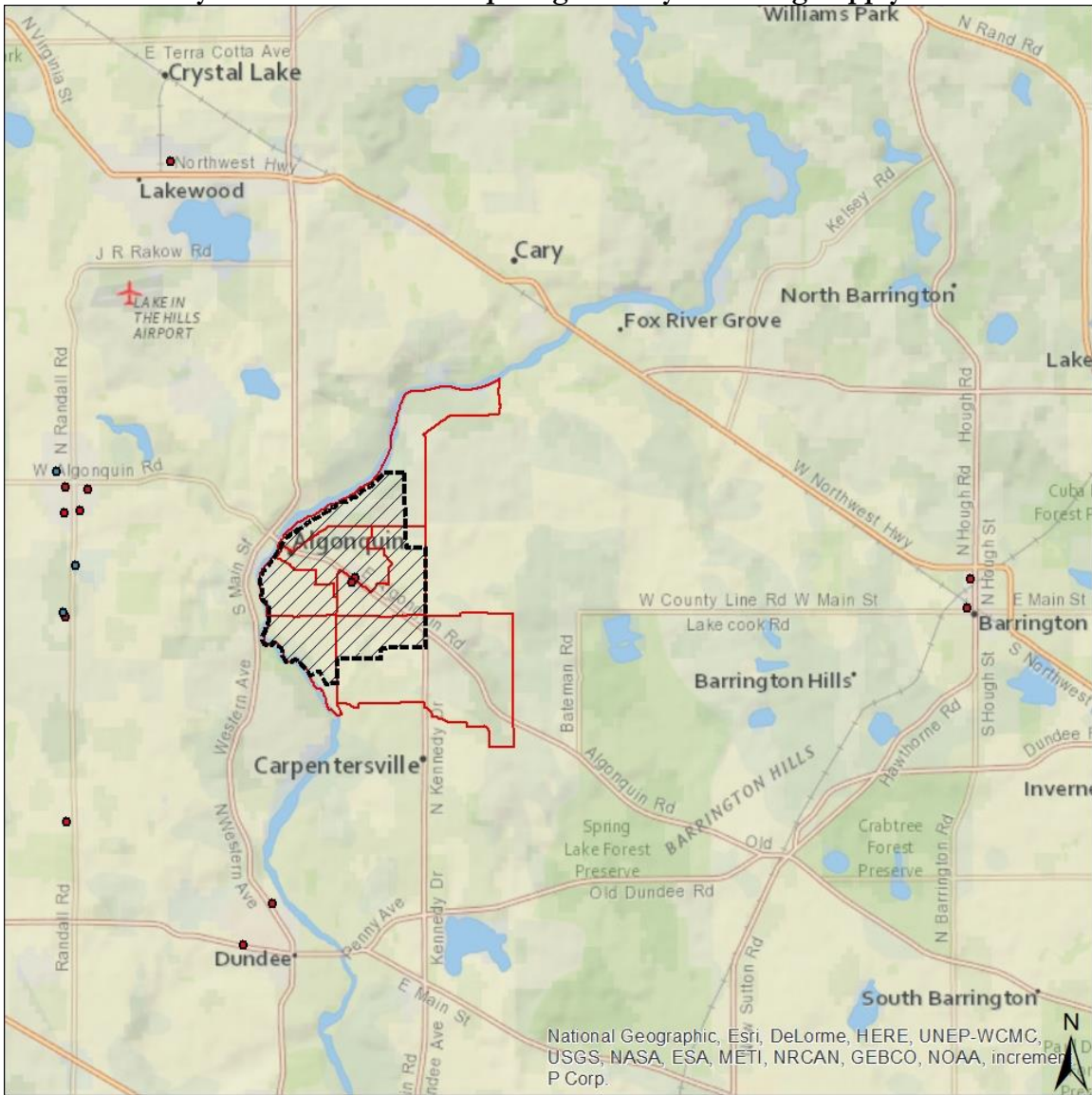
The interviews suggest the Fox River serves as a psychological barrier to attracting shoppers and customers from the west side of Algonquin. The commuting traffic along Algonquin Road especially from mid-day through evening rush hour while improved with the recent opening of the bypass still remains a hindrance in attracting households west of the Fox River to the study area.

To the east of the study area a large amount of open space exists in Spring Lake Forest Preserve and the community of Barrington Hills. According to area leasing agents and businesses, the study area does not pull many customers from Barrington Hills, a higher income community with very low housing density and a small base of households (i.e., one home per five acres and according to the 2010 Census, only 1,500 households). Although little to no retail supply is in the vicinity of Barrington Hills, the Village of Barrington about three miles further east is redeveloping its Downtown adding a new 25,000-square-foot retail and restaurant development which could pull from the west to capture Barrington Hills' households. In addition, the Village of Barrington has two full-size grocery stores. South Barrington located south of Barrington Hills also contains the 450,000-square-foot open air center, The Arboretum.



The trade area served by the East Algonquin Road corridor is shown on Map 2 and is generally bounded by Route 25 to the east, Fox River on the west, and north and south of the study area. The trade area includes households in the eastern portion of Algonquin and the northern portion of Carpentersville. The broader area surrounding the study area includes a relatively complete supply of neighborhood and convenience retail space. The trade area map shows that in addition to the two grocery stores and one drug store located within the study area, an additional 14 grocery and drug stores are located within approximately three miles of the study area.





MAP 2: Primary Trade Area and Competing Grocery and Drug Supply

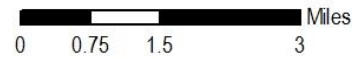


Legend

-  Study Area
-  Trade Area Block Groups

Grocery Stores

-  Big Box
-  Supermarket



SUPPLY OF RETAIL SPACE IN PRIMARY TRADE AREA

Table 5 summarizes the retail and commercial space in the primary trade area.

TABLE 5					
Retail Centers and Restaurants in East Algonquin Road Corridor Study Area					
Name & Location	Building Space # Square Feet	Available Space # Square Feet	Year Built	Major Tenant(s)	Rents \$ Per Square Foot
Algonquin Town Shopping Center 1400 E. Algonquin	103,266	21,797	1988	Butera Goodwill Dollar Tree	\$14NNN
Jewel-Osco Shopping Center 1501 E. Algonquin ¹	61,955	-	2006		-
Former Brunswick Zone 2075 E. Algonquin	32,000	32,000	1983		Sale price \$1.3 million
Glacier Plaza 2202 - 2230 E. Lake Cook	11,000	10,000	2007	Beauty Salon	\$11 NNN
Former Rec Room Furniture 1600 E. Algonquin	30,454	30,454	2001		Sale price \$1.215 million
Fountain Square Shopping Center 100 E. Algonquin	18,833	Small amount is available	2006	Diamond Physical Therapy Allstate Jimmy John's	
1530 E. Algonquin	15,601	0	2002	Starbuck's Great Clips	
Eastgate Court 100 Eastgate Court	18,955	5,880	2001	Nero's Pizza & Pub	\$8-15 NNN Sale price \$1.95 million
Walgreen's	13,833	-	1999		-
Sources: Village of Algonquin; Loopnet; Gruen Gruen + Associates Interviews.					



TABLE 5 Continued

Retail Centers and Restaurants in East Algonquin Road Corridor Study Area

Name & Location	Building Space # Square Feet	Available Space # Square Feet	Year Built	Major Tenant(s)	Rents \$ Per Square Foot
Fitness Plaza 2172-2178 E. Lake Cook	12,500	2,400	2009	Cardinal Fitness Pinehurst Dental Beauty Island Salon	\$11 NNN
501 E. Algonquin	11,049	0	1976	7 Eleven State Farm Love Nails Discount Liquor	
Tavern at the Bridge	5,688	-	1922		
McDonald's	5,352	-	1985		
Chubby's	4,243	-	1989		
Former Wendy's 1720 E. Algonquin	3,326	3,326			Sale price \$699,000
Gourmet House	2,420	-	1997		
TOTAL	350,475	105,857			
¹ 11.2 Acres of additional land available for outlot uses.					
Sources: Village of Algonquin; Loopnet; Gruen Gruen + Associates Interviews.					

The trade area contains 350,000 square feet of convenience and neighborhood retail space¹. No future supply of retail space is currently planned or proposed within the primary trade area. The overall vacancy rate in the study area is approximately 30 percent. This is an extremely high vacancy rate though two large buildings make up nearly 60 percent of the vacant space. Without these two buildings in the inventory, the vacancy rate is approximately 15 percent. Property owners and leasing agents indicated that rents in the corridor have declined over time and the judicious use of free rent has become necessary to attract and retain tenants in the corridor. The lowering of rents in the corridor has resulted in movement of tenants within the corridor over the past several years. Most tenants are start-up businesses and small mom and pop businesses. Few national tenants have been attracted to the centers as most “credit” tenants prefer locations on or near Randall Road.

The largest shopping center in the study area is Algonquin Town Center built in 1988. The Butera grocery-anchored center is currently 21 percent vacant. According to the leasing broker, the center and corridor study area have been negatively impacted by the growth in

¹ Note that there are minor differences in the classification schemes between Table 1 and Table 5. For example the Village classified an HVAC operation as retail but such a use is not a traditional neighborhood and convenience use.



competition arising from the extensive retail development along Randall Road. Several restaurants have gone out of business in the center so that the vacancy includes three second generation available spaces. Goodwill recently leased 12,500 square feet in the center replacing a True Value hardware store. The Butera Market replaced approximately 10 years ago a Piggly Wiggly store which opened in 1988. The grocery store's fixtures and interior has not been renovated.

Many of the supply options described below are representative of the effects of too much retail supply relative to demand and the problems smaller properties have in competing for space users and customers in an era in which many customers prefer multi-purpose shopping and shop near their workplace to make the most efficient and quality use of their time.

Other retail and commercial space within the trade area consists of either small strip centers or free-standing buildings for drug stores, restaurants, or fast food uses. The small strip centers, Eastgate Court and County Line Plaza (three buildings known as Glacier Plaza and Fitness Plaza) have high vacancy rates. Eastgate Court is currently 42 percent vacant and County Line Plaza is 53 percent vacant.

Eastgate Court, a 19,000-square-foot center has had challenges since it was built. According to the leasing agent one challenge for the center is its limited visibility due to the inward facing design of the buildings. The center had initially been fully occupied when it opened in 2001. The development of retail along Randall Road negatively impacted the center. One restaurant in the center had gone out of business and State Farm relocated across the street. The center currently contains a dentist, optometrist, deli, and hair salon. Nero's Pizza and Pub occupies a free-standing building in the center. Recently a resale shop and a medical provider have had interest in the vacant space. The center is currently for sale although few interested buyers have been reported.

Fountain Square, an 18,800-square-foot center built in 2006, is largely leased with one vacant space (a former pizza restaurant now vacant). The former leasing agent for the property reported the project was built during a time when future residential growth was anticipated to occur. Initially, the center was fully occupied but as retail space along Randall Road developed corporate offices of franchised operators decided to locate stores and restaurants along Randall Road. Because of the close distance between Randall Road and East Algonquin Road, the corporate site selectors did not permit franchisees to open multiple stores (in the west side and east side). In addition, as the recession occurred, local business owners and small mom and pop operators who had been attracted to the center were not well capitalized and not prepared to operate as sales declined during the recession. The center has attracted tenants from within the corridor as rents and prices have declined and offered attractive deals. Diamond Physical Therapy relocated to the center from Algonquin Town shopping center several years ago. The therapy business bought a free-standing building at an attractive price. JC Guitar's relocated to the center in 2010 from an older property further east along the corridor. One retail pad of 1.76 acres remains available for



development. Interested users include gas stations, car washes, and other automotive related uses.

The Fountain Square project also includes an office component. Three fully improved office sites, each about 1+ acre in size remain available for development. A fourth parcel has been developed with an office condominium building which has sold a few units but 6 or 7 units in the form of raw, vacant space still remain available. The broker marketing the sites indicated he has had little interest from office users. Competing locations along Randall Road have better access to I-90. The study area is perceived as a transitional route between work and home. Access to the Tollway is challenging from east side. Also congestion is still a deterrent to office users (traffic backs up along Algonquin Road at 5 p.m. all the way to Fountain Square).

Glacier Plaza and Fitness Plaza (now known as County Line Plaza according to the property's leasing agent) were built between 2007 and 2009. Glacier Plaza which consists of two 5,500-square-foot buildings has not leased the majority of its space since it was built. The only inquiries have originated from "small mom and pop tenants". The broker has repeatedly attempted to attract credit or national retailers to the site but the response has been consistent that they will only consider Randall Road locations. Gross annual asking rents are \$13 to \$15 per square foot with one year "free rent" for a six year lease term. Shorter terms will be given at lower rates but without the free rent concession. Currently a beauty salon occupies a 1,000-square-foot space. An equestrian store had leased space but was evicted due to non-rent payment. The Fitness Plaza, 12,500-square-foot building, is better occupied with a fitness facility, dentist, and beauty salon. Approximately 10 percent, or 2,400 square feet of space remains vacant. The owner also has been marketing seven acres east of the property without success for over five years.

The strip center on the south side of Algonquin Road which contains a 7-Eleven store is representative of the effects of too much retail supply relative to demand and the problems smaller properties have in competing for space users and customers in an era in which many customers prefer multi-purpose shopping and shop near their workplace to make the most efficient and quality use of their time. The property owner signed State Farm to a recent lease. State Farm relocated from its location at Eastgate Court. Some of the strip center's prior tenants including a hair salon, florist shop, and drycleaner had gone out of business. One service provider, a dentist, relocated to the Randall Road area. The property owner has been able to refill vacant spaces in the center but at lower rents than in the past.

Approximately 12 acres of land available for outlot development in front of the Jewel-Osco store has been marketed for over five years. The lack of success to date relates to the study area not having a concentration of major retail and office uses and not near as large and affluent of residential base as the western part of Algonquin. The broker marketing the outlots noted during the Great Recession, retail sales dipped on Randall Road and retailers shifted their future store plans to larger urban markets, including closer-in suburbs to Chicago. The broker reported that the owner of a Dunkin Donuts' franchise is negotiating



to purchase a one acre outlot for a free-standing building with drive-through. The key motivating factors for the location are the anchor tenancy of Jewel-Osco and the high traffic count.

Several properties in the study are currently for sale and have been for sale for a considerable time including the former Wendy's restaurant, the former Brunswick Zone property, Eastgate Court, the former Rec Room Furniture property, and office outlots at Fountain Square. Discussions with the brokers marketing the properties indicate little interest from buyers or users have been received. The broker marketing the Brunswick Zone with an asking price of \$1.3 million indicated that interested parties are recreation type uses and storage uses and that any future use will not likely be a "core" retail use. The site competes with vacant land in area including land and vacant retail space on Randall Road, a more established corridor. In addition to population growth not occurring to the extent needed to support additional retail space, the build-out of Randall Road ahead of market support and the Fox River serving as a perceived barrier has made marketing of the Brunswick Zone challenging.

Based on the interviews annual rents in the study area are low ranging from under \$10 per square foot to \$14 per square foot on a net basis (not including pass-through charges to tenants for common area maintenance, taxes, and insurance). Property owners and leasing agents indicated that rents have declined over time and in some cases are no higher than rent levels nearly 20 years ago. The impact of the growth of retail along Randall Road has negatively impacted the trade area from which the east side of Algonquin can draw customers. The growth of retail supply competition and disadvantages described above have caused vacancy rates to increase and rents in the study area to decline over time.

ESTIMATED POTENTIAL RETAIL DEMAND

GG+A obtained and analyzed demographic and income data to estimate the range of demand in terms of expenditure potential and the square footage that the identified demand could support for the primary trade area, given assumptions about the required sales per square foot of retail space. Retail demand primarily originates from two sources: trade area residents and workers. Potential retail demand from residents primarily depends upon the amount of disposable income within the trade area. Population and income factors influence disposable income. Estimating potential demand also requires the identification of the proportion of income spent on retail goods and services. Not all internally generated demand is satisfied in a primary trade area. Some of the potential demand within the trade area is lost to retailers outside the trade area. Conversely, retail sales in a trade area can be made to customers such as visitors, workers, and commuters which live outside the trade area.

Given the convenience and neighborhood retail base in the study area and the large supply of retail space to the west and northwest of the trade area, current leakage of sales dollars or expenditure potential occurs. Sales dollars are attracted, however, from commuters which



MARKET RECONNAISSANCE OF THE EAST ALGONQUIN ROAD CORRIDOR

travel along East Algonquin Road but live outside of the trade area. In order to make an estimate of the scale of demand potentially supportable by residents of the trade area (without taking into account that consumer shopping patterns of residents are well established and relate to where they work and the relatively nearby community- and regionally-serving nodes of retail space), the potential demand estimates are based on the estimated trade area present and forecast households, total household income, and the percentage of household income spent on retail goods.

We divided these estimates of purchasing power both from residents by estimated sales per square foot that a new retail project would likely need to generate in order to be profitably developed and operated. We did so in order to estimate the amount of on-the-ground retail space the estimated purchasing power could support.

Table 6 summarizes the current and forecast future population, households, and total household income estimated within the primary trade area.

TABLE 6		
Current and Future Population, Households and Income within the Primary Trade Area		
	<u>2013 Estimate</u>	<u>Future Estimate¹</u>
Population	12,543	13,724 ²
Households	4,780	5,230
Average Household Income ³	\$87,741	\$87,741
Total Household Income	\$419,402,000	\$458,885,400
¹ Assumes build-out of Glenloch subdivision, Prairie Path subdivision, and 47 acres south of Jewel-Osco with estimated total of 450 units. ² Assumes same number of persons per household as estimated in 2013. ³ Assumes no real income growth.		
Sources: U.S. Census Bureau, 2013 American Community Survey; Gruen Gruen + Associates.		

As of 2013, the primary trade area included a population of 12,543 and approximately 4,800 households with an average household income of nearly \$88,000. Total available household income approximated \$419 million in 2013.

If vacant land entitled for residential uses in the study area is built out in the future, this could potentially add up to over 450 additional housing units in the study area. The 47 acre site behind Jewel-Osco was planned to include 158 additional housing units by a developer back in 2006. The Glenloch subdivision at the southwest corner of Algonquin Road and Route 25 is entitled for 166 additional housing units. The Prairie Path subdivision in the north part of the study area is entitled for an additional 130 single family housing lots. These three projects will potentially add 458 households to the primary market area when built-out. Accordingly, we have accounted for these residential units in the future forecast of primary



market area households. The primary market area is forecast to include a future population of 13,724 and approximately 5,230 households in the future. Assuming no real average household income growth, total household income within the market area is estimated to approximate nearly \$459 million in the future, an approximate 10 percent increase.

ESTIMATED EXPENDITURE RATE FOR RETAIL GOODS

In order to estimate the potential purchasing power for necessity retail goods in the primary trade area, we reviewed the 2013-2014 Bureau of Labor Statistics (BLS) *Consumer Expenditure Survey* for the Chicago Metropolitan Region. Table 7 shows that households in the Midwest region expend approximately 15 percent of their before-tax income on necessity-and convenience-related goods including groceries, food away from home, alcohol, housekeeping supplies and materials, personal care products, personal services, and reading materials and drugs.

TABLE 7		
Retail Expenditure Rates for Households in the Midwestern United States (2013/2014)		
Retail Item	2013-2014 Average Expenditure \$	2013-2014 Expenditure Rate ¹ % of Income
Food at Home ²	4,630	7.3
Food Away From Home	2,540	4.0
Personal Care & Services	908	1.4
Housekeeping Supplies	672	1.1
Household Furnishings & Appliances	1,461	2.3
Apparel & Accessories	1,615	2.5
Entertainment ³	2,542	4.0
Other ⁴	579	0.9
TOTAL	14,947	23.5
¹ Survey sample had an average before-tax household income of \$63,611. ² Including alcohol. ³ Includes a variety of discretionary goods, such as audio/video electronics, computers, sporting goods, pet supplies, toys, etc. ⁴ Reading materials and drugs.		
Sources: Bureau of Labor Statistics, <i>Consumer Expenditure Surveys</i> ; Gruen Gruen + Associates.		

The estimated potential expenditures per household for the selected categories total approximately \$15,000. This amount equates to approximately 24 percent of average household income spent on *all* retail items including groceries, food and beverages,



household supplies, personal care products and services, tobacco products, apparel, household furnishings and equipment, books and magazines, pet supplies, and entertainment.

The estimated expenditure rate of 15 percent (for the types of necessity and convenience-related goods typically found in neighborhood shopping centers) multiplied by average household income of nearly \$88,000 within the primary trade area equates to expenditures per household of approximately \$13,200 within the primary trade area.

EXPENDITURE POTENTIAL AND ESTIMATE OF THE AMOUNT OF SUPPORTABLE SQUARE FEET OF RETAIL SPACE IN THE TRADE AREA

Estimated Sales Per Square Foot Thresholds

In order to convert estimates of expenditure potential or purchasing power into estimates of the amount of on-the-ground retail space, an assumption must be made as to the average sales per square foot required to be generated for tenants to viably operate and landlords to obtain high enough rents to amortize development costs and provide an acceptable return on investment.

Table 8 presents the average size and average sales per square foot of differing shopping center formats and selected individual drug store chains.

TABLE 8		
Average Sizes and Sales by Type of Shopping Center and Estimated Size and Sales Productivity of Retailers		
Type of Retail	Average Size # Square Feet	Average Sales \$ Per Square Foot ¹
Neighborhood Shopping Centers	66,012	250
Convenience Shopping Centers	16, 993	217
Grocery stores	46,000	435
CVS	11,500	871
Walgreen's	14,500	811
¹ General categories reflect median sizes and sales per square foot.		
Sources: International Council of Shopping Centers; Urban Land Institute <i>Dollars & Cents of Shopping Centers 2008</i> ; Food Marketing Institute 2013; Annual Reports and 10K forms for the individual retailers listed; Gruen Gruen + Associates.		

The shopping center size and sales productivity data are drawn from the Urban Land Institute's *Dollar & Cents of Shopping Centers 2008* edition. As shown in Table 8, according to the Urban Land Institute ("ULI") survey, neighborhood centers in the Midwest average 66,000 square feet of space and obtain annual sales of \$250 per square foot. Convenience centers average 17,000 square feet of space and obtain annual sales of \$217 per square foot.



MARKET RECONNAISSANCE OF THE EAST ALGONQUIN ROAD CORRIDOR

The sales obtained by shopping centers tend to decline relative to the age of the center. According to data from the Food Marketing Institute, grocery stores average 46,000 square feet of space and generate sales per square foot productively of \$435. Anchor grocery stores need to generate high sales per square foot because of low per unit margins

Table 8 also presents estimates of the average store size and sales per square foot productivity for drug stores frequently found in neighborhood shopping districts. Walgreens and CVS each generate sales per square foot of over \$800 per square foot.

The average sales of a new neighborhood shopping center are likely to be higher than the ULI survey Midwestern average of approximately \$250 per-square-foot. For example, consider the following development program for a new 100,000-square-foot neighborhood shopping center including: (1) a 55,000 square-foot anchor grocery store; (2) 25,000 square feet of in-line retail space; (3) a 13,000-square-foot drug store (such as CVS or Walgreen’s); and (4) two 3,500-square-foot restaurants. Table 9 shows that assuming the average sales per square foot thresholds as summarized above, the hypothetical neighborhood shopping center would generate total sales of approximately \$350 per-square-foot.

TABLE 9

Sales Per Square Foot Threshold for Prototypical Neighborhood Shopping Center Development

	Size # Square Feet	Sales Per Square Foot \$	Total Sales \$
Grocery Anchor	55,000	350	19,250,000
In-line Retail Space	25,000	250	6,250,000
Chain Drugstore	13,000	500	6,500,000
Restaurant Outlots	7,000	450	3,150,000
Total	100,000	352	35,150,000

Source: Urban Land Institute; International Council of Shopping Centers; Gruen Gruen + Associates.

Based on our research about sales productivity and considering the need to generate relatively higher sales and rents to support the feasible construction and operation of new retail space but that low rents in the study area generally indicate low sales levels, we use a slightly lower required sales threshold of \$300 per square foot (than shown on Table 9 above) to convert estimates of retail demand into estimates of supportable space.

ESTIMATED RETAIL DEMAND AND SUPPORTABLE SPACE

Table 10 presents estimates of potential retail demand within the trade area based on the estimated expenditure rate of 15 percent and the estimated numbers of households and average household income in 2015 and in the future.



TABLE 10

Estimate of Current and Future Retail Demand and Amount of Supportable Retail Space in Primary Trade Area¹

	2015	Future
Total Household Income	\$419,402,000	\$458,885,400
Potential Retail Purchasing Power @ 15 Percent of Household Income	\$62,910,300	\$68,832,800
Supportable Square Feet of Retail Space @ Sales of \$300 per Square Foot	209,700	229,400
¹ Figures are rounded.		
Sources: Bureau of Labor Statistics, Consumer Expenditure Survey; Urban Land Institute <i>Dollar & Centers of Shopping Centers, 2010-2011</i> ; International Council of Shopping Centers; Gruen Gruen + Associates.		

Multiplying the total household income within the primary trade area of \$419.4 million by the estimated 15 percent expenditure rate produces a current estimate of retail demand of approximately \$63 million. Due to forecast growth in the number of households that could be added to the three parcels planned to be developed for residential uses in the study area (shown on Table 6 above), potential retail purchasing power or retail demand is forecast to increase by 10 percent or \$5.9 million to \$68.6 million.

Based on the assumption that a new retail development in the trade area would need to generate \$300 per square foot in sales in order to be a financially viable venture, current retail demand or expenditure potential is estimated to support 209,700 square feet of space. We estimate that over the longer term with additional residential development planned in the study area, supportable retail space demand will increase by 20,000 square feet or 10 percent to 229,400 square feet of space.

RELATIONSHIP BETWEEN TOTAL RETAIL SPACE SUPPLY AND DEMAND

Table 11 presents the relationship between the estimated square feet of retail space the forecast demand from households within the primary market area can support and the current and potential future supply of convenience and neighborhood retail space in the primary market area. The comparison indicates the relative oversupply of retail space in the primary market area and explains the high vacancy rates and low rental rates found to apply to the study area.



TABLE 11

**Relationship Between Current and Future
Retail Supply and Demand in Primary Trade Area**

	2015 # Square Feet	Future # Square Feet
Estimated Supportable Convenience and Neighborhood Retail Space Demand @ Sales Threshold of \$350 Per Square Foot	209,700	229,400
Estimated Supply of Retail Space (see Table 5)	350,475	350,475
Surplus/(Deficit) of Retail Space	140,775	121,075
Source: Gruen Gruen + Associates		

Within the primary trade area, the estimated supply of existing space of over 350,000 square feet exceeds the supportable amount of retail space of 209,700 square feet in 2015 and 229,400 square feet in the future by over 140,000 square feet currently and 120,000 square feet of space in the future. This is borne out by the high vacancy rate in the study area of approximately 30 percent. Of the approximately 350,000 square feet of space in the study area, approximately 245,000 square feet of space is occupied.

This suggests that competition for retaining and attracting commercial tenants in the study area is intense and explains why tenants operating have relocated within the study area to secure even more attractive rental rates or better locations within the study area. The quantitative model of demand and supply and results of interviews also explain the high store turnover and extended periods for which space has remained vacant or unsold and re-occupied.

AMOUNT OF NEW HOUSEHOLDS NECESSARY TO SUPPORT ALL OF THE EXISTING RETAIL SPACE IN PRIMARY TRADE AREA

The primary trade area has a total existing retail space supply of approximately 350,000 square feet. We exclude two large vacant buildings (Brunswick Zone and Rec Room Furniture Store) so that the primary trade area includes approximately 288,000 square feet of competitive retail space. Table 12 shows how many additional households will be needed (at the current average household income level) to support 288,000 square feet of space.



TABLE 12			
Amount of Household Growth Needed to Fully Support Existing Supply of Retail Space in Primary Trade Area			
	East Algonquin Road Corridor Primary Trade Area	Total Households Needed to Support 288,000 Sq. Ft. of Retail Space	Additional Households Needed to Support Additional Retail Space
Population	12,543	-	-
Households	4,780	6,565	1,785
Average Household Income	\$87,741	\$87,741	-
Total Household Income	\$419,403,600	\$576,000,000	\$156,596,400
Retail Expenditure Potential	\$62,910,500	\$86,400,000	\$23,489,500
Supportable Amount of Retail Space in Square Feet	209,700	288,000	78,300
Sources: U.S. Census Bureau, 2013 American Community Survey; Esri; Gruen Gruen + Associates.			

Households in the primary trade area currently estimated to support approximately 210,000 square feet of retail space. To support the amount of existing competitive retail space in the trade area would require a greater number of additional households than is planned in the remaining subdivisions or land parcels not yet built out in the study area. To support approximately 288,000 square feet based on household retail expenditures will require the addition of at least 1,800 households in the primary trade area. Note, however, while under the theoretical construct summarized in Table 12, approximately 1,800 households would need to be added to support 288,000 square feet of building space, and additional households in or near the study area are likely to result in increased expenditures within the study area, much of the expenditures will occur in larger retail agglomerations on Randall Road, near workplaces, and via the Internet.



RESIDENTIAL MARKET REVIEW

The interviews indicate that residential developments planned in or near the study area were impacted by the broader housing market crisis and Great Recession. The second owner who took over the stalled Riverside Plaza in Downtown Algonquin consisting of 63 apartment units (21 one bedroom and 42 two bedroom units) in the Downtown began marketing the project in October 2014 and has leased approximately 60 percent of the units and expects to be 95 percent leased by Fall 2015. The project has attracted local workers and some renters from out of state which moved to the area for jobs. The project has attracted younger single worker households, divorced individuals, and empty nesters which have sold their single-family homes. The large 960-square-foot one bedroom units rent for \$1,600 per month (\$20 per square foot per year). The largest two bedroom unit at 1,820 square feet rents for \$3,300 per month (\$21.75 per square foot per year). A key advantage is the availability of 102 indoor heated parking spaces. One parking space is included in the rental rate while a second space is available for \$150 per month rent. The project competes with Algonquin Square on Randall Road and apartment developments in Geneva. It does not compete with the older substantially leased apartment project located at 200 E. Algonquin Road which includes 18 studio units renting for \$800 per month (but at a high rate per square foot of approximately \$24 per square foot per year). The project within the study area serves lower income workers some of whom work at fast-food and industrial businesses in or near the study area.

Developments of single-family projects have been delayed by the housing crisis, Great Recession, and plentiful availability of housing in more desirable locations within and near Algonquin at attractive prices. In addition, the Dundee-Crown High School serving the study area is perceived to have a less positive reputation than Harry D. Jacobs High School which serves the portion of Algonquin generally west of the Fox River. This perceived difference in the high schools and high property taxes in the Community Unit School District 300 serve as constraints on attracting residential development targeted to family-aged households.



APPENDIX A

DEMOGRAPHIC TRADE AREA COMPARISON OF RESTAURANTS

TABLE A-1			
Demographic Trade Area Comparison of Fast Food Restaurants			
<i>1 Mile Radius</i>	Former Wendy's 1720 E. Algonquin Road, Algonquin	Wendy's 245 S. Randall Road Algonquin	Arby's 320 N. Randall Road Lake in The Hills
Total Population	9,177	7,486	8,729
Total Households	4,457	3,567	4,138
Total Employees	1,935	8,726	3,732
Total Households & Employees	6,392	12,293	7,870
Average Household Income	\$87,838	\$97,849	\$96,580
Average Daily Traffic Volume	39,100	41,180	45,890
Location	Free-standing	166,000-square- foot shopping center	Free-standing
Distance from Former Wendy's on East Algonquin Road	-	4.2	5.4
Sources: Loopnet.com; Esri, Traffic Count Map; Gruen Gruen + Associates.			



APPENDIX B

RETAIL SALES SURPLUS IN VILLAGE OF ALGONQUIN

In order to obtain a sense of how retail sales in Algonquin compare to the sales that would be expected given the population and income make-up of Algonquin residents, we have estimated the expenditure potential of Algonquin residents using the same methodology described above relative to the study area as shown on Table B-1. We then compare the estimated expenditure potential to total sales dollars.

TABLE B-1	
Estimated Relationship Between Retail Demand and Retail Sales in Village of Algonquin	
	<i>2015</i>
Total Non-Automotive Retail Sales ¹	666,333,500
Total Households	10,257
Average Household Income	\$124,609
Total Household Income	\$1,278,114,500
Estimated Retail Sales Expenditures @ 24% of Household Income ²	\$306,747,500
Total Number of Employees ³	6,681
Estimated Retail Expenditures ⁴	\$25,053,800
Total Household & Worker Retail Expenditures	\$331,801,300
Retail Sales Surplus Estimate	\$334,532,200
¹ 2014 sales. Figures have been rounded. ² Retail expenditure estimate of 24 percent of household income includes all retail goods and services. ³ 2011 estimate of workers who live outside Algonquin. ⁴ Based on the International Council of Shopping Center's 2011 office working spending survey ("Office-Worker Retail Spending in a Digital Age"), assumes average daily expenditures for food and other necessity-type goods of \$15 per worker and 250 work days per year.	
Sources: Consumer Expenditure Survey; Village of Algonquin; Esri; U.S. Census Bureau OntheMap; Illinois Department of Revenue; Gruen Gruen + Associates.	



MARKET RECONNAISSANCE OF THE EAST ALGONQUIN ROAD CORRIDOR

Excluding automotive sales, Village-wide sales total \$666.3 million. The purchasing power of Village residents supports retail sales of \$306.7 million. We estimate workers operating in the Village support sales of approximately \$25 million. Significantly more sales are secured from non-residents than sales are lost to retailers outside Algonquin. The sales “surplus” or amount of sales more than the purchasing power of resident and workers can be expected to support is estimated to total \$334.5 million.



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