



City of Morrow Portfolio Strategy – Executive Summary

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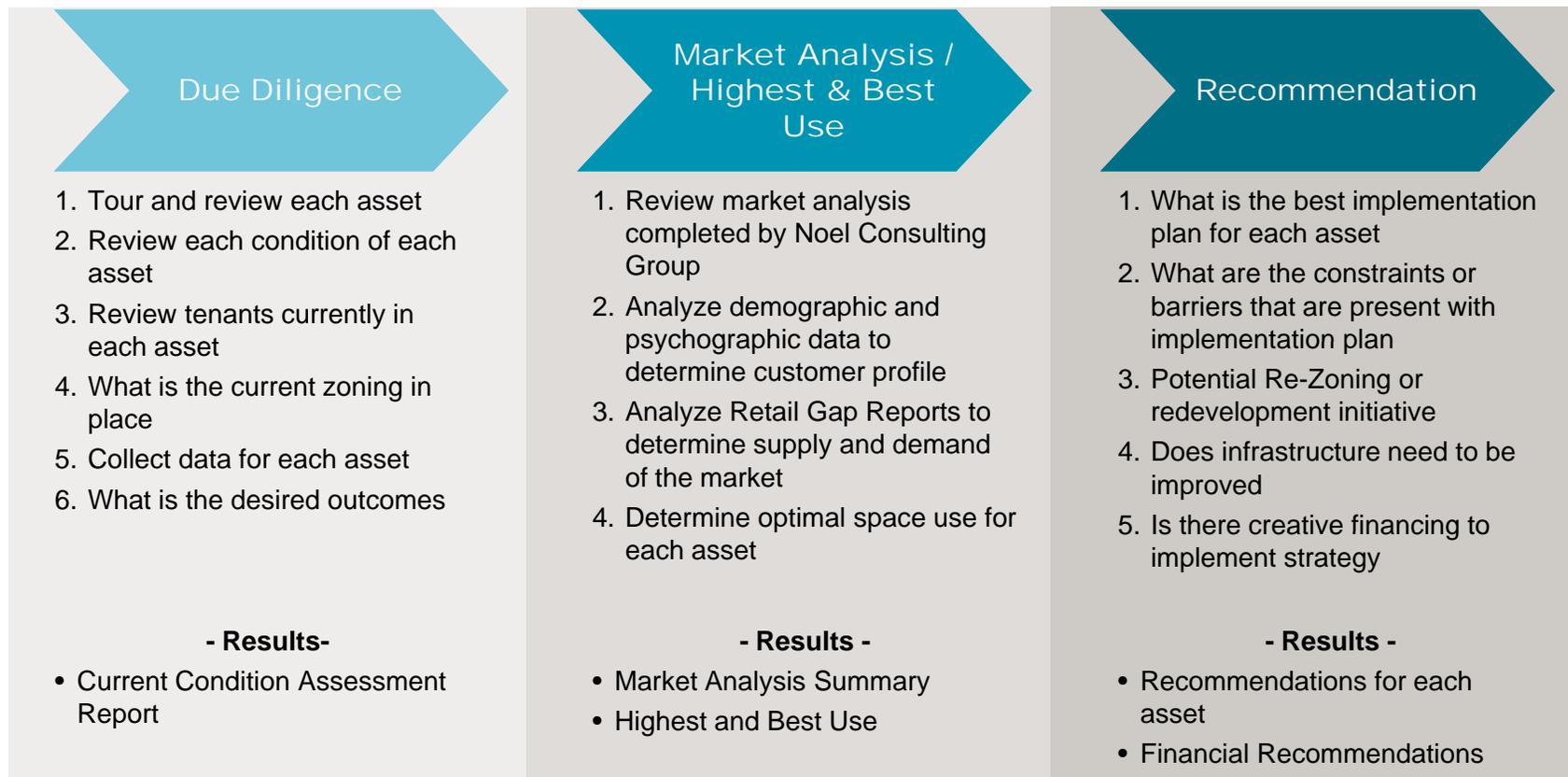


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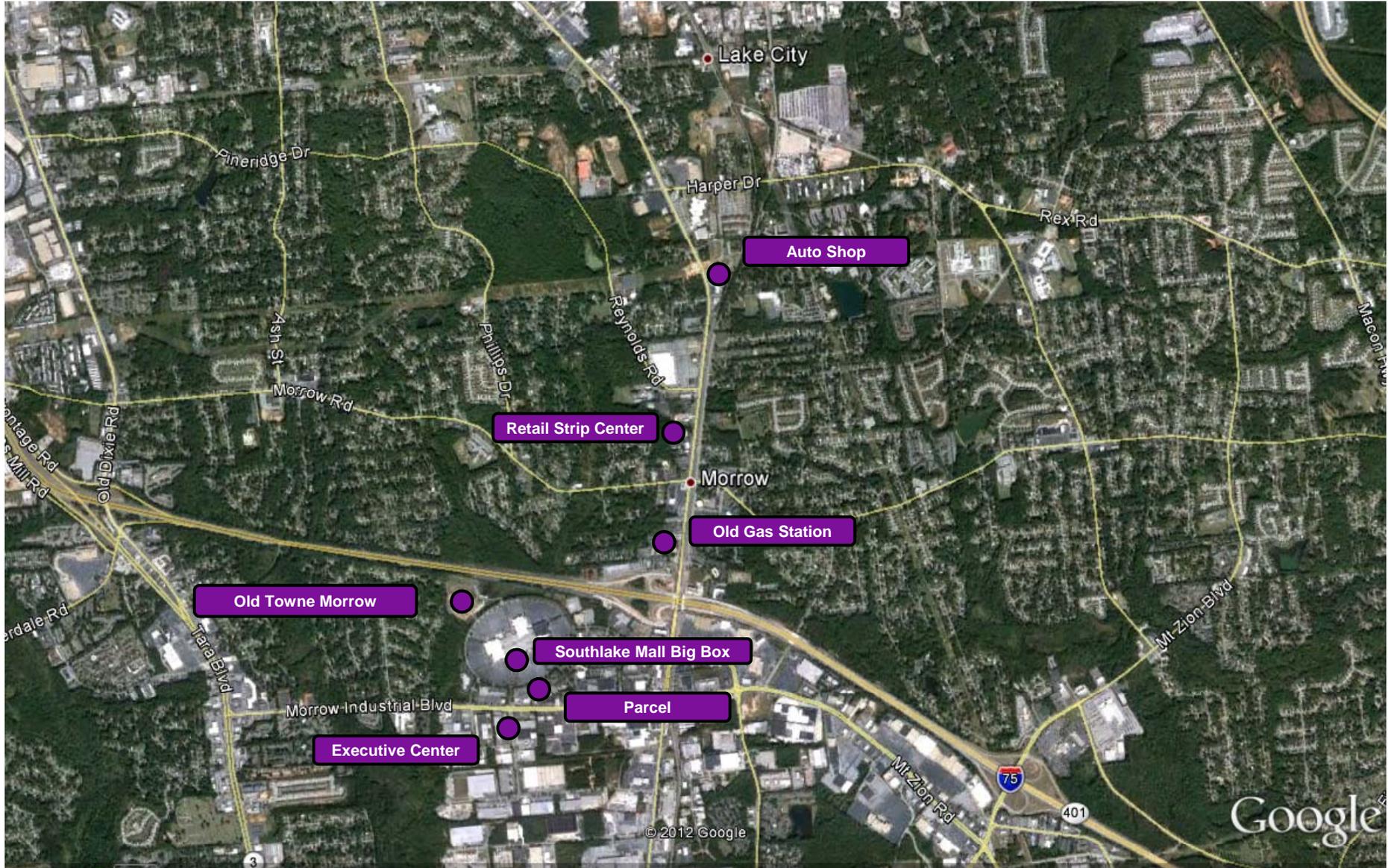
Project Overview



The City of Morrow has engaged Newmark Grubb Knight Frank to evaluate the current properties the city owns and develop a strategy for each property. Newmark Grubb Knight Frank's Municipal Advisors Group will analyze the surrounding market to determine the best use for each property and the value of the property to the City of Morrow for disposition purposes. Newmark Grubb Knight Frank's leasing advisors will work in parallel of the portfolio strategy to continue the leasing activities on behalf of the City of Morrow and alleviate the attention needed to actively pursue tenants and accommodate current tenants needs at each property.



Properties



Executive Summary

Market Analysis



Overview

The market analysis was conducted to determine the potential opportunities that exist for businesses in the retail and services industry to succeed based on different factors within the market

- Data that was collected and analyzed to determine the market potential include:
 - Demographic – (Age, Income, Population, Ethnicity)
 - Psychographics – Consumer Attitude and Habits of the Population
 - Retail Supply and Demand
 - Consumer Spending Potential
 - Actual Sales Volume in the City of Morrow by Business
- The different data sets were collected for multiple trade areas
- Multiple trade areas were analyzed based on the properties that the City of Morrow owns and the potential consumer base that the properties would reach
 - Southlake Mall Trade Area
 - 1 Mile, 3 Mile Radius Rings
 - Zip Code – 30260

Market Analysis

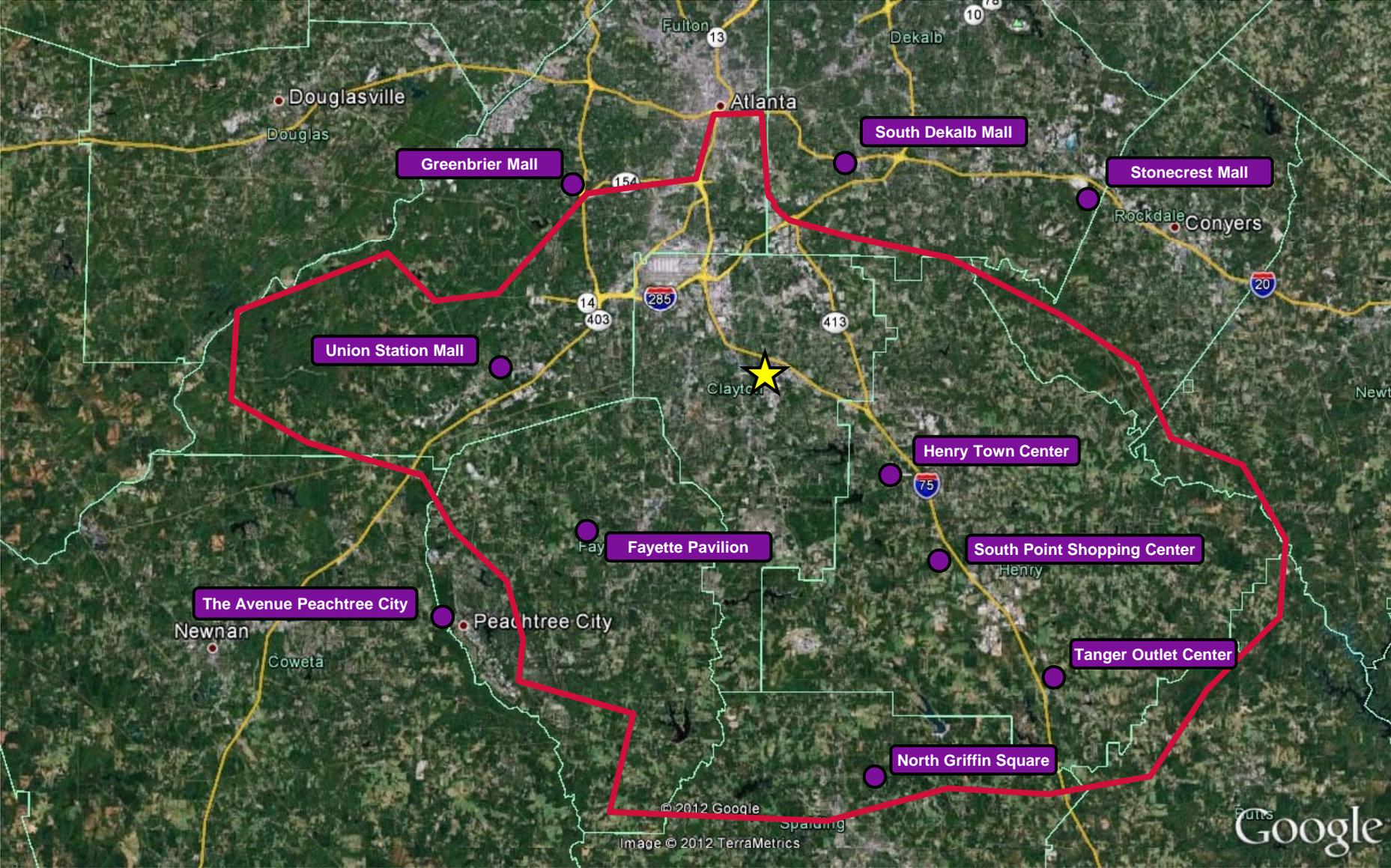
Defining the Trade Area



- The trade area was determined based on the potential consumer base that could be drawn to each of the property
- For example - The big box at Southlake Mall has a different trade area than the auto shop
- The Trade Areas that data were collected for are:
 - Huff Equal Probability Model – Distance decay probability model incorporating competing stores and one or more weighted values such as sales volume or square footage
 - Provides the population base that would be attracted to Southlake Mall with consideration of the competing malls and shopping centers
 - Radius Rings (1 and 3 Mile)
 - Locally focused retail operations opportunities
 - Zip Code – Zip Code 30260
 - The actual sales volume was analyzed with this trade area

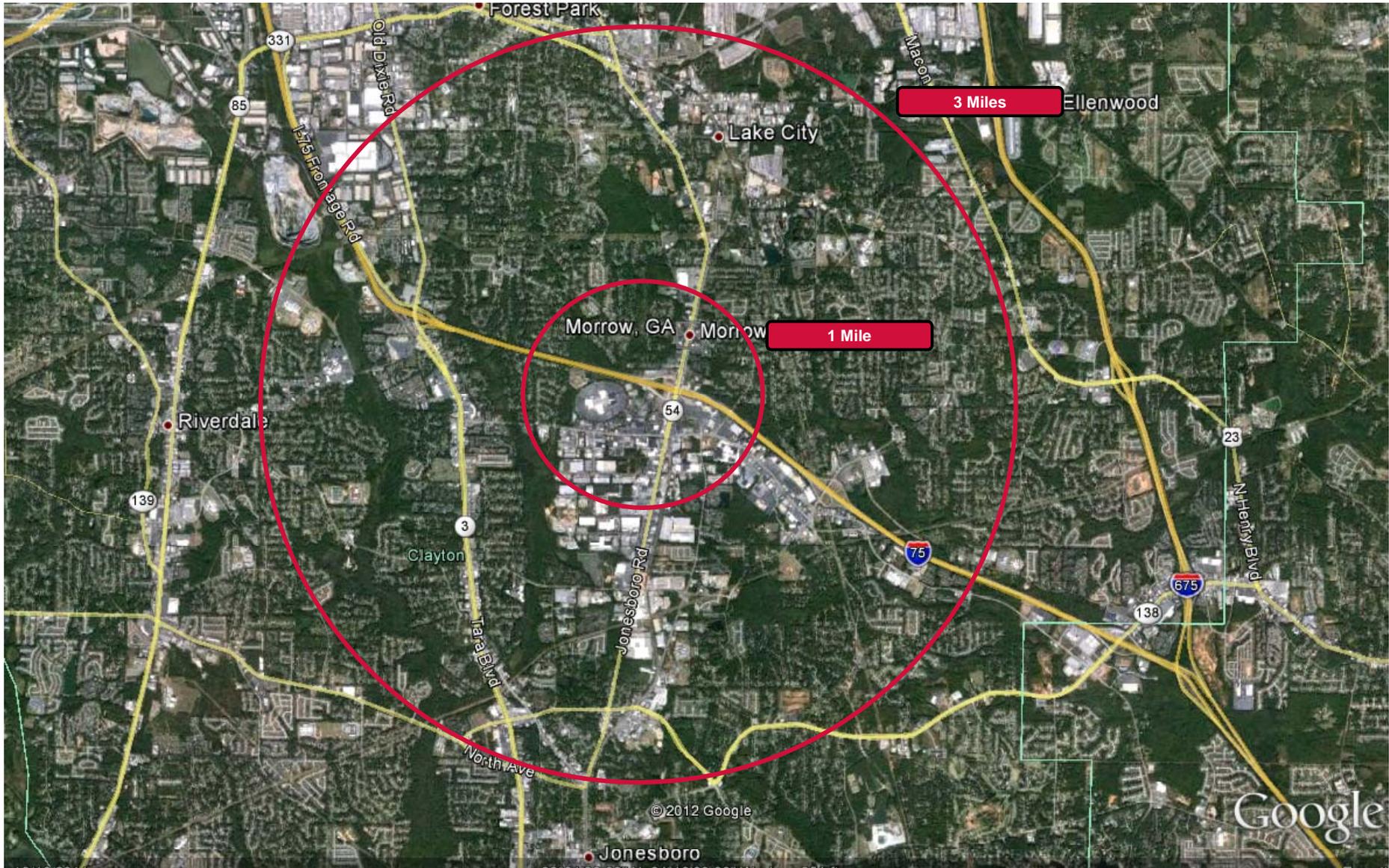
Market Analysis

Trade Area – Southlake Mall



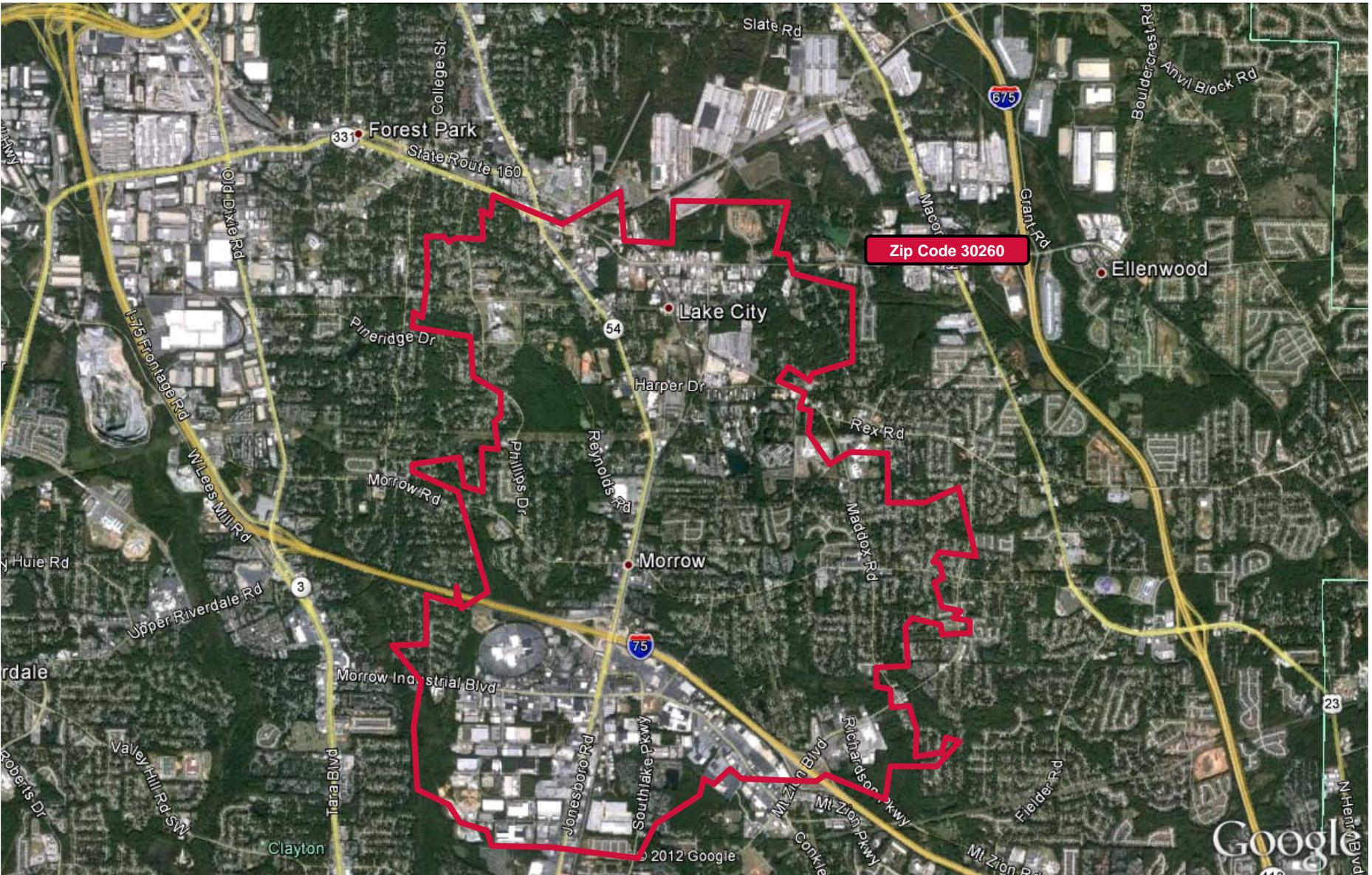
Market Analysis

Trade Area – Radius Rings



Market Analysis

Trade Area – Zip Code



Executive Summary

Market Analysis – Demographics/Psychographics



Summary

- The population profile for the trade areas consists of:
 - Mid to lower 30's
 - Some families or mixed household
 - Considered middle to lower middle class
 - High school graduate or some college level attainment
 - Have professional, skilled or service level occupations
- The population growth has stabilized and has minimal projected growth from 2010 – 2016:
 - The Southlake Mall trade area grew by 25% and the zip code 30260 grew by 19% from 2000 to 2010, but each trade area is projected to grow by only 4-5% from 2010 – 2016
 - Clayton State University has an enrollment of 6,900 students
- The population within each trade area is aging:
 - For each trade area, the population age of 65 – 74 is projected to grow the fastest between 2010 to 2016. Range of growth for each trade area is between 31% and 43%

Executive Summary

Market Analysis – Demographics/Psychographics



Summary

- The family size increased and the median age and household income decreased as the trade area narrows (Southlake Mall trade area to 3 or 1 mile trade area) down into the City of Morrow
- From 2000 to 2010 the Hispanic origin grew between 86% and 163% and is currently 19% of the population in the 1 mile, 3 mile, and zip code trade areas
- The White ethnicity has declined within the City of Morrow and is expected to continue to decline to 2016
- Currently the Asian ethnicity makes up 8% to 13% of the population in the 1 mile, 3 mile, and zip code trade areas
- The daytime population change due to commuting is +5,612

Executive Summary

Market Analysis – Demographics/Psychographics



	Southlake Mall Trade Area		
	Milk and Cookies	Up and Coming Families	Aspiring Young Families
Household Type	Married Couples with Kids	Married Couples with Kids	Family Mixed
Median Age	33.8	31.9	30.5
Income	Middle (\$57,170 Median)	Upper Middle (\$69,522 Median)	Middle (\$46,275 Median)
Employment	Professional/Management/Services	Professional/Management	Professional/Management/Services
Education	Some College	Some College, Bachelor Degree	Some College, Bachelor Degree
Residential	Single Family	Single Family	Multiunits; Townhome
Race/Ethnicity	White	White	White, Black
Activities	Frequent Fast-Food, Buy Children's Toys	Eat at Chick-fil-A, Own a Dog	Go to the Movies, Play Frisbee
Financial	Have Mortgage Insurance	Have a New Car Loan	Use a Credit Union
Media	Watch Education Channels, Cartoons	Watch Cable TV	Watch Comedies on TV
Vehicle	Own/Lease Nissan	Drive 20,000 + Miles Annually	Own/Lease Sedan

- The population's consumer characteristics most prominent in the Southlake Mall trade area

Executive Summary

Market Analysis – Demographics/Psychographics



	3 Mile, 1 Mile, Zip Code Trade Area		
	Inner City Tenants	Rustbelt Traditions	Aspiring Young Families
Household Type	Mixed	Mixed	Family Mixed
Median Age	34.5	36.7	30.5
Income	Lower Middle (\$30,873 Median)	Middle (\$42,337 Median)	Middle (\$46,275 Median)
Employment	Services/Professional/Management/Skilled	Skilled/Professional/Management/Services	Professional/Management/Services
Education	No HS Diploma, HS, Some College	HS Grad; Some College	Some College, Bachelor Degree
Residential	Multiunit Rentals	Single Family	Multiunits; Townhome
Race/Ethnicity	White, Black, Hispanic	White	White, Black
Activities	Play Football, Basketball, and Go Dancing	Buy Children's and Baby Products	Go to the Movies, Play Frisbee
Financial	Have Personal Education Loan	Use Credit Union	Use a Credit Union
Media	Read Music, Baby, and Fashion Magazines	Watch Cable TV	Watch Comedies on TV
Vehicle	Own/Lease Honda	Own/Lease Domestic Vehicle	Own/Lease Sedan

- The population's consumer characteristics most prominent in the City of Morrow's focused trade areas

Executive Summary

Market Analysis – Retail and Consumer Analysis



The following retail categories are not meeting the demand in each trade area

- Each trade area’s supply and demand were analyzed to determine the opportunity gap
- The opportunity gap is the difference in the estimated consumer expenditures in the trade area and the estimated retail sales in the trade area
- The number reflects the potential consumer spend that is not captured
- The City of Morrow focused trade areas are the 1 mile, 3 mile and zip code
 - The numbers represent the 3 mile trade areas opportunity
- **Due to proximity to interstate 75 and Hartsfield-Jackson Airport, a hotel and hospitality establishment would be an opportunity to analyze further**

Southlake Mall Trade Area Opportunities	Opportunity Gap
Pharmacies and Drug Stores	\$242,354,238
Sporting Goods, Hobby, Musical Stores	\$60,099,601
Clothing Stores	\$42,565,047
Furniture, Home Furnishing Stores	\$40,010,040
Household Appliances	\$8,945,956
Lawn, Garden Equipment, Supplies Stores	\$6,107,495
Used Merchandise	\$6,032,133

City of Morrow Focused Trade Areas	Opportunity Gap
Grocery Stores	\$38,294,140
Pharmacies and Drug Stores	\$8,899,477
Gas Stations	\$8,128,328
Lawn, Garden Equipment, Supplies Stores	\$4,582,119
Convenience Stores	\$970,914
Used Merchandise	\$635,371
Other Health and Personal Care Stores	\$1,346,729

Executive Summary

Market Overview



Advantages

- Morrow has been a major commercial center south of Atlanta
- Close proximity to Interstate 75
- 13.6 miles to Hartsfield-Jackson International Airport
- Home of Clayton State University – 6,900 Students
- Mt Zion Road and Jonesboro Road traffic count – 56,000

Challenges

- Perceived lack of political stability
- High foreclosure rate – 9.9% (Clayton County)
- Lack of strong positive brand
- High unemployment – 11.2%
- Perceived crime rate
- Perceived weak educational system

Potential Economic Opportunities

- Retail Categories identified in the gap analysis
 - Pharmacies, Lawn and Garden, Used Merchandise, Clothing Stores
- Hotel Establishment
- Medical Facilities
- Student Housing
- Clayton State University

Next Steps

- Work collaboratively with the local economic development departments south of the airport to develop a community improvement district
- Work proactively with the local media to project a positive image of the City of Morrow
- Participate in the Urban Land Institute, ICSC, NAIOP, and partner with Clayton State University

Executive Summary

Property Recommendations



Property	Potential Use	Advantages	Constraints	Next Steps
Southlake Mall	<ul style="list-style-type: none"> Find large retailer to occupy space. Department Store or Sporting Goods 	<ul style="list-style-type: none"> Regional Mall Close proximity to Clayton State 	<ul style="list-style-type: none"> GGP Refinance 	HOLD
Executive Center	<ul style="list-style-type: none"> Continue to lease out space to small retailers or professional services Find healthcare tenant to redevelop space into medical facility 	<ul style="list-style-type: none"> Small offices for professional services 	<ul style="list-style-type: none"> Multi-Use Space 	Put Property on Market
Former Gas Station Lot	<ul style="list-style-type: none"> Sell property and develop into a commercial use establishment 	<ul style="list-style-type: none"> Great proximity to Interstate 75 Ready to develop 	<ul style="list-style-type: none"> None 	Property on Market
Retail Strip Center	<ul style="list-style-type: none"> Continue to lease out space and sell to local investor 	<ul style="list-style-type: none"> Low upkeep Consistently occupied 	<ul style="list-style-type: none"> None 	Property on Market
Auto Center	<ul style="list-style-type: none"> Continue to lease out space and sell to local investor City of Morrow take over and use for fleet services 	<ul style="list-style-type: none"> Minimal upkeep Good frontage on Jonesboro Road 	<ul style="list-style-type: none"> None 	Property on Market
Parcel Next to Mall	<ul style="list-style-type: none"> Sell and develop a bank or fast food restaurant 	<ul style="list-style-type: none"> Proximity to the Southlake Mall 	<ul style="list-style-type: none"> None 	Property on Market
Old Towne Morrow	<ul style="list-style-type: none"> Sell land and infrastructure 	<ul style="list-style-type: none"> Frontage to Interstate-75 	<ul style="list-style-type: none"> GGP Refinance 	HOLD

Executive Summary

Next Steps



Next Steps/Action Items

- Pursue further analysis of a hotel feasibility study
- Actively market and sell the properties
- Work collaboratively with the local economic development departments south of the airport to develop a community improvement district
- Work proactively with the local media to project a positive image of the City of Morrow
- Participate in the urban land institute, ICSC, NAIOP, and partner with Clayton State University