Retail Market Demand and Opportunity Analysis in Downtown Huntsville

Prepared for Downtown Huntsville, Inc. | Huntsville, AL | April 3, 2017

Contents

Objectives

The downtown Huntsville retail market is already quite vibrant and diverse -- including a downtown supermarket, which is unusual for a market of this size – spurred largely by thoughtful planning, and the compelling demographics of the in-town neighborhoods. In light of this, Downtown Huntsville, Inc. engaged RCLCO to provide market analysis to quantify how much additional retail, and of what type, downtown can support, and to explore quantitatively the current and likely supply/demand conditions driving the performance of the Huntsville CBD retail market.

The key questions investigated in this report are:

- Prepare a demographic analysis of downtown, highlight in particular the compelling and evolving spending potential of this market area.
- Complete a supply overview, including an assessment of the mix, character and performance of the existing retail space in the downtown.
- Model the market demand potential, estimating how much spending could be captured in Downtown if the retail program was in place to actualize it, both today and in five years.
- Complete a retail leakage analysis, demonstrating the potential spending, by retail category, that might be captured downtown, but today is being captured in another sub-market.
- Prepare a supply/demand reconciliation and foreword outlook, including:
  - The depth of current unmet and future demand by store type
  - A performance forecast for retail space

Today: 556,000 SF of Downtown Retail Well Balanced

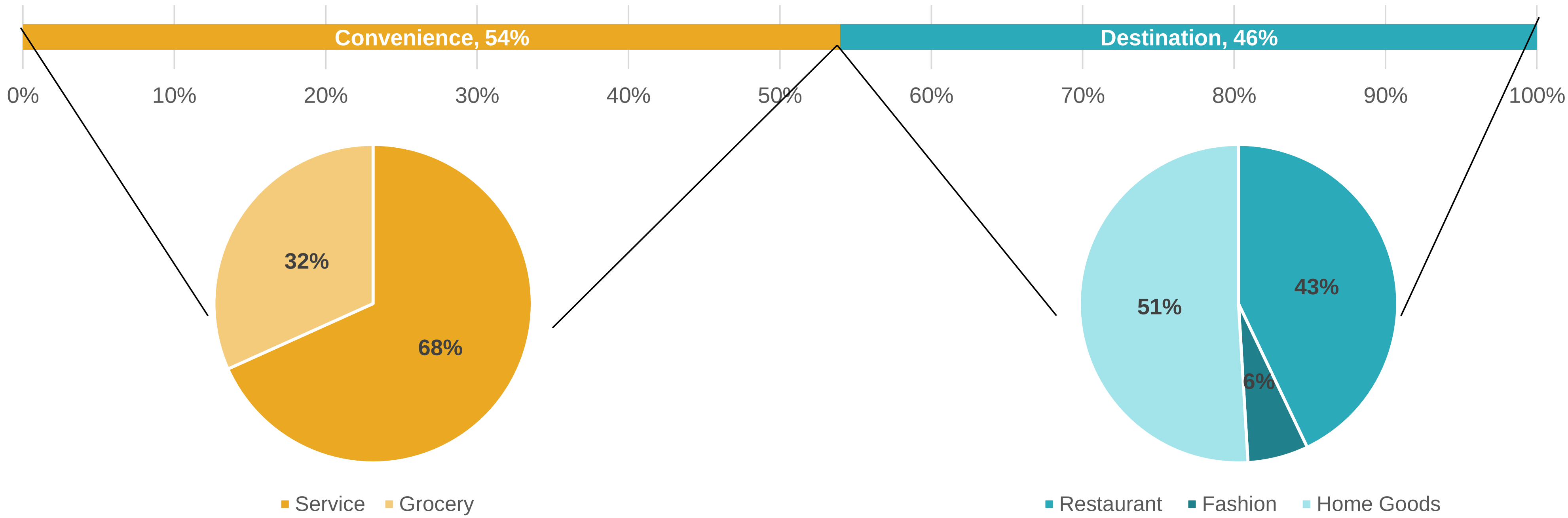
There are approximately 592,000 square feet (SF) of retail space in the Downtown Huntsville CBD.

- The vacancy rate in the CBD is 4.7%, which is below the MSA average of 6.1%
- The majority of the CBD's retail spaces are older and small, with most built before the 1970s and smaller than 10,000 SF.
- Average rental rates in the CBD are $16.50 PSF, which have been effectively flat for the last decade. Recent lease rates for new retail spaces are well above this average, in the $25-$30 NNN range.

The mix of retail in the CBD is 54% Convenience and 46% Destination retail.

- *Convenience* retail is best described as "daily needs" spending, such as grocers, pharmacies, and other businesses that provide intangible services, such as banks, nail salons, fitness studios, and dry cleaners. Convenience retail in the CBD primarily draws from nearby households, both downtown and in surrounding neighborhoods, as well as downtown employees, for whom downtown is the most convenient location to shop.
- *Destination* retail draws primarily on discretionary spending on restaurants and entertainment, fashion and jewelry, and home goods and electronics. Consumers typically are willing to travel further to access these retailers, often making a special trip for specific brands or shopping experiences.

Breakdown of Existing Retail by Category
Huntsville CBD, 2017



Source: CoStar; RCLCO

Downtown competes with other destination retail in east Huntsville

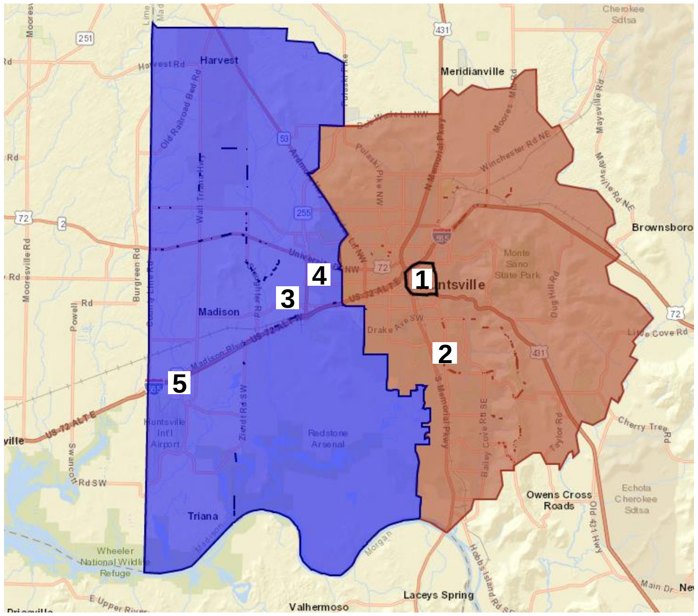
Huntsville has two distinct trade areas for destination retail, which roughly split along the eastern edge of the Redstone Arsenal.

- Outside of specialty brands or unique experiences which may only be available in one location in the broader market, the majority of retail demand that originates within a trade area is likely to result in spending within that trade area if those goods are available.
- Downtown Huntsville primarily competes with other destination retail locations in east Huntsville, its primary trade area (PTA), shown in red, which also includes Parkway Place Center, to capture this spending.
- In west Huntsville, Bridge Street Town Center, Mid-City (under construction), and Town Madison (proposed) are the primary locations competing for destination retail spending.

Shopping centers or locations focused on destination retail typically offer one or more of the following concentrations:

1. Restaurants and entertainment
2. Fashion/soft goods
3. Furniture, home goods, and electronics
4. Big box tenants

Map of Huntsville Trade Areas



Key

- East Huntsville PTA
- West Huntsville PTA
- **1** Huntsville CBD
- **2** Parkway Place Center
- **3** Bridge Street Town Center
- **4** Mid-City Center (Under Construction)
- **5** Town Madison (Proposed)

EXISTING RETAILERS BY TYPE	HUNTSVILLE CBD SF	HUNTSVILLE CBD %	PARKWAY PLACE CENTER SF	PARKWAY PLACE CENTER %	BRIDGE STREET TOWN CENTER SF	BRIDGE STREET TOWN CENTER %
Convenience						
Grocery & Drug	95,000	17%	0	0%	0	0%
Services	205,000	37%	20,000	3%	5,000	1%
Destination						
Restaurant and Entertainment	110,000	20%	25,000	4%	128,000	15%
Fashion/Soft Goods	16,000	3%	545,000	85%	536,000	65%
Home Goods, Furniture, Electronics	130,000	23%	53,000	8%	157,000	19%
TOTAL	**556,000**		**643,000**		**826,000**	

Source: Esri; CoStar; RCLCO

RCLCO

Downtown Retail Demand Driven by Employees and Households in PTA

Five key market segments for downtown retail:

Households within the CBD

Total households: 1,345

62% average capture of relevant spending

While households in the CBD make up the smallest pool of demand, a large share of their retail spending, both convenience and destination, is likely to be captured within downtown. As the downtown residential market grows, these consumers will become increasingly important.

Households within the east Huntsville Primary Trade Area (PTA):

Total households (net CBD): 73,800

16% average capture of relevant spending

Excludes households within the CBD, in area shown on previous page. This is the largest pool of demand for retail in the CBD. These households are responsible for both convenience and destinations spending.

Households within Madison County

Total households (net PTA and CBD): 70,600

2% average capture of relevant spending

Excludes those already counted in above groups. These households will only go downtown for destination retail purchases or special experiences that aren't available in their local trade area.

Employees within the CBD

Total Employees: 20,800

69% average capture of spending in and around work

Employees primarily spend on meals, convenience, and services. A higher percentage of their spending on restaurants for lunch and dinner will be captured in the CBD, compared to other fashion and home goods.

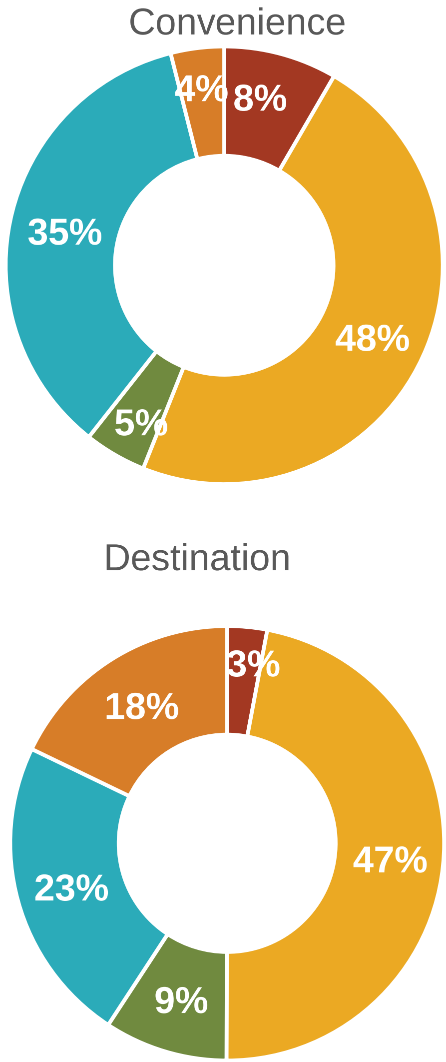
Tourists / Visitors to the CBD

Estimate: 948,000[1]

25% average capture of relevant retail spending while in Madison County

Visitors primarily spend on discretionary items such as restaurants, entertainment, and specialty items.

Sources of Retail Demand by Market Segment
Huntsville CBD, 2017



[1] RCLCO assumed that 1/3 of all visitors to Madison County will go to the CBD at some point during

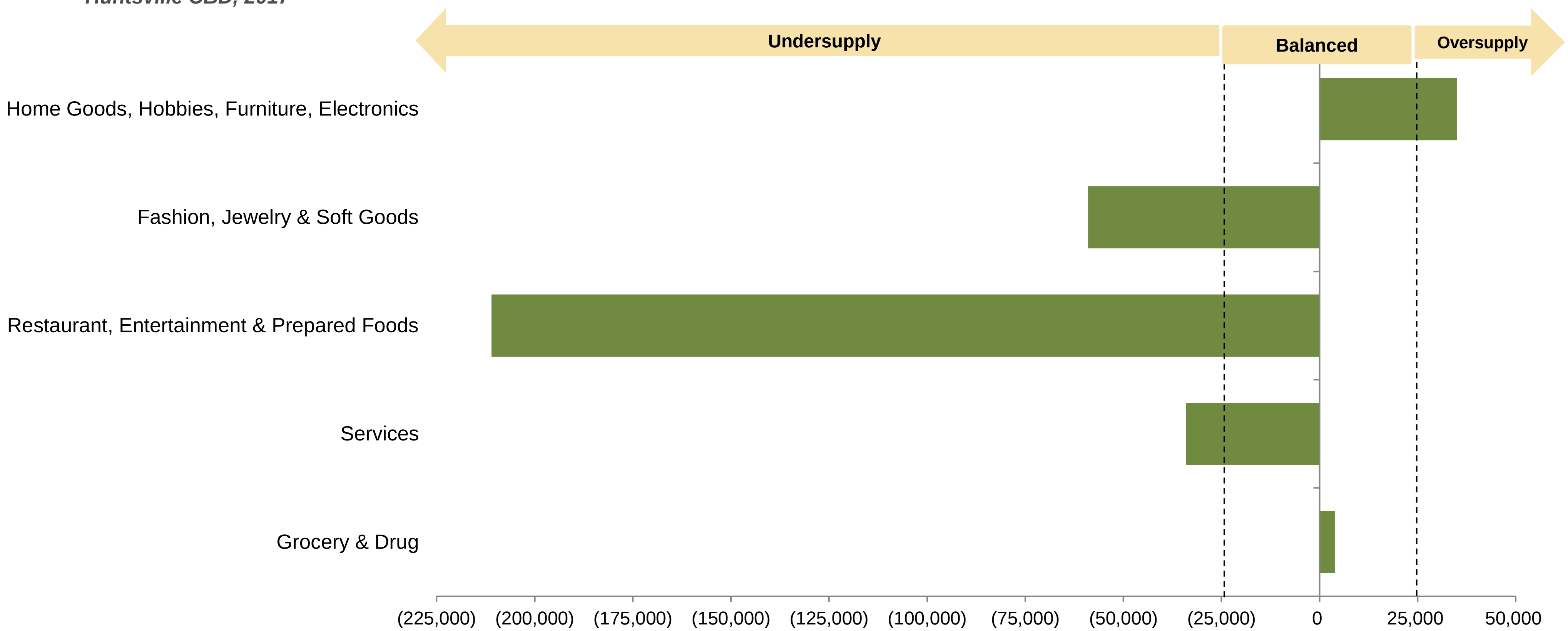
Source: Esri; RCLCO

Leakage Analysis Suggests Balanced Market, with Additional Restaurant, Fashion and Services Potential Today

A comparison of the structural demand for retail spending in the CBD from all sources of demand shows a significant unmet demand for restaurant, entertainment and prepared food retailers today. These estimates utilize tax records to determine level of households spending by category and account for the growing share of spending occurring online in each category.

This is well-aligned with the competitive positioning available to downtown Huntsville within its primary trade area and is similar to many other small southern cities that have developed strong downtown retail markets, such as Greenville, SC.

Leakage Analysis
Huntsville CBD, 2017



Source: CoStar; Esri, RCLCO

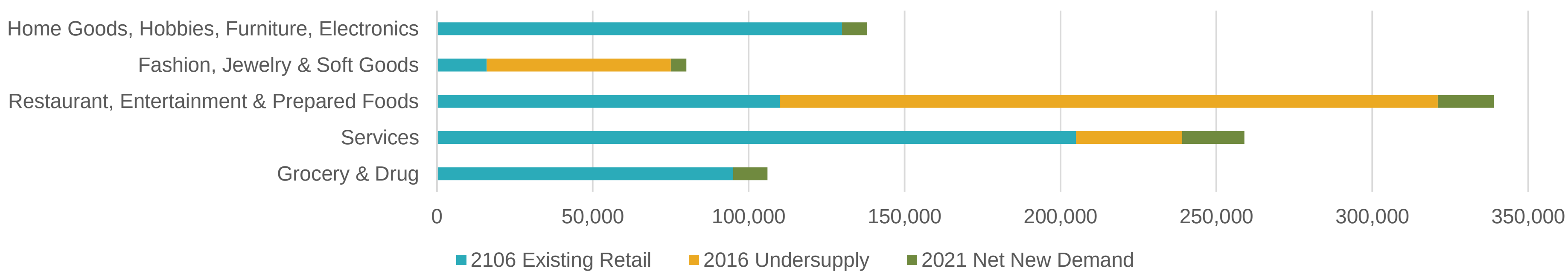
275,000 to 325,000 SF of New Retail Supportable by 2021

New spending from growth in each customer segment support an additional 275,000 - 325,000 SF of retail over the next five years. 215,000 to 265,000 SF of new retail would be realized based on re-capturing existing retail leakage, plus an additional 60,000 of new demand from household and employment growth.

- Even with the delivery of all of the retail projects in the pipeline, about 70,000 SF under construction and an additional 63,000 SF proposed, there will still be structural demand for retail downtown.
- In addition to restaurants, more fashion and services is imminently supportable.

Source of Additional Spending	Share of New Retail Potential by 2021
1. Recapture of Existing Leakage	75-80%
2. Household Growth Downtown	5-10%
3. Increased Capture of Regional Spending	6%
4. Growth in Employee and Visitor Spending	4%

Demand for New Retail Over Next 5 Years, Including Undersupply
Huntsville CBD, 2017-2021



	TOTAL SF	%	TOTAL SF	%	TOTAL SF	TOTAL SF	%	TOTAL SF	%
Convenience									
Grocery & Drug	91,000	11%	95,000	17%	4,000	11,000	18%	(7,000)	2%
Services	239,000	29%	205,000	37%	(34,000)	20,000	32%	(54,000)	17%
Destination									
Restaurant, Entertainment & Prepared Foods	321,000	39%	110,000	20%	(211,000)	18,000	29%	(229,000)	70%
Fashion, Jewelry & Soft Goods	75,000	9%	16,000	3%	(59,000)	5,000	8%	(64,000)	20%
Home Goods, Hobbies, Furniture, Electronics	95,000	12%	130,000	23%	35,000	8,000	13%	27,000	0%
TOTAL	**821,000**		**556,000**		**(265,000)**	**62,000**		**(327,000)**	

Note: RCLCO estimate of new retail realized based on existing undersupply assumes that 75-100% of this leakage could be captured as new retail space.
Source: CoStar; Esril RCLCO

Critical Assumptions

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they stand the test of time.

We assume that the economy and real estate markets are close to bottoming out for the current cycle, and that they will grow at a stable and moderate rate starting in 2012, more or less in a straight line on average for the duration of the analysis period (to 2020 and beyond). However, history tells us that stable and moderate growth patterns are not sustainable over extended periods of time, and that the economy is cyclical and that the real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when the current economic and real estate downturns will end, and what will be the shape and pace of growth once they are recovered.

With the above in mind, we assume that the long term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not take into account the potential impact of future economic shocks on the national and/or local economy, and does not necessarily account for the potential benefits from major "booms," if and when they occur. Similarly, the analysis does not necessarily reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.
For all the reasons outlined, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that once the current cycle is over, the following will occur in accordance with current expectations:

- Economic, employment, and household growth.
- Other forecasts of trends and demographic and economic patterns, including consumer confidence levels.
- The cost of development and construction.
- Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth).
- The availability and cost of capital and mortgage financing for real estate developers, owners and buyers, at levels present in the market before the most recent run up (i.e., early 2000s levels).
- Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand.
- Major public works projects occur and are completed as planned.

Should any of the above change, this analysis should probably be updated, with the conclusions reviewed accordingly (and possibly revised).

General Limiting Conditions

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

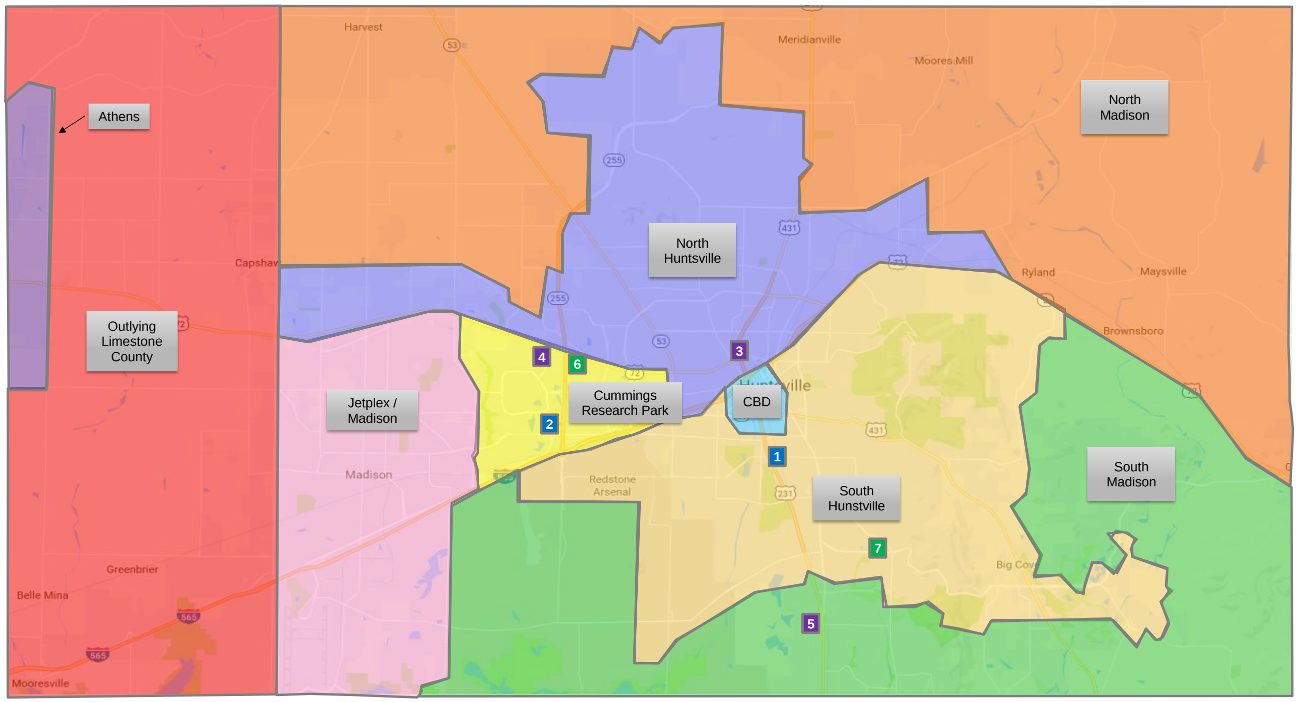
Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.

Appendix: Supporting Exhibits

Exhibit 1

COSTAR-DEFINED RETAIL SUBMARKETS AND TOP PERFORMING CENTERS
HUNTSVILLE, AL MSA
FEBRUARY 2017



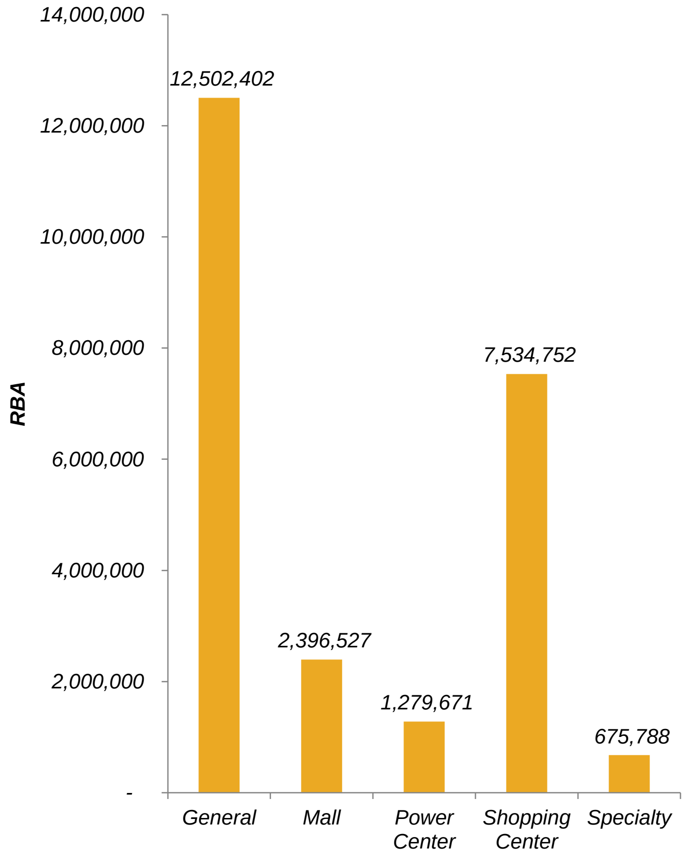
SUBMARKET KEY			
KEY	SUBMARKET	TOTAL RBA	MSA CAPTURE
1	CBD	590,000	2.4%
2	North Huntsville	6,451,000	26.6%
3	South Huntsville	4,977,000	20.5%
4	South Madison Co.	2,528,000	10.4%
5	Jetplex / Madison	2,060,000	8.5%
6	Cummings Research	3,790,000	15.6%
7	North Madison Co	1,329,000	5.5%
8	Outlying Limestone County	638,000	2.6%
9	Athens	1,861,000	7.7%
TOTAL		**24,224,000**	

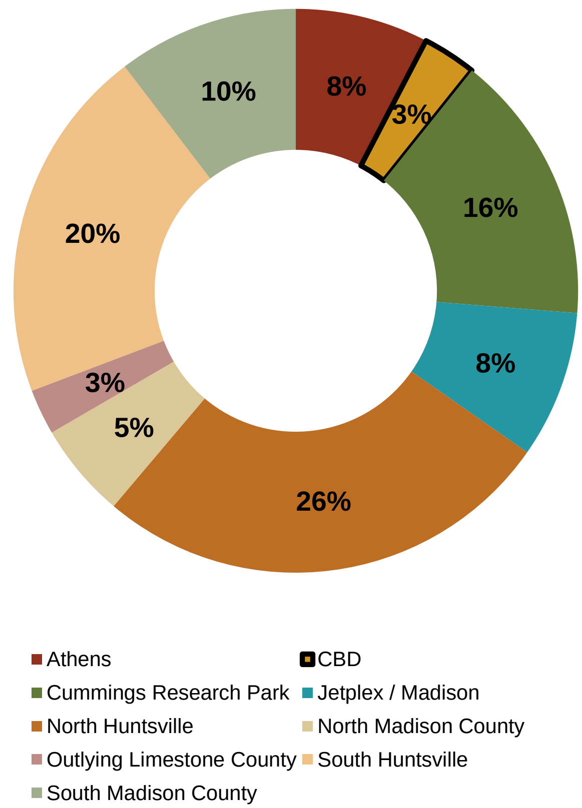
SIGNIFICANT[1] SHOPPING CENTERS							
KEY	NAME	TYPE	YR BUILT (REN.)	TOTAL GLA	OCCUPANCY	AVG. RENT	ANCHOR TENANT
1	Parkway Place	Regional Mall	1957 (2002)	643,000	100.0%	-	Belk, Dillard's, Potter Barn, Williams Sonoma
2	Bridge Street Town Center	Regional Mall	2007	851,000	98.7%	$19-$22	Belk, Orvis, H&M, Sephora, Apple
3	The Fountain	Power Center	1962 (1999)	378,000	91.4%	$16.20	Costco, Staples, Home Depot
4	Westside Center	Power Center	2001	650,600	88.5%	-	Target, Petsmart, Big Lots, HH Gregg
5	South Huntsville Square	Power Center	1965 (1989)	250,800	1000.0%	$18.00	Staples, Home Depot
6	University Place	Community Center	1989	255,600	97.6%	$18.60	Hobby Lobby, Walmart, Sprouts
7	Valley Bend at Jones Farm	Community Center	2001	675,700	100.0%	-	Target, Bed Bath & Beyond, Ross, Marshalls

[1] Shopping centers of 250,000 SF or more
SOURCE: CoStar

Exhibit 2

RENTABLE BUILDING AREA BY RETAIL TYPE
HUNTSVILLE, AL MSA
FEBRUARY 2017

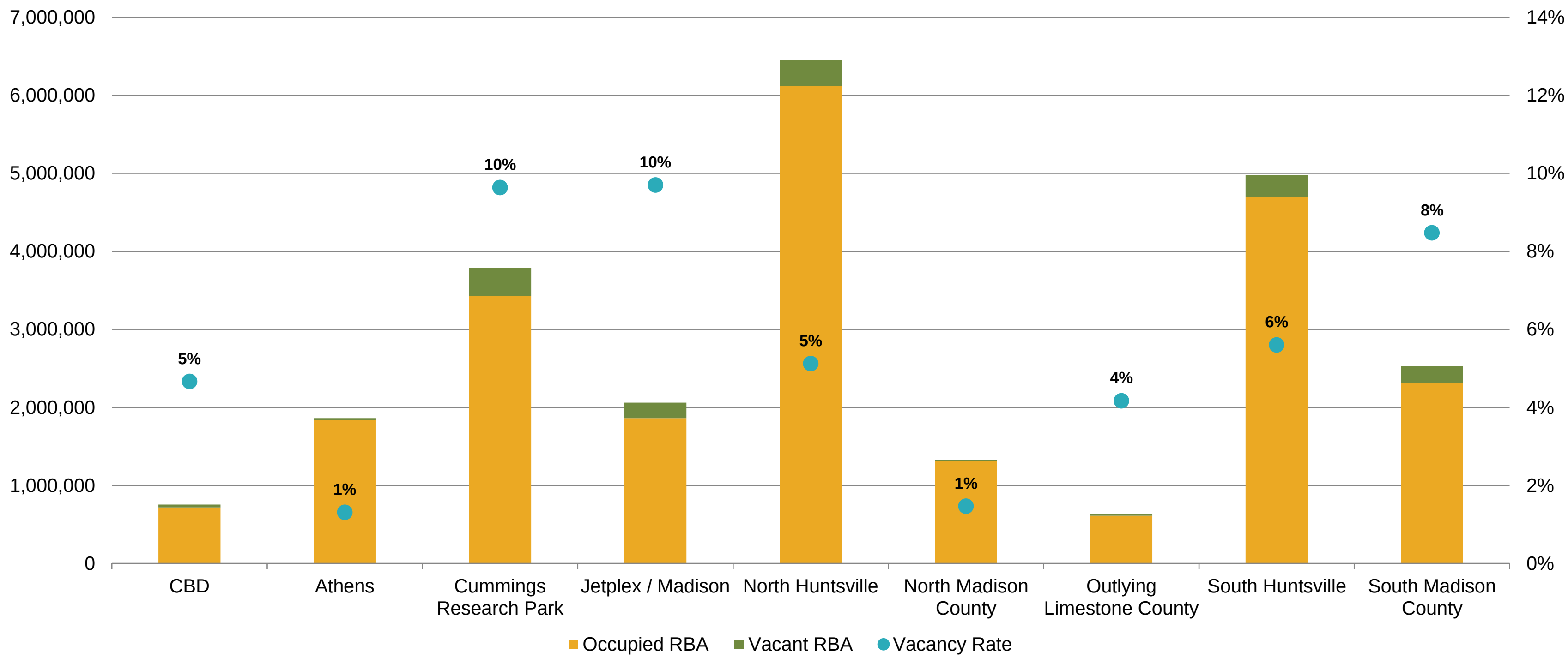




SOURCE: CoStar

Exhibit 3

RETAIL RENTABLE BUILDING AREA AND VACANCY BY SUBMARKET
HUNTSVILLE, AL
Q1 2017

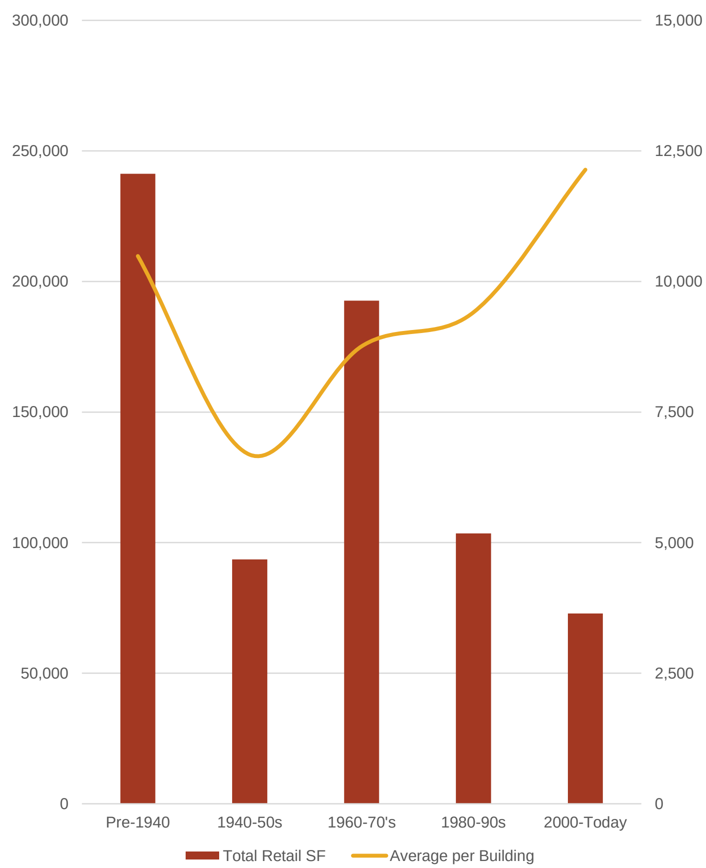


	CBD	Athens	Cummings Research Park	Jetplex / Madison	North Huntsville	North Madison County	Outlying Limestone County	South Huntsville	South Madison County
Vacant RBA	35,140	24,284	365,127	199,730	330,433	19,439	26,598	278,732	214,121
Occupied RBA	718,666	1,836,885	3,425,212	1,860,528	6,120,731	1,309,782	611,696	4,698,421	2,313,615
Total RBA	753,806	1,861,169	3,790,339	2,060,258	6,451,164	1,329,221	638,294	4,977,153	2,527,736
Vacancy Rate	5%	1%	10%	10%	5%	1%	4%	6%	8%

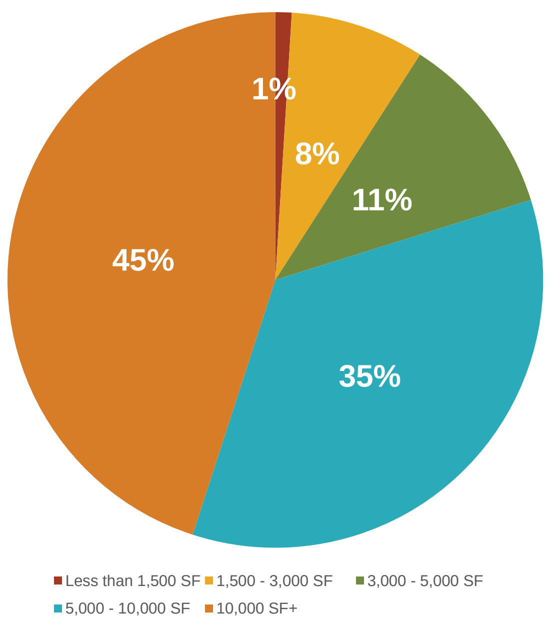
SOURCE: CoStar

Exhibit 4

TOTAL RETAIL SQUARE FOOTAGE BY BUILDING AGE & SIZE OF SPACE
HUNTVILLE CBD SUBMARKET
FEBRUARY 2017



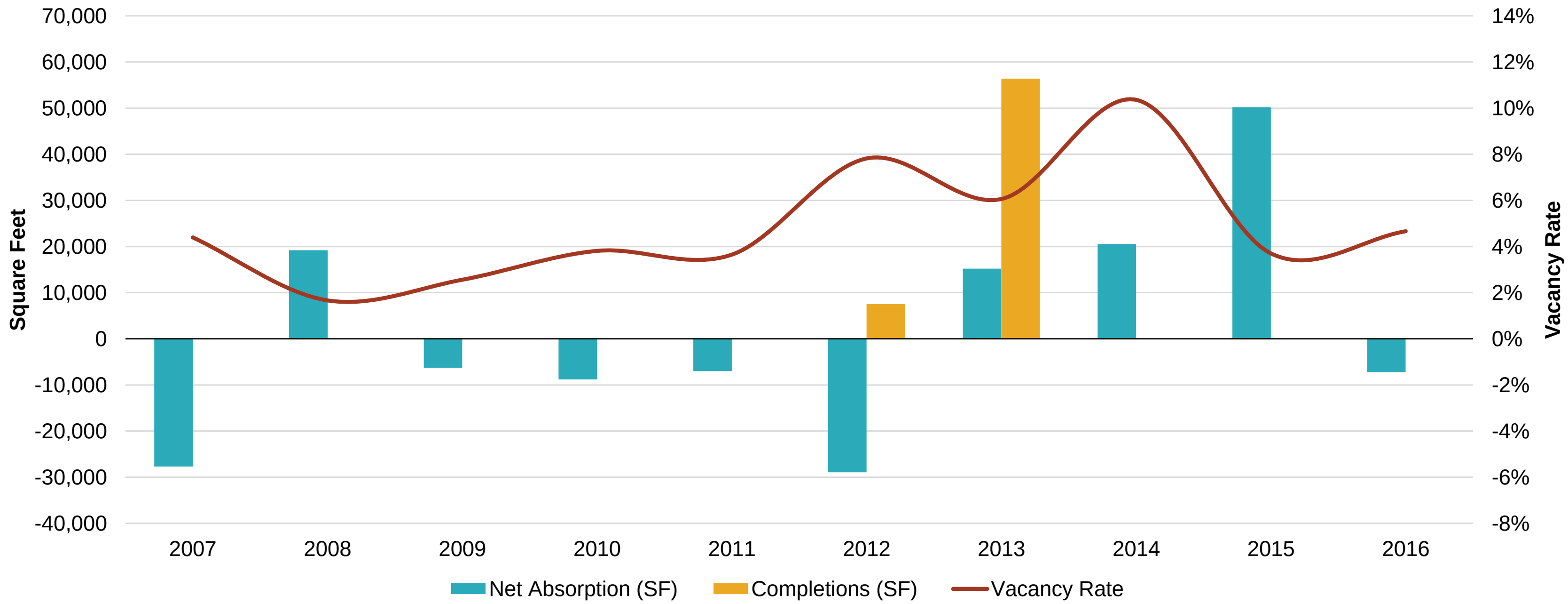
RETAIL SPACE BY SIZE	NUMBER OF SPACES	TOTAL SF
Less than 1,500 SF	21	6,208
1,500 - 3,000 SF	22	51,252
3,000 - 5,000 SF	17	70,051
5,000 - 10,000 SF	30	220,186
10,000 SF+	15	284,505
TOTAL	**105**	**632,202**



SOURCE: CoStar, RCLCO

Exhibit 5

RETAIL MARKET STATISTICS
CBD HUNTSVILLE SUBMARKET
2007 - 2016

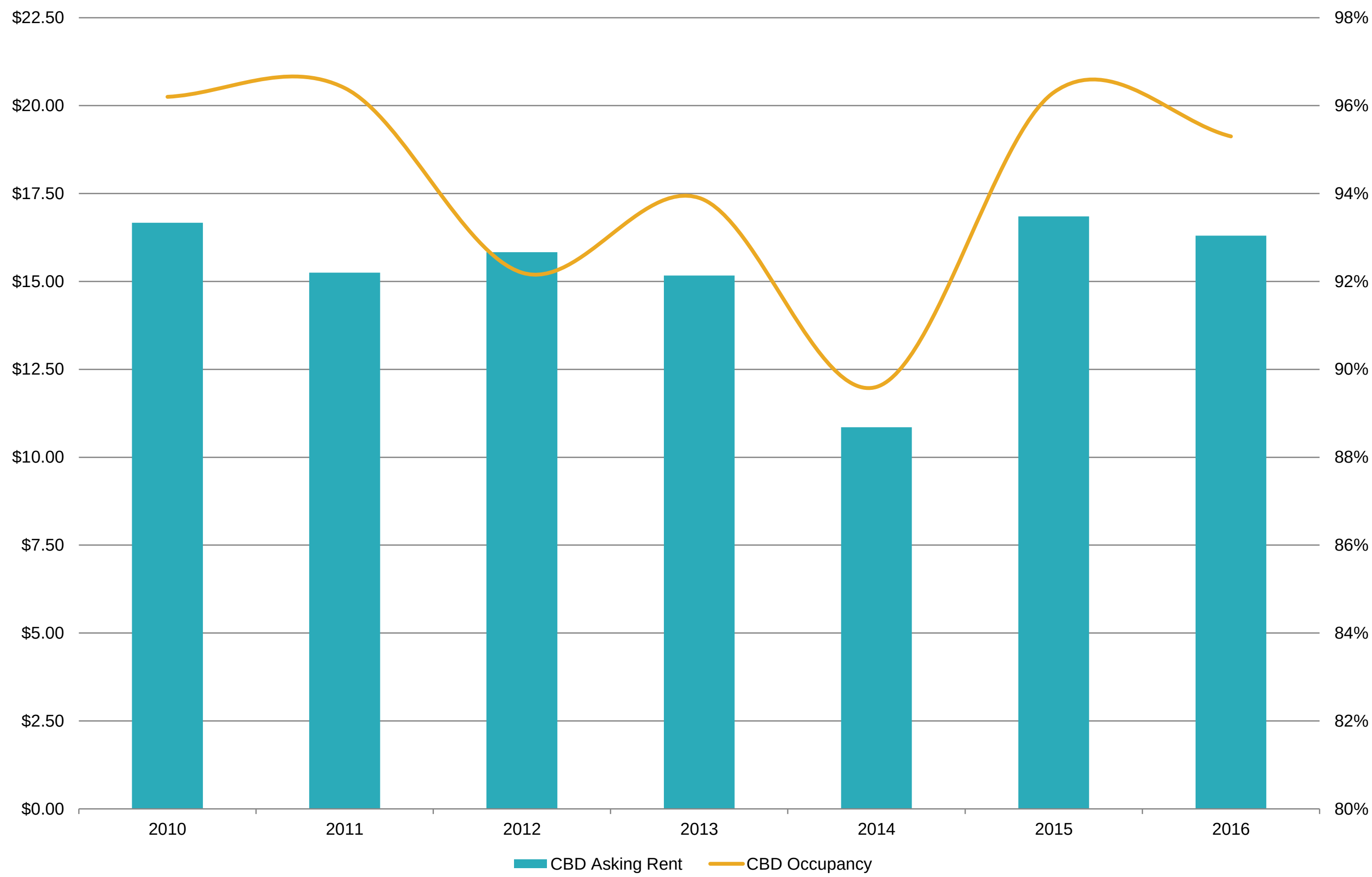


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Retail Inventory	702,691	702,691	702,691	702,691	694,225	694,225	697,438	753,806	753,806	753,806
Occupied SF	671,801	691,001	684,701	675,906	668,895	639,945	655,167	675,715	725,911	718,666
Completions (SF)	0	0	0	0	0	7,500	56,368	0	0	0
Net Absorption (SF)	(27,690)	19,200	(6,300)	(8,795)	(7,011)	(28,950)	15,222	20,548	50,196	(7,245)
Vacancy Rate	4.4%	1.7%	2.6%	3.8%	3.6%	7.8%	6.1%	10.4%	3.7%	4.7%

SOURCE: CoStar

Exhibit 6

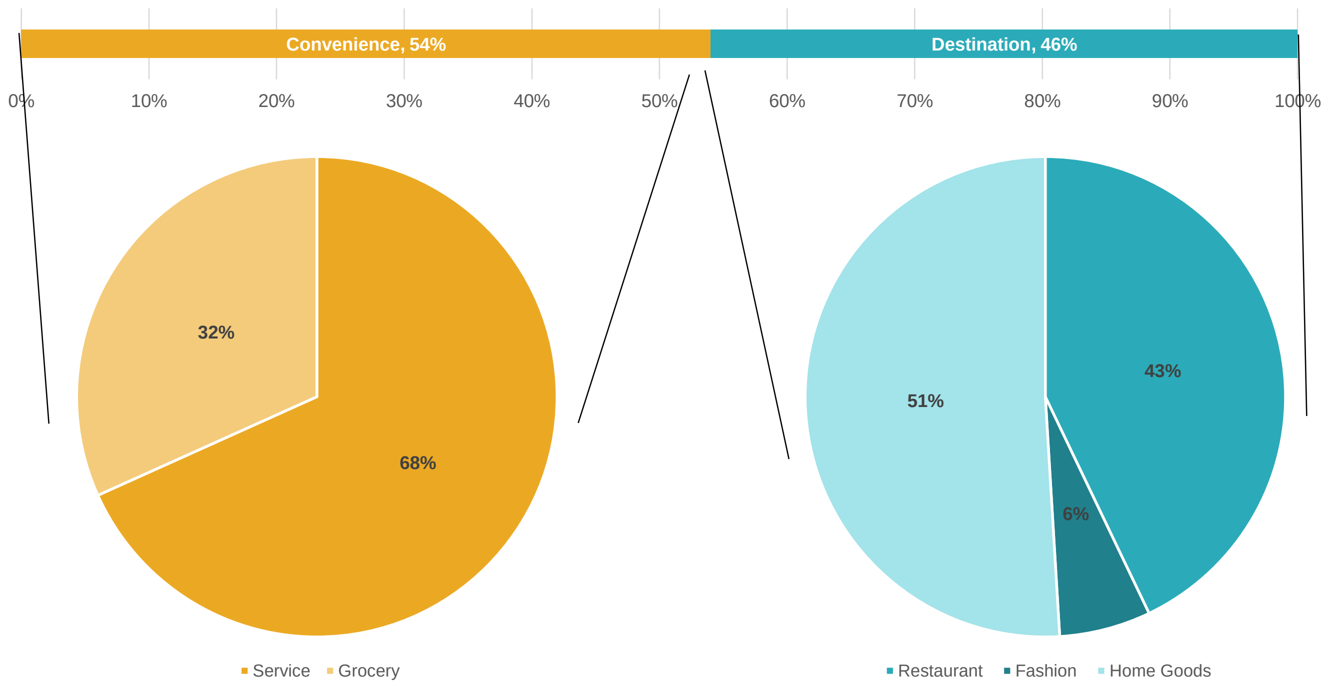
RETAIL HISTORICAL AVERAGE ASKING RENT AND OCCUPANCY
HUNTVILLE CBD SUBMARKET
2010 - 2016



NOTE: Rents for new retail spaces range from $25 - $30 PSF NNN
SOURCE: CoStar; RCLCO

Exhibit 7

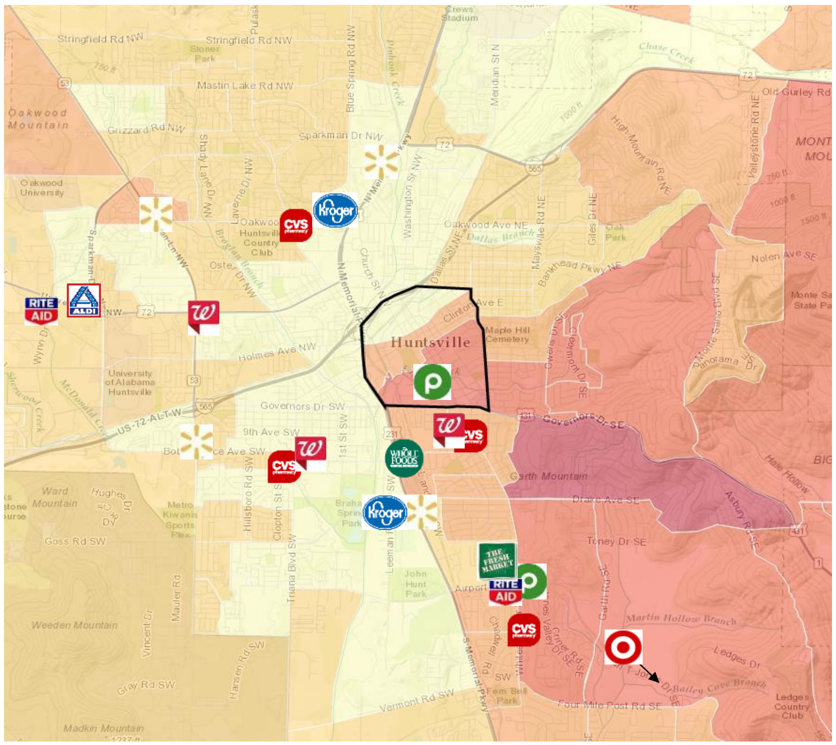
DISTRIBUTION OF RETAIL SPACES BY USE
HUNTVILLE CBD SUBMARKET
FEBRUARY 2017

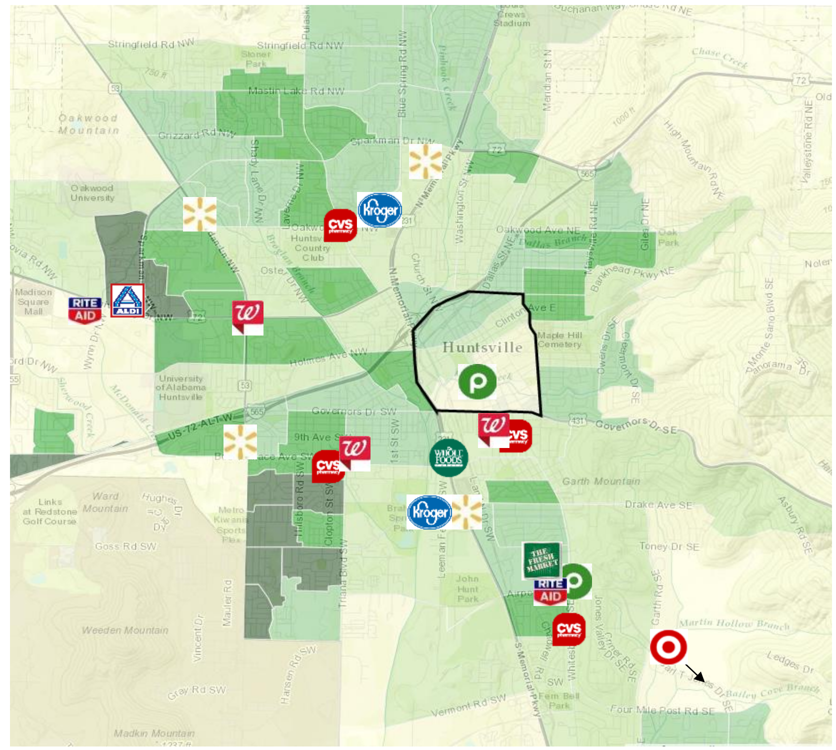


Note: Of 754,000 SF of spaces identified as retail space in Costar, about 90,000 SF is occupied by professional or small office users. Approximately 645,000 SF of these spaces are occupied by retail users, with the tenant breakdown shown above.
SOURCE: CoStar, RCLCO

Exhibit 8

HOUSEHOLD INCOMES AND POPULATION DENSITY WITH LOCATION OF GROCERY AND PHARMACY TENANTS
HUNTSVILLE, AL
FEBRUARY 2017





KEY

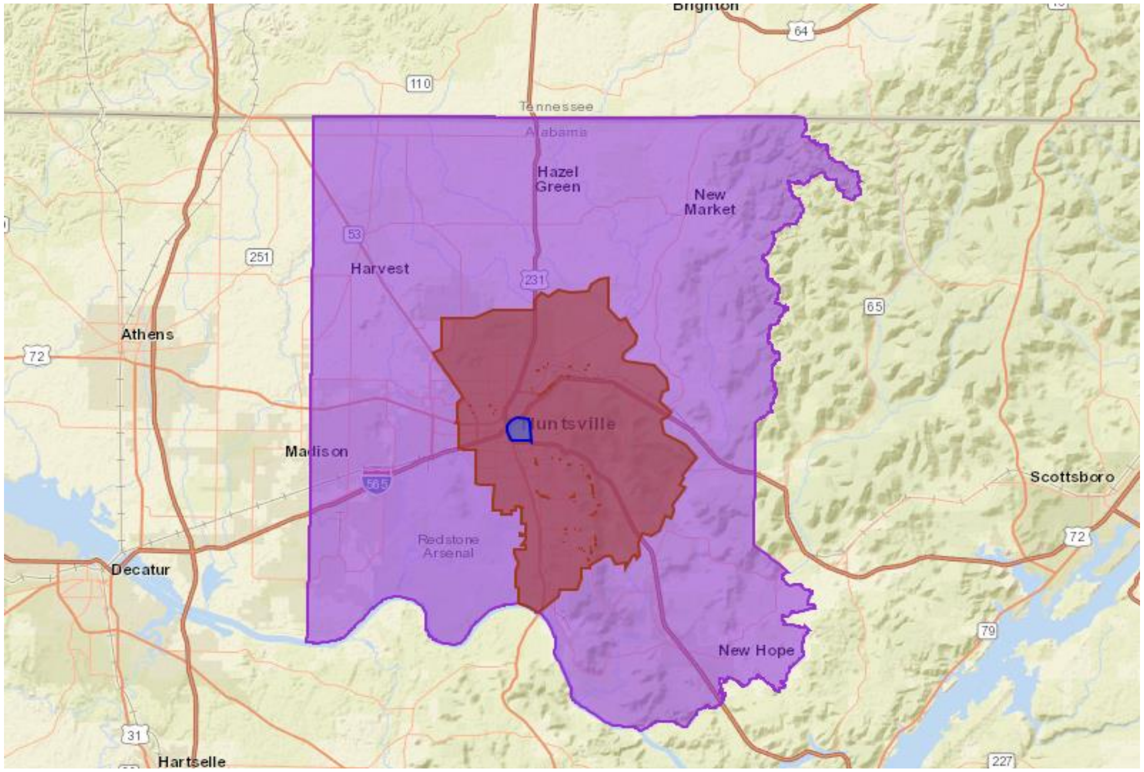
Median HH Income	Population Density (Pop. Per SM)
\$10,500 - \$31,000	32 - 1,040
\$31,000 - \$52,000	1,040 - 2,130
\$52,000 - \$83,000	2,130 - 3,130
\$83,000 - \$122,000	3,130 - 4,900
\$122,000 - \$163,000	4,900 - 6,580

= Huntsville CBD

SOURCE: Google Maps, Esri, RCLCO

Exhibit 9

HUNTSVILLE CBD; PRIMARY TRADE AREA; MADISON COUNTY, AL (SECONDARY TRADE AREA)
RETAIL DEMAND TRADE AREAS
FEBURARY 2017



Year	HUNTSVILLE CBD HOUSEHOLDS	PTA HOUSEHOLDS	OTHER MADISON COUNTY
2016	1,346	73,508	70,585
2021	2,226	76,139	75,090
		*Excludes CBD	**Excludes CBD + PTA

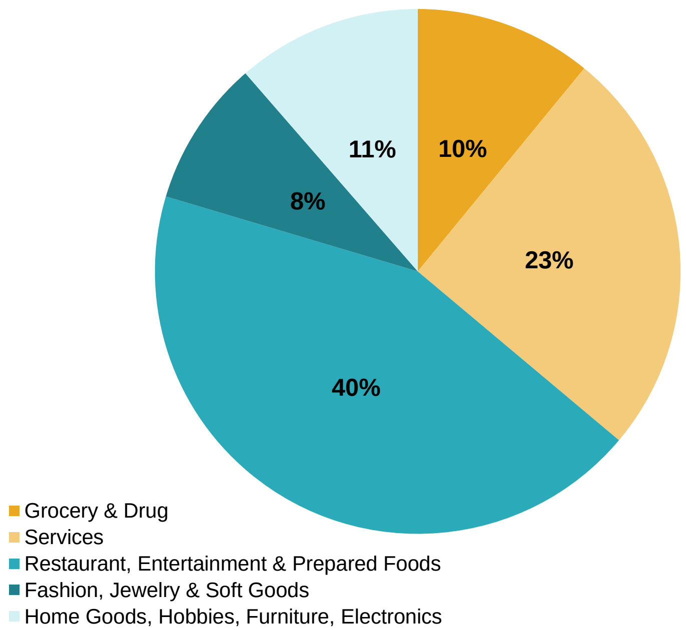
SOURCE: Esri

Exhibit 9
E4-13916.00
Printed: 4/3/2017

Exhibit 10

ESTIMATED RETAIL DEMAND BY TYPE OF RETAIL
HUNTSVILLE CBD
2016

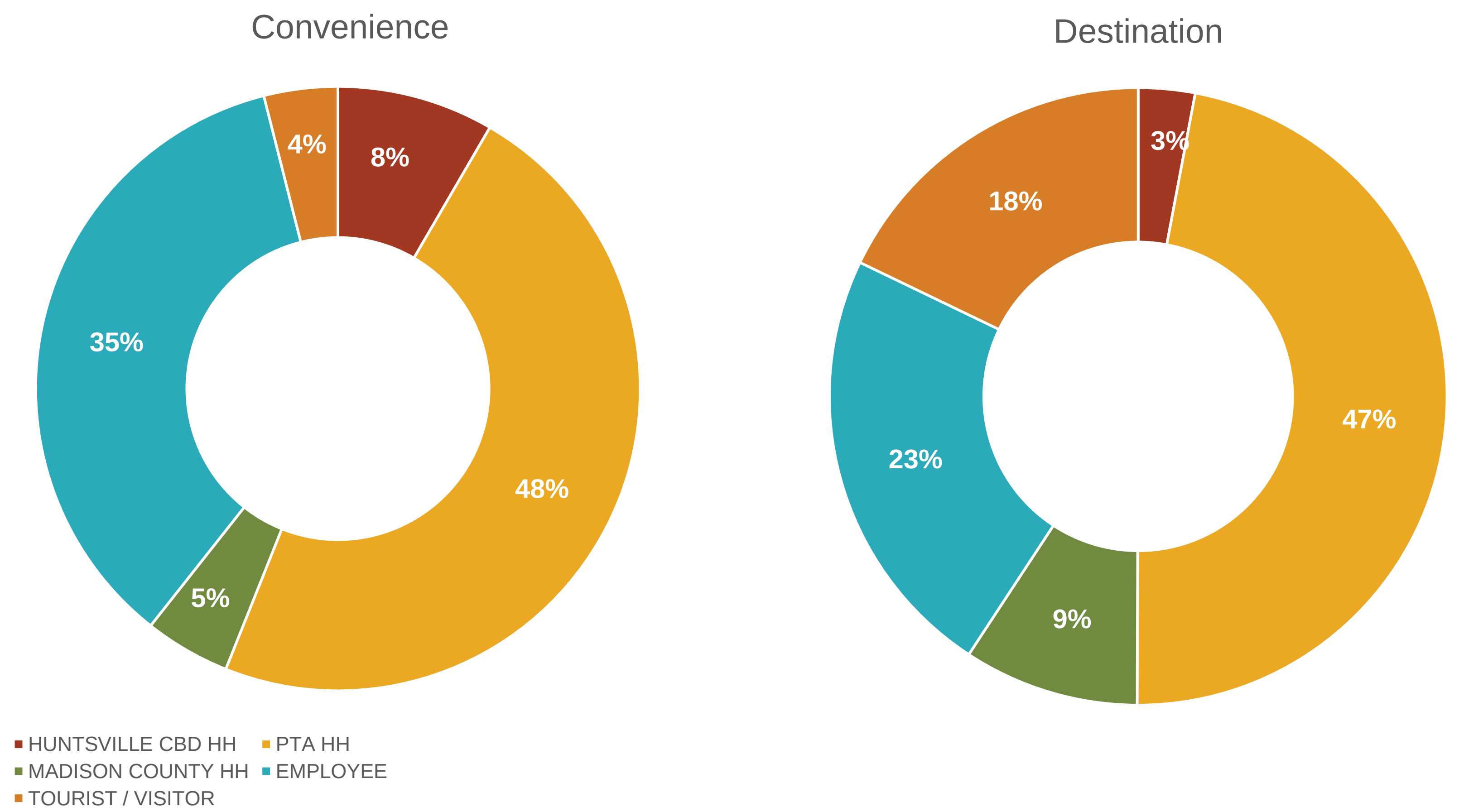
RETAIL DEMAND	SPENDING	SQUARE FEET
Convenience		
Grocery & Drug	$36,307,000	91,000
Services	$83,801,000	239,000
Subtotal	**$120,108,000**	**330,000**
Destination		
Restaurant, Entertainment & Prepared Foods	$144,598,000	321,000
Fashion, Jewelry & Soft Goods	$29,952,000	75,000
Home Goods, Hobbies, Furniture, Electronics	$37,845,000	95,000
Subtotal	**$212,395,000**	**491,000**
TOTAL RETAIL DEMAND	**$332,503,000**	**821,000**



SOURCE: Esri, RCLCO

Exhibit 11

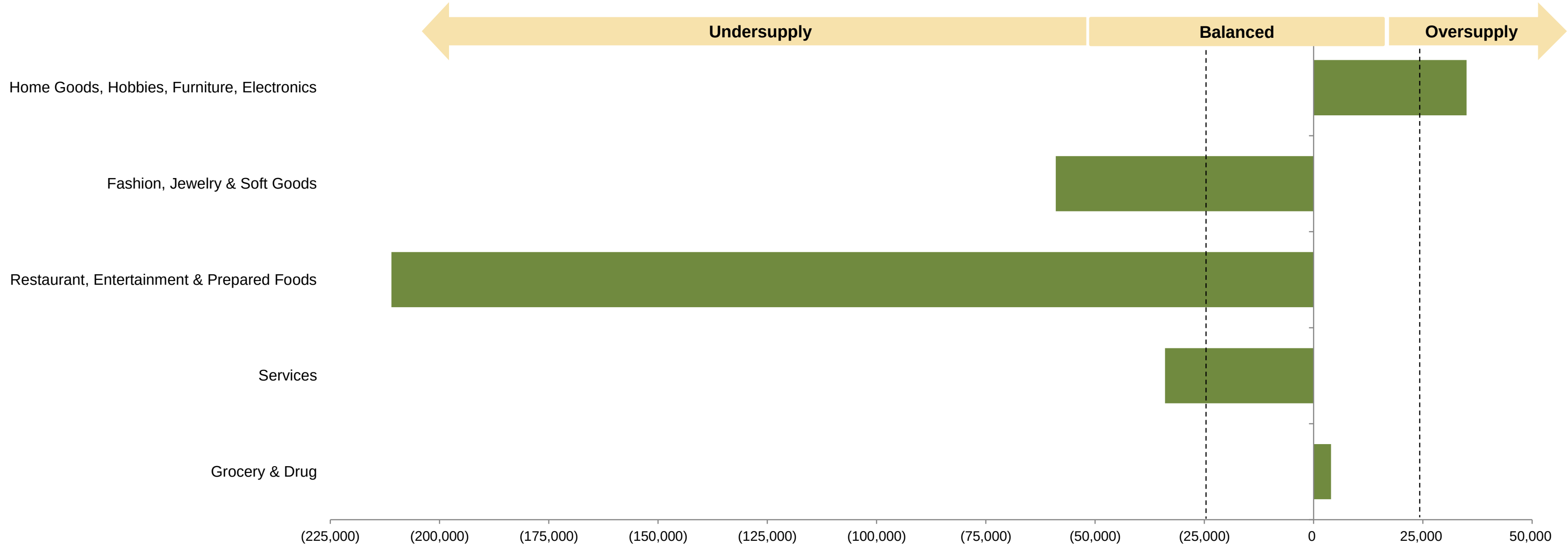
RETAIL DEMAND BY CONSUMER MARKET
HUNTSVILLE CBD
2016



SOURCE: Esri, RCLCO

Exhibit 12

DISTRIBUTION OF OCCUPIED RETAIL SPACES BY USE
HUNTVILLE CBD SUBMARKET
2016



RETAIL BY TYPE	DEMAND FOR RETAIL IN CBD			EXISTING RETAIL IN CBD			OVER / UNDERSUPPLY	
	TOTAL SPENDING	%	TOTAL SF	EST. SPENDING	%	TOTAL SF	TOTAL SPENDING	TOTAL SF
Convenience								
Grocery & Drug	$36,307,137	11%	91,000	$38,000,000	11%	95,000	$1,692,863	4,000
Services	$83,801,238	25%	239,000	$71,750,000	22%	205,000	($12,051,238)	(34,000)
Destination								
Restaurant, Entertainment & Prepared Foods	$144,597,649	43%	321,000	$49,500,000	15%	110,000	($95,097,649)	(211,000)
Fashion, Jewelry & Soft Goods	$29,951,917	9%	75,000	$6,400,000	2%	16,000	($23,551,917)	(59,000)
Home Goods, Hobbies, Furniture, Electronics	$37,845,445	11%	95,000	$52,000,000	16%	130,000	$14,154,555	35,000
TOTAL	**$332,503,386**		**821,000**	**$217,650,000**		**556,000**	**($114,853,386)**	**(265,000)**

[1] Services are defined as retailers that provide intangible services such as banks, realtors gyms, dry cleaning, nail salons, etc.

SOURCE: CoStar, RCLCO

Exhibit 13

NUMBER OF HOUSEHOLDS REQUIRED TO SUPPORT RETAIL BY TYPE
DOWNTOWN HUNTSVILLE TRADE AREA
FEBRUARY 2017

Store Type	Typical Store Size	Sales per SF Threshold	Total Necessary Sales to Support New Store	Annual Retail Exp. Per HH	Number of Households to Support Store
Grocery	40,000	$400	$16,000,000	$3,021	5,300
Pharmacy	15,000	$400	$6,000,000	$1,129	5,310
Restaurant (Full Service)	4,000	$450	$1,800,000	$1,228	1,470
Restaurant (Quick Serve)	1,500	$450	$675,000	$1,228	550
Boutique Soft Goods	2,500	$400	$1,000,000	$3,448	290
Home Goods	6,000	$350	$2,100,000	$3,796	550

SOURCE: Esri; ICSC Dollars and Cents; ChainLinks Retail Advisors National Retailer Guide

Exhibit 14

RETAIL DEMAND IN CBD BY MARKET SEGMENT
HUNTVILLE CBD SUBMARKET
FEBRUARY 2017

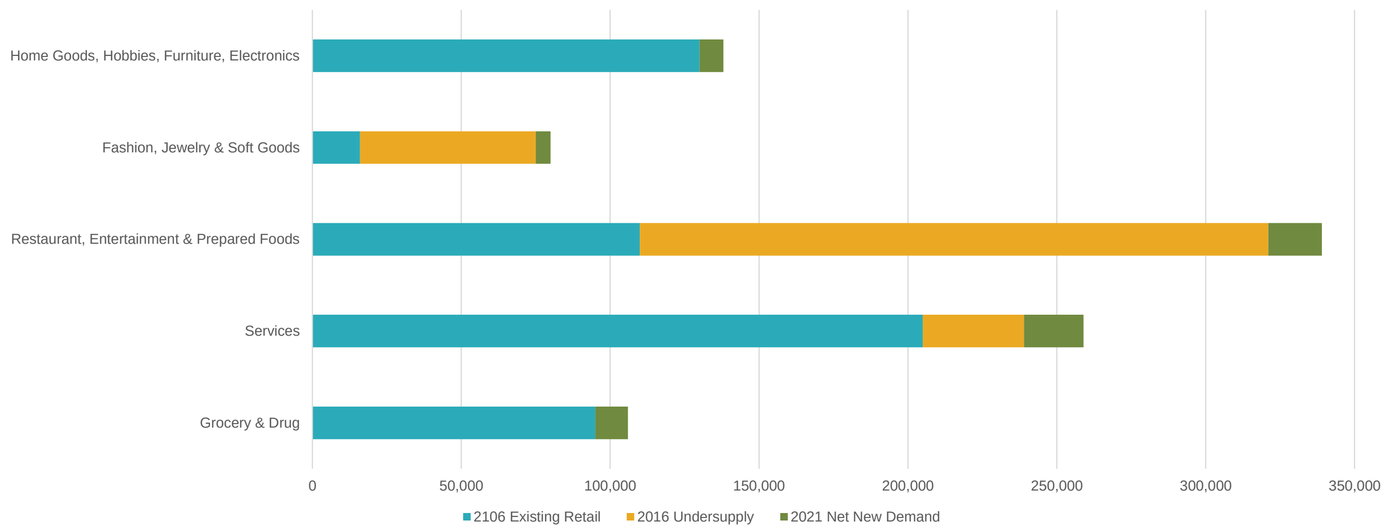
CHARACTERISTICS		HUNTSVILLE CBD		PRIMARY TRADE AREA		MADISON COUNTY		CBD EMPLOYEES		CBD VISITORS / TOURISTS	
Demographics		**2016**	**2021**	**2016**	**2021**	**2016**	**2021**	**2016**	**2021**	**2016**	**2021**
Number of HH / Individuals		1,346	2,226	73,508	76,139	70,585	75,090	20,817	21,858	948,242	996,612
Annual Median Income		$51,009	$60,532	$49,043	$54,453	$58,306	$65,676	N/A	N/A	N/A	N/A
Annual In-Store Retail Spending on Relevant Categories		$16,941	$20,104	$13,850	$15,377	$16,343	$18,409	$5,123	$5,123	$180	$180
Spending Propensity											
Likelihood of Spending in PTA											
Convenience		**High**		**High**		**Low**		**High**		**Medium**	
Destination		**High**		**Medium**		**Low**		**High**		**Medium**	
Likelihood of PTA Spending in CBD											
Convenience		**High**		**Medium**		**Low**		**HIgh**		**High**	
Destination		**High**		**Medium**		**High**		**High**		**High**	
2016 TOTAL RETAIL DEMAND											
Retail Space By Category	**SALES / SF THRESHOLD**	**$**	**SF**	**$**	**SF**	**$**	**SF**	**$**	**SF**	**$**	**SF**
Convenience											
Grocery & Drug	$400	$4,549,892	11,375	$13,729,272	34,323	$318,622	797	$15,338,746	38,347	$2,370,604	5,927
Services[1]	$350	$5,523,999	15,783	$43,521,337	124,347	$5,190,963	14,831	$27,194,335	77,698	$2,370,604	6,773
Destination											
Restaurant, Entertainment & Prepared Foods	$450	$2,715,418	6,034	$67,965,898	151,035	$13,435,615	29,857	$27,292,258	60,649	$33,188,460	73,752
Fashion, Jewelry & Soft Goods	$400	$1,056,652	2,642	$8,870,843	22,177	$3,780,094	9,450	$13,873,724	34,684	$2,370,604	5,927
Home Goods, Hobbies, Furniture, Electronics	$400	$2,523,191	6,308	$23,178,156	57,945	$2,303,027	5,758	$7,470,467	18,676	$2,370,604	5,927
TOTAL		**$16,369,152**	**42,141**	**$157,265,506**	**389,828**	**$25,028,321**	**60,693**	**$91,169,530**	**230,055**	**$42,670,877**	**98,305**
2021 NEW NEW RETAIL DEMAND											
Retail Space By Category	**SALES / SF THRESHOLD**	**$**	**SF**	**$**	**SF**	**$**	**SF**	**$**	**SF**	**$**	**SF**
Convenience											
Grocery & Drug	$400	$2,974,669	7,437	$491,398	1,228	$20,336	51	$766,937	1,917	$120,925	302
Services[1]	$350	$3,611,530	10,319	$1,557,717	4,451	$331,307	947	$1,359,717	3,885	$120,925	345
Destination											
Restaurant, Entertainment & Prepared Foods	$450	$1,775,310	3,945	$2,432,637	5,406	$857,511	1,906	$1,364,613	3,032	$1,692,945	3,762
Fashion, Jewelry & Soft Goods	$400	$690,828	1,727	$317,505	794	$241,260	603	$693,686	1,734	$120,925	302
Home Goods, Hobbies, Furniture, Electronics	$400	$1,649,635	4,124	$829,593	2,074	$146,988	367	$373,523	934	$120,925	302
TOTAL		**$10,701,972**	**27,552**	**$5,628,851**	**13,953**	**$1,597,402**	**3,874**	**$4,558,476**	**11,503**	**$2,176,644**	**5,015**

[1] Services are defined as retailers that provide intangible services such as banks, realtors, gyms, dry cleaning, nail salons, etc.

SOURCE: Esri, Costar, RCLCO

Exhibit 15

SUPPLY AND DEMAND DYNAMICS BY RETAIL TYPE
HUNTVILLE CBD SUBMARKET
2016 - 2021



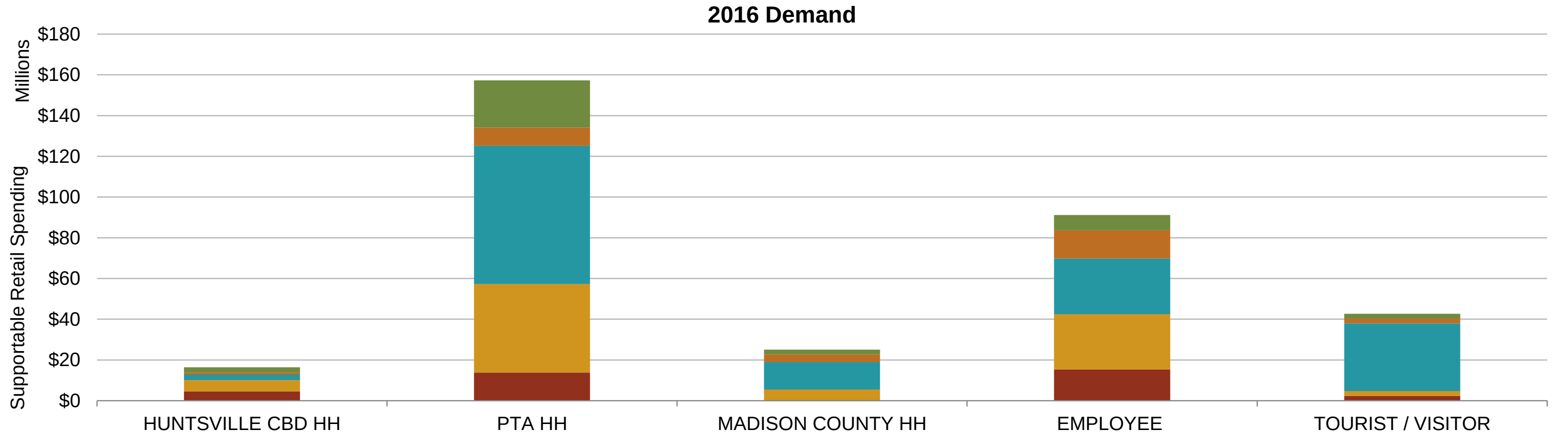
RETAIL BY TYPE	2016 DEMAND FOR RETAIL IN CBD		EXISTING OCCUPIED RETAIL IN CBD		2016 OVER / (UNDER)SUPPLY	2021 NET NEW DEMAND		2021 OVER / (UNDER)SUPPLY	
	TOTAL SF	%	TOTAL SF	%	TOTAL SF	TOTAL SF	%	TOTAL SF	%
Convenience									
Grocery & Drug	91,000	11%	95,000	17%	4,000	11,000	18%	(7,000)	2%
Services	239,000	29%	205,000	37%	(34,000)	20,000	32%	(54,000)	17%
Destination									
Restaurant, Entertainment & Prepared Foods	321,000	39%	110,000	20%	(211,000)	18,000	29%	(229,000)	70%
Fashion, Jewelry & Soft Goods	75,000	9%	16,000	3%	(59,000)	5,000	8%	(64,000)	20%
Home Goods, Hobbies, Furniture, Electronics	95,000	12%	130,000	23%	35,000	8,000	13%	27,000	0%
TOTAL	**821,000**		**556,000**		**(265,000)**	**62,000**		**(327,000)**	

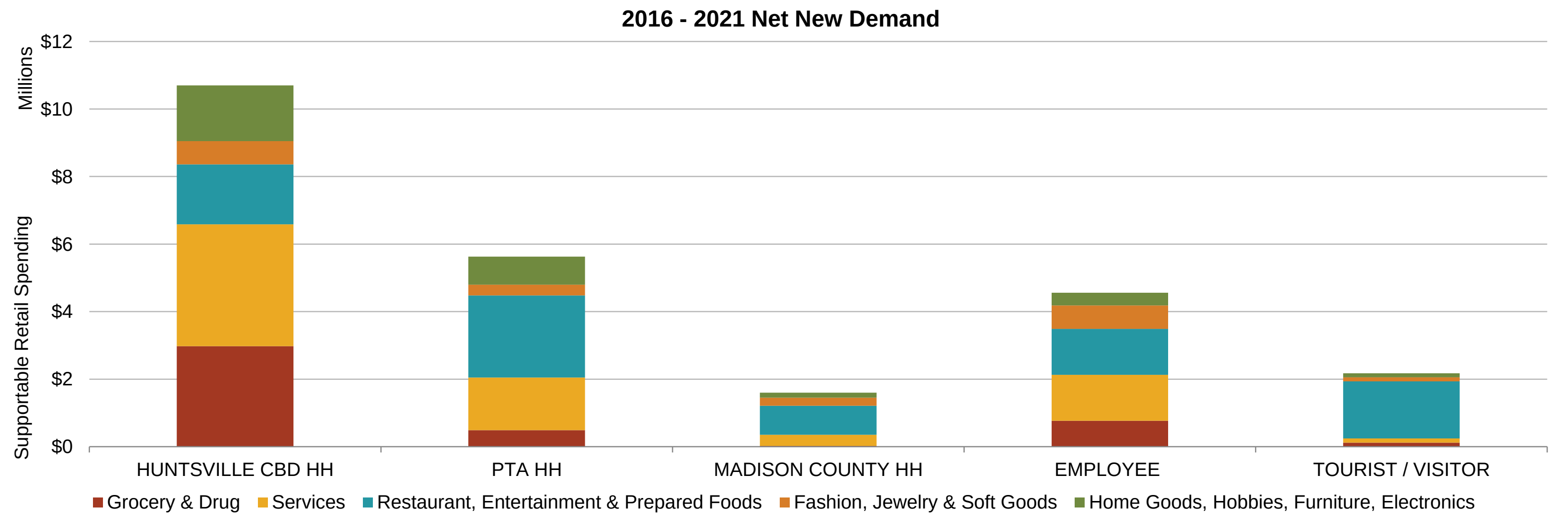
[1] Services are defined as retailers that provide intangible services such as banks, realtors gyms, dry cleaning, nail salons, etc.

SOURCE: CoStar, RCLCO

Exhibit 16

RETAIL DEMAND BY CONSUMER MARKET AND RETAIL TYPE
HUNTSVILLE CBD
2016 - 2021





SOURCE: Esri, RCLCO

Exhibit 17

SUMMARY OF STATISTICAL RETAIL DEMAND
HUNTSVILLE CBD
2016 - 2026

EXPENDITURE TYPE	HUNTSVILLE CBD HH	PTA HH	MADISON COUNTY HH	EMPLOYEE	TOURIST / VISITOR	TOTAL SUPPORTABLE RETAIL SF
	SOURCE OF DEMAND					
2016						**2016**
Grocery & Drug	$4,549,892	$13,729,272	$318,622	$15,338,746	2,370,604	$36,307,137
Services	$5,523,999	$43,521,337	$5,190,963	$27,194,335	2,370,604	$83,801,238
Restaurant, Entertainment & Prepared Foods	$2,715,418	$67,965,898	$13,435,615	$27,292,258	$33,188,460	$144,597,649
Fashion, Jewelry & Soft Goods	$1,056,652	$8,870,843	$3,780,094	$13,873,724	$2,370,604	$29,951,917
Home Goods, Hobbies, Furniture, Electronics	$2,523,191	$23,178,156	$2,303,027	$7,470,467	$2,370,604	$37,845,445
Supported SF	**$16,369,152**	**$157,265,506**	**$25,028,321**	**$91,169,530**	**$42,670,877**	**$332,503,386**
Expenditure per HH	**$22,024**	**$18,004**	**$21,245**	**$5,123**	**$180**	-
2021						**2021**
Grocery & Drug	$7,524,562	$14,220,671	$338,958	$16,105,684	$2,491,529	$40,681,403
Services	$9,135,529	$45,079,054	$5,522,270	$28,554,052	$2,491,529	$90,782,433
Restaurant, Entertainment & Prepared Foods	$4,490,728	$70,398,535	$14,293,126	$28,656,871	$34,881,405	$152,720,666
Fashion, Jewelry & Soft Goods	$1,747,480	$9,188,348	$4,021,354	$14,567,410	$2,491,529	$32,016,120
Home Goods, Hobbies, Furniture, Electronics	$4,172,826	$24,007,749	$2,450,015	$7,843,990	$2,491,529	$40,966,109
Supported SF	**$27,071,124**	**$162,894,357**	**$26,625,723**	**$95,728,006**	**$44,847,521**	**$357,166,730**
Expenditure per HH	**$22,024**	**$18,004**	**$21,245**	**$5,123**	**$180**	-

Net New Spending by 2026						**Net New**
Grocery & Drug	$2,974,669	$491,398	$20,336	$766,937	$120,925	$4,374,266
Services	$3,611,530	$1,557,717	$331,307	$1,359,717	$120,925	$6,981,195
Restaurant, Entertainment & Prepared Foods	$1,775,310	$2,432,637	$857,511	$1,364,613	$1,692,945	$8,123,017
Fashion, Jewelry & Soft Goods	$690,828	$317,505	$241,260	$693,686	$120,925	$2,064,204
Home Goods, Hobbies, Furniture, Electronics	$1,649,635	$829,593	$146,988	$373,523	$120,925	$3,120,664
Supported SF	**$10,701,972**	**$5,628,851**	**$1,597,402**	**$4,558,476**	**$2,176,644**	**$24,663,344**

Note: Destination spending for employees split 65/35 between fashion and home goods.

SOURCE: RCLCO; Esri

Exhibit 18

RETAIL DEMAND FROM HOUSEHOLDS
HUNTSVILLE CBD
2016-2021

PMA Households	**2016**	**2021**
ESRI Households	1,346	2,226

	STORE TYPE	ANNUAL RETAIL IN-PERSON EXPENDITURES PER HH [1]	PMA 2016	PMA 2021	PRIMARY TRADE AREA CAPTURE % OF SPENDING [2]	ANNUAL RETAIL CAPTURE IN PRIMARY TRADE AREA $ in 2016	$ in 2021	DOWNTOWN % CAPTURE OF PTA	TOTAL RETAIL SPENDING IN CBD 2016	2021
	GROCERY & DRUG									
1	Grocery Stores	$3,444	$4,635,966	$7,666,910	95%	$4,404,168	$7,283,564	75%	$3,303,126	$5,462,673
2	Health & Personal Care Stores (drugstore)	$1,300	$1,749,847	$2,893,878	95%	$1,662,355	$2,749,184	75%	$1,246,766	$2,061,888
	RESTAURANTS, ENTERTAINMENT & PREPARED FOODS									
3	Specialty Food Stores	$183	$246,698	$407,987	90%	$222,028	$367,188	80%	$177,623	$293,750
4	Beer, Wine, and Liquor Stores	$157	$211,052	$349,036	90%	$189,947	$314,132	80%	$151,957	$251,306
5	Full-Service Restaurants	$2,392	$3,218,974	$5,323,503	90%	$2,897,076	$4,791,153	80%	$2,317,661	$3,832,922
6	Special Food Services (NAICS 7223)	$13	$18,125	$29,975	90%	$16,313	$26,978	80%	$13,050	$21,582
7	Drinking Places - Alcoholic Beverages	$57	$76,565	$126,622	90%	$68,908	$113,960	80%	$55,127	$91,168
	FASHION, JEWELRY & SOFT GOODS									
8	Clothing Stores	$433	$582,791	$963,813	75%	$437,093	$722,860	35%	$152,983	$253,001
9	Shoe Stores	$87	$117,742	$194,720	75%	$88,306	$146,040	35%	$30,907	$51,114
10	Jewelry, Luggage, and Leather Goods Stores	$141	$190,097	$314,380	75%	$142,572	$235,785	35%	$49,900	$82,525
11	Department Stores Excluding Leased Depts.	$3,260	$4,388,598	$7,257,815	75%	$3,291,448	$5,443,361	25%	$822,862	$1,360,840
	HOME GOODS, HOBBIES, FURNITURE, ELECTRONICS									
12	Furniture Stores	$390	$525,119	$868,435	85%	$446,351	$738,170	40%	$178,540	$295,268
13	Home Furnishings Stores	$247	$331,856	$548,820	85%	$282,078	$466,497	40%	$112,831	$186,599
14	Electronics & Appliance Stores	$846	$1,138,205	$1,882,351	85%	$967,474	$1,599,998	40%	$386,990	$639,999
15	Lawn and Garden Equipment and Supplies Store	$1,284	$1,728,799	$2,859,069	85%	$1,469,479	$2,430,209	40%	$587,792	$972,084
16	Sporting Goods/Hobby/Musical Instrument Stores	$455	$611,933	$1,012,009	85%	$520,143	$860,207	40%	$208,057	$344,083
17	Book, Periodical, and Music Stores	$82	$109,740	$181,487	85%	$93,279	$154,264	40%	$37,312	$61,706
18	Other General Merchandise Stores	$1,139	$1,532,451	$2,534,351	85%	$1,302,584	$2,154,198	40%	$521,033	$861,679
19	Florists	$41	$54,720	$90,495	85%	$46,512	$76,920	80%	$37,209	$61,536
20	Office Supplies, Stationery, and Gift Stores	$166	$223,534	$369,678	85%	$190,004	$314,227	40%	$76,002	$125,691
21	Used Merchandise Stores	$149	$200,753	$332,002	85%	$170,640	$282,202	40%	$68,256	$112,881
22	Other Miscellaneous Store Retailers	$676	$909,321	$1,503,824	85%	$772,922	$1,278,251	40%	$309,169	$511,300
	SERVICES									
	Additional Percentage of Total Retail Spending:	30%	$6,840,865	$11,313,348	95%	$6,498,822	$10,747,681	85%	$5,523,999	$9,135,529
	TOTAL / AVERAGE	**$16,941**	**$29,643,750**	**$49,024,508**	**87%**	**$26,180,504**	**$43,297,029**	**53%**	**$16,369,152**	**$27,071,124**

[1] Based on CES and ESRI expenditure data by retail category, net of online spending.
[2] Site capture is based on competing locations in the market and likelihood of households to make store type expenditures in the CBD
[3] RCLCO
[4] ICSC Dollars and Cents Report

Exhibit 19

RETAIL DEMAND FROM HOUSEHOLDS
PRIMARY TRADE AREA
2016-2021

	2016	2021
PMA Households		
ESRI Households	73,508	76,139

STORE TYPE	ANNUAL RETAIL IN-PERSON EXPENDITURES PER HH [1]	PMA 2016	PMA 2021	PRIMARY TRADE AREA CAPTURE % OF SPENDING [2]	ANNUAL RETAIL CAPTURE IN TRADE AREA $ in 2016	$ in 2021	DOWNTOWN % CAPTURE OF PTA	TOTAL RETAIL SPENDING IN CBD 2016	2021
GROCERY & DRUG									
Grocery Stores	$3,021	$222,080,223	$230,028,923	90%	$199,872,200	$207,026,031	5%	$9,993,610	$10,351,302
Health & Personal Care Stores (drugstore)	$1,129	$83,014,716	$85,985,981	90%	$74,713,245	$77,387,383	5%	$3,735,662	$3,869,369
RESTAURANTS, ENTERTAINMENT & PREPARED FOODS									
Specialty Food Stores	$161	$11,838,713	$12,262,444	80%	$9,470,970	$9,809,955	30%	$2,841,291	$2,942,987
Beer, Wine, and Liquor Stores	$132	$9,723,506	$10,071,530	80%	$7,778,805	$8,057,224	20%	$1,555,761	$1,611,445
Full-Service Restaurants	$2,101	$154,458,611	$159,986,997	80%	$123,566,889	$127,989,598	50%	$61,783,445	$63,994,799
Special Food Services (NAICS 7223)	$12	$897,397	$929,517	80%	$717,918	$743,613	50%	$358,959	$371,807
Drinking Places - Alcoholic Beverages	$49	$3,566,108	$3,693,746	80%	$2,852,886	$2,954,997	50%	$1,426,443	$1,477,498
FASHION, JEWELRY & SOFT GOODS									
Clothing Stores	$376	$27,669,995	$28,660,361	70%	$19,368,997	$20,062,252	5%	$968,450	$1,003,113
Shoe Stores	$77	$5,655,105	$5,857,513	70%	$3,958,573	$4,100,259	5%	$197,929	$205,013
Jewelry, Luggage, and Leather Goods Stores	$122	$8,963,051	$9,283,857	70%	$6,274,136	$6,498,700	5%	$313,707	$324,935
Department Stores Excluding Leased Depts.	$2,873	$211,164,497	$218,722,501	70%	$147,815,148	$153,105,751	5%	$7,390,757	$7,655,288
HOME GOODS, HOBBIES, FURNITURE, ELECTRONICS									
Furniture Stores	$345	$25,327,650	$26,234,178	85%	$21,528,502	$22,299,051	10%	$2,152,850	$2,229,905
Home Furnishings Stores	$222	$16,329,892	$16,914,372	85%	$13,880,408	$14,377,216	10%	$1,388,041	$1,437,722
Electronics & Appliance Stores	$739	$54,313,638	$56,257,633	85%	$46,166,593	$47,818,988	10%	$4,616,659	$4,781,899
Lawn and Garden Equipment and Supplies Store	$86	$6,326,869	$6,553,320	85%	$5,377,839	$5,570,322	0%	$0	$0
Sporting Goods/Hobby/Musical Instrument Stores	$402	$29,534,757	$30,591,865	85%	$25,104,543	$26,003,085	10%	$2,510,454	$2,600,309
Book, Periodical, and Music Stores	$73	$5,333,322	$5,524,213	85%	$4,533,324	$4,695,581	10%	$453,332	$469,558
Other General Merchandise Stores	$1,009	$74,167,356	$76,821,956	85%	$63,042,253	$65,298,662	10%	$6,304,225	$6,529,866
Florists	$37	$2,686,285	$2,782,433	85%	$2,283,343	$2,365,068	10%	$228,334	$236,507
Office Supplies, Stationery, and Gift Stores	$144	$10,578,427	$10,957,051	85%	$8,991,663	$9,313,493	10%	$899,166	$931,349
Used Merchandise Stores	$132	$9,738,308	$10,086,862	85%	$8,277,562	$8,573,832	10%	$827,756	$857,383
Other Miscellaneous Store Retailers	$608	$44,674,549	$46,273,542	85%	$37,973,367	$39,332,511	10%	$3,797,337	$3,933,251
SERVICES									
Additional Percentage of Total Retail Spending:	30%	$305,412,893	$316,344,238	95%	$290,142,248	$300,527,026	15%	$43,521,337	$45,079,054
TOTAL / AVERAGE	**$13,850**	**$1,323,455,869**	**$1,370,825,031**	**81%**	**$1,123,691,411**	**$1,163,910,599**	**14%**	**$157,265,506**	**$162,894,357**

[1] Based on ESRI expenditure data by retail category.
[2] Site capture is based on competing locations in the market and likelihood of households to make store type expenditures in the CBD
[3] RCLCO
[4] ICSC Dollars and Cents Report

Exhibit 20

RETAIL DEMAND FROM HOUSEHOLDS
MADISON COUNTY, AL (SECONDARY TRADE AREA)
2016-2021

					PMA Households				**2016**	**2021**
					ESRI Households				70,585	75,090
	ANNUAL RETAIL IN-PERSON EXPENDITURES			PRIMARY TRADE AREA CAPTURE % OF SPENDING	ANNUAL RETAIL CAPTURE IN TRADE AREA		DOWNTOWN % CAPTURE		TOTAL RETAIL SPENDING IN CBD	
STORE TYPE	PER HH [1]	SMA 2016	SMA 2021	[2]	$ in 2016	$ in 2021	OF PTA		2016	2021
GROCERY & DRUG										
Grocery Stores	$3,295	$232,608,433	$247,454,377	5%	$11,630,422	$12,372,719	2%		$232,608	$247,454
Health & Personal Care Stores (drugstore)	$1,219	$86,013,887	$91,503,617	5%	$4,300,694	$4,575,181	2%		$86,014	$91,504
RESTAURANTS, ENTERTAINMENT & PREPARED FOODS										
Specialty Food Stores	$176	$12,416,621	$13,209,097	5%	$620,831	$660,455	75%		$465,623	$495,341
Beer, Wine, and Liquor Stores	$143	$10,086,338	$10,730,086	5%	$504,317	$536,504	75%		$378,238	$402,378
Full-Service Restaurants	$2,312	$163,218,679	$173,635,908	10%	$16,321,868	$17,363,591	75%		$12,241,401	$13,022,693
Special Food Services (NAICS 7223)	$14	$957,020	$1,018,100	10%	$95,702	$101,810	75%		$71,776	$76,358
Drinking Places - Alcoholic Beverages	$53	$3,714,355	$3,951,419	10%	$371,435	$395,142	75%		$278,577	$296,356
FASHION, JEWELRY & SOFT GOODS										
Clothing Stores	$412	$29,110,946	$30,968,916	10%	$2,911,095	$3,096,892	35%		$1,018,883	$1,083,912
Shoe Stores	$85	$5,994,352	$6,376,934	10%	$599,435	$637,693	35%		$209,802	$223,193
Jewelry, Luggage, and Leather Goods Stores	$133	$9,375,674	$9,974,065	10%	$937,567	$997,406	35%		$328,149	$349,092
Department Stores Excluding Leased Depts.	$3,150	$222,325,972	$236,515,651	10%	$22,232,597	$23,651,565	10%		$2,223,260	$2,365,157
HOME GOODS, HOBBIES, FURNITURE, ELECTRONICS										
Furniture Stores	$377	$26,618,902	$28,317,821	10%	$2,661,890	$2,831,782	10%		$266,189	$283,178
Home Furnishings Stores	$243	$17,168,890	$18,264,673	10%	$1,716,889	$1,826,467	15%		$257,533	$273,970
Electronics & Appliance Stores	$805	$56,832,272	$60,459,522	5%	$2,841,614	$3,022,976	15%		$426,242	$453,446
Lawn and Garden Equipment and Supplies Store	$1,293	$91,239,601	$97,062,856	5%	$4,561,980	$4,853,143	5%		$228,099	$242,657
Sporting Goods/Hobby/Musical Instrument Stores	$440	$31,060,280	$33,042,664	10%	$3,106,028	$3,304,266	15%		$465,904	$495,640
Book, Periodical, and Music Stores	$79	$5,609,309	$5,967,317	10%	$560,931	$596,732	15%		$84,140	$89,510
Other General Merchandise Stores	$1,105	$77,963,516	$82,939,440	10%	$7,796,352	$8,293,944	5%		$389,818	$414,697
Florists	$40	$2,808,626	$2,987,883	5%	$140,431	$149,394	10%		$14,043	$14,939
Office Supplies, Stationery, and Gift Stores	$157	$11,083,401	$11,790,785	5%	$554,170	$589,539	5%		$27,709	$29,477
Used Merchandise Stores	$145	$10,245,289	$10,899,181	5%	$512,264	$544,959	5%		$25,613	$27,248
Other Miscellaneous Store Retailers	$667	$47,094,993	$50,100,773	5%	$2,354,750	$2,505,039	5%		$117,737	$125,252
SERVICES										
Additional Percentage of Total Retail Spending:	30%	$346,064,207	$368,151,325	10%	$34,606,421	$36,815,133	15%		$5,190,963	$5,522,270
TOTAL / AVERAGE	**$16,343**	**$1,499,611,564**	**$1,595,322,410**	**11%**	**$121,939,683**	**$129,722,332**	**19%**	**0**	**$25,028,321**	**$26,625,723**

[1] Based on ESRI expenditure data by retail category.
[2] Site capture is based on competing locations in the market and likelihood of households to make store type expenditures in the CBD
[3] RCLCO
[4] ICSC Dollars and Cents Report

Exhibit 21

RETAIL DEMAND FROM EMPLOYEES AND SUBJECT SITE CAPTURE
DOWNTOWN HUNTSVILLE
2016 - 2021

	2016	2021
Projected Employees	20,817	21,858

	2016 - 2021
Change in Employent	1,041

		ANNUAL RETAIL EXPENDITURES		DOWNTOWN CAPTURE [2]		
EXPENDITURE TYPE	PER EMPLOYEE [1]	PMA 2016	PMA 2021	% of TOTAL SPENDING	$ in 2016	$ in 2021
Grocery & Drug	$1,474	$30,677,492	$32,211,367	50%	$15,338,746	$16,105,684
Dining - Lunch	$1,121	$23,333,255	$24,499,918	85%	$19,833,267	$20,824,930
Dining - Dinner/Drinks	$478	$9,945,322	$10,442,588	75%	$7,458,991	$7,831,941
Destination Shopping	$2,051	$42,688,381	$44,822,800	50%	$21,344,191	$22,411,400
Additional Services as % of Total Retail:	30%	$31,993,335	$33,593,002	85%	$27,194,335	$28,554,052
Total	**$5,123**	**$138,637,785**	**$145,569,674**		**$91,169,530**	**$95,728,006**

[1] Based on ICSC Office Worker Retail Spending Patterns. Total spending scaled to 75% of reported national average to represent lower overall housing spending in Huntsville region.
[2] Site capture is based on likelihood of employees to make store type expenditures within the CBD
[3] Based on ICSC Dollars and Cents.
SOURCE: Esri

Exhibit 22

ESTIMATED RETAIL DEMAND POTENTIAL FROM DOWNTOWN VISITORS
HUNTSVILLE CBD
2016 - 2021

	Assumptions	2016	2017	2018	2019	2020	2021
Annual Visitors (1% Growth Rate)[1]		948,242	957,724	967,301	976,974	986,744	996,612
Average Annual Visitor Expenditures	$180	$170,683,509	$172,390,344	$174,114,248	$175,855,390	$177,613,944	$179,390,084
Restaurants and Bars	$140	$132,753,841	$134,081,379	$135,422,193	$136,776,415	$138,144,179	$139,525,621
Other Discretionary	$40	$37,929,669	$38,308,965	$38,692,055	$39,078,976	$39,469,765	$39,864,463
Potential Downtown Capture	CBD Capture						
Restaurants and Bars	25%	$33,188,460	$33,520,345	$33,855,548	$34,194,104	$34,536,045	$34,881,405
Other Discretionary	25%	$9,482,417	$9,577,241	$9,673,014	$9,769,744	$9,867,441	$9,966,116

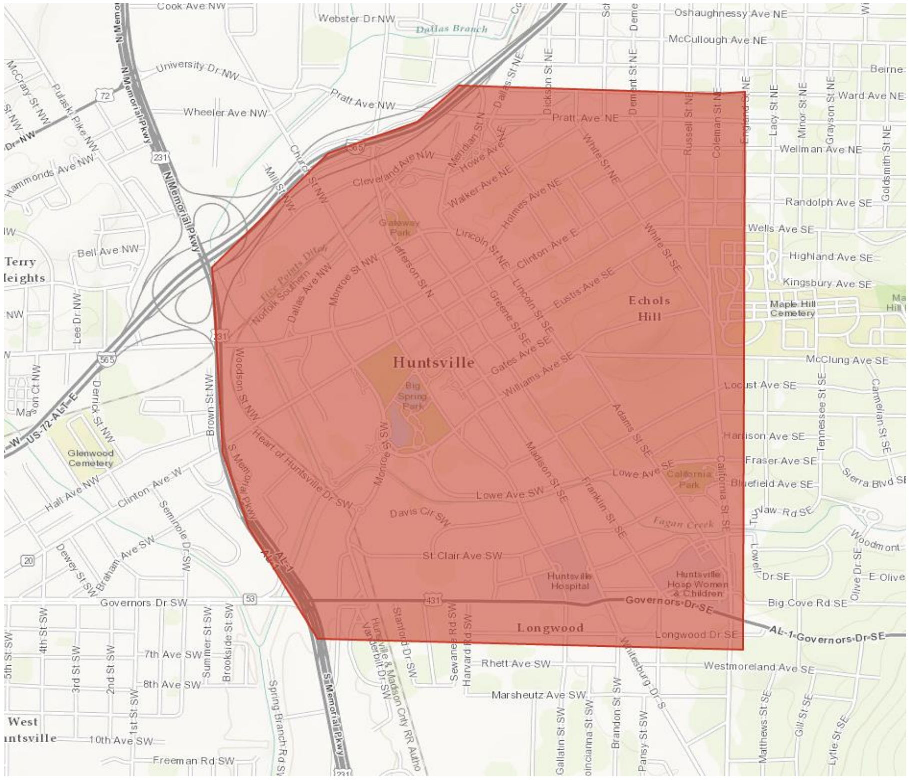
RETAIL SPENDING IN CBD	**2016**	**2021**
Restaurants and Bars	$33,188,460	$34,881,405
Other Discretionary	$9,482,417	$9,966,116
TOTAL	**$42,670,877**	**$44,847,521**

NOTE: RCLCO assumes visitor retail spending will only be at restaurants/bars and other discretionary purchases. Total visitor expenditures also account for hotel rooms, travel costs, and entertainment spending.

[1] Assumes that 33% of all Visitors to Madison County go to Downtown Huntsville primary trade area

Exhibit 23

HUNTSVILLE CBD BOUNDARY DETAIL
HUNTSVILLE CBD BOUNDARY DETAIL
APRIL 2017



SOURCE: CoStar, RCLCO

RCLCO
7200 Wisconsin Avenue
Suite 1100
Bethesda, MD 20814
Phone: (240) 644 - 2300
www.rclco.com