



Economics Research Associates

Final Report

**Downtown Municipal Service District
Market Analysis**

Prepared for:

City of Concord, North Carolina

Submitted by:

Economics Research Associates

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ERA Project No. 17568

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of Economics Research Associates and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by Economics Research Associates from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of March 2008 and Economics Research Associates has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by Economics Research Associates that any of the projected values or results contained in this study will actually be achieved.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

I. Executive Summary

ERA was engaged by the City of Concord to evaluate demographic, economic base and real estate aspects of the downtown municipal service district within the City of Concord. The assessment highlighted demographic and economic base factors for Concord and the Charlotte region, as well as demand implications for retail, residential, and office development. Key demographic and economic base findings include:

- **Population:** Estimates for 2006 / 2007 point to a city of Concord population in the 65,000 to 66,100-person range, representative of an annualized growth rate of between 5.2% and 5.7%, well above state and national benchmarks.
- **Households:** While the average household size across the US is decreasing, it is increasing in Concord. Importantly, Concord is seeing a similar transition from family to non-family households, just at a rate slower than other jurisdictions.
- **Income:** While Concord continues to experience significant population growth, per capita incomes (\$32,111) have lagged behind levels achieved in Mecklenburg County (\$42,984) and the Charlotte Metropolitan Area (\$36,761) in annualized rates of growth in absolute terms.
- **Educational Attainment:** For Concord, the percentage of population that has attained either undergraduate or graduate status has trended slightly behind the metropolitan area (26% to 23%), which is generally consistent with income factors noted above. At the same time there is a considerable difference in college / advance degree attainment between Concord and Kannapolis (23% to 12%).
- **Tapestry Segmentation:** The household segmentation analysis highlights an interesting picture of Concord, with an evolving mix of younger and more affluent families with children combined with older and more moderate income family households. The segmentation approach highlights the relevance of generally lower income rural households across the county as well.
- **Employment Growth:** Since 2001, Cabarrus County experienced a higher rate of job creation compared to the state and US. Job growth has been concentrated in medical services, professional and technical services, retail, and hospitality. Within the overall numbers, Concord's evolving cluster of auto racing related businesses should also be emphasized. As well, the impending closure of the Phillip Morris production operation in Concord will have near term implications.

The analysis highlights the following implications that will impact the analysis moving forward:

Residential Market Findings

The demographic assessment highlights apparent market interest in urban housing development, which is reflected in the significant value premiums achieved by Afton Village, the one new urbanist community in the city. Downtown market opportunities will be a function of the economics of specific projects, with feasibility driven by relationships between rents, construction costs, and parking availability, as well as a determination of the role to be played by the public sector in each project. While niche projects should have little difficulty in moving forward, larger scale (30+) unit projects will need to be considerate of slightly lower incomes across Concord relative to the region.

Retail Market Findings

The market assessment highlighted a modest downtown retail inventory of about 140,000 square feet of space within downtown Concord, with concentrations in restaurants and bars, and supporting clusters in home furnishings and services. The assessment also highlighted the likely near-term development of several significant suburban “greenfield” mixed use projects that will increasingly compete with the historic downtown core. Lastly, while city-wide retail inventories have grown considerably in the past five years, vacancy levels remain low, pointing to the likely development of additional inventory.

While downtown Concord’s viability is strengthened by the presence of county and city offices and considerable historic character, ERA is concerned about the number of competitive mixed use developments elsewhere in Concord that could emerge over the next 10 years. Given the limited number of available sites within the existing downtown boundaries, increasing competition will place downtown at a competitive disadvantage, unless changes are considered.

Office Market Findings

The market assessment noted that Concord’s share of the regional office market is lower than its share of regional population. Although limited in scale, the Concord office market is concentrated in downtown Concord, supporting about 60% of total citywide office space. The ability of downtown Concord to compete for a modest share of the Charlotte regional suburban office market is a function of finding redevelopment in the downtown core, as well as an acknowledgement that parking inventory will need to increase. Office demand also helps build support for lunch business at downtown restaurants. If space were available, growth prospects for downtown office would focus on smaller professional service firms, including accountants and architects.

Recommendations

The downtown Concord development strategy will need to address three primary near-term issues:

- Providing adequate parking for existing and planned needs;
- Intensifying and increasing the number and strength of uses (retail, residential, and office),
- Identifying key catalyst projects to spur redevelopment.

While near-term projects are a logical outgrowth of recent policy decisions, looking five years into the future, City, downtown, and community leaders will need to clarify **vision** and build **consensus** for future projects that will extend the current boundaries of downtown Concord. Near-term goals and objectives include:

- **Parking** - The downtown parking management plan identified a number of parking challenges for downtown Concord, and recommended the development of an additional 300-350 space parking deck be developed to support county government driven demand. With at least one residential adaptive reuse project expected to occur in the near future, parking will remain a core issue.
- **Urban Residential Development** - Residential projects will enhance the appeal of downtown as a destination, and build support for retail. Linkages to trail systems and other amenities will also be supportive of demand. Project specific site, parking, rent, and income factors will dictate feasibility, and the potential need for public sector involvement.
- **Priority Projects** - A joint effort by the City, 1st Charter, and the Hotel ownership group is underway to understand renovation options for the Hotel Concord. Linkage with the city-owned Helig Meyers Store is logical in any redevelopment scenario. Looking into the near future, redevelopment of the old police station site, as well as the existing city hall, and the city hall annex for higher density mixed use should be priorities.
- **Long Term Vision** – Looking more than five years into the future, after existing development sites have been developed, City and CDDC officials will need to build community consensus and vision around how and where the downtown core grows beyond its current boundaries.

Project Policy Recommendations

Targeted Retail Business Strategies – The assessment identified key store targets for downtown, including restaurants and bars, home furnishings, and apparel and accessories, all with equal importance. A clustering strategy that places stores with apparel or home furnishings stores in close proximity to each other will build sales and strengthen the destination appeal of the downtown area.

Demand Generators - ERA's national experience highlights the critical need to develop a range of demand generators for downtown, with the intent of increasing the market for downtown, broadening the length of stay for downtown visitors, and expanding hours of operation. Demand generators are critical in building off of the modest scale of many downtowns, and also help build critical mass, which will gradually build support other stores and restaurants. The soon to open Davis Theater will complement existing downtown gallery space and the Old Courthouse Theatre, serving as a significant demand driver for downtown.

Role of the Public Sector - ERA's national experience highlights the on-going challenges of encouraging infill redevelopment in downtown areas. Challenges are driven by the increasing difficulty of getting financing for projects, perceptions of increased risk, as well as delays created by extended entitlement and development review policies, the latter of which are a key reason why infill projects are seen as more "risky". Reflective of the real challenges of effecting change in these areas, a number of successful policy responses have emerged:

- Building public consensus and involvement upfront
- Identifying important sites and securing preliminary entitlements for their redevelopment
- Improve the appeal of infill sites with targeted infrastructure and access improvements
- Marketing infill sites aggressively

The underlying theme in these points is a more aggressive public sector role in redevelopment, with the end goal of reducing the front end time required to effect infill site redevelopment. Given developer sensitivity to time, efforts to streamline predevelopment hurdles will pay dividends. ERA notes that the City of Concord is already pursuing this strategy, working with the Hotel Concord ownership group to pursue a proactive redevelopment strategy for this key downtown property. In addition to the above general steps, ERA notes that City leadership and the CDDC Board will need to expand the financial resources of the CDDC, allowing this organization to expand capabilities in downtown economic development and retail business recruitment.

- **Downtown Incentives** – The report highlights a broad range of incentive approaches used by other cities to encourage downtown residential and retail redevelopment, which go beyond current CDDC incentive support levels. Incentive options include:
 - Forgivable loan programs.
 - Additional commission bonus to realtors who sell downtown units
 - Revised zoning and development regulations, and expedited project review systems
 - Tax increment financing
 - Cash incentives tied to project completion
 - Public funded parking facilities
 - Use of density bonuses for projects with senior / affordable / workforce housing elements
 - Acquisition / conveyance of city owned land at below market rates for specific projects

The last point regarding incentives is that their goal is to encourage projects that would not otherwise happen. Helpfully, many cities have developed established approaches for downtown incentives, with the expectation that in the long-run, incentives will become less important.



II. Introduction

ERA was engaged by the City of Concord to evaluate demographic, economic base and real estate aspects of the Downtown Municipal Service District within the City of Concord. ERA's approach included the following steps:

- Stakeholder interviews, completed in December of 2007
- Define the trade area and assess the demographic and economic base trends that affect economic opportunities and constraints
- Assess the area housing market using permit growth, census data, home valuation, and household segmentation information to deduce demand implications for downtown housing.
- Evaluate the strategic market position of downtown Concord, in terms of inventory, store mix, vacancy, and demand.
- Assess the regional office market, and evaluate the share of that market supported by downtown Concord.
- This deliverable reflects work completed through February 7, 2008.

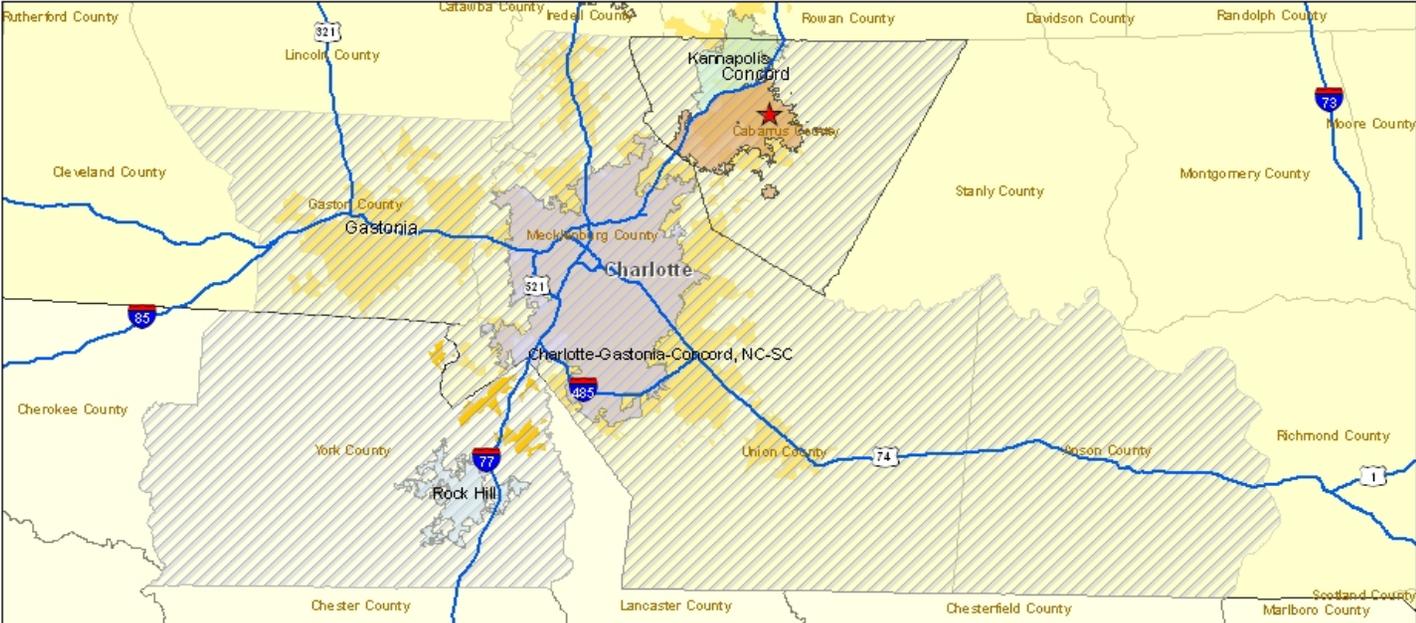
ERA's approach is based in part on interviews and data collected from numerous local, state and national sources, including:

- U.S. Census Bureau and Bureau of Labor Statistics
- U.S. Department of Housing and Urban Development
- Environmental Systems Research Institute (ESRI) Business Solutions
- Office of Federal Housing Enterprise Oversight
- Federal Deposit Insurance Corporation
- North Carolina Department of Labor / Revenue / Commerce
- Urban Land Institute
- Cabarrus County Planning Department
- City of Concord

Definition of Study Area

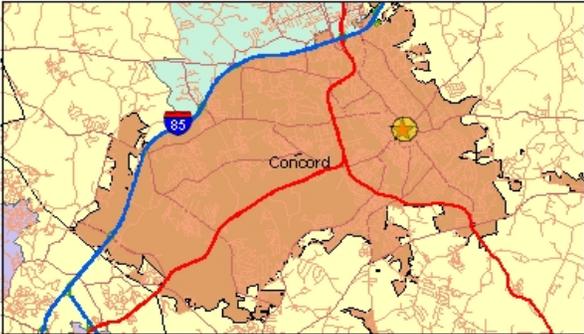
This study will primarily analyze data representing the City of Concord. This 51.6-square mile city is the county seat of Cabarrus County. Located in the countryside of the Carolina Piedmont, Concord is located in south-central North Carolina just a half-hour northeast of the City of Charlotte. For the purposes of this study, the Charlotte-Gastonia-Concord MSA is called the Charlotte MSA for simplification.

Concord and Surrounding Region



Legend

- Concord
- Charlotte MSA
- Downtown Concord
- 0.3 Mile Radius



012 4 Miles
 =====

The Charlotte MSA is defined as five counties in North Carolina (Anson, Cabarrus, Gaston, Mecklenburg, and Union Counties) and one county in South Carolina (York County). The metro area includes the anchor city of Charlotte, the cities of Concord, Gastonia, Kannapolis, and Rock Hill, SC, as well as several suburban places that are dependent on the Cabarrus area for economic and political reasons. Downtown Concord is defined by the current CDDC boundary; a map highlighting these boundaries in the appendix.

Perceptions, Issues and Opportunities

ERA completed a field visit to Concord in December of 2007 to assess overall regional real estate market activity and vacancy levels, and to complete stakeholder interviews. The stakeholder groups included people with varied interests, including elected officials, city planning and economic development staff, CDDC officials, downtown property owners and tenants, local developers and brokers, and other related groups. The initial stakeholder interview and data collection process highlighted a range of ideas about downtown and city-wide issues that will impact the analysis moving forward. ERA developed the following commentary to structure and highlight key initial implications.

Competition

Assessments highlighted four evolving commercial / mixed use nodes elsewhere in Concord that will compete to varying degrees with (or transcend) downtown Concord. These potential / evolving nodes include:

- US 29 / US 601: Current planning efforts are focused on ways to redevelop older existing retail and commercial at the key intersection of Concord Parkway and Warren C. Coleman Parkway, which serves as the unofficial gateway into downtown, with emphasis on a triangular shaped parcel in the NW quadrant of the intersection. Potential development in this area could include about 1.4 million square feet of new retail and office uses and residential development, in a mixed use framework.
- US 29 / Phillip Morris: City planning efforts are focusing on eventual reuse of the Phillip Morris manufacturing and office campus (covering about 2,100 acres), along with other road improvements which have the potential to lead to a significant mixed use node along US 29, where it connects with the future extension of George W Liles Parkway. While the closure of Phillip Morris will have near term fiscal consequences for the city (representing 3% of the city's tax base), long-term reuse options for the site are also attractive.

- Airport / West Concord: Planning efforts for this area, extending west from Concord Mills Boulevard and along Christenbury Parkway, include the potential development of about 6,000 upscale residential units and a relevant retail / mixed use component, covering between 300,000 and 500,000 square feet. With near-term growth expected to focus in this area, the creation of connections with more established areas in “east” Concord and the downtown core are important.
- Afton Village: On a smaller scale, this new urbanist style development along George W Liles near I-85 includes a modest town center element with mixed use retail and residential uses, as well as a mix of single-family and town home units. Homes in this community appear to be selling at a premium compared to other projects in the city.

Area Demand Drivers

- Downtown Kannapolis: There is a significant TIF supported redevelopment project underway called the North Carolina Research Campus. At buildout, the 350-acre project could include more than 1 million square feet of office and lab space, more than 700 residential units, and about 350,000 square feet of retail and commercial space. Several North Carolina universities are partners in the project, which has the clear potential to reshape and drive development on the northeast side of Charlotte. As this project evolves, it will become a key mixed use destination in the region.
- Concord Regional Airport – This regional airport is used heavily by local auto racing teams.
- Speedway / Concord Mills – These two projects are key destination anchors for Concord, and draw tourists from national and statewide levels, respectively.

Downtown Challenges / Opportunities

- The Cabarrus Arts Council oversees the newly renovated 240-seat Davis Theater, which officially opens in September of 2008. The new venue, located across Union Street from the City Hall Annex, is expected to become a significant demand driver for downtown. Programming efforts will include local musicians, as well as touring theatrical performances. Downtown is also served by the Old Courthouse Theater, a community theater venue with a 33-year history, which supports attendance of about 9,000 people annually.
- The Cabarrus Arts Council promotes art shows and art walks, which are well attended and supported by merchants.

- The Concord Downtown Development Corporation (CDDC) is a downtown service district (BID) with a budget of \$160,000. They raise \$45,000 annually in sponsorships to help support promotional events budget. The CDDC promotes several concerts to help boost downtown attendance. The CDDC also provides modest jump start grants to support local merchants.
- The county office, court, and jail facilities are key demand generators for downtown, with attorneys and related support services supporting the downtown office market. The court facilities also generate significant parking demand.
- Studies indicate that downtown parking inventories have decreased since 2001, as a number of surface parking lots have been developed, with a current inventory of 2,271 spaces. There are several proposals for where additional parking lots / structures could be built.
- The city has recently opened a new police station, which was built with room to expand as the city grows. Discussions about a new city hall and reuse of the existing City Hall and Annex on Union Street, and redevelopment of the former police station will also impact downtown redevelopment planning. Reuse of these facilities would increase the amount of taxable development in the downtown core.
- Within the context of Concord as a very large and growing edge city in the Charlotte Region, downtown Concord is a very small and compact destination, with no remaining “greenfield” sites that can be easily developed. As such, further expansion of the downtown core can only occur through adaptive reuse or replacement of existing buildings and through increased densities / building heights, building off of the established historic character of the area.
- City efforts to upgrade the Cabarrus Avenue corridor from US 601 toward downtown have been a recent priority. Near-term projects will include replacement of an existing bridge along Cabarrus Avenue, and other streetscape improvements along the corridor. However, funding for improvements to the remaining segment of Cabarrus Avenue from the railroad bridge to downtown has not been approved. Improvements to this remaining segment of the corridor are essential, in ERA’s view.
- Interviews suggested that many visitors to downtown are attracted by the unique ambiance, historic character, and walkability of this area.
- The Hotel Concord is a key near-term priority, challenge, and opportunity for downtown. Reuse planning for the hotel has been constrained by the hotel’s complex ownership structure, as well as the apparent lack of a champion for reuse. Repositioning is a priority, as other developers appear interested in downtown projects, but are waiting for decisions to be made regarding this potentially significant downtown anchor project.

- Redevelopment considerations for Barbara-Scotia College are more complex, as this site is large enough that it could be a distraction to other downtown priorities. In discussions with college officials, it appears that they remain committed to a path of re-accreditation, a process which may take an extended period of time to complete. Any reuse strategy would need to account for several historic structures on the site.
- Existing residential development below Cabarrus Avenue and west of downtown includes a majority of older and smaller “mill homes”, with a reported preponderance of investor owned rental residential property. Existing housing in the downtown core is also limited, with the Hotel Concord providing single room occupancy (SRO) housing. One developer has initiated plans for the development of new condominium units in the downtown area; the five-unit project has been fully pre-sold.
- The downtown tenant mix is anchored by a stable base of about five merchants who have been operating for more than 15 years. In addition, downtown has seen a significant number of stores recently turn over, with new stores opened. Street level vacancies on Union Avenue are notably modest.
- Downtown merchants highlighted an array of comments about downtown Concord:
 1. Inconsistent downtown store hours are a concern
 2. Stores seem to be run as hobbies, rather than as businesses.
 3. Aside from the court system, downtown lacks clear demand generators / anchors that can expand the regional market for downtown Concord.
 4. While concern about the value generated by Union Street Live concerts was voiced, reaction to events such as the art walks promoted by the arts council was quite positive.
 5. Parking

Policy Factors

- The City continues to deal with the consequences of rapid growth, with on-going needs for road and other infrastructure improvements.
- Recent growth in the southwestern corner of Concord around Concord Mills has raised awareness of the growing physical distance between the east and west sides of Concord. Keeping pace with this growth will remain a challenge.
- Drought conditions and dramatic growth have exposed deeper questions about limited water resources in the region, which could impact future growth.

Specific Comments

The interviews highlighted comments from individuals as well:

- The downtown area is “finite” in area – physically constrained, and lacks critical mass
- Re-building relationships with the adjacent neighborhoods is critical
- While recent city decisions regarding downtown have been short-term in nature, there is a current need for several bigger steps by the public sector, to clarify long-term vision.
- The hotel was identified as the most important downtown project.
- The aggressive use of Tax Increment Financing in Kannapolis could pave the way for Concord to use this tool in the downtown area.
- Concerns were expressed about the impact of the unified development ordinance (UDO) on downtown redevelopment. Comments were linked to the reality that downtown infill redevelopment is more complex than suburban “greenfield” site development.
- Downtown merchants remain concerned about the pace of competitive commercial growth elsewhere in Concord.
- Downtown parking is an on-going concern.

III. Demographic and Economic Base Review

ERA collected relevant demographic and economic base data from 1990 through 2007, including population and age change, household shifts, income levels, employment data and other related information to place Concord’s economy in a regional and national context.

Demographic Perspective

The following table addresses population levels and growth for the city of Concord and comparative jurisdictions using a compound annual growth rate (CAGR) as the basis of comparison; the CAGR approach will be used throughout this report as a means of quantifying annualized percent change per year. The following table shows that Concord generated a positive CAGR of approximately 6.8 percent between 1990 and 2006. The most significant annual growth rate increases and declines during this period occurred in Mooresville, which experienced a positive CAGR of 6.79 percent. The growth experienced in Concord was 3 times greater than that of North Carolina and 5 times greater than the Charlotte MSA. Given the rapid rate of growth, the table highlights current forecasts from three alternative sources, which point to a current approximate city population of between 62,600 and 66,100 residents. As Concord has not conducted a special Census since 2000, arguments can be raised that population levels are higher than noted below, up to 70,000 residents.

Table 1: Population Growth

Jurisdiction	1990 Census	2000 Census	2006 State *	2006 Census	2007 ESRI	CAGR (90 - 06) State	CAGR (90-06) Census	CAGR (90 - 07) ESRI
Mooresville	9,317	19,106	26,670	20,944	24,484	6.8%	5.2%	5.9%
Concord	27,347	55,941	66,107	62,587	65,180	5.7%	5.3%	5.2%
Charlotte	396,003	542,131	651,562	630,478	631,006	3.2%	2.9%	2.8%
Cabarrus	98,935	131,063	157,179	156,395	159,612	2.9%	2.9%	2.9%
Rock Hill, SC	41,643	50,209	61,620	61,620	57,672	2.5%	2.5%	1.9%
Kannapolis	29,696	36,699	41,273	40,223	39,706	2.1%	1.9%	1.7%
North Carolina	6,628,637	8,049,313	8,860,341	8,856,505	9,068,106	1.8%	1.8%	1.9%
Charlotte MSA	1,162,093	1,499,293	1,378,762	1,583,016	1,621,635	1.1%	2.0%	2.0%

Source: US Census, ESRI, North Carolina State Data Center (SDC)*, Rock Hill Planning Dept*

Age Cohorts

Concord has the youngest median age of the comparison markets. Overall, the distribution of ages within Concord is similar to that of metro region and North Carolina. There is a significant proportion of youth under 19 years old (between 25 percent and 30 percent), a considerable decrease in the number of residents between the ages of 20 and 24 (between 5 percent and 7 percent), and similar proportions of residents within the age groups between 25 years old and 54 years old (around 13 to

16 percent for each cohort). Even the proportion of 55 + age cohorts within Concord is similar to those of North Carolina (10 percent to 12 percent).

Table 2: Age Cohorts

Age	Concord	Mooresville	Charlotte	Rock Hill SC	Charlotte MSA	North Carolina	Kannapolis	Cabarrus
> 19	28.5%	29.8%	27.6%	28.2%	27.9%	26.3%	26.2%	27.1%
20-24	6.6%	5.5%	7.1%	7.7%	6.1%	6.5%	5.1%	5.7%
25-34	15.3%	13.9%	16.6%	15.7%	14.5%	14.0%	15.2%	13.4%
35-44	15.6%	16.8%	16.7%	14.2%	16.7%	15.2%	15.6%	16.1%
45-54	13.7%	14.4%	14.0%	13.4%	14.6%	14.6%	13.5%	15.2%
55-64	10.0%	8.9%	9.4%	9.4%	10.3%	11.2%	10.5%	11.2%
65+	10.5%	10.7%	8.8%	11.3%	9.7%	12.2%	14.0%	11.2%
Median	35	36	36	36	36	36	36	37

Source: ESRI

Households

Household growth within Concord also greatly surpassed that of the metropolitan region, North Carolina, and most of the markets within the region. Only Mooresville experienced greater growth.

Table 3: Households

Jurisdiction	1990	2000	2007	CAGR
Mooresville	3,561	7,283	9,294	5.8%
Concord	10,807	20,917	24,535	4.9%
Cabarrus	37,598	49,584	60,727	2.9%
Charlotte	158,946	215,803	255,732	2.8%
Rock Hill, SC	14,571	18,953	22,360	2.5%
Charlotte MSA	440,458	575,510	630,744	2.1%
North Carolina	2,517,098	3,133,282	3,583,756	2.1%
Kannapolis	12,087	14,753	16,090	1.7%

Source: US Census, American Fact Finder

*2007 Estimates, ESRI

Across the country, the average household size is falling as there are more people living alone and fewer families with children. However, Concord has experienced the opposite trend as household size increased from 2.5 people per household in 1990 to 2.6 people per household in 2000. Since 2000 household growth has slightly decreased to 2.6 people per household. Concord also retains the largest household size at 2.6 people per household. This trend is inconsistent with national trends, which speak to an on-going decrease in the household size.

Table 4: Average Household Size

Jurisdiction	1990	2000	2007	2012	CAGR
United States	2.63	2.59	2.59	2.58	-0.09%
Concord	2.54	2.61	2.60	2.60	0.11%
Mooresville	2.54	2.55	2.53	2.53	-0.02%
Cabarrus County	2.59	2.60	2.59	2.59	0.00%
Charlotte MSA	2.59	2.55	2.53	2.52	-0.12%
North Carolina	2.54	2.49	2.45	2.45	-0.16%
Kannapolis	2.49	2.46	2.43	2.43	-0.11%
Charlotte	2.46	2.45	2.42	2.42	-0.07%
Rock Hill, SC	2.69	2.54	2.48	2.46	-0.41%

Source: US Census, ESRI

ERA next looked at changes in household structure by examining the percent of households that are family households. A family household is a household maintained by a householder who is in a family (two or more people related by birth, marriage or adoption living in the same house), and includes any non-relatives living in the household. The City of Charlotte has had the lowest percentage of family households since 1990, as well as the strongest decrease in family households a percentage of total households.

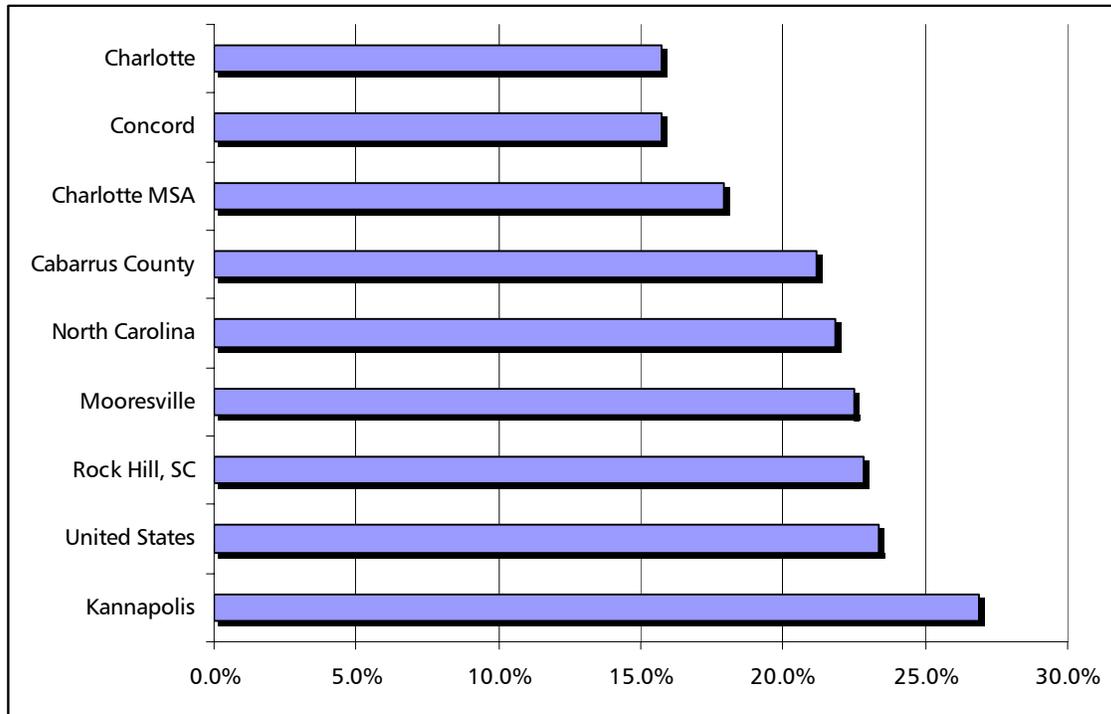
Table 5: Family Households as Percent of Total Households

Jurisdiction	1990	2000	2007	2012	CAGR
United States	70.2%	68.1%	67.0%	66.1%	-0.27%
Concord	72.7%	71.5%	69.7%	68.4%	-0.28%
Mooresville	72.2%	70.7%	69.1%	67.8%	-0.28%
Cabarrus County	75.6%	73.8%	72.1%	70.9%	-0.29%
Charlotte MSA	71.7%	68.7%	66.9%	65.6%	-0.41%
North Carolina	72.0%	68.6%	67.1%	65.7%	-0.42%
Kannapolis	71.7%	68.2%	65.6%	63.9%	-0.52%
Charlotte	65.1%	61.5%	59.2%	57.6%	-0.56%
Rock Hill, SC	70.1%	65.3%	62.8%	60.9%	-0.63%

Source: US Census, ESRI

Another household measure to examine is the percent of households with persons 65 years or older measured in the 2000 Census. As highlighted in the following graph, Charlotte and Concord have the least proportion of households with 65+ year old residents at approximately 16 percent for each. Kannapolis has the greatest percentage, at around 27 percent – almost 4 percent more than the US average. Overall, North Carolina averages almost one-in-four households with residents who are 65 years and older.

Figure 1: Percent of Households with Persons 65 and Older, 2000



Source: US Census, ESRI

Domestic Migration

Migration is playing a larger role in population redistribution within the United States. With birth and death rates currently low and largely similar across the country, natural increase (the excess of births over deaths) exerts less influence than it used to in explaining why some regions, states, or counties have faster population growth than others. This section describes recent patterns of population redistribution reflected in the domestic net migration component of population estimates data from the U.S. Internal Revenue Service (IRS).

Net migration for a given geographic area is the difference between in-migration and out-migration during a specified time frame. Net migration can be either positive or negative. Positive net migration indicates net in-migration, while negative net migration indicates net out-migration. The following table illustrates Cabarrus County’s inflow and outflow from 2000 through 2005. The county received approximately 11,376 more people than it lost to other localities. Overall, those households migrating to Cabarrus County were slightly more affluent than those leaving. However, residents not

migrating from the county maintain a greater median household income than those in-migrating of \$36,491 and \$26,767, respectively.

Table 6: Cabarrus County Migration (2000-2005)

Migration	In	Out	Net
Total people migrating	54,897	43,521	11,376
Median household income	\$26,767	\$25,453	\$1,315
Within US	54,632	43,344	11,288
Median household income	\$26,871	\$25,538	41,333
Foreign	265	177	88
Median household income	\$15,371	\$14,871	\$500
Not migrating:	113,235		
Median household income:	\$36,491		

Source: IRS data

Who Is In-migrating

The following two tables describe where people are in-migrating. The overwhelming majority of individuals (over 74 percent) moving into Cabarrus County are coming from counties within North Carolina. The table below and the following map (Figure 1: County Migration) shows that the majority of immigrants came from the southern neighboring County of Mecklenburg where Charlotte sits (17,032 or 52 percent). Rowan County contributes an additional 21 percent of Cabarrus' in-migrants. The largest concentrations of in-migrants from outside of North Carolina migrated from Florida and New York. Both states each contributed approximately identical numbers of new residents. Florida contributed 3.4 percent of (or 1,284 people) Cabarrus County's in-migrants while New York contributed 3.3 percent (or 1,252 people). South Carolina (2.6 percent) and California (1 percent) were also the prior homes to a substantial number of new Cabarrus residents.

Table 7: Cabarrus County In-Migration (2000-2005)

Migrating from Counties	People	%
Mecklenburg, NC	17,032	51.8%
Rowan, NC	6,794	20.7%
Stanly, NC	1,839	5.6%
Iredell, NC	1,348	4.1%
Union, NC	830	2.5%

Source: IRS data



Table 8: Cabarrus County In-Migration (2000-2005)

Migrating from States	People	%
North Carolina	32,860	85.9%
Florida	1,284	3.4%
New York	1,252	3.3%
South Carolina	984	2.6%
California	410	1.1%
Georgia	341	0.9%
Kentucky	193	0.5%
Virginia	188	0.5%
Texas	113	0.3%
Arizona	110	0.3%
Connecticut	100	0.3%

Source: IRS data

Income Measures

The following tables, *Per Capita Income* and *Median Household Income* are based on ESRI statistics and highlight the growth experienced by the comparison markets between 1990 and 2007 for cities within the Charlotte metro area. The per capita income of the overall Charlotte MSA increased at an annual growth rate of approximately 4.7 percent. Per capita income within Cabarrus County and Concord grew, but at slightly reduced rates of 4.2 percent and 4.6 percent, respectively.

At around \$28,738, the estimated per capita income of Concord is greater than that of the other Charlotte area communities of Mooresville (\$26,905), Rock Hill, SC (\$23,782) and Kannapolis (\$22,217). However, the overall income of the Charlotte MSA is boosted by the \$35,542 per capita income of the City of Charlotte.

Table 9: Per Capita Income

Jurisdiction	1990	2000	2007	CAGR
Mooresville	\$11,384	\$20,549	\$26,905	5.19%
Charlotte MSA	\$14,611	\$23,417	\$31,670	4.66%
Concord	\$13,452	\$21,523	\$28,738	4.57%
Charlotte	\$16,793	\$26,823	\$35,542	4.51%
Rock Hill, SC	\$11,481	\$18,929	\$23,782	4.38%
North Carolina	\$12,885	\$20,307	\$26,409	4.31%
Cabarrus County	\$13,552	\$21,121	\$27,320	4.21%
Kannapolis	\$11,031	\$17,539	\$22,217	4.20%

Source: US Census, American Fact Finder

*2007 Estimates, ESRI

An alternative estimate for personal per capita income is provided by the Bureau of Labor Statistics (BLS), using per capita personal income. BLS data is provided at the county, MSA, state, and national levels and is considered more current. BLS estimates point to higher per capita income for



the metro area and Cabarrus County. However, the rate of growth is less when compared to estimates from ESRI.

Table 10: County per Capita Income

Jurisdiction	1990	2000	2007	CAGR
Cabarrus County	\$17,945	\$29,278	\$32,111	3.96%
Charlotte MSA	\$20,092	\$32,179	\$36,761	4.11%
Mecklenburg County	\$23,210	\$37,266	\$42,984	4.19%

Source: Bureau of Labor Statistics

Household income has grown at a greater rate within Concord (5.1 percent annually) than the surrounding Charlotte region. Residents in Concord continue to maintain higher household incomes than those in Mooresville, Kannapolis, and Rock Hill.

Table 11: Median Household Income

Jurisdiction	1990	2000	2007	CAGR
Concord	25,473	46,094	\$59,369	5.10%
Mooresville	24,470	42,943	\$56,414	5.04%
Kannapolis	22,369	35,532	\$43,878	4.04%
Charlotte MSA	31,125	46,119	\$60,735	4.01%
Cabarrus County	30,133	46,140	\$58,493	3.98%
Charlotte	31,873	46,975	\$60,525	3.84%
North Carolina	26,647	39,184	\$49,687	3.73%
Rock Hill, SC	26,615	37,336	\$45,561	3.21%

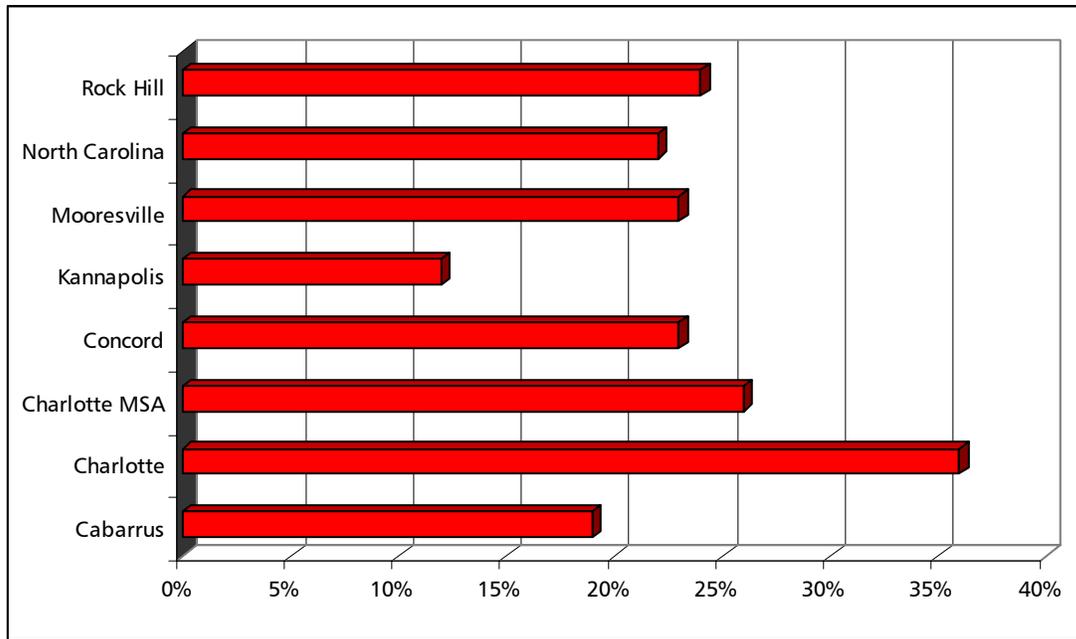
Source: US Census, American Fact Finder

*2007 Estimates, ESRI

Education

The following chart highlights the percentages of population aged 25 and over within the comparison markets that have attained an undergraduate or graduate degree. The chart shows that about 35% percent of 25 + year old residents of Charlotte have earned a college degree. Residents within Charlotte are more likely to have obtained a college education than those 25+ year old residents living in Mooresville (23 percent), Rock Hill (24 percent), Concord (23 percent), and Kannapolis (12 percent). However, the percentage of college graduates increased within these Charlotte area localities at a greater rate than within Charlotte. With an annual growth rate of 13.6 percent, Mooresville experienced the greatest percentage increase of residents with college degrees than the other markets. ERA attributes this in part to the recent location of the headquarters operation for Lowes Home Improvement in the Lake Norman Area.

Figure 2: Educational Attainment



Source: US Census

Tapestry Analysis

To further understand the demographic, economic, and cultural characteristics of Concord, ERA utilized an analysis tool called Community Tapestry, developed by ESRI. Tapestry is a tool that divides households into 65 categories or segments based on several key factors, including demographic characteristics of households and geographic characteristics of their neighborhoods. These segments correspond to certain age groups, income brackets, and education levels, as well as lifestyle choices, neighborhood housing preferences, and consumer spending habits. The top five concentrations of household segments within Concord include:

- Milk and Cookies (34 percent),
- Family Foundations (11 percent),
- Rural Bypasses (10 percent),
- Aspiring Young Families (8 percent) and
- Great Expectations (7 percent).

The following table highlights relevant concentrations of defined segments in Concord and compares them to the Rock Hill, Kannapolis, and Mooresville.

Table 12: Tapestry Segments in Region

Tapestry Segments	Concord	Rock Hill	Kannapolis	Mooreville
Milk and Cookies	34%	0%	5%	0%
Family Foundations	11%	10%	5%	5%
Rural Bypasses	10%	9%	23%	12%
Aspiring Young Families	8%	7%	0%	19%
Great Expectations	7%	19%	4%	8%
Green Acres	7%	0%	8%	9%
City Dimensions	4%	0%	0%	0%
Prairie Living	3%	6%	15%	0%
Metropolitans	3%	4%	0%	0%
Inner City Tenants	2%	0%	0%	0%
Simple Living	2%	2%	6%	0%
Rural Resort Dwellers	2%	0%	7%	21%
Rooted Rural	2%	0%	0%	0%

Source: Community Tapestry, ESRI

A detailed summary of the segments are in the following table, which describes relationships between segments. The *Milk and Cookies* segment is defined by Community Tapestry to be a segment of households representing young and affluent couples who are starting families or already have young children. Concord has a substantial proportion (34 percent) of these types of families while this segment only comprises 5 percent within Kannapolis and 0 percent within Rock Hill and Mooreville. The households within the *Family Foundations* segment represent more moderate income households found in urban communities that are slightly older than the national average and have a preponderance of families. Approximately one-third of the households receive Social Security benefits, and nearly one-fourth of households receive retirement income. Some households obtain Supplemental Security Income or public assistance income. Concord and Rock Hill have similar proportions of this segment within their overall population at 11 percent and 10 percent, respectively. These are not substantial segments within the populations of Kannapolis and Mooreville.

Kannapolis has a substantial number of households within the *Rural Bypasses* segment (approximately 23 percent). This segment represents modest income families with households having little college education that tend to live in small towns along less urbanized transportation corridors. This segment also has a higher than average dependency on government entitlement programs to subsidize income. This segment comprises 12 percent of Mooreville’s population, 10 percent of Concord’s, and 9 percent of Rock Hill’s.

The segments, *Aspiring Young Families* and *Great Expectations*, both represent young populations with new families. The most significant economic difference is in regards to income and jobs. *Aspiring Young Families* segment is represented by families earning above the national average in

income in primarily knowledge and professional services while the households represented by *Great Expectations* earn slightly less than national average and primarily work within manufacturing, retail, and moderately service industry sectors. These two segments comprise approximately 27 percent of Mooresville’s household population and 26 percent of Rock Hill’s. Roughly 15 percent of Concord’s household population is comprised of these young households while only 4 percent of Kannapolis’s households are comprised of these two segments.

Table 13: Household Tapestry Statistics (Concord, NC)

Category	Average HH Size	Median Age	Median HH Income	Median Net Worth	Median Home Value	Home Ownership (%)
Milk and Cookies	2.99	32.8	\$58,340	\$105,012	\$124,163	81.2
Aspiring Young Families	2.56	30.1	\$46,355	\$89,637	\$134,231	48.1
Family Foundations	2.82	37.6	\$41,785	\$88,799	\$95,381	75.5
Great Expectations	2.33	32.8	\$35,741	\$69,342	\$95,557	48.4
Rural Bypasses	2.57	36.7	\$26,734	\$31,759	\$55,543	77.7

Source: Community Tapestry, ESRI

Definitions provided by ESRI for the core segments follow:

Milk and Cookies

The household segment, *Milk and Cookies*, represents young, affluent married couples who are starting their families or already have young children. The median age of 34.2 years represents the presence of kids; nearly half of the households include children. Nationally, approximately 70 percent of these householders are aged 25–54 years. Adults within these households have high workforce participation rates (71 percent nationally) and have the highest concentration of multiple wage earners in the family compared to other tapestry segments. In addition, residents within this segment tend to hold a bachelor’s or graduate degree or have attended college. *Milk and Cookies* residents prefer single-family homes in suburban neighborhoods of cities.

Family Foundations

Family Foundations neighborhoods are small urban communities usually located in large metropolitan areas. This market represents stability with little household turnover. Family is the cornerstone of life in these communities; 73 percent of the households are composed of various family types. A mix of married couples, single parents, and grandparents, as well as young and adult children, populate *Family Foundations* neighborhoods. The median age is 39.1 years. Householders in this market are slightly older compared to the national level; 41 percent of householders are 45 years or older.

As workers are beginning to retire, labor force participation runs below average at 57 percent nationally and with higher than national average unemployment. Nearly 23 percent of employed residents are government employees. Approximately one-third of the households receive Social Security benefits, and nearly one-fourth of households receive retirement income. Some households obtain Supplemental Security Income (SSI) or public assistance income.

Rural Bypasses

Open space, undeveloped land, and farmland are found in *Rural Bypasses* low density neighborhoods. Families tend to live in small towns along less urbanized transportation corridors. Nationally, half of the households consist of married-couple families, 15 percent are single-parent families, and 7 percent are other families. One-fourth of the households consist of a single person. Households derive income primarily from wages and salaries, but dependence on Social Security benefits, Supplemental Security Income, and public assistance income is above average. Nationally, 61 percent of residents aged 25 years and older have graduated from high school. Only 8 percent hold a bachelor's or graduate degree. Employed residents work in a variety of occupations, with a slightly higher percentage in blue-collar occupations. Higher-than-average proportions of employed residents work in the agricultural, mining, manufacturing, and construction industry sectors. The labor force participation rate of 49 percent is low; the unemployment rate of 11 percent is high.

Aspiring Young Families

Located in the large, growing metropolitan areas most these residents are young, startup families, a mix of married-couple families with and without children and single parents with children. Approximately two-thirds of the households are families, 27 percent are single-person households, and 9 percent are shared. The median age is 30.5 years; one-fifth of residents are in their 20s. Over half of employed residents have professional, management, sales, or office/ administrative support positions. Nationally, 85 percent of residents aged 25 years and older have graduated from high school, 35 percent have attended college, and 22 percent hold a bachelor's or graduate degree. Half of the households are occupied by renters, half by homeowners. Residents live in moderately priced apartments, single-family houses, and startup town homes.

Great Expectations

Young singles who live alone and married-couple families dominate the Great Expectations market, although all household types are represented. The median age is 33.2 years. Some residents are just beginning their careers or family lives. This segment has a higher proportion of residents in their 20s and a higher proportion of householders younger than 35 years old, compared to overall U.S.

proportions. Nationally, median household income of \$37,684 and the median net worth of \$43,152 are low compared to the overall U.S. values. Half of the householders own their homes; the other half rent. More than half of the households are single-family dwellings; approximately 40 percent are apartments in low or mid-rise buildings. The manufacturing, retail, and service industry sectors are the primary employers in this market.

Economic Base Discussion

Tables below highlight the changes in the labor market between 1990 and 2006. Concord residents had an unemployment rate of approximately 4.1 percent in 1990 – slightly lower than the 3.9 percent unemployment experienced statewide. This rate decreased to 3.8 percent in 2006 while statewide employment remained flat. Concord and Mooresville experienced the greatest increase in the number of employed individuals of the comparison markets. Concord experienced a 5.2 percent annual growth rate and Mooresville experienced a 5.7 percent. Rock Hill, SC experienced the least degree of growth at approximately 0.81 percent. Overall, North Carolina experienced a 1.7 percent growth in its employment during the same period.

Table 14: Employment Status (1990)

	Cabarrus	Charlotte	Charlotte MSA	Concord	Kannapolis	Mooresville	North Carolina	Rock Hill, SC
Employed	51,808	216,696	613,891	13,753	13,850	4,528	3,238,414	20,140
Unemployed	1,974	9,432	25,718	587	866	156	163,081	1,500
Percent Unemployed	3.7%	4.2%	4.0%	4.1%	5.9%	3.3%	4.8%	6.9%

Source: US Census, American Fact Finder

Table 15: Employment Status (2006)

	Cabarrus	Charlotte	Charlotte MSA	Concord	Kannapolis	Mooresville	North Carolina	Rock Hill, SC
Employed	77,545	325,793	787,403	30,962	18,877	10,920	4,250,619	22,932
Unemployed	3,354	14,178	39,583	1,222	890	599	214,256	2,719
Percent Unemployed	4.1%	4.2%	4.8%	3.8%	4.5%	5.2%	4.8%	10.6%

Source: US Census, American Fact Finder

Table 16: Employment Status - Percent Annual Growth

	Cabarrus	Charlotte	Charlotte MSA	Concord	Kannapolis	Mooresville	North Carolina	Rock Hill, SC
Employed	2.6%	2.6%	1.6%	5.2%	2.0%	5.7%	1.7%	0.8%
Unemployed	3.4%	2.6%	2.7%	4.7%	0.2%	8.8%	1.7%	3.8%

Source: US Census, American Fact Finder

Employment by Industry

The following tables compare the change of employment within specific private sector industries between 2001 and 2006. Statewide private sector employment decreased 1.4 percent annually while private sector employment within Cabarrus County experienced a 2.1 percent increase. The county experienced employment growth in 13 of 19 industries. The county's most significant increases were experienced in the *Management of companies and enterprises* (16.7 percent); *Educational services* (15.6 percent); *Arts, entertainment and recreation* (12 percent); and *Professional and technical services* (12 percent). The greatest real job gains within Cabarrus County are estimated to have occurred in *Accommodation and food services* (1,899), *Health care and social assistance* (1,623), and *Retail trade* (1,774).

Table 17: Private Sector Employment Growth Rate, 2001 to 2006

Sector	Cabarrus County	North Carolina	U.S.
Total (All Sectors)	2.2%	0.7%	0.6%
Private Sector	2.1%	-1.4%	0.6%
Utilities	-1.5%	-1.6%	-1.8%
Construction	1.9%	1.4%	2.3%
Manufacturing	-7.4%	-4.7%	-2.9%
Wholesale trade	6.5%	1.9%	0.5%
Retail trade	4.0%	0.2%	0.2%
Transportation and warehousing	-2.0%	-0.6%	0.3%
Information	-11.3%	-1.9%	-3.3%
Finance and insurance	2.2%	3.7%	1.3%
Real estate and rental and leasing	-1.7%	1.9%	1.1%
Professional and technical services	12.0%	2.9%	1.5%
Management of companies and enterprises	16.7%	-0.7%	0.8%
Educational services	15.6%	4.5%	3.2%
Health care and social assistance	8.9%	4.3%	2.6%
Arts, entertainment, and recreation	12.0%	1.4%	1.3%
Accommodation and food services	7.3%	3.2%	1.9%
Other Services (except public administration)	4.0%	0.4%	0.7%

Source: Bureau of Labor Statistics: Quarterly Census of Employment and Wages

Of the six industries experiencing employment loss, *Information* and *Manufacturing* related industries had the greatest annual rate of loss with -11.3 percent and -7.4 percent, respectively. *Manufacturing* employment throughout the state decreased by 4.7 percent annually and 2.9 percent annually nationally. *Information* industry jobs also decreased throughout the state, albeit at a slower rate of 1.9 percent annually. The U.S. shed jobs within the *Information* industry at an annual rate of 3.3 percent. Overall, North Carolina had subtle gains and losses within employment that trended similarly with the rest of the U.S. The greatest real job losses within Cabarrus County are estimated

to have occurred within industries directly associated with *Manufacturing* (1,174) and *Information* (519).

Table 18: Private Sector Employment Growth (2001 - 2006)

Segment	Cabarrus County	North Carolina	U.S.
Total (All Sectors)	6,399	159,981	4,198,034
Private Sector	5,001	112,239	3,414,056
Utilities	<-20	-1,076	-53,378
Construction	417	16,189	828,636
Manufacturing	-3,821	-150,661	2,275,338
Wholesale trade	841	16,206	154,900
Retail trade	1,774	4,613	190,287
Transportation and warehousing	-154	-3,235	66,368
Information	-519	-5,783	-551,418
Finance and insurance	96	25,159	364,779
Real estate and rental and leasing	-61	4,648	118,310
Professional and technical services	828	22,640	521,409
Management of companies and enterprises	638	-2,484	69,127
Educational services	282	10,661	323,635
Health care and social assistance	1,623	78,013	1,742,925
Arts, entertainment, and recreation	828	3,310	116,864
Accommodation and food services	1,899	47,951	1,022,785
Other Services (except public administration)	287	2,023	158,544

Source: Bureau of Labor Statistics: Quarterly Census of Employment and Wages

Bank Deposits

While incomes continue to increase in Concord, detailed analysis of savings and banking data points to another trend. This section examines change in the total number of commercial and savings institutions and total deposits in these institutions in each region of the state from 2000 through 2007 (using June 30 data of each year). The Federal Deposit Insurance Corporation (FDIC) populates the Historical Statistics on Banking, which provides annual statistical information on the banking industry back to 1934. The approach is used to identify and analyze long-term trends. Recent research by the New York State Banking Department illustrates how economic strength correlates with new deposit and branch office growth. The tables below compare per capita growth within bank deposits, as well as growth in branches and deposits.

Table 19: Bank Branch Growth, 2000 - 2007

Jurisdiction	2000	2007	CAGR
Concord	19	22	2%
Charlotte	184	192	1%
Cabarrus County	32	40	3%
Charlotte MSA	397	421	1%

Source: Federal Deposit Insurance Corporation

The Charlotte MSA has had the greatest rate of annual growth in bank deposits per person when compared to the comparison markets. In contrast, both Concord and the surrounding County of Cabarrus experienced an annual decline in per capita deposits of 3.2 percent and 1.2 percent, respectively. The drop in per capita deposits could correlate with the recent relocation of 1st Charter from Concord to Charlotte. Concord also experienced a drop in deposits of 1 percent annually since 2000. Charlotte’s per capita deposit growth (11.8 percent) was just slightly less than that of the MSA (11.9 percent). The tables also shows that the number of bank branches and banking institutions located in Cabarrus County also increased by 3.2 percent and 6.0 percent, respectively.

Table 20: Change in number of Banking Institutions, 2000 - 2007

Jurisdiction	2000	2007	CAGR
Concord	7	9	3.7%
Charlotte	15	22	5.6%
Cabarrus County	8	12	6.0%
Charlotte MSA	33	48	5.5%

Source: Federal Deposit Insurance Corporation

Table 21: Total Bank Deposits by Jurisdiction, 2000 - 2007

Jurisdiction	2000	2007	CAGR
Concord	\$1,141,225,000	\$1,060,365,000	-1.0%
Charlotte	\$34,918,654,000	\$88,698,124,000	14.2%
Cabarrus County	\$1,584,036,000	\$1,772,627,000	1.6%
Charlotte MSA	\$41,341,658,000	\$98,143,981,000	13.1%

Source: Federal Deposit Insurance Corporation

Table 22: Per Capita Deposits (\$thousands)

Jurisdiction	2000	2007	CAGR	Annual Population Growth
Concord	\$20	\$16	-3.18%	2.21%
Charlotte	\$64	\$141	11.79%	2.19%
Cabarrus County	\$12	\$11	-1.20%	2.86%
Charlotte MSA	\$28	\$61	11.89%	1.13%

Source: ERA, ESRI, and US Census

From ERA’s perspective, the above tables highlight where people deposit their money. Indirectly through, the tables also highlight the current extent of economic self-sufficiency achieved by Cabarrus County and Concord.

Demographic Implications

Key demographic and economic base findings include:

- **Population:** Estimates for 2006 / 2007 point to a city of Concord population in the 65,000 to 66,100-person range, representative of an annualized growth rate of between 5.2% and 5.7%, well above state and national benchmarks.
- **Households:** While the average household size across the US is decreasing, it is increasing in Concord. Importantly, Concord is seeing a similar transition from family to non-family households, just at a rate slower than other jurisdictions.
- **Income:** While Concord continues to experience significant population growth, per capita incomes (\$32,111) have lagged behind levels achieved in Mecklenburg County (\$42,984 and the Charlotte Metropolitan Area (\$36,761) in annualized rates of growth in absolute terms.
- **Educational Attainment:** The percentage of population that has attained either undergraduate or graduate status has trended slightly behind the metropolitan area (26% to 23%), which is generally consistent with income factors noted above. At the same time there is a considerable difference in college / advance degree attainment between Concord and Kannapolis (23% to 12%).
- **Tapestry Segmentation:** The household segmentation analysis highlights an interesting picture of Concord, with an evolving mix of younger and more affluent families with children combined with older and more moderate income family households. The segmentation approach highlights the relevance of generally lower income rural households across the county as well.
- **Employment Growth:** Since 2001, Cabarrus County experienced a higher rate of job creation compared to the state and US. Job growth has been concentrated in medical services, professional and technical services, retail, and hospitality. Within the overall numbers, Concord's evolving cluster of auto racing related businesses should also be emphasized. As well, the impending closure of the Phillip Morris production operation in Concord will have near term implications.

IV. Retail Market Analysis

The goal of the retail market analysis is to understand the current strategic position of Concord in the region, and the competitive position of downtown as a retail destination. The approach includes assessment of regional and city-level retail inventory and vacancy trends, a review of recent survey data regarding downtown merchants in Concord, and implications for national retail trends.

Regional Retail Perspective

The Charlotte market, as defined by CoStar, includes Mecklenburg, Union, Stanly, Cabarrus, Rowan, Iredell, Catawba, Lincoln, and Gaston County in North Carolina as well as York, Chester, and Lancaster County in South Carolina. Total retail square footage is over 75 million square feet, the bulk (47.4 million or over 63 percent) of which is in Mecklenburg County (see table below).

Table 23: Total Retail Inventory – Charlotte MSA

Market	Total Inventory	Vacancy Rate	Avg. Rent	2007 Inventory Growth
Charlotte MSA	75,091,958	6.1%	\$15.86	1,579,676
Mecklenburg County	45,585,718	5.7%	\$15.67	672,141
Cabarrus County	7,179,394	6.3%	\$17.30	160,550
City of Concord	5,307,521	5.1%	\$17.83	160,550

Source: CoStar, 2008.

For Mecklenburg County, the total inventory would translate into about 57 square feet per resident, which is well above national benchmarks, but reflects the role of the county as a regional commercial center. It also reflects the reality of larger store sizes, which have increased the overall national benchmark for square feet per capita. Concord is located in the Cabarrus County submarket, which has about 10 percent of total retail space. Cabarrus County's 7.2 million retail square feet equates to almost 46 retail square feet per resident. Retail inventory per capita is presented in the next table.

Table 24: Retail Inventory per Square Foot

Area	Total Retail SF	Population	SF per Capita
Concord (w/ Mills)	5,307,521	65,180	81.4
Concord (w/o Mills)	3,978,483	65,180	61.0
Mecklenburg County	45,585,718	827,445	55.1
Charlotte MSA	75,091,958	1,621,635	46.3

Source: CoStar, US Census.

The Concord retail inventory shown above is included both with and without the Concord Mills mall because it the largest attraction in the state of North Carolina and can draw from a significantly larger trade area than average retail outlets or even most shopping centers.



Sub-Market Analysis

The following table highlights submarket level inventory data for Mecklenburg County. The table highlights the importance of South Charlotte to the county wide retail market, supporting about 20% of county inventory.

Table 25: Retail Inventory – Mecklenburg County

Submarket	General Retail	Other Retail	Shopping Centers	Total	Percent of Market (MSA)
CBD	458,418	0	113,850	572,268	0.8%
East Charlotte	1,865,486	166,306	4,591,567	6,623,359	8.8%
Midtown	797,952	0	741,638	1,539,590	2.1%
Northeast Charlotte	2,039,338	58,011	5,171,197	7,268,546	9.7%
Northwest Charlotte	695,491	0	2,720,199	3,415,690	4.5%
South Charlotte	4,467,612	362,798	10,212,339	15,042,749	20.0%
Southeast Charlotte	1,552,049	62,670	4,150,210	5,764,929	7.7%
Southwest Charlotte	2,392,712	187,283	2,778,592	5,358,587	7.1%
Total	14,269,058	837,068	30,479,592	45,585,718	60.7%

Source: CoStar Charlotte Retail Market Report, Year-end 2007.

Inventory Growth

During the 4th quarter of 2007, Mecklenburg County has added 75,686 square feet of retail space bringing total retail additions for 2007 to 672,141 square feet. Deliveries during the year include the expansion of North Cross Shopping Center and the completion of Olde Lancaster Town Center.

Table 26: 2007 Deliveries and 2008 Under Construction– Mecklenburg County

Market	2007 Deliveries	2008 Construction
CBD	5,000	0
East Charlotte	5,620	0
Midtown	0	0
Northeast Charlotte	53,995	90,000
Northwest Charlotte	0	0
South Charlotte	315,665	94,200
Southeast Charlotte	0	14,700
Southwest Charlotte	0	28,600
Totals	380,280	227,500

Source: CoStar Charlotte Retail Market Report, Year-end 2007

In addition to deliveries during the period, there was an additional 556,566 square feet under construction at year-end. In addition, the city of Concord had 160,550 square feet (over 3 percent of existing inventory) delivered in 2007 with an additional 124,842 square feet under construction at year-end 2007.

Vacancy

Retail vacancy is relatively low as shown in the following table. Mecklenburg County’s vacancy, while moderate, represents over 2.5 million square feet of space, which is roughly one-half the size of the entire Concord retail market. While current vacancies are low, near-term development of new space will impact current levels. Concord’s vacancy rate is 5.1 percent.

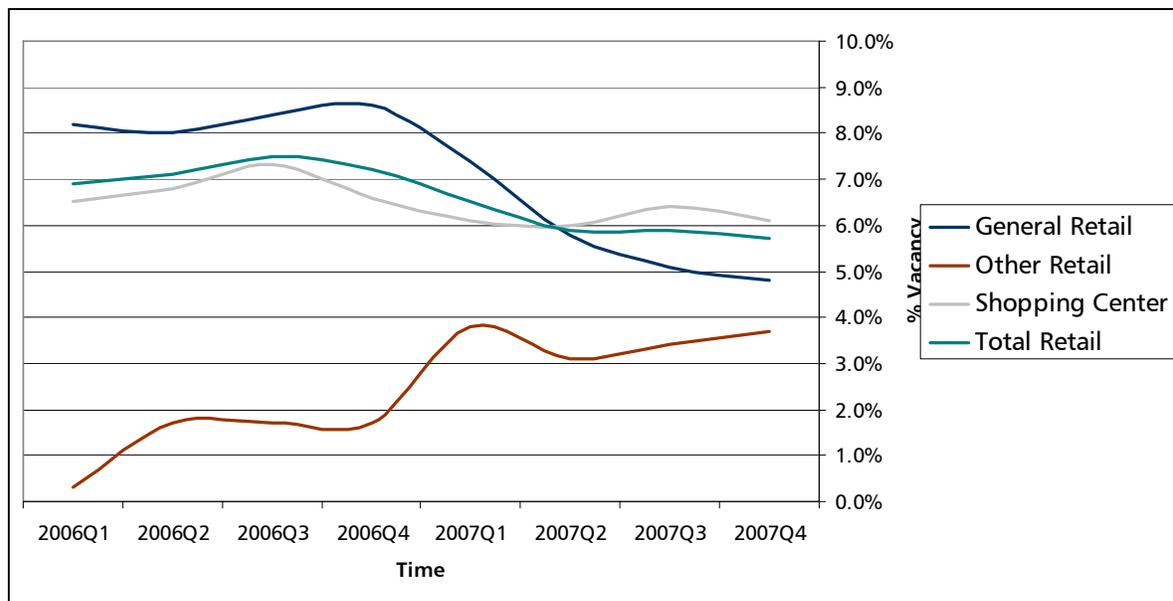
Table 27: Vacancy Rates

Market	General Retail	Shopping Centers	Total Retail
CBD	3.5%	0.0%	2.8%
East Charlotte	10.5%	5.4%	7.2%
Midtown	7.4%	2.9%	5.2%
Northeast Charlotte	4.0%	7.7%	6.6%
Northwest Charlotte	8.5%	14.3%	13.1%
South Charlotte	2.9%	3.1%	3.0%
Southeast Charlotte	4.9%	7.2%	6.5%
Southwest Charlotte	2.9%	6.5%	4.7%
Total	4.8%	6.1%	5.7%

Source: CoStar Charlotte Retail Market Report, Year-end 2007.

In addition to vacancy analyses based on geographic area, it is important to note any significant trends that are forming in the area pertaining to vacancy, as shown in the following chart.

Figure 3: Vacancy Rates



Source: CoStar

Lease Rates

Retail lease rates average \$15.67 for all types of retail, and only slightly lower for shopping centers (\$15.39). As would be expected because of its high average income level, Concord has higher average lease rates of almost \$18 per square foot. Getting a more specific look at retail lease rates in the 8 Charlotte sub-markets, lease rates are highest in the CBD, South, and Southwest areas of Charlotte where retail space leases for an average of \$22 to \$23 per square foot. Rents in downtown Concord are well below quoted rates in suburban retail centers. Interviews with store owners placed rents for existing space in the \$5 to \$12 per square foot range.

Table 28: Retail Lease Rates

Market	General Retail	Shopping Centers	Total Retail
CBD	\$22.36	\$0.00	\$22.36
East Charlotte	\$6.97	\$13.07	\$8.56
Midtown	\$16.97	\$18.90	\$18.03
Northeast Charlotte	\$19.41	\$15.68	\$16.58
Northwest Charlotte	\$13.04	\$8.95	\$9.31
South Charlotte	\$27.55	\$19.58	\$23.11
Southeast Charlotte	\$14.73	\$20.36	\$19.43
Southwest Charlotte	\$22.60	\$21.64	\$22.06
Mecklenburg County	\$16.17	\$15.39	\$15.67
City of Concord			\$17.83

Source: CoStar, 2008.

Concord Retail Overview

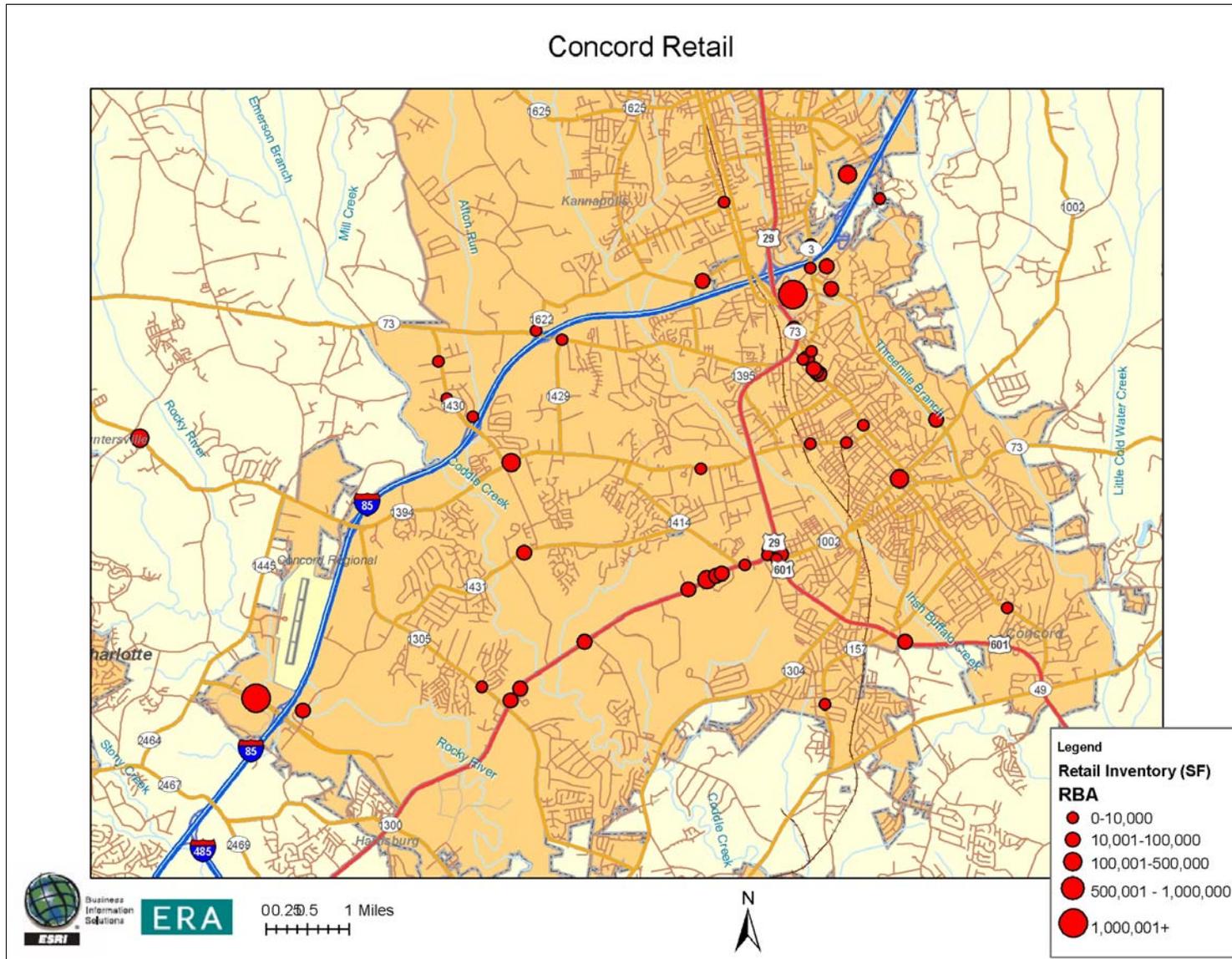
Retail inventory in Concord is concentrated in several key areas. The Concord Mills Mall to the Southwest is not only a major retail outlet in and of itself, but also it has spawned further retail development. In addition, the Carolina Mall near the intersection of Interstate 85 and Highway 29 represents another substantial cluster of retail space. There are other congregations of retail space along Poplar Tent Road and in the downtown Concord area. Major retail areas are shown in the following map. Concord supports about 5.5 million square feet of retail inventory, which is about 76 percent of total retail inventory in Cabarrus County. Approximately 75 percent of city inventory is shown in the table below. The total vacancy rate among the major retail outlets in the table is about 3 percent.

Table 29. Concord Major Retail Development Characteristics

Building Name	Yr Built or Renovated	Rentable Building Area	Total Available Space	Vacancy Rate	Anchor Tenants
Afton Ridge	2006	417,106	35,162	8.4%	Best Buy, Dick's Sporting Goods, SuperTarget
Branchview Plaza	1991	86,438	0	0.0%	CVS/pharmacy, Food Lion
Carolina Mall	1999	545,000	13,661	2.5%	JCPenney, Sears
Northern Plaza	1984	51,897	0	0.0%	Family Dollar, Rent-A-Center
Lowe's	1999	135,197	0	0.0%	
Shoppes at Davidson Corner	1996	65,500	1,300	2.0%	Harris Teeter
First Assembly Village	1985	230,000	0	0.0%	Watson's
Super Kmart	1993	80,000	0	0.0%	
Shoppes at Davidson Corner	n/a	65,000	5,600	8.6%	
Concord Commons	n/a	254,330	6,400	2.5%	
Pavilion At Kings Grant	n/a	409,900	50,000	12.2%	Toys"R"Us
Concord Mills Mall	1999	1,329,038	0	0.0%	AMC Theatres, Bass Pro Shops
Copperfield Center	2001	70,913	6,100	8.6%	K& W Cafeteria, Plej's
Concord Crossing	1995	55,930	1,200	2.1%	Bi-lo Supermarket, CVS/pharmacy
Garden Ridge	n/a	106,372	0	0.0%	Garden Ridge
Coddle Creek	2004	79,546	6,595	8.3%	Harris Teeter
Cannon Crossroads	2007	130,000	1,450	1.1%	
Kohl's	n/a	91,136	0	0.0%	
Hobby Lobby	2004	60,000	0	0.0%	
South Union	1960	87,000	2,000	2.3%	Food Lion
Total		4,350,303	129,468	3.0%	

Source: CoStar, 2008.

Figure 4. Concord Retail Map



Retail Sales Statistics and Comparison

Sales tax data is available from the North Carolina Department of Revenue. However, because of the elimination of certain tax categories, this data is appropriate for trending analyses before the 2005-2006 fiscal year. Nonetheless, ERA compiled a list of annual per capita spending estimates by category for Concord for the most recent year. It is notable that per capita spending has increased strongly since 2005, which reflects both growth in population as well as sales.

Table 30: Concord per Capita Taxable Retail Sales

Segment	2005-2006	2006-2007	CAGR
Total	\$18,421	\$19,838	7.69%
Apparel	\$1,017	\$1,135	11.58%
Automotive	\$1,184	\$1,331	12.39%
Food	\$4,241	\$4,339	2.33%
Furniture	\$758	\$727	-4.06%
General merchandise	\$4,970	\$6,100	22.74%
Lumber / Building Material	\$2,585	\$2,835	9.67%
Unclassified	\$3,291	\$3,230	-1.84%

Source: North Carolina Department of Revenue, ERA

County Trade Analysis

Data from the North Carolina Department of Revenue was collected in apparel, automotive, food, furniture, general merchandise, and lumber and building material. An additional category of *Unclassified*, is also included within the tabulation. According to the North Carolina Department of Revenue, items within this category include, but are not limited to the following:

- Beauty and beauty supply dealers
- Bookstores, school supply stores
- Florists and nurseries
- Office machine and supply dealers
- Photographers, artists, photofinishers
- Printers & publishers
- Laundries, dry cleaners, etc.

The following analysis assists in determining whether a county is able to attract retail customers from outside its borders. The primary methods for performing this analysis is by measuring a county's trade pull factor. Trade pull factors are location quotients that compare a county's per capita retail sales to the state's per capita retail sales. Location quotients greater than 1.00 indicate that the county's per capita retail sales are greater than the state's per capita retail sales and that the county is able to pull shoppers from surrounding regions for retail trade. Location quotients less than the

1.00 indicate the county’s per capita retail sales are less than the state’s per capita retail sales and that the county’s residents shop elsewhere.

The table below highlights the counties within close proximity to Cabarrus County and their County Trade Pull Factor. The table highlights the degree to which each county has garnered retail market share within the state. Retail data for counties in South Carolina (York and Lancaster) are not analyzed. Although the South Carolina counties are expected to have impact on the region, the degree to which retail is impacted within Concord and the surrounding County of Cabarrus is assumed to be muted by the economic engine of Charlotte.

Pull factor analysis highlighted in the tables below suggests that counties within and around the Charlotte MSA are, as predicted, greatly impacted by the supply of retail in Mecklenburg County. Charlotte, the primary city within the county and region, has a pull factor of 2.56 and controls over 13 percent of the state’s retail market share. This pull factor is almost double that of Cabarrus County, which has a pull factor of 1.34, and almost eight times greater than the 1.75 percent market share held by retailers within Cabarrus County.

Table 31: North Carolina Counties Trade Pull Factors

County / MSA	2005	2006	CAGR
Mecklenburg County	2.47	2.56	3.56%
Cabarrus County	1.26	1.34	7.06%
Iredell County	1.14	1.20	5.74%
Catawba County	1.06	1.14	7.97%
Gaston County	0.68	0.76	10.99%
Union County	0.67	0.72	6.91%
Lincoln County	0.53	0.57	6.55%
Rowan County	0.49	0.52	5.18%
Anson County	0.29	0.31	6.39%

Source: North Carolina Department of Revenue, ERA

Five counties (including two from within the Charlotte MSA – Union and Anson) receive pull factors of less than 1, which suggests that county residents are shopping outside the county. All counties within this 9 county region have experienced increasing pull factors, as well as, increased retail market share. Union County experienced the most significant annual percentage growth with over 10 percent annual growth in market share. This increasing trend implies that the local areas are becoming more efficient at competing for local retail sales.

Table 32: North Carolina Counties Market Share

County / MSA	2000	2006	CAGR
Mecklenburg County	12.79%	13.15%	2.79%
Cabarrus County	1.64%	1.75%	6.73%
Catawba County	1.59%	1.71%	7.29%
Iredell County	1.51%	1.59%	5.38%
Gaston County	1.28%	1.39%	8.29%
Union County	1.02%	1.13%	10.22%
Rowan County	0.70%	0.71%	2.07%
Lincoln County	0.39%	0.41%	5.00%
Anson County	0.09%	0.09%	1.78%

Source: North Carolina Department of Revenue, ERA

Downtown Concord Inventory

Current retail and office inventories for Downtown Concord were estimated through a multi-step process which included meetings with City staff to evaluate and update inventories by store type and vacancy, and collection of GIS data, aerial photography, and related property records, including reported finished / heated square footage, and year of construction. ERA experience with retail store types, classifications, and typical store sizes was essential in sorting through retail buildings that have office tenants, office buildings that have retail tenants, and medical office buildings that have both retail and office tenants. The following table highlights current retail inventories for downtown, broken down by store type. Office inventories are discussed later in the report.

Table 33: Retail Inventory by Store Type, Downtown Concord

Store Type	Square Feet	% of Total
Restaurants & Bars	43,898	27%
Personal Services	18,555	11%
Sporting Goods	2,200	1%
Miscellaneous	13,828	8%
Home Furnishings	22,113	14%
Apparel & Accessories	13,025	8%
Food & Beverage	6,265	4%
Jewelry	2,820	2%
Health & Personal Care	7,467	5%
Shoes	2,645	2%
Arts & Entertainment	24,827	15%
Books / Audio / Video	0	0%
Services	2,500	2%
Electronics & Appliances	3,535	2%
Total Inventory	163,677	100%

Source: ERA Analysis

The table highlights an overall inventory of about 163,700 square feet, of which 27% is in restaurants and bars, 14% is concentrated in home furnishings and antiques, and 15% is in arts and entertainment, which includes the Arts Council gallery space, the Davis Theater, and two gallery

spaces at 21 Union Street. The inventory breakdown by store type reinforces the strength of restaurants as a key anchor for downtown, and the emergence of arts and entertainment as an evolving anchor for downtown. Opening of the Davis Theater in 2008 boosted the amount of inventory in this segment to an estimated level of about 24,800 square feet.

The following table highlights overall inventories and vacancy factors for street level space and above grade space in the downtown core. The table highlights an overall inventory of about 966,830 square feet of space, of which 550,200 square feet is concentrated in street level uses, with a corresponding vacancy rate of 9.6%, representing about 52,800 square feet. Upper floor vacancy is estimated based on street level building inspections, with a potential vacancy factor of 25%, which reflects space that is vacant, or un-renovated. Within the retail segment specifically, ERA identified a competitive vacant inventory of about 12,000 square feet, which would correlate with a vacancy rate of about 9%.

Table 34: Retail Inventory by Store Type, Downtown Concord

Store Type	Occupied Retail SF	Occupied Office SF	Vacant SF	Other Space	Total Space	Vacancy Factor
Street Level	141,672	355,721	52,823		550,216	9.6%
Upper Floor	22,005	262,174	104,570	27,867	416,616	25.1%
Total Floor Area	163,677	617,894	157,393	27,867	966,831	16.3%

Source: ERA Analysis

The above table speaks to the significance of office inventories as a key driver of downtown demand, with about 630,000 square feet of space in office use. Of the total inventory, about 65% is in public (City / County) use, which is significant.

Survey Process

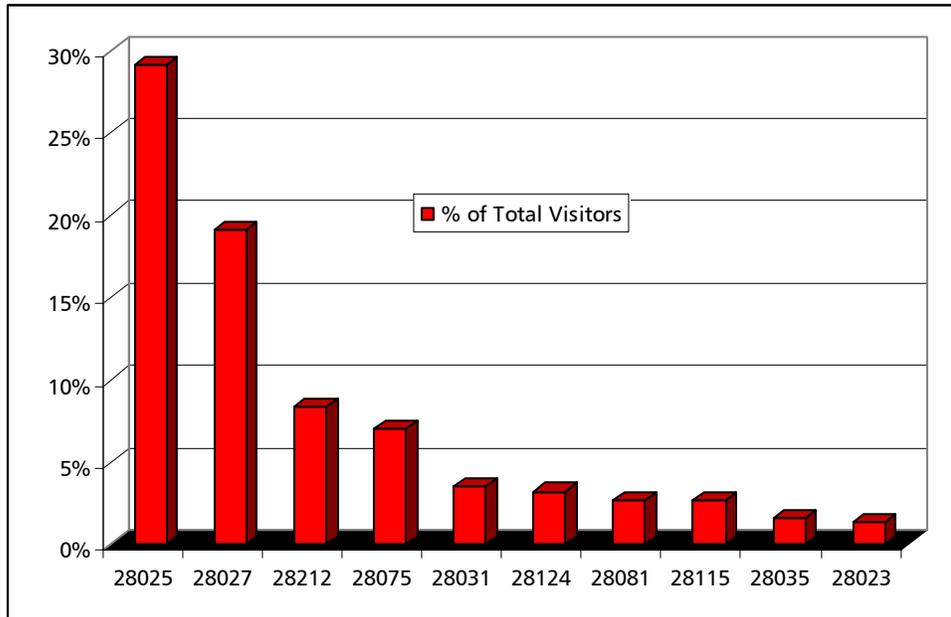
To help understand perspectives of downtown merchants, ERA also undertook a survey process. The two-page survey was distributed to all downtown merchants after Christmas 2007. Initial responses to the survey highlighted the following trends:

- Average store sales factor of \$160 per square foot, which is below average from ERA’s perspective.
- Varying levels of market penetration beyond the City of Concord
- Indications that store performance has generally decreased over previous years, with exceptions.
- Concern about the lack of demand generators in the downtown area
- Availability of convenient parking
- Inconsistent store hours

- Better signage and wayfinding

As part of the survey process, several retailers were asked to track their source market zip codes during the holiday period. The analysis indicated that four Charlotte area zip codes accounted for about 60% of store visits. As shown below, these zip codes include 28025, 28027, 28075, and 28212. Of the four zip codes, two in Concord accounted for about 50% of total visits. From ERA’s perspective, the analysis speaks to the challenge of expanding the regional market of visits to downtown Concord.

Figure 5 – Source Zip Codes for Visitors to Downtown Concord

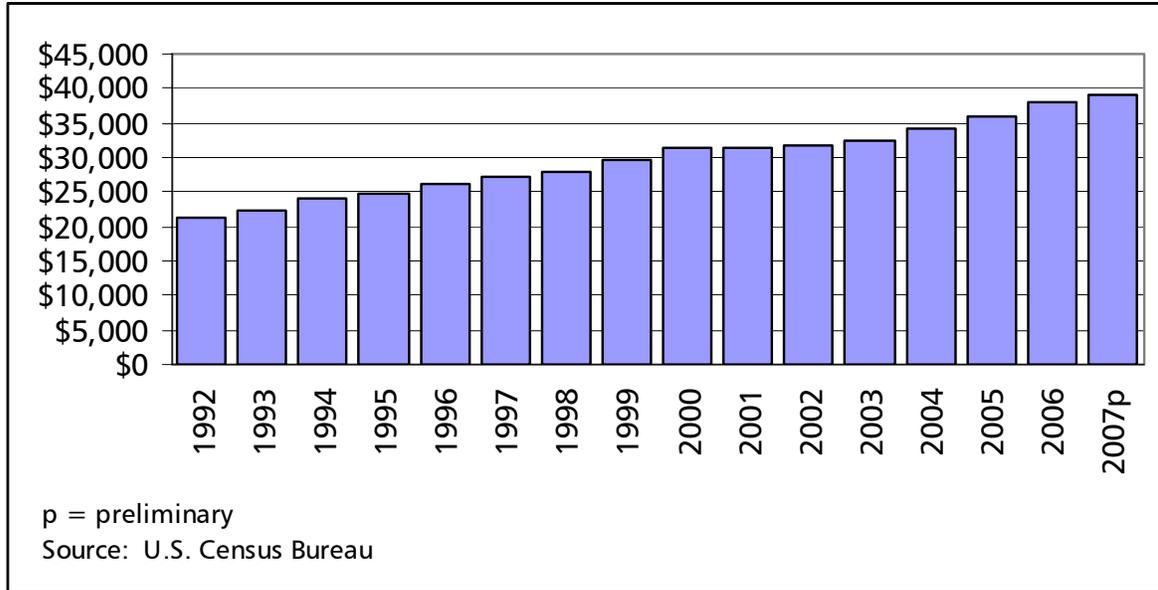


Source: Downtown Business Owners

National Retail Sales Trends

The U.S. Census Bureau provides national estimates of retail sales annually by category in the *Annual Revision of Monthly Retail and Food Services*. Sales can occur in department stores, warehouses or specialized stores or through catalogs, infomercials and the Internet. In 2007, retail sales are estimated to reach \$4.5 trillion. Nationally, the average spending per household has grown at an average annual rate of 4.2 percent since 1992. In 1992, average retail spending was \$21,105 per household, which grew to an estimated \$38,932 in 2007.

Figure 6 – National Retail Sales per Household



In the following analysis, retail spending on motor vehicles, service and repairs as well as fuel were excluded to focus primarily on general retail purchases. Nationally, Americans spend one-fifth of their retail dollars on motor vehicles and associated service and repairs, which has remained constant over time.

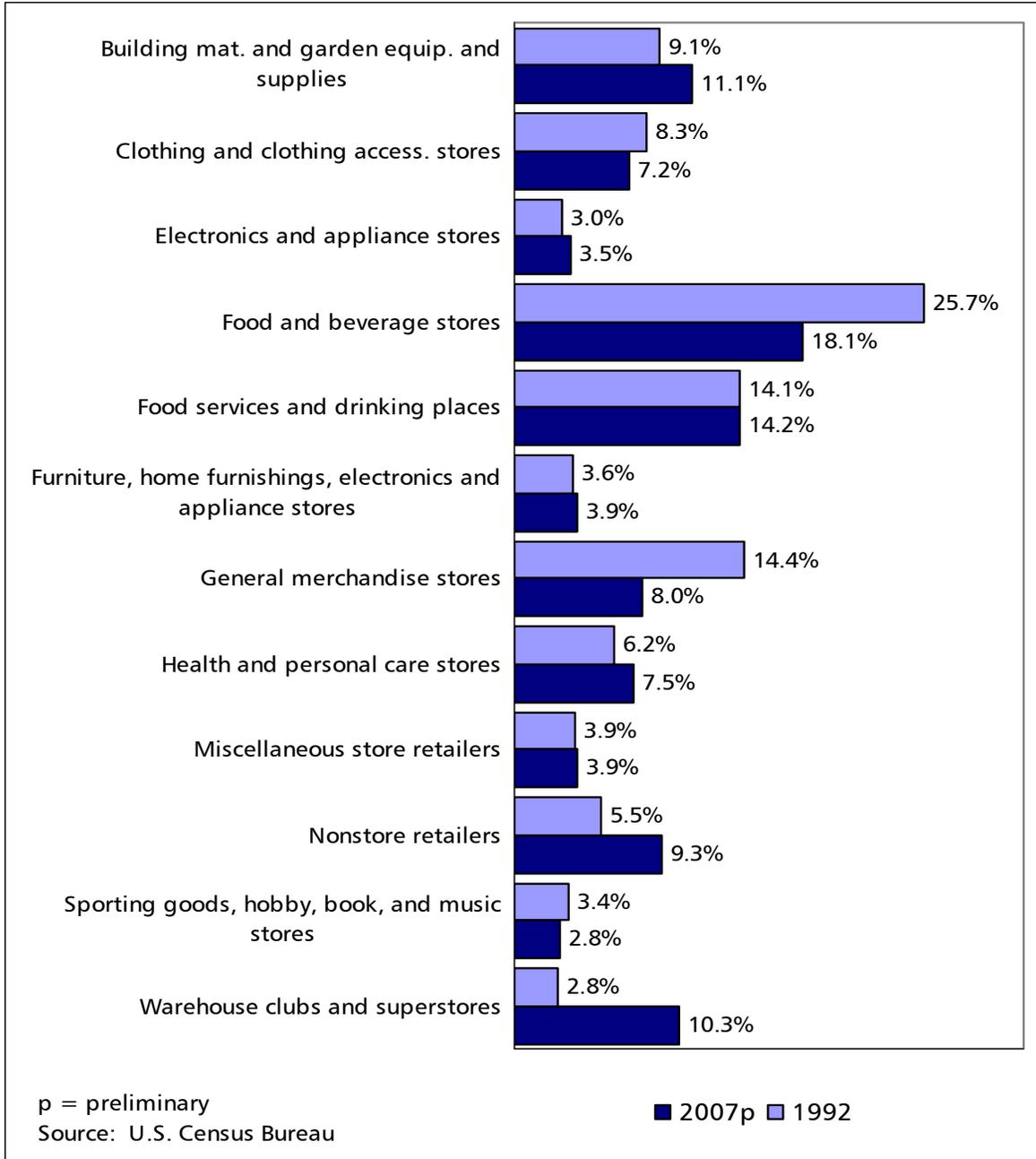
Table 35: Retail Sales on Motor Vehicles and Gasoline

Segment	1992	2007
Total retail sales	2,019,131	4,506,100
Motor vehicle and parts dealers	419,353	924,900
Gasoline stations	156,556	408,400

p = preliminary
Source: U.S. Census Bureau

Although the amount being spent on general retail is growing substantially, how retail dollars are being spent has changed considerably as shown below. The following chart shows the distribution of retail dollars by segment.

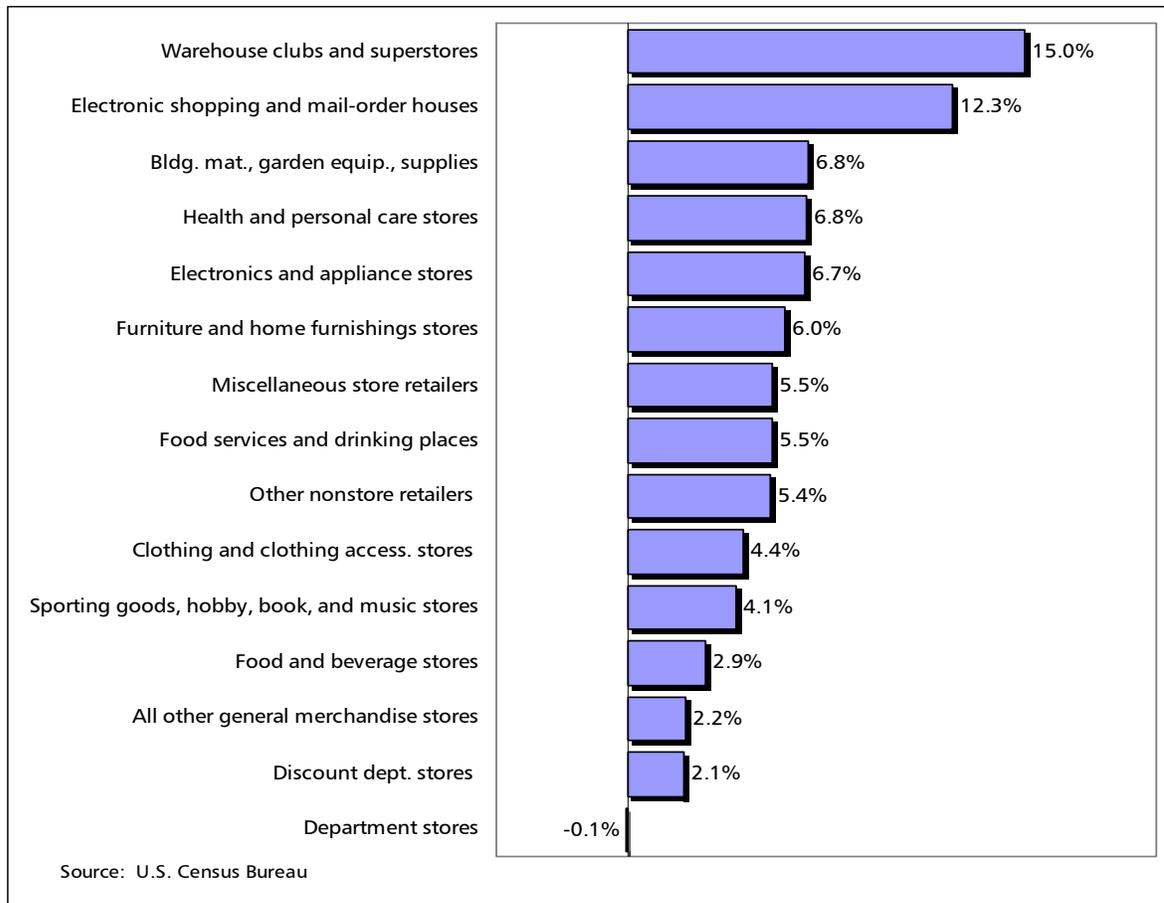
Figure 7: Percent of General Retail Dollars by Category, 1992 and 2007p



The biggest decline has occurred on food and beverage from nearly 26 percent of general retail dollars in 1992 to 18 percent in 2007. Rather than a decline in the amount of food and beverages we are purchasing, this most likely reflects the continued decline in the price of food. Also, there are more stores offering groceries which may also explain some of this decline. General merchandise

stores also received a smaller share of retail dollars. This can be explained by the expansion of sales at warehouse clubs and superstores. In 1992, 2.8 percent of all retail dollars were spent at stores such as Costco, Sam’s Club, Wal-Mart and Target. By 2007, this share had increased to 10.3 percent. Another notable change is the share of retail dollars being spent at non-store retailers. This category includes retail purchases made through infomercials, catalogs and the Internet. In 1992, 5.5 percent of general retail dollars were spent this way. This has increased to an estimated 9.3 percent by 2007. Another substantial change is where retail dollars are being spent.

Figure 8: Annualized Growth in General Retail Sales Categories, 1992-2007p



Americans are moving away from traditional department stores and making more of their retail purchases in big box stores and online. From 1992 to 2007, retail sales captured by warehouse clubs such as Wal-Mart, Costco and Target has grown at average annual rates of 15 percent. Online purchases increased 12.3 percent per year over this same time frame.

The following segment specific trends are also noted:

- Since 1992, while overall retail sales have increased at 5.5 percent per year, warehouse club and superstore retail sales have grown by more than 15 percent per year. The strength and growth plans of Wal-Mart, Target, and Meijer are notable, and will have very specific implications for traditional grocery store and department store formats. Growth of these formats is leading to significant increases in store sizes, and reducing demand for traditional retail locations, particularly along older corridors.
- The Internet continues to absorb market share from traditional retail formats, including downtowns. Between 1992 and 2007, Internet retailing increased from 5.5 percent to 9.3 percent of general related retail sales, representing growth from about \$35 billion in 1992 to an estimated \$200 billion in 2007. On a per household basis, this shift reflects an increase from \$368 on the internet per year to \$1,734 per year. While the re-allocation of retail sales to the Internet is of little concern to retail chains, the same cannot be said for communities that derive sales taxes from retail space in the community, and see sales dollars and taxes captured by internet formats.
- Reflecting the growth of superstores and warehouse clubs, traditional grocery stores and department stores have increasingly underperformed relative to other segments. Over the noted period, the grocery store share of general retail sales decreased from 25.7 percent to 18.1 percent, with overall growth of 2.9 percent per year. For department stores, the decrease was from 6.1 percent down to 2.7 percent of general retail sales, with an actual decline in retail sales of 0.1 percent per year. While Department stores have only continued to struggle, grocery stores have responded, with formats either growing in size (80,000 square feet and up) or getting smaller (Trader Joes at 15,000 square feet). The traditional 40,000 square feet grocery store appears to be competitively challenged in the current market.
- Growth of health and personal care stores reflects the increasing scale of products and services that drug stores and pharmacies now offer. Walgreens and CVS have been very aggressive in expanding across the Midwest.
- While larger format building material stores (Lowe's, Menards, and Home Depot) have dramatically altered the market for home improvement supplies, sales growth appears to have slowed, reflecting a likely level of saturation in this segment.

There are also several broader economic factors that are influencing retail spending patterns including:

- Recent and current energy cost increases for oil, natural gas, and gasoline tend to have the strongest impact on low to middle income residents, diverting a share of potential retail spending into energy. While historic spikes in energy prices have been short-lived, changing international economic conditions would tend to point to a future with higher energy prices. Since 1998, unleaded gasoline prices have increased at an annualized rate of 16 percent, while natural gas prices have increased at a 9.4 percent annualized rate. For lower income communities, gas price increases are a specific concern, as public transportation is generally less available / convenient.
- Retailers in general are also reacting to changing spending patterns driven by new technologies (broadband access and cell phones), which have in the past 2 to 3 years captured a significant share of disposable income, in the range of \$50 to \$150 per month. The emergence of services including TiVo, XM Satellite Radio, iTunes, and Netflix are examples. The impact of broadband access is expected to have a significant impact on the profitability of traditional video rental stores, a standard anchor of many neighborhood retail centers.
- Nationally, shopping center owners are awaiting the expected fallout from the recent May / Federated department store merger which is expected to result in a number of traditional department store anchors going vacant. The current rollout of Macy's as a national brand also highlights the disappearance of more than 10 regional department store brands, including Marshall Fields, Filene's, Foley's, Hecht's, Famous-Barr, Kaufmann's, Robinsons-May, and L.S. Ayres. Furthermore, the recent Sears / Kmart merger is also raising questions about the future of these brands.
- Big box formats are increasingly engaging in battles for market share (Wal-Mart versus Target, Kohl's versus JC Penney, and Lowes versus Home Depot and Menards, and Walgreens versus CVS). In all cases, the companies involved will choose to locate stores in close proximity to each other to pull sales from a competitor, even at the expense of cannibalizing existing store sales. This level of competition has boosted retail inventories, lowered store sales per square foot, and created greater competitive pressures for independent store owners.
- Because larger format retailers are finding their traditional suburban markets increasingly saturated with retail space, national chains are increasingly looking at inner city markets for new growth in sales. Firms such as General Growth, Target, and Wal-Mart are actively looking at

urban sites, and trying to deal with difficult questions of site assembly, brownfields remediation, and entitlement.

- While growth of larger format stores has consistently increased average store sizes, retailers also are increasingly reacting to apparent market saturation. For example, Best Buy and Circuit City are focusing on smaller markets that would otherwise be too small in size for standard store formats. That these retailers are starting to respond with smaller stores is notable.
- Aside from the competitive challenges noted above, retailing remains highly competitive, with new concepts being rolled out, offsetting store closings and bankruptcy filings by other retailers. Key recent store closing announcements by Bombay Company, CompUSA, Talbots, Pacific Sunwear, and Macy's are indicative of the dynamic nature of retailing.
- Changes in store formats, growth store sizes, and increased sales capture by internet retailing has shifted demand for retail sales, at the expense of traditional (older) commercial corridors, many of which have fallen on hard times, with increased vacancy, and transitions to business service and other uses. While these corridors may still offer relevant traffic volumes, issues about parcel size, configuration, and depth have tended to make reuse and redevelopment more difficult.

Implications

The market assessment highlighted a modest downtown retail inventory of about 140,000 square feet of space within downtown Concord, with concentrations in restaurants and bars, supporting clusters in arts and entertainment, home furnishings, and services, as well as an evolving cluster in apparel and accessories. The assessment also highlighted the likely near-term development of several significant suburban "greenfield" mixed use projects that will increasingly compete with the historic downtown core. Lastly, while city-wide retail inventories have grown considerably in the past five years, vacancy levels remain low, pointing to the likely development of additional inventory.

While downtown Concord's viability is strengthened by the presence of county and city offices and considerable historic character, ERA is concerned about the number of competitive mixed use developments elsewhere in Concord that could emerge over the next 10 years. Given the limited number of available sites within the existing downtown boundaries, increasing competition will place downtown at a competitive disadvantage, unless changes are considered.

V. Office Market Assessment

Office-Using Employment

This section examines the recent trends for office-using employment sectors, using NAICS employment codes collected from Census' County and Metro Business Patterns, North Carolina Department of Labor, and ESRI. Traditionally, the primary employment sectors used to tabulate office demand were Finance, Insurance, and Real Estate (F.I.R.E.). However, other professional and support services are demanding increased amounts of office space. In addition, this report is specifically analyzing urban and downtown office use trends. Office space demanded in construction, warehousing and logistics, and manufacturing tend not to have significant demands in urban and downtown office real estate. This report uses an expanded list for comparison that incorporates the following employment categories:

- NAICS 51 Information
- NAICS 52 Financial Activities
- NAICS 53 Real Estate and Rental and Leasing
- NAICS 54 Professional and Business Services
- NAICS 55 Management of Companies and Enterprises
- NAICS 56 Administrative and Support and Waste Management and Remediation Services
- Super Group Educational and Health Services
- NAICS 62 Health Care and Social Assistance
- Government

The major office using industrial sectors within the Charlotte MSA have been within the *Financial Services* (5.7 percent), *Professional and business services* (3 percent), *Administrative support and waste & remediation management* (3.7 percent), and *Education and health services* (4.3 percent). Employment within these sectors has increased at rates greater within the MSA than within the state and nationally. Employment within *Professional and business services* and *Education and health* also employ the largest percentage of persons within the office using industries.

ERA projected employment into 2012 to estimate the number of new employees expected if growth continues at the same annual rate for each industry. An estimated 25,000 new employees may be added to the regional employment market by 2012. The greatest increases are in the financial, government, and business management services industries.



Table 36: Office Employment Growth (1,000s)

Sector	Charlotte MSA				North Carolina				U.S.			
	1997	2000	2006	CAGR	1997	2000	2006	CAGR	1997	2000	2006	CAGR
Information	20.6	24.1	21.8	0.6%	63	76	73	1.7%	3084	3,631	3,055	-0.1%
Financial Activities	46.9	56.6	77.1	5.7%	170	186	206	2.2%	7178	7,687	8,363	1.7%
Real Estate and Rental and Leasing	14.2	15.9	15.3	0.8%	43.6	47.8	52.1	2.0%	1873	2,007	2,180	1.7%
Professional and Business Services	94.5	120.0	123.4	3.0%	359	422	473.2	3.1%	14335	16,666	17,552	2.3%
Management of Companies	22.6	24.1	23.5	0.4%	57.9	66.1	69.4	2.0%	1730	1,796	1,809	0.5%
Administrative, Support, Waste Management Services-	42.6	58.7	59.2	3.7%	179.9	210	232.4	2.9%	6950	8,136	8,371	2.1%
Educational and Health Services	49.2	54.1	71.7	4.3%	338.8	378	487.3	4.1%	14087	15,109	17,838	2.7%
Health Care and Social Assistance	42.5	45.9	60.2	3.9%	294.6	324	415.8	3.9%	11932	12,718	14,920	2.5%
Government	79.2	88.2	101.9	2.8%	576.3	622	675.2	1.8%	19664	20,790	21,990	1.2%
Total	491	576	656		2,659	2,953	3,360		100,497	109,330	118,068	

Source: Bureau of Labor Statistics

Table 37: Projected Employment Growth

Sector	Charlotte MSA		North Carolina	
	2012	Estimated New Employment	2012	Estimated New Employment
Information	22,639	839	76,120	2,820
Financial Activities	80,066	2,966	213,717	7,917
Real Estate and Rental and Leasing	15,889	589	54,104	2,004
Professional and Business Services	128,147	4,747	491,403	18,203
Management of Companies and Enterprises	24,404	904	72,070	2,670
Administrative, Support, Waste Management Svcs.	61,477	2,277	241,340	8,940
Educational and Health Services	74,458	2,758	506,045	18,745
Health Care and Social Assistance	62,516	2,316	431,795	15,995
Government	105,820	3,920	701,173	25,973
Total	681,235	25,235	3,488,939	129,239

Source: Bureau of Labor Statistics

Location Quotient Analysis

The location quotient is calculated for all industries to determine whether or not the local economy has a greater share of that industry than expected in relation to the national economy. If the location quotient is greater than 1, an industry has a greater share than expected of a given industry, then that "extra" industry employment is assumed to be driven by demands outside of Concord because those jobs are above what a local economy should have to serve local needs. The location quotient analysis suggests that the Concord office market is under-developed, with a calculated quotient of 0.62. Out of 18 different categories of office using employment sectors, Information Services is the only non-governmental and health related sector that has attracted office using employment from beyond Concord's boundaries. Professional services and finance related employment has the greatest losses.

Table 38: City Wide Location Quotient

Segment	Employees (Est)
Concord Office Employment	10,170
Total Concord Employment	42,405
Office Employment in MSA	283,136
Total Employment in MSA	734,990
Location Quotient	0.62

Source: ESRI

Table 39: City Wide Location Quotient (per Industry)

NAICS Code	Description	Location Quotient
511	Publishing Industries(except Internet)	0.03
512	Motion Picture and Sound Recording Industries	0.03
515	Broadcasting(except Internet)	0.05
517	Telecommunications	0.76
518	Internet Service Providers, Web Search Portals, and Data Processing	0.03
519	Information Services	2.69
522	Credit Intermediation and Related Activities	0.25
523	Securities, Commodity Contracts and Other Financial Investments	0.06
524	Insurance Carriers and Related Activities	0.30
531	Real Estate	0.86
532	Rental and Leasing Services	0.42
541	Professional, Scientific and Technical Services	0.53
551	Management of Companies and Enterprises	0.10
561	Administrative and Support Services	0.20
621	Ambulatory Health Care Services	1.14
622	Hospitals	1.45
623	Nursing and Residential Care Facilities	0.80
624	Social Assistance	0.55

Source: ESRI

Office Inventory Trends

ERA examined the overall conditions and trends in the Concord and surrounding regional office market with a focus on under-represented business activity in the city wide and downtown market. See Appendices for detailed maps of these areas. The office overview relies on data from CoStar. Data for the following types of office space included in this analysis are: office, office condominium, office loft, office medical, all classes and all sizes and both multi- and single-tenant buildings, including owner occupied buildings. The approach uses CoStar’s space definitions for Class A, B and C office space:

- Class A – Classified as investment grade projects, generally non-speculative in nature, supporting the highest rents in the market with above average mechanical systems, amenities and finishes.
- Class B – Considered to be more speculative investments compared to Class A, with quality tenants, finishes and amenities. Class B space attracts tenants more on price than prestige.
- Class C – Includes older “no-frills” space with below average internal mechanical systems, elevators and related amenities.

The following table highlights the amount of rentable building area found within Concord, and the surrounding region. Overall, 35 percent of Concord’s rentable building area is considered Class A. Compare this with 38 percent of Class A within Cabarrus County and 42 percent within the Charlotte metro area. The table below summarizes the vacancy rates experienced by the different markets since 2000. Both the Concord and Cabarrus markets experienced dramatic increases in vacant square footage since 2000 of 43.2 percent and 54 percent, respectively. The reader should note that Costar’s Concord estimate is undercounting office inventories in downtown Concord. In the retail section above, ERA identified a downtown specific office inventory of about 630,000 square feet, which would represent about 60% of citywide office inventory.

Table 40: Total Rentable Building Area (RBA)

Market		Class A	Class B	Class C	Total
City of Concord	RBA	354,389	328,301	314,419	997,109
	Buildings	6	29	40	75
Cabarrus	RBA	504,389	462,802	341,169	1,308,360
	Buildings	9	44	53	106
Charlotte Region	RBA	29,927,908	30,380,119	10,562,922	70,870,949
	Buildings	220	940	1,107	2,267

Source: CoStar, 2008

Table 41: Summary of Office Inventory History

Year	Concord			Cabarrus		
	Total RBA	Total Vacant SF	Total Vacant %	Total RBA	Total Vacant SF	Total Vacant %
2000	787,786	7,512	1.0%	990,647	7,512	0.8%
2001	809,786	46,312	5.7%	1,070,247	46,312	4.3%
2002	826,286	73,580	8.9%	1,086,747	74,680	6.9%
2003	834,746	56,867	6.8%	1,095,207	79,894	7.3%
2004	834,746	41,192	4.9%	1,122,207	81,664	7.3%
2005	896,535	58,819	6.6%	1,183,996	115,656	9.8%
2006	896,535	71,658	8.0%	1,183,996	148,815	12.6%
2007	896,535	92,568	10.3%	1,188,696	154,257	13.0%
CAGR	1.9%	43.2%	40.5%	2.6%	54.0%	50.0%

Source: CoStar

The following map illustrates the location of office buildings within Concord. Office inventory is clustered downtown and along Church Street North. A cluster is also located near the Carolina Mall and the business parks near Lake Road, Branchview Drive, and Interstate 85.

Office Rents

The table below compares the rent differences between Concord and Cabarrus. Concord's average gross and triple net rents for office only space are \$1 per square foot higher than rents those of the overall County of Cabarrus. Overall, Concord has experienced a moderate 1.3 percent annual increase in average rent while the metro region remained flat.

Table 42: Average Face Rent (2007)

Sub-Market	Office Only		Office/Retail	
	Average Gross	Triple Net	Negotiable	Triple Net
City of Concord	\$20.40	\$16.12	\$14.00	\$5.72
Cabarrus	\$19.55	\$15.47	\$14.50	\$7.72
Average Charlotte Region Quoted Rent	\$18.55			

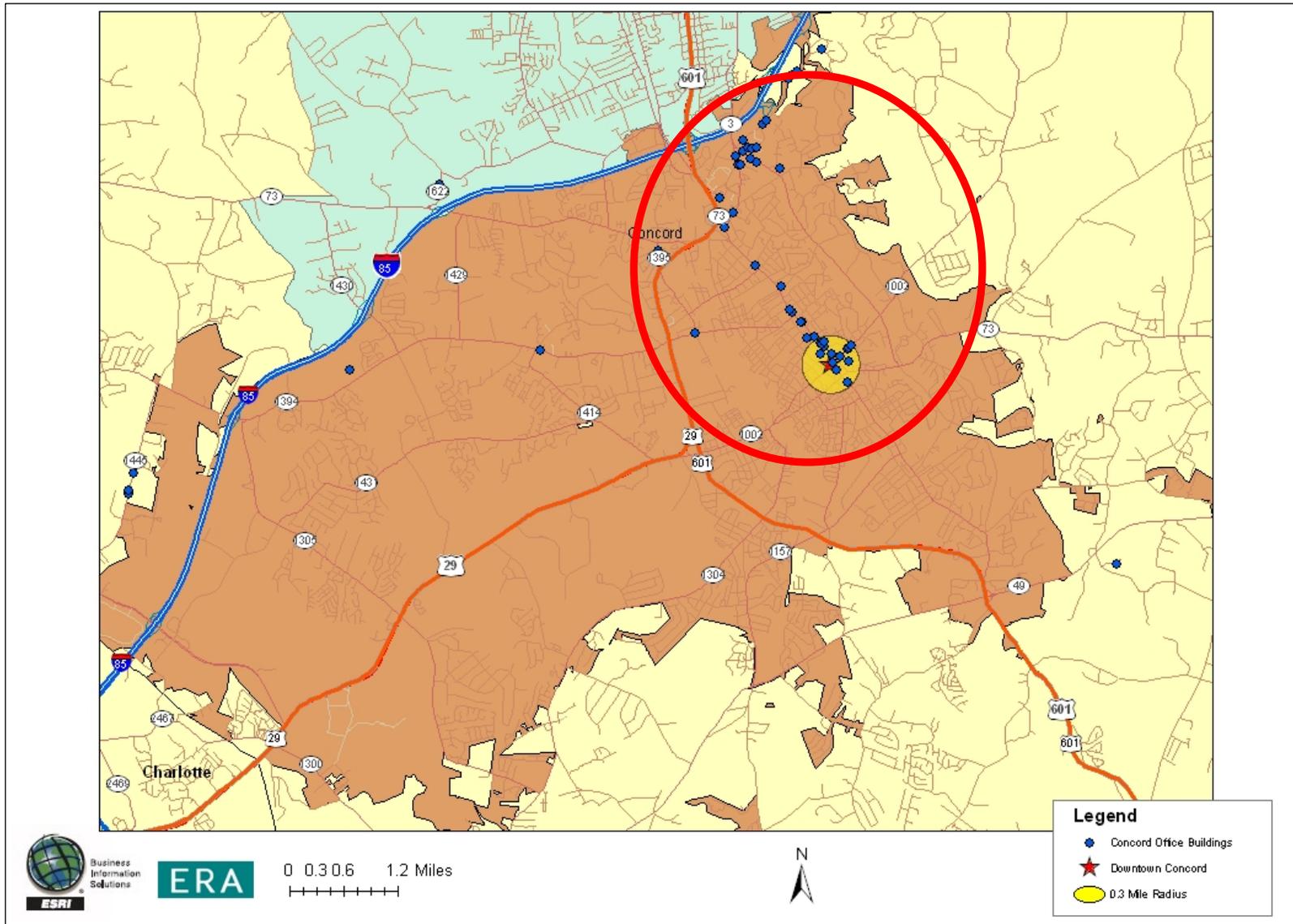
Source: CoStar, 2008

Table 43: Total Average Rate

Year	Concord	Cabarrus	Charlotte MSA
2001	\$16.22	\$16.22	\$18.47
2002	\$13.63	\$13.63	\$17.60
2003	\$20.08	\$20.01	\$17.82
2004	\$20.83	\$20.51	\$17.65
2005	\$21.39	\$20.55	\$17.59
2006	\$19.85	\$19.77	\$17.98
2007	\$20.48	\$19.91	\$18.54
CAGR	1.3%	0.9%	-0.2%

Source: CoStar, 2008

Figure 9: Office Locations (City of Concord)





Office Market Implications

The market assessment notes that Concord's share of the regional office market is inconsistent with its share of population. Given the modest scale of downtown Concord, it supports a significant share of citywide office inventories, estimated above at about 60% of total citywide office space. The ability of downtown to compete for a larger share of the local office market is first and foremost a function of finding new sites for development, as well as an acknowledgement that parking inventory will need to increase. The economic development implications of expanding the downtown office market are a relevant consideration as well.

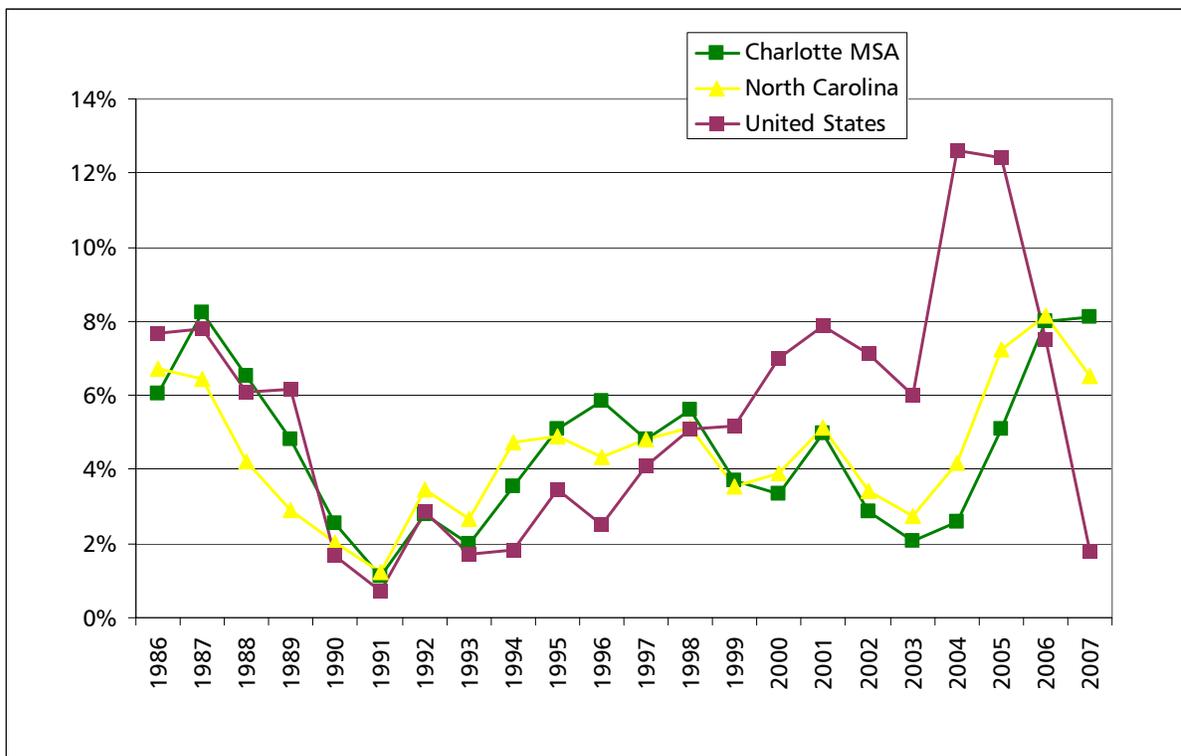
VI. Residential Market Analysis

The residential market assessment builds in an evaluation of recent changes in county wide inventory growth and sales trends, as well as, an assessment of home value and size trends for homes within Concord.

Home Sales Trends

ERA analyzed data from Office of Federal Housing Enterprise Oversight's (OFHEO) House Price Index (HPI). The HPI measures the average change in existing single-family home prices on a quarterly basis. The following chart summarizes annual appreciation in existing single-family home prices for the Charlotte MSA compared to the state of North Carolina and the U.S.

Figure 10: Annual Change in Existing Home Sales Prices, 1985 to 2007



The chart shows that annual appreciation in sales prices for homes in the Charlotte metropolitan area has been considerable since 1991. Of particular importance, the chart shows that rates of appreciation across the Charlotte MSA peaked in 2006, one year after the national trend, and have flattened while national and state wide sales have fallen sharply.

City Wide Home Sales Trends

Since 2002, the price of single-family homes has increased at an annual rate of 2.7 percent as the size of homes has decreased just slightly. While condominiums have not experienced a similar decrease in size, the price per square foot has increased at a five percent annual rate. Unlike condominiums and single-family homes, multi-family housing has experienced declines in value and decreases in unit size. Condominiums and multi-family housing have averaged longer periods of time on the market than single-family homes. Single-family spent less time on the market from 2002 through 2006, having experienced a 4.8 percent annual decline in days spent on the market.

Table 44: Single-Family Home Trends (Concord)

Year	Properties	Square Feet	List Price	Sale Price	Days On Market	\$\$ / Sq. Ft.
2002	820	1,879	\$157,249	\$152,682	95	\$81.26
2003	817	1,793	\$149,497	\$145,455	88	\$81.12
2004	992	1,803	\$154,460	\$149,998	103	\$83.19
2005	1,072	1,861	\$162,213	\$158,399	93	\$85.11
2006	1,184	1,868	\$173,142	\$169,872	78	\$90.94
CAGR	9.62%	-0.15%	2.44%	2.70%	-4.81%	2.85%

Source: City of Concord

Table 45: Condominium Trends (Concord)

Year	Properties	Square Feet	List Price	Sale Price	Days On Market	\$\$ / Sq. Ft.
2002	37	1,411	\$117,958	\$115,216	173	\$82
2003	50	1,326	\$124,963	\$123,251	159	\$93
2004	74	1,422	\$137,320	\$135,836	183	\$96
2005	127	1,468	\$145,831	\$144,306	163	\$98
2006	185	1,538	\$154,519	\$152,760	184	\$99
CAGR	49.53%	2.18%	6.98%	7.31%	1.55%	5.02%

Source: City of Concord

Table 46: Multi-Family Housing Trends (Concord)

Year	Properties	# of Units	Tot Heated Sq. Ft.	List Price	Sale Price	Days On Market	\$\$ / Sq. Ft.
2002	1	4	-	162,500	\$160,000	67	-
2003	4	7	3,042	283,750	\$233,000	25	\$77
2004	1	3	2,306	109,900	\$109,900	11	\$48
2005	14	3	3,457	176,150	\$164,971	123	\$48
2006	22	3	2,422	134,065	\$123,767	104	\$51
CAGR	116.57%	-6.94%	-7.32%	-4.70%	-6.22%	11.62%	-12.62%

Source: City of Concord

Cabarrus County Inventory

Over 13,000 new units were added to the county's inventory between 2002 and 2007. The overwhelming majority of new inventory are single-family detached homes. Multi-family home building experienced a peak in 2003 with the construction of 83 single family attached homes and 88 multi-family residential buildings.

Table 47: Growth in Inventory (Cabarrus County)

Segment	2002	2003	2004	2005	2006	2007	CAGR
Single Family Detached	1,829	1,785	2,022	2,687	2,633	2,047	2.28%
Single Family Attached	26	83	56	16	-	-	
2 Family Building	4	3	4	9	3		
3&4 Family Building	21	35	21		-		
5+ Building	8	48	12	1		3	
Built within Year	1,888	1,954	2,115	2,713	2,636	2,050	
Total Construction from 2002	1,888	3,842	5,957	8,670	11,306	13,356	
Total Demolition	11	11	11	19	13	21	13.81%
Total Additional Inventory	1,877	3,831	5,946	8,651	11,293	13,335	48.02%

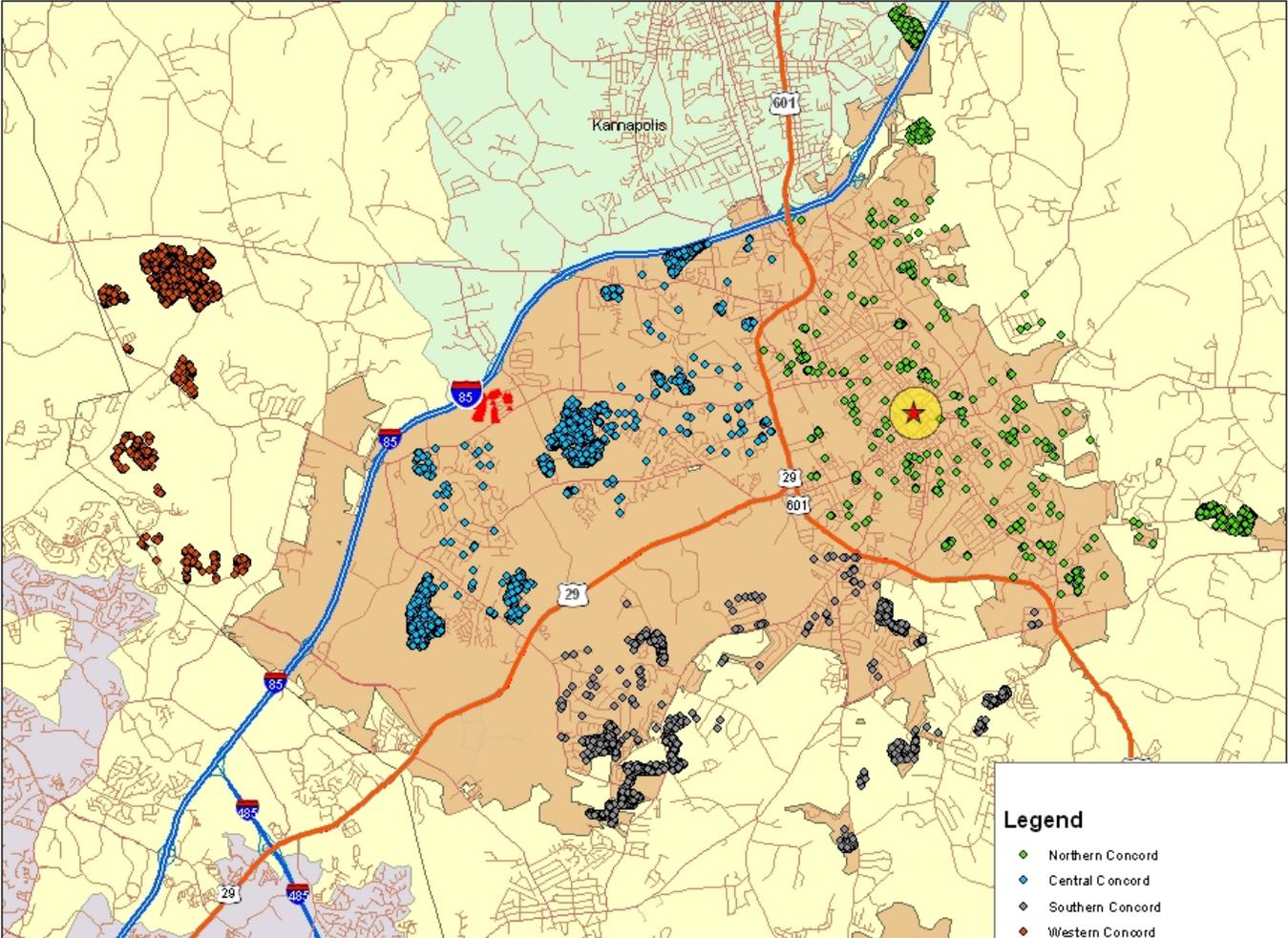
Source: City of Concord

New Housing Construction Since 2000

ERA analyzed data from the City of Concord for homes built since 2001. Data from 2000 was inadequate for analysis due to its small sample size. There were a total of 4,739 homes analyzed. A map of the homes is provided on the following page.

The table below shows the number of homes built by year in Concord from 2001 through 2007 as well as the corresponding cumulative annual growth rates. Since 2001, the number of homes being built in the Concord region grew at an average annual rate of 1.1 percent per year. The number of homes built peaked in 2006 at 959. In 2007, there were 685 homes built. Also provided are the average value of the residence, size as measured in square footage and the value per square foot and the corresponding cumulative annual growth rate (CAGR). New homes in Concord have been growing both in value and size over this time period. In 2001, the average price of a new home was \$186,286. This increased at an average annual rate of 6.2 percent reaching \$267,095 in 2007. The average size of heated space passed the 2,000 square foot mark in 2003. Average size of heated space grew 6.7 percent per year on average from 2001 through 2007. The average value per square foot of heated space peaked in 2003 at \$107.78.

Concord Housing (Built Since 2000)



Legend

- ◆ Northern Concord
- ◆ Central Concord
- ◆ Southern Concord
- ◆ Western Concord
- ▲ New Urbanist enclave
- ★ Downtown Concord

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Since the value of the new homes has not kept pace with the size, the average value per square foot has declined. In 2007 it fell below \$100 for the first time since 2002.

Table 48: Summary Statistics

Year Built	Homes	Total Value	Size (Sq. Ft.)	Assessed Value per Sq. Ft.
2001	640	\$186,286	1,854	\$99.79
2002	514	\$197,558	1,894	\$102.50
2003	485	\$218,304	2,002	\$107.78
2004	674	\$233,619	2,230	\$104.59
2005	782	\$233,496	2,303	\$101.36
2006	959	\$270,594	2,573	\$103.93
2007	685	\$267,095	2,735	\$97.16
CAGR	–	6.2%	6.7%	-0.4%

Source: City of Concord

ERA further analyzed the data by geographic section. The city was analyzed using four different groups – North Concord, South Concord, Central Concord, West Concord, and New Urbanist Enclave. West Concord residences are located west of Interstate 85 while Central Concord residences are located south of Interstate 85 and north of Route 29. South Concord is located south of Route 29. The New Urbanist Enclave, otherwise called Afton Village, is a higher density residential project located off of Interstate 85 and along George Lyles Parkway that incorporates walkable neighborhoods with a small mixed use core.

Table 49: Average Value of New Homes by Neighborhood

Sub-Market	2001	2002	2003	2004	2005	2006	2007	CAGR
New Urbanist Enclave	\$236,395	\$338,057	\$323,138	\$299,156	\$206,769	\$262,439	\$354,355	7.0%
North Concord	\$151,388	\$163,172	\$172,343	\$201,744	\$198,417	\$246,923	\$252,711	8.9%
South Concord	\$167,157	\$181,667	\$204,534	\$246,173	\$237,323	\$248,664	\$236,582	6.0%
Central Concord	\$215,796	\$216,851	\$241,446	\$251,705	\$245,855	\$244,308	\$243,817	2.1%
West Concord	–	–	\$195,355	\$225,008	\$246,302	\$305,553	\$290,429	10.4%
Total	\$186,286	\$197,558	\$218,304	\$233,619	\$233,496	\$270,594	\$267,095	6.2%

Source: City of Concord

The fastest growing region is West Concord. Development began in 2004 with 247 new homes. Of the 685 new homes built in 2007, more than half (51.7 percent) were built in West Concord. As noted in the table above, homes are getting larger. In 2001, two-thirds of homes built in Concord had less than 2,000 square feet of heated space. By 2007, the majority of homes being built had more than 2,500 square feet. In terms of affordability, fewer homes are being built in the more affordable ranges. In fact, the number of homes being built valued at more than \$250,000 increased 25.5 percent per year since 2001.

Table 50: Summary Statistics of Homes Built in Concord Since 2001

Segment	2001	2002	2003	2004	2005	2006	2007	CAGR
Total Homes Built	640	514	485	674	782	959	685	1.1%
By Neighborhood								
New Urbanist Enclave	31	6	11	14	42	23	2	-36.7%
North Concord	100	98	102	115	150	90	38	-14.9%
South Concord	269	153	100	93	122	154	154	-8.9%
Central Concord	240	257	242	205	170	302	137	-8.9%
West Concord	-	-	30	247	298	390	354	85.3%
By Size of Heated Space (Sq.Ft)								
Less than 1,500	224	189	146	106	130	83	41	-24.6%
1,500-1,999	205	150	139	187	154	162	85	-13.6%
2,000-2,499	122	91	101	169	219	268	146	3.0%
2,500-2,999	42	42	45	107	122	165	193	28.9%
3,000 or more	47	42	54	105	157	281	220	29.3%
By Total Value								
Less than \$99,999	18	18	8	6	4	14	6	-16.7%
\$100,000-\$149,999	228	188	113	88	124	72	73	-17.3%
\$150,000-\$199,999	205	136	167	207	212	206	124	-8.0%
\$200,000-\$249,999	96	62	66	163	197	202	118	3.5%
\$250,000 or more	93	110	131	210	245	465	364	25.5%

Source: City of Concord

Table 51: Average Size of Heated Space (Sq.Ft)

Sub-Market	2001	2002	2003	2004	2005	2006	2007	CAGR
New Urbanist Enclave	1,951	2,460	2,408	2,350	1,664	2,036	2,881	6.7%
North Concord	1,542	1,536	1,579	1,856	1,974	2,203	2,460	8.1%
South Concord	1,759	1,771	1,831	2,148	2,223	2,382	2,510	6.1%
Central Concord	2,079	2,091	2,206	2,303	2,362	2,405	2,441	2.7%
West Concord	-	-	2,205	2,368	2,559	2,897	2,975	7.8%
Total	1,854	1,894	2,002	2,230	2,303	2,573	2,735	6.7%

Source: City of Concord

Table 52: Average Value per Square Foot of Heated Space

Sub-Market	2001	2002	2003	2004	2005	2006	2007	CAGR
New Urbanist Enclave	\$122	\$139	\$138	\$129	\$125	\$129	\$123	0.2%
North Concord	\$97	\$102	\$105	\$104	\$99	\$104	\$97	-0.1%
South Concord	\$94	\$101	\$110	\$115	\$108	\$105	\$94	0.0%
Central Concord	\$104	\$103	\$109	\$109	\$102	\$101	\$99	-0.9%
West Concord	-	-	\$90	\$96	\$96	\$105	\$98	2.0%
Total	\$100	\$103	\$108	\$105	\$101	\$104	\$97	-0.4%

Source: City of Concord

City Center Housing and Demand Analysis

For comparative purposes, the study area used to define the “City Center” is a 0.3 mile radius emanating from the respective city’s (or town’s) center of downtown. Because of the various sizes of the downtowns located within the comparison markets, the 0.3 radius may include residential areas not normally associated with a particular cities downtown. Urban living research conducted by notable agencies like the Urban Land Institute have concluded that residential buying patterns and lifestyle patterns unique to city living (i.e. high density residential, propensity to use public transportation and walk, propensity to purchase housing to be close to cultural and civic amenities) share high similarities for residents living within a 0.3 radius (and up to slightly above 0.5 mile radius) of downtown and primary public transportation. To evaluate the potential of central city housing in Concord, ERA analyzed the potential demand for central city housing in comparable cities by examining the market-area populations of each city.

A variety of factors including age, income, education, age and type of available housing products, and family status will impact housing choices of individuals and households. To further understand the demographic, economic, and cultural characteristics of Concord and its urban center, ERA utilized an analysis tool called Community Tapestry, developed by Environmental Systems Research Institute (ESRI). Tapestry divides households into segments based on several key factors, including a variety of demographic characteristics of households and geographic characteristics of their neighborhoods. These segments correspond to certain age groups, income brackets, and education levels, as well as lifestyle choices, neighborhood housing preferences, and consumer spending habits.

In addition, Tapestry also divides thirty-one (31) segments between four urbanization groups that are indicative of households in densely populated metro areas: Principle Urban Centers I, Principle Urban Centers II, Metro Cities I, and Metro Cities II. The “I” or “II” denotes relative household income. A “I” urbanization group has a higher income than “II” urbanization group. The similarity shared by each of these groups is their tendency to live in and enjoy cities. This may be in the form of single-family homes to apartments and anything in between. A brief explanation of each follows this section. For comparison, households with similar interests in urban lifestyles were identified in the North Carolina cities of Mooresville, Durham, North Carolina, and the South Carolina cities of Rock Hill and Greenville. These places have experienced increasing downtown residential development. The following table and charts compare the five markets.

Table 53: General Demographics

Segment	Concord	Rock Hill	Durham	Mooresville	Greenville
Citywide Population	65,180	57,672	209,851	24,484	55,527
Citywide Per Capita Income	\$28,738	\$23,782	\$28,972	\$26,905	\$28,243
Pop Over 25 Yrs with Bachelor Degrees or Higher	23%	24%	42%	23%	34%

Source: Community Tapestry, ESRI

Table 54: Demand and Supply

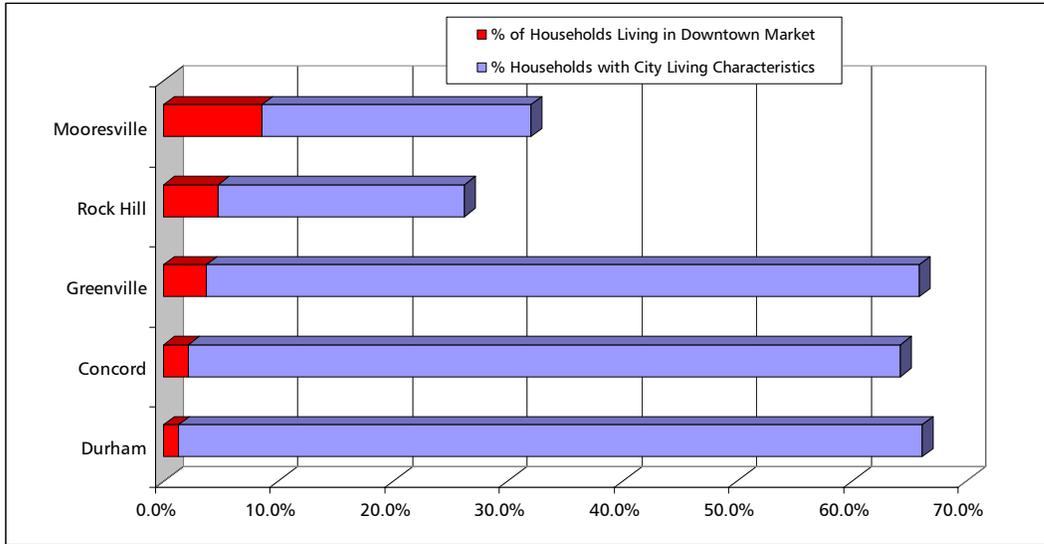
Segment	Concord	Rock Hill	Durham	Mooresville	Greenville
Houses in 0.3 Mile Urban Radius	328	229	729	186	552
Households with City Living Characteristics	13,753	4,800	55,432	2,184	14,976
Citywide Households	24,535	22,360	85,542	9,294	24,075
% Households with City Living Characteristics	56%	21%	64%	23%	62%
% of Current Market Served in Downtown	2.4%	4.8%	1.3%	8.5%	3.7%

Source: Community Tapestry, ESRI

The above table and following charts illustrate the possible demand and supply for city living and urban residential products in the five markets. Although these numbers can not definitively project the actual demand for downtown housing, the national data collected by ESRI does correspond with broad characteristics of households that tend to migrate to city lifestyles and urban residential products. None of the comparison cities have been able to fill the potential demand for an urban product. Concord is estimated to have over 60 percent of its households as having an interest in urban residential living; and while the analysis points to 328 “urban” housing units in proximity to downtown, this sample is largely comprised of older and smaller “mill homes” rather than modern urban units. The table does not include the impending 102-unit senior housing project that will be built in downtown Concord, beginning in 2008. Mooresville and Durham have not been able to satisfy little more than 9 percent and 7 percent of their respective markets.

As household population increases (from the least population in the City of Mooresville to the greatest population in the City of Durham), the amount of housing units within the city center experiences little fluctuation. The largest cities have similar percentages of downtown housing as some of the less populated cities. Durham has approximately 85.5 thousand households citywide and 729 units in the city center – less than 1 percent. Mooresville has approximately 9,300 households citywide and 186 units in the city center – near 2 percent. As mentioned in the prior section, Concord has a large proportion of households that Community Tapestry categorizes as gravitating towards city centric lifestyles and residential dwellings. These primary tapestry segments *Milk and Cookies* (34 percent) and *Family Foundations* (11 percent) comprise 45 percent of the Concord’s household population.

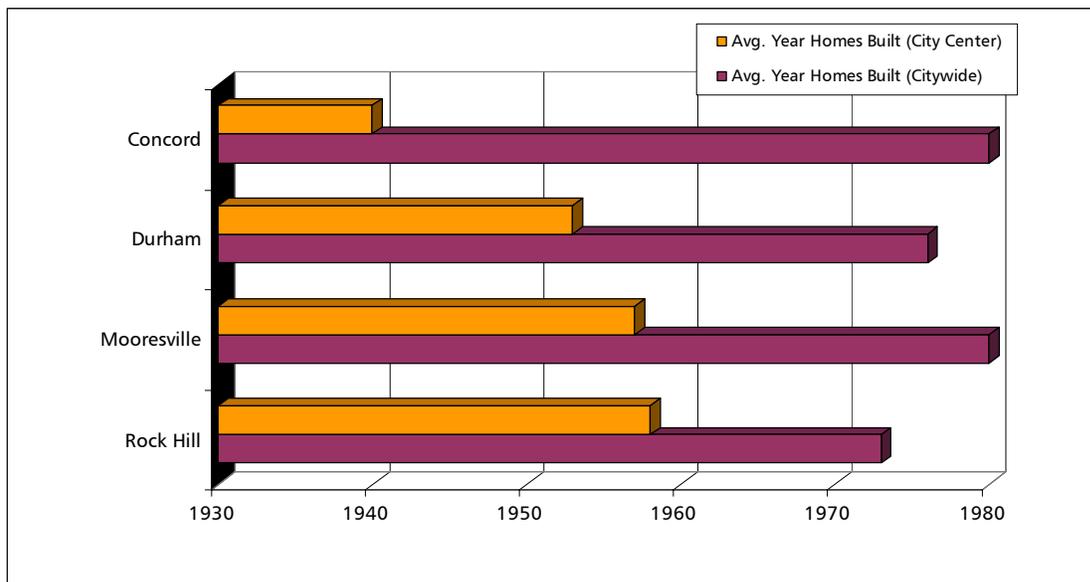
Figure 11: Urban Housing Demand vs. Supply



Age of Residential Structures

The following chart highlights the disparity average year built for Concord and its downtown compared to the other benchmark cities. Even with the inclusion of new residential units since 2000, this average age of downtown residential changes to 1941. The City of Rock Hill has the least degree of disparity at 15 years.

Figure 12: Average Age of Residential Structures



Residential Market Findings

The demographic assessment highlights apparent market interest in urban housing development, which is reflected in the significant value premiums achieved by Afton Village, the one new urbanist community in the city. Downtown market opportunities will be a function of the economics of specific projects, with feasibility driven by relationships between rents, construction costs, and parking availability, as well as a determination of the role to be played by the public sector in each project. While niche projects should have little difficulty in moving forward, larger scale (30+) unit projects will need to be consecrate of slightly lower incomes across Concord relative to the region.

Given the extent to which downtown is hemmed in by adjacent existing development, achieving a meaningful increase in urban housing will likely require expansion of the boundaries of downtown. The near term construction of a 102-unit senior housing project on the edge of downtown on Cabarrus would appear to clarify the general direction of expansion. Lastly, it seems that the Charlotte region appears to be avoiding the worst aspects of the national housing market downturn.

VII. Development Strategy Recommendations

A development strategy for downtown Concord should address three primary near-term issues:

- Providing adequate parking for existing and planned needs
- Intensifying and increasing the number and strength of retail, residential, and office uses
- Identifying key catalyst projects to spur redevelopment

Downtown Concord is physically constrained, so no single use will likely be able to generate sufficient economic momentum to revitalize the area. All sectors will have to work together to create a multi-use, economic diverse commercial area. As well, while near-term projects are a logical outgrowth of recent policy decisions, looking five years into the future, City, downtown, and community leaders will need to clarify vision and build consensus for future projects that will extend the current boundaries of downtown Concord. Near-term goals and objectives follow:

Parking

The downtown parking management plan that was completed in the fall of 2007 identified several parking challenges for downtown Concord, and recommended the development of an additional 300 to 350-space parking deck to support county government-driven demand. With at least one residential adaptive reuse project expected to occur in the near future, parking will remain a core issue.

Urban Residential Development

Residential projects will enhance the appeal of downtown as a destination, and build support for specialty retail as well. Linkages to trail systems and other amenities will also be supportive of demand. Project specific site, parking, rent, and income factors will dictate feasibility, and the potential need for public sector involvement. Given the limited number of other comparables, ERA views Afton Village as one plausible benchmark for urban housing development. This project has achieved premiums of about \$130 per square foot, compared to the broader market. Although not a downtown project, Afton Village is one of a limited number of more walkable projects that could serve as a pricing benchmark for other developers who are considering downtown projects.

Priority Projects

The private sector views the current status of the Concord Hotel as a constraint on further downtown development. Its repositioning is necessary, and will likely trigger other projects. The City of Concord will need to play a role in any redevelopment strategy. ERA understands that a joint

effort by the City, 1st Charter, and the hotel ownership group is underway to understand renovation options for this building. Linkage with the city-owned Helig Meyers Store is logical. Looking beyond year 5, consideration should be given to the development of a new city hall on a site adjacent to the new Police station. This will allow for the redevelopment of the old police station site, as well as the existing city hall, and the city hall annex. These sites, which cover a total of about 2.17 acres, should be redeveloped for mixed use, with residential or office development over street level retail space.

Retail Clustering Strategies

Downtown is anchored by several restaurants, as well as evolving clusters in home furnishings. Expansion of downtown offerings would be assisted by a focused clustering strategy that places stores with apparel or home furnishings stores in close proximity to each other, for example. The following store types are ERA's recommendations for targeted businesses for downtown Concord.

Apparel and Related Retail

Apparel and apparel accessories retail operators, such as shoes, small leather goods, and jewelry, function best when clustered in close proximity of one another. Such competitive/complimentary clusters create a relationship of *co-tenancy* between the various operators, each with a stake in the success of the cluster and its individual members. Generally, apparel shops need at least four shops in the cluster to gain the additional advantages of co-tenancy. There are currently 18,500 square feet of apparel, shoes, jewelry, and apparel accessories in Downtown Concord. A "typical" apparel shop is approximately 3,500 square feet of space. Increasing this cluster will improve Downtown's position as a destination for specialty apparel.

Because the Concord retail market area offers a wide variety of large-format and national chain shopping options, an apparel-related cluster in Downtown Concord should be specialty, quality boutiques that offer goods not found in the malls and big-box stores. Women's apparel should predominate, as the majority of apparel purchases are made by women. While it may be desirable to recruit a menswear operator, quality men's stores are struggling to survive nationally and are a low-percentage recruitment target. Within this apparel cluster, consider recruitment of additional women's clothing stores appealing to a range of ages and lifestyles; shoes, handbags and small leather goods; and jewelry (custom and unique artisan pieces). Such apparel shops would also provide additional support to the existing food service cluster during lunch.

Furniture, Home Furnishings, and Accessories

As shown in Table 30, furniture sales in Cabarrus County have continued to decline at a significant rate. Many communities in the Piedmont area of North Carolina find that their furniture stores have difficulty competing with discount operators selling quality furniture from regional manufacturers. With the number of new households being formed in and around Concord, there should be a market for furniture accessories and services. Home design accessories, draperies, upholstery, decorative accessories, lamps and specialty lighting, offer the opportunity to market to the newly developed households in setting that can be unique and non-standard such as Downtown.

Downtown Demand Generators

ERA's national experience highlights the critical need to develop a range of demand generators for downtown, with the intent of increasing the market for downtown, broadening the length of stay for downtown visitors, and expanding hours of operation. Demand generators are critical in building off of the modest scale of many downtowns, and also help build critical mass, which will gradually build support other stores and restaurants.

Arts & Entertainment

The 2008 opening of the 246-seat Davis Theater in the historic courthouse is significant, serving as a valuable complement to a growing base of art gallery space downtown. According to Arts Council officials, the first season will include two performing arts series, with expected attendance of about 5,000 people. When combined with extensive art gallery space (visitation of about 5,000 people per year), the arts center will become a more significant demand generator for downtown. The Davis Theater is also complemented by the Old Courthouse Theatre, located just outside the CDDC boundary. This 33-year old operation generates attendance of about 9,000 people annually, with a community theater performing arts program.

Assuming that targeted marketing efforts are developed, linking with other galleries in the downtown area, the Davis Theater and the Old Courthouse Theater will increase interest in downtown restaurants, and begin to support evening business as well. The relatively small size of both venues should be acknowledged, emphasizing the need to develop a broad range of performing and visual arts programming which will begin to boost downtown retail sales.

City and County Government Employment

Much of the office space in downtown Concord is associated with government uses. While there has been past discussion of whether it is advisable to locate government uses such as courts and jails in downtown due to parking pressures, the government-related uses, and the private sector businesses that locate to be near them, serve as retail traffic drivers. In many smaller cities and towns across the country, county and city offices have left downtown locations as the population centers shifted to suburban areas. Downtown Concord's strength as an office location is directly tied to maintaining the government office sector. Every effort should be made to retain and expand these uses, as they act as retail traffic anchors.

Residential Uses as Retail Generators

While the number of residential units in downtown is relatively small in the context of residential development throughout Concord, the role of downtown residents as retail traffic generators should not be overlooked. In addition to the obvious retail potential expenditures downtown residents bring, they also present a catalyst for more activity downtown in the evening and weekend hours. As the residents extend the potential for shopping hours in downtown, an effort should be made to encourage non-downtown residents to enjoy the district in the evening and on weekends. This effort could be especially helpful to downtown food service operators that are currently so highly dependent on lunch business.

The scale of incentive requirements for downtown residential projects will be shaped by policy direction and expectations for zoning, entitlement, and project affordability, as well as the scale / location of specific projects, which will be impacted by market forces and site conditions. An array of incentive options that can be used to encourage downtown residential development are highlighted below.

Downtown Events

Comments regarding the CDDC focus on ways that the organization can gradually refocus on business recruitment and economic development, and shift away from event programming. Like many downtown organizations, the CDDC sponsors a series of concerts during the summer to generate interest in downtown (Union Street Live). While these events are not specifically designed to be merchandising activities, the expectation is that people attending the events will be reintroduced to downtown and will return at another time to shop. Such a strategy is not unusual during the beginning phases of a downtown revitalization program. However, for many downtown

organizations, a point is reached where programming needs to evolve, in part to target business oriented events, and to allow CDDC resources to be refocused on expanded business assistance and economic development services.

ERA notes that it may be time to begin to transition toward business-oriented events such as a “Taste of Downtown Concord” event that features the food service cluster, or other activities that are designed to generate sales. Avoid traditional sidewalk sale events, as they re-enforce a “bargain basement’ image and do not offer anything to jewelers and furniture retailers. Merchandising events are intended to drive traffic to downtown retailers, so avoid bringing in outside contractors whenever possible. The key point to be made here is that the underlying goal is to refocus limited public sector resources in ways that can boost store sales and enhance the competitive position of downtown as a retail destination. This refocusing will need to be linked with increased city financial support, which in the mid-term could include an expanded CDDC boundary for downtown.

Role of the City of Concord

ERA’s national experience highlights the on-going challenges of encouraging infill redevelopment in downtown areas. Challenges are driven by the increasing difficulty of getting financing for projects, perceptions of increased risk, as well as delays created by extended entitlement and development review policies, the latter of which are a key reason why infill projects are seen as more “risky”. Reflective of the real challenges of effecting change in these areas, a number of successful policy responses have emerged:

- Building public consensus and involvement upfront
- Identifying important sites and securing preliminary entitlements for their redevelopment
- Improve the appeal of infill sites with targeted infrastructure and access improvements
- Marketing infill sites aggressively

The underlying theme in these four points is a more aggressive public sector role in redevelopment, with the end goal of reducing the front end time required to effect infill site redevelopment. Many cities view efforts to streamline predevelopment planning and entitlement processes as a specific development incentive, because they reduce the developer’s carrying costs and interest expenses. This approach has been used by several cities to encourage downtown residential development. The City is following this path, working with the Hotel Concord ownership group to building consensus and start initial studies to understand feasibility issues. Given that the city controls four other sites downtown, following the above four step approach will facilitate broader revitalization efforts.

For downtown Concord, streamlined entitlement processes will be important, along with enhanced financial support for the CDDC, and development of clear consensus about the direction of growth for downtown. The City of Concord's role in upgrading the Cabarrus Avenue gateway into downtown from Warren Coleman Boulevard is a key starting point. The last section of this project, along Cabarrus from the railroad bridge into downtown, has not been funded yet.

Downtown Residential and Retail Incentives

The CDDC currently offers four grant programs to support business development: the Jump Start Grant of up to \$1,500 for start-up expenses for specific business categories; the sign grant program of amounts up to 50% (not to exceed \$350) of the cost of a new sign; the Restoration and Beautification Grant program for façade improvements (grants are 50% matching up to \$2,500); and the Upper Floors grant program to encourage upper story rehabilitation (matching grant not to exceed \$2,500). While each of these grants is helpful, the amounts may be too low to make participation worth the effort of going through the process.

In order to encourage retailers to locate in Downtown, it may be necessary to institute larger incentives to facilitate retail revitalization. Many downtown development efforts find that a variety of incentives work best, as it may be necessary to provide funds for tenant build-out, façade improvements, or building rehabilitation that reflect local construction and labor costs, as well as the additional time it takes a business or property owner to participate.

One effective form of incentive is a forgivable loan program. The loan would be forgiven over time, but because it is not a grant and must be repaid if the business does not survive the time period (typically three to five years), the tenant is required to pay attention to quality of business operations in order to reach the grant period. Incentive programs should be used strategically, disbursed by location and to tenants that fulfill a merchandise mix plan. General disbursement spread over a broad area can be less effective. Such incentives can dramatically jump-start retail efforts. It may be more effective to have fewer grants or loans, but larger amounts available per transaction. Incentives may also be used to encourage downtown revitalization. Overall, the ability of the CDDC to expand grant offerings will be tied to increased funding support from the City of Concord. The likely possibility of a downtown boundary expansion would expand the CDDC resources.

Other cities have taken a variety of approaches to encourage downtown revitalization, and attract new retail and residential uses;

- To encourage upper story residential development, Cumberland, Maryland reviewed and revised zoning and development regulations impacting the development of residential units. To encourage the development, an expedited project review system was established. This should be considered an incentive, as it reduces developer carrying costs and interest expenses.
- The downtown organization in Salisbury, MD offered an additional commission bonus to realtors who sold units in downtown condominium developments.
- The City of Durham, NC encouraged the restoration of over 900,000 square feet of downtown tobacco warehouses into new retail and residential space by tying public sector incentives to developer investment. The city calculates the fiscal impact of the project, and then agrees to invest a share of the impact back into the project, typically through streetscape or infrastructure improvements. ERA understands that the City of Concord uses this approach in evaluating incentive requests as well. Cities in other states use more formalized tax increment finance districts (TIF) to incentivize projects.
- The City of Chapel Hill, NC worked proactively to acquire a high profile anchor downtown site for redevelopment, without waiting for the market to react.
- Provision of parking continues to be a key public sector incentive to encourage residential and retail development. In Staunton, VA, the city developed a parking garage, wrapping it with street level retail space. The project is significant in that it occurred in an historic downtown, which required a higher quality of finish for the parking deck. The incorporate retail element also strengthened the downtown retail base. The City of Traverse City, MI does not require developers to provide on-site parking within the downtown core, and builds mixed use parking decks at key locations in the downtown area to support downtown merchants. Each parking deck is wrapped / stacked with tax generating residential, retail, or office uses to generate property tax payments that can be used to offset public costs of developing parking structures.
- The City of Sparta, NC used the development of a specialty museum for teapots as a demand generator for their downtown. Hendersonville, NC is evaluating a downtown performing arts center concept.
- The Town of Shelby, NC has been following the Main Street Program for several years, and has facilitated several downtown projects, including a farmers market. The town's mayor, Ted Alexander, was the former Main Street Director for the State of North Carolina.
- The City of Franklin, a suburb of Nashville TN, pursued specific national chain stores (Starbucks and Chico's) in an effort to expand the trade area of the historic downtown core. The city used Main Street funds and donations to support a tenant specific retail recruitment strategy.

- Cities have expanded the roles of their business improvement districts to incorporate non-profit arms that can facilitate fundraising efforts, and acquire land on behalf of the BID or city to facilitate downtown reinvestment. In many cases, these sites have then been sold at below market rates to developers for specific residential and retail projects.
- Cities have permitted density bonuses for residential projects that meet specific affordable / workforce housing goals, essentially allowing certain projects to build higher than current zoning allows, in exchange for the provision of additional affordable housing units in the project.
- The City of Des Moines, IA has developed an aggressive incentive program for downtown housing, whereby developers receive direct cash incentives of \$5,000 to \$7,000 per unit, timed with unit completion.

The key point regarding incentives is that their goal is to encourage projects that would not otherwise happen. Helpfully, many cities have developed established approaches for downtown incentives, with the expectation that in the long-run, incentives will become less important.

Expansion of Downtown Boundaries

Following implementation of the above projects, the existing boundaries of downtown will likely need to expand to ensure that the core remains competitive. As noted above, the question of expansion will require deeper community consensus about the direction of growth and the scale of growth. As the City moves to address these questions, building consensus will be the first step. Expansion would benefit the CDDC, increasing financial resources for downtown redevelopment. A map, highlighting the current CDDC boundary is in the appendix.

Economic Development Considerations

Downtown revitalization also has a role to play in broader economic development and job creation efforts. Downtown environments, with their lower occupancy costs, can be an attractive environment for new start-ups as well as more established stores from other communities in the region. For start up businesses in particular, business planning support is important. Other business development strategies include working with established local merchants to develop new store concepts. This process marries people who understand retail merchandising with new store concepts. ERA experience suggests that the CDDC's role should be allowed to evolve into these valued added efforts.

Consideration should be given to the development of a permanent farmers market that can develop into a permanent public market hall. Market halls offer interesting opportunities to incubate new

businesses and can evolve into strong tourist destinations in their own right. Pike Place Market in Seattle as the best example, serving as a tourist destination, and being responsible for the creation of at least two national retailers – Starbucks and Sur La Table. Pike Place is also notable in that it is managed by a private non-profit corporation with notable social service goals. Market halls are a logical outgrowth of farmers markets, offering secure and controlled space for small merchants who can sell anything from art and clothes to prepared foods, coffee and tea, cheese, wine, baked goods, meat, poultry, and fish. As unique local destinations, they can also attract tourist spending.

VIII. Appendix

