RETAIL FEASIBILITY STUDY OF THE DOWNTOWN DISTRICT CITY OF BURLINGTON, VERMONT

Prepared for:

The City of Burlington, Vermont

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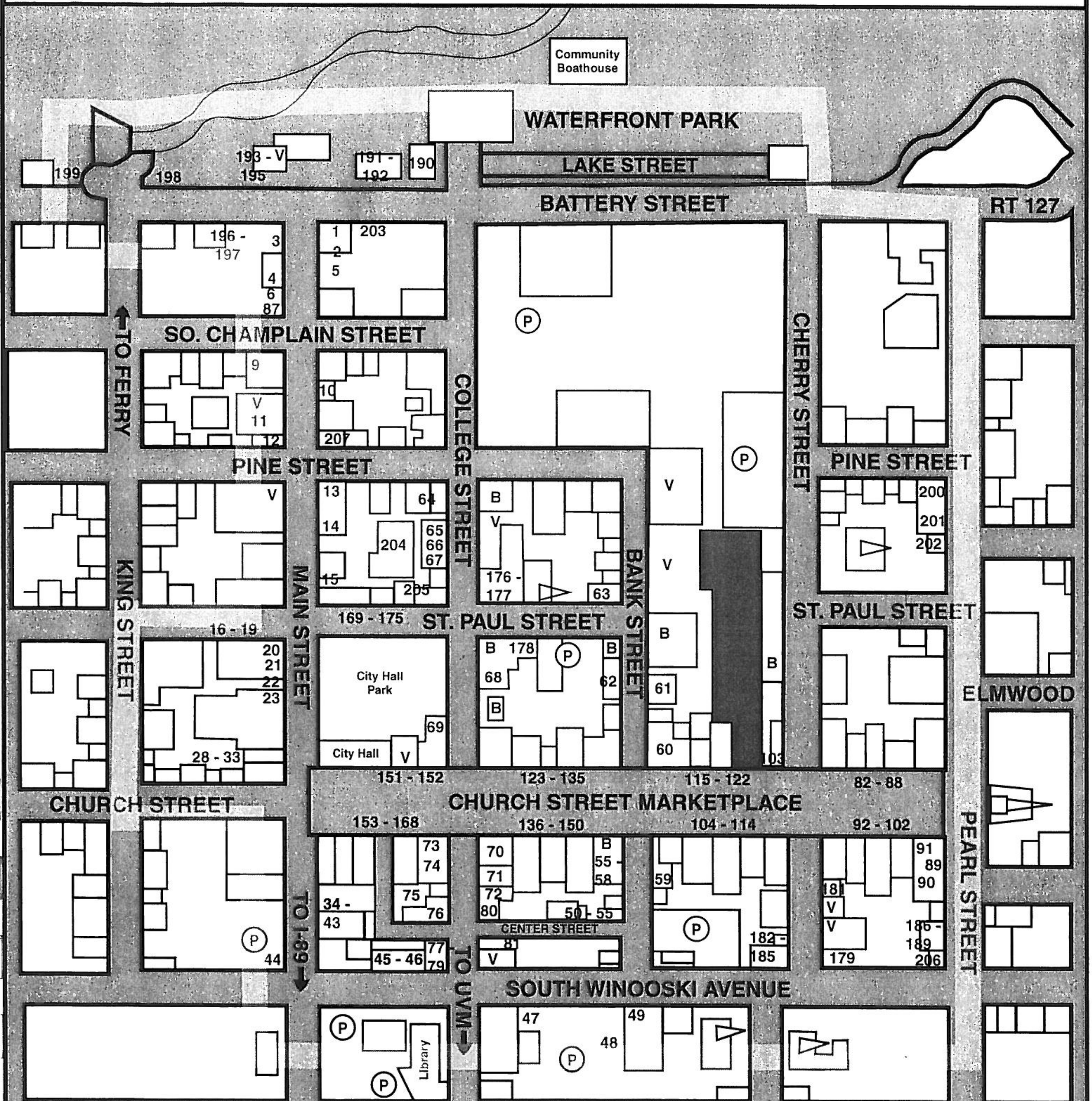
DOWNTOWN BURLINGTON STUDY AREA



	Study Area Boundary
1 - 207	**Retail**
V	**Vacant**
B	**Bank**
(P)	**Parking**

Please refer to the Downtown Retail Inventory table.

INTRODUCTION

Background. The City of Burlington, Vermont has asked Market Insite Group to conduct a retail feasibility study of the downtown district to:

- Identify potential retail voids in the downtown area
- Identify potential retailers to fill the voids
- Forecast sales that could be achieved by retailers that would fill the identified retail voids

Downtown Burlington, Vermont offers a thriving retail district anchored by a 425,400 square foot enclosed mall (Burlington Town Center) anchored by a 150,000 square foot Filene's unit as well as Church Street, an open-air pedestrian mall.

Issues. The issues to be addressed in this study include the following:

- What is the trade area currently served by the retailers in downtown Burlington?

- What are the population, demographic and lifestyle characteristics of the trade area residents?

- How many tourists visit the Burlington metropolitan area? What are the demographic characteristics and visitation profiles of these tourists? What impact does the tourism industry have on sales of the retailers in downtown Burlington?

- What is the daytime population base that is served by retail in downtown Burlington and what impact does the business population base have on retailers in the downtown area?

- What is the student population base that is served by retailers in downtown Burlington and what impact do the students have on retailers located downtown?

- What additional retailers are supportable in downtown Burlington? To whom should they appeal and what sales volumes can they expect to achieve?

Methodology. To address the issues presented above, we employed the following methodology:

- **Site Evaluation**. Market Insite Group visited the site and conducted a thorough evaluation with respect to the proposed physical configuration, visibility, accessibility, and proximity to competitive shopping facilities, access, ingress/egress and parking.

- **Competition**. We inventoried all existing and proposed shopping centers, as well as major freestanding retailers within the trade area. This included observations and comments concerning the site characteristics, tenant mix, consumer appeal, price points, etc. of all competing shopping centers.

- **Trade Area Definition**. Based on our knowledge of the market, in-house priority data and over 36 years of experience defining trade areas for retailers, Market Insite Group estimated the area from which the retailers in downtown Burlington, Vermont capture the resident portion of its sales.

- **Population and Demographic Characteristics**. Market Insite Group then collected the most up-to-date population statistics and demographic information from local and national sources. Demographic characteristics analyzed included, but were not limited to, such variables as:

  - Median household income
  - Income distribution
  - Household size
  - Median age
  - Percent of owner-occupied housing units
  - Percent white-collar employment
  - Any other relevant demographic variables

- **Tourist Characteristics**. The most up-to-date tourist data was collected from the Vermont Department of Tourism and Marketing. Data supplied was based on a study of the tourist population base conducted by the University of Vermont for the year 2001.

- **Daytime Population Base**. The daytime population base by employment type was collected from Claritas, Inc. Average expenditure per employee was gathered from the International Council of Shopping Centers.

- **Student Population Base**. The current student population base was gathered from data provided by the local colleges on the Internet. This data was then updated to reflect the 2002 student population base.

- **Estimated Expenditure Potential for Various Retail Types**. Based on Market Insite Group's proprietary models of expenditure potential and the *Census of Retail Trade* updated to the most current adjustments, as well as other sources, we estimated the expenditure potential for various supportable retail types in downtown Burlington, both currently and in the future.

- **Forecasted Sales for Specific Retailers and Restaurants and Recommended the Supportable Tenant Mix for the Center**. Based on the demographic characteristics of trade area residents, competitive factors, population changes, access factors, site characteristics and expenditure potential levels, we forecasted sales for specific retail types and specific retailers, as appropriate, to be deployed in downtown Burlington currently and over the next five to ten years.

Assumptions. As part of this study, we made the following assumptions:

- Population and demographic data supplied by national and local sources are accurate and reliable. Additionally, data provided by tourist authorities and the local colleges accurately reflect the tourist and student population base.

- The economic conditions of the Burlington, Vermont market will remain stable.

- All specific recommended retailers will offer the variety, quality and service levels as proposed in their submittal to the City of Burlington. Failure to do so can result in significantly reduced sales from that forecasted.

- Unless specifically noted or presented otherwise, all sales forecast assume ground level selling space.

- No significant competitive changes will occur in the marketplace that would impact our sales projections for retailers in downtown Burlington. Competitive changes incorporated into our sales forecasts include the opening of Shaws in The Gateway in South Burlington as well as the planned, but not opened, retailers in Maple Tree Place in Williston (Best Buy, Flagshop of Vermont, Starbucks, Ben & Jerry's, Sprint).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions. Market Insite Group concludes that downtown Burlington offers a strong mix of retailers and restaurants, the strongest in the state of Vermont. As such, retailers in the area are able to attract sales from not only the defined primary trade area, but also serve the entire state of Vermont.

Further, unlike many retail centers, downtown Burlington has the unique opportunity to attract customers from a diverse customer base. That is, retailers in downtown Burlington, Vermont serve not only the local residential population but also the tourist, daytime employment base and the surrounding student population base. The following is the breakdown of sales we estimate will be generated by each patron segment:

Patron Segment	Percent of Sales
Trade Area Resident	55%
Tourist Population	20%
Daytime Employment Base (including students)	5%
Sales from Beyond the Defined Trade Area	20%
Total	**100%**

Please note that the above figures are averages and that the actual percent will vary by retailer based on other factors including competition.

Recommendations. Currently, downtown Burlington offers a strong mix of restaurants, as well as unique retailers to the greater Vermont marketplace. However, the district has the potential to fill several identified voids including:

- Additional Vermont products to appeal to the tourist consumer
- Additional household furniture and accessories for both the trade area residents as well as for the tourist shopper
- Additional apparel/activities for children of residents

Our recommendations supplement the current tenant mix in a way that will be favorable to not only current residents in the area, but also the area tourists, student population base and workers in the downtown area. Specifically, we recommend the following mix of tenant types, pending pro forma analysis:

Retail Type	Recommended Square Feet
Apparel and Accessories[1]	34,900
Restaurants and Specialty Food Stores	33,800
Other Retail	72,000
Total	**140,700**

[1] Includes shoes and accessory retailers.

Specifically, Market Insite Group recommends the following list of retailers by category:

Retail Category	Recommended Square Feet	Retailers Such As
Women's Apparel	6,800	Motherhood Maternity and Delia's
Men's Apparel	2,500	Essentials for Men
Unisex Apparel	15,000	Patagonia, Orvis or Roots and Country Road Clothing, LLC
Children's Apparel	2,500	Gymboree
Shoes and Accessories	8,100	Lenny's Shoes or Block Mountain Sports and a local women's shoe store
Restaurants without Liquor	23,000	Pizza Putt, Chuck E. Cheese's or Jeepers
Coffee Shops	2,000	Caribou Coffee or New World Coffee
Food Court Restaurants	1,800	Pretzel Twister, Vermont Confectionary, Grinder/Sub Shop and Chick-fil-A
Specialty Food and Wine Stores	7,000	Daken Farms or Sugar Shack, Village Peddler and a local wine shop
Appliances and Electronics	2,100	Audio Solutions and Soundsource
Craft and Accessories Stores	1,600	Naked Sheep
Card & Gift Shops	1,200	Papyrus
Furniture Stores	23,500	Casual Comfort, Antique Furniture, Mountain Comfort, Copeland Furniture and 2nd Floor Expansion of Panpanoosic Mills
Health & Beauty	700	Perfumania
Home Décor	1,000	California Closets
Home Furnishings & Accessories	23,750	Art Galleries (3), Relocation of Mesa Home Access, Restoration Hardware, Arabesque and Anichini
Jewelry	2,200	Dakota Watch Co. and Bedazzled
Toy and Hobby Shops	8,750	Vermont Teddy Bear, Old Game Store and Mill Toy Works
Miscellaneous	4,200	Burlington Etc., Mountain Tops, Inc. and Relax the Back
Total	**140,700**	

Most of the additional supportable retail should be located outside of the Burlington Town Center due to either the size required or the appeal of the retailer. The Burlington Town Center should strive to continue to lease to quality national tenants in the larger spaces and fill in with quality local tenants with Vermont-oriented products in the smaller spaces to add more local flavor to the center and increase its appeal to the tourist market. The one exception is the large space located under the existing Old Navy unit with access provided via the Town Center's food court. This space should be utilized by a unique restaurant/entertainment user, such as the recommended Pizza Putt or Jeepers to help enliven the food court and increase foot traffic.

Please refer to the table in Appendix 4 which displays our recommendations and sales projections for downtown Burlington. This table shows, by retail category, the trade area expenditure potential (current- and five-year projection), the amount of recommended space and sales projections.

Rationale. The following presents Market Insite Group's rationale for our conclusions and recommendations:

- The trade area offers a good and growing population base of 181,000 persons, but is also well positioned to serve the population base of the entire state (629,500 persons) due to not only the size of the retail hub, but the lack of other shopping alternatives in the state and easy access to the site.

- Trade area demographics are good with median income levels of $51,825 and strong white-collar employment (67%). Household size, percent married households and median age are all average for the United States.

- The trade area offers a strong base of "Good Family Life" and "Home Sweet Home" households. These households have strong available expenditure potentials and are much more likely to shop the specialty retail found in the downtown district than outlying big-box retailers.

- The trade area potential is supplemented by a strong tourist population base, as well as a sizeable daytime population base of both workers and students. This additional potential accounts for approximately 25% of the sales of existing retailers in the district.

- Direct competition to most retailers in the district is minimal in the greater State of Vermont, with most existing centers having a much more neighborhood-community orientation. Additionally, the outlying centers in the market have a big-box versus a specialty lifestyle appeal, as found with most retailers in downtown. As such, those shoppers desiring a shopping experience provided by the Burlington Town Center/Downtown Burlington district have limited alternatives in the state.

- There is a tax exemption for apparel purchases less than $110. As such, there is an incentive for shoppers to purchase apparel in the city.

- Finally, the recommended retailers supplement, rather than compete with, retailers currently in the district, thus strengthening the hub and the downtown area.

ANALYSIS

Locational Analysis. Downtown Burlington, Vermont offers a thriving retail district anchored by Burlington Town Center, a 425,400 square foot enclosed mall anchored by a 150,000 square foot Filene's unit, as well as Church Street, an open-air pedestrian mall. The City Hall and Flynn Center for the Arts also help to anchor the district. Combined, the downtown district, as defined, offers nearly 825,000 square feet of retail and restaurant space, which include approximately:

- 150,000 square foot Filene's Department store
- 157,000 square feet of apparel, shoes and accessories
- 87,000 square feet of restaurant space offering liquor
- 30,000 square feet of restaurant space without liquor
- 28,000 square feet of books and/or music stores
- 40,000 square feet of household accessories
- 30,000 square feet of grocery and specialty foods
- 32,000 square feet of sporting goods apparel and accessories
- 33,000 square feet of personal services

The remaining 240,000 square feet is a mixture of toys, hobbies and crafts, bath and beauty and gifts. As such, the downtown Burlington area is the highest concentration of specialty retail in the state of Vermont.

Current vacancies in the district include:

- Burlington Town Center: 15,252 square feet of space on the first floor (14 spaces) and 16,339 square feet on the second floor (11 spaces).

- Remainder of district: 48,825 to 53,675 square feet of space (12 spaces).

Access. Regional, local and neighboring community access to the downtown Burlington area is excellent. Interstate 89 connects Burlington to Montpelier and New Hampshire to the east and to Canada (near Montreal) to the north. Access to the state of New York to the west is not as direct, but available via U.S. Highway 2 or the ferries connecting the city to Port Kent across Lake Champlain.

Main Street connects the downtown area directly to Interstate 89 and further east to South Burlington, the Burlington International Airport and Williston. Willard Street connects the downtown district to South Burlington and Shelburne to the south and Winooski to the north via U.S. Highway 7.

Visibility. Signage directing traffic to the downtown district is provided to ease visibility both to Church Street as well as to Burlington Town Center. Additionally, informational kiosks placed along Church Street help shoppers find specific stores in the area.

Parking. Parking for downtown is provided via parking structures at the Radison Hotel, Burlington Town Center and on Winooski between Bank Street and Cherry Street. Parking at these structures is free for the first two hours, and 75 cents an hour thereafter. Metered parking lots are also provided at the waterfront off College near Battery, at Main and Winooski and at St. Paul and King Street. Additionally, metered street parking is provided along most of the streets open to vehicular traffic. An additional parking garage is available at the courthouse, however, the parking rate is a flat 75 cents per hour.

Trade Area. Based on our detailed field analysis of the Burlington, Vermont market and surrounding communities, along with our experience defining trade areas for similar retail concentrations and our in-house priority data base, we defined a residential trade area we believe is served by retailers in downtown Burlington. Although the amount of sales generated by each individual retailer will differ, based on factors such as competition, the trade area we defined accounts for approximately 50% to 55% of total sales.

The trade area defined for downtown Burlington extends approximately as follows:

- North 20 miles to Grand Isle and St. Albans
- East 35 miles to Montpelier
- South 15 miles to Vergennes
- West 1 mile to Lake Champlain

The trade area is delimited by distance and declining population density to the north and south, competing retail alternatives in St. Albans and Montpelier and the physical barrier created by Lake Champlain.

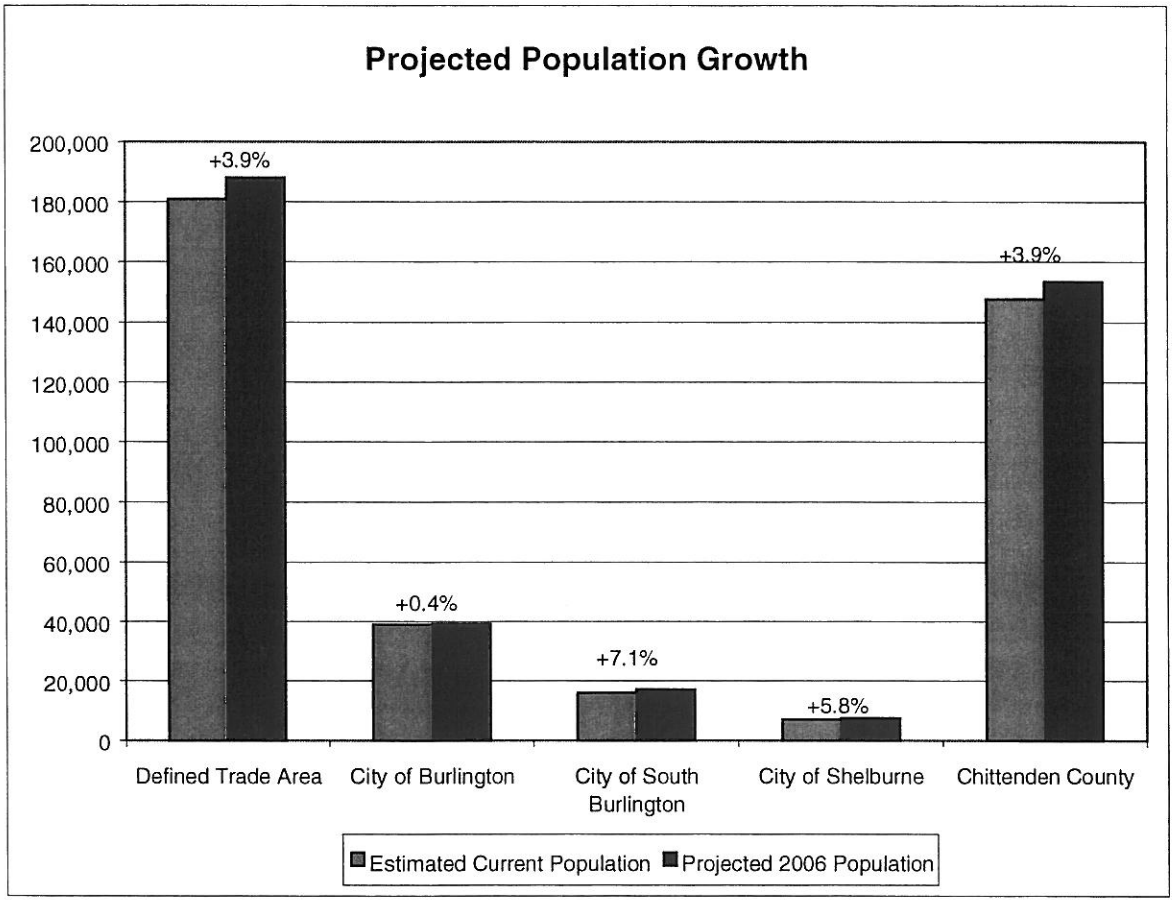
Please refer to the maps following the population and demographic characteristics portion of this text for a visual depiction of the trade area boundaries, as described above.

Population and Demographic Characteristics. Based on the trade area defined, we collected relevant residential population, demographic and lifestyle data on a total trade area basis, as well as on a disaggregate (zip code) basis.

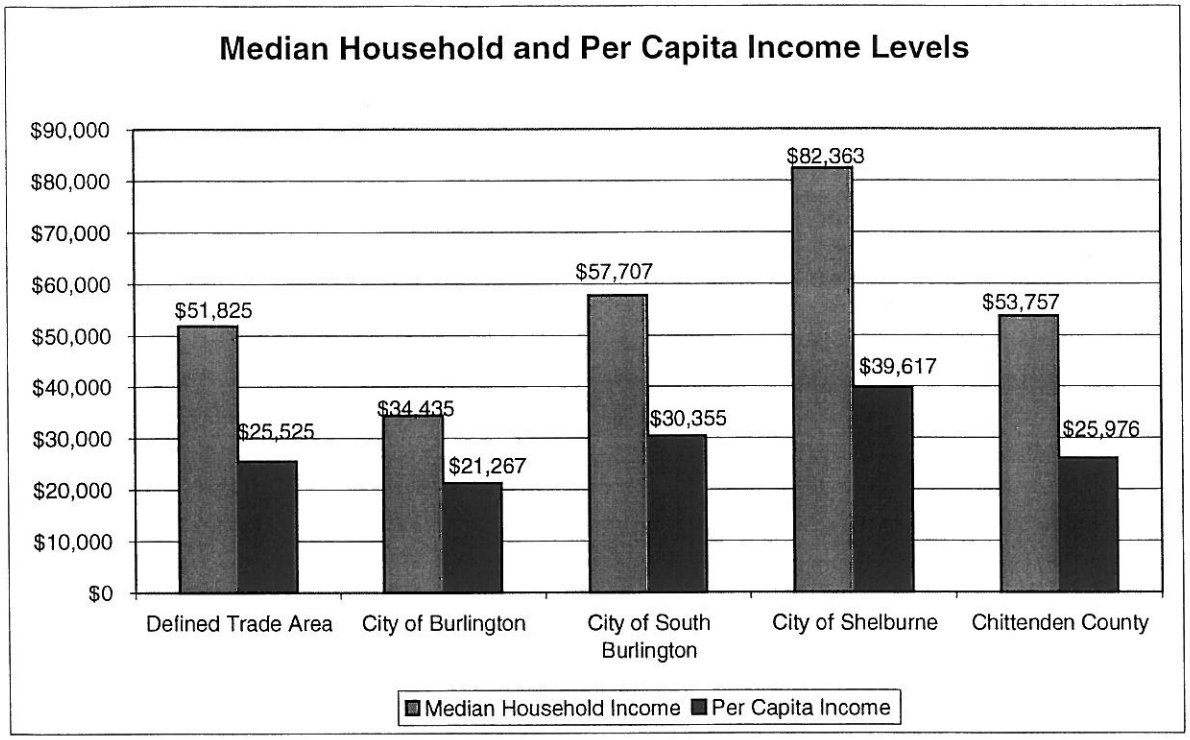
Within the defined trade area, the current population level is estimated at 180,890 persons. The trade area population is projected to increase to nearly 188,000 persons by 2006, an increase of approximately 7,085 persons or 3.9%. The strongest areas of population growth are projected in Zip Code 05494 (12.2%) north of Essex Junction.

Most of the trade area's population base is located within ten miles of the site (116,310 persons or 64%). This population base is projected to increase to 120,840 persons, or 3.8% by 2006.

The following table details the population growth for the defined trade area compared to the cities of Burlington, South Burlington, Shelburne and Chittenden County:



The median household income reported for the defined trade area is $51,825, as compared to $34,435 for the city of Burlington and $41,443 for the state of Vermont. The highest median household incomes are reported in Shelburne, south of the downtown ($82,363). Per capita incomes are $25,525 for the trade area, compared to $21,267 and $20,877 for Burlington and the State of Vermont, respectively. Per capita incomes are highest once again in Shelburne ($39,617), but are also strong to the south in South Burlington ($30,355). Over 28% of the trade area's households report incomes of $75,001 or higher, with an additional 24% reporting household incomes between $50,001 and $75,000. The following table details the median and per capita incomes for the trade area and surrounding communities:



The trade area population is predominantly white (96%). Persons per household in the defined trade area is reported as 2.4, ranging from 2.1 (Burlington) to 2.5 (Shelburne). The median age in the trade area is 35.1 years, ranging from 31.0 years in Burlington to 39.8 years in Shelburne. Most in the trade area are aged 30 years to 49 years (31.6%), followed by 23.4% aged newborn to 18 years. Only 9.9% are aged 65 years or older.

The trade area reflects a strong, educated consumer base with one third of those over 25 years of age holding either a bachelors or graduate degree. Of the population currently enrolled in school (46,716 persons), only 48% are enrolled in public elementary or high school due to the strong college enrollment in the area (40%).

The majority of trade area residents are employed in white-collar occupations (67%). The largest private employer in the greater Burlington area is IBM with a labor force of 8,000 employees. Fletcher Allen Health Care is the second largest employer with 4,674 employees. Nearly 70% of the trade area households report two or more workers in the household and 73% of the workers drive alone to work. The average commute time is only 16 minutes. The following table details the major private employers in the Lake Champlain region:

Major Employer	Number of Employees
IBM	7,000
Fletcher Allen Health Care	4,674
IDX Corp.	3,600
Chittenden Corp.	1,208
Verizon	1,100
Pizzagalli Construction	800

Major Employer	Number of Employees
Ben & Jerry's Homemade, Inc.	735
General Dynamics Armament Systems Co.	500
Burton Snowboards	420
Lane Press	400

Unemployment in the greater Burlington area is traditionally low. The latest unemployment figures for August 2002 report 3.3% unemployment in the greater Burlington MSA, compared to 4.3% for the state of Vermont and 5.7% for the United States.

Please refer to Appendix 1 for a detailed population and demographic table by zip code along with a seven-page trade area demographic profile. Also, refer to the maps on the following pages for detailed locations of population growth as well as median household income.

Lifestyle Characteristics. To better understand the propensity of local residents to shop the retailers as planned for downtown Burlington, we examined the lifestyles of residents located in the defined trade area.

MicroVision lifestyles combine aggregate consumer demand with demographic variables to form 50 different lifestyles as a predictor of consumer purchasing patterns. These lifestyles are based on the smallest geographical basis available, and updated annually to insure the most current and accurate data is available.

The following table details the top four lifestyles found within a five-mile radius of the site and the total trade area:

Lifestyle	Trade Area		Vermont		Short Description
	#Hholds	%	# Hholds	%	
Country Home Families	10,007	13.9%	66,102	27.3%	These are typically married families with children, located in rural areas. They have a household income very near the national average, own their home and work in blue-collar occupations.
Good Family Life	9,830	13.7%	12,292	5.1%	These are typically high-income, married couples with children. They live in rural areas and live in owner-occupied, single-family detached units. They have a high level of education and work in white-collar occupations.
Home Sweet Home	7,785	10.8%	8,853	3.7%	These households are typically married couples with one or no children at home. They have an above average household income, own their home and are primarily concentrated in the suburbs.

Lifestyle	Trade Area		Vermont		Short Description
	#Hholds	%	# Hholds	%	
Rustic Homesteaders	632	0.9%	35,798	14.8%	These are primarily rural households, containing married, middle aged adults, with older children. They have little education beyond high school, low income and work in blue-collar occupations.

As demonstrated above, the top lifestyle in the defined trade area is Country Home Families, offering married families with children, average household incomes and employed in blue-collar occupations. However, nearly as many households are Good Family Life households, indicating a strong presence of household with high incomes, high levels of education and employed in white-collar occupations. As such, the trade area offers a good mix of demographics for the retailers in the downtown district.

Please refer to Appendix 2 of this report for a detailed description of the dominant lifestyles as presented above, as well as the lifestyle profile of the defined trade area.

Daytime Population Base. Downtown Burlington offers a sizeable daytime population base located within one and a half miles of the center of town. In total, the daytime population base offers 2,100 businesses and nearly 25,000 employees. As a reflection of the strong tourist component found in the area's economy, services are by far the strongest sector, representing 55% of the total businesses and 43% of the employees. The following table details the daytime employment base surrounding downtown Burlington:

Employment Type	Businesses		Employees	
	#	% To Total	#	% To Total
Retail Trade	409	19%	4,454	18%
Finance, Insurance and Real Estate	172	8%	2,866	11%
Services	1,164	55%	10,731	43%
Agriculture	16	1%	73	0%
Construction	63	3%	819	3%
Manufacturing	88	4%	2,311	9%
Transportation, Communication and Utilities	51	2%	1,536	6%
Wholesale Trade	48	2%	404	2%
Government	89	4%	1,755	7%
Total	**2,100**		**24,949**	

In addition to the strong daytime employment base, downtown Burlington is located adjacent to several colleges that offer a substantial student population base that is served by retailers downtown. These colleges are:

- Champlain College – a private college established in 1878
- Community College of Vermont – a Vermont state college accredited in 1975
- University of Vermont – Vermont state college

Of the three, the University of Vermont is the largest, with a current enrollment of 10,081 students. Of the total enrollment, 8,592 are undergraduates and 1,489 are graduate or professional students. Of the student population base, 80% are enrolled full time. Most of the students are female (56%), which is consistent across the undergraduates, professional and graduates, as well as full- and part-time students. The tuition for the university is $8,040 per year for in-state residents and $20,100 per year for out-of-state residents, not including room or board. Other expenses for students are estimated at $1,586 per year, which includes books and other miscellaneous expenses. The university employs 680 instructors, of which 523 (77%) are full time.

By comparison, the Community College of Vermont currently has an enrollment of 4,820 students, of which 4,150 or 86% are part-time students. Most of the students are female (70%) with an average age of 32 years. The tuition for the college is $138 per credit hour for in-state residents and $276 per credit hour for out-of-state residents. The college employs 520 instructors, all of which are part time.

Champlain College has a student body of 1,568 from 31 states and 29 countries. The student body is evenly distributed male and female (49% and 51%, respectively). Annual tuition at the college is $12,195.

As such, the colleges and universities have a total student enrollment of nearly 15,000 students.

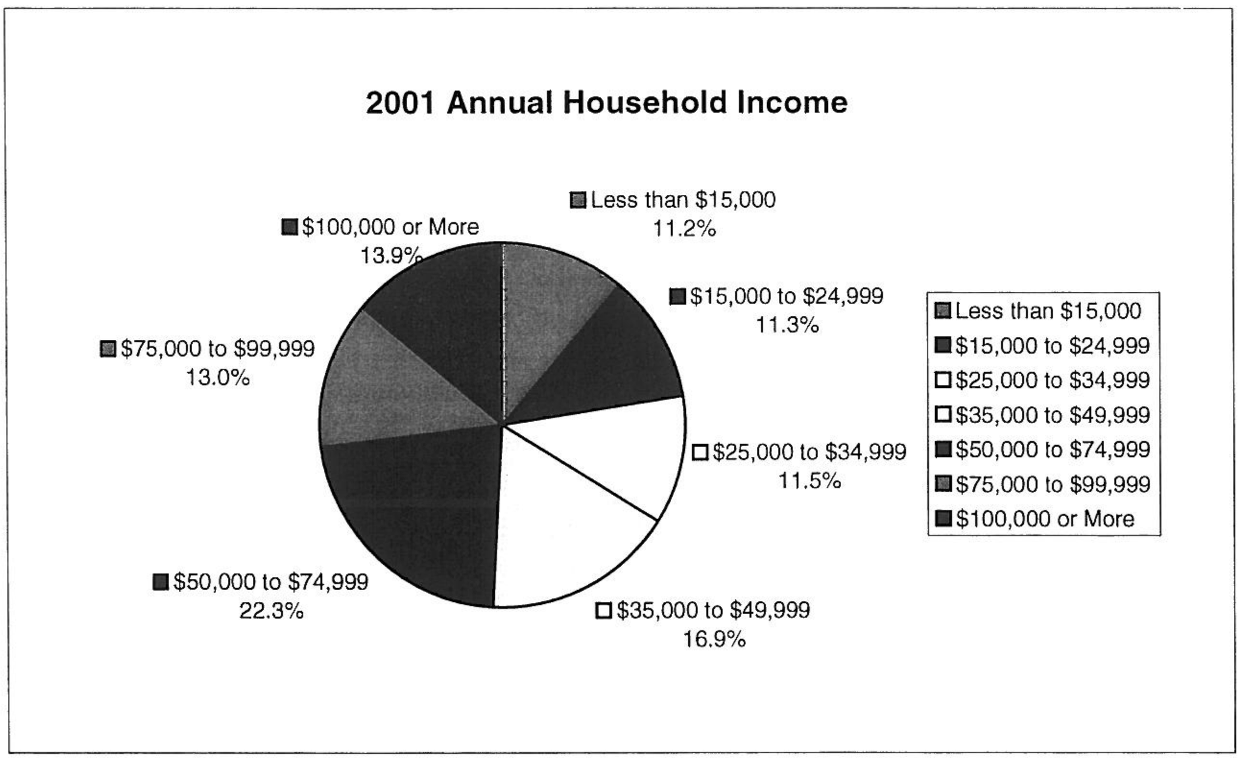
Tourist Population. The state of Vermont is a strong tourist destination for both domestic, as well as international travelers primarily from Canada. The Vermont Department of Tourism has collected data on the tourists, however, the data only includes domestic travelers. No specific data is available on international visitors at this time.

Domestic travelers to Vermont were estimated at 13.8 million in 2001. Most of these originated primarily from the New England and Middle Atlantic states. In total, these two areas encompass 55% of the total tourist (domestic) base, with New York being the primary source of travelers to the area. The following table details primary visitation by state for the state of Vermont:

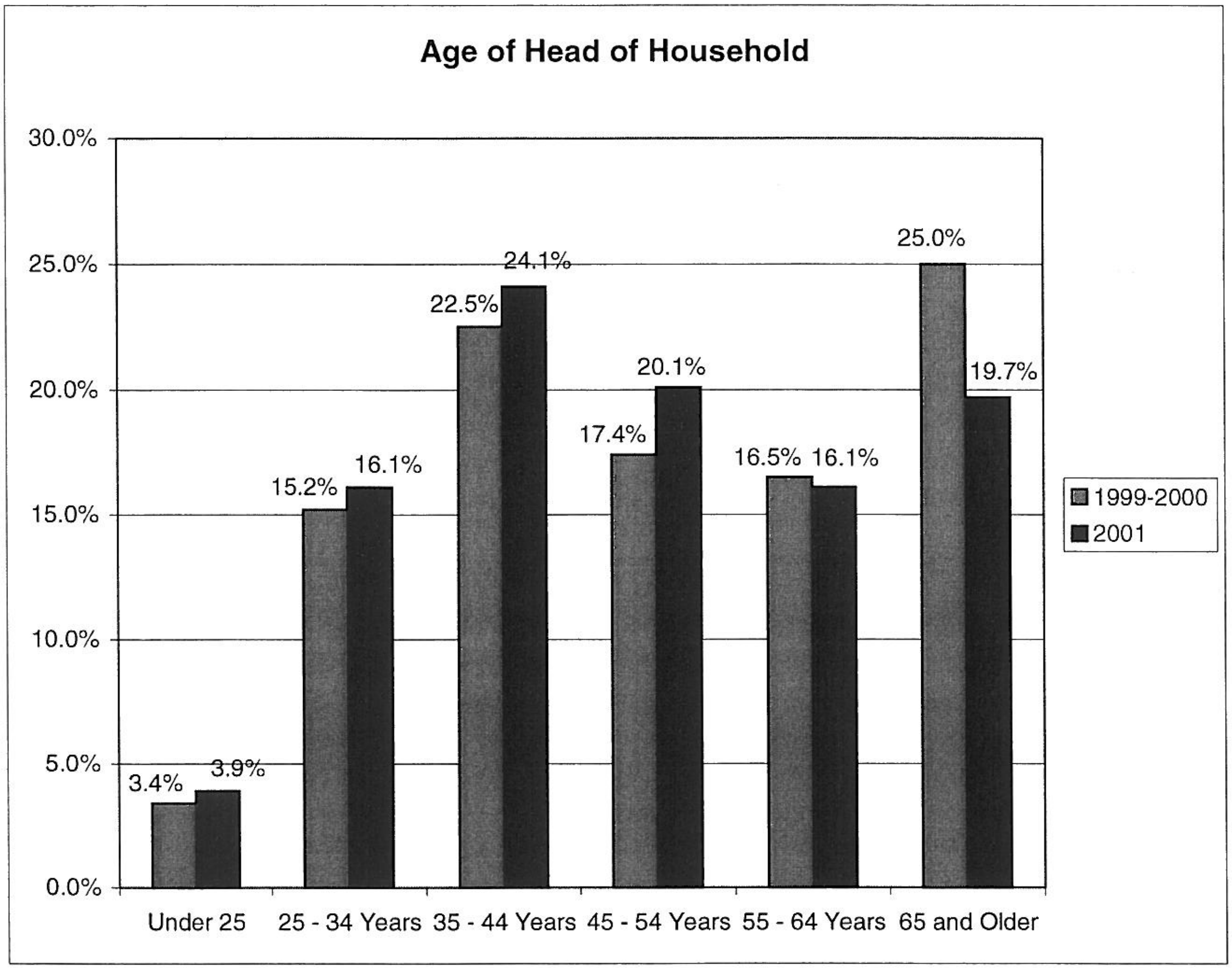
State	% 2001 Tourist Base
New York	19.21%
Massachusetts	10.41%
Connecticut	6.37%
Pennsylvania	5.79%
New Jersey	5.10%
Florida	4.65%
New Hampshire	4.37%
California	4.14%
Texas	3.16%

State	% 2001 Tourist Base
Ohio	2.60%
Maryland	2.55%
Virginia	2.30%
Illinois	2.22%
Michigan	2.12%

Demographics of the households that visit the state reflect relatively upscale households, as those households with incomes between $50,000 and $99,999 are 25% more likely to visit the area than the average United States household. Significant numbers of households in the adjacent ranges of $35,000 to $49,999 and $100,000 plus also show a greater-than-average propensity to visit the area. The following chart details the average household incomes of those visiting the state:

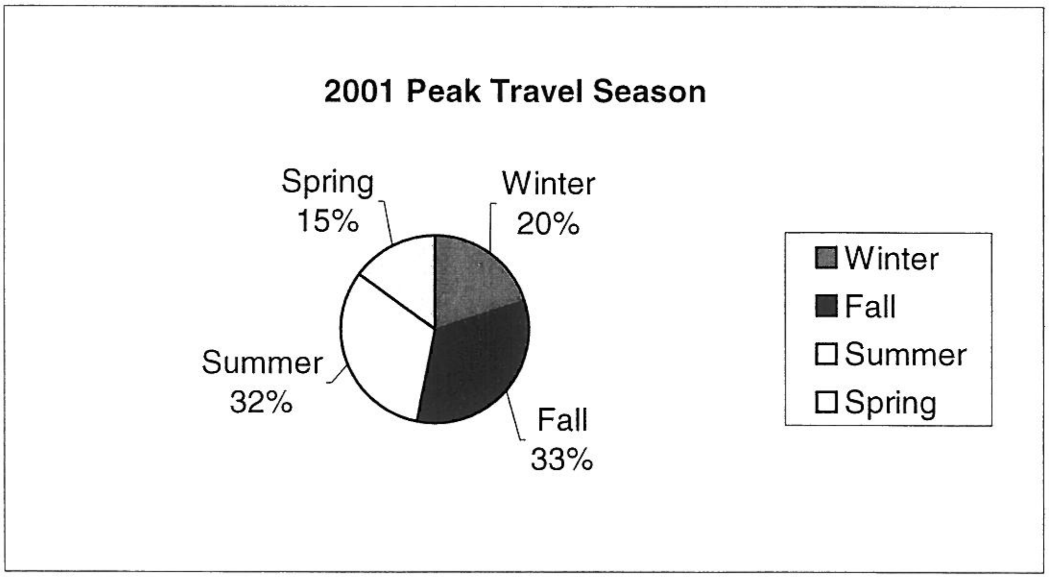


In 2001, households headed with individuals aged 55 years to 64 years had the highest propensity to make one or more trips to the area with a 23% greater likelihood to travel to the state than the average United States household. By contrast, households headed by individuals under 25 years old were 31% less likely to make a trip to Vermont. In 2001, the age distribution was less skewed towards older tourists than in 1999 to 2000. Most tourist households are still headed by those aged 35 to 54 years, followed by those aged 65 years and older:



Most households visiting Vermont have an average of two members, followed by those with three to four members. As a result, it is not surprising that a strong percentage of visitors have no children under age 18 (68%), followed by those with the oldest child aged 13 to 17 years (13%), 6 to 12 years (12%) and younger than 6 years (7%). By far, the household composition of visitors was a married male/female (55%) compared to female with others (15%), female alone (14%), male alone (11%) and male with others (6%).

The peak travel season for visitors to Vermont is fall, followed closely by summer as demonstrated in the following chart:



By month, the peak travel times are July, August, September and October, with October being the peak month. Combined, these four months account for 64% of the total households visiting Vermont.

The <u>primary</u> destination of those traveling to Vermont for pleasure is southern Vermont, followed by the Lake Champlain region (which includes Burlington). The primary destinations are the following four regions:

- Southern Vermont (Brattleboro, Stratton and Mount Snow) – 19.8%
- Southern Vermont (Bennington, Manchester and Bromley) – 16.9%
- Lake Champlain Valley (greater Burlington) – 15.3%
- Crossroads of Vermont (Rutland and Killington) – 12.9%

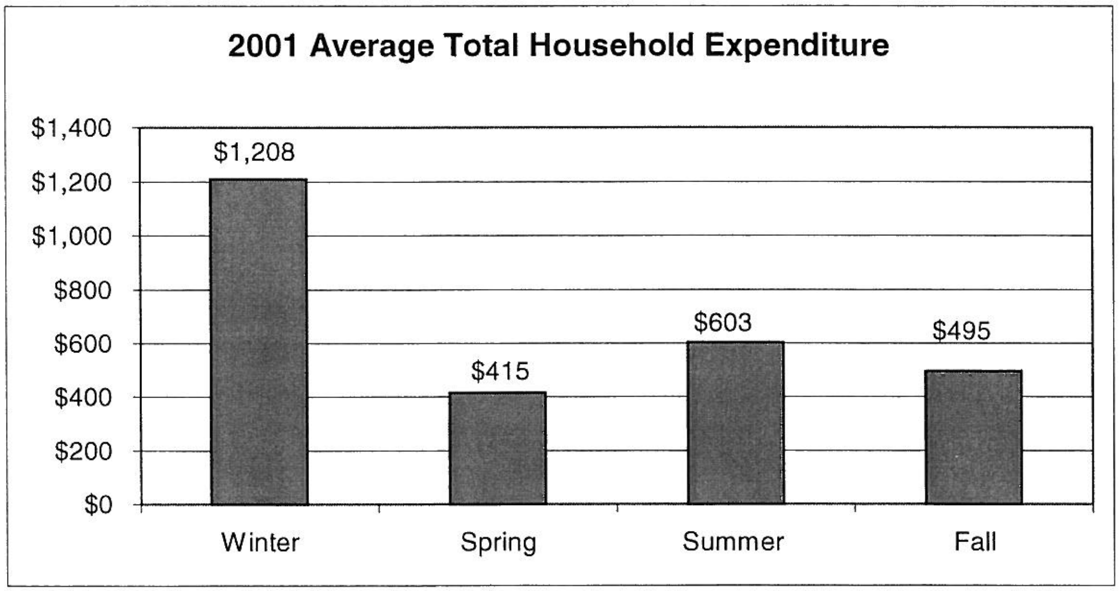
The Lake Champlain Valley is the primary destination during the summer months, however, the single most-mentioned destination year-round is the city of Burlington.

The primary purpose for household trips to the state by season are:

- Winter: Downhill skiing
- Spring: Visiting friends and relatives; shopping
- Summer: Visiting friends and relatives; family get-togethers
- Fall: Fall foliage touring; visiting relatives

By season, shopping was mentioned as the primary reason by 6.2% (winter), 11.3% (spring), 7.8% (summer) and 8.0% (fall) of households. While in Vermont, over half of visiting households purchased Vermont-made products (51%) and 40% reported that shopping was the most popular activity while visiting the state. In fact, Vermont-made products ranged from 26% to 39% of shopping and grocery purchases, averaging $52 per household.

The mean number of nights spent in the state is reported as 3.8, with 75% averaging at least one overnight trip. The average per household expenditure per season is reported as follows:

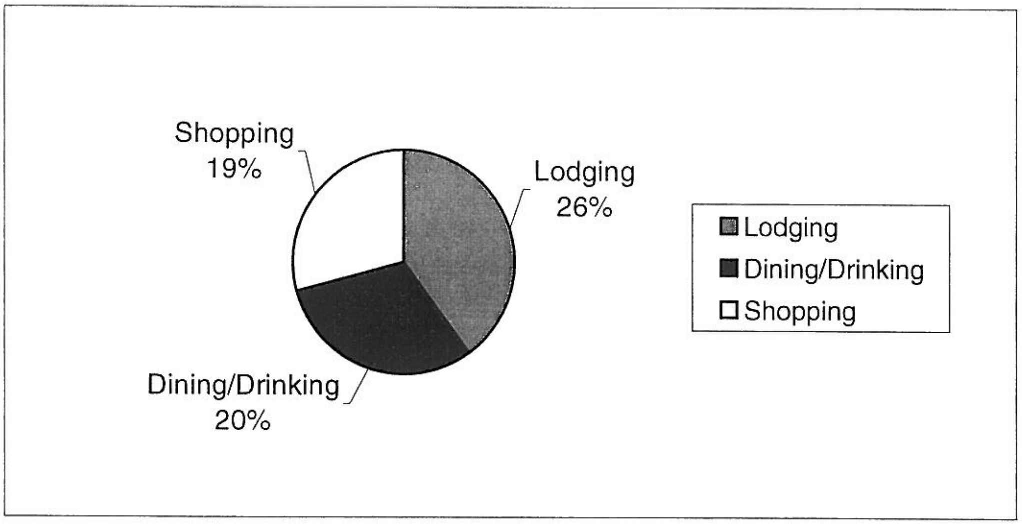


As such, the total seasonal impact of travelers to the state of Vermont is:

- Winter: $1.15 billion
- Spring: $4.16 million
- Summer: $1.4 billion
- Fall: $1.14 billion

This equals to a total economic impact of $4.2 billion.

Per household, the average expenditure per person was $210.64, with 20% for dining and drinking and 19% for shopping ($42.13 and $40.02, respectively). In fact, tourist dollars account for 12% of the total Vermont retail sales ($810 million).



Expenditure Potential. The daytime population, student population and tourist components benefit the downtown district by increasing the expenditure potential available to retailers/restaurants. Using averages provided for both student population as well as downtown business workers provided by the International Council of Shopping Centers (ICSC), as well as expenditure data provided by the Vermont Department of Tourism, the table on the facing page details the total expenditure data available to retailers in the district.

As shown on the table on the facing page, the tourist and daytime population (including college students) increases the available potential in the market from $3,020,392,000 to $3,558,162,000 an increase of 18%. Most of the increase is due to the tourist presence in the market (16%), which is a conservative estimate as Market Insite Group has used only the portion of the tourist expenditure potential for those tourists who mentioned the Burlington area as the primary purpose of their visit. As such, sales for the tourists in the area will most likely be stronger than anticipated.

Competition. As part of our evaluation of downtown Burlington, we conducted a detailed examination of the competitive nature of the market. We evaluated all major retail nodes throughout the defined trade area. Based on this analysis, we were able to gain a better understanding of the retail gravitational patterns in the market and the impact of downtown Burlington on these retail patterns.

By far, downtown Burlington, with the combined Church Street and Burlington Town Center, is the largest and strongest retail node in the area offering not only the most square feet of retail space but also the largest concentration of number of retailers. In fact, the combined area (over 800,000 square feet) is by far the strongest retail node in the entire state.

Within the trade area, there is only one other regional shopping center (University Mall). This center offers 614,000 gross square feet of retail space and is anchored by Bon-Ton, JC Penney and Sears. Both the anchors and the ancillary mix have a low mid-income appeal, limiting the appeal of the center to the tourist population base. Additionally, sales at the center are reported as weak, also reflecting the lack of consumer appeal.

In addition to the University Mall, the trade area is served by a weak outlet center located in the northeast at Essex Junction. The Essex Outlet Fair is anchored by a Hannaford's, a weak cinema and miscellaneous outlet tenants. Access to the center from the north is easy, however, access to the center from all other directions is limited due to the road network. As such, it is not surprising that reported sales are weak.

The remaining retail in the market is either community-oriented or neighborhood in orientation. Most of the community centers are anchored by typical big-box retailers with a discount appeal, the newest of which is Maple Tree Place, currently under construction in Williston, east of the city of Burlington. This center reportedly will offer 400,000 square feet of retail space across from Taft Park, offering an additional 215,000 square feet. These two centers, coupled with the freestanding Wal-Mart and The Home Depot, create a strong retail hub. However, as the retail is big-box in orientation, the appeal of the centers limit the ability of the retailers to compete directly with the lifestyles and specialty-oriented tenants found downtown.

Please refer to Appendix 3 for a complete competitive profile, as well as a map noting the location of all major retail shopping centers and freestanding retailers in the greater Burlington, Vermont market.