

# APPENDIX E

## THE DEMAND FOR RETAIL SPACE IN MENOMONEE FALLS AND RECOMMENDED STRATEGIC GOALS AND ACTIONS

A Memorandum Report

to

The Village of Menomonee Falls

from

**GRUEN GRUEN + ASSOCIATES**

*Urban Economists, Market Strategists and Land Use/Public Policy Analysts*

November 2006

(Edited for format by R.A. Smith National, Inc.)

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**GRUEN GRUEN + ASSOCIATES**  
MEMORANDUM

Date: November 1, 2006  
To: John Fellows and Brian Turk  
From: Aaron N. Gruen and Debra L. Jeans  
Subject: C1194: The Demand for Retail Space in Menomonee Falls and Recommended Strategic Goals and Actions

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**INTRODUCTION, PRINCIPAL CONCLUSIONS AND RECOMMENDATIONS**

Gruen Gruen + Associates (“GG+A”) conducted a retail market analysis of Menomonee Falls in order to provide an information base for the preparation of a Comprehensive Plan for the Village. The research and analysis included an assessment of the strengths and weaknesses of the retailing base, an estimate of both existing and potential future demand as well as consideration of retail supply and important trends affecting retailing.

A key advantage in addition to fiscal benefits such as increased taxes from the enhancement of the Menomonee Falls retail base relates to improving the quality of life for those who reside and work in the community. A strong retail base in well planned commercial centers not only enhances the treasury of the Village but also reduces travel time and facilitates community solidarity as residents run into neighbors and friends in the Village Centre or at local shopping centers. A strong retail base also helps attract, retain, and make more productive the non retail economic base.

**WORK COMPLETED**

In order to accomplish the study objectives, GG+A performed the following tasks:

1. Inspected the retail locations in the Village, and conducted interviews with local and regional real estate brokers, property managers and developers to gain information and insights into the relevant market areas, potential supply competition, and whether additional retail space could be supported;
2. Reviewed retail supply data and researched relevant literature;
3. Analyzed demographic, income, and purchasing power estimates for retail goods;
4. Converted estimates of purchasing power or retail demand into estimates of the supportable amount of on-the-ground retail space;
5. Identified and mapped the relevant supply of retail space;
6. Evaluated the relationship between demand for and supply of retail space; and
7. Synthesized the results of the supply and demand analysis, interviews, field inspections and literature review in order to reach conclusions about the potential opportunities and scale of demand for retail space in the Village.

## **PRINCIPAL CONCLUSIONS**

### **Market Conditions and Estimate of Amount of Additional Retail Space Likely to be Supported by Potential Demand**

The quantitative demand-supply model presented in the body of the report, supplemented by interviews with knowledgeable local real estate brokers and developers, indicates that retail space market conditions will be highly competitive for the foreseeable future. This will especially be the case for neighborhood convenience and necessity uses serving relatively small geographic areas. For the Village as a whole, demand is currently estimated to be essentially in balance with supply. Expenditure potential or retail demand is estimated to increase to be able to support approximately 400,000 square feet of additional retail space in Menomonee Falls by 2020. The identified potential future retail supply is likely to absorb much of the potential increased demand.

Retailing has and will continue to undergo shifts driven by continuous changes in demographics, attitudes and tastes of consumers, and technology. Retail operates under the law of creative destruction. Formats will change and new concepts will still arise and thrive. The smaller, older neighborhood and community centers in Menomonee Falls have been especially adversely impacted by supply competition, the decline of traditional shop space in favor of a variety of services and eating and drinking places, and consumer and space user shifts in preferred formats and tenants and shopping locations. High vacancy rates and low rents pertain to Menomonee Falls' stock of neighborhood and community centers along portions of the Appleton Avenue and Main Street corridors. The high vacancy rate of 29 percent for the approximately 465,000 square feet of neighborhood retail center space is concentrated in six smaller centers built prior to 1985. These centers, unanchored by grocery stores, totaling approximately 360,000 square feet of space contain about 108,500 square feet of vacant space or 81 percent of the total vacant space in the neighborhood retail inventory.

An example of an older, smaller neighborhood center that has repositioned itself into a home-oriented specialty center adjacent to furniture and electronic stores is the River Court Shopping Center located near Richfield Drive and Highway 41/45. This center includes Neu's Hardware/Building Center and Malkin's Carpet. Malkin's Carpet relocated from a neighborhood center on Appleton without as good as highway access and without nearby businesses with the drawing power of Best Buy and Steinhafel's.

While the approximately 446,000 square feet of community shopping center space in Menomonee Falls currently has a high vacancy rate of 28 percent, much of the vacancy is due to the closure of a Wal-Mart store. Wal-Mart elected to build a Super Wal-Mart store in the neighboring community of Germantown.

### **Recommended Strategic Goals and Actions**

- The Village Centre, the historic core of the Village at the intersection of Main and Appleton, is a compact area with a pedestrian character and pleasant ambiance and amenities including the Menomonee River, a mill pond falls, and park land. Given a consumer shopping pattern shift to "lifestyle centers and pedestrian-oriented, in-town "Main Streets, encourage the intensification and integration of retail, restaurant, entertainment, service and residential uses in the Village Centre. Encourage parking that meets two criteria: (1) accessible and readily available; and (2) located to avoid interrupting the flow of pedestrian traffic and shopping visits so as to encourage walking from site to site. The enhancement of the Village Centre represents an opportunity to differentiate the Village Centre from other shopping formats and to reinforce the Village Centre as a central gathering place for residents and visitors. The enhancement should capitalize upon an accessible and secure location by providing adequate parking in a physical setting that serves as an attraction with an exciting mix of residential, eating and drinking, entertainment, service, and specialty retail uses.
- Encourage a smaller number of denser, mixed-use neighborhood and community-serving centers, while discouraging additional linear retail and freestanding locations. A mix of retail, service, and public uses will serve to reduce the amount of non-commute trips that increasingly are becoming as time consuming and travel intensive as commute trips for many family households. Encourage strongly anchored neighborhood and/or community sized retail centers at locations that can serve multiple neighborhoods.

From a long-term perspective, it would be better for the Village to have fewer, larger, well-integrated shopping agglomerations rather than numerous smaller strip centers. A large number of small strip centers siphon off demands so as to take more difficult the development of larger projects that encourage multi-purpose visits and are better positioned to withstand supply competition.

- Encourage big-box, category-killer retailers located in well planned, strongly anchored centers, while discouraging freestanding locations. Locations such as the Appleton Avenue/County Line Road (Q) node and emerging Highway 41/45 and Pilgrim Road, near Richfield Way node that can serve both households and workers in close by business and industrial parks are desirable for centers anchored by big-box retailers. Given the increasing importance of “etailing” as well as intense competition from existing and future retail centers, some retail chains will close their less successful stores, concentrating on their best performing stores. To limit future closures or difficulty in releasing the stores, the Village should encourage the dominant retailers to locate within the Village. The Village policies should encourage well designed centers providing ready access and sufficient parking and integrated with other uses or developments to increase the potential for remaining competitive over the longer run. The interviews suggest that roadway improvements may be needed to extend or enhance Richfield Way, which serves as a frontage road south of Highway Q and Highway 41/45, in order to avoid traffic congestion in this emerging regional-serving retail node. Best Buy (60,000 square feet) and Steinhafels furniture (100,000 square feet) stores have opened in this area. Additional retail development has been proposed.
- The Appleton and Good Hope Road area represents an opportunity to add retail and restaurant space to support the Heritage Reserve and Woodland Prime Office Parks in Menomonee Falls and Park Place development in Milwaukee, directly east, and the emerging residential base, including housing and medical services designed for older households. Part of a mixed-use project, the Woodland Market, a nearly 39,000-square-foot development at Appleton and Good Hope is currently under construction and has begun marketing.
- As indicated by the intense competitive market conditions for the expenditures of consumers, smaller, older properties no longer offering the preferred format or tenants are likely to be adversely impacted by supply competition, retailer consolidation, and e-tailing. Indications of lower rents, higher vacancy rates and shifts in consumer shopping patterns for properties on Main Street and parts of the Appleton corridor indicate that some properties have already been impacted.

When properties or locations can be characterized by functional obsolescence and/or locational obsolescence (i.e., demand has shifted to other locations and demand sources have and can be expected to be more than satisfied by alternative supply choices), the Village should consider working with the private and public stakeholders to develop plans for the revitalization or adaptive reuse of such commercial shopping areas or properties. By adaptive reuse we refer to the conversion of uncompetitive retail properties (tending to be smaller, older, and located in inferior retail locations) into other land uses such as incubator office, service center/flex tech, or residential space. For centers or shopping areas characterized by both locational and functional obsolescence, plans will need to focus on identifying feasible programs for conversions to other uses and the required implementation procedures. Frequently market and investment analysis will be required to formulate plans for the revitalization and enhancement of existing commercial properties or their profitable conversion to other market-responsive uses. In the case of the diminished competitive appeal of the Main Street Corridor, the Village has already developed the Main Street Redevelopment Plan to improve the Main Street Corridor.

## **STRENGTHS AND WEAKNESSES OF THE RETAILING BASE**

### **Comparative Advantages**

Based on the results of the survey of businesses described in a previous report and interviews with real estate brokers and developers, comparative advantages retailers derive from operating within the Village include:

- a highly accessible location with proximity to U.S. Highway 41/45, which connects with

- Interstate 94 and Interstate 894;
- a residential base growing both in size and affluence;
- a large employment base;
- a desirable image and safe and secure location;
- an ability to attract and hold retail labor; and
- reasonable real estate costs.

### **Potential Constraints**

The approximately 1.2 million-square-foot Brookfield Square Mall<sup>1</sup> and Bluemound Road commercial agglomeration in Brookfield within approximately 10 miles to the west, the approximately 1.1 million-square-foot, Mayfair Mall<sup>2</sup> approximately nine miles to the south and the redeveloped and expanded 1.2 million-square-foot Bayshore Town Center<sup>3</sup> about 12 miles to the east represent strong regional-serving retail agglomerations. The presence of these agglomerations will require regional-serving uses in Menomonee Falls to be differentiated in format and tenant make-up to these projects.

Within Menomonee Falls, a shift in preferred shopping patterns has occurred. For example, some properties in the Main Street Corridor have not regularly modernized to remain attuned to contemporary preferences. Physical development constraints and a set of under-utilized, disconnected uses limit the appeal of this location for shopping. The approximately 73,000-square-foot, 40-year-old Pilgrim Village Shopping Center at the southeast corner of Pilgrim and Main, near the Village Centre, has been adversely affected by a shift in consumer shopping patterns. The anchor tenant, a Piggly Wiggley grocery store containing 31,000 square feet of space, closed in 2005. A nearby store, Jay's Sports closed in late 2004. The downward shift in the relative appeal of the Main Street Corridor is indicated by high vacancies, low rents and lower investment in maintenance and physical enhancements. Other properties have also been affected by supply competition and changes in customer shopping patterns and preferences. For example, Colonial Plaza, a 54,000-square-foot center built in 1975 located between the two dominant retail clusters on Appleton Avenue, contains about 14,500 square feet of vacant space with asking rents as low as \$8 per square foot.

### **ESTIMATE OF CURRENT AND POTENTIAL FUTURE RETAIL DEMAND FROM HOUSEHOLDS**

Potential retail demand primarily depends upon the amount of disposable income within a market area. Disposable income is influenced by population and income. Estimating potential retail demand requires the identification of income spent on retail goods. Not all internally generated demand is satisfied in a primary market area. Some potential demand within the market area is lost to retailers outside the market area. Retail sales expenditure potential from residents is likely to leak out to the regional malls and other regional-serving retail agglomerations outside the community. Conversely, the Appleton Avenue/County Line (Q) and Highway 41/45 retail agglomeration including big-box, category killer tenancies such as The Home Depot, Office Max, Steinhafel's, and general merchandise retailers such as Target and Kohl's serves the north side of Milwaukee and smaller communities to the north of Germantown. Because of its accessible location, size and combination of hard and soft goods retailing along with restaurants such as Panera Bread and Noodles & Company, the Highway Q and Appleton Avenue agglomeration serves as a community- and regional-serving retail location.

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<sup>1</sup> Brookfield Square Mall, located just off Interstate 94 between Moorland and Bluemound Roads with over 110 stores and eateries includes as anchor tenants Boston Store, JC Penney, and Sears. The area around the Mall contains a relatively complete supply of retail formats and leading retailers.

<sup>2</sup> Mayfair Mall is an enclosed, two-level, super-regional center anchored by Boston Store, Macy's, and AMC Theatre with 180 shops, and restaurants such as P.F. Chang's, Maggiano's, and Cheesecake Factory and 6,500 parking spaces. Four office buildings with over 1,600 employees are part of the development.

<sup>3</sup> Bayshore Town Center represents a \$360 million redevelopment of the former Bayshore Mall in Glendale into a mixed-use lifestyle center planned to include 180 shops and restaurants, entertainment uses such as a movie theater, apartments, and 200,000 square feet of office space.

To make an estimate of the future demand for retail space, we estimate the demand attributable to the population of the Village of Menomonee Falls. In addition, we consider potential demand from households outside of Menomonee Falls residing within five miles of the intersection of Pilgrim and Highway 41/45. We also estimate the demand attributable to the employment base of Menomonee Falls. Drawn from the previous report on housing demands, Table 118 presents an estimate of the total household income of households in Menomonee Falls from 2005 through 2020.

Year	2000	2005	2010	2015	2020	Change 2005-2020	Change 2005- 2020
Households <sup>1</sup>	12,844	13,385	13,942	14,498	15,003	1,618	12
Estimated Average Household Income <sup>2</sup>	\$57,952	\$61,517	\$64,655	\$67,953	\$71,420	\$9,903	16
Estimated Total Household Income	\$744,335,488	\$823,405,045	\$901,420,010	\$985,182,594	\$1,071,514,260	\$248,109,215	30

<sup>1</sup> Drawn from Table 3 of the September 2006 report labeled "Population and Household Trends and Projections and Forecast Housing Need For Menomonee Falls".

<sup>2</sup> Drawn from data provided by the Wisconsin Department of Revenue, household income is assumed to grow at an average annual rate of one percent.

Sources: U.S. Census Bureau, Census 2000; Village of Menomonee Falls Community Development Department; Wisconsin Department of Administration; U.S. Bureau of Labor Statistics; Gruen Gruen + Associates.

The number of households is estimated to increase by over 1,600 households or 12 percent between 2005 and 2020. According to the Wisconsin Department of Revenue, personal income is expected to grow by over five percent between 2005 and 2010 in the Milwaukee Waukesha region. We assume this annual increase of one percent remains the same from 2010 to 2020. Average household income is estimated to increase by 16 percent or nearly \$10,000, from about \$61,500 in 2005 to about \$71,400 in 2020. Total household income is estimated to increase by 30 percent or \$248.1 million to \$1.07 billion in 2020.

Table 119 presents an estimate of the total household income attributable to non Menomonee Falls households located within five miles of the Highway 41/45 and Pilgrim intersection in 2005 and 2010.

Year	2000	2005	2010	2015	2020	Change 2005-2020	Change 2005-2020
Households <sup>1</sup>	10,095	10,610	11,151	11,720	12,318	1,708	16
Estimated Median Household Income <sup>2</sup>	\$58,970	\$61,978	\$65,139	\$68,462	\$71,954	\$9,976	16
Estimated Total Household Income	\$595,302,150	\$657,586,580	\$726,364,989	\$802,374,640	\$886,329,372	\$228,742,792	35

<sup>1</sup> Household estimates and forecasts for 2005 through 2020 assumes a one percent rate of annual growth. The estimate reflects the total number of households within five miles of Highway 41/45 and Pilgrim Road which are not located in the Village.

<sup>2</sup> Instead of using the average household income we use the lower median household income in 2000 of \$58,970. The income figure reflects all households within five miles of Highway 41/45 and Pilgrim located outside the Village of Menomonee Falls. Assumes income grows at an annual rate of one percent.

Sources: U.S. Census Bureau, Census 2000; AGS, Inc. Continental Properties; Gruen Gruen + Associates.

In 2005, the approximately 10,500 households not located within Menomonee Falls but residing within five miles of Highway 41/45 and Pilgrim Road are estimated to have a median household income of approximately \$62,000<sup>4</sup>. Due to an estimated household growth rate of one percent and assuming a growth rate of one percent of median household income, total household income attributable to non Menomonee Falls residents located within five miles of the Highway 41/45 and Pilgrim intersection is forecast to increase by \$229 million or 35 percent to \$886 million in 2020.

## ESTIMATE OF EXPENDITURE POTENTIAL FOR RETAIL GOODS

### Expenditure Rate

In order to estimate the potential purchasing power for shopping center-type goods, we reviewed the 2004 Bureau of Labor Statistics (“BLS”) *Consumer Expenditure Survey* for the Milwaukee Metropolitan Statistical Area (“MSA”). For simplicity, we assume that the expenditure patterns of residents in the Village are similar to that of the residents in the Milwaukee MSA. As shown on Table 120, the 2004 BLS *Consumer Expenditure Survey* for the Milwaukee MSA indicates that Milwaukee region households expend approximately 25 percent of their before tax income on retail goods and services.

The estimated expenditure rate of residents does not encompass all retail expenditures made at retail stores. The estimated 25 percent retail expenditure rate of household income does not include non-prescription drugs and medical supplies likely to be purchased at major grocery stores or drug stores such as Walgreen’s. The expenditure rate survey data also does not include basic automotive supplies typically available at big-box retailers such as Target.

<b>TABLE 120</b>		
<b>Milwaukee MSA Average Household Annual Expenditure on Retail Goods and Services in 2004</b>		
<b>Good/Service</b>	<b>Average Household Annual Expenditures \$</b>	<b>Share of Average Household Income<sup>1</sup> %</b>
Food	5,189	10.0
Alcoholic Beverages	531	1.0
Housekeeping Supplies	664	1.3
Household Furnishings & Equipment	1,632	3.1
Apparel & Services	1,720	3.3
Personal Care Products & Services	582	1.1
Reading	146	0.3
Tobacco Products & Smoking Supplies	314	0.6
Entertainment	2,002	3.9
<b>Total</b>	<b>12,780</b>	<b>24.6</b>
<sup>1</sup> Milwaukee MSA average household income in 2004 was \$51,958. Average household income in Menomonee Falls in 2005 is estimated at \$61,175.		
Sources: Bureau of Labor Statistics Consumer Expenditure Survey 2004; Gruen Gruen + Associates.		

<sup>4</sup> Based on 2000 Census data, we have performed a trade area demographic analysis centered at Pilgrim Road and Highway 41/45. The 2000 estimate includes all households and median household incomes for residents in Milwaukee, Ozaukee, and Washington Counties located within five miles of the intersection. Using estimated growth rates for similar sized trade areas and nearby locations obtained from Wal-Mart Realty and Continental Properties, we have forecasted household growth to 2020 from demographic information for the five mile radius.

To estimate the retail purchasing power or expenditure potential within the Village, we assume that 25 percent of household income is spent on goods and services typically found in retail centers or downtowns. The estimated expenditure rate of 25 percent multiplied by average 2005 household income within the Village of about \$61,500 equates to expenditures per household of approximately \$15,400.

**Expenditure Potential and Estimate of the Amount of Supportable Square Feet of Retail Space**

Table 121 presents estimates of potential retail demand within the Village based on the estimated expenditure rate of 25 percent and the number of households within five miles of Highway 41/45 and Pilgrim Road and average household income from 2005 through 2020.

<b>TABLE 121</b>				
<b>Estimated Retail Demand from Menomonee Falls Residents and Households Within Five-Miles of Highway 41/45 and Pilgrim Road</b>				
	2005	2020	Increase 2005 – 2020 #	Increase 2005 – 2020 %
Total Menomonee Falls Household Income	\$823,405,045	\$1,071,514,260	\$248,109,215	30
Non Menomonee Falls Household Income Within Five Miles	\$657,586,580	\$886,329,372	\$228,742,792	35
Total Household Income	\$1,480,991,625	\$1,957,843,632	\$476,852,007	32
Estimated Expenditure Potential @ 25 Percent of Total Household Income	\$370,247,906	\$489,460,908	\$119,213,002	32
Total Supportable Retail Space in Square Feet @ \$325 Per Square Foot	1,139,224	1,506,034	366,810	32
Sources: Bureau of Labor Statistics, Consumer Expenditure Report; Urban Land Institute Dollars & Cents of Shopping Centers; International Council of Shopping Centers; Gruen Gruen + Associates.				

Total household income in 2005 attributable to Menomonee Falls households and non local households within five miles of the Highway 41/45 and Pilgrim intersection is estimated at nearly \$1.5 billion. Total household income is estimated to increase by 32 percent or \$477 million to approximately \$2.0 billion in 2020. Multiplying the estimated total household income in 2005 by the 25 percent expenditure rate produces an estimate of retail demand or expenditure potential of \$370.2 million. Expenditure potential is estimated to increase by \$119.2 million to nearly \$490.0 million in 2020.

In order to convert estimates of expenditure potential or purchasing power into estimates of potential on-the ground retail space, an assumption must be made as to the average sales per square foot required to be generated for tenants to viably operate and landlords to obtain high enough rents to amortize development costs and provide a satisfactory return on investment. Table 121 also presents an estimate of the demand for retail space within the Village from 2005 through 2020. We estimate that retail demand from residents and households within five miles of the Highway 41/45 and Pilgrim intersection in 2005 translates into total supportable space of 1.14 million square feet. We estimate that supportable space demand will increase by over 365,000 square feet to over 1.5 million square feet by 2020.

The estimates of retail demand reflect the assumption that a new retail development would need to generate \$325 per square foot in sales in order to be a financially feasible venture. We use this estimate based on the assumption that rents range from five percent to eight percent of sales. Using as a proxy for new retail centers the estimated average annual rent of \$20 per square foot for the new Woodland Markets 38,900-square-foot project at Appleton Avenue and Good Hope Road suggests a range of sales of \$250 to \$400 per square foot.

To also put the sales per square foot sales threshold assumption in perspective, Table 122 summarizes sales per square foot productivity estimates from our interviews and review of data obtained from the International Council of Shopping Centers(ICSC), Urban Land Institute (ULI), and financial reports of individual retail chains.

Type of Retail <sup>1</sup>	Average Size # Square Feet	Average Sales \$ Per Square Foot <sup>2</sup>
Neighborhood Shopping Centers	67,624	212 - 319
Community Shopping Centers	204,833	206 - 220
Best Buy	45,000	941
Home Depot	105,000	377
Kohl's	77,400	252
Target	128,000	307
Sears	97,000	319
Office Max	37,000	255
Walgreen's	14,500	545
<sup>1</sup> The International Council of Shopping Centers classifies "neighborhood centers" as having between 30,000 and 150,000 square feet of retail space with typically a grocery store as the anchor tenant. "Community centers" are larger in size having between 100,000 and 350,000 square feet of retail space with at least two anchor tenants, typically grocery stores, drug stores, and general merchandise stores.		
<sup>2</sup> The ULI <i>Dollars and Cents of Shopping Centers 2004</i> data reports average sales of \$212 per-square-foot for neighborhood centers and \$220 per-square-foot for community centers. The Co-Star Group <i>2005 Shopping Center Census</i> reports average sales in the State of Wisconsin for neighborhood centers of \$319 per-square-foot and \$206 per-square-foot for community centers. The sales per square foot for stand alone retailers are based on the most recent financial reports and sales summaries available for each retail chain listed.		
Sources: International Council of Shopping Centers; Urban Land Institute <i>Dollars &amp; Cents of Shopping Centers</i> ; CoStar Group; Annual Reports and 10K forms for the individual retailers listed; Gruen Gruen + Associates.		

As shown in Table 122, according to the ULI survey, neighborhood centers in the Midwest average 67,000 square feet of space and obtain annual sales of \$212 per square foot. Community centers average approximately 205,000 square feet in size and obtain annual sales of \$220 per square foot. In 2005 for the State of Wisconsin, the Co-Star Group estimates that neighborhood retail centers average annual sales of \$319 per square foot while community retail centers average \$206 per square foot. The sales obtained by shopping centers tend to decline relative to the age of the center. For example, the ULI survey data suggests that neighborhood shopping centers less than three years old average sales approximately 28 percent higher than centers 20 years or older. The major big box, category-killer retail stores generate sales from \$252 to \$941 per square foot, averaging approximately \$420 per square foot. Grocery stores in the Milwaukee suburban markets average sales from \$350 to \$600 per square foot. Walgreen's drug stores average \$545 per square foot in sales.

The interviews and lower rents prevailing in some centers or locations suggest that much of the existing older retail space along Appleton Corridor and Main Street generates lower sales than the \$325-per-square-foot sales threshold for new space. Therefore, the use of sales per square foot threshold of \$325 understates the amount of supportable space because some existing space generates much lower sales but because of lower rents and the lower development costs remains viable.

## DEMAND FROM WORKERS

Demand will also originate from those which work in or near Menomonee Falls. Table 123 presents estimates of the sales contributions related to the potential purchasing power of those which currently work within the Village.

<b>Estimate of Retail Demand from Workers and Supportable Square Feet of Space</b>		
	2005	2020
Estimated Number of Workers <sup>1</sup>	38,990	43,182
Estimated Annual Sales <sup>2</sup>	\$91,236,600	\$101,045,880
Estimated Supportable Demand @ \$325 Per Square Foot	280,728	310,910
<sup>1</sup> Employment estimates from 2000 to 2035 have been provided by the Southeastern Wisconsin Regional Planning Commission, which reported total employment for the Village in 2000 of 37,590. By 2035, employment is projected to increase by 9,780 to 47,370. To estimate employment in 2005 and 2020, we assume a basic linear growth over the 35 year period.		
<sup>2</sup> Assumes annual employee expenditures of \$2,600. The estimate of sales assumes a 10 percent overlap between households and workers.		
Sources: The Southeastern Wisconsin Regional Planning Commission; Gruen Gruen + Associates.		

The Southeastern Wisconsin Regional Planning Commission projects that employment in Menomonee Falls will increase by approximately 26 percent between 2000 and 2035, from 37,590 to 47,370. Assuming a basic linear growth in employment from 2000 to 2035, we estimate total employment in the Village of approximately 38,990 in 2005 and 43,182 in 2020. Due to some potential overlap between the employment base and household population in the Village, we assume a 10 percent deduction in the estimated retail expenditures of employees. We further assume that each employee will generate \$10.00 in daily expenditures for an estimated 260 workdays per year or \$2,600 annually. This \$10.00 daily estimate includes all food, beverage, retail products, services and entertainment expenditures that occur during and/or after work that is spent in Menomonee Falls.<sup>5</sup>

Therefore, approximately 39,000 workers currently employed within Menomonee Falls are estimate to have a 2005 purchasing power of approximately \$91.2 million. This translates into supportable space of approximately 281,000 square feet, assuming a sales threshold of \$325 per square foot. In 2020, due to the projected increase of employment by 4,192 jobs, the potential increased sales contribution of approximately \$9.8 million is estimated to support additional retail space of approximately 30,000 square feet for a total of about 311,000 square feet of space.

## ESTIMATE OF TOTAL RETAIL SPACE DEMAND FROM MENOMONEE FALLS AREA HOUSEHOLDS AND WORKERS

Table 124 summarizes the total estimated retail demand attributable to Menomonee Falls and surrounding area households and workers.

<sup>5</sup> A 2001 study of Kenosha County employees and commuters entitled "Kenosha County Commuter Study", performed by the University of Wisconsin, found that employees working in the county spent nearly \$75 per week or \$3,900 annually on general retail items while commuting to and from their place of work.

<i>Retail Sales Demand</i>		
\$	2005	2020
Households	\$370,000,000	\$489,000,000
Workers	\$91,000,000	\$101,000,000
Total	\$461,000,000	\$590,000,000
<i>Retail Space Demand</i>		
# Square Feet		
Households	1,139,000	1,506,000
Workers	281,000	311,000
Total	1,420,000	1,817,000
<sup>1</sup> Figures have been rounded. Includes all households within the Village of Menomonee Falls and households outside of the Village within five miles of Highway 41/45 and Pilgrim Road.		
Source: Gruen Gruen + Associates		

Total retail space demand from households and workers after adjustment for overlap is estimated to approximate 1.4 million square feet of space in 2005. Demand is forecast to increase from households and workers by approximately 400,000 square feet or 27 percent to a total of nearly 1.8 million square feet of space in 2020.

#### EXISTING AND POTENTIAL FUTURE RETAIL SUPPLY IN MENOMONEE FALLS

Table 125 summarizes the total primary supply of retail space located within the Village.

Center Type	Total Space # Square Feet	Proportion of Total %	Vacant Space # Square Feet	Proportion of Total %	Occupancy Rate %
Neighborhood Center	464,940	30	133,841	52	71
Community Center	445,924	29	123,715	48	72
Freestanding	626,954	41	0	0	0
Total	1,537,818	100	257,556	100	83
Sources: CB Richard Ellis; Village of Menomonee Falls; Loopnet.com; Gruen Gruen + Associates					

The primary retail stock in the Village contains approximately 1,538,000 square feet of space. Of this total, approximately 258,000 square feet or 17 percent is vacant. About 43 percent of total vacancy, however, is attributable to a closed Wal-Mart store located in the Cross Road Shopping Center. Wal-Mart closed this location because it has recently opened a Super Wal-Mart store approximately one mile north along Appleton Avenue in Germantown. Excluding the vacant space previously occupied by Wal-Mart, neighborhood centers constructed prior to 1986 account for approximately 74 percent or 108,500 square feet of the remaining 147,000 square feet of vacant space within the Village. Approximately 627,000 square feet or 41 percent of the inventory consists of big-box/category-killer space that is 100 percent occupied. As described below, much of this space has been recently constructed.

Tables 126 and 10 identify the primary supply of existing retail space by individual center within the Village of Menomonee Falls. Map 1, on page 19, identifies the existing primary supply of retail space within the Village.

Name of Center	Location	Year Open	Amount of Space # Square Feet	Amount of Vacant Space # Square Feet	Occupancy Rate %	Rental Rate \$ Per Sq. Foot	Major Tenants
Cross Road Shopping Center <sup>1</sup>	N96W18501 County Line Rd	1987	207,592	113,280	45	15.00	Pick 'N Save
Falls Plaza 1, 2, 3	N81W15066 Appleton Ave	1972	123,732	3,940	97	16.00	Majdecki/Sentry Foods, Radio Shack, Enterprise Rental
North Point Centre	N78W14549 Appleton Ave	1991	114,600	6,495	94	12.00	Pick 'N Save, Hallmark
<b>Total Community Centers</b>			<b>445,924</b>	<b>123,715</b>	<b>72</b>		
Apple Run	N71W12976 Appleton Ave	1973	24,396	2,734	89	12.00	Trusting Place Pub, day care center
Shoppes at Bancroft	N96W18743 County Line Rd	1994	15,616	2,500	84	14.00	Taco City, Manceno's Day Care
Maple Ridge	N96W18743 County Line Rd	1996	35,270	21,000	40	10.00-16.00	Bart'z
Pilgrim Village Shopping Center	N88W15413539 Main St	1960	73,430	40,049	44	8.00-12.00	Otto's Beverage, Friends of Nature
North Hill Plaza	N85W15900 Appleton Ave	1978	60,000	10,000	83	7.50	Bowling Alley, Paint Store, Travel Store
Falls Crossing	N84W15700 Appleton Ave	1965	53,885	41,214	24	12.00	NH Northern, Jo Ann Fabrics, Blockbuster
SE Corner Silver Springs & Pilgrim	W156 N5530 Pilgrim Road	2004	6,009	0	100		Fantastic Sams, Cousins Subs
River Court Shopping Center	N95W16976-997 Hwy 41	1960	92,693	0	100		Malkin's Carpet, Neu's Hardware/Building Center
Rivercrest	W176N9328-9360 Rivercrest Dr	2002	19,500	1,816	91	22.00-24.00	Starbucks, AAA, Panera Bread, Noodles & Co.
Applewood	W173N9170 Francis St	1987	30,141	NA	NA		Post office, day care, medical office
Colonial Plaza	N89W16815-899 Appleton Ave.	1975	54,000	14,528	73	8.00-10.00	Mattress World
<b>Total Neighborhood Centers</b>			<b>464,940</b>	<b>133,841</b>	<b>71</b>		

<sup>1</sup> Vacant space includes the 110,580 square foot store previously occupied by Wal-Mart.

Sources: Village of Menomonee Falls; CB Richard Ellis; Loopnet.com; Gruen Gruen + Associates.

Menomonee Falls contains approximately 465,000 square feet of neighborhood or convenience-oriented retail space. The eleven identified neighborhood centers range in size from 6,000 to 93,000 square feet of space. Six centers built prior to 1985 account for approximately 108,500 or 81 percent of vacant space found in neighborhood centers within the Village. The remaining five neighborhood centers built after 1986 only account for approximately 19 percent or 25,000 square feet of vacant space found in Menomonee Falls neighborhood centers.

Community centers, including the Cross Road Shopping Center, the North Pointe Center, and the Falls Plaza, account for approximately 446,000 square feet of retail space in the Village. Built in 1987, the 208,000-square-foot Cross Road Shopping Center is the largest retail center in Menomonee Falls. The Cross Road Shopping Center currently contains over 113,000 square feet of vacant space. However, almost 98 percent of the vacant space located at the Cross Road Shopping Center is due to the relocation of Wal-Mart to a Wal-Mart Super Store in Germantown, which previously occupied 110,580 square feet. The vacancy rate for the other community centers is only three to six percent.

In addition to the neighborhood and community retail center space, the Village contains freestanding big-box space adjoining or part of retail centers. Major stores include Kohl's, Target, Home Depot, Office Max, Best Buy, Steinhafel's, Sears Grand, and multiple Walgreen's Drug Stores.

Name	Location	Year Opened	Size # Square Feet
Steinhafel's	N93 W16677 Richfield Way	2006	100,000
Sears Grand <sup>1</sup>	N77W14435 Appleton Ave	2006	97,062
Home Depot	N94W18375 Thunder Ridge Dr	2003	108,000
Kohl's	N95W18000 Appleton Ave	1992	92,468
Best Buy	N95W15915 Richfield Way	2005	60,000
Target Center	N95W17707 Shady Lane	1994	115,848
Office Max	N93W17700 Appleton Ave	1998	23,564
Walgreen's	N83W15701 Appleton Ave	1998	15,456
Walgreen's	N56W15501 Silver Spring Dr	2004	14,556
<b>Total Freestanding Retail Space</b>			<b>626,954</b>
<sup>1</sup> The Sears Grand store opened in summer 2006 taking over the freestanding building in the south end of the Northpoint Shopping Center previously occupied by K-Mart.			
Sources: CB Richard Ellis; Village of Menomonee Falls; Gruen Gruen + Associates.			

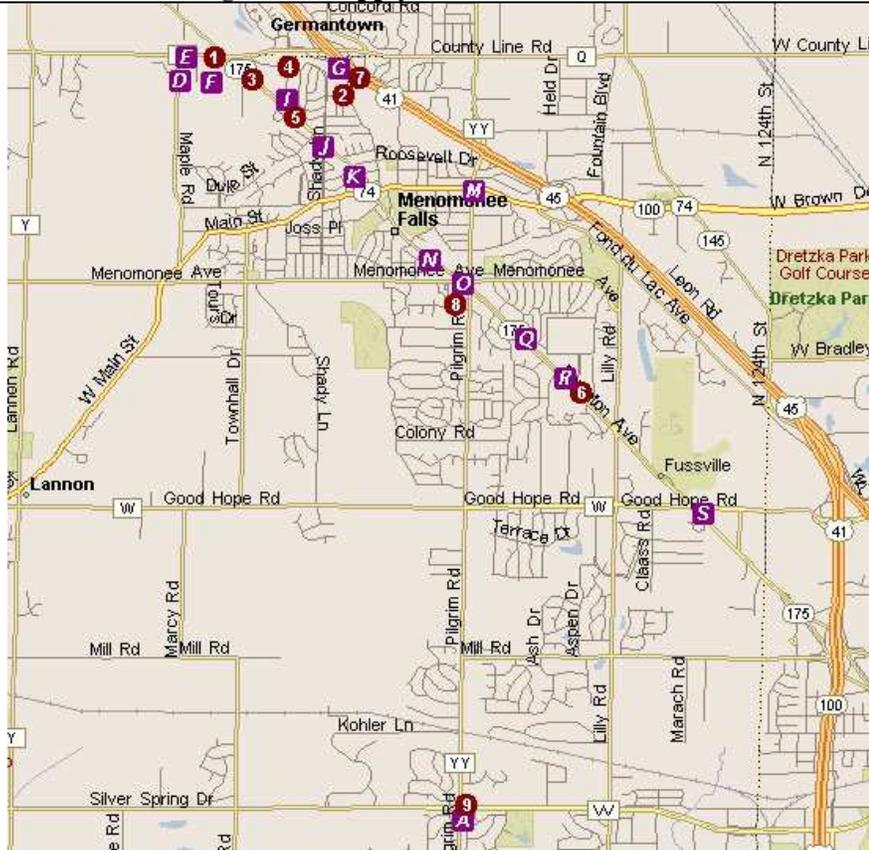
Freestanding big-box retailers account for nearly 627,000 square feet or 41 percent of retail space in the Village. The most recent additions to the retail inventory have been freestanding big box stores Best Buy and Steinhafel's located by Highway 41/45 and Pilgrim Road, near Richfield Way. The Sears Grand has recently opened a store at a location previously occupied by K-mart. Of the 627,000 total square feet of big-box space, approximately 380,000 square feet or 61 percent has been opened since 2003. The remaining 247,000 square feet of big-box space was opened between 1992 and 1998.

Not included in the estimate of supply is the Village Centre. The Village of Menomonee Falls planning staff estimates the Village Centre includes about 168,000 square feet of space, including retail uses such as restaurants, hair salons, florists, a health food store, and apparel stores. Excluded from the supply inventory are small strip centers and freestanding commercial space.

We also have identified the presence of approximately 428,000 square feet of retail space which comprise a portion of the supply located in the Appleton/Highway Q retail agglomeration. The Wal-Mart Supercenter,

Menard's, and the Germantown Plaza are each located on the north side of County Line Road along Appleton Avenue. The 200,000-square-foot Wal-Mart Supercenter opened in 2006 and the 165,000-square-foot Menard's opened in 2003, located in Germantown, are likely to attract customers from far beyond the primary market areas from which we have estimated potential retail demand for the Village. These centers represent supply competition for the retail space located in the Village of Menomonee Falls. Such retail supply, however, has been excluded from the supply component of the supply-demand model because the model does not include the all of the demand associated with the trade areas served by these retail stores.

**MAP 21  
Existing Retail Supply in Menomonee Falls: 2006**



**Freestanding Centers**

- 1 Home Depot
- 2 Best Buy
- 3 Kohl's
- 4 Target
- 5 Office Max
- 6 Sears Grand
- 7 Steinhafel's Furniture
- 8 Walgreen's
- 9 Walgreen's

**Community Centers**

- F Cross Road Shopping Center
- Q Falls Plaza
- R North Point Center

**Neighborhood Centers**

- A SE Silver Springs & Pilgrim
- D Shoppes at Bancroft
- E Maple Ridge
- G River Court Shopping Center
- I Rivercrest
- J Applewood
- K Colonial Plaza
- M Pilgrim Village
- N North Hill Plaza
- O Falls Crossing
- S Apple Run

Sources: Village of Menomonee Falls; Gruen Gruen + Associates.

## FUTURE RETAIL SUPPLY

Table 128 identifies the supply of potential primary future retail space.

Name	Location	Amount of Space # Square Feet	Rent \$ Per Square Foot
Woodlands Market	Appleton Ave. & Good Hope Dr.	38,901	20.00
Silver Spring Drive	Technology Dr. & Silver Spring Dr.	16,000	13.50
Continental Properties, Co.	S. of Highway 41/45 & W. of Pilgrim Rd.	160,000	NA
Strip Center	Appleton Ave. & Premier Dr.	50,524	14.00
Total		265,425	
Sources: CB Richard Ellis; Boerke Company; Loopnet.com; Gruen Gruen + Associates.			

The primary source of potential future supply is a 160,000-square-foot development proposed by Continental Properties. Continental Properties plans to buy the 17.5-acre site of Worthington Industries Inc., formerly known as Western Industries Inc., south of U.S. Highway 41/45 and west of Pilgrim Road. Continental proposes to demolish the obsolete industrial space, and replace it with 13 buildings, totaling about 160,000 square feet. The buildings would range in size from 1,500 square feet to 42,000 square feet of retail space offering a highly visible and accessible location near Highway 41/45 and Pilgrim Road, the site is southeast of two new large retailers - a Best Buy store and a Steinhafels furniture store. Because of the highly accessible location and adjoining mix of retailers, this development is likely to draw customers from beyond Menomonee Falls.

The Silver Spring Drive planned retail development is located south of the Silver Springs Technology Park at the northeast corner of Silver Springs and Technology Drive. A representative of the Boerke Company, the leasing agent for the project, indicated the site had previously been planned for the development of a retail strip center in 2005. Ownership of the site has changed multiple times, but the original development plan of an approximately 16,000 square foot retail strip center is still expected to be constructed within the next two years. The planned expansion of Silver Springs Drive into a four-lane highway will likely serve as a main thoroughfare between Milwaukee and Waukesha Counties thus aiding potential retail development along Silver Springs Drive.

The Woodlands Market, located at the intersection of Appleton Avenue and Good Hope Road, is currently under construction and has also begun marketing efforts to lease the future retail space. No tenants have been identified, but the current average asking rental rate is \$20 per square foot for the 39,000 square feet of space.

## RELATIONSHIP BETWEEN ESTIMATED DEMAND AND SUPPLY

Table 129 presents the relationship between the estimated square feet of retail space the estimated potential demand could support and the estimated supply of existing retail space within the Village.

In 2005, under the sales threshold assumption of \$325 per square foot, we estimate a deficit in demand or surplus space of approximately 118,000 square feet. The supply of space includes approximately 258,000 square feet of vacant space. The quantitative assessment of demand and supply indicates a high intensity of competition for the expenditures of local or area households and workers. This intense competition explains the high amount of vacancy and lower rents especially associated with smaller, older centers. In terms of occupied space, the estimated supportable demand exceeds the supply by about 140,000 square feet of space.

**TABLE 129**

**Relationship Between Estimated Demand and Supply of Retail Space Within the Village of Menomonee Falls<sup>1</sup>**

	2005	2020
Estimated Supportable Space Demand	1,420,000	1,817,000
Estimated Supply of Space <sup>2</sup>	1,538,000	1,803,000
Potential Excess Demand (Space Surplus)	(118,000)	14,000
<sup>1</sup> Figures are rounded. <sup>2</sup> The supply in 2020 includes the identified potential future supply of approximately 265,000 square feet of space in Table 128 above. The 2005 supply includes approximately 258,000 square feet of vacant space so that the occupied space approximates 1,280,000 square feet.		
Source: Gruen Gruen + Associates		

In 2020, assuming the addition of 265,000 square feet of potential future supply, we estimate supply and demand will be about in balance with approximately 14,000 square feet of space of excess or unmet demand.