

## 5.0 ECONOMIC CONTEXT

### 5.1 ECONOMIC/DEMOGRAPHIC OVERVIEW

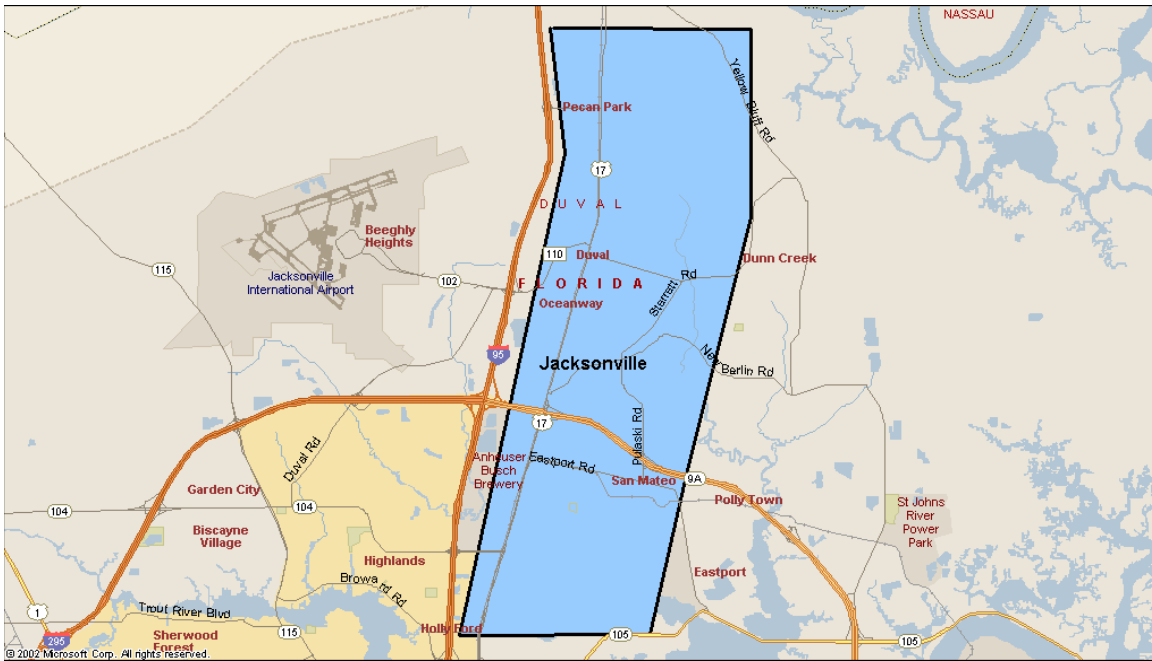
The goal of our involvement has been to forecast current and future demand for residential and commercial development in the Main Street and Dunn Avenue corridors, relative to revitalization. These corridors have very different characters in terms of residential and commercial uses as well as differences in the surrounding population, which support each area's commercial development. With that in mind, the demographic information surrounding these two corridors was isolated to allow for a more in depth analyses of the trends that impact the current and future opportunities for each. In addition, we contrasted the demographic profile of each area with that of the Jacksonville MSA overall, in our attempts to identify ways in which the two corridors can grow to be more like economically vibrant corridors elsewhere in the region, and determine how these corridors can have a positive influence on the economic life of greater North Jacksonville.

Figure 5-1 below displays the boundaries which were used to determine the demographic profile of the Dunn Avenue area, while figure 5-2 illustrates the boundaries that were used to characterize the population surrounding Main Street. For the purpose of this analysis, the following demographic information is reflective of these selected areas.

**Figure 5-1 Dunn Avenue Area; 2004**

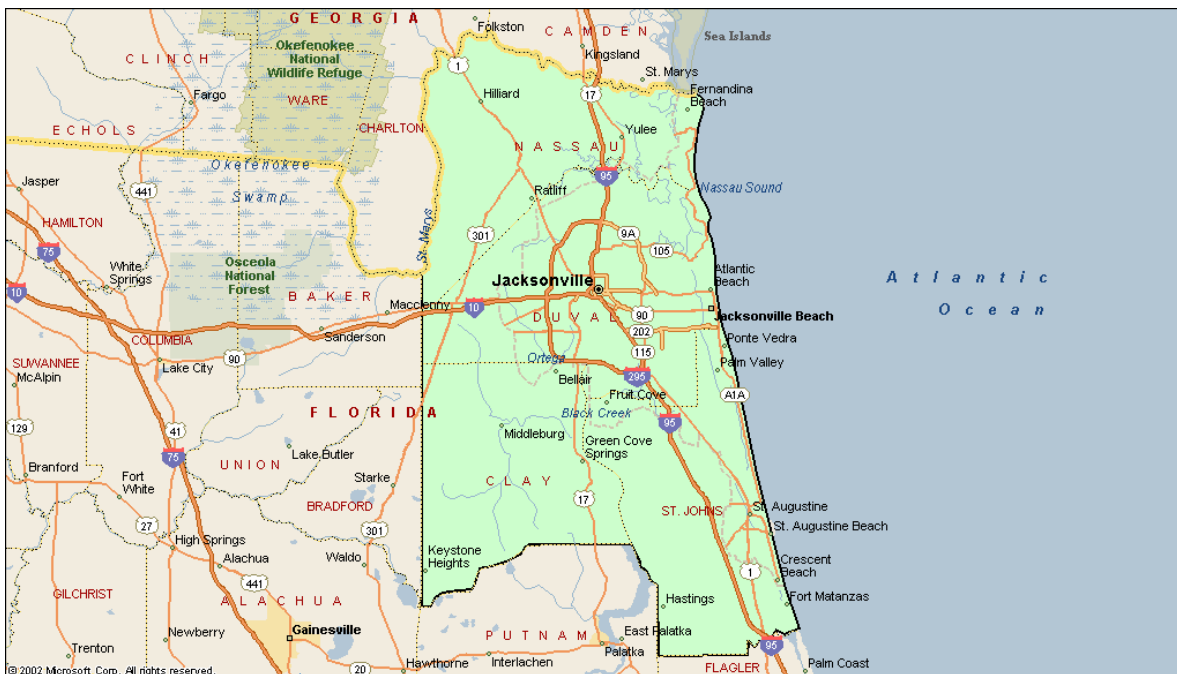


**Figure 5-2 Main Street Area; 2004**



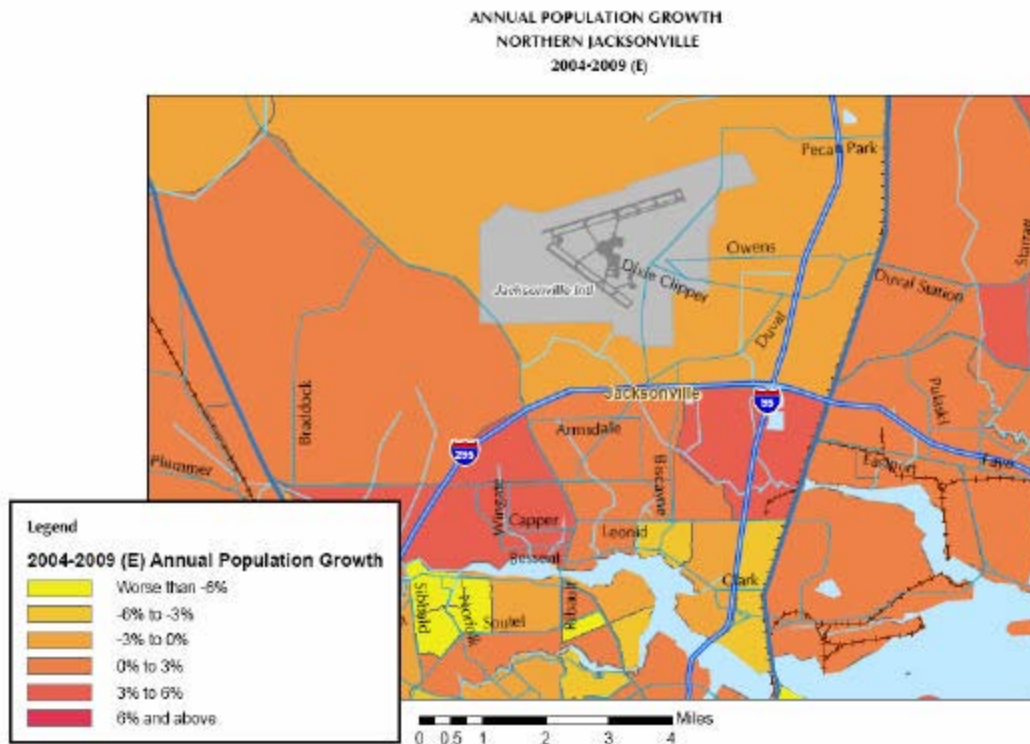
The selected corridors are located in the northern portion of Jacksonville, which lies within the greater Jacksonville MSA. The counties encompassed by the Jacksonville Metropolitan Statistical Area (MSA), include Nassau, Duval, Clay and St. Johns Counties as shown below in figure 5-3

**Figure 5-3 Jacksonville MSA; 2004**



Between 1990 and 2000, the Dunn Avenue and Main Street areas experienced vastly different population growth trends, 3.2% and 0.7% respectively, as shown in figure XX below. However, from 2000 to 2004 the growth rate decreased slightly in the Dunn Ave area and increased substantially in the Main Street area, as a result of several value driven residential developments on the east side of Main Street. The stronger growth in the Main Street corridor and areas east of I-95 is due both to the availability of land supply as well as the proximity of the area to I-295 and jobs in eastern and southeastern Jacksonville. The relative affordability of North Jacksonville and the general quality of the land east of I-95 have helped fuel demand for more moderately-priced and mid-priced housing. Growth projections suggest that the growth rate for both of these corridors will be approximately 2% per year from 2004 to 2009. The same rate of growth is projected for the overall MSA during this time period. Based on recent growth trends in the area, and planned new developments, we estimate that the growth rate of 2% for the Main Street area may be a conservative growth estimate, particularly in light of planned developments in the corridor, including both commercial and residential projects. As shown in Figure 5-4 below, the largest portion of growth is anticipated to occur east of Main Street and North of Dunn Avenue.

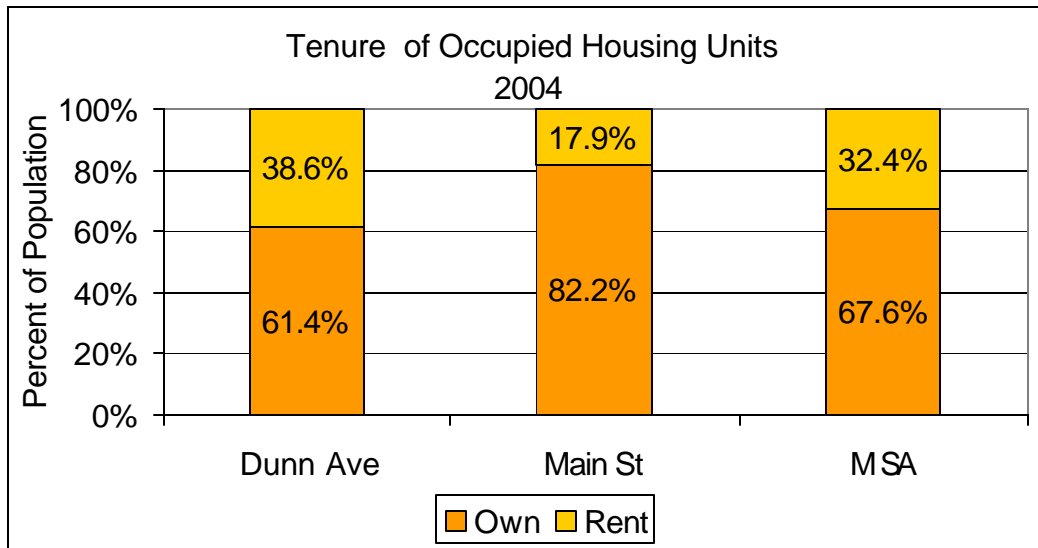
**Figure 5-4 Annual Population Growth 2004 to 2009**



Approximately 52% of the households in the Dunn Avenue and Main Street areas are single-person households or couples with no children; the primary target market audience for more dense development. This compares with approximately 58% at the MSA level. Growth of these households and the opportunity to attract these households to North Jacksonville and the Dunn and Main Street corridors is key, as these households represent the target market audiences for more dense residential products. Nationally, singles and couples with no children account for the strongest household growth in the coming decade and have helped fuel demand for condominiums and townhouses, Traditional Neighborhood Development (TND) and the revitalization of inner-cities throughout the U.S.

The average household size surrounding Dunn Avenue is estimated to be 2.79, compared to an average household size of 2.58 for the area surrounding Main Street and 2.53 for the MSA. The higher median household size on Dunn is primarily a result of the many low rent and subsidized rental communities in the area, which are attracting larger than average households. Accordingly, there are also a larger percentage of renter households on and around Dunn Avenue, estimated at 39%, compared with 18% surrounding Main Street and 31% in the MSA. Figure 5-5 illustrates this distribution.

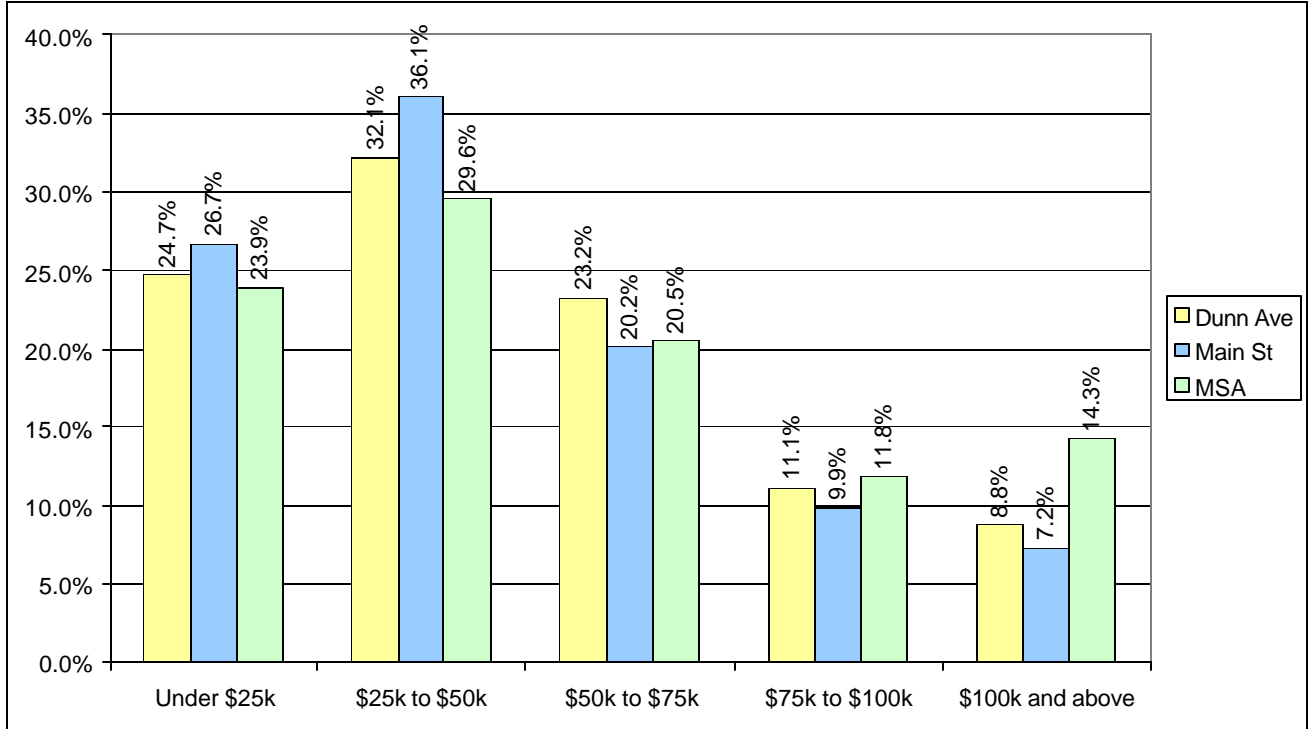
**Figure 5-5 Housing Tenure; 2004**



As noted in our previous research, North Jacksonville, and subsequently the Dunn and Main Street Corridors, can be considered moderate income areas. Both corridors feature median incomes lower than that of the median for the Jacksonville MSA overall (approximately \$50,000 relative to the MSA’s \$62,000). These more moderate incomes translate to home affordability that is somewhat more modest than that of the MSA overall. Median incomes in the \$50,000 range equate to a home affordability of approximately \$150,000 and rents of roughly \$1,000 per month. While these incomes can be expected to increase relative to the MSA, they do point to a need for relative

affordability in short-term redevelopment efforts in these corridors. Again, the earlier study for the North Jacksonville area pointed to the need for a larger-scale master-planned community to encourage development of higher-end housing and attract higher-income households.

**Figure 5-6 Households by Income; 2004**



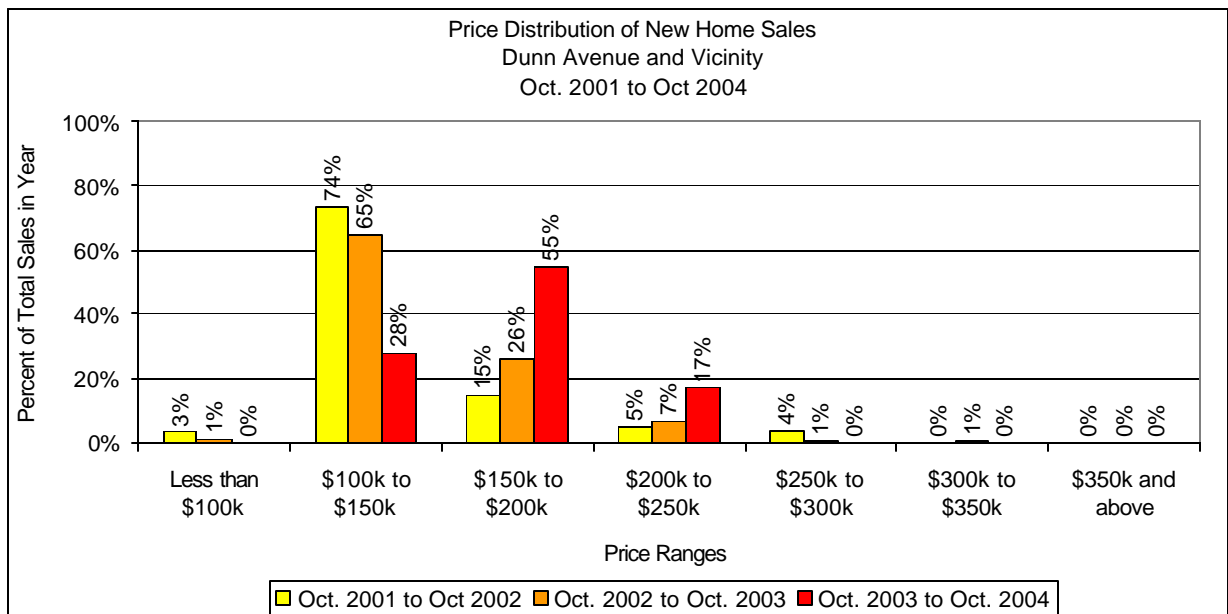
## 5.2 RESIDENTIAL MARKET OVERVIEW

### For-Sale Residential

The for-sale residential market in North Jacksonville in recent years can be characterized as solely a detached market with attached for sale-product only recently being made available to purchasers. As North Jacksonville and the Dunn and Main Street corridors continue to experience residential growth, opportunities for attached products are likely to grow as well, fueled both by the larger macro demographic shifts mentioned earlier but also by gradually increasing home and land prices in the area. Buyers purchase attached for-sale products for two major reasons: the low-maintenance lifestyle these products offer and price. Given the relative affordability of the North Jacksonville area and the two corridors, providing a unique sense of location and lifestyle through attractive, well-designed mixed-use environments will be key to significant development of attached for-sale products.

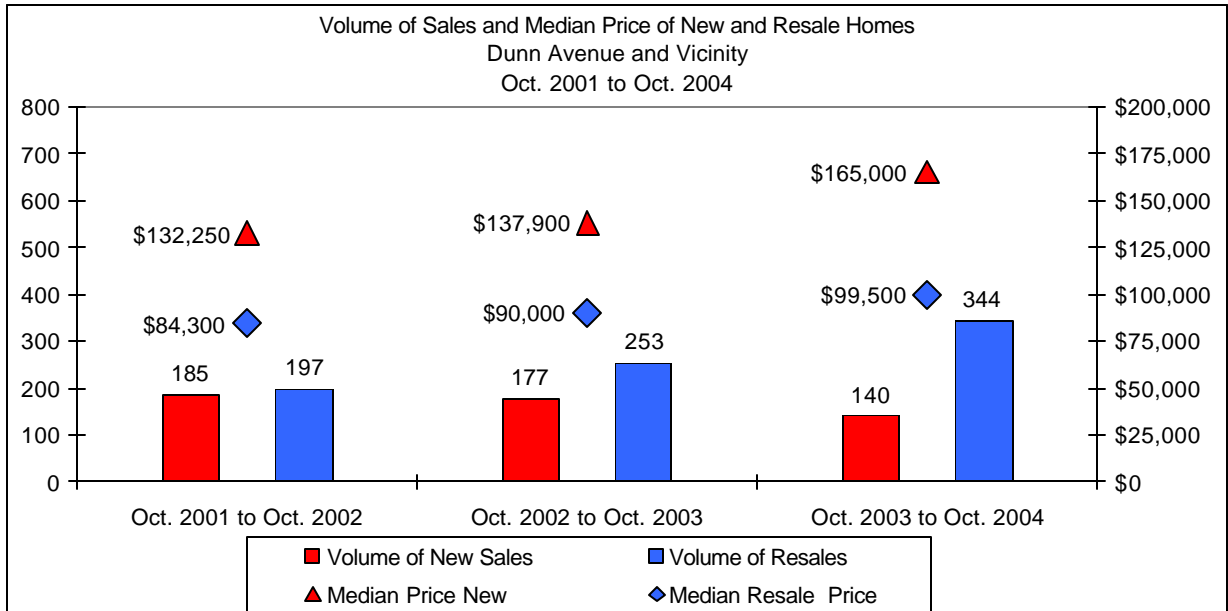
Over the past several years, the residential areas bordering Dunn Avenue and to the east of Main Street have seen substantial growth and price appreciation. The chart below in Figure 5-7 depicts price distributions for new home sales in the areas bordering Dunn Avenue northward to Interstate 295 and southwards to the Trout River. From October 2001 to October 2002, 77% of all new home sales in this area were less than \$150,000. From October 2003 to October of this year, however, 72% of all new homes sold for at least \$150,000. These increases in home prices further enhance opportunities for more dense residential products as a price alternative as well as a lifestyle alternative.

**Figure 5-7 Dunn Avenue New Home Sales; Oct. 2001 to Oct. 2004**



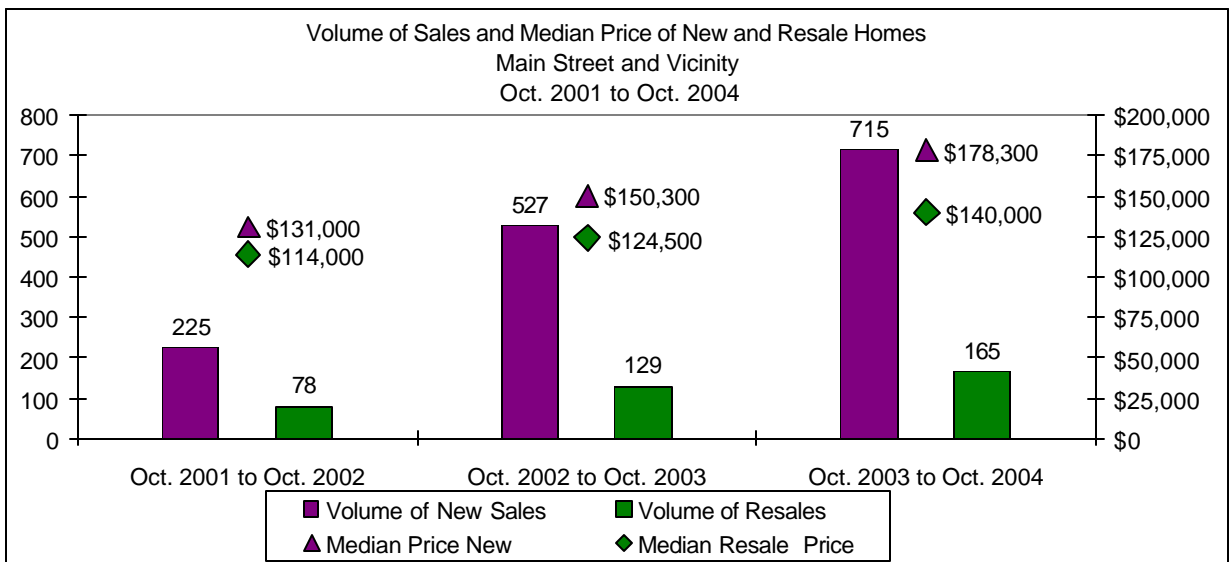
The volume of resales in the Dunn Avenue area has steadily increased over recent years while the volume of new home sales has seen a decline (Figure 5-8). Based on market findings, this is largely a factor of constrained supply rather than demand, as a result of limited developable land. Accordingly, while both new and resale homes have seen increases in the median price, the median price increase of new homes has been more substantial.

**Figure 5-8 Dunn Ave. Volume and Median Price; Oct. 2001 to Oct. 2004**



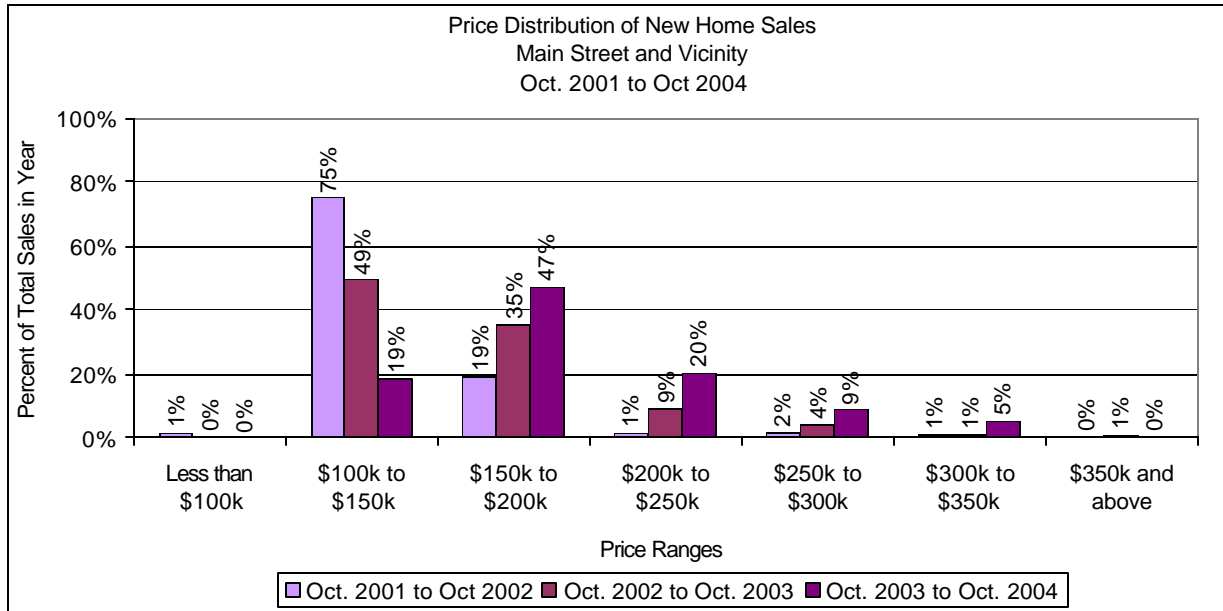
Home prices and sales volumes in the Main Street corridor and areas to the east have increased substantially in the past several years, fueled both by access and land availability and affordability. As shown on the graph below, sales volume in the Main Street area has tripled in the last few years while home prices have risen more than 35%.

**Figure 5-9 Main St Volume and Median Price; Oct. 2001 to Oct. 2004**



As shown below in Figure 5-10, the Main Street corridor and areas east have become a somewhat higher-end housing market relative to the Dunn Avenue area. Over the past couple of years, the heart of the “East of Main” corridor new housing market has shifted to the \$150,000 to \$200,000 price point (accounting for nearly half of all new home sales), with more than one-third of new home sales being priced over \$200,000. These higher prices are fueled by the access of the area, its stronger natural characteristics and relatively cleaner development sites. This price increase provides greater opportunity for new and different residential products in the Main Street corridor.

**Figure 5-10 Main Street New Home Sales; Oct. 2001 to Oct. 2004**



Representative of the land limitations surrounding Dunn Avenue, the scale and volume of planned developments is significantly smaller than those planned surrounding Main Street, at 1,400 and 6,400 planned units respectively. The planned residential developments on and Around Dunn are shown in Figure 5-11 below and the planned communities to the east of main are subsequently shown below in Figure 5-12. As shown, projects planned along Main Street are significantly larger than those planned along Dunn, indicative of the relative land supply each area offers, but also indicative of the long-term potential demand for each area. Projects along Main also feature a higher concentration of attached product, both planned as for-sale and rental residential, with opportunities being related to the strong interstate access offered immediately west of Main. Also being planned in the North Jacksonville area are several larger Master-Planned Communities (MPCs) to the northwest and northeast of the airport. These communities can enhance the attractiveness not only of North Jax’ detached for-sale market, but provide additional leverage for rental apartment and attached for-sale residential development in the Main and Dunn corridors.

**Figure 5-11 Dunn Ave. Planned and Proposed; 2004**

<b>Planned and Proposed Residential: Dunn Ave and Vicinity</b>			
<b>Name</b>	<b>Location</b>	<b>Units</b>	<b>Type</b>
Smith Point	Armsdale Rd 1 mile north of Dunn Ave	53	SF
Flagstone	Duval Road 1/2 mile north of Dunn Ave	135	SF
Meadows	Wingate Rd north of Dunn Ave 1 Mile West of Lem Turner Ave	233	SF
Trout River Townhomes	Capper Rd 1/2 mile west of Lem Tuner Ave	241	MF
Victoria Preserve	Duval Road 1/2 mile north of Dunn Ave	284	DP
Southlake	Armsdale Rd west of Duval Rd	432	SF
<b>TOTAL</b>		<b>1,378</b>	

**Figure 5-12 Main St Planned and Proposed; 2004**

<b>Planned and Proposed Residential: Main St and Vicinity</b>			
<b>Name</b>	<b>Location</b>	<b>Units</b>	<b>Type</b>
Race track site	Pecan Park Rd just east of I-95	1,000 +	MF
River City Marketplace		900	MF
Yellow Bluff Hideaway	Main St 1 mile north of Pecan Park Rd	700	SF
Alta Lakes	Alta Drive north of Faye Rd	650	SF
Bainbridge estates	Pecan Park Rd west of I-96	527	SF
Nicols Creek	New Berlin Rd south of Hecksher	468	SF
Pecan Park	Pecan Park Rd west of I-95	405	SF
Rawl's ranch	Cedar Point Rd 3 miles east of Yellow Bluff Rd	398	SF
Daybreak Woods	New Berlin Rd	300	SF
Unknown	Dunn Creek Rd	200	TH
North Point	Alta Drive north of Faye Rd	150	SF
Kings Mill	Howard Rd and Pulaski	121	TH
Crestwick	Duval Station Rd	119	SF
North Point Village	Northeast corner of Yellow Bluff and New Berlin Rd	102	SF
Islands of Dunn Cr.	New Berlin Rd	99	SF
Howard walk	Howard Rd and Dunn Creek	96	TH
Northwood	Howard Rd and Dunn Creek	85	SF
MH Park	Starrat Rd	55	MH
Rushing branch	New Berlin Rd west of Yellow Bluff Rd	33	SF
<b>TOTAL</b>		<b>6,408</b>	

For-sale residential trends in North Jacksonville are relatively supportive of activity center development along the Main Street and Dunn Avenue corridors. Upward momentum in the detached market via both increasing construction volume and rising home prices is creating increasing opportunities for higher-density attached and detached for-sale housing. While somewhat tempered by the relative affordability of North Jacksonville, particularly in the short-term as the area continues to suburbanize, these opportunities can be captured. Creating centers and properties that offer a real lifestyle or amenity orientation will be key to influencing development for these higher-intensity products.

## **Rental**

Given the relative location of North Jacksonville on the fringe of suburban development, little exists today in terms of rental apartment development. Most product in North Jacksonville is older garden apartments, developed in the 1970s and 1980s, little of which is attractive to today's younger and more affluent renters. Most the product that has been developed in the study areas exist along Dunn Avenue and includes a mix of pure market-rate product and tax credit housing.

Leasing agents have indicated a broad mix of renters are seeking housing in the area due to the area's proximity to Downtown, ports and airport, and its relatively low rents when compared to other rental locations. Overall, apartments in the area are achieving \$0.80 per square foot with occupancies above 90%. Comparatively, the average rent for overall Jacksonville was approximately \$0.75 per square with an average occupancy rate of 92%. This suggests that the study area is generally in line with the overall Jacksonville area. It should be noted that newer product should be able to achieve rents higher than those currently being realized in the North Jacksonville area and should be able to approach the \$1.00 per square foot mark. Given these likely rent levels, providing product in a vertically-integrated, mixed-use project, or developing product at a density supporting structured parking appear unlikely in the next five to ten years. More supportable, particularly in the short-term, is the development of higher-quality product that is horizontally-integrated with other land uses. Much of the rental product provided at Phillips Place is horizontally-integrated with the retail, with only a handful of units provided above the shops.

## **Residential Demand**

Realtor conversations have indicated the strongest portion of demand for new housing has been driven by buyers seeking value, to more established areas of Jacksonville. This is also supported by the demonstrated new home sales for the area, of which over 50% ranged from \$100,000 to \$150,000. Of the total home sales within the area, the largest portion was for detached single-family homes, and less than 5% of the sales accounted for by attached product. However as the area continues to attract households and land becomes increasingly limited, we anticipate a greater shift of attached homes. To that point, attached sales in overall Jacksonville accounted for over 15% of all new home sales. This is much more inline with the future trend anticipated in the study area.

In order to assess future demand for housing in the area, we looked at the three major source groups, which will contribute to future home sales in the area. These groups include new households to the area, which was driven by the volume of new home sales in the area<sup>1</sup>, existing households in the area that are in turnover, and existing renters in the area that are in turnover. Once these groups were identified, we then qualified them by a handful of factors such as affordability, rate of turnover, propensity to buy rather than rent, and propensity to buy a new home rather than an existing home. From this

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<sup>1</sup> Realtor conversations indicated that the large portion of new home sales stemmed from households that do not currently live in the area.

analysis we then applied the anticipated ratio of 15% attached and 85% detached preferences (on average) the following demand distribution by price range.

**Figure 5-13 Estimated Demand for New For-Sale Detached Housing in the Main and Dunn Corridors, 2004 - 2009**

Product Type:	<b>Starter</b> Affordable	<b>Starter</b> Production	<b>Upgrade</b> Production	<b>2nd Upgrade</b> Production/ Semi-Custom	<b>Move-up</b> Production/ Semi-Custom	<b>Luxury</b> Custom	
Home Price:	Below \$100,000	\$100,000 \$150,000	\$150,000 \$200,000	\$200,000 \$250,000	\$250,000 \$350,000	\$350,000 and above	TOTAL
ESTIMATED % DETACHED /6:	75%	75%	90%	90%	100%	100%	85%
ESTIMATED DETACHED SALES	296	125	198	120	95	132	966

As can be seen, the greatest market depth appears to be for product between \$150,000 and \$200,000 in 2004 dollars. As prices appreciate and the area continues, we expect demand to increase substantially for product priced above \$200,000 and potential demand below \$100,000 (and eventually \$150,000) to decrease as construction and land costs constrain affordable construction.

As stated previously, the demand for attached product will become stronger as detached housing prices grow and buyers begin to be priced out of the entry level housing product. In addition there is an opportunity to provide attached housing to existing “lifestyle” buyers, which are typically comprised of young singles and couples as well as empty nesters seeking a lower maintenance lifestyle. Demand in the next five years is greatest for product priced below \$150,000 and particularly for product priced around and below \$100,000. Given the limited natural orientations provided in the two corridors, depth for high-end attached product becomes negligible in the short-term. Over time, as activity centers and locations offering an amenity orientation, such as a park or plaza, are provided, opportunities for product priced above \$150,000, and even above \$200,000, will increase.

**Figure 5-14: Estimated Demand for New For-Sale Attached Housing in the Main and Dunn Corridors, 2004 – 2009**

Product Type:	<b>Starter</b> Affordable	<b>Starter</b> Production	<b>Upgrade</b> Production	<b>2nd Upgrade</b> Production/ Semi-Custom	<b>Move-up</b> Production/ Semi-Custom	<b>Luxury</b> Custom	
Home Price:	Below \$100,000	\$100,000 \$150,000	\$150,000 \$200,000	\$200,000 \$250,000	\$250,000 \$350,000	\$350,000 and above	TOTAL
<b>POTENTIAL NEW SALES</b>	<b>395</b>	<b>167</b>	<b>220</b>	<b>134</b>	<b>95</b>	<b>132</b>	<b>1,142</b>
<b>Distribution</b>	<b>35%</b>	<b>15%</b>	<b>19%</b>	<b>12%</b>	<b>8%</b>	<b>12%</b>	
ESTIMATED % ATTACHED /6:	25%	25%	10%	10%	0%	0%	15%
STIMAT ATTACH SAL S		2	22	13	0	0	16

The renter demand qualified the same demand sources in the same method, with the differentiating factor being the propensity to rent rather than own. Similar to the for-sale demand, the highest propensity for renters is geared towards value sensitive households. Demand is strongest for product priced between \$500 and \$1,300 per month, which is where the bulk of new apartment construction in North Jacksonville will be found. Achieving the upper end of these prices, and even exceeding \$1,300 per month, will necessitate strong place-making and product design. As a result of supporting services and retail being added to the area, we anticipate demand for rental units to become increasingly strong.

Figure 5-15

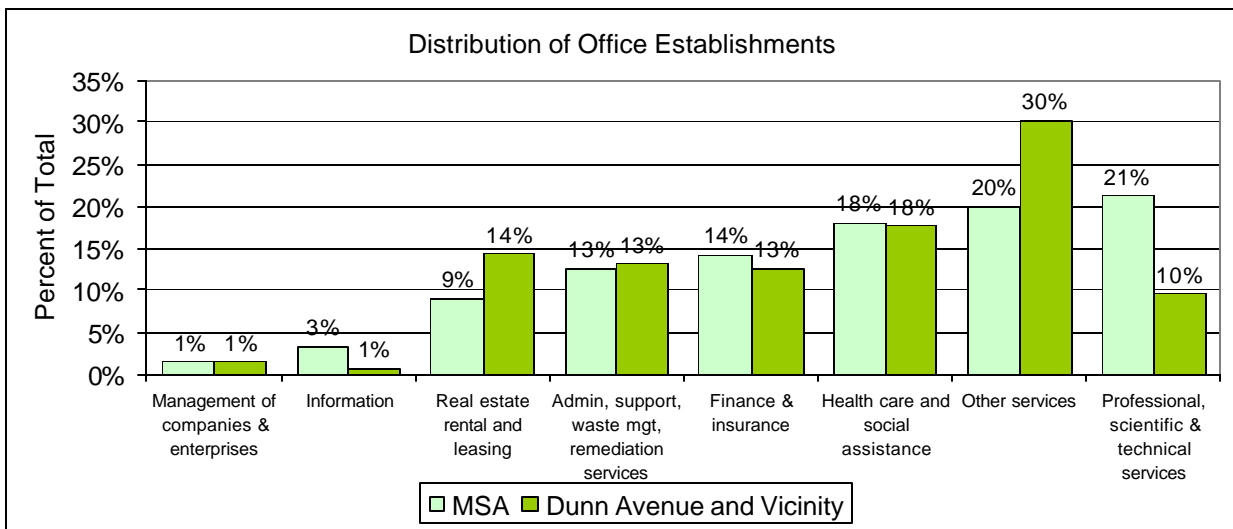
Estimated Rent /2:	Below	\$500	\$900	\$1,300	\$1,600	\$2,300	TOTAL
	\$500	\$900	\$1,300	\$1,600	\$2,300	and above	
Income: /2	Below	\$41,000	\$55,000	\$75,000	\$95,000	\$125,000	
	\$41,000	\$55,000	\$75,000	\$95,000	\$125,000	and above	
<b>POTENTIAL NEW RENTAL UNITS</b>	<b>99</b>	<b>132</b>	<b>147</b>	<b>73</b>	<b>47</b>	<b>44</b>	<b>541</b>
<b>Distribution</b>	<b>18%</b>	<b>24%</b>	<b>27%</b>	<b>13%</b>	<b>9%</b>	<b>8%</b>	

### 5.3 COMMERCIAL MARKET OVERVIEW

#### Office Market

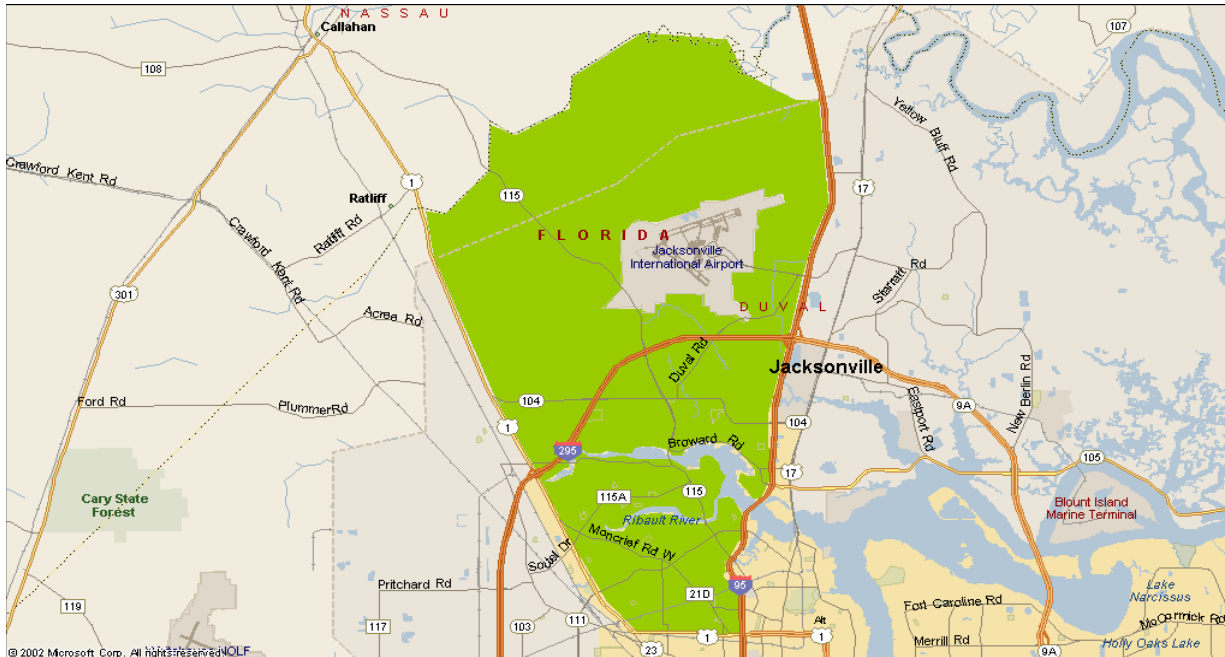
Office space is by far the minority use on Dunn Ave and virtually nonexistent on Main Street. Based on the 2003 Census County Business Patterns, the employment establishments along Dunn are relatively even with the MSA, with a slightly higher concentration of Real Estate and Other Services, as shown in Figure 5-16. This is consistent with market findings from brokers and local market sources.

Figure 5-16 Distribution of Office-Using Establishments 2004



As defined by CB Richard Ellis, the study area corridors are located within the larger 'Northside' office area<sup>2</sup>, shown in Figure 5-17.

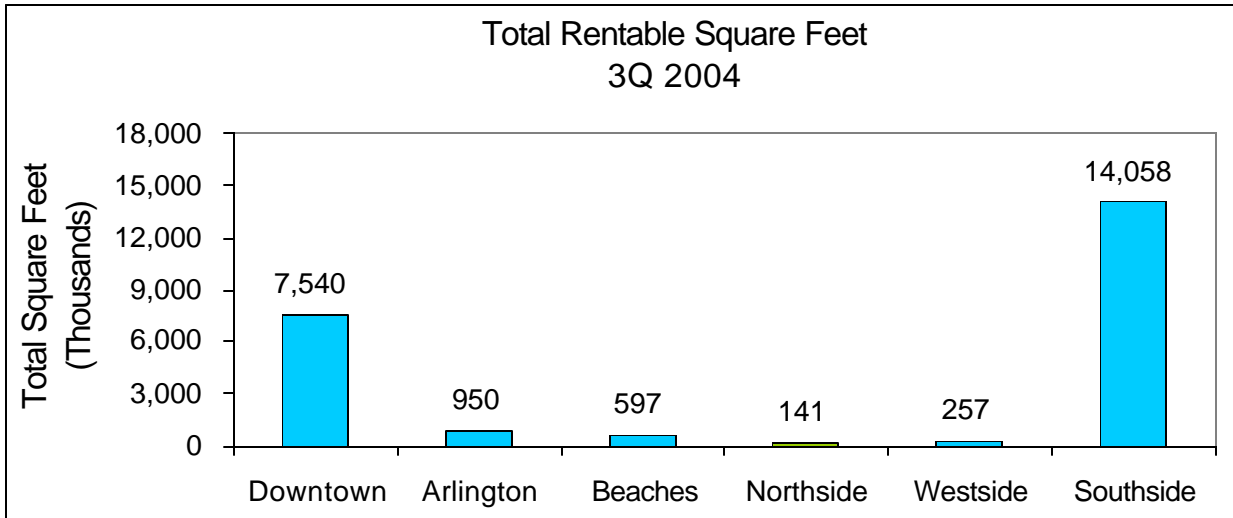
**Figure 5-17 Northside Office Market 2004**



Within the overall Jacksonville MSA, the Northside is the smallest office submarket with only 140,600 square feet of office space. As pointed out in our previous research for North Jacksonville, this is primarily due to the lack of executive housing in the area as a major driver of suburban office growth is proximity to high-end housing. Longer-term strategies (bolstered by recent development plans) provide for the development of executive housing in North Jacksonville, creating opportunities over time for larger-scale office in the area. In the interim, however, demand will largely emanate from local-serving office users. Figure 5-18 graphically illustrates the lack of office space in North Jacksonville and the somewhat removed location of Jacksonville's largest office submarket in the Southside.

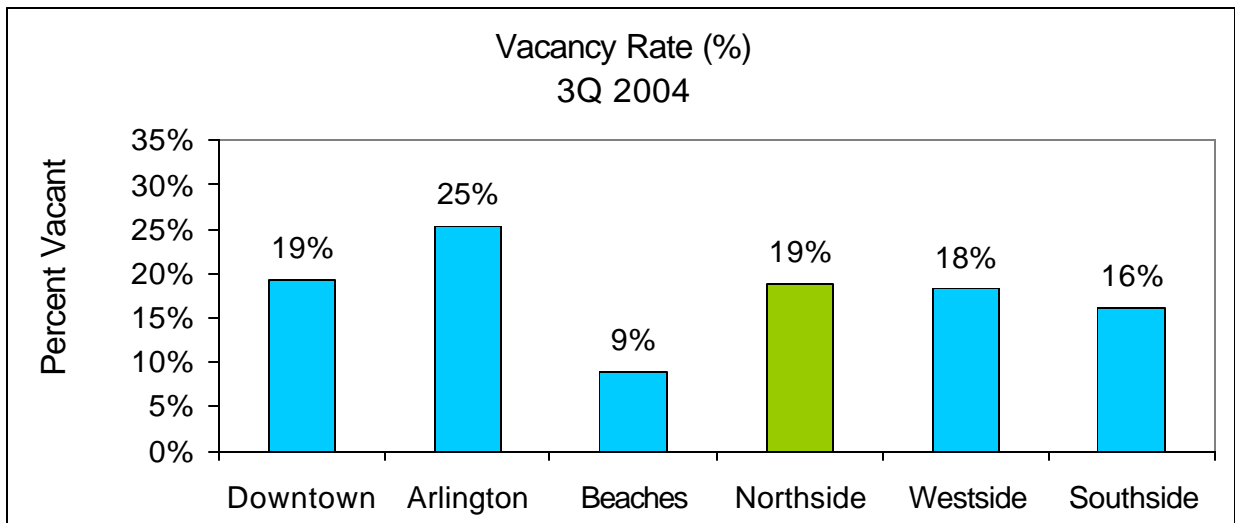
<sup>2</sup> As defined by C.B. Richard Ellis 3Q 2004 office market report

**Figure 5-18 Submarket Office Space Distribution 3Q 2004**



And although relatively much smaller in size, North Jacksonville’s office market still carries hefty vacancy rates, with more than 19% of submarket office space being vacant as of 3rd Quarter 2004. Figure 5-19 below illustrates the absorption among the office submarkets.

**Figure 5-19 Vacancy Rate by Submarket, 3Q 2004**

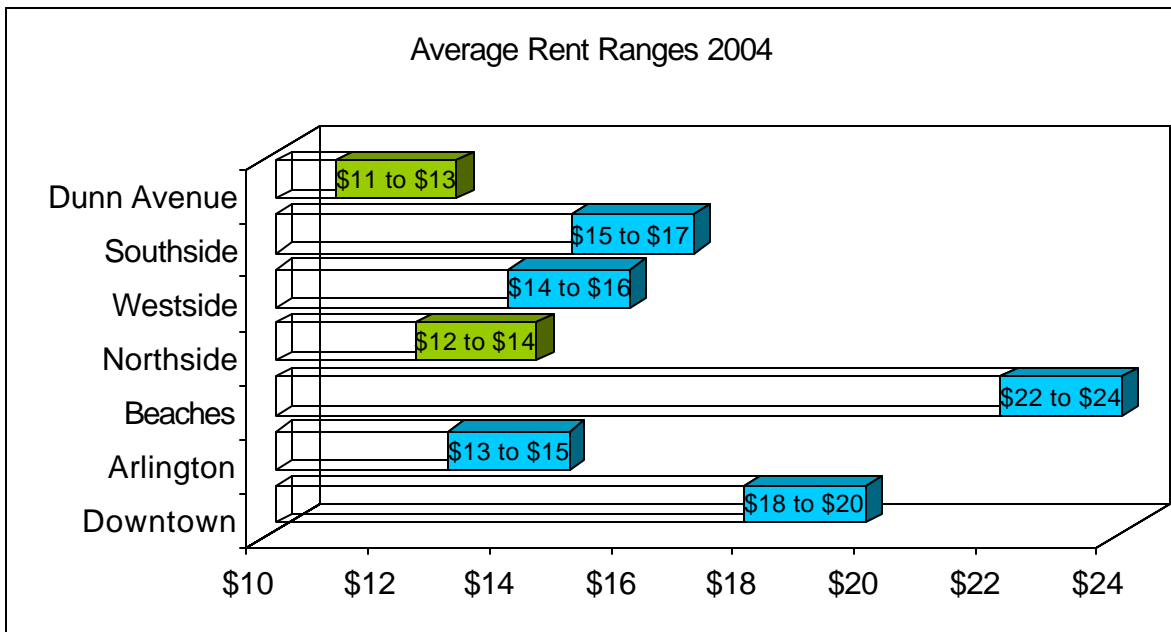


In spite of regional and national struggles in the office market over the past several years, the Northside submarket actually experienced positive absorption of 11,000 square feet over the last year; comparatively, the downtown submarket experienced negative absorption of 150,000 square feet. The positive absorption of office space in the Northside submarket suggests the addition of new households in the area is beginning to

support new office space for additional local serving office users. Indeed, the majority of demand for office space in North Jacksonville will emanate from smaller office users, many seeking 2,000 square feet or less, and serving the local and growing population in the area. These types of tenants can be highly supportive of mixed-use projects as they are less likely to prescribe to typical office requirements, seek smaller spaces which can be more easily incorporated into activity centers, including local-serving centers.

From surveys and broker interviews we found the typical rent range on Dunn Avenue to be around \$12 per square foot per year. This is lower than the typical Northside rent range and all other submarkets, as shown in Figure 5-20 below. This is largely due to the aging structures and limited new office construction along these corridors, which would justify potentially higher rents.

**Figure 5-20 Average Rent Ranges, 3Q 2004**



Currently there is office space under construction on Dunn Avenue one mile east of Lem Turner. It will include approximately 80,000 square feet of rentable space. Due to the small, local serving nature of offices in the area, it is likely that much of the space will serve the same function although this is not yet known for certain.

**Office Demand**

Based on our assessment of the office market, there appears to be moderate demand for local-serving office space on both Dunn Avenue and Main Street, however, the short-term incremental demand on Dunn appears to be more significant, based on the existing household density that is currently in place. Longer-term, the larger area served by Main Street creates greater opportunity for more significant office space.

Fueled by continuing household growth in and along the Dunn Avenue corridor, net new local-serving office demand is estimated to increase from 17,000 square feet in 2008 to approximately 80,000 square feet by 2023. Similarly, Main Street local-serving office demand is estimated to increase from 70,000 square feet by 2008 to more than 329,000 square feet by 2023. As noted earlier, growth projections for Main Street and areas east of Main appear to be light based on more recent growth trends. Assuming a faster rate of growth than previously projected, total net new office space along the Main Street corridor could increase to more than 200,000 square feet over the next 20 years.

**Figure 5-21 Estimated Net Local-Serving Office Demand Potential (Square Feet)**

Corridor	2008	2013	2018	2023
Dunn	17,000	35,000	59,000	80,000
Main	69,000	156,000	242,000	328,000

Based on the suburban location of this market and the demonstrated office users, we anticipate future demand to largely stem from small local-serving users that are catering to the surrounding households. Much of this demand absorption will also depend on land availability, visibility of available parcels and access. In addition future retail and supporting services will also contribute to the sustained demand for office space.

Not accounted for in this analysis is the potential for larger, regional-serving office space. As noted in the North Jacksonville Master Plan, white-collar office development represents a longer-term strategy for the area, particularly with the increased development of executive housing. Much of this office space will locate in the I-95 corridor, particularly in and around the airport, where proximity to the airport itself and the amenities provided around the airport are most supportive of office uses. Given the likely size and scale of activity centers along Main Street and Dunn Avenue, little, if any, of this regional-serving office will likely locate on these corridors and thus has not been factored into this analysis.

### **Retail Market**

Both Dunn Avenue and Main Street fall within the larger Northside retail core, described below, however the character of these two corridors varies greatly.

### **Dunn Avenue Area**

Due to the larger existing base of households surrounding Dunn Avenue, the retail along this thoroughfare is much more established than the retail found on Main Street. The existing retail is largely neighborhood and community serving, catering to households within a two to three mile radius. While this is in part due to the lack of a population base to the north of I-295, it is also due to the limited area that can be served by Dunn, with its retail trade area being confined by the airport to the north, the river to the south,

and the interstates to the east and west (which create relatively strong opportunities at the interchanges, but limit opportunities along “internal” portions of Dunn.

As a result of household growth to the north and east, and limited land availability surrounding Dunn Avenue, the opportunity for additional retail along this core appears to be limited. Additionally, limited access to this area from the areas of high household growth limit the overall opportunity for future development of regional retailers. On average, the current retail in the area is at less than 10% vacancy demonstrating strong local support for the retailers in the area. The most established retail location along Dunn Avenue, referred to as “The Highlands” is commanding rents ranging from \$16 to \$20 per square foot, compared to \$14 per square being received on Main Street.

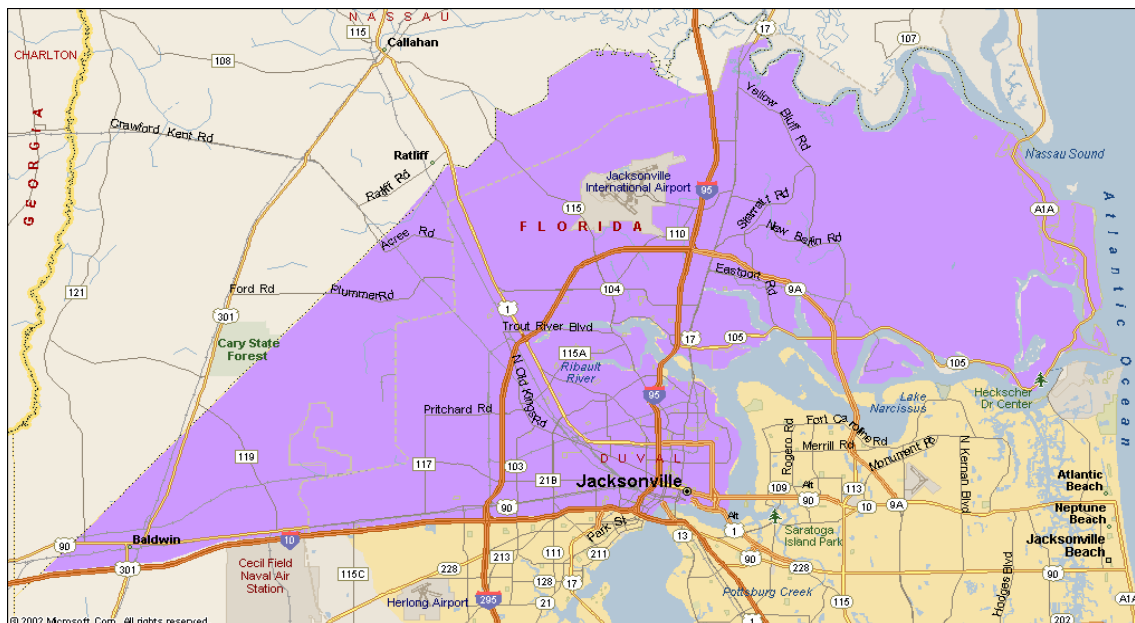
### Main Street Area

The existing retail along Main Street is highly concentrated in auto sales and components, however due to the volume of new households to the east, planned development along this corridor is being geared towards providing local-serving retail. River City Market Place, planned at Duval Station Road and Main Street, represents the exception to this, with its target market being not only North Jacksonville, but areas to the north in Nassau County. Newer retail construction along Main Street, which has been limited in size, has been able to achieve rents of approximately \$14 per square foot and higher. Access to Main Street from major connecting roads to the east, such as New Berlin and Duval Station Road, and providing connection to I95 to the west represent the strongest opportunity for new retail development.

### Retail Market Overview

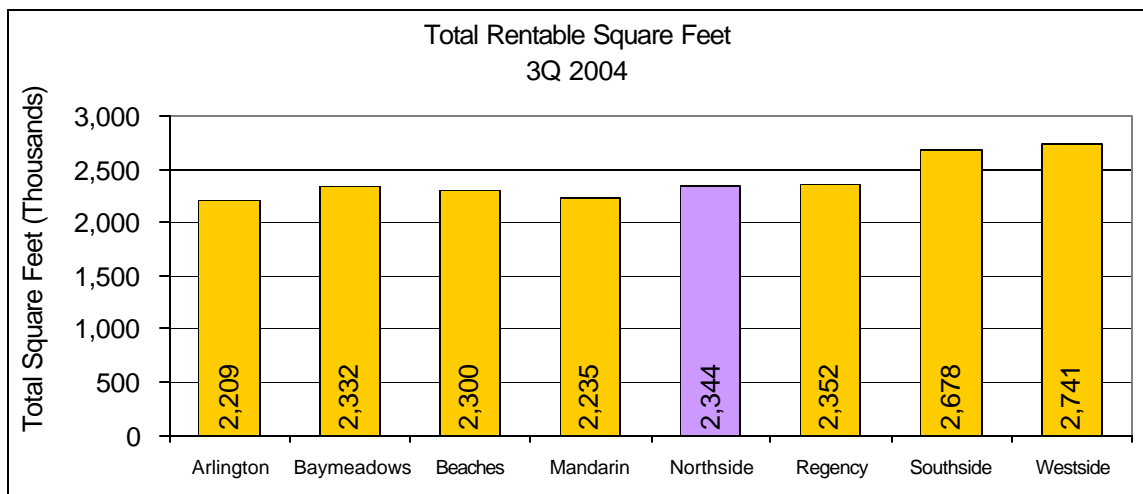
As defined by CB Richard Ellis, the Northside retail area covers the northern portion of Jacksonville, as shown in figure XX below. The northern Jacksonville area and the selected corridor study areas fall within this area, however they represent a small portion of the retail accounted for in this larger area. Shown below in Figure 5-22, the submarket extends from Interstate 10 and the St. Johns River northward to the Nassau County line.

**Figure 5-22 Northside Retail Submarket; 2004**

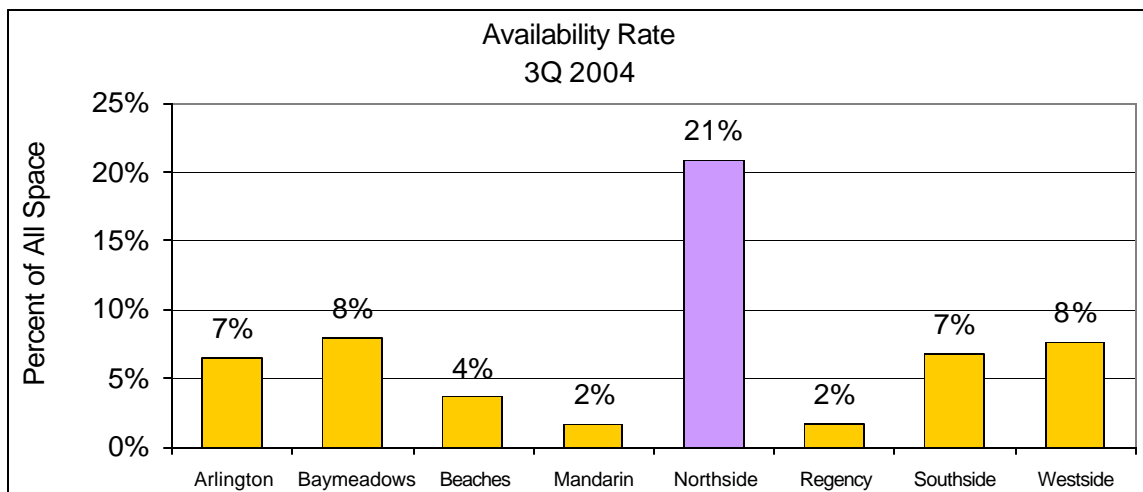


The distribution of retail space is relatively even among all Jacksonville submarkets, at an average market size of 2.3 million +/- rentable square feet, with much of the space in the Northside market being provided south of the river. Unfortunately, the percent of available space in the Northside far exceeds that of every other submarket. This space includes vacant retail sites that are still under lease (dark space), as well as vacant, un-leased space. Again, much of this space is located south of the river in areas considered challenged economically and socially. However, based on market surveys and broker interviews, it is believed that although the retail areas on Dunn Ave and Main St are not the healthiest in Jacksonville, that they fair better than the given vacancy number would imply, and that a large amount of the vacant space in the Northside is found further to the west and closer to Interstate 10. The portion of available space, paired with negative 5,000 square feet of absorption may be indicators of over-retailing of the area which can not be supported by households in the area, and/or new retail entrants to the market which may have captured demand from existing retail establishments.

**Figure 5-23 Total Square Feet; 3Q 2004**

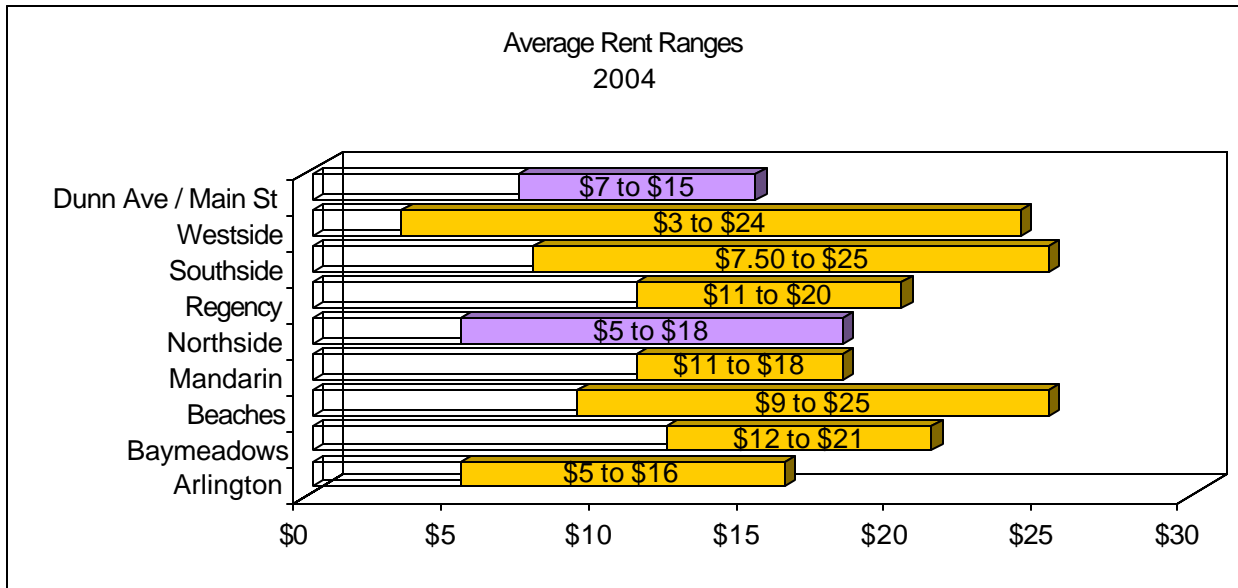


**Figure 5-24 Availability Rate; 3Q 2004**



Interviews with market sources and realtors indicated Broker interviews and surveys indicated the typical rent on Dunn Ave and Main St averages between \$7 and \$15 per square foot. These rental rates are considered modest and are reflective of retail centers either just establishing themselves in the market or centers struggling to attract market audiences. This range falls within the overall Northside rent ranges, but is still much lower than rents achieved elsewhere in the city, such as \$25 per square foot in the Southside and Beaches submarkets. Providing higher-quality retail environments than the typical suburban strip retail center should allow for higher retail rental rates. However, the limited size of the North Jacksonville area and moderate incomes found in the area will likely limit achievable rental rates, even in activity centers, necessitating surface parking areas and limiting vertical integration in some cases.

**Figure 5-25 Rent Ranges; 3Q 2004**

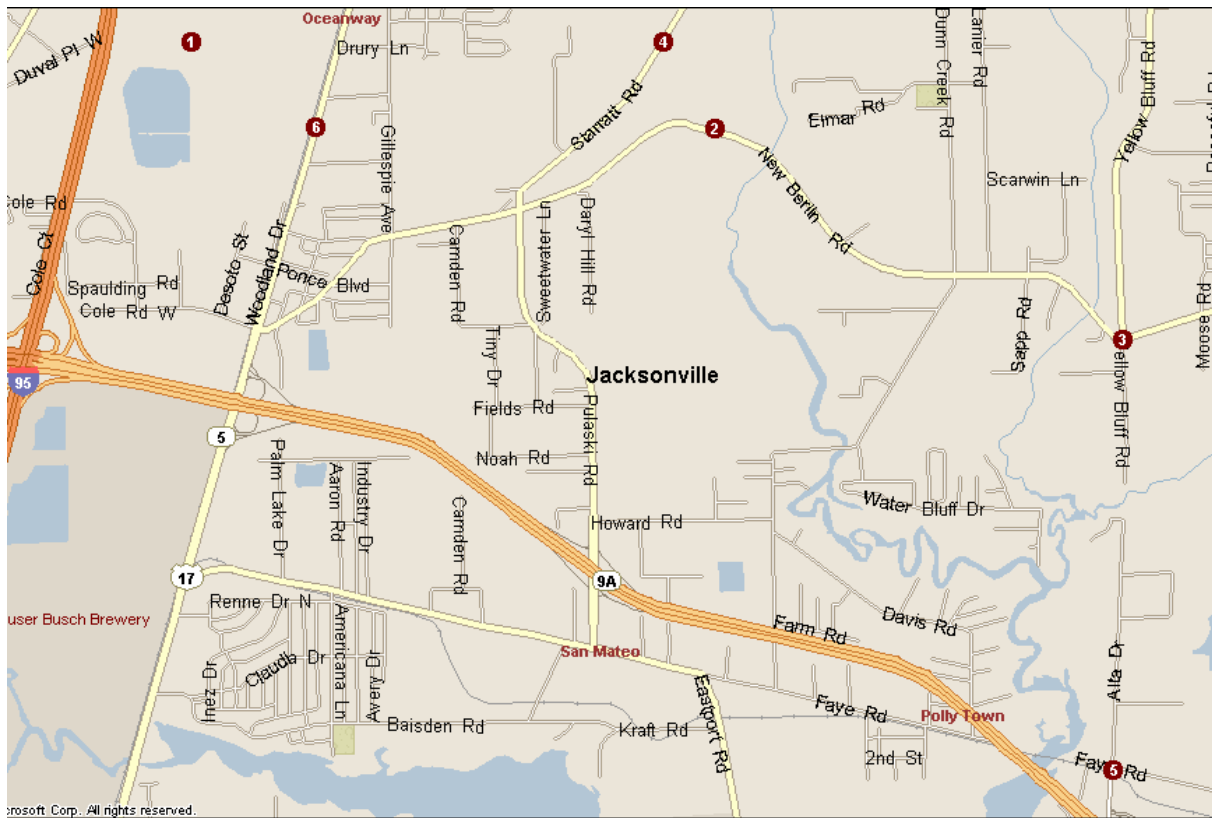


Several new projects are planned throughout the area to cater to the growing household base. In total, there is over 2.2 million square feet of planned retail on or near of Main Street, which is supportive of the direction of household growth. Of greatest significance is the River City Marketplace which is planned to have 1.3 millions square feet of regional and local-serving retail space. Figure 5-26 and 5-27 below summarize the planned developments within the area and show the locations of each planned project. Of note are those centers located to the east of Main Street along Yellow Bluff Road. These centers will compete with Main Street centers for local-serving retail uses.

**Figure 5-26 Planned and Proposed Retail; Main St., 2004**

Planned and Proposed Retail: Main Street and Vicinity			
Name	Map Key	Amount of Retail (Square Feet)	Other
River City Market	1	1,322,056	300 Hotel Rooms
Brandenburg	2	315,000	N/A
North Point Village Yellow Bluff Square	3	181,000	N/A
Starrat Crossing Bonaparte Crossing	4	198,000	N/A
Alta West			195,000 sf of Self Storage
Other	5	142,000	172 Hotel Rooms
Main St. Plaza	6	65,000	N/A
<b>TOTAL</b>		<b>2,223,056</b>	

**Figure 5-27 Planned and Proposed Retail; Main St.; 2004**

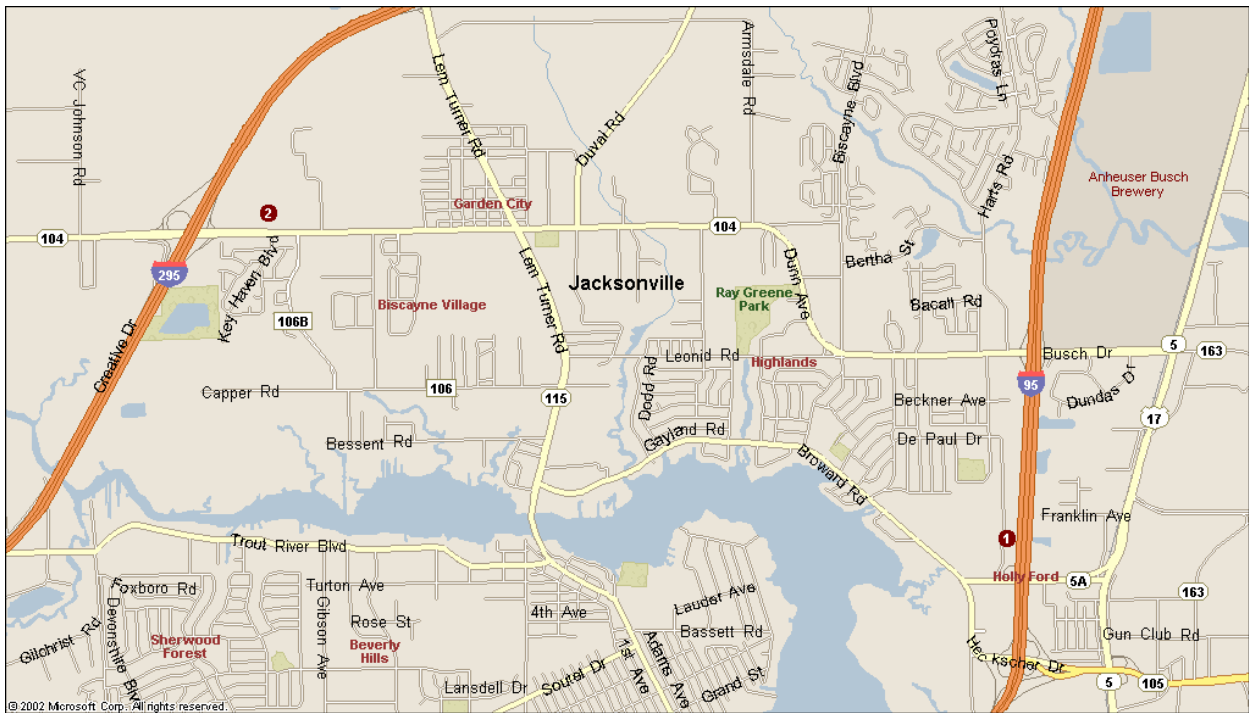


As shown below in figure xxx, there is currently less retail planned for the Dunn Avenue area. This is largely due to a lack of developable land in addition to an established retail core in the Highlands district. Perhaps the most significant addition to supply along the corridor is a planned 350,000 square foot regional-serving center at I-295. The existence of this center, combined with the Wal-Mart and Home Depot at Lem Turner, limit opportunities on Dunn for more regional-serving retail uses.

**Figure 5-28 Planned and Proposed Retail; Dunn Ave.; 2004**

Planned and Proposed Retail: Dunn Avenue and Vicinity			
Name	Map Key	Amount of Retail (Square Feet)	Other
Hope Plaza	1	N/A	75 Room Hotel Two restaurants 84K movie theatre 55K Bowling alley
Unnamed (Liberty Development)	2	350,000	N/A

**Figure 5-29 Planned and Proposed Retail; Dunn Ave.; 2004**



**Retail Demand**

Due to the varying character of the retail throughout Dunn Avenue and Main Street, retail demands were applied to the existing sites that can best accommodate retail development,

rather than for the entire area. This allowed us to gain a more in depth look at the potential types of retail at the respective nodes of opportunity. Among the sites that appear to have the greatest opportunity to support retail in the short term are the intersections of New Berlin and Main Street, as well as Drury and Main Street. Greater detail of the retail opportunities at these two intersections is listed in the development opportunity nodes in the following text of this report.

### **Hotel Demand**

As employment continues to increase in North Jacksonville over the next 20 to 25 years, opportunities for lodging will increase as well. By and large, these hotels will continue to be highway-oriented, particularly in the interim, and will have little relation to the activity centers being examined. It should be noted that some limited service hotels have located in town center environments, such as the Hampton Inn at Phillips Place in Charlotte. Most of these town center hotels, however, are located in more established employment cores, in particular more established office cores and, as such, may represent less of an opportunity along Dunn Avenue or Main Streets in the foreseeable future. While lodging could occur in a village or town center in the area, appropriate demand estimates and planning estimates are not appropriate at this point in time.

## **5.4 DEVELOPMENT NODES OF OPPORTUNITY**

Based on an analysis of the current uses and planned developments surrounding Dunn Avenue and Main Street, several development “nodes” were selected that appear to present the greatest opportunity for future development. Each of these nodes was then assessed for current and future opportunities based on a variety of factors inclusive of land availability, planned improvements in the area, access, visibility and competitive supply. From this analysis, the development opportunities, which may be supported at each node, were identified. The findings of these analyses are listed below for each of the selected nodes.

### **Pecan Park Road and Main Street - Local**

Currently, this site is surrounded by underutilized residential land and undeveloped land, however a significant tract of undeveloped residential land lies to the northeast of this intersection at the property referred to as the Treadnick site. Much of the opportunity for this intersection hinges on the development timing of the Treadnick site, as it would provide the support and momentum needed for development at this node. Assuming that the Treadnick site is developed, the greatest long-term opportunity appears to be for multifamily units at the Northwest corner of the intersection, and a small mixed-use center (which could include office and retail) at the Southwest corner of the intersection, which would be positioned to capture “homeward bound” residents on their way home from work.

**Figure 5-30**

Node Name	Likely Timing	Regional vs. Local Serving	For-Sale Residential	Rental	Office	Retail
			Short-Term	Short-Term	Short-Term	Short-Term
			Long-Term	Long-Term	Long-Term	Long-Term
<b>Pecan Park and Main Street</b>	Long-term	Local	X	X	X	X
			X	XXX	XX (Local Serving)	XXX (Neighborhood)

**Duval Road and Main Street—Local**

Currently, there is limited development surrounding this node, however the planned River City Marketplace development will have a significant impact at this intersection. The plans for this development will largely absorb the land surrounding this intersection, with the exception of a parcel on the west side of Main Street off of Duval Road. Due to the “embedded” location of this remaining land, the greatest opportunity appears to be for residential housing. The location of this housing product would likely appeal to mature buyers as a result of planned supporting services and excellent interstate access.

**Figure 5-31**

Node Name	Likely Timing	Regional vs. Local Serving	For-Sale Residential	Rental	Office	Retail
			Short-Term	Short-Term	Short-Term	Short-Term
			Long-Term	Long-Term	Long-Term	Long-Term
<b>Duval Road and Main Street</b>	Short-term	Local	XX	X	X	X
			XXX	XX	X	X

Given the limited development potential and key site challenges, including the major east-west movement shifting south from this intersection, opportunities for the development of a mixed-use village center concept represent a more limited opportunity at this time.

**East-West Connector and Main Street--Local**

At this time this node can be characterized as mid-block, with underutilized surrounding commercial use, with a growing residential base to the east. As a result of the planned River City Marketplace and the re-alignment of Duval Road, there is short-term opportunity for this node to become much more significant. The planned River City

Market Place, on the west side of Main Street will position this node as an ancillary, supporting development. In addition, the planned road re-alignment will allow for greater through traffic from the momentum of households growing to the east. Given these factors, this site is well positioned for a small-scale mixed-use center, which can serve as complimentary to the larger planned regional uses at the River City Market Place. If land surrounding this intersection is assembled, there appears to be an opportunity for a 300,000 square foot mixed-use development, including residential product. This could potentially include up to 300 one and two-story homes, attached and detached as well as small, local serving office and retail.

**Figure 5-32**

Node Name	Likely Timing	Regional vs. Local Serving	For-Sale Residential	Rental	Office	Retail
			Short-Term	Short-Term	Short-Term	Short-Term
			Long-Term	Long-Term	Long-Term	Long-Term
<b>East West Connector and Main Street</b>	Short-term	Local	X	X	X	X
			XXX	XX	XX	XXX

Based on an assessment of the retail demand at this node, the following are the retail users that pose the greatest opportunity at this site from 2004 to 2015. The results of this analysis were driven from a 3-mile trade area and an assumption that this site could capture up to 50% of small-scale retail within that radius.

**Figure 5-33**

NAICS	Description	2003 Retail Sales	DRURY SUPPORTABLE SF		
			2004	2010	2015
4441	Building Equipment and Supplies Dealers	\$30,317,141	0	4,496	6,306
446	Health and Personal Care Stores	\$39,753,251	3,663	5,497	7,709
447	Gasoline Stations	\$56,400,521	2,590	3,888	5,453
4481	Clothing Stores	\$24,973,751	1,287	1,932	2,709
7221	Full-Service Restaurants	\$52,196,470	4,456	6,688	9,380
7222	Limited-Service Eating Places	\$24,013,432	5,981	8,976	12,590
7224	Drinking Places (Alcoholic Beverages)	\$6,388,703	3,368	5,055	7,090
	<b>SUB-TOTAL</b>		21,000	37,000	51,000
	<b>CAPTURE FROM OUTSIDE SOURCES (10%)</b>		---	---	---
	<b>TOTAL</b>		<b>21,000</b>	<b>37,000</b>	<b>51,000</b>
	<b>% OF TOTAL (BY YEAR)</b>		<b>5%</b>	<b>6%</b>	<b>7%</b>

Based on an estimated population of approximately 16,000 people ((2000 census data for tracts 101.01, 101.02, 101.03, 102.01) and an accelerating annual growth rate (as is being experienced in the area today) as determined by historical growth in the area and home sales volume, there is additional support for approximately 30,000 to 40,000 square feet of additional, local serving retail, in addition to the 27,000 square feet listed above. As a result of approximately 400,000 square feet of planned retail east of Main, which excludes retail proposed in this report, there does not appear to be additional demand for local serving retail at other cores along Main Street. Simply put, the planned retail east of Main appears to meet and exceed the support which will be generated from exiting and future households to the area.

**New Berlin (Oceanway) and Main Street--Regional**

Currently, this intersection is geared towards neighborhood-serving retail on the east side of Main Street. Land on the west side of main is largely dedicated to the Bacardi processing plant, which limits future opportunity on this side of the street. This intersection benefits from high visibility and access to the interstate, however the neighborhood grocery on the east side of this node is set back from the street, which limits visibility. Some parcel assembly may be required to provide larger properties east of this intersection with more significant frontage and access to Main Street or New Berlin. Given interstate access, opportunities for a village center would be for more regional-serving uses, including regional retailers, with egress and ingress being significant design issues.

**Figure 5-34**

Node Name	Likely Timing	Regional vs. Local Serving	For-Sale Residential	Rental	Office	Retail
			Short-Term	Short-Term	Short-Term	Short-Term
			Long-Term	Long-Term	Long-Term	Long-Term
<b>New Berlin (Oceanway) and Main Street</b>	Long-term	Regional	X	XX	X	X
			X	XXX	XX	XXX

Due to the visibility and access of the interstate, a regional retailer at this site would potentially be able to capture demand from up to 5-miles away in addition to some outside capture from other interstate users located further away. The following is the result of the type of regional retailers, which have the greatest opportunity to capture support from a 5-mile radius.

**Figure 5-35**

Description	NEW BERLIN SUPPORTABLE SF		
	2004	2010	2015
Furniture Stores	22,264	28,528	35,453
Electronics & Appliance Stores	10,928	14,002	17,401
Building Equipment and Supplies Dealers	19,089	24,459	30,396
Health and Personal Care Stores	6,210	7,957	9,888
Clothing Stores	28,385	36,371	45,199
Shoe Stores	7,075	9,066	11,266
Sporting Goods/Hobby/Musical Instrument Stores	0	9,071	11,272
Books, Periodical, and Music Stores	0	8,340	10,364
Department Stores (Excluding Leased Depts.)	133,549	171,122	212,658
Other General Merchandise Stores	121,771	156,030	193,903
Full-Service Restaurants	19,219	24,626	30,604
Limited-Service Eating Places	17,716	22,700	28,210
<b>SUB-TOTAL</b>	<b>386,000</b>	<b>512,000</b>	<b>637,000</b>
<b>CAPTURE FROM OUTSIDE SOURCES (10%)</b>	<b>38,600</b>	<b>51,200</b>	<b>63,700</b>
<b>TOTAL</b>	<b>424,600</b>	<b>563,200</b>	<b>700,700</b>

**Busch Drive and Main Street**

This node is situated among the employment core within the area, which is estimated to have approximately 5,000 employees. As such it appears to present an opportunity for commercial development which could be supportive of the daytime employees. Based on retail expenditure patterns of similar suburban locations, we estimate an opportunity for 14,000 sf of retail, with most of the demand for retail being satisfied west of the interstate in The Highlands district of Dunn Avenue. East of the interstate, the greatest depth for retail space from local employees is for limited-service retail space.

**Figure 5-36**

	EMPLOYEES	RESTAURANTS AND BARS	OTHER CONVENIENCE GOODS	SHOPPERS GOODS	TOTAL
<b>AREA EMPLOYEES (2005)</b>					
Number of Workers	5,000				
Annual Expenditures per Worker /2		\$1,375	\$1,609	\$2,363	\$5,347
Annual Area Expenditures		\$6,877,000	\$8,043,000	\$11,812,500	\$26,732,500
Busch and Main Potential Capture		25%	15%	5%	
Potential Sales		\$1,719,250	\$1,206,450	\$590,625	\$3,516,325
Sales Per Square Foot		<b>\$300</b>	<b>\$216</b>	<b>\$250</b>	
<b>2005) Estimated Supportable SF</b>		<b>5,731</b>	<b>5,598</b>	<b>2,363</b>	<b>13,692</b>

**Figure 5-37**

Node Name	Likely Timing	Regional vs. Local Serving	For-Sale Residential	Rental	Office	Hotel	Retail
			Short-Term	Short-Term	Short-Term	Short-Term	Short-Term
			Long-Term	Long-Term	Long-Term	Long-Term	Long-Term
<b>Highlands and Dunn</b>		Local	X	XX	X	X	X
			XX	XXX	XX	X	XX

Although there is limited planned development surrounding this node, if some of the land which is currently held for industrial use were to be released, there would be a greater opportunity for this node to tie into future development and become more of a regional opportunity. As a stand alone node, this presents more of a local opportunity.

**Figure 5-38**

Node Name	Likely Timing	Regional vs. Local Serving	For-Sale Residential	Rental	Office	Retail
			Short-Term	Short-Term	Short-Term	Short-Term
			Long-Term	Long-Term	Long-Term	Long-Term
<b>Busch Drive and Main Street</b>	Long-term	Local or Regional	X	X	X	XX
			X	XXX	X	XX

**Highlands and Dunn**

Currently, the retail center referred to as “The Highlands Shopping Center”, located on Dunn Avenue, is a thriving and relatively successful center. Based on expenditure data and information from local sources, it appears that the largest portion of support for retail at this center stems from both apartment housing (walking population) to the south of Dunn Avenue and households in the surrounding area that are driving to the center. Once the River City Market Place is developed and additional planned local serving retail is developed, the centers along Dunn Avenue will likely lose a portion of their driving population to the new developments in the area. Paired with that factor, there is not readily available land along this portion of Dunn Avenue that could be developed into additional retail. In the short-term, the opportunity for this center, and for parcels across Dunn, lies in urban design and signage, needed to tie the area together and create a unified sense of location in the core. Longer-term, as this center ages and the market

evolves, redesign of this retail center may be more appropriate. This design could include opportunities for residential and office uses as well as possible green space.

One of the key opportunities that would arise from the long-term redevelopment of this shopping center is the creation of new, focal point for the North Jacksonville area as well as demonstrated new investment that has the potential to attract further investment and create a “ripple effect” on parcels in the surrounding area. The area currently lacks any strong identity or community gathering space – there is no “there, there”. A new “town center” would help accomplish this goal and help change the image or “story” of the North Jacksonville area. It would also begin to meet the market opportunity for new retail formats in the area, those that are more walkable and accessible to the existing residential communities in the area. People are increasingly looking for experiential shopping and dining experiences. A mixed-use town center, including local services, destination retail such as restaurants, residential, green space for gatherings and potentially civic/ community services would help meet the demand for these alternative retail formats.

**Biscayne and Dunn Avenue**

Among the selected nodes, this node appears to have the greatest opportunity for land assemblage, due to undeveloped agricultural land on the east side of the road and failing retail on the west side of the road. In addition, the planned library expansion and school on the west side of the road present an excellent opportunity to develop this node with a base of civic uses, including governmental and private office and limited retail uses.

**Figure 5-39**

Node Name	Likely Timing	Regional vs. Local Serving	For-Sale Residential	Rental	Office	Retail
			Short-Term	Short-Term	Short-Term	Short-Term
			Long-Term	Long-Term	Long-Term	Long-Term
<b>Biscayne and Dunn Avenue</b>	Long-term	Local	X	X	X	X
			X	X	XXX	X

**Lem Turner and Dunn Avenue**

Currently, this node has commercial uses at each corner, with surrounding residential uses. The retail located at the southwest corner of this intersection appears to have highly underutilized parking which lends itself to re-development. In addition, the location of this commercial node will make it increasingly difficult to compete with planned retail located at the northeast quadrant of Dunn Avenue and I-295. As such, the greatest opportunity for the southwest corner of this intersection appears to be for a small mixed-

use opportunity with the large majority of development consisting of higher-density development. Based on recent conversations, there may be an opportunity to re-orient the uses at the southeast corner of this intersection to provide an additional development opportunity. If this were to occur, the greatest opportunity for development would include small, local serving retail, which would cater to the prospective households in the surrounding area. Additionally, the existing grid and network of residential streets in this area provide an excellent opportunity for additional residential development in this area, which could additionally support neighborhood commercial development at the southeast corner.

**Figure 5-40**

Node Name	Likely Timing	Regional vs. Local Serving	For-Sale Residential	Rental	Office	Retail
			Short-Term	Short-Term	Short-Term	Short-Term
			Long-Term	Long-Term	Long-Term	Long-Term
<b>Lem Turner and Dunn</b>	Short-term	Local	X	XX	X	XX
			XXX	XXX	XX	XX

**Incentives**

Incentives are used as a tool to close the gap between current reality and feasible development a community would like to see. Developers are typically attracted to development opportunities because they want to do certain types of projects based on their expertise, and because they believe market demand exist. Hurdles which stop them from proceeding include anything that makes the project not financially feasible, these could include land cost, or a lack of adequate zoning, zoning that allows the development of the type the developer and/or the community wants to see happen, and at a high enough level of intensity to be profitable. Help with infrastructure costs, land assembly and the like are also helpful. Incentives offered should address issues related to these infrastructure costs, including water and sewer construction and, should vertical integration be desired, costs associated with parking deck construction and possible use of open space funds to develop or program park or plaza spaces within mixed-use projects. Such funds could come from Tax Increment Financing (TIF) revenues or use of open space bond monies.

In addition, use of density bonuses for quality design and programming consistent with the desired activity centers could encourage development of these cores. Potential Transfers of Development Rights (TDRs) represent an additional option to preserve open spaces elsewhere in North Jacksonville while incentivizing development of these activity centers.

Finally, clearing governmental hurdles could speed the development of these centers via providing specific, yet flexible design guidelines for these projects that, should a

developer meet them, results in a staff approval of these projects. This eliminates the time-consuming political process for rezonings and eliminates politics as a development risk. This last strategy, of course, requires political buy-in to the process and an agreement on appropriate development guidelines.

On the demand side, use of tax abatement programs, either for developers or for buyers of residential units, could increase affordability and provide an additional level of attractiveness for buyers considering attached product in the area.

## **5.5 GENERAL LIMITING CONDITIONS**

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

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

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