

Round Hill Retail Market Study

Prepared for the Town of Round Hill

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1.0 Introduction

This report presents the findings of the market analysis commissioned by the Town of Round Hill, Virginia to assess the economic opportunities for commercial uses in the community. The process began with a series of interviews with key stakeholders in the community including property owners, business owners, and community leaders.

This qualitative analysis led to a quantitative look at the market that involved exploring the trade area for Round Hill and the demographics within that trade area. Using Nielsen Market Analytics coupled with local knowledge and experience, the market consultant studied the retail leakage and opportunities for Round Hill both in the village center of the community and for property zoned for commercial at the eastern gateway to town.

The study concludes with a series of recommendations to the Town of Round Hill to move ahead on pursuing market opportunities. These recommendations realize that forward progress on any commercial development will take ongoing partnerships between the public and private sectors.

1.1 Conservative Evaluation

Before delving into the Market Analysis itself, it is helpful to understand that this assessment is deliberately conservative. Arnett Muldrow believes that doing conservative studies provide the most satisfactory outcome for our clients, as it does not set unrealistic expectations. The reasons this study is conservative are as follows:

1. The Round Hill market experienced extraordinarily high growth from 2000-2010, and continued growth through 2016. The pace of that growth has slowed but will continue well into the coming years. This assessment looks at the market in 2016, understanding that new residential development will create even stronger demand for goods and services in the future.
 2. The trade area for Round Hill was created using a zip code analysis that includes both the Round Hill and Purcellville zip codes. Such an analysis will always be conservative for several reasons. First, it does not capture some of the rural population that will drive further to get to Round Hill to shop, dine, and use services. Second, it does not account for visitors who come to Round Hill as visitors or from other parts of the region. Purcellville is included because without including the numbers from the nearby market, this study would fail to recognize market supply that exists well within a reasonable distance from residents of Round Hill.
 3. The assessment uses a capture rate that is very conservative, recognizing that Round Hill's captured sales will overlap into Purcellville's sales market. The 10% capture scenario is used consistently along with a \$300 sales per square foot number. These capture rates and sales per square foot numbers can be manipulated by those interested in examining the market on their own with a spreadsheet that accompanies this report.
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2.0 Trade Area Definition

The figure below shows the boundaries of the Round Hill Zip code and Purcellville Zip code. The area covered by the Round Hill Zip code (shown in green on the left) is relatively large when compared with the Town Limits of Round Hill (indicated roughly by the dark green box). This report presents population and income figures within the Round Hill Zip Code.

The map on the right shows both the Round Hill and Purcellville zip codes. Zip codes in Western Loudoun County tend to follow watercourses and ridges, making for long north/south geographies. These two zip codes function essentially as a single market and are used in this study to evaluate retail sales and expenditures.

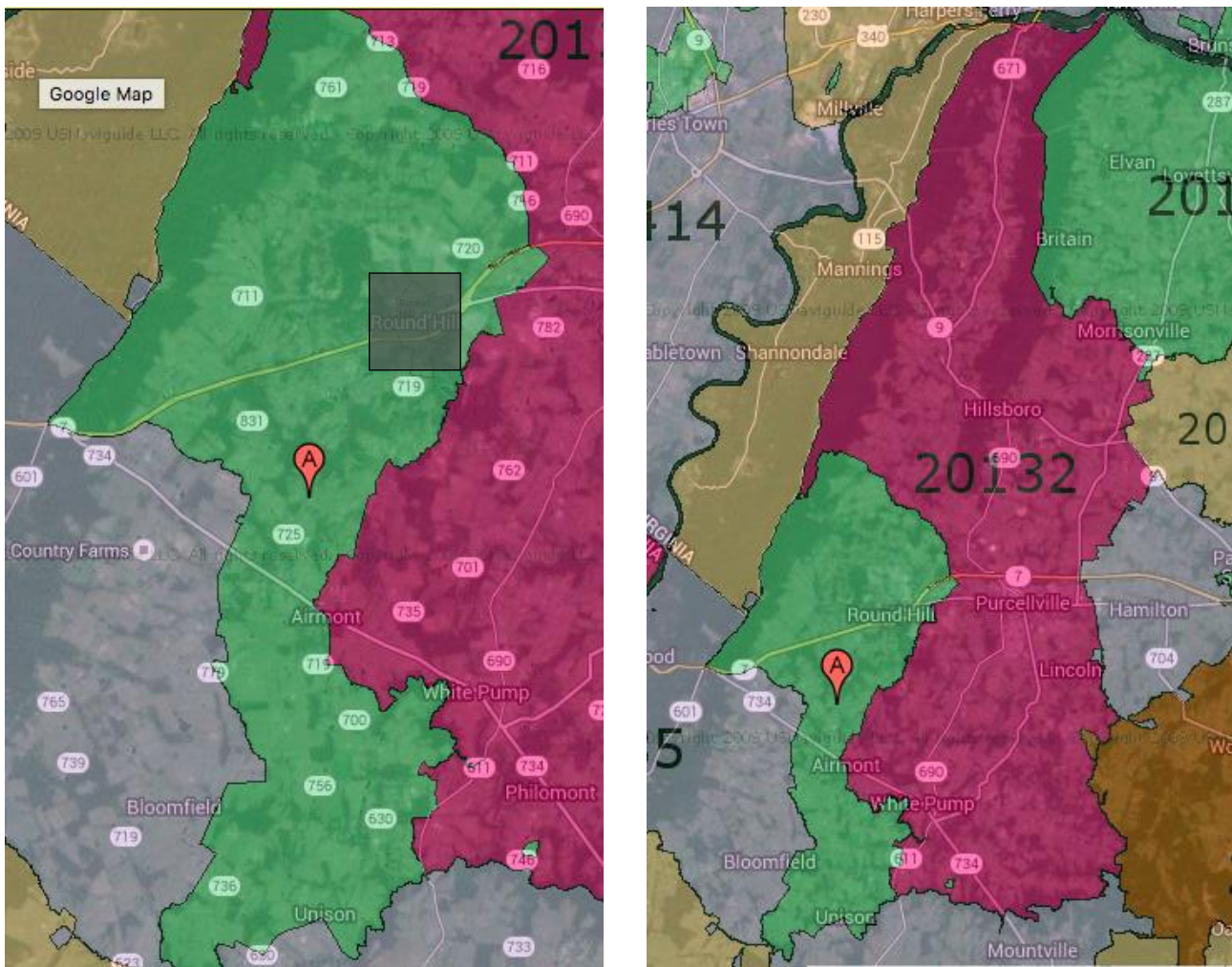
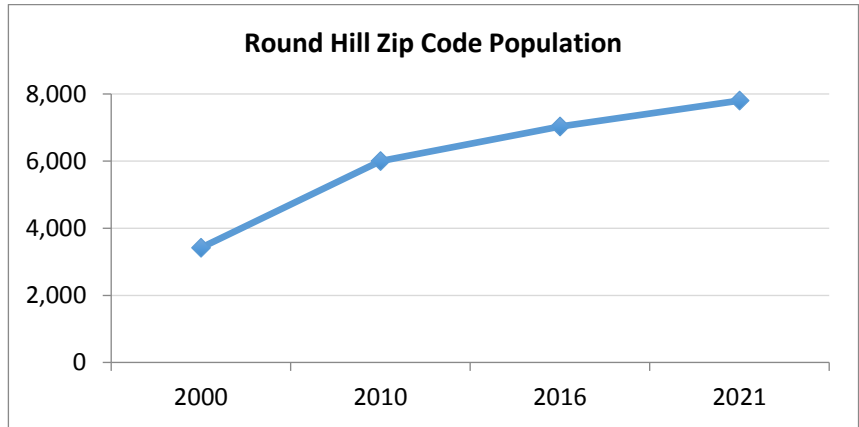


Figure 1: Round Hill and Purcellville Zip Codes

3.0 Trade Area Demographics

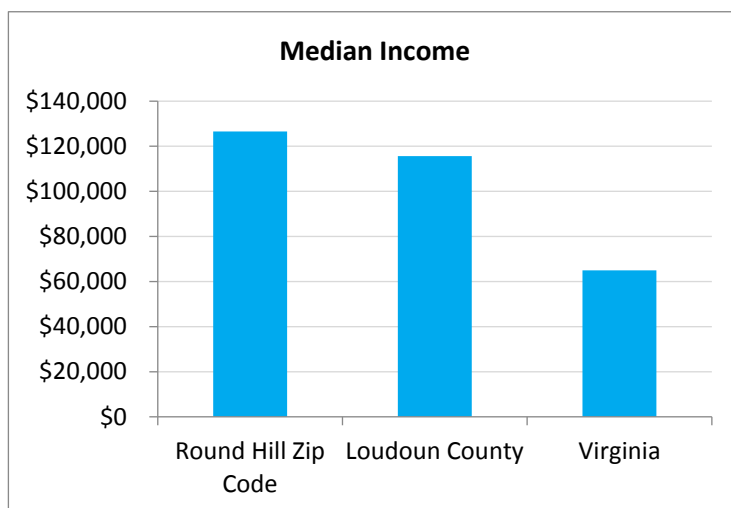
The table and graph below show the population growth and projections for the Round Hill Zip code. The Round Hill zip code experienced incredible growth of 75.5% between 2000 and 2010. Population continued to grow between 2010 and 2016, but at a slower pace, and is expected to slow a bit more in the next five years. It should be noted that the high pace of growth is a factor of a relatively low population base that the community had in 2000. This study recognizes that sustained growth at this rate is not practical as land is consumed in the area.



Population	
2021 Projection	7,802
2016 Estimate	7,028
2010 Census	5,997
2000 Census	3,417
Growth Rates	
Growth 2016 - 2021	11.01%
Growth 2010 - 2016	17.19%
Growth 2000 - 2010	75.50%

Figure 2: Population Growth and Projection for Round Hill Zip Code

Median and average household income levels for the Round Hill zip code are extremely robust. Round Hill’s income levels are well over that of Loudoun County and far exceed Virginia. Incomes at this high level offer a chance for highly specialized retail and restaurant uses, highly focused service businesses, and opportunities to capture professionals with more flexibility in their work life.



	Median Income	Average Income
Round Hill Zip Code	\$126,592	\$142,258
Loudoun County	\$115,574	\$119,134
Virginia	\$64,902	

4.0 Market Analysis

The retail leakage study establishes the retail dollars leaving or entering a community from its trade areas, providing an overall market look and combines data driven research and knowledge of the local market. In the case of Round Hill, the geography studied includes both the Round Hill and the Purcellville zip codes. The study presents consumer demand, retail supply, and the difference between each. Gain categories will be where sales exceed local demand, and leak categories will be where local demand exceeds the local sales in the same geography.

It is important to note that the market analysis is not an exact science. Some businesses may capture from a larger trade area. Some businesses may cater to more of a visiting customer. On the other hand, some businesses may be even more highly localized. Furthermore, the model allows for some degree of sales and expenditure “allocation” which may misplace store sales in a geography they don’t actually exist.

This data is a broad look at the market and should not supplement for more detailed market research on the part of the Town of Round Hill, its partners, individual business owners, or others for specific stores and developments. It does, however, provide an overall view of what the market potential can be.

4.1 Trade Areas

The market analysis revealed that the Round Hill zip code leaks \$128.3 million in sales each year. The retail leakage for the combined Round Hill/Purcellville zip codes is two and a half times more, at \$319.8 million in annual sales leakage. This may bode well for Round Hill as a specialty retail destination that plays off of the basic goods available in nearby Purcellville. This should be carefully considered by any business looking to locate in Round Hill.

	Round Hill Zip Code	Round Hill/Purcellville Zip Codes
Retail Sales	\$12.5 million	\$174.4 million
Consumer Expenditures	\$140.9 million	\$494.2 million
Leakage	\$128.3 million	\$319.8 million

The tables on the following pages present the findings for the Round Hill and Purcellville Zip codes and break out the broad retail data into specific opportunities based on retail sales categories. The numbers next to the categories represent North American Industrial Classification System (NAICS) codes and are used for every business type in the United States. Lower digit numbers represent broader categories and higher digit numbers represent subcategories.

For the purposes of Round Hill, these tables are for reference only. There are categories that simply are not feasible in the community. A prime example would be “Home Centers” where leakage shows up at \$18,544,341 million. A “Home Center” is a store like Home Depot or Lowes whose annual sales would greatly exceed this amount of leakage and is highly unlikely to locate within the Town of Round Hill. With this in mind, the first page of the table shows few opportunities for Round Hill in spite of the leakage that shows up in nearly every category. Note that the grocery store category is shown as “saturated” in the Round Hill and Purcellville zip codes, indicating little market demand for an additional grocery store.

The second page of the table starts to provide better insight into market potential for Round Hill in more specialized categories. Clothing and the Sporting Goods, Hobby, Music categories could be potential highly specialized store types that may work in the market. The Clothing category presents opportunities for highly specialized stores that would need to compete with the abundance of options in Leesburg.

The third page of the table demonstrates pent up demand for General Merchandise stores in the Round Hill/Purcellville market. While the leakage does not show demand for a full-scale discount big box retailer (and especially not located in Round Hill), it does indicate the potential for a “dollar” store that would fall into the general retail category. Round Hill should examine its policies for the design and location of such a store.

Finally, the Foodservice and Drinking places category shows that while there is existing supply for restaurants, there is ample opportunity to continue to grow this market. Restaurants tend to be a business type that can attract from well beyond a defined trade area and Round Hill could benefit from additional dining options. (Note again that this data is for the Purcellville and Round Hill zip codes meaning that the overall market still leaks dining sales in spite of the growth of dining establishments in Purcellville).

Specialty stores in the Miscellaneous Store category also represent a great opportunity for Round Hill.

What is not shown in these tables is the potential for service-oriented businesses such as fitness centers, health, and hair care. The overall leakage can be inferred to imply pent up demand for service related businesses.

Retail Stores	Round Hill and Purcellville (ZIP Code)		
	2016 Demand (Consumer Expenditures)	2016 Supply (Retail Sales)	Opportunity Gap/Surplus
Total Retail Sales & Eating, Drinking Places	\$494,168,294	\$174,411,550	\$319,756,744
Motor Vehicle & Parts Dealers-441	\$103,580,553	\$14,482,385	\$89,098,168
Automotive Dealers-4411	\$85,809,644	\$5,255,035	\$80,554,609
Other Motor Vehicle Dealers-4412	\$11,288,608	\$3,861,480	\$7,427,128
Automotive Parts/Accessories, Tire Stores-4413	\$6,482,301	\$5,365,870	\$1,116,431
Furniture & Home Furnishings Stores-442	\$10,588,606	\$4,401,550	\$6,187,056
Furniture Stores-4421	\$5,910,382	\$1,786,355	\$4,124,027
Home Furnishing Stores-4422	\$4,678,224	\$2,615,195	\$2,063,029
Electronics & Appliances Stores-443	\$9,535,934	\$3,358,558	\$6,177,376
Electronics & Appliances Stores-44314	\$9,535,934	\$3,358,558	\$6,177,376
Household Appliances Stores-443141	\$1,250,310	\$333,435	\$916,875
Electronics Stores-443142	\$8,285,624	\$3,025,123	\$5,260,501
Building Material, Garden Equipment Stores -444	\$52,751,290	\$9,414,193	\$43,337,097
Building Material & Supply Dealers-4441	\$45,100,420	\$8,025,185	\$37,075,235
Home Centers-44411	\$18,544,341	\$0	\$18,544,341
Paint & Wallpaper Stores-44412	\$899,967	\$2,077,057	-\$1,177,090
Hardware Stores-44413	\$4,446,942	\$260,667	\$4,186,275
Other Building Materials Dealers-44419	\$21,209,170	\$5,687,461	\$15,521,709
Building Materials, Lumberyards-444191	\$7,620,232	\$2,125,215	\$5,495,017
Lawn/Garden Equipment/Supplies Stores-4442	\$7,650,870	\$1,389,008	\$6,261,862
Outdoor Power Equipment Stores-44421	\$2,594,523	\$0	\$2,594,523
Nursery & Garden Centers-44422	\$5,056,347	\$1,389,008	\$3,667,339
Food & Beverage Stores-445	\$58,838,107	\$46,785,526	\$12,052,581
Grocery Stores-4451	\$38,203,132	\$42,109,395	-\$3,906,263
Supermarkets, Grocery (Except Convenience) Stores-44511	\$35,782,108	\$41,245,832	-\$5,463,724
Convenience Stores-44512	\$2,421,024	\$863,563	\$1,557,461
Specialty Food Stores-4452	\$4,733,738	\$461,484	\$4,272,254
Beer, Wine & Liquor Stores-4453	\$15,901,237	\$4,214,647	\$11,686,590

Retail Stores	Round Hill and Purcellville (ZIP Code)		
	2016 Demand (Consumer Expenditures)	2016 Supply (Retail Sales)	Opportunity Gap/Surplus
Health & Personal Care Stores-446	\$27,193,940	\$8,055,101	\$19,138,839
Pharmacies & Drug Stores-44611	\$21,636,416	\$6,562,828	\$15,073,588
Cosmetics, Beauty Supplies, Perfume Stores-44612	\$1,899,413	\$0	\$1,899,413
Optical Goods Stores-44613	\$1,276,941	\$1,385,261	-\$108,320
Other Health & Personal Care Stores-44619	\$2,381,170	\$107,012	\$2,274,158
Gasoline Stations-447	\$32,860,513	\$37,988,828	-\$5,128,315
Gasoline Stations with Convenience Stores-44711	\$24,024,680	\$35,772,163	-\$11,747,483
Other Gasoline Stations-44719	\$8,835,833	\$2,216,665	\$6,619,168
Clothing & Clothing Accessories Stores-448	\$24,164,831	\$14,254,203	\$9,910,628
Clothing Stores-4481	\$13,203,741	\$2,810,217	\$10,393,524
Men's Clothing Stores-44811	\$749,576	\$0	\$749,576
Women's Clothing Stores-44812	\$3,159,657	\$1,918,034	\$1,241,623
Children's, Infants' Clothing Stores-44813	\$792,868	\$0	\$792,868
Family Clothing Stores-44814	\$6,812,361	\$0	\$6,812,361
Clothing Accessories Stores-44815	\$571,867	\$513,034	\$58,833
Other Clothing Stores-44819	\$1,117,412	\$379,149	\$738,263
Shoe Stores-4482	\$1,950,352	\$0	\$1,950,352
Jewelry, Luggage, Leather Goods Stores-4483	\$9,010,738	\$11,443,986	-\$2,433,248
Jewelry Stores-44831	\$8,144,740	\$3,319,245	\$4,825,495
Luggage & Leather Goods Stores-44832	\$865,998	\$8,124,741	-\$7,258,743
Sporting Goods, Hobby, Book, Music Stores-451	\$9,724,367	\$3,150,602	\$6,573,765
Sporting Goods, Hobby, Musical Instrument Stores-4511	\$8,204,526	\$2,780,464	\$5,424,062
Sporting Goods Stores-45111	\$4,208,302	\$2,413,545	\$1,794,757
Hobby, Toy & Game Stores-45112	\$2,280,994	\$119,265	\$2,161,729
Sewing, Needlework & Piece Goods Stores-45113	\$720,324	\$247,654	\$472,670
Musical Instrument & Supplies Stores-45114	\$994,906	\$0	\$994,906
Book, Periodical & Music Stores-4512	\$1,519,841	\$370,138	\$1,149,703
Book Stores & News Dealers-45121	\$1,310,626	\$370,138	\$940,488
Book Stores-451211	\$1,197,418	\$370,138	\$827,280
News Dealers & Newsstands-451212	\$113,208	\$0	\$113,208
Prerecorded Tape, CD, Record Stores-45122	\$209,215	\$0	\$209,215

Retail Stores	Round Hill and Purcellville (ZIP Code)		
	2016 Demand (Consumer Expenditures)	2016 Supply (Retail Sales)	Opportunity Gap/Surplus
General Merchandise Stores-452	\$54,730,221	\$3,714,508	\$51,015,713
Department Stores, Excluding Leased Departments-4521	\$24,378,849	\$0	\$24,378,849
Other General Merchandise Stores-4529	\$30,351,372	\$3,714,508	\$26,636,864
Miscellaneous Store Retailers-453	\$12,776,940	\$4,857,835	\$7,919,105
Florists-4531	\$526,539	\$906,494	-\$379,955
Office Supplies, Stationery, Gift Stores-4532	\$6,258,018	\$1,917,996	\$4,340,022
Office Supplies & Stationery Stores-45321	\$3,001,444	\$0	\$3,001,444
Gift, Novelty & Souvenir Stores-45322	\$3,256,574	\$1,917,996	\$1,338,578
Used Merchandise Stores-4533	\$1,121,813	\$805,393	\$316,420
Other Miscellaneous Store Retailers-4539	\$4,870,570	\$1,227,952	\$3,642,618
Non-Store Retailers-454	\$41,748,970	\$2,113,928	\$39,635,042
Foodservice & Drinking Places-722	\$55,674,022	\$21,834,333	\$33,839,689
Full-Service Restaurants-7221	\$25,372,493	\$10,584,801	\$14,787,692
Limited-Service Eating Places-7222	\$22,001,895	\$10,804,237	\$11,197,658
Special Foodservices-7223	\$6,077,922	\$445,295	\$5,632,627
Drinking Places -Alcoholic Beverages-7224	\$2,221,712	\$0	\$2,221,712

4.2 Retail Market Potential

The retail leakage analysis is used to determine the supportable square footage of retail space based on the assumptions on the market. It includes a 10% capture scenario saying that only one in every ten dollars might be captured back into the Round Hill market. It does not account for store types that are highly unlikely to locate in Round Hill such as home centers and automotive dealerships.

This study assumes \$300 sales per square foot in a store. Sales per square foot may vary depending on the store type. For example, the typical grocery store would have \$650 sales per square foot while an independent clothing store may have \$100 sales per square foot.

The following table provides the retail market potential for Round Hill, breaking out each of the most likely categories for retail/restaurant success in Round Hill. The categories combined represent the potential for 37,288 square feet of additional retail space over what is already in place. If service uses are explored, this number might increase to 50,000 square feet.

Retail Stores	Opportunity Gap/Surplus	10% Capture Scenario	Additional Supportable Square Footage
Total Retail Sales & Eating, Drinking Places	\$319,756,744		
Furniture & Home Furnishings Stores-442	\$6,187,056	\$618,706	2,062
Specialty Food Stores-4452	\$4,272,254	\$427,225	1,424
Clothing & Clothing Accessories Stores-448	\$9,910,628	\$991,063	3,304
Sporting Goods, Hobby, Book, Music Stores-451	\$6,573,765	\$657,377	2,191
General Merchandise Stores-452	\$51,015,713	\$5,101,571	17,005
Miscellaneous Store Retailers-453	\$7,919,105	\$791,911	2,640
Full-Service Restaurants-7221	\$14,787,692	\$1,478,769	4,929
Limited-Service Eating Places-7222	\$11,197,658	\$1,119,766	3,733
Total Supportable Square Footage			37,288

Retail market potential findings include:

1. The Home Furnishings category is a great opportunity, as people will travel for such stores, the growth of residential development creates inherent market demand, and it can be highly specialized.
2. While a grocery store is extremely unlikely, the specialty food category (butcher, bakery, cheese/wine) does represent an opportunity for Round Hill.
3. Clothing stores that are highly curated and specialized represent a good opportunity for the market.
4. Sporting Goods, Hobby, Book, Music is a combined category that could be highly specialized and work in the market.
5. General merchandise shows the potential for a "small box" general merchandise (Dollar Store) in Round Hill.
6. Miscellaneous stores represent an opportunity for a couple of small format stores.
7. Full service and limited service restaurants represent about 27% of the market opportunity for Round Hill and could be a great attractor for visitors to the community.

5.0 Summary and Recommendations

The market analysis for Round Hill provides important insights into Round Hill's market and opportunities for future growth. The study revealed that the market has severe retail leakage, with \$128.3 million in annual leakage from the Round Hill zip code and \$319.8 million in annual leakage from combined Round Hill/Purcellville zip codes. Further, Round Hill's market is highly dependent on what happens in Purcellville.

While opportunity sites in the Town of Round Hill are limited, there are key opportunities that the Town should focus on. The most important consideration for Round Hill is to continue to work to make the Town Center of the community a vibrant center for the community. Opportunities exist for highly specialized markets within the Town Center.

Secondly, there is an opportunity for retail outside of the Town Center at the gateway site that could be augmented by service businesses not covered in this study. Retail development outside of the Town Center of Round Hill is likely to be a creative development that relates both to adjacent residential development and to the easy access to Route 7. A traditional "strip center" that is anchored by a grocery store is not likely.
