

II. Report Purpose

In November 2014, Mensch Capital Partners retained MJB Consulting (“MJB”), a retail planning and real estate consultancy firm based in New York City and the San Francisco Bay Area, to undertake a retail market study and devise a tenanting strategy for its proposed mixed-use redevelopment of the Westwood Country Club (“Project”) site in Amherst, NY. MJB was also asked to evaluate the project’s potential impact on the retail mix along Main Street in the Village of Williamsville.

MJB was instructed by Mensch Capital Partners LLC to consider certain baseline assumptions in evaluating the retail potential of the site. These included the following:

- The project would contain a pedestrian oriented, mixed-use core with a modestly scaled retail component on the order of 100,000 to 125,000 square feet and laid out in accordance with established site location principles so as to maximize the likelihood of successful lease-up. (The specifics of the current site plan have not been taken into account in this assessment).
- The site plan for the retail component of the proposed mixed-use project would not be designed to accommodate larger-format “big box” superstores measuring 50,000 square feet or more in size, as these already exist on and would be more appropriate for other high-volume arterials within the Town of Amherst, such as Niagara Falls Boulevard (U.S. 62), Transit Road (SR 78) and Sheridan Drive (SR 324).
- The tenanting strategy for the retail component would be geared instead towards smaller-format businesses that complement other on-site residential/commercial uses and adjacent neighborhoods, and/or fill underserved niches in the competitive marketplace.

III. Scope of Work

MJB’s scope-of-work for this assignment consisted of the following:

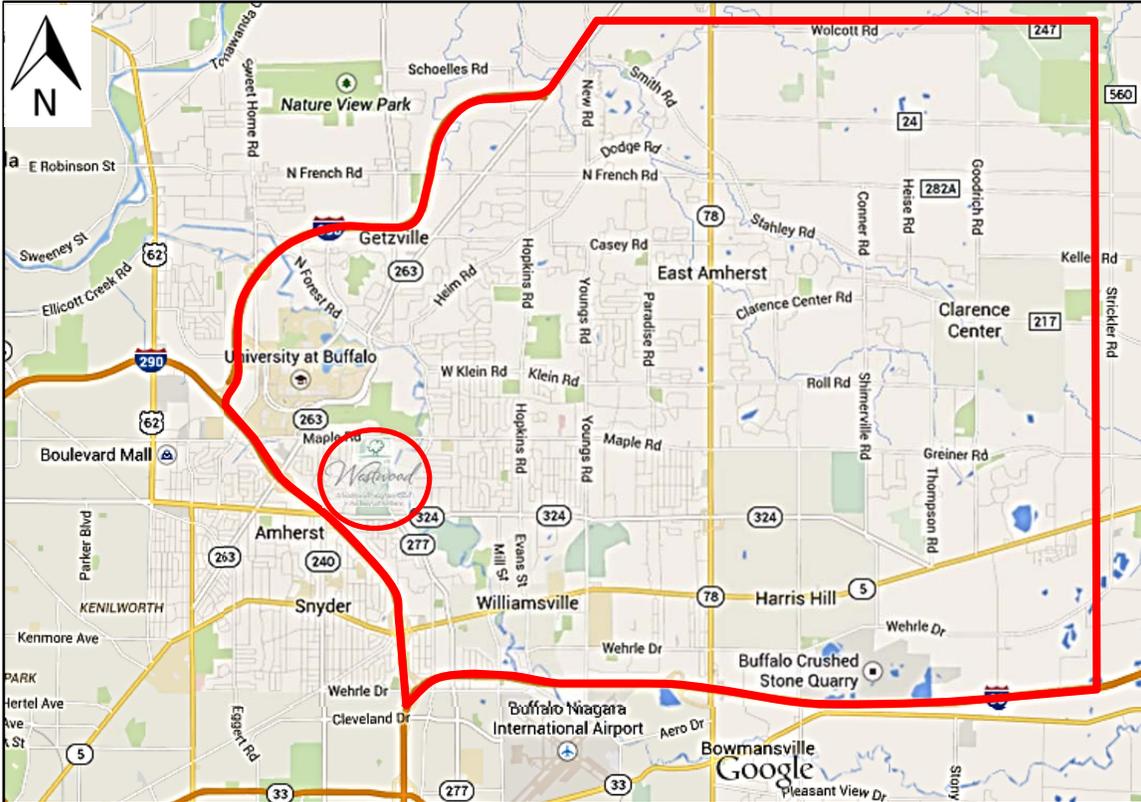
- Guided tour from and extensive discussions with Andrew Shaevel of Mensch Capital Partners and Brad Packard of Ciminelli Real Estate Corporation, for the purpose of understanding project vision, specific plans and broader context, as well as review of the current site plan and design standards.
- Self-guided touring of the subject site and immediate vicinity as well as other Amherst communities and business districts, including Main Street / Snyder, Sheridan and Evans, Hopkins and Klein, etc.
- Observations of existing retail mix and dynamics on Main Street / Williamsville, as well as review of the 2013 “Main Street Corridor Market Study” by Market & Feasibility Advisors, the 2013 “Picture Main Street” report by and for the Village of Williamsville.

- Survey and assessment of competing districts and centers, including (but not limited to) Walden Galleria, Boulevard Mall / Boulevard, Eastern Hills Mall / Transit Road, Northtown Plaza, Sheridan Avenue and Maple Road corridors, Fashion Outlets of Niagara Falls, Outlet Collection at Niagara, University at Buffalo (UB) / North Campus, Main Street / University Heights, Elmwood Village, Hertel Avenue / North Buffalo, etc.
- Interviews with local retail leasing professionals, including Ronald “Gunner” Tronolone of MJ Peterson Real Estate as well as Benedict J. Borruso and Arthur H. Judelsohn of Pyramid Brokerage Company.
- Review of available data on the structure and trajectory of the regional economy, including reference to the 2006 Economic Analysis undertaken by Donald A. Griebner in connection with Benderson Development Company’s application for the redevelopment of the former Buffalo Gun Club site on Maple Road in the Town of Amherst.
- Retrieval and nuanced analysis of demographic and sales-leakage data for both a theoretical “primary trade area” and the Buffalo-Niagara Metropolitan Statistical Area (MSA), as well as a specific grocery store trade area.
- Gathering of available data on non-residential consumer sub-markets, such as daytime workers, UB students and faculty/staff, Canadian tourists, etc., drawing on a variety of sources that include the Buffalo Niagara Enterprise website, UB’s 2013-2023 Facilities Master Plan, UB’s 2014 “Student Housing Market Analysis” by Asset Campus Housing, etc.
- Delineation of a core customer(s) for the project’s retail component, including detailing of demographic and psycho-graphic characteristics, the latter utilizing MJB’s proprietary lifestyle segmentation analysis.
- Consideration and evaluation of local comparables such as University Place on Sweet Home Road and French Road Commons on North French Road, as well as reference to appropriate analogs from across North America, including outreach to existing contacts with information on the Emory Point development in suburban Atlanta.
- Research on specific retail prospects that might serve as traffic-generating anchors for the project, drawing on MJB’s proprietary database of larger brands typically willing to consider such opportunities.

In undertaking this scope of work as outlined above, MJB’s Principal, Michael J. Berne, applied the firm’s unique “total immersion” methodology, staying in Williamsville and exploring the area for a period of seven days in November 2014. Identifying the right “positioning” of a retail mix requires an assessment of two discrete “markets”, one in

which consumers demand goods and services from businesses, and the other in which tenants seek street-level space from landlords.

IV. Consumer Demand Evaluation



WESTWOOD PROJECT SITE **Primary Trade Area**

Within the polygon drawn to correspond to the site’s “primary trade area” (above), there are, as of 2015, an estimated 103,111 residents -- a number that has been growing since 2000 and is expected to continue increasing until at least 2020. A relatively high percentage possesses a B.A. degree or more (53%) and works in a creative class job (also, 53%). Not surprisingly, median household income (roughly \$79,000) and median home value (about \$215,000) are well above metro-wide averages.¹

Sales leakage figures indicate that this primary trade area can support additional operators in specific categories, including, for instance, specialty grocery; sporting goods; home furnishings; shoes; jewelry; luggage and leather goods; cosmetics, beauty supplies and perfume; office supplies and stationery; drinking places as well as restaurants. These numbers also suggest opportunity for so-called “non-traditional” retail, like, say, vendor markets.

¹ Based on figures from Nielsen-Claritas and analyzed by MJB Consulting.

Both the University at Buffalo and Daemon College currently lack a true central gathering place in close proximity to their respective campuses for shopping, eating, studying, recreating and socializing. On-campus retail offerings for both students and faculty/staff are limited, and public safety remains a concern on Main Street in University Heights District, which is also not particularly convenient for UB's North Campus, where most of the residential dormitories and off-campus student housing complexes as well as all of the undergraduate programs are located. And while Maple Road is closer, the auto orientation along that corridor has the effect of dispersing the energy among multiple disconnected businesses.

While the trade area consists overwhelmingly of native-born Caucasians, its diverse character is also worth noting. In particular, there are some 8,600 residents of Asian descent – largely Indian, Chinese and Korean -- with median household incomes of \$102,000 (higher than any other ethnicity).² With its 6,600 international students, UB ranks 17th among the 2,900 colleges and universities surveyed nationally, and extrapolating from their (much) higher tuitions, these foreign students typically arrive with financial resources. With all of this spending power, the corresponding retail offer could be enhanced.

Canadian traffic and trade should decline somewhat in the near term due to the weakening Canadian dollar as well as the 700,000 square feet of (more conveniently located) outlet mall space that was recently developed. However, Canadian shoppers are likely to remain a major sub-market for Western New York shops, restaurants and other businesses – particularly those sitting along its circumferential beltway (I-190, I-290 and I-90) -- due to the (still) better selection, (still) cheaper prices and lower taxes, the comparative ease and affordability of flying to and from Buffalo as well as, on a more basic level, the appeal of the different and the novel.

Unlike other suburbs in Western New York, the Town of Amherst is also an employment destination. Indeed, based on the rule-of-thumb that the typical worker will drive as many as seven minutes for lunch and/or daytime conveniences, the project would be able to draw from a population of some 44,000 employees, of which 33% are in higher-earning “creative class” occupations³, driven primarily by the growth engines of health care and higher education.⁴

A population of 1.14 million normally translates to four to five regional shopping destinations, yet the Buffalo-Niagara MSA has only one bona fide top-tier mall – the Walden Galleria, along I-90 in the Town of Cheektowaga. Furthermore, metro-wide sales leakage figures indicate that there is still latent potential in a number of retail categories, including, for instance, specialty grocery; sporting goods; jewelry; luggage and leather goods; cosmetics, beauty supplies and perfume; office supplies and stationery; as

² Based on figures from Nielsen-Claritas and analyzed by MJB Consulting.

³ Based on figures from Nielsen-Claritas and analyzed by MJB Consulting.

⁴ Based on figures from the Commercial Listing System GIS mapping program on the Buffalo Niagara Enterprise website.

well as “non-traditional” retail – many of which also happen to echo the ones leaking from the trade area (above).

Furthermore, both the Buffalo-Niagara MSA and Canada’s Niagara Region still lack a true “town/village center” development -- along the lines of, say, the Legacy Village and Crocker Park projects in suburban Cleveland or Southside Works in Pittsburgh – that features a traditional two-sided, pedestrian-oriented retailing corridor lined with mixed-use buildings and that functions as a sort of community living room. The Amherst Town Centre/University Town Centre concept proposed for the old Buffalo Gun Club property along Maple Road would have qualified, but it is no longer under consideration and the property has since been sold to a national developer of student housing complexes.

V. Tenant Demand Evaluation

In recent years, whether due to the relative stability of their respective economies, the diminishing opportunities in saturated first-tier markets or various other factors, the major metros of Upstate New York have started to draw the attention of certain higher-end retail concepts that had previously ignored them. The Buffalo-Niagara MSA, for example, has welcomed Trader Joe’s and a Whole Foods Market is anticipated to open in the next year, while others like Recreational Equipment Inc. (REI), L.L. Bean and Costco Wholesale continue to evaluate sites in Western New York.

Furthermore, there is reason to believe that this sort of interest will continue to grow, with the population and employment gains expected in connection with various “next-generation” economic development initiatives in the Buffalo Niagara region, including the ongoing expansion of the Buffalo Niagara Medical Campus, IBM’s decision to occupy a vast swath of Downtown Buffalo’s high-profile Key Center office building with a new software research facility as well as the large SolarCity factory planned for the Riverbend site in South Buffalo.

From the tenant’s perspective, the site itself offers a location within one of the metropolitan area’s most desirable suburbs (Amherst) and adjacent to another desirable suburb (Clarence). Not only does its trade area outperform the MSA on educational attainment, income levels and home values (see above), but also, the population continues to increase steadily even as the region stagnates or shrinks. And aside from the numbers, real estate professionals can be just as impacted by a sub-market’s “soft” attributes – its cachet and brand, for instance – as lay consumers.

Another of the site’s selling points is its visibility and access. Its planned entrance sits along Sheridan Drive (SR 324), a principal arterial road with almost 40,000 cars per day, with secondary ingress/egress along Maple Road, with 22,000 cars per day and just a quick one-minute drive from UB’s North Campus.⁵ And it has the ability to draw

⁵ New York State Department of Transportation Traffic Data Viewer. Retrieved from <https://www.dot.ny.gov/tdv>. 2013.

regionally and beyond as a result of its location just 0.5 miles from the Harlem Road / Sheridan Drive interchange on Western New York's circumferential beltway, an approximately 25-minute drive to and from the Canadian border.

At 170 acres, the site is capable of accommodating development on a large scale, with a considerable amount of retail square footage as well as several other sources of captive, "in-place" demand from the other on-site uses (i.e. residential, office, hotel). And with the project's size and aspirations as well as its distinctiveness as the first true mixed-use village/town center in the region, there should be little difficulty in generating attention within the local tenant community.

The site is located in the "Eastern Hills" sub-market, which boasted a 7.2% retail vacancy rate as of 4Q 2012, by far the lowest in the Buffalo-Niagara region -- as compared to 10.8% for "Boulevard", 14.4% for "Galleria", 13.0% for the metro as a whole and 12.9% nationally.⁶ The tightness in the leasing environment, combined with the high barriers-to-entry for new development, should act to intensify demand for new retail inventory.

The Walden Galleria's sales levels of more than \$600 per square foot⁷ -- compared to the nationwide average of \$468 per square foot -- deem it a "Class A" mall. This, combined with its low vacancy rate as well as the physical limitations to its further expansion, suggests the possibility of "spillover" tenant demand that could benefit other regionally oriented centers, particularly ones located amidst or near concentrations of that mall's well-educated, relatively affluent core customer.

With so-called comparison goods (that is, goods for which one typically prefers to "comparison-shop", like apparel, footwear, jewelry, furniture, etc.), the consumer typically gravitates to existing districts and centers that already offer a broad array of options. And partly for this reason, tenants selling such merchandise prefer to open in close proximity to other operators in their respective categories (even their direct competitors); with a bias towards the largest such clusters.

The site, however, would be considered a classic "tweener" location in the leasing community, as it sits *between* two established mall-anchored, strip-heavy shopping destinations with strong gravitational pull -- Niagara Falls Boulevard (U.S. 62) and Transit Road (SR 78) -- and it offers no nearby fashion co-tenancy of its own and just 115,000 square feet to work with. That said, certain brands have started to experiment with smaller, "neighborhood-scaled" formats that could more easily tap such interstitial opportunities.

While the negotiation of retail rent levels will ultimately be driven to a significant degree by pro-forma considerations, open-air centers typically have lower occupancy costs than enclosed malls. Prime small-shop spaces at Walden Galleria and Boulevard Mall can be

⁶ According to CB Richard Ellis' *Retail Marketview Report* for the 4th quarter of 2012, as stated in the "Main Street Corridor Market Study" submitted by Market & Feasibility Advisors in May 2013.

⁷ According to industry experts, as stated in a 5/11/09 *Buffalo Business First* article by James Fink entitled "Galleria changed WNY retailing".

as high as \$60 per square foot plus a percentage component as well as CAM charges, with even sub-optimal locations within those centers pegged at roughly \$30 per square foot. This suggests an opportunity for the project, which sits in a sub-market that can presently support at least \$17 to \$25 per square foot NNN.

An important variable, of course, is Northtown Plaza. Also an open-air center, its new owners are reportedly offering many long-time tenants just short-term, one-year leases at \$20 per square foot NNN. One presumes, however, that its occupancy costs will increase considerably once the new Whole Foods Market anchor is in place, the retail bays are physically overhauled and the overall atmospheric improved. Of course, the project might have to offer more than just a slight discount in order to effectively undercut Northtown.

The one category in which the site might be able to claim some relevant co-tenancy is home furnishings: it is just a three-minute drive along Sheridan Drive from Ethan Allen, which sits at the eastern edge of a stretch of that corridor containing a cluster of larger-format, mid-market furniture retailers (i.e. Ethan Allen, Bassett Home Furnishings, Newtrend Furniture, La-Z-Boy Furniture Galleries, Carolina Furniture, HomeGoods, etc.), some of which could be displaced in the coming years by Whole Foods Market-driven redevelopment.

VI. Retail Positioning

Given all of the above factors, the site's retail component will likely require a different format, one that does not necessarily fit within existing shopping-center typologies -- and that might not have many direct antecedents or comparables -- but rather, represents a unique hybrid of sorts, customized to the specifics of the marketplace. Indeed, with the industry currently in a period of upheaval, this kind of creative approach is becoming far more commonplace and necessary.

In order to differentiate itself (as well as the larger development) in the marketplace, the retail component should take the form of a "village center", with its signature element a traditional two-sided, pedestrian-oriented corridor lined with mixed-use buildings, its street-level spaces filled with a diverse range of retail categories that also include comparison goods, restaurants as well as coffeehouses, public spaces and other sorts of "Third Place" venues (that is, central gathering places separate from home and work) that can help to forge a sense of identity and "neighborhood" in what would otherwise be a relatively atomized and anonymous suburban environment.

This is to be contrasted with something like The Orchard (on North Buffalo Road in Orchard Park) or a redeveloped Northtown Plaza (see above), which are smaller and larger examples of the "lifestyle center" -- that is, a strip mall without traditional department store anchors yet nonetheless containing a cluster of comparison goods stores historically found in regional malls -- or, for that matter, University Place, on Sweet Home Road across from UB's North Campus, which adds upper floor apartments but lacks connectivity with adjacent residential neighborhoods and devotes

its primary place-making opportunity to a large surface parking lot; and, with just 20,000 square feet of retail space, does not provide the critical mass needed to attract much more than fast food purveyors and basic services.

While a well-integrated grouping of on-site uses, including a diverse array of housing types, a large amount of office space and a hotel, will surely impact the composition of the foot traffic and the retail mix as well as the development's overall energy and positioning, the "anchor" stores are the ones that will ultimately determine the nature and extent of the destination trade. However, given the project's "tweener" location, its anchoring strategy will have to be less conventional, with little hope of attracting the full-price department stores that drive traffic to regional malls or the large-format discounters that fill power centers.

The Buffalo-Niagara MSA not only leaks sales of roughly \$7 million in the sporting goods category, but also, appears particularly light on fashions for the outdoor lifestyle, which have become ever more popular among younger consumers, even those who do not actually participate in such activities. While likely to be intrigued by the presence of Whole Foods Market, a retailer such as Seattle, WA-based REI might still be a possibility if tied in with nearby Elliott Creek as well as other on-site and nearby recreational amenities that competing centers, including Northtown Plaza, cannot offer.

Also, a community-oriented bookstore such as a Talking Leaves & Books might be enticed by the primary trade area's high levels of educational attainment as well as the site's close proximity to UB's North Campus. The locally based chain-let has clearly shown an ability to survive in a fast-changing industry – where, contrary to popular belief, the number of independently owned shops has actually been *growing* -- and while Talking Leaves is no doubt somewhat limited in capacity and resources and might be initially wary of a third location, it was willing to open on Elmwood Avenue in 2001 because community residents pushed for and offered to invest in the store.

Another possible anchor is a specialty grocer, defined as one that focuses to a greater extent on gourmet and natural/organic products than a conventional supermarket. One candidate is the hugely popular Lexington Co-operative Market, which has been searching for a location for a second store but has yet to commit to one. There is also Orchard Fresh; the new format that locally based Tops Friendly Market debuted in Orchard Park almost two years ago (although after initially planning for an aggressive rollout, it decided to put a hold on new locations). Other operators from further afield, like Greensboro, NC-based The Fresh Market or the Cleveland, OH-based Constantinos Market, might be tempted as well.

That said, a value-oriented concept with a lower price point would probably be able to compete more effectively with both Wegmans as well as the new Whole Foods Market. Operators such as Phoenix, AZ-based Sprouts Farmers Market, Boulder, CO-based Lucky's Farmers Market and the Chicago, IL-based Fresh Thyme Farmers Market are presently concentrating on expansion across the Southeast and Midwest, but at their

current rate of growth, will likely pursue locations in Upstate/Western New York in the not-too-distant future.

Finally, while the higher-profile home brands that have yet to establish a presence in the Buffalo-Niagara MSA (e.g. Restoration Hardware, West Elm, Sur le Table, etc.) are more likely to gravitate to Northtown Plaza with its Whole Foods Market anchor, there might still be an opportunity to draw lesser-known national “chain-lets” to the site, especially given the existing Sheridan Drive furniture cluster that starts just to the west (with Ethan Allen), like, for instance, the Los Angeles-based Z Gallerie, the Oakland, CA-based Cost Plus World Market (now owned by Bed Bath & Beyond), the Nashville, TN-based Kirkland’s or perhaps even one or more of the Canadian concepts (e.g. Structube, Urban Barn, etc.) that could be tempted to cross the border and test the U.S. market.

Fashion is unlikely to play more than a supportive role in the retail mix. As in the furniture category, operators selling such merchandise typically prefer to locate near each other, resulting in a competitive disadvantage for districts and projects that are effectively starting from scratch. Smaller “mini-anchors”, however, could help to establish a stream of foot traffic for a more modest collection of stores. Houston, TX-based Charming Charlie, for example, appeals to a wide range of shoppers with its jewelry and accessories emporiums.

Amenities such as bookstores and niche grocers, while admittedly lower-margin retailers, should nevertheless be aggressively pursued for the site and then subsidized once there (if necessary), not just to drive pedestrian traffic and boost in-line leasing, but also, to underscore the project’s mixed-use, community-oriented lifestyle, clearly differentiate it in the marketplace and perhaps even justify a premium for its other components. Indeed, especially if coupled with an in-store coffeehouse, a locally oriented bookseller can – in contrast to say, a mass-market operator like a Barnes & Noble or a Books-A-Million – become that “Third Place” to which the locals will gravitate as their “home away from home [and work].”

Even, however, if the project is ultimately not able to attract any of the above anchors, it is not necessarily fatal: a cluster of unique and diversified restaurants, for example, can also play the role of primary traffic driver. On this point, the trade area does not appear to contain many of the kinds of modern dining concepts that appeal to more contemporary tastes and sensibilities. Indeed, a growing number of eating establishments today are able to offer a casually up-market experience, with high-quality food and beverage served in a stylishly appointed space, while keeping to a relatively moderate price point that is accessible to a broad range of sub-markets.

Canadian restaurateurs have been especially quick to jump on this trend, with a number of the so-called “premium casual” brands, like Earls Kitchen & Bar, JOEY and The Keg having already opened U.S. locations, and facing an extremely fierce battle for market share and premier sites across Canada. But also, in the U.S., the “fast-casual” model (i.e. counter service but with higher-quality ingredients, more up-market atmospherics and slightly elevated pricing) has changed perceptions of gourmet dining, how such food is

served and in what kinds of environments, etc., and has even been embraced in some cases by celebrated restaurateurs and chefs, most notably by Danny Meyer with his Shake Shack empire.

A dining cluster is even more powerful if offered in concert with other sorts of non-traditional magnets, including not just the aforementioned “Third Place” venues but also, creative programming of the project’s public spaces, like, for example, “fashion truck” pods and vendor markets, weekly food truck fairs and event nights (e.g. movies screened on building walls, open-air dancing lessons, etc.), perhaps even the full-sized Americana Carousel formerly situated in the Boulevard Mall’s food court (but which will *not* be relocated within that center).

In contrast to an exclusive focus on “deal-making”, where individual storefronts are leased without reference to any sort of broader vision, the tenanting of the project’s in-line spaces must be approached with an eye towards the larger whole. As in any well-conceived shopping center, concepts should be selected on the basis of whether they synergize with and generate cross-traffic for their neighbors, for this will yield a cohesive, mutually reinforcing retail mix that amounts to more than the sum of its component parts.

The type of anchor will shape the basic contours of the in-line tenanting strategy. A grocery store, for instance, typically implies other convenience-oriented businesses as well as quick-service food and beverage purveyors. Furthermore, a *specialty* grocer such as the kind proposed for this project implies a broader range of concepts – “fast-casual” eateries (see above), clothing boutiques, etc. – that are united not so much by the purpose of the shopping trip (e.g. basic essentials, versus discretionary buying) as the lifestyle and psycho-graphic of the core customer.

In order to differentiate itself in the marketplace and compete for tenants in such a “tweener” location, the project should as a general rule deemphasize large ubiquitous brands in favor of smaller national, regional and local “chain-lets”. For example, in contrast to the lineup at Walden Galleria’s “TheATry”, well established, Buffalo-area restaurateurs might be approached with the idea of developing new concepts at the site. Similarly, boutiques in Elmwood Village or on Hertel Avenue might be pursued for an additional location that taps the Amherst sub-market.

In sum, with all of these tenanting opportunities, it would be realistic to expect to fill and sustain at least 75,000 to 100,000 square feet of retail space at the site, with a significant percentage – say, one-third to as much as one-half – devoted to food and beverage, perhaps one 20,000 to 25,000 square foot anchor (along with basic conveniences and services, particularly if it is a specialty grocer) and then, a modest collection of comparison goods retailers targeting the two primary sub-markets of Baby Boomers and 20-somethings.

A close comparable would be Emory Point, in the Atlanta metro. Sitting in the shadow of the similarly well-off, well-educated suburb (Decatur), at a stand-alone location but in

close proximity to both a university (Emory University) and other major employers (e.g. CDC headquarters), this mixed-use village center, developed by locally based Cousins Properties and opened in 2012, will contain a total of 122,000 square feet of retail space as well as 758 apartments upon completion of its Phase II this year, with a Phase III still to come.

Emory Point's retail mix, also devised with the intention of complementing a successful Downtown nearby (Decatur's), is similar to the one envisioned above for the project. Phase II will be adding a 25,000 square foot Earth Fare specialty grocer as an anchor, but Phase I did not contain a primary traffic generator within its 80,000 square feet of retail space, save a 24-hour CVS. Rather, its draw has been rooted largely in a cache of national and local dining chain-lets, with one, a new concept by an established Atlanta restaurateur, even receiving national attention.

Meanwhile, all six of the shops that comprise the center's modest (and anchor-less) offering of fashion retailers remain. And while sales figures are not known, the interest from others, according to Cousins, has been "overwhelming" and partly spurred the decision to commence with Phase II.⁸ The balance between large national brands (LOFT, Francesca's and Jos. A. Bank) and smaller chain-lets (i.e. Lizard Thicket, Fab'rik and American Threads) has been even, and will likely remain so in Phase II.

VII. Broader Impact

It is important to note at the outset that Main Street in Williamsville offers a number of compelling attributes as a retail location. With an interchange on I-290 and as Amherst's busiest east-west thoroughfare, the corridor boasts traffic counts of nearly 45,000 cars per day, translating to superior visibility and access.⁹ Furthermore, it enjoys a positive brand in association with Amherst, which is not only a "choice" suburb within the MSA but also, unlike the others, one with a large employment base as well.

Main Street also offers strong co-tenancy. Its effective anchor, the still-expanding Tony Walker & Co., is probably the most upscale department store in Western New York, and headlines a mix of comparison goods retailers that also includes up-market brands like Talbots, Chico's and Calico Corners as well as popular, independently-owned and operated boutiques such as Monarch, Blum's Swimwear and Leelee.

Moreover, the corridor's current trajectory is a positive one. The roster of high-caliber operators appears to be growing, with the recent arrivals of Alex and Ani, D'Avolio, Billybar and Moor Pat, and a number of the region's leading developers are active there. In addition, the Village, with the leadership of the Mayor, has been moving aggressively to transform the high-volume arterial into a more pedestrian-friendly space as well as create a new public square centered on the iconic Water Mill property.

⁸ As based on a 10/18/13 *Curbed Atlanta* blog post by Josh Green entitled "Is Emory Point Poised To Be Atlanta's Next Mini-City?".

⁹ New York State Department of Transportation Traffic Data Viewer. Retrieved from <https://www.dot.ny.gov/tdv>. 2013.

That said, the project certainly could compete with Williamsville for certain kinds of retail concepts and consumers. Both locations will have been developed in the spirit of a walk-able, pedestrian scaled environment that typically supports smaller-format businesses.

There will be distinguishing factors, however, that put the project at a competitive disadvantage vis-à-vis Williamsville when vying for tenants. Most notably, with a history dating to the 1800's, Main Street has had a "head start" of sorts, with the corridor firmly established as a commercial corridor, able to offer existing co-tenancy in the targeted categories and, as discussed above, presently enjoying some leasing momentum as well as local political support.

Also, overall occupancy costs on the most "Main Street-like" stretch of Main Street – that with the historic, zero-setback building fabric – currently range from roughly \$16 to \$20 per square foot, whereas the site would currently bear at least the mid \$20's to low \$30's per square foot (i.e. a base of \$17 to 25 per square foot plus NNN), as new construction built to modern specifications and tenanted with synergy and cross-traffic in mind tends not to be priced as affordably as stand-alone "second-generation" spaces. Williamsville, then, would, in this respect, remain the preferred option for the kinds of smaller independently owned and operated businesses that it most values.

And even if certain tenants still prefer the project, there is some merit to the proverb that "a rising tide lifts all boats". With dining, for example, greater variety and selection often acts to *expand* the trade area and generate increasing returns to scale. Savvy restaurateurs, then, are typically not afraid of competition; on the contrary, they usually welcome it. Indeed, Bryan Bryndle was not worried about cannibalizing his Tabree Restaurant in Snyder when he opened Billybar in Williamsville, just five minutes away.

In fact, many locally based entrepreneurs, particularly those in the food and beverage space, relish the opportunity to create, develop and/or operate different concepts, and actually derive some benefit from co-locating them within the same sub-market. Take, as another example, Michael Shatzel: the impresario behind the new Moor Pat craft beer bar in Williamsville, he owns both Coles and Blue Monk, which sit less than a mile away from each other on Elmwood Avenue.

Not only might an operator enjoying strong returns at the site be willing to consider another concept on Main Street, but also, such success would then be associated in the broader tenant community with the sub-market as a whole, boosting interest among other entrepreneurs in nearby districts as well, especially since the project itself is only going to contain a relatively modest amount of retail space, thereby limiting its ability to capture all of the spill-over.

Finally, the project might offer the only opportunity in Amherst that certain operators would be willing to consider. Larger-format retail anchors in particular might be quite wary of the kinds of complex, drawn-out redevelopment schemes that would likely be

necessary on Main Street in Williamsville in order to create suitably sized space (and sufficient off-street parking) that meets their various needs and specifications, especially in light of the hard line that the Village and/or the community might take on matters of site planning.

In terms of the consumer, while he/she might at first be drawn to the novelty of the project, there is reason to believe that in the longer term, there would be sufficient demand to sustain both as healthy and vibrant business districts.

Indeed, by considering the sub-market's broader retail ecology and identifying the different roles that individual districts/centers might play within it, one is freed from the conventional zero-sum logic that typically underlies concerns about cannibalization, and can devise a retail mix for the project that would complement – or at least not compete directly with -- what already exists on Main Street in Williamsville.

For example, the core customer on Main Street skews slightly older, reflecting Williamsville's median age in the upper 40's, and the Williamsville community clearly treasures the village's and corridor's historic character. On the other hand, the site might be developed with a more current aesthetic and vibe, and tenanted with concepts – perhaps additional locations of successful operators from Elmwood Village or Hertel Avenue -- that would appeal to a somewhat younger demographic in its 20's and 30's.

In keeping with this orientation, the project might also pitch itself to a greater extent to diverse sub-markets in its midst. For instance, Main Street's retail mix caters almost exclusively to mainstream tastes, yet 8% of the trade area is of Asian descent -- well above 3% for the MSA as a whole – and might desire a broader selection than what currently exists along Sheridan Drive (which itself might soon be displaced by Whole Foods-related redevelopment).

In addition, the project might pursue categories that are currently leaking large volumes of sales and sub niches that do not already exist on Main Street. Examples might include, as discussed above, outdoor sporting goods or home furnishings and accessories. Meanwhile, it could forgo the active pursuit of more overtly up-market fashion concepts that cater to the well-off, 45-and-over shopper, thereby mooting a potential impediment to that cluster's future expansion along the corridor.

Obviously there is going to be some overlap: for instance, Main Street already contains offerings that also appeal to a younger demographic (e.g. Leelee, Alex and Ani), to a more contemporary sensibility (e.g. Billybar), to a diverse clientele (e.g. The Original Pancake House) and to an outdoor sports enthusiast (e.g. Old Orchard Fly Shop, JB's Tennis Shop). In a system of *private* actors, however, this is unavoidable, and, some might say, desirable, ensuring the sort of ongoing reinvention and evolution that ultimately fortifies such districts in the face of changing habits and outside threats.

VIII. Conclusion & Findings

- The project would provide both the Buffalo-Niagara MSA and Canada's Niagara Region with its first true "town/village center" development, featuring a traditional two-sided, pedestrian-oriented retailing corridor lined with mixed-use buildings and functioning as a sort of community living room.
- The project would target a diverse range of consumer sub-markets, including residents of the primary trade area as well as nearby daytime workers; students, faculty and staff at University at Buffalo's North Campus; visitors from Canada; and, for certain "niche" offerings, shoppers from across the metro.
- Given its "tweener" location between two established mall-anchored, strip-heavy shopping destinations with strong gravitational pull, the project's anchoring would be unconventional and "niche"-driven, led by one or more of the following: an outdoor sporting goods purveyor, a local bookstore, a specialty grocer, a home goods retailer, a restaurant cluster as well as other non-traditional magnets, like, for instance, vendor markets or fashion truck "pods".
- It would be realistic to expect to fill and sustain at least 75,000 to 100,000 square feet of retail space at the site, with, say, one 20,000 to 25,000 square foot anchor; a significant percentage – one-third to as much as one-half – devoted to food and beverage; a modest collection of comparison goods stores narrowly targeting the specific lifestyles and psychographics of the core customer(s); and some basic conveniences servicing the on-site demand.
- In order to differentiate itself in the marketplace and compete for tenants in a "tweener" location, the retail component should as a general rule deemphasize large ubiquitous brands in favor of smaller national, regional and local "chain-lets" and multi-concept operators (MCO's) as well as select Canadian brands interested in growing their U.S. portfolios.
- Not only, however, can Williamsville point to a number of compelling site attributes and competitive advantages as a retail location, but also, it would in many respects benefit from the project's success: as just one example, its landlords and brokers could find themselves fielding more calls from (higher-caliber) leasing prospects.

Indeed, by considering the broader retail ecology and identifying the different roles that individual districts/centers might play within it, one is freed from the conventional zero-sum logic that typically underlies such concerns, and can devise a tenant mix for the project that complements -- if not directly feeds -- the existing dynamic in Williamsville.