

# Market Opportunities

## Downtown Market Opportunities

A market study was undertaken to validate the comprehensive approach to Downtown's continuing redevelopment and to test specific catalytic development strategies. It focused on retail because the consulting team understood from market conditions that any amount of residential that could be absorbed within the limited opportunities for infill would be scaled for the historic fabric of downtown especially when considering the surrounding single-family fabric.

To explore how much, and what type of, new retail market demand will exist in the years ahead, the consultant team conducted an abbreviated retail analysis. The market analysis included several components:

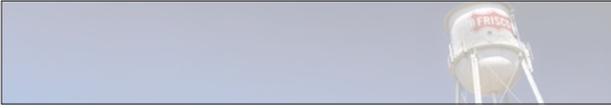
- An analysis of major demographic characteristics that typically influence consumers' shopping decisions, such as household income, household size, age, and education;
- An analysis of psychographic characteristics of Frisco's residents, providing important insights into likely consumer preferences;
- An analysis of downtown Frisco's current business composition;
- Retail sales void analyses for Frisco and for the areas within 5-, 10-, and 15-minute drive times of downtown;
- Gathering and examining vehicular traffic counts through downtown Frisco, on Main Street;
- An in-store mapping exercise to identify where current downtown customers live;
- Estimates (in current-year dollars) of the retail buying

power of future Frisco residents, based on the City's population growth projections; and

- Information from meetings with over 100 community representatives and from two online surveys.

The following findings informed the amount and type of retail development expected the next 10 to 15 years in Downtown Frisco:

- Frisco's phenomenal population growth translates into a substantial amount of new consumer demand for retail goods and services. In essence, every new household that moves to Frisco brings with it over \$13,800 (in 2018 dollars) in new retail market demand annually (not including demand for motor vehicles and related services). This means that, over the next decade alone, Frisco's new residents will generate enough new retail market demand to support an estimated 1.4 million square feet of new retail space. This city-wide demand offers the community an unprecedented opportunity to reshape the downtown retail landscape, even assuming a modest capture of that demand in Downtown.
- Frisco's population is well-educated, with nearly 60 percent having a college degree, and more than 20 percent having a graduate or professional degree, almost twice the national average.
- The city's population is remarkably homogeneous in terms of its psychographic characteristics, the characteristics that shape a person's values, attitudes, lifestyle, and other factors that, in turn, influence her or his preferences for certain types of products or activities. Almost two-thirds of Frisco's households fall into one of 67 psychographic categories – a category characterized by young, well-educated, affluent suburban professionals with families. Members of this psychographic category typically have long commute times and therefore often seek opportunities to work from home, consider physical



fitness a priority, prefer late model imported cars (particularly SUVs), enjoy gardening (but contract for home services), and are well connected via the latest phones and devices. Style is important to this psychographic category, from personal appearance to their homes.

- Downtown Frisco's current business mix is more or less typical of that of most older downtowns in the U.S., although the percentage of its businesses that are retail businesses is slightly low - 9.8 percent in downtown Frisco, versus 15 to 17 percent for most high-performing older downtowns - as is the percentage of businesses in the "accommodation and food services" category, 2.5 percent in downtown Frisco, versus five to seven percent nationally.
- The City of Frisco is experiencing a retail sales leakage of \$110 Million, meaning that Frisco residents are probably spending at least this much money outside the city (and probably even more, since some of the city's leakage is offset by visitor spending). Based on the patterns of retail leakages in the areas within 5-, 10-, and 15-minute drive times from downtown Frisco, it appears that there are opportunities to capture both local sales leakage - by adding new product and service lines to existing businesses and by developing new businesses - as well as regional sales, particularly from communities north of Frisco.

Based on these findings, the consulting team recommends the following:

- **CREATE A DESIGN DISTRICT DOWNTOWN.** The consultant team found that, over the next five years, there will likely be enough new market demand from new Frisco residents alone to support between 97,000-115,000 square feet of retail space programmed for design-focused home furnishings, apparel, toys/games, and musical instruments, plus 21,000-23,000 square feet of restaurant space to support the district. The team estimated that, within 15 years, new market demand for these products and services will likely grow by another 60,000-70,000

square feet for design-focused merchandise and 13,000-15,000 square feet of dining space (see the Appendix for more information on these estimates). This is not as large as the Dallas Design District, of course, but it would offer products and services uniquely tailored to Frisco's consumer preferences - and would be considerably more convenient to Frisco's residents than Dallas.

- **ADD MORE RESTAURANTS.** The City is already experiencing a restaurant sales leakage of more than \$40 Million annually. And, the area within a 15-minute drive time from downtown Frisco is losing approximately \$100 Million. Downtown Frisco, including the Design District, should therefore be able to comfortably support eight to 10 new restaurants (assuming the Downtown is able to capture 15 percent of the City's current sales leakage and that each restaurant averages a minimum of \$500,000-\$600,000 in gross sales annually). New downtown restaurants should offer a wider variety of cuisine choices than is currently available and should incorporate a range of entertainment experiences.
- **EMPHASIZE FAMILY-FRIENDLY EXPERIENCES.** Frisco's residents are, in general, family-focused, and incorporating family-friendly experiences into downtown businesses, public spaces, and public events will improve Downtown's appeal.
- **DEVELOP A MULTIMEDIA, MULTIPURPOSE THEATRE DOWNTOWN.** Frisco has grown so quickly in recent years that it now lags behind most cities of comparable size in development of arts and cultural institutions - and, by doing so, risks losing market share for arts, cultural, and entertainment activities to communities throughout the north-of-Dallas region. Arts institutions offer direct benefits to communities - but multiple national studies in recent years have demonstrated that the presence of cultural institutions - museums, performing arts centers, multimedia arts centers, etc. - provides a critical boost to communities' business and scientific creativity and to their ability to cultivate creative-economy and knowledge-

economy businesses and jobs. And, arts and culture are big business; according to a March 2018 report by the U.S. Bureau of Economic Analysis, for example, the arts and culture sector accounts for 4.2 percent of US GDP, putting it ahead of construction, transportation, educational services, agriculture, mining, and utilities. By 2033, when Frisco is projected to reach its full build-out population estimated at 333,700 people, Frisco residents could generate \$16 Million in demand annually for ticketed theatre events, \$7 Million in demand for recreational lessons, and almost \$5 Million in other ticketed non-sports events. Market demand exists to support a multimedia, multipurpose theatre – and, with its accessibility and its proximity to restaurants, the library, and major sports facilities, Downtown Frisco is the ideal location for it.

It is worth mentioning that the presence of unmet retail market demand alone does not guarantee that a business, or a downtown district, will be successful. Many factors influence the performance of a downtown retail business, including how well capitalized the business is; the owner's and manager's skills in merchandising, marketing, and management; the overall business mix and the quality of the synergy between businesses; the attractiveness and walkability of the district; the quality of downtown marketing events; the effectiveness of downtown marketing events in reaching targeted audiences and creating a consistent positive image for the district; the availability of convenient parking; good traffic flow; the overall supply of retail space within the community and region; and many other factors.



Downtown Businesses and Storefronts along Main Street