Appendix B

# RETAIL MARKET ANALYSIS

# CITY OF CAMBRIDGE, MARYLAND
# MAIN STREET RETAIL AREA

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## I)EXECUTIVE SUMMARY

The study analyzed the downtown retail sector in the City of Cambridge, Maryland of a defined submarket area representing its Main Street program. The study examined the retail demand. The City of Cambridge and the downtown is experiencing growth as result of its attractiveness as second homes and relocation of the well to do from the Washington, DC metropolitan area. The Main Street Market Area contributes to 30 percent of the retail sales in the City of Cambridge. The Main Street Market Area has a higher concentration of higher income households, with annual income of $200,000 and more. The boom in new residential construction in the City has attracted higher income households.

The study found that the Main Street Market Area captured large share of retail sales from full service restaurants and specialty shops comprising jewelry, luggage, and leather goods. Both City and County residents and tourists are attracted to the Main Street Market Area for these forms of retailing. However, there is gap in the need for shore stores and specialty food shops. The residents of the area go outside of the local market to purchase these retail items. The added retail demand gives rises to restaurants, and specialty retail for apparel and food. The current market area currently meets market demand, but will expand with the added new upper income households.

## II) SECTION ONE INTRODUCTION

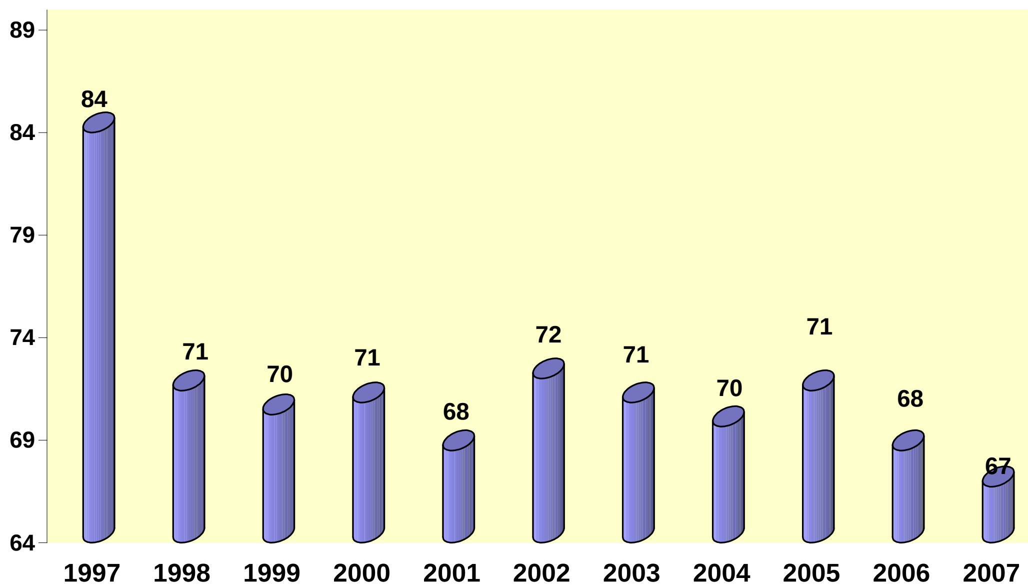
Retail market analysis is a tool for identifying retail market trends within a local community. While the analysis focuses specifically on the performance of local retail markets, information on the broader demographic and economic trends within the region is critical to understanding current and future changes in these retail markets. Changes in population, the age and income distributions of the population, and the number of people employed by different industrial sectors will change the demand for retail goods within a local community and therefore are important factors to be considered in an analysis of retail market trends.

Of primary importance is an understanding of the pattern of retail spending within the local community. Downtown retail areas frequently have unique positioning offering locational amenities of art galleries and restaurants that are frequently lacking outside of the downtown core.

The following study analyzes the downtown retail sector in the City of Cambridge, Maryland. In 2002, there were 72 retail trade establishments in the City of Cambridge down from 84 establishments in 1997. This reflected a decline of 14.3 percent. Half of the decline was of clothing and clothing accessory stories with a loss of 6 stores followed by a decline motor vehicle and parts dealers of 4 stores in the City. Nationally, competitive pressures in retailing and auto parts led to many stores to close or seek locations towards higher traffic corridors.

Since 2002, there has been a moderation in the decline of retail establishments in the City of Cambridge reflecting a stronger st increase of owever, the number of establishments declined from 84 establishments which declined from 84 establishments in 190, increase 14.3 percent. The 1999 investment by Maryland Economic Development Corporation (MEDCO) led in the development of the Hyatt Regency 400 room resort hotel, 24,000 square foot conference center, 15,000 square-foot health and fitness spa, and 150-slip marina. Opened in 2002, the development has contributed to economic vitality of Cambridge. Estimates of the occupancy rate at Hyatt Regency ranges between 60 percent[1] and 65 percent[2]. Using a standard formula of Total Bednight x (Capacity x Total Calendar Night) = Occupancy Rate. We estimate that the Hyatt generates 172,800 visitors a year. In addition, to the marina at the Hyatt is a municipal marina, which contains 246 slips, is a major source for visitors. Based on previous studies of contribution of slips to visitors, these two marinas contribute provide 115,128 annual visitors.[3]

## CITY OF CAMBRIDGE RETAIL ESTABLISHMENTS




Source: U.S. Census, Economic Census 1997, 2002 County Business Patterns, Market-Economcs, 2008

The purpose of this study will be to measure the existing consumer demand for the downtown retail sector by income stratification and quantity demand of retail sales.

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1 Estimate provided in HB 1547 Department of Legislative Services Maryland General Assembly 2004 Session FISCAL AND POLICY NOTE Revised

2 Ernst & Young, 2005 National Lodging Report, Luxury Occupancy Rates

3 Economic Impacts from Spending by Marina Slip Renters at Raystown Lake, US Army Corps of Engineers, Engineer Research and Development Center, 2008

## III) CITY OF CAMBRIDGE MAIN STREET RETAIL MARKET AREA STUDY

City of Cambridge, Maryland downtown retail district represents a distination for tourists as well as serving the existing community. It is 60-miles from the major metropolitan centers of Washington, DC and Baltimore, MD (see Map1). As characteristic of many older downtown retail districts, the Cambridge's downtown experienced major declines in retail establishments that continued into the mid-1980's characterized with closed and under utilized retail store spaces. The first effort of downtown revitalization was in 1990 with the designation of the downtown as a National Historic Place and was placed on the National Register. As such, the downtown area became available to federal tax credits and federal assistance for historic preservation. In 2003, Cambridge was designated as a Maryland Mainstreet community and has helped restore vitality to the downtown.

The Main Street area comprises the streets of Race, Poplar, Pine, Gay, and High (to Cedar). For the purposes of this retail study, we have identified this area as Retail Market Area as show on Map 2. For purposes of this study, the Retail Market Area of the Historic Downtown consists of an approximately 0.2-mile radius. This was determined comprising the major streets of the Main Street boundaries.

## MAP 1

## CAMBRIDGE MARKET AREA

# MAP 2

## MAIN STREET RETAIL AREA

Cambridge

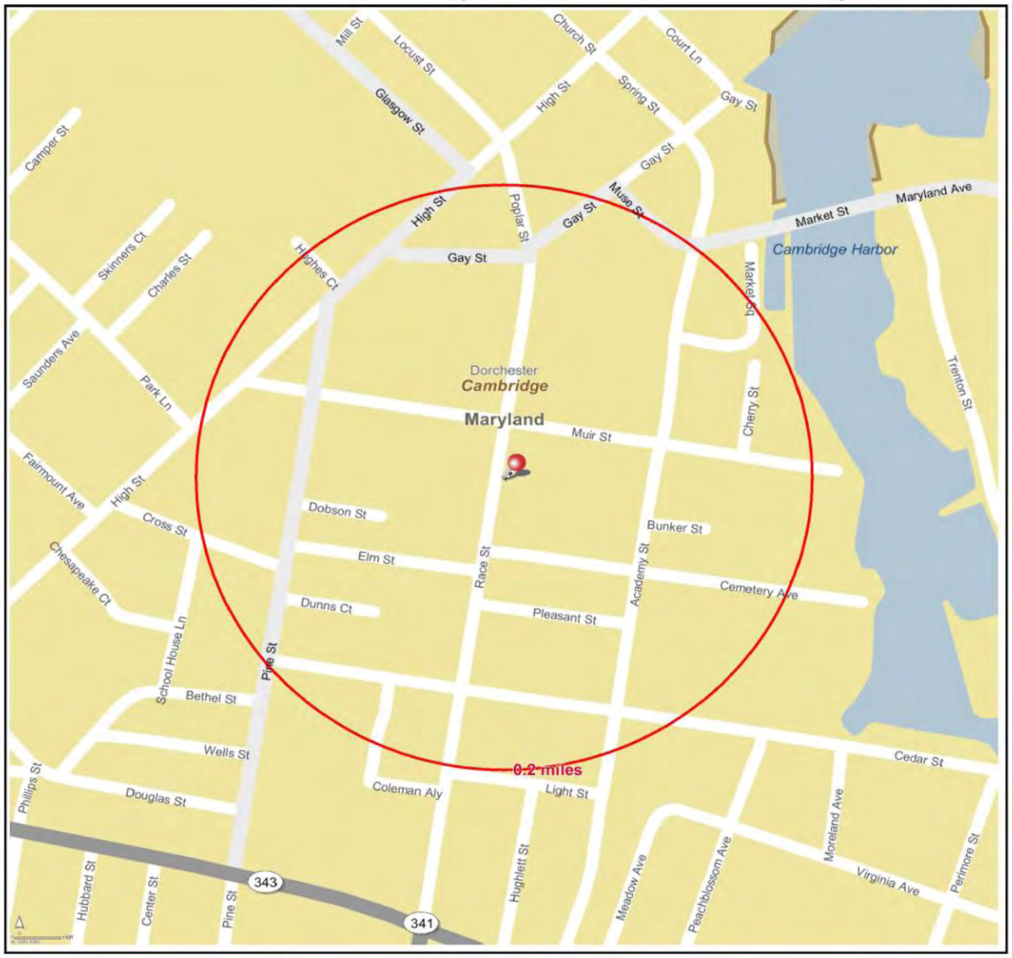
**Site Map**

**Market-Economics, Inc.**

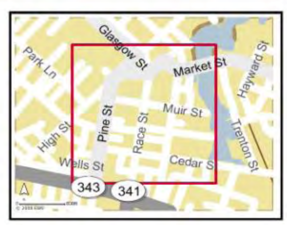
August 11, 2008

Latitude: 38.567746

Longitude: -76.077574







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## IV) DEMOGRAPHIC AND ECONOMIC TRENDS

### A) DEMOGRAPHIC

Population growth in the historic downtown retail district has been one that has responded to changing conditions from coastal development taking place in and around Cambridge. Statistics regarding population growth are from the 1980, 1990, 2000 U.S. Census, with estimates for 2006. Estimates are subject to revisions and error rates increase over time from the decennial census. These figures are shown in Table I.

#### a) **Population and Household Growth**

(1) 1980-1990

Between 1980 and 1990, the population in the City of Cambridge declined by nearly 1.6 percent, with an annual rate of decline of 0.2 percent. In the Main Street Retail Market Area, the population declined by 2.2 percent over the ten-year period. This decline represented 5.9 percent of the City's loss in population. The Main Street Retail Market Area was home to almost 6.0 percent of the City's population. Between 1980 and 1990, the population in Dorchester County declined by 1.3 percent. This was at a slightly lower rate than of the City of Cambridge and the Main Street Retail Market Area.

The trend among household growth showed a slight difference between the City and the Main Street Retail Market Area. The number of households in Cambridge rose between 1980 and 1990, up by 6.8 percent over the decade. This was indicated by a number of single occupied households. Similarly, the Main Street Retail Market Area gain 3.4 percent of its households during the 1980s — at an average annual growth rate of 0.3 percent.

**TABLE I**
**HOUSEHOLD AND POPULATION GROWTH**
**MAIN STREET RETAIL AREA AND CITY OF CAMBRIDGE**
**1980-2007**

| POPULATION GROWTH | MAINSTREET RETAIL AREA | | | CITY OF CAMBRIDGE | | DORCHESTER COUNTY | |
|---|---|---|---|---|---|---|---|
| | # | Annual % of Growth | % of City | # | Annual % of Growth | # | Annual % of Growth |
| **1980** | 761 | | 6.5% | 11,703 | | 30,623 | |
| **1990** | 730 | -4.14% | 6.3% | 11,514 | -1.61% | 30,236 | -1.26% |
| **2000** | 673 | -7.73% | 6.2% | 10,911 | -5.24% | 30,674 | 1.45% |
| **2007*** | 708 | 5.18% | 6.0% | 11,796 | 8.11% | 31,848 | 3.83% |
| | | | | | | | |
| **1980-1990** | -32 | -4.14% | 16.68% | -189 | -1.61% | | |
| **1990-2000** | -56 | -7.73% | 9.36% | -603 | -5.24% | | |
| **2000-2007** | 35 | 5.18% | 3.94% | 885 | 8.11% | | |
| **HOUSEHOLD GROWTH** | | | | | | | |
| **1980** | 313 | | 7.0% | 4,435 | | 11,329 | |
| **1990** | 323 | 3.41% | 6.8% | 4,737 | 6.81% | 12,117 | 6.96% |
| **2000** | 306 | -5.33% | 6.6% | 4,637 | -2.11% | 12,607 | 4.04% |
| **2007** | 337 | 10.19% | 6.4% | 5,290 | 14.08% | 13,535 | 7.36% |
| | | | | | | | |
| **1980-1990** | 11 | 3.41% | 3.53% | 302 | 6.81% | 788 | 6.96% |
| **1990-2000** | -17 | -5.33% | 17.24% | -100 | -2.11% | 490 | 4.04% |
| **2000-2007** | 31 | 10.19% | 4.78% | 653 | 14.08% | 928 | 7.36% |

Source: 1980, 1990, 200 U.S. Census; 2007, MD Department of Planning Estimates compiled by Market-Economics, 2008

(1) 1990-2000

During the 1990s, the City of Cambridge experienced further decline in population as residents chose to locate closer to major employment centers. In 1990, the City's downtown area was designated as a Historic District and was placed on the National Register of Historic Places, which served to establish historic preservation standards and was thought to help stabilize the decline. Between 1990 and 2000, the City of Cambridge population decline accelerated to 5.2 percent, declining at an annual rate of 0.5 percent. Similarly, the number of households decline in the City by 2.1 percent for the period of 1990-2000. During 1990-2000, there was a decline in the average household size for the City of Cambridge, as the population aged and more singles moved in and families with children moved out.

The Main Street Market Area continued to show population decline, down by 7.7 percent between 1990 and 2000. During 1990-2000, the number of households declined by 5.3 percent up from 3.4 percent decline in the period of 1980-1990. The Main Street Retail Market Area accounted for 17.0 percent of the decline in households in the City. The loss of households continued despite a stabilizing of the number of businesses in the

(2) 2000-2007

In the period of 200-2007, population growth is returning to the City and in the Main Street Retail Area, up by 8.1 percent and 5.2 percent respectively. Equally, household growth increased by 14.1 percent in the City and 10.2 percent in the District. U.S. Census estimates for the City of Cambridge revealed a steady population increase since 2000. Part of this trend reflects an overall revival in historic coastal cities such as Savannah, Charleston, Annapolis, Newport, and Portland. An increasing number of these historic downtowns are experiencing significant resurgence in growth. Fueling the growth in population and households has been a surge in new construction, up from 16 building permits units in 2000 to 291 building permits in 2006. This added 932 housing units or households to the City resulting 1,957 added population.

Dorchester County population grew by 3.8 percent and household growth was up by 7.4 percent. This was suggesting that the size of the households is declining as reflected in the slower population growth relative to growth in households.

b) **Population and Household Characteristics**

(1) Age

The profile of the Main Street Market Area reflects 2 percent of the total county population. The Market Area represents a slight larger share of middle age persons than that of the County and the City. This group has the highest disposable income available of all groups and reflects consumption patterns of selective purchasing power. The higher concentration of adults 55 and above reflects stable homeowners with high buying power, strong credit history, and employment stability.

**TABLE II**

**POPULATION BY AGE
MAIN STREET RETAIL, CITY OF CAMBRIDGE,
AND
DORCHESTER COUNTY**

| AGE | MAIN STREET RETAIL DISTRICT | | | CITY OF CAMBRIDGE | | DORCHESTER COUNTY | |
|---|---|---|---|---|---|---|---|
| **Universe of Persons** | **#** | **% of Total** | **% of City** | **#** | **% of Total** | **#** | **% of Total** |
| **TOTAL** | | 100% | | | 100% | | 100% |
| **Under 19 years** | 147 | 20.7% | 5.2% | 2,833 | 24.0% | 7,573 | 23.8% |
| **20 to 34 years** | 122 | 17.2% | 5.2% | 2,353 | 20.0% | 5,852 | 18.4% |
| **35 to 54 years** | 151 | 21.4% | 5.2% | 2,924 | 24.8% | 8,873 | 27.9% |
| **55 to 64 years** | 177 | 25.0% | 11.5% | 1,546 | 13.1% | 3,915 | 12.3% |
| **65 to 74 years** | 49 | 6.9% | 5.2% | 940 | 8.0% | 2,798 | 8.8% |
| **75 years and over** | 62 | 8.8% | 5.2% | 1,200 | 10.2% | 2,837 | 8.9% |

Source: 2000 U.S. Census; 2007 MD State Planning complied by Market-Economics, 2008

c) **Household Type**

The Main Street Retail Market Area represents an urban mix type of household market segment as is apparent in the distribution of its households by household type (see Table III).

- The strong presence of married coupled families in the Main Street Retail Market Area is slightly higher than the City of Cambridge, 30.6 percent versus 26.8 percent respectively.
- A nearly equal percent of householders 65 years and over in the Market Area to that the City, 16.6 percent and 16.7 percent respectively

- Nearly 33 percent of households have individuals under 18 years of age for the both the Market Area and the City, while lower in the County at nearly 30 percent.
- 36.2 percent of households are persons living alone.

As a market narrative, the Market Area represents a combination of the "***Prosperous Empty Nesters***" where the median age is 48.7 years. More than half of the householders are aged 55 or older. Slightly less than half of household types are married couples with no children living at home. Educated and experienced, residents are enjoying the life stage transition from child rearing to retirement. The median household income is $70,623. Residents place a high value on their physical and financial well-being and take an active interest in their homes and communities. They travel extensively, both at home and abroad. Leisure activities include refinishing furniture, playing golf, attending sports events, and reading mysteries. Civic participation includes joining civic clubs, engaging in fund-raising, and working as volunteers.

The other market component of comprises more ***Traditional Residents*** who employed residents work in the service, manufacturing, and retail trade industries. Most residents own and live in modest single-family homes. Households are primarily a mix of married-couple families, single-parent families, and singles that live alone. Residents prefer to use a credit union and invest in certificates of deposit. They use coupons regularly, especially at Sam's Club or Wal-Mart, work on home remodeling or improvement projects, and buy domestic vehicles. Favorite leisure activities include hunting, bowling, fishing, boating, and attending auto races, country music shows, and ice hockey games (in addition to listening to games on the radio).

Final market niche is of households who are looking for "***Simple Living***," Half of the households are singles who live alone or share housing, and one-third consist of married-couple families. Slightly, older than the median age of Traditional Residents and approximately one-third of householders are aged 65 years or older; 19 percent are aged 75 years or older. Housing is a mix of single-family dwellings and multiunit buildings of varying stories. Some seniors live in congregate housing (assisted living). Renters occupy Fifty-six percent of households. Forty percent of households receive Social Security benefits. Younger residents enjoy going out dancing, whereas seniors prefer going to bingo night. To stay fit, residents play softball and volleyball. Many households do not own a computer, cell phone, or DVD player. Residents watch a great many of hours of television daily.[4]

[4] ESRI Tapestry Segments, 2008

## TABLE III

## HOUSEHOLD TYPE
## MAIN STREET RETAIL, CITY OF CAMBRIDGE, AND DORCHESTER COUNTY

| | MAIN STREET RETAIL DISTRICT | | | CITY OF CAMBRIDGE | | DORCHESTER COUNTY | |
|---|---|---|---|---|---|---|---|
| | **#** | **% of Total*** | **% of City** | **#** | **% of Total*** | **#** | **% of Total *** |
| **HOUSEHOLD TYPE AND PRESENCE AND AGE OF CHILDREN Universe: Households** | 337 | 100.0% | 6.3% | 5,290 | 100.0% | 13,535 | 100.0% |
| Family households | 196 | 58.2% | 6.4% | 3,082 | 58.3% | 9,061 | 66.9% |
| With own children under 18 years | 92 | 27.3% | 7.3% | 1,258 | 23.8% | 3,471 | 25.6% |
| Married-couple family | 103 | 30.6% | 7.3% | 1,420 | 26.8% | 6,030 | 44.6% |
| With own children under 18 years | 35 | 10.4% | 6.4% | 550 | 10.4% | 2,094 | 15.5% |
| Female householder, no husband present | 78 | 23.1% | 6.4% | 1,222 | 23.1% | 1,969 | 14.5% |
| With own children under 18 years | 49 | 14.5% | 6.4% | 771 | 14.6% | 1,133 | 8.4% |
| Nonfamily households | 141 | 41.8% | 6.4% | 2,208 | 41.7% | 4,200 | 31.0% |
| Householder living alone | 122 | 36.2% | 6.4% | 1,908 | 36.1% | 3,588 | 26.5% |
| Householder 65 years and over | 56 | 16.6% | 6.3% | 882 | 16.7% | 1,720 | 12.7% |
| Households with individuals under 18 years | 110 | 32.6% | 6.4% | 1,721 | 32.5% | 4,024 | 29.7% |
| Households with individuals 65 years and over | 103 | 30.6% | 6.4% | 1,609 | 30.4% | 3,921 | 29.0% |

Source: 2000 U.S. Census; complied by Market-Economics, 2008

d) **Household Income**

Table IV shows the current distribution of household income based on the 2000 U.S. Census information with updated median household income. The Main Street Market Area comprises highest percentage of high-income households. Nearly, two percent of the Market Area's households have annual incomes of greater than $200,000 compared with 1.4 percent for Dorchester County and 0.8 percent for the City of Cambridge.

## TABLE IV
## HOUSEHOLD-BY-HOUSEHOLD INCOME
## MAIN STREET RETAIL MARKET AREA, CITY OF CAMBRIDGE, AND DORCHESTER COUNTY

| | MAINSTREET RETAIL DISTRICT | | | CITY OF CAMBRIDGE | | DORCHESTER COUNTY | |
|---|---|---|---|---|---|---|---|
| | **#** | **% of Total** | **% of City** | **#** | **% of Total** | **#** | **% of Total** |
| **HOUSEHOLD INCOME** | | | | | | | |
| **Universe: Households** | 337 | 100.00% | 6.4% | 5,290 | 100.00% | 13,535 | 100.00% |
| **TOTAL** | | | | | | | |
| Less than $10,000 | 62 | 18.3% | 5.9% | 1,052 | 19.9% | 1,742 | 12.9% |
| $10,000-$14,999 | 44 | 12.9% | 7.8% | 555 | 10.5% | 1,085 | 8.0% |
| $15,000-$24,999 | 82 | 24.5% | 8.5% | 968 | 18.3% | 2,112 | 15.6% |
| $25,000-$34,999 | 39 | 11.6% | 5.0% | 773 | 14.6% | 1,978 | 14.6% |
| $35,000-$49,999 | 49 | 14.5% | 6.4% | 770 | 14.6% | 2,282 | 16.9% |
| $50,000-$74,999 | 34 | 10.2% | 4.5% | 758 | 14.3% | 2,498 | 18.5% |
| $75,000-$99,999 | 21 | 6.2% | 8.7% | 239 | 4.5% | 1,039 | 7.7% |
| $100,000-$149,999 | 0 | 0.0% | 0.0% | 75 | 1.4% | 474 | 3.5% |
| $150,000-$199,999 | 0 | 0.0% | 0.0% | 56 | 1.1% | 132 | 1.0% |
| $200,000 or more | 6 | 1.9% | 14.5% | 44 | 0.8% | 193 | 1.4% |
| MEDIAN HOUSEHOLD INCOME | | | | | | | |
| Universe: Households | | | | | | | |
| Median household Income 2007 | $24,603 | | | $30,976 | | $40,650 | |

Source: U.S. Census, 2000, complied by Market-Economics, 2008

Market-Economics provides a forecast of household income as shown in Table V. The benchmark for the estimates is County's growth in median household income from the U.S. Census estimates for 2006. The estimates for the Main Street Retail Market Area and the City of Cambridge are now dampened and will rise as the economy rebounds, particularly with the housing market.

**TABLE V**

**FORECAST OF HOUSEHOLD INCOME**
**MAIN STREET RETAIL MARKET AREA, CITY OF CAMBRIGE, AND DORCHESTER COUNTY**

| | MAIN STREET RETAIL DISTRICT | CITY OF CAMBRIGE | DORCHESTER COUNTY |
|---|---|---|---|
| | # | # | # |
| MEDIAN HOUSEHOLD INCOME Universe: Households | | | |
| 2000 | $20,625 | $25,967 | $34,077 |
| 2004 | $24,210 | $30,480 | $40,000 |
| 2007 | $24,603 | $30,967 | $40,650 |
| 2010 | $27,602 | $33,233 | $42,300 |

Source: U.S. Census, 2000, Maryland Department of Planning, Estimates by Market-Economics, 2008

e) **Projected Household Growth**

Market-Economics has incorporated the 2000 Census along with Census projections of population growth and Maryland State Planning population forecast to factor in household growth. The following underlying factors are in place in the Mainstreet Retail Market Area. The projections include the following:

- The number of Mainstreet Retail Market Area households will continue to show a rise annually of 2.1 percent from 2007 to 2010. This reflects strong growth in the Historic Downtown Retail District and continued growth in the coastal areas as the affluent Baby Boom generation seeks life style changes. We estimate a 10.6 overall increase in households during the 2007-2010 period as result of the new residential development with a spill over into the Mainstreet Retail District.

- The number of households in the City of Cambridge will grow as the new housing development pickups in late 2009 and efforts to rehabilitation begin to take hold. Rising transportation costs will increase desire for shopping closer to home and dampen Internet sales because higher price shipping costs.

- Household size is expected to decline with the national trends. The decline in household size will stabilize within the City of Cambridge where there will be fewer families with school-age children. New residential will bring primarily two person households, which help to stem further declines in household size.

## TABLE VI

## FORECAST POPULATION AND HOUSEHOLDS
## MAIN STREET RETAIL MARKET AREA, CITY OF CAMBRIDGE, AND DORCHESTER COUNTY

| **POPULATION GROWTH** | **MAIN STREET RETAIL AREA** | | **CITY OF CAMBRIDGE** | | **DORCHESTER COUNTY** | |
|---|---|---|---|---|---|---|
| | **#** | **Annualized % of Growth** | **#** | **Annualized % of Growth** | **#** | **Annualized % of Growth** |
| 2007* | 708 | 0.7% | 11,796 | 1.1% | 31,848 | 0.5% |
| 2010 | 742 | 1.6% | 12,523 | 2.0% | 33,000 | 1.2% |
| 2015 | 780 | 1.0% | 13,254 | 1.1% | 34,975 | 1.2% |
| 2007-2010 | 34 | 1.6% | 727 | 2.0% | 1,152 | 1.2% |
| 2010-2015 | 38 | 1.0% | 727 | 1.1% | 1,152 | 1.2% |
| **HOUSEHOLD GROWTH** | | | | | | |
| 2007 | 337 | 1.4% | 5,290 | 1.9% | 13,535 | 1.0% |
| 2010 | 356 | 1.8% | 5,716 | 2.6% | 14,125 | 1.4% |
| 2015 | 390 | 1.9% | 6,503 | 2.6% | 15,175 | 1.4% |
| 2007-2010 | 19 | 1.8% | 426 | 2.6% | 590 | 1.4% |
| 2010-2015 | 34 | 1.9% | 787 | 2.6% | 1,050 | 1.4% |

Source: U.S. Census, 2000, Maryland Department of Planning, Estimates by Market-Economics, 2008

## IV) RETAIL MARKET AREA

### A) RETAIL SALES TRENDS –MAIN STREET RETAIL MARKET AREA

The Main Street Retail Market Area comprises the streets of Race, Poplar, Pine, Gay, and High (to Cedar). The retail establishments in the Historic Downtown Retail District experienced a sharp decline in 2003 and recovered in 2004 and 2005. In 2006, Market-Economics estimates a slight increase in the number of establishments as consumer spending remained strong in 2006.


In terms of total 2008 retail sales, the Main Street Market Area represents a $9.5 million in annual retail sales. The largest dollar amount of retail sales is of full service restaurants and limited service eating places combined accounted for 27 percent of retail sales in the Main Street Market Area. Retail sales of grocery stores followed with the next largest amount of retail sales. The third largest amount of retail sales in the market area was of health and personal care stores.

## TABLE VII

### RETAIL SALES
### MAIN STREET RETAIL AREA

| RETAIL SECTOR | ACTUAL SALES |
|---|---|
| Full Service Restaurants | $1,671,253 |
| Grocery stores | $1,637,682 |
| Limited-Services Easting Places | $1,157,148 |
| Health & personal care stores | $1,024,000 |
| Other General Merchandise Stores | $1,018,457 |
| Jewelry, Luggage, and Leather Good Stores | $645,926 |
| Drinking Places | $296,018 |
| Building Material and Supplies Dealers | $165,948 |
| Clothing stores | $163,799 |
| Home furnishings stores | $140,523 |
| Electronics & Appliance Stores | $126,199 |
| Other Motor Vehicle Dealers | $118,893 |
| Special Food Service | $106,832 |
| Book, Periodical, and Music Stores | $82,485 |
| Used merchandise stores | $80,855 |
| Other Miscellaneous Store Retailers | $52,826 |
| Auto Parts, Accessories, and Tire Stores | $50,218 |
| Sporting Goods/Hobby/Musical Instrument Stores | $47,186 |
| Office Supplies, Stationery, and Gift | $24,741 |
| Florists | $16,633 |
| Specialty Food Stores | $9,370 |

Source: ESRI, Market-Economics, 2008

### B) POTENTIAL DEMAND OF RETAIL SALES MAIN STREET MARKET AREA

In order to better understand a market area is to examine the potential market of the area, which factors in the household income of the area and resident buying patterns. The overall potential retail demand of Mainstreet Market Area is estimated to be $4.2 million compared to $9.5 million in retail sales. This gap of $5.3 million represent sales coming outside of the Market Area including tourists and visitors. Table VII shows the gap as either a surplus or a deficit. As a surplus, this represents retail sales and the establishments that service the retail market are more than satisfying the local market demand. In the case of eating and dinking establishments, they are catering to those visitors and tourists who frequent the Market Area. A deficit represents insufficient retail market demand for even the existing residents and residents go outside of the retail market area for purchases.

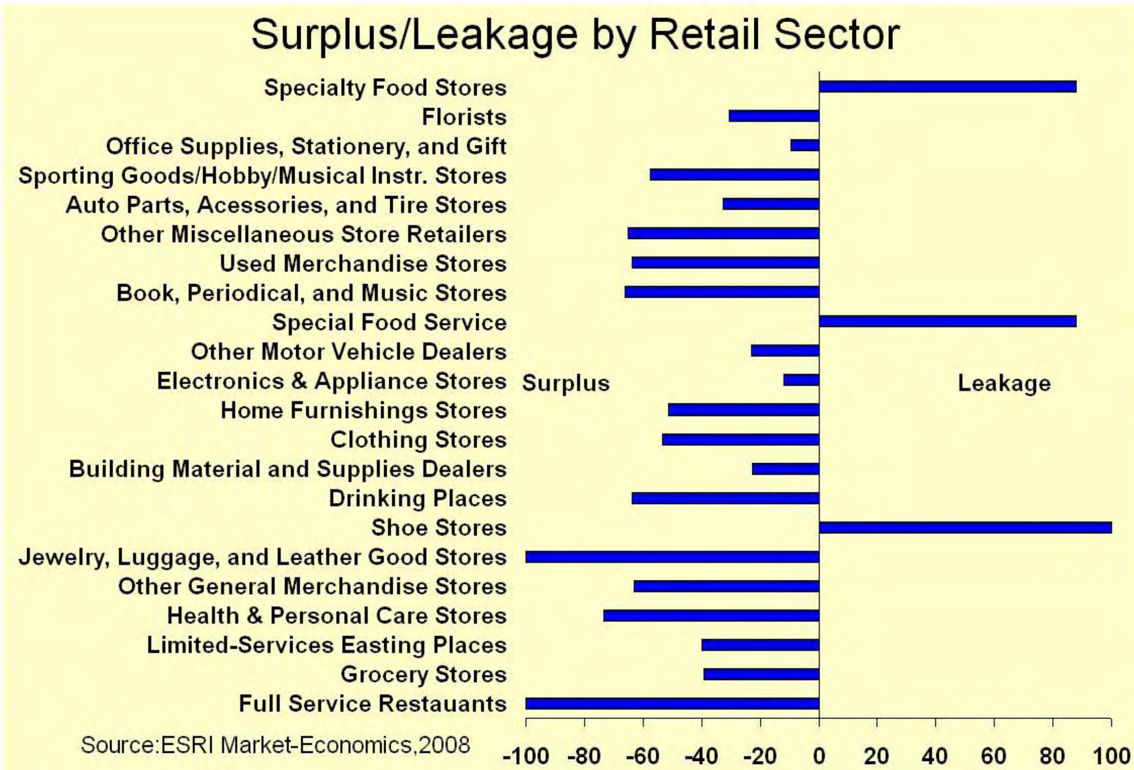
**TABLE VIII**

**RETAIL SALES**
**MAIN STREET RETAIL MARKET AREA**

| RETAIL SECTOR | RETAIL DEMAND | RETAIL SUPPLY | RETAIL GAP | LEAKAGE /SURPLUS |
|---|---|---|---|---|
| Full Service Restraints | $0 | $1,671,253 | ($1,671,253) | -100.0 |
| Grocery stores | $716,205 | $1,637,682 | ($921,477) | -39.1 |
| Limited-Services Easting Places | $493,846 | $1,157,148 | ($663,302) | -40.0 |
| Health & personal care stores | $156,795 | $1,024,000 | ($867,205) | -73.4 |
| Other General Merchandise Stores | $229,468 | $1,018,457 | ($788,989) | -63.2 |
| Jewelry, Luggage, and Leather Good Stores | $0 | $645,926 | ($645,926) | -100.0 |
| Shoe Stores | $21,589 | $0 | $21,589 | 100.0 |
| Drinking Places | $65,857 | $296,018 | ($230,161) | -63.6 |
| Building Material and Supplies Dealers | $104,706 | $165,948 | ($61,242) | -22.6 |
| Clothing stores | $49,579 | $163,799 | ($114,220) | -53.5 |
| Home furnishings stores | $45,106 | $140,523 | ($95,417) | -51.4 |
| Electronics & Appliance Stores | $99,446 | $126,199 | ($26,753) | -11.9 |
| Other Motor Vehicle Dealers | $74,250 | $118,893 | ($44,643) | -23.1 |
| Special Food Service | $4,400 | $106,832 | $102,432 | -92.1 |
| Book, Periodical, and Music Stores | $16,804 | $82,485 | ($65,681) | -66.2 |
| Used merchandise stores | $17,907 | $80,855 | ($62,948) | -63.7 |
| Other Miscellaneous Store Retailers | $11,123 | $52,826 | ($41,703) | -65.2 |
| Auto Parts, Accessories, and Tire Stores | $25,468 | $50,218 | ($24,750) | -32.7 |
| Sporting Goods/Hobby/Musical Instrument Stores | $12,703 | $47,186 | ($34,483) | -57.6 |
| Office Supplies, Stationery, and Gift | $20,395 | $24,741 | ($4,346) | -9.6 |
| Florists | $8,835 | $16,633 | ($7,798) | -30.6 |
| Specialty Food Stores | $146,794 | $9,370 | $137,424 | 88.0 |

Source: ESRI, Market-Economics, 2008

Table VII shows the proportion of sales of the Market Area as compared to the potential demand of the Area. The Market Area has a high surplus of full service restaurants and jewelry, luggage, and leather good stores (-100.0). This surplus reflects Main Street as center for restaurant dinning and specialty for persons outside of the area. This includes residents outside the immediate area of the City and County as well as tourists and visitors. The Area has dominance in high-end convenience products including health and personal care stores (73.4), book, periodical, and music stores (66.2), and home furnishings (51.4). Sales in the Market Area of some specialty goods come exclusively from the downtown district, including, books and stationary, jewelry, and specialty apparel.




## C) RETAIL SALES AS RESULT VISITOR AND TOURISM IN MAIN STREET MARKET AREA

Measuring the contribution of visitor and tourism in the Main Street Market Area reflects step-down method through estimation over all tourism from the County and comparing the share of retail sales with that of the City of Cambridge and the Main Street Market area. Most recent estimate of tax revenue from tourism spending in Dorchester County was $1,010,000 for FY 2006.[5] This comprised sales and gross receipts, corporate and individual income, and excise taxes. The City of Cambridge accounts for 70 percent of all retail sales in Dorchester County. Three major hotels are located in the City of Cambridge along with numerous bed and breakfast inns creating a center for accommodations. We estimate that at minimum the City of Cambridge generated for FY

[5] Maryland Tourism Fast Facts 2008, Maryland Office of Tourism Development

2006 $707,432 to $808,000 in tax revenue from tourism spending. This reflects a 5 percent hotel rental tax which generated in FY 2006 $201,431 in Dorchester County with the majority from the hotels in the City of Cambridge.

## V)TERMS AND LIMITING CONDITIONS

The conclusions reached in this market study reflect the state of the art of known methods of market analysis and assessment. They gather data from a variety of sources both quantitative and qualitative to provide an objective assessment of market characteristics and projects. It is a tool for decision-making responsibilities of project management. There can be no assurance that the estimates made or assumptions employed in preparing this report will in fact be realized or that other methods or assumptions might not be appropriate.

The conclusions expressed in this report are prepared at the date of this report. Analysis conducted at another date may require different conclusions as data may change due to external or internal conditions. The actual results achieved will depend on a variety of factors including the performance of management the impact of changes in macro and micro economic conditions and material changes in the regulatory or competitive environment.