85 Fourth Avenue, Suite 6A
New York, New York 10003
Phone: 917-816-8367

2730 Forest Avenue, Suite W
Berkeley, California 94705
Phone: 510-356-4956

E-mail: info@consultmjb.com
Web: www.consultmjb.com

Memorandum

To:	Kyle Dudgeon Assistant Division Director, Economic Development/CRA City of Winter Park Peter Moore Division Director, Office of Management & Budget City of Winter Park
Cc:	Owen Beitsch Senior Director, Economic and Real Estate Advisory Services GAI Consultants Inc.
From:	Michael Berne President, MJB Consulting
Re:	Phase I Executive Summary Memo (Draft #2)
Date:	February 3, 2023

In March 2022, the City of Winter Park hired MJB Consulting, as a subconsultant to GAI Consultants Inc.'s Community Solutions Group, to undertake an assessment of retail

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conditions, opportunities and challenges in Winter Park's six main business districts and commercial corridors:

- Park Avenue and side streets
- Hannibal Square
- Fairbanks Avenue
- Orange Avenue
- 17/92 ("The Golden Mile")
- Aloma Corners

Such an exercise entails a rigorous analysis of consumer demand, existing offerings, tenant interest, occupancy costs and other such variables, while also drawing on broader trends in the retail industry as well as benchmarking vis-à-vis national analogs.

The goal is to understand at a more nuanced level whether Winter Park's retail mix is fully leveraging its synergistic potential and, if not, what market and real estate-related factors might be responsible.

Importantly, it evaluates such questions largely as a function of market and real estate realities, *without* considering the matter of practical implementation – as we firmly believe that the latter should always be grounded in, and flow from, the former.

We generally leave to a possible Phase II the task of assessing more comprehensively and recommending more definitively the specific roles, initiatives and programs that the City and other stakeholders might consider in the name of realizing such potential.

Specific tasks for this first phase included the following:

- Review of past studies and plans as well as extensive background research of local secondary-source material (e.g. mainline newspapers, business publications, popular blogs and social media, etc.)

- Touring of the study area(s), with observations about relevant variables such as visibility, accessibility, parking, circulation patterns, demand generators, existing businesses, aesthetics / cosmetics, etc., followed by a debriefing during which the Client will share relevant context, details on current projects and initiatives, etc.

- Survey and assessment of nearby competing shopping centers and business districts that vie with the study area(s) for both customers and prospective tenants, including sites and areas where new rivals could materialize in the near future

- Client-coordinated meetings with property owners, leasing professionals, existing merchants and other stakeholders who have been, are or will soon be active in the study area(s)

- Review of recent economic, real estate and market updates from local brokerages and other experts, including collection of relevant data points on asking rents, NNN costs, vacancy rates, etc.

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- Review and interpretation of demographic, psychographic, spending-power, sales-leakage and sales-tax revenue data*, drawing on conventional sources as well as MJB's proprietary methodologies

- Reference to appropriate analogs, drawing on MJB's knowledge base of similar districts / centers across North America

We conducted interviews with the following[1]:

- Teri Gagliano, Chez Vincent
- John Crossman, CrossMarc Services
- Damien Madsen, Harbert Realty Services
- Darryl Hoffman, JLL
- Sam Stark, Rollins College
- Dan Butts, Crossman & Company
- Tracy Brand-Liffey, New General
- David Gabbai, Colliers
- Matthew McKeever, Colliers
- Drew Hill, Hill Gray Seven
- David Albertson, Park Avenue landlord
- Brenda Carey, Great American Land Company
- Palmer Vietor, Owens Realty Capital
- James Petrakis, The Ravenous Pig / Swine & Sons

In addition, we met with and presented to the members of the Economic Development Advisory Board (EDAB) three times (July, September and October), integrating their input and feedback into our ultimate findings and conclusions.

The work product follows below. Keep in mind that, as per the contract, it is not meant to be a full-fledged report with all of the bells and whistles, but rather, an "executive-summary memorandum" that outlines the major findings and conclusions in a concise yet text-heavy format.

DEFINITION: "Retail" for the purposes of this memo will be defined broadly, to include any uses that are consumer-facing – that is, welcoming potential customers either on a walk-in or subscription basis. This would encompass, then, personal services, food and beverage as well as entertainment venues, while precluding businesses that operate exclusively or primarily by appointment.

[1] We also reached out to a number of other stakeholders who did not respond.

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Executive Summary

- Park Avenue remains the premier "Downtown" in metro Orlando today, the only one that offers a walkable *and* authentic "Main Street" experience with both dining *as well as* shopping. Going forward, it should be able to draw on a relatively deep pool of prospective tenants as well as consumer submarkets to further penetrate.

Indeed, it is the sort of "Class A" location which benefits from the "flight to quality" phenomenon, whereby tenants consolidate in or gravitate to the established market leaders in times of contraction or disruption. With demand for a street-level presence far exceeding supply, vacated spaces should readily backfill, assuming, of course, that asking rents are market-appropriate.

The uniqueness and strength of Park Avenue's retail mix is not so much in its food and beverage – which most of its rivals offer as well – but in its concentration of comparison goods retailers and the synergies resulting from the combination of the two. To lose *that* would, in a sense, bring it back to the pack.

With comparison shopping, though, both consumers and prospective tenants are drawn to clusters with a "critical mass" of stores. Once the selection falls below a certain threshold, the gravitational pull of larger rivals starts to work against it. Trends favoring food and beverage uses, including escalating rents, should be understood with this risk in mind.

- Hannibal Square effectively serves as a (lower-cost) extension of Park Avenue. However, the most promising businesses there are ones that arrive with or are capable of establishing a loyal following and destination draw. With exceptions (e.g. Monkee's), these are more likely in food and beverage, where challenges with critical mass and foot traffic can be more easily overcome.

- The stretch of Fairbanks Avenue between Park Avenue and the railroad crossing also offers some spill-over potential, even, it seems, for select comparison goods retailers with destination appeal (e.g. Bang & Olufsen), while also presenting an opportunity to create a more compelling "college-town" environment with amenities that can appeal to the general public as well.

The corridor becomes somewhat more challenging, though, as one proceeds further west. Owners of sites in the vicinity of Orange Avenue are still searching for ways to achieve feasibility within the specifications of the current Overlay District and, in the interim, will likely be leaving underutilized parcels and dilapidated buildings in place.

For now, then, such properties will continue to attract "every-so-often" uses – businesses not patronized regularly but requiring visibility so as to stay front-of-mind for consumers when they periodically need them (e.g. home improvement, bridal, veterinary) – and, to a lesser extent, experimental, low-volume concepts from talented food and beverage impresarios (e.g. Soseki).

- Orange Avenue offers Winter Park's best opportunity to increase its penetration of the "neo-hipster" psychographic, that is, Millennial singles earning moderate incomes today yet well-educated and upwardly mobile. Early adopters drawn to novelty, they value the creative impulse, often gravitating to distinctive "craft" and artisan businesses.

Concentrated in the neighborhoods to the immediate south, this psychographic has been the one primarily responsible for re-energizing the retail mixes in Mills 50, the Milk District and Corrine Drive, and has already established a presence along Orange itself (e.g. Foxtail Coffee's Social House concept, Avalon Exchange, etc.) that can be expanded further.

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Such positioning suggests a direction for the corridor that can work *even if* the current Overlay District leaves most of the existing buildings in place, as it is the cheaper second-generation spaces, sometimes oozing with authenticity, that appeal to and can be afforded by neo-hipster entrepreneurs (versus expensively-priced new construction).

- 17/92 (Orlando Avenue) rises above other automobile-oriented commercial strips like Colonial Drive and Altamonte Springs Drive by adding an upmarket and specialty component to its mix, including medium-box stores that one cannot find just anywhere as well as dining establishments that are destinations in themselves.

Many of the larger-format stores along 17/92 are value-oriented, as affluent consumers *will* patronize a select grouping of such brands, especially off-price fashion retailers (e.g. Marshalls, DSW, Nordstrom Rack) where they can engage in a bit of "sport shopping" but also clearly-marketed ones that cultivate an appeal to the highly-educated (e.g. Trader Joe's).

Also, with first or second-in-market locations of sophisticated chain-lets like Sixty Vines, Bulla Gastrobar, Superica, Chayote, Anejo Cucina Mexicana and Bar Italia, 17/92 seems well-positioned to supplant W. Sand Lake Road or at least match it as the "Restaurant Row" for those living north of the East-West Expressway who wish to avoid the crosstown drive or flashy scene.

The corridor is less likely, on the other hand, to remain a coveted location for the kinds of comparison goods retailers that once filled the smaller inline spaces at Winter Park Village, as today's on-trend concepts appear to favor Park Avenue, leaving the former with a scattering of legacy brands that have been on a downward trajectory for years.

Finally, frontage occupied by doctors' offices and financial advisors dilute and confuse 17/92's identity as a retail strip, offering little of interest to consumers who are not patients or clients, while also potentially raising the barriers-to-entry for the kinds of retail uses that can help the corridor maintain its novelty and differentiation in the marketplace.

- Aloma Corners offers a solid retail mix, with high occupancy, that caters primarily to a local catchment, but tenanting upgrades there are likely to be modest, consisting perhaps of additional sit-down eateries leveraging the evening anchors as well as select mall staples that have been seeking "off-mall" locations at comparatively lower rents.

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Demographics, Psychographics and Trade Areas

To better understand the demographic characteristics of Winter Park residents, we retrieved and interpreted data from ESRI, one of the industry's major data-mining companies that provides 2022 estimates on the basis of information from the U.S. Census Bureau and other sources as well as its own proprietary methodology.

	Winter Park (City)	Orlando CBSA
Population	30,734	2,799,598
Median Household Income	**$92,058**	$67,299
% HH Earning $150K+	**32%**	15%
Median Home Value	**$464,169**	$288,826
% Homes Valued $750K+	**26.1%**	3.5%
% B.A. or Higher	**62%**	35%
% Working in Management, Business, Financial or Professional Occupations	**62%**	40%

Table: Winter Park – Demographic Profile
Source: ESRI, MJB Consulting

Not surprisingly, Winter Park's population boasts much higher household incomes and home values than metro Orlando as a whole, a reflection in part of its educational attainment and occupational profile.

Winter Park is also atypical psychographically for Central Florida, closer in its lifestyles and sensibilities to the communities that predominate along the so-called "Acela Corridor" in the Northeast (from Boston to Washington, D.C.) as well as coastal California.

The biggest spenders are middle-aged married couples who own their homes. Well-educated and well-traveled, they are patrons of "high" culture. As consumers, they favor upscale goods and services but will also shop at select value retailers like Costco, Target and Trader Joe's.

The residents of Winter Park, however, account for just a small percentage of what would properly be understood as its "trade area."

A term of art in the retail industry, trade area refers to the rough geography or polygon within which a given location derives roughly 70% of its customer base. Put in simple terms, it is meant to represent that location's most frequent and reliable patrons. And it does *not* necessarily conform to municipal boundaries.

Moreover, trade areas vary by retail category. For goods and services generally understood as "convenience-driven", like basic groceries, prescription drugs and dry cleaning, the relevant geography tends to be local, and the resulting polygon, relatively small. After all, why drive across town for a CVS if there is one just around the corner?

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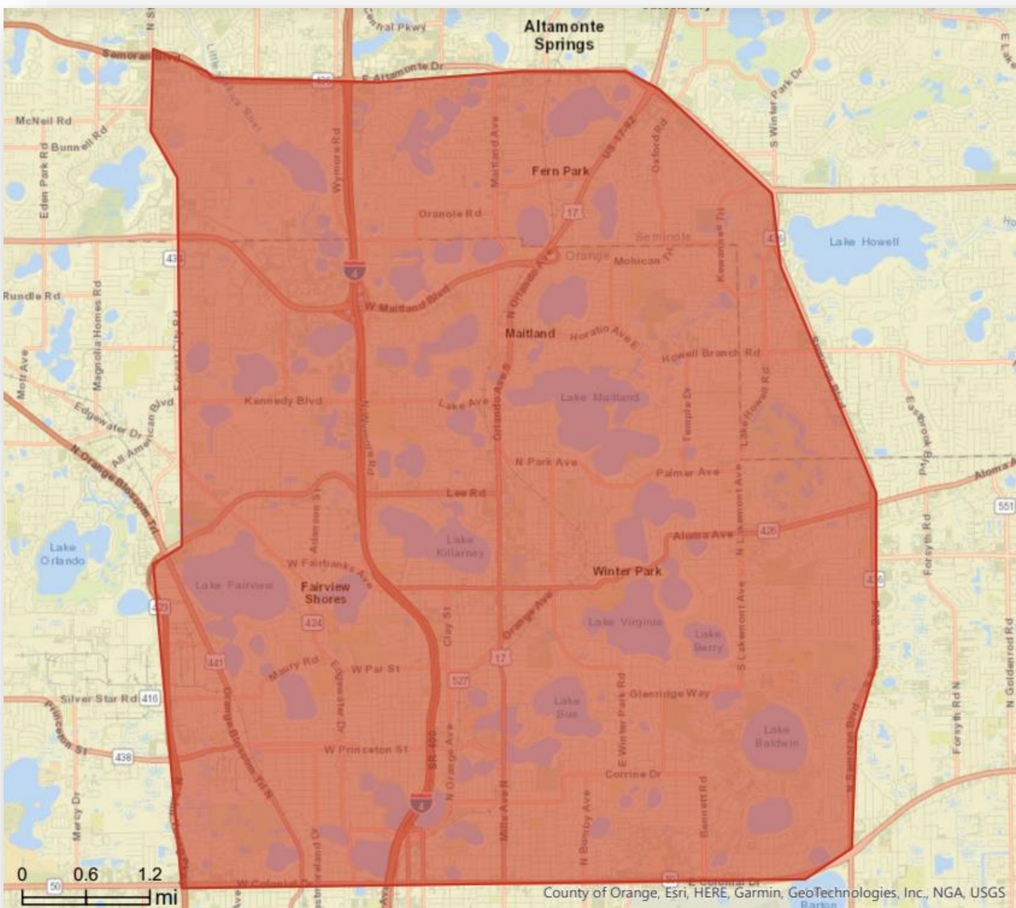
For “comparison goods” such as apparel, footwear or home furnishings, on the other hand, consumers will typically gravitate to centers or districts where they can peruse – indeed, “compare” -- multiple options at a range of styles, price points and levels of quality.

In such categories, there are increasing returns to scale: as a given cluster grows in size, its draw expands both in penetration and geographic reach. Shoppers, for instance, will bypass a standalone clothier and drive further afield for a larger concentration of such stores.

Winter Park is very fortunate that it can pull from well beyond its borders and should welcome such patronage with open arms, for a population of just 31,000 represents but a fraction of the consumer demand needed to support its current inventory of retail space.



Winter Park - Trade Area Polygon
Source: MJB Consulting, GAI Consultants, ESRI

For the sake of this analysis, we have collaborated with GAI Consultants to draw the following polygon as a representation of Winter Park’s true trade area. Its boundaries are

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defined as SR 536 to the north, SR 536 to the east, SR 10 (Colonial Drive) to the south and SR 423 / SR 434 to the west.

Keep in mind that this polygon is *not* meant as a precise rendering, and should therefore not be evaluated as such. Indeed, given what was just said about the range of retail categories, such exactitude is not even possible. Nor, for that matter, is it necessary, for the placement of a boundary along one street versus another a few blocks over is unlikely to make much of a difference. Again, the point here is to arrive at a *general* understanding of those residents whom a given location draws most frequently and reliably, for *roughly* 70% of its sales.[2]

	Winter Park Trade Area	Winter Park (City)
Population	161,634	30,734
Population Change (2010 to 2022)	+24,105	+3,018
Median Household Income	$76,732	$92,058
Median Home Value	$359,662	$464,169
% Working in Management, Business, Financial or Professional Occupations	53%	62%
Median Age	40.6	45.5
% Aged 25 to 44	29%	23%
% Aged 65+	19%	24%

Table: Winter Park Trade Area – Demographic Profile
Source: ESRI, MJB Consulting

Comparing the demographic data of Winter Park's trade area to that of the political jurisdiction, a few significant differences emerge.

One, not only does Winter Park itself represents less than 20% of the trade area's consumer demand, but also, that share continues to decline, as the city accounted for just 12% of the polygon's population growth over the last twelve years. In other words, the communities outside Winter Park proper will loom even larger in the years ahead.

Two, those communities are characterized by comparatively weaker demographics, resulting in trade area medians that, while still well above the metro's, are considerably lower than the city's. This would imply somewhat more of a value orientation than one might associate with Winter Park.

[2] From the other extreme, one might also wonder why the trade area does not comprise the entire metropolitan area. After all, Winter Park pulls from all of Greater Orlando. However, if the polygon were extended across too large of a geography, the data would start to become meaningless. Not only would it include a swath of people who visit Winter Park sparingly, but also, it is large and varied enough that one could find evidence of almost any consumer submarket and for virtually any niche opportunity.

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Three, the age profile beyond the city's boundaries is much younger, with higher percentages in their 20's and 30's as well as lower ones for seniors. This points to an emerging trend, and indeed a larger opportunity, for Winter Park itself, especially along the Orange Ave corridor.

Looking more closely at the psychographics, this cohort can bring an entirely new dimension to Winter Park's retail mix and identity. It consists primarily of Millennial singles earning moderate incomes today yet well-educated and upwardly mobile. Early adopters drawn to novelty, they value the creative impulse, often gravitating to distinctive "craft" and artisan businesses.

The presence of such "Millennial neo-hipsters" within the trade area is not entirely surprising, given that the geography encompasses several Orlando neighborhoods to the north of Downtown where that psychographic appears to have concentrated in the last couple of decades, including Mills 50, Milk District, Audubon Park, College Park and Ivanhoe Village.

Of course, trade area residents constitute just one (albeit the most significant) of the consumer submarkets that inform Winter Park's retail potential.

As noted earlier, Winter Park – especially Park Ave – is also a destination for out-of-town tourists. And while the family-oriented theme park experience is a *very* different one, it is safe to assume that at least some percentage of those visitors would also be interested in what Winter Park has to offer. Even if just 1%, that would equal 500,000 of Disney World's 50 million annual guests.

According to ESRI data, Winter Park also boasted 35,348 daytime workers in 2022, including significant numbers of well-paid employees in professional, scientific and tech services (5,094), finance, insurance and real estate (4,254), information (1,285) as well as medicine (with AdventHealth Winter Park) and higher education (with Rollins College).

Finally, Rollins College reported an enrollment of roughly 3,100 students[3] in the 2020-2021 school year, 2,800 of them full-time and 2,500 of them undergraduates. Its reputation as a school for "rich kids" notwithstanding, 85% receive some form of financial aid. Coeds are once again required to live on campus for at least three years, and the 17 residence halls contained a total of 1,554 beds in 2021.[4]

[3] Note that, except for the (presumably) tiny percentage who commute from housing elsewhere, students – even those living in "group quarters" (i.e. residence halls) – are already counted in the overall Winter Park population.

[4] https://www.thesandspur.org/record-number-of-students-live-on-campus/.

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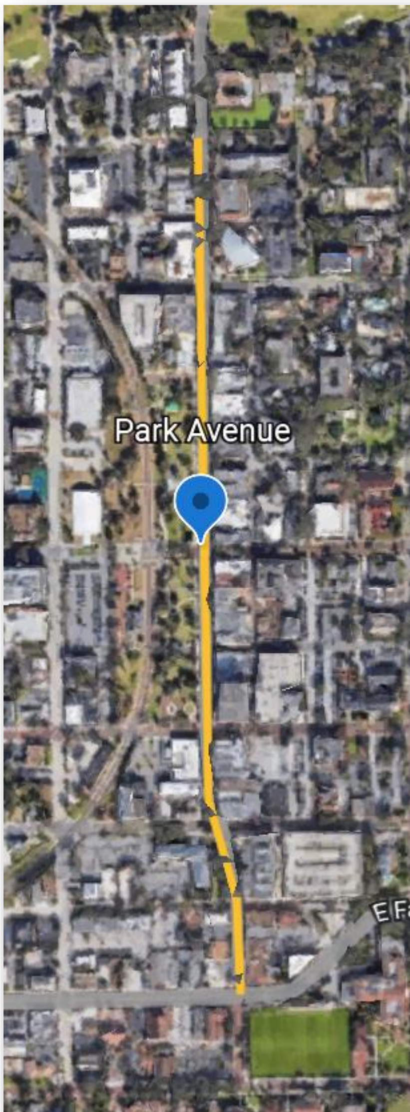
Winter Park's Business Districts and Commercial Corridors

Of course, these consumer segments are not distributed evenly across the study area. Rather, they impact different districts and corridors differently, for a variety of factors, not the least of which is the complex role that the *other* marketplace – the one in which tenants lease (or buy) space from landlords – plays in the ultimate composition of retail mix.

<u>*Park Avenue*</u>



Park Avenue today remains the premier "Downtown" in metro Orlando, the only one that offers a walkable *and* authentic "Main Street" experience with a critical mass of comparison goods retailers.

The Mall at Millennia and the Florida Mall are both, well, enclosed malls. Disney Springs is, well, Disney, which trade area residents largely avoid to the extent possible. And while other Downtowns like Winter Garden and Mt. Dora are no doubt ascendant, they draw primarily with food and beverage, presenting little threat at the moment as shopping destination(s).

Generally speaking, the shopping along Park Avenue targets an upmarket (though not luxury) clientele. Yet while it features retailers that appeal to shoppers middle-aged and older, like Chico's, Lily Pulitzer, J. McLaughlin, Talbots and Eileen Fisher, its diversified collection also plays to younger audiences with concepts like Evereve, Lululemon, Synergy and the Impeccable Pig.

The arrival of Warby Parker is particularly noteworthy. A pacesetter of sorts for the ever-growing number of "digitally-native" brands that started as online-only before expanding into brick-and-mortar, the seller of uber-stylish yet moderately-priced eyewear speaks directly to the aforementioned psychographic of Millennial neo-hipsters and signals a forward-looking, "on-trend" shopping street.

Similarly, with sit-down dining, the mix skews upmarket but has evolved over the years to encompass not just traditional cuisines and atmospheres – like, for instance, BoVine Steakhouse, Prato and Pannullo's Italian – but also, more ethnic and contemporary concepts – such as Bosphorous Turkish Cuisine, AVA MediterrAegean, ORO and Farm + Haus.

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Amidst all of the hand-wringing about retail apocalypse, online competition, pandemic impacts and a looming recession, Park Avenue is that sort of "Class A" location which benefits from the "flight to quality" phenomenon, whereby tenants consolidate in or gravitate to the established market leaders in times of contraction or disruption.

Retailers and restaurants will come and go on Park Avenue, but with demand for a street-level presence far exceeding the supply of this very limited resource, newly-available spaces should backfill, assuming the floorplates are workable and the asking rents are market-appropriate.

Indeed, several Park Avenue businesses closed in the early pandemic months, yet the vacancy rate today is still quite low, with new arrivals like Evereve (replacing the Gap), Warby Parker (Alex and Ani) and Park Avenue Contemporary Art (Lighten Up!) as well as Farm + Haus (Café de France) and AVA MediterrAegean (Luna on Park).

Park Avenue's appeal as a location for comparison goods brands remains so strong, in fact, that its roster *improved* not only amidst COVID-19, but also, at the same time that Casto was redeveloping Winter Park Village on 17/92 and undoubtedly trying to poach or attract such retailers.

Further evidence of its allure can be seen in the spill-over of its energy to intersecting side streets, Hannibal Square and Fairbanks Avenue, where well-capitalized outfits that might prefer a Park Avenue address, like Park Avenue Tavern and Bang & Olufsen, are compelled to locate as a result of the undersupply.

For all of these reasons – the critical mass, the diversification, the flight to quality – Park Avenue's future prospects do not seem to offer cause for concern. Indeed, they actually point to a relatively deep pool of prospective tenants as well as consumer submarkets to further penetrate.

For example, it could conceivably attract other such digitally-native brands, including ones that appeal to the neo-hipster psychographic yet prefer locations along established shopping streets (versus, say, Mills 50). Also, it can potentially build on its collection of home stores (e.g. Pottery Barn, Williams-Sonoma, RH, Park Avenue Contemporary Art, etc.), a category in which existing co-tenancy exerts an especially strong pull.

This is not to say, though, that there is an absence of risk. Perhaps most worrisomely, elevated ground-floor rents threaten to narrow the range of tenants that can afford to locate and remain on the street, which would, in turn, jeopardize or weaken different components of its retail mix.

Contrary to popular belief, landlords are not free to charge whatever they want for their space(s). Rather, rents – or more accurately, occupancy costs (rents plus pass-through expenses like taxes, insurance and maintenance, known as "triple-nets" or NNN) – are supposed to be based on projected gross sales.

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Generally speaking, the rule-of-thumb is 10%. That is, the average retailer will spend no more than 10% of its expected revenue on occupancy costs. If it agrees to more, it risks not having enough to pay for all of its other expenses. The property owner that demands too much, then, will either not land a tenant or sign one likely to fail, resulting in prolonged vacancy or constant turnover.

According to leasing professionals, market rents on Park Avenue typically fall between $55 and $65 per sq ft, with an additional $10 to $12 per sq ft in NNN – translating to occupancy costs between $65 and $77 per sq ft. In order to afford such a lease, a retailer would need to generate $650 to $770 per sq ft in annual sales.

Based on calculations by GAI Consultants, shops selling clothing and accessories on Park Avenue are currently grossing $503 per sq ft, and ones offering home furnishings, $465 per sq ft. Theoretically, then, they can handle $39 and $35 per sq ft, respectively – far below the current $55 to $65 per sq ft.

Coupled with the stubborn narrative of “retail apocalypse”, this will reinforce the longer-term trend in favor of food and beverage tenancy, which, largely due to sales of high-margin alcoholic beverages, can justify and sustain rents that are as much as 50% higher.

Historically this has been held in check by the constraints on converting shop space to restaurants, namely, the requirement to provide parking as well as the hefty costs associated with scratch-built kitchens. However, Artistry Restaurants’ plans for 500 S. Park Avenue suggest that these might no longer be adequate as deterrents.

Of course restaurants are sexy, especially in our foodie-obsessed culture. Indeed, as noted earlier, so much of what defines today’s up-and-coming competitors and concerns local stakeholders about their rise is the on-trend eateries, food halls and the like.

The trend, however, is *not* consequence-free. If spaces are converted to dining, that will mean less space for shopping. And again, with comparison goods, a shrinking collection reduces the appeal both to consumers, who want the many options, and prospective tenants, which are drawn to the co-tenancy.

The danger with critical mass is that it is relatively easy to lose but very difficult to create (or regain). Once a given location falls below that threshold, the gravitational pull of larger clusters starts to work against it – especially amidst a flight to quality. That’s partly why once-vital malls can unravel so quickly.

The uniqueness and strength of Park Avenue’s retail mix is not so much in its food and beverage – which most of its rivals offer as well – but in its concentration of comparison goods retailers and the synergies resulting from the combination of the two. To lose *that* would, in a sense, bring it back to the pack.

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The retail industry today speaks to the importance of dining as a driver for shopping, but the reverse is also true, if not even more so. Especially in high-rent settings, restaurants need more than just the dinner trade, and it is the destination shopping that helps to provide the daytime traffic.

This gets to the notion of “dwell time.” Mall owners have long understood that consumers spend more money in a given location when they stay there for longer. Such centers are planned, tenanted and programmed – with food courts, restrooms, child-play areas, phone-charging stations, etc. -- so as to ensure that the visitor never has a reason to leave, as it is assumed that once they do, they will not return.

Indeed, this was likely part of the reasoning for Disney’s decision in the 2010’s to double down on what is now Disney Springs with a major expansion of retail space that would keep visitors from leaving the Disney World ecosystem for the Mall at Millennia, the Florida Mall or the nearby outlet centers. Park Avenue does not have the room for something like that, but it can make sure to keep what it has.

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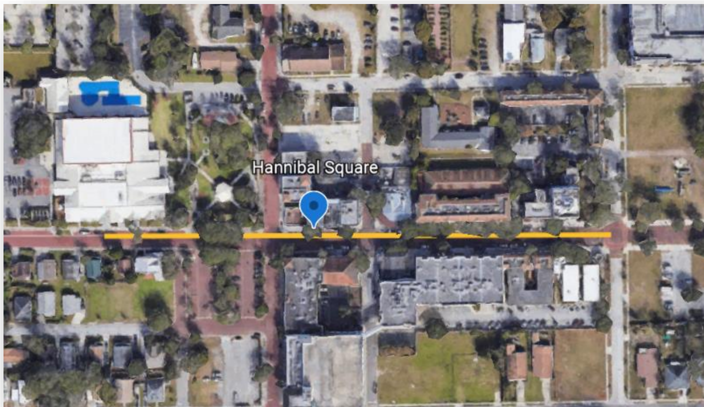
Hannibal Square



Hannibal Square effectively serves as an extension of Park Avenue, providing, like the latter's side streets, nearby alternatives for tenants which might have ideally wanted to locate there but could not find a suitable space and/or deal. Rents along the 0.13-mile stretch of New England Avenue typically fall in the mid to high $30's per sq ft.

The arrival of Park Avenue Tavern offers a recent example of this phenomenon: IGC Hospitality, the New York City-based restaurant group, was initially looking at a second-generation restaurant space on Park Avenue but when that was taken, it then turned its attention to Hannibal.

There are tradeoffs, of course. Visibility is considerably lower, and foot traffic, lighter. The breakfast and lunch dayparts are slow. The district is modest in size and, given the abutting residential uses, unlikely to expand much. And while Park Avenue is technically well within walking distance, the pedestrian connection is weakened by the intervening blocks.

The result is a tendency towards office uses at street level (which pay top-dollar rent, fund their own build-outs, offer better credit, etc.) as well as a retail mix with a far more local orientation – which is, to some, part of its appeal. Indeed, residents from nearby neighborhoods delight in the proximity (vis-à-vis, say, restaurants along 17/92) as well as the free parking and in-and-out access (in contrast to Park Avenue).

And while its history presents unique economic and social complexities, today's Hannibal Square, with its brick streets, attractive buildings and tree canopies, is an undeniable achievement, thanks to the catalytic efforts of pioneering developers and businesses.

With the aforementioned limitations, though, not just any category, concept or operator can survive there. The most promising businesses are ones that arrive with or are capable of establishing a loyal following and destination draw. And while there are notable exceptions like Monkee's, these are more likely in food and beverage, where challenges with critical mass and foot traffic can be more easily overcome.

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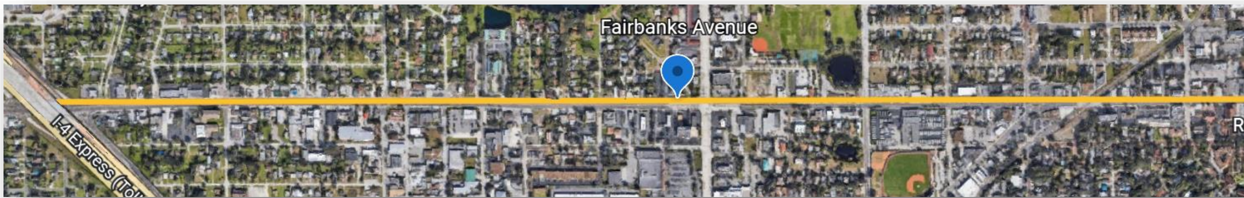
Fairbanks Avenue



The stretch of Fairbanks Avenue intersecting with and just to the west of Park Avenue also offers some spill-over potential, even, it seems, for select comparison goods retailers with destination appeal (and thus, comparatively less reliance on foot traffic), with the arrival of Bang & Olufsen, a high-end electronics brand, in the old PNC Bank space at New York Avenue.

The two long blocks between Park Avenue and the railroad crossing also present an opportunity to create a more compelling "college-town" environment for the roughly 3,100 students at Rollins, especially since the College owns a good portion of the real estate and has, it would seem, both the incentive and the operating margins to think even more broadly about its retail tenanting.

This need not imply a downmarket strip of rowdy bars and fast food. Indeed, many such communities have leveraged the presence of a major educational institution to attract amenities that the broader public can also enjoy, like the hybrid college / general bookstores that Barnes & Noble College Booksellers have opened across the country.

Fairbanks Avenue becomes somewhat more challenging as a retail location, though, as one proceeds further west. The corridor offers visibility to passing motorists, which number roughly 23,500 per day to the east of 17/92, rising as high as 42,000 in the vicinity of the I-4 interchange. Right now, however, only the properties at the intersection with 17/92 itself hold much appeal to prospective tenants.

Part of the problem stems from daytime traffic congestion, with left-hand turns for eastbound motorists particularly trying. But also, Fairbanks Avenue still suffers from a negative brand image that precludes it from benefitting from 17/92 spill-over (see section on 17/92 below). And assemblage of larger parcels is challenged by all of the small and shallow lots, constrained by surrounding homes and allegedly inflated in asking price.

There are some exceptions to this pattern, most notably in the vicinity of the intersection with Orange Avenue, though property owners there are still searching for ways to achieve feasibility within the specifications of the current Overlay District and, in the interim, will likely be leaving underutilized parcels and dilapidated buildings in place.

Such stasis could actually provide opportunities to expand the neo-hipster niche that has been emerging (see section on Orange Avenue below), though it could also undermine

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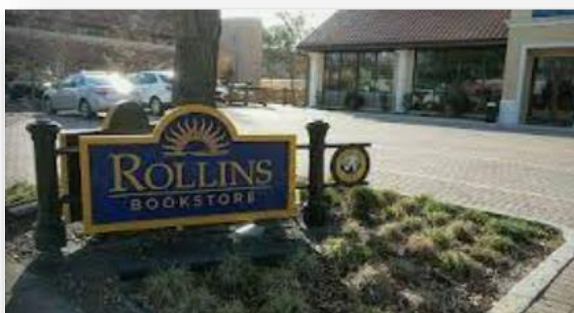
ongoing efforts to improve the aesthetic of the corridor, as the gateway for visitors using its I-4 exit en route to from Park Avenue as well as a more palatable alternative for prospective tenants unable to gain a foothold along 17/92.

In the meantime, Fairbanks Avenue west of the railroad crossing might need to content itself in most cases with “every-so-often” uses. This refers to a type of business that is not patronized regularly but that requires visibility on a heavily-trafficked road so as to stay front-of-mind for consumers when they periodically need the particular good or service.

Examples include home improvement stores, bridal salons as well as medical, dental and veterinary clinics – all of which exist there today. More rarely, it could mean experimental, low-volume concepts from talented food and beverage impresarios who cannot afford and/or do not need a Park Avenue or 17/92 location, like Mike Collantes and his 10-seat, Michelin-starred Soseki Modern Omakase.



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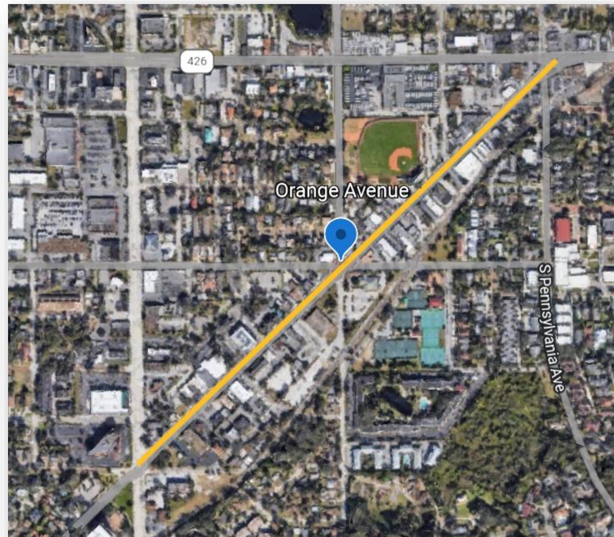
<u>*Orange Avenue*</u>



With decent traffic counts of roughly 19,000 cars per day, the nearly mile-long stretch of Orange Avenue running diagonally from 17/92 (Orlando Avenue) to Fairbanks Avenue has also become popular for such every-so-often uses, including home design and improvement businesses (e.g. The Lumber Yard, at 784 Orange Avenue) as well as medical offices.

That said, the corridor offers Winter Park's best opportunity to increase its penetration of the aforementioned psychographic of Millennial neo-hipsters, concentrated in the neighborhoods to the immediate south. In this sense, its tenant mix could follow along the lines of, say, Mills 50, the Milk District or Corrine Drive.

To some degree, Orange Avenue would be drawing this submarket as a destination, in that, as noted earlier, Winter Park itself contains lower percentages of 25-to-44-year-olds than its surroundings. However, neo-hipsters already predominate in the precinct to the west of 17/92 (Orlando Avenue) and south of Fairbanks Avenue.

Furthermore, their number could rise over time, as the Millennial generation is now entering family-formation stage and looking to the suburbs, a migration that was accelerated (or pulled forward) by the pandemic. In this sense, they are among Winter Park's next wave of homebuyers and owners.

These suburbanizing neo-hipsters want not just the expected amenities – Target, Starbucks and Chipotle, for instance – but also, some of the ones that they are leaving behind. In contrast, that is, to past generations, they wish to bring a little urbanity along with them.

They want the artisanal coffeehouses, the craft brewpubs, the contemporary eateries and the food halls, in repurposed historic buildings. They want the eclectic shops and vintage boutiques that enable them to fashion their own unique looks and styles. They want the third places and public spaces where they can gather and engage.

Indeed, some of this already exists along Orange Avenue, at Foxtail Coffee's Winter Park Social House concept (with Swine and Sons, The Courtesy, etc.), The Local Butcher and

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Market, Avalon Exchange, Goodwill Boutique and Hellcats. (And of course, The Ravenous Pig started there before moving to Fairbanks Avenue).

Doubling down on the niche makes sense on a number of levels. First, to the extent that these are consumers who do not currently live in Winter Park but are spending their money there, they provide a means for retail sales to increase *without* the additional growth and higher densities to which some residents are adamantly opposed.

Two, such a cluster sends a symbol to these well-educated, upwardly-mobile professionals that, whatever they might have thought of Winter Park before, they would be able to find like-minded people in the community if they choose to buy a home there – which could help to boost the local housing market in the longer term.

And three, such positioning suggests a direction for the corridor that aligns with the current Overlay District, which, according to landowners and brokers, disincentivizes large-scale redevelopment, thus leaving most of the existing buildings in place, with their cheaper second-generation spaces, sometimes oozing with authenticity.

This sort of inventory is precisely what appeals to neo-hipster businesses, not just because they share their customer's sensibilities – like Alex Tchekmeian, who renovated an old auto-body shop for his Foxtail Farmhouse (now Social House) concept -- but also since many of them are smaller-scale and in need of affordable rents. In contrast, more expensively-priced new construction usually fills with credit tenants in a narrow range of categories.

All of that said, aspirations should remain modest. There are just a limited number of opportunities left along Orange Avenue, some of them saddled with access and parking challenges. At the same time, such neo-hipster businesses must compete for space with better-capitalized, more creditworthy medical and office uses drawn to the proximity to AdventHealth Orlando (f.k.a. Florida Hospital).

Moreover, the Orange Avenue corridor might not be the ultimate goal for businesses that require more room and/or higher profile. It served as an incubator of sorts for Ravenous Pig, which ultimately relocated to Fairbanks Avenue. Meanwhile, both Warby Parker and Farm & Haus went straight for Park Avenue.

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Foxtail expanding Winter Park location, invites Swine and Sons, Kelly's, and The Courtesy to the party

by BRENDAN O'CONNOR
APRIL 14, 2022

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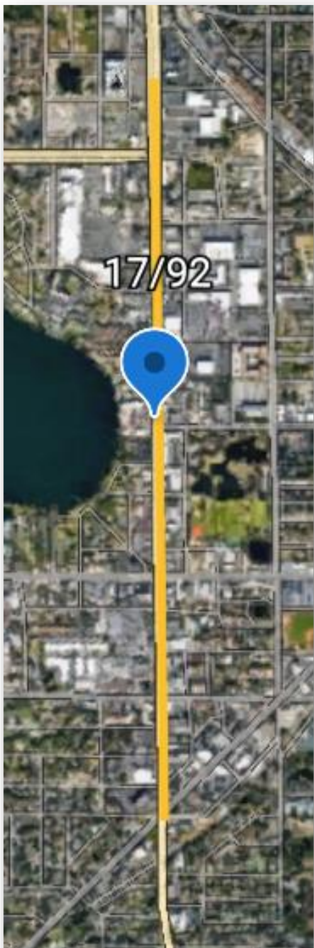
17/92 (“The Golden Mile”)



In one sense, the 17/92 corridor is a typical automobile-oriented commercial strip, with its large and deep parcels as well as its high traffic counts of 40,000+ cars per day providing both the space and the visibility for a lengthy roster of medium-box anchor stores, sit-down restaurants, fast-casual eateries and other such staples.

Theoretically, these sorts of corridors are the ones most vulnerable to the rise of e-commerce, inasmuch as their medium boxes – which typically fuel the food and beverage -- focus heavily on commodity goods and compete on the basis of attributes, like convenience and selection, in which they are outflanked by Amazon and other online retailers.

17/92, however, rises above the Colonial Drive’s and Altamonte Springs Drive’s by adding an upmarket and specialty component to its mix, including dining establishments that are destinations in themselves. And while it is thriving now, its longevity might ultimately depend to some degree on a continuation of this trajectory.

Yes, it has Publix – two of them, in fact – but also, Whole Foods Market, Trader Joe’s, Wild Fork and Fitlife Foods. Yes, it includes an LA Fitness but also, soon, a 90,000 sq ft “athletic country club” called Life Time Fitness. Yes, it contains a Marshalls, a Ross and a DSW, but also, a Nordstrom Rack. Not Dick’s, but REI. Not Rooms To Go, but Arhaus.

These are brands which one cannot find on every suburban strip across metro Orlando, thereby expanding 17/92’s reach. And it is worth noting as well that many of them *are* value-oriented. Affluent consumers *will* patronize a select group of these stores, especially off-pricers like Marshalls, DSW and Nordstrom Rack where they can engage in a bit of “sport shopping.”

Meanwhile, the 17/92 corridor can point to the likes of Cheesecake Factory, Olive Garden and Miller’s Ale House as well as upscale stalwarts such as Hillstone and Ruth’s Chris, but in recent years it has also been adding a slew of sophisticated chain-lets such as Sixty Vines, Bulla Gastrobar, Superica, Chayote, Anejo Cucina Mexicana and Bar Italia.

For some of these concepts, the Winter Park location is their first in metro Orlando; for others, it is their only one besides Dr. Phillips. Indeed, 17/92 seems well-positioned either

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to supplant W. Sand Lake Road or at least to match it as the “Restaurant Row” for those who live north of the East-West Expressway and would rather avoid the crosstown drive or flashy scene.

The emphasis on differentiation even extends to fast-casual food and beverage, where, along with the usual suspects, 17/92 distinguishes itself with first-in-market concepts like Café Don Juan, Paris Baguette, Rise Southern Biscuits & Righteous Chicken, Crisp & Green, Jeni’s Splendid Ice Cream and Bitebound as well as locations of Guy Fieri’s Chicken Guy! and Danny Meyer’s Shake Shack.

The corridor’s ability to extend Winter Park’s draw well beyond its boundaries is also enhanced by its crop of local independents that cannot be found anywhere else, including Rocco’s Italian Grille, The Glass Knife, Light on the Sugar and San Julian’s Hills Coffee.

17/92’s success in attracting so many distinctive eating and drinking establishments is at least partly a function of spill-over from Park Avenue. But also, the corridor appeals to those operators that place comparatively greater value in automobile access and parking as well as the shadow anchor of a Regal Cinemas multiplex.

17/92 is less likely, on the other hand, to remain a coveted location for the kinds of comparison goods retailers that once filled the smaller inline spaces at Winter Park Village. The center clearly struggled to attract today’s on-trend concepts as part of its recent re-tenanting effort, with several heading to Park Avenue instead, which leaves it with a scattering of legacy brands that have been on a downward trajectory for years.

Going forward, the corridor faces a dwindling number of developable sites -- the stretch known as the “Golden Mile” is, after all, only a mile long – and extremely high land costs. And especially with the proximity to AdventHealth Orlando, retail must also compete for such limited space with medical and office uses that can generally afford to pay more and offer better credit.

These dynamics pose two challenges. First, frontage occupied by doctors’ offices and financial advisors dilute and confuse 17/92’s identity as a retail strip, offering little of interest to consumers who are not patients or clients. And second, the presence of such uses raises still further the barriers-to-entry to the kinds of smaller-scale businesses that can add to the corridor’s novelty and differentiation.

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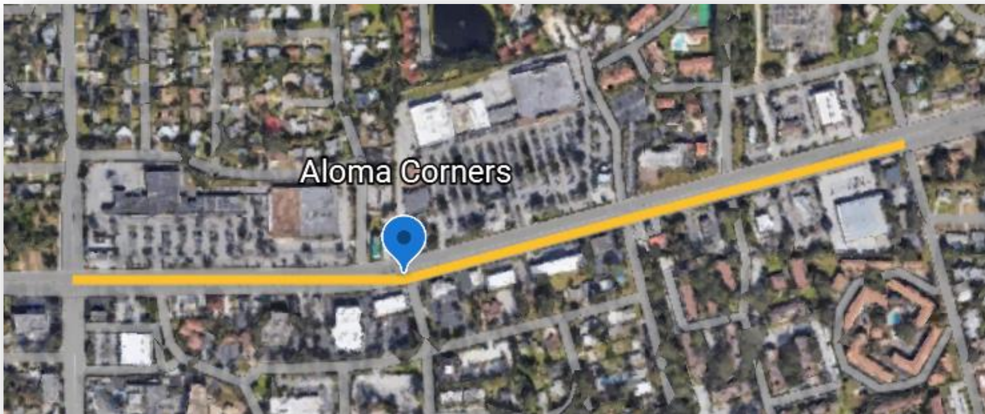
Aloma Corners



The retail strip along Winter Park's heavily-trafficked stretch of Aloma Avenue east of its intersection with Lakemont Avenue primarily serves a local catchment, with a host of essentials and conveniences for residents from adjacent neighborhoods as well as workers and visitors of AdventHealth Winter Park (f.k.a. Winter Park Memorial Hospital).

It is anchored by two supermarkets, Publix and Sprouts Farmers Market, as well as two large-format drug stores. It also features an assemblage of casual sit-down restaurants, fast-casual food and beverage concepts as well as storefront medical and wellness uses. The mix is a solid one, with high occupancy.

Yet while it contains a handful of evening draws that can pull from further afield (e.g. Aloma Cinema Grill, Aloma Bowl, Outback Steakhouse, etc.), and while Sprouts might also be capable of a wider reach, Aloma Corner's potential is constrained by its low profile, the limitations of surrounding residential as well as somewhat weaker demographics to the east.

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Tenanting upgrades, then, are likely to be modest, consisting perhaps of additional sit-down eateries leveraging the evening activity as well as select mall staples that have been seeking "off-mall" locations at comparatively lower rents.

Next Steps

Again, the goal of this Phase I has been to assess Winter Park's retail potential as based on an understanding of its opportunities and challenges strictly from the market and real estate perspective – *independent of and prior to* assessing it from the standpoint of practical implementation.

Phase II would delve more deeply into the matter of whether and to what extent existing zoning / land-use controls, incentive packages, regulatory processes, marketing efforts and other programs are sufficient to the task of realizing such potential.

Specifically, the Phase II deliverable would be an implementation plan that provides guidance on a specific role for the City (and offers recommendations for other relevant stakeholders, including property owners), then details what this would mean in terms of frameworks, policies, investments, initiatives and partnerships.

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