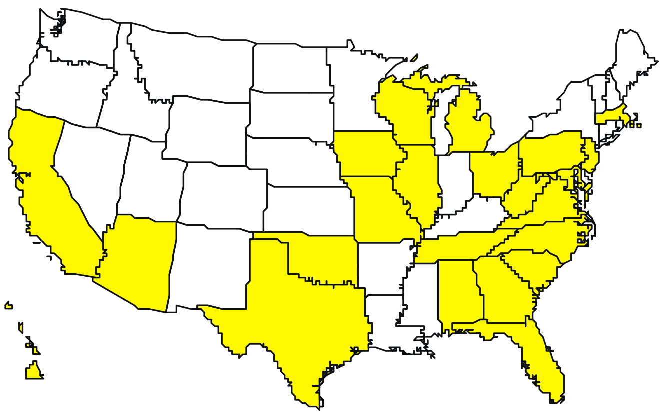
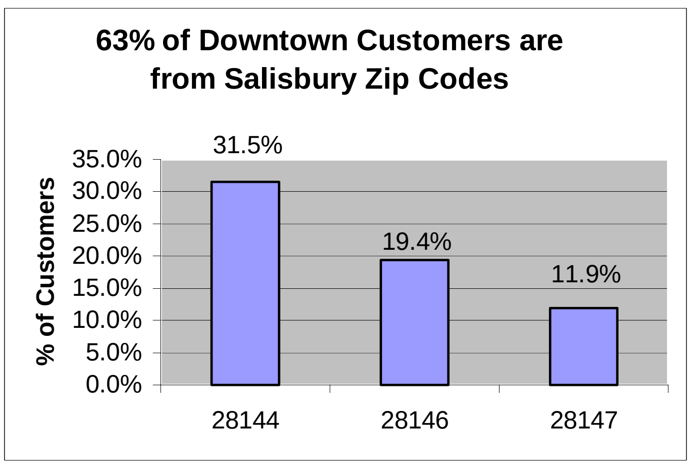
DEFINING DOWNTOWN SALISBURY'S RETAIL TRADE AREA

ZIP CODE SURVEY OF CUSTOMERS





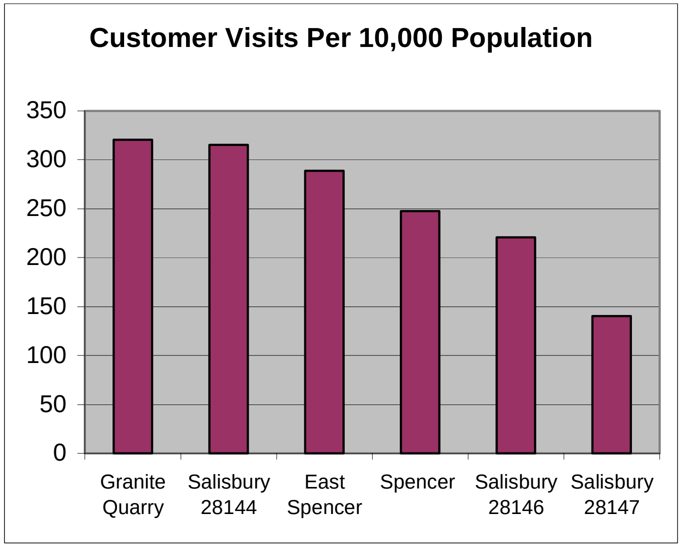
For purposes of market analysis and planning it is important that we identify our customers, define their demographic and economic characteristics, and delineate their geography. By doing so, we can better serve the needs of existing customers, identify opportunities to serve new customers, and target marketing efforts to chosen customer groups.

During one week in September 1999, sixteen downtown Salisbury businesses recorded the zip codes of their customers. The businesses represented a cross section of the downtown retail community: businesses serving the day-to-day needs of local residents; specialty businesses attracting customers from a broad area; and restaurants serving local residents and visitors.

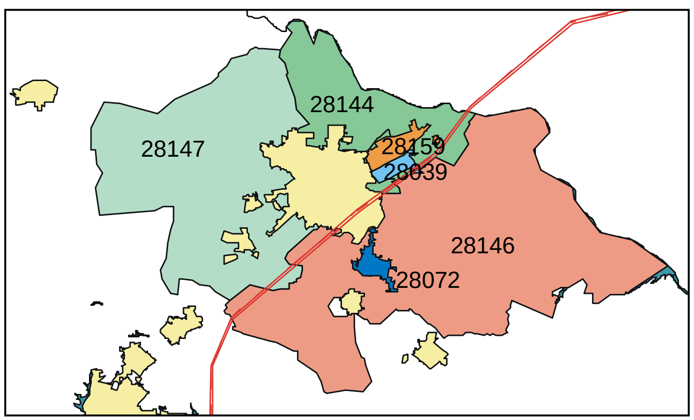
In all, 2,303 customer visits were recorded. During this one-week period, customers from 208 different zip codes and one foreign country were identified in downtown Salisbury. These customers came from 24 states.

Sixty-three percent (63%) of all customer visits came from Salisbury zip codes 28144, 28146, and 28147. Half of these visits (31.5% of total customer visits) came from the 28144 zip code, an area that comprises most of the urban core of Salisbury. Not surprisingly, the three Salisbury zip codes are the heart of downtown Salisbury's market area.

Salisbury abuts several smaller communities with separate zip codes: Spencer (29159), East Spencer (28039), and Granite Quarry (28072). These zip codes accounted for 4.1%, 2.4% and 3.2%, respectively, of all recorded customer visits, a small fraction of the visits from the three Salisbury zip codes. When customer visits are viewed on a per capita basis, however, it is clear customers living in these three zip codes are key components of downtown Salisbury's retail market. The chart at left shows customer visits per 10,000 population. By this measure, residents of



Residents of other local towns are among the most loyal customers of downtown Salisbury.



Salisbury's Primary Trade Area

Granite Quarry are the most dependable customers of downtown Salisbury, with East Spencer and Spencer not far behind.

Based on these findings, downtown Salisbury's primary retail trade area is defined as the following 6 zip codes. A map of the primary trade area appears to the left.

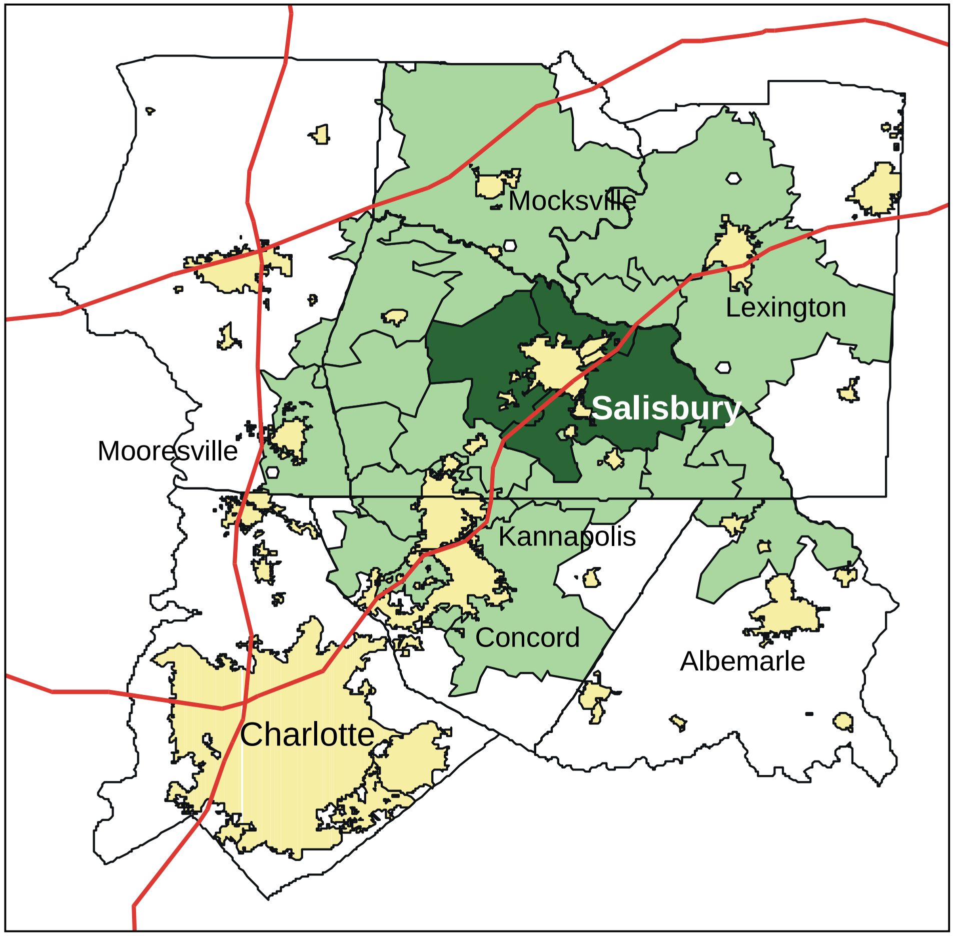
- Salisbury 28144
- Salisbury 28146
- Salisbury 28147
- Granite Quarry 28072
- East Spencer 28039
- Spencer 28159

Nineteen zip codes listed in the table on the following page produced at least 10 customer visits or 10 visits per 10,000 population. In all, 347 customer visits (15.1% of the total) originated in these zip codes. Combined, these 19 zip codes are defined as downtown Salisbury's secondary trade area.

The map on the next page shows the extent of Salisbury's primary and secondary trade areas (together, the "combined trade area"). From this area come 87.5% of all downtown customers. Downtown Salisbury's market area occupies most of the area between Charlotte and the three principle cities of the Triad. Relatively few customers come from these larger cities, which is somewhat surprising given the very large populations.

Only 12.5% of all customer visits came from outside the combined trade areas. The Charlotte area (zip codes beginning with 280, 281 or 282, excluding zip codes in the primary or secondary trade areas) provided 3.4% of all customer visits. The Triad area (zip codes beginning with 270, 271, 272, 273, and 274, excluding zip codes in the primary or secondary trade areas) accounted for 3.2% of all customer

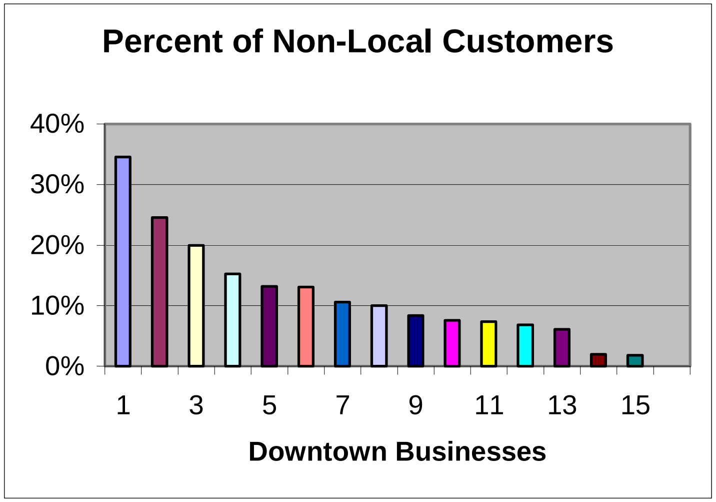
Zip Code	Name	Customer Visits	Population	Visits per 10,000 Pop.
28041	Faith	16	1,791	89
28125	Mt. Ulla	13	2,113	62
28138	Rockwell	54	9,040	60
28023	China Grove	73	13,638	54
27504	Woodleaf	12	2,331	51
28071	Gold Hill	9	2,207	41
27103	Cleveland	20	4,987	40
28137	Richfield	7	2,679	26
27299	Linwood	10	5,699	18
28088	Landis	6	3,772	16
28127	New London	7	6,311	11
28081	Kannapolis	17	21,983	8
27292	Lexington	22	32,801	7
27028	Mocksville	20	32,583	6
28083	Kannapolis	10	18,896	5
28025	Concord	17	36,127	5
28027	Concord	13	29,899	4
28115	Mooresville	11	25,430	4
27295	Lexington	10	31,295	3



The Other 12.5%

- Charlotte area (NC only): 3.4%
- Greensboro-Winston area 3.2%
- Raleigh-Durham area 0.6%
- Other North Carolina 1.7%
- Other states 3.6%

visits. The Raleigh-Durham area (zip codes beginning with 275, 276 and 277) generated 0.6% of all customer visits. All other parts of North Carolina produced 1.7% of customer visits and all other states were home to 3.6% of all customers.



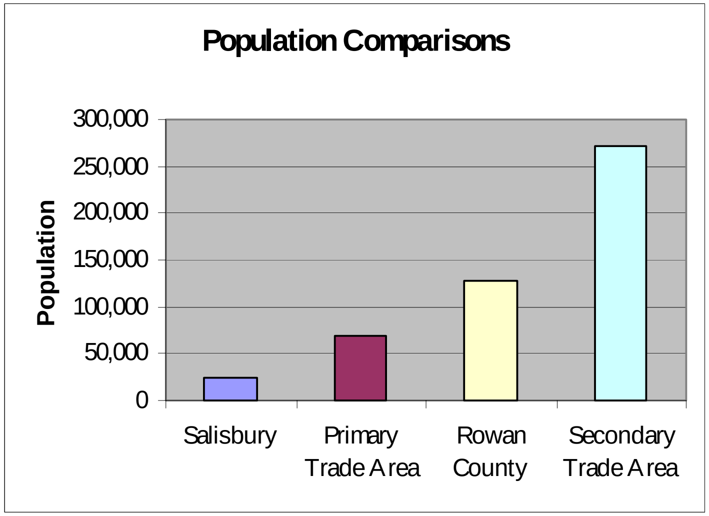
Most businesses in downtown Salisbury attract relatively few customers from out-of-town.

Only one business in the survey had more than 25% of its customers from outside the combined trade area (see chart on left). This finding is somewhat surprising given the strong concentration of antiques, gifts and other shops that should appeal to a broad market area, and given the proximity of Salisbury to very large populations centers at Charlotte and the Triad. At the very least, the data suggest that good opportunities exist for downtown Salisbury to expand its market penetration in nearby cities.

TRADE AREA ANALYSIS

POPULATION GROWTH

With an estimated 1999 population of 69,811, downtown Salisbury's primary trade area is about three times as large as the City of Salisbury. The six zip codes that comprise the primary trade area include one-half of the population of Rowan County.

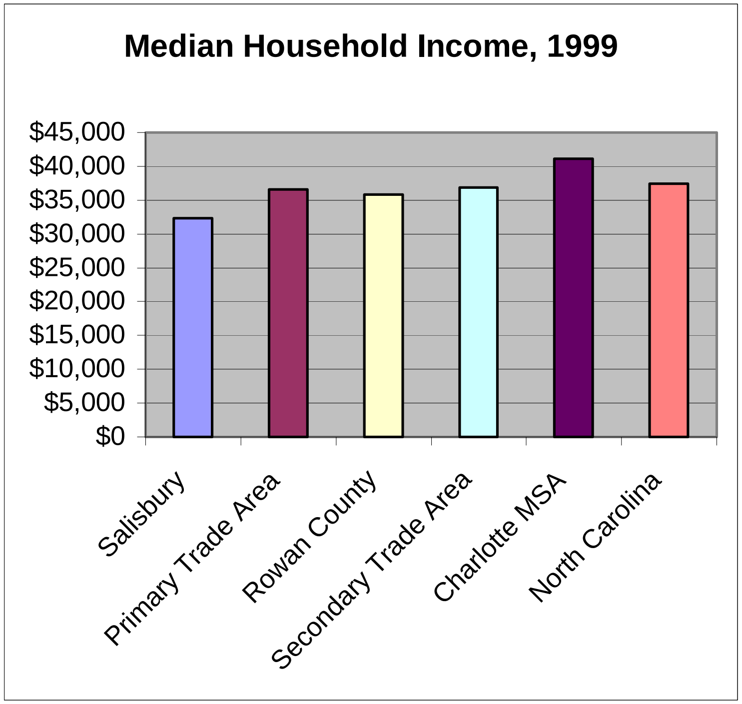


Population	1990	1999	2004
Salisbury	23,107	23,334	23,386
Primary Trade Area	**63,238**	**69,811**	**72,558**
Rowan County	110,605	126,940	133,853
Secondary Trade Area	**226,881**	**271,114**	**294,639**
Charlotte MSA	1,162,093	1,405,961	1,520,591
North Carolina	6,628,637	7,634,160	8,169,759

The secondary trade area, covering portions of six counties surrounding Salisbury (see map on page 16), has an estimated 1999 population of 271,114. About 21% of the residents of the secondary trade area live in Rowan County. The secondary trade area has nearly 4 times the population of the primary trade area.

The secondary trade area is growing at a rate (19.5%) that is nearly double the primary trade area. The most rapid growth by far is to the south and west of Salisbury in parts of Cabarrus, southern Rowan and Iredell Counties that are nearest to Charlotte.

Population Growth	% Growth 90-99	% Growth 99-04
Salisbury	1.0%	0.2%
Primary Trade Area	**10.4%**	**3.9%**
Rowan County	14.8%	5.4%
Secondary Trade Area	**19.5%**	**8.7%**
Charlotte MSA	21.0%	8.2%
North Carolina	15.2%	7.0%



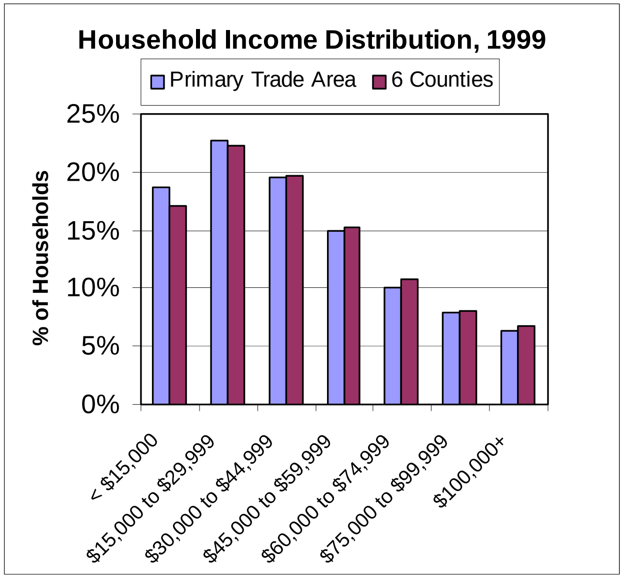
Median household income in the City of Salisbury is somewhat lower than in surrounding areas.

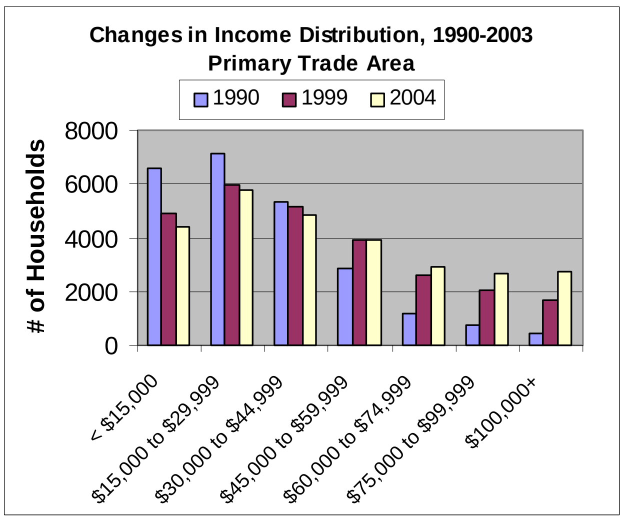
INCOME CHARACTERISTICS

Household income levels in the primary trade area are substantially higher than in the City of Salisbury and slightly higher than Rowan County. Median household income levels in the secondary trade area are similar to the primary trade area – significantly higher than Salisbury, and slightly less than North Carolina.

Median Household Income	1989	1999	2004
Salisbury	$23,971	$32,365	$35,831
Primary Trade Area	$26,564	$36,539	$40,178
Rowan County	$25,718	$35,815	$40,196
Secondary Trade Area	$27,385	$36,867	$40,820
Charlotte MSA	$29,058	$41,153	$47,139
North Carolina	$26,694	$37,433	$42,439

Income growth in the primary trade area is somewhat slower than in Rowan County or North Carolina. Income growth in the secondary trade area has also been somewhat slow over the past decade. This is a difficult statistic to interpret without having more specific information about different locations and jurisdictions. It seems unlikely that areas to the south and west of Salisbury that are experiencing rapid population growth are not also experiencing significant income growth as well.





Income Growth	% Growth 90-99	% Growth 99-04
Salisbury	35.0%	10.7%
Primary Trade Area	**37.6%**	**10.0%**
Rowan County	39.3%	12.2%
Secondary Trade Area	**34.6%**	**10.7%**
Charlotte MSA	41.6%	14.5%
North Carolina	40.2%	13.4%

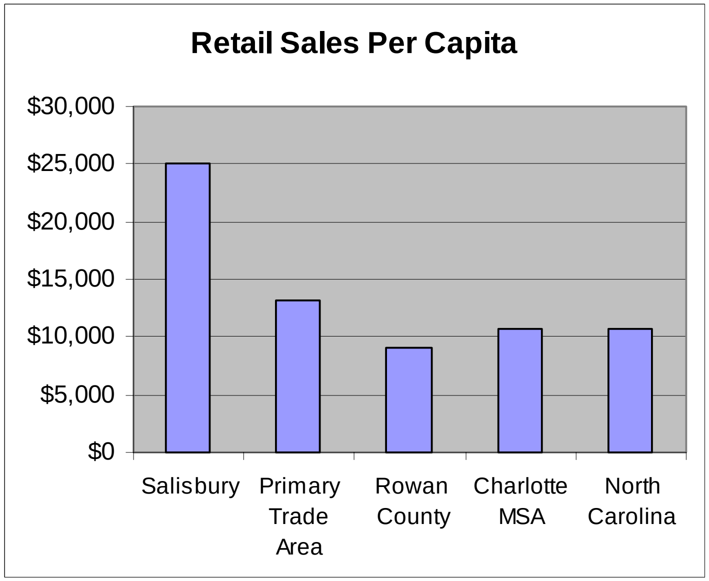
As compared to the six surrounding counties (see Chapter Two), the primary trade area has more low-income households and fewer high-income households. Patterns of income distribution in the primary trade area are shifting rapidly however. Between 1990 and 1999, the number of households with incomes of less than $30,000 has fallen by 21%. During this same period, the number of households with incomes of $75,000 or more has grown by 211%. Rapid growth in the number of high-income households is expected to continue for the foreseeable future. The growth of upper income households represents an important market opportunity for downtown Salisbury.

THE PRIMARY TRADE AREA AS A RETAIL MARKET

The primary trade area accounts for $917.4 million in retail sales. Of this total, 64% of sales occur in the City of Salisbury and 36% in the outlying areas. Salisbury, with retail sales per capita nearly double the primary trade area, is clearly the area's retail hub. The primary trade area produces 80% of all retail sales in Rowan County.

Retail Comparisons	1999 Sales	Population	Sales Per Capita
Salisbury	$585,000,000	23,334	$25,071
Primary Trade Area	$917,400,000	69,811	$13,141
Rowan County	$1,148,000,000	126,400	$9,082
Charlotte MSA	$15,011,013,000	1,399,200	$10,728
North Carolina	$81,141,326,000	7,600,900	$10,675

Source: Claritas



Salisbury is a strong retail center with per capita retail sales more than twice Rowan County.

RETAIL CHARACTERISTICS OF THE PRIMARY TRADE AREA

The primary trade area contains 548 retail businesses that, combined, employ more than 6,700 people. Thus, the importance of retail trade to the local economy is immense. Most (478) of these retail businesses are small businesses employing 20 or fewer people. Grocery stores, automotive-related stores, and restaurants are the largest components of the Salisbury area's retail market. In the retail analysis that follows, automobile sales and service activities are excluded from the analysis as retail categories that do not fit well into the dense, urban fabric of downtown Salisbury.

The primary trade area accounts for 14.9% of all retail trade in the six counties surrounding Salisbury, and 16.0% of the retail categories selected as most relevant to downtown Salisbury. To place this in context, residents of the primary trade area account for 11.7% of the total population of the 6 counties. Certain retail categories achieve a retail share (16.0% or more) that is equal to or greater than the trade area as a whole. These strong retail sectors include:

- Hardware stores;
- Department stores;
- Grocery stores;
- Specialty food stores;
- Household appliances;
- Radio, TV, electronics;
- Computers, software
- Recorded music;
- Sporting goods;
- Book stores;
- Stationary stores; and
- Camera/photo supply.

SIC Code	Primary Trade Area Business Description	Total Estab.	Total Employ.	Estab. 20+ Emp.	Sales (in millions) PTA	6 Counties	PTA Share (%)
RET	ALL RETAILING (SIC 52-59)	548	6724	70	917.4	6158	14.9%
	SELECTED RETAIL CATEGORIES BELOW	439	5617	59	642	4014	16.0%
52	SELECTED BLDG MAT'RL/GARDEN SUP.	17	286	4	41.7	469	8.9%
521	LUMBER AND OTHER BUILDING MAT'RLS	6	132	3	16.6	316	5.3%
525	HARDWARE STORES	3	122	1	19.5	88	22.2%
526	NURSERIES & GARDEN SUPPLY STORES	8	32	0	5.6	65	8.6%
53	GENERAL MERCHANDISE STORES	13	712	5	78.4	455	17.2%
531	DEPARTMENT STORES	10	693	5	77.1	440	17.5%
54	FOOD STORES	70	1776	12	301	1279	23.5%
541	GROCERY STORES	54	1664	11	291.3	1228	23.7%
542	MEAT & FISH MARKETS, FREEZER PROV	3	18	0	2.9	10	29.0%
543	FRUIT AND VEGETABLE MARKETS	2	6	0	1.2	13	9.2%
544	CANDY, NUT, & CONFECT'NERY STORES	1	9	0	0.5	1	50.0%
545	DAIRY PRODUCTS STORES	1	10	0	0.3	1	30.0%
546	RETAIL BAKERIES	5	53	1	1.9	6	31.7%
549	MISCELLANEOUS FOOD STORES	4	16	0	2.9	20	14.5%
56	SELECTED APPAREL AND ACCESSORY STORES	23	71	0	5.3	39	13.6%
561	MEN'S & BOYS' CLOTHING STORES	6	16	0	2.2	14	15.7%
562	WOMEN'S CLOTHING STORES	16	53	0	3	22	13.6%
563	WOMEN'S ACCESSORY & SPECIALTY	1	2	0	0.1	2	5.0%
564	CHILDREN'S AND INFANTS' WEAR	0	0	0	0	2	0.0%
565	FAMILY CLOTHING STORES	0	0	0	0	1	0.0%
57	HOME FURNITURE/FURNISHINGS/EQUIP.	63	375	3	59.8	619	9.7%
571	FURNITURE, HOME FURNISHINGS STORE	31	199	3	25.5	433	5.9%
5712	FURNITURE STORES	12	85	1	12.8	354	3.6%
5713	FLOOR COVERING STORES	9	34	0	6.8	42	16.2%
5719	MISC. HOME FURNISHINGS STORES	7	75	2	5.6	34	16.5%

SIC Code	Primary Trade Area Business Description	Total Estab.	Total Employ.	Estab. 20+ Emp.	Sales (in millions) PTA	Sales (in millions) 6 Counties	PTA Share (%)
572	HOUSEHOLD APPLIANCE STORES	6	32	0	5.8	28	20.7%
573	RADIO,TV,CONSUM.ELEC.,MUSIC STORE	26	144	0	28.5	158	18.0%
5731	RADIO, TV, CONSUMER ELECTRONICS	5	27	0	4.1	23	17.8%
5734	COMPUTER/COMPUTER SOFTW. STORES	13	51	0	14.3	82	17.4%
5735	RECORD, PRERECORDED TAPE STORES	6	61	0	9.3	46	20.2%
58	EATING AND DRINKING PLACES	114	1739	32	80.3	571	14.1%
5812	EATING PLACES	109	1723	32	79.5	562	14.1%
5813	DRINKING PLACES (ALCOHOLIC BEV.)	5	16	0	0.8	8	10.0%
59	MISCELLANEOUS RETAIL	139	658	3	75.4	582	13.0%
591	DRUG STORES & PROPRIETARY STORES	11	118	0	15.2	123	12.4%
592	LIQUOR STORES	0	0	0	0	3	0.0%
593	USED MERCHANDISE STORES	23	50	0	3.6	27	13.3%
5932A	ANTIQUE STORES	11	17	0	1.3	11	11.8%
5932B	USED AND RARE BOOKS	1	1	0	0.1	0	0.0%
594	MISC. SHOPPING GOODS STORES	55	260	1	22	110	20.0%
5941	SPORTING GOODS & BICYCLE STORES	19	67	0	3.7	18	20.6%
5942	BOOK STORES	4	23	0	1.2	7	17.1%
5943	STATIONERY STORES	3	46	1	8.2	25	32.8%
5944	JEWELRY STORES	7	37	0	2.1	16	13.1%
5945	HOBBY, TOY, AND GAME SHOPS	7	23	0	1.5	11	13.6%
5946	CAMERA/PHOTOGRAPHIC SUPPLY	1	9	0	1.8	2	90.0%
5947	GIFT, NOVELTY, AND SOUVENIR	13	50	0	3.2	27	11.9%
5948	LUGGAGE AND LEATHER GOODS	0	0	0	0	0	0.0%
5949	SEWING/NEEDLEWORK/PIECE GOODS	1	5	0	0.3	4	7.5%
596	NONSTORE RETAILERS	2	15	0	1.2	62	1.9%
5961	CATALOG AND MAIL ORDER HOUSES	0	0	0	0	37	0.0%
598	FUEL DEALERS	0	0	0	0	1	0.0%
599	RETAIL STORES, N.E.C.	48	215	2	33.4	256	13.0%
5992	FLORISTS	13	40	0	2.8	20	14.0%
5993	TOBACCO STORES AND STANDS	0	0	0	0	16	0.0%
5994	NEWS DEALERS AND NEWSSTANDS	1	1	0	0.1	1	10.0%
5995	OPTICAL GOODS STORES	3	7	0	0.4	4	10.0%
5999	MISC. RETAIL STORES, N.E.C.	31	167	2	30.1	215	14.0%
5999M	PET SHOPS	1	5	0	0.9	9	10.0%

Other retail categories achieve retail shares (11% to 16.0%) that are slightly below the trade area as a whole. These moderately weak retail groups include:

- Men's and boys clothing stores
- Women's clothing stores;
- Restaurants;
- Drug stores;
- Antique stores;
- Jewelry stores;
- Hobby, toy and games shops;
- Gift, novelty and souvenir shops; and
- Florists.

Finally, the analysis shows that the retail market in the primary trade area is very weak (retail shares of less than 11%) in a number of important retail categories:

- Lumber and building materials;
- Nurseries and garden supply stores;
- Fruit and vegetable markets;
- Children's and infant's wear;
- Furniture and home furnishings stores;
- Sewing, needlework, piece goods stores;
- Newsstands;
- Optical goods; and
- Pet shops.

THE SECONDARY TRADE AREA AS A RETAIL MARKET

The secondary trade area produces more than $3 billion per year in retail sales. It is a strong retail area with sales per capita exceeding North Carolina and the Charlotte MSA.

Retail Comparisons	1999 Sales	Population	Sales Per Capita
Salisbury	$585,000,000	23,334	$25,071
Primary Trade Area	$917,400,000	69,811	$13,141
Secondary Trade Area	$3,001,400,000	271,114	$11,071
Rowan County	$1,148,000,000	126,400	$9,082
Charlotte MSA	$15,011,013,000	1,399,200	$10,728
North Carolina	$81,141,326,000	7,600,900	$10,675

RETAIL CHARACTERISTICS OF THE SECONDARY TRADE AREA

The secondary trade area, including retail centers in Concord, Kannpolis and Lexington, accounts for 48.7% of all retail business in the 6 counties surrounding Salisbury, and 46.9% of the retail activity in the selected retail categories of greatest interest to downtown Salisbury. The secondary trade area contains 45.4% of the population of the 6 county region.

Certain retail categories are particularly strong in the secondary trade area, achieving retail shares within the six county region that are greater (46.9%) than the secondary trade area as a whole. These strong retail segments include:

- Lumber and building materials;
- Department stores;
- Fruit and vegetable markets;
- Men's and boy's clothing stores;
- Women's clothing stores;
- Children's and infants' wear;
- Furniture and home furnishings;
- Restaurants;
- Sporting goods;
- Book stores;
- Stationary stores;
- Hobby, toy and game shops;

- Gift, novelty and souvenir shops; and
- Sewing, needlework, piece good shops.

Other retail categories are less competitive in the secondary trade area. These retail groups achieve retail shares in the six county area of between 38% and 46.9%, somewhat less than the secondary trade area as a whole. These moderately weak retail groups include:

- Nurseries & garden supply stores;
- Grocery stores;
- Radio, TV, electronics;
- Computer and software stores;
- Drug and proprietary stores;
- Jewelry stores;
- Florists; and
- Pet shops.

The secondary trade area is a very weak retail market (market share less than 38%) in the following segments:

- Hardware stores;
- Recorded music;
- Antique stores;
- Used books;
- Camera, photographic supply;
- Newsstands; and
- Optical goods stores.

SIC Code	Secondary Trade Area Business Description	Total Estab.	Total Employ.	Estab. 20+ Emp.	Sales (in millions)	6 Counties	STA Share
RET	ALL RETAILING (SIC 52-59)	2031	22736	235	3001.4	6158	48.7%
	SELECTED RETAIL CATEGORIES BELOW	1531	17749	202	1885	4016	46.9%
52	SELECTED BLDG MAT'RL/GARDEN SUP.	105	1622	18	220.3	469	47.0%
521	LUMBER AND OTHER BUILDING MAT'RLS	51	1299	15	165.5	316	52.4%
525	HARDWARE STORES	18	174	3	28	88	31.8%
526	NURSERIES & GARDEN SUPPLY STORES	36	149	0	26.8	65	41.2%
53	GENERAL MERCHANDISE STORES	37	2288	20	247.3	455	54.4%
531	DEPARTMENT STORES	30	2148	17	238.9	440	54.3%
54	FOOD STORES	245	2986	31	501.7	1279	39.2%
541	GROCERY STORES	196	2772	31	476.3	1228	38.8%
542	MEAT & FISH MARKETS, FREEZER PROV	4	20	0	3.2	10	32.0%
543	FRUIT AND VEGETABLE MARKETS	7	40	0	8	13	61.5%
544	CANDY, NUT, & CONFECT'NERY STORES	1	6	0	0.3	1	30.0%
545	DAIRY PRODUCTS STORES	1	5	0	0.2	1	20.0%
546	RETAIL BAKERIES	13	83	0	3	6	50.0%
549	MISCELLANEOUS FOOD STORES	23	60	0	10.7	20	53.5%
56	APPAREL AND ACCESSORY STORES	68	320	0	22.1	41	53.9%
561	MEN'S & BOYS' CLOTHING STORES	14	61	0	7.6	14	54.3%
562	WOMEN'S CLOTHING STORES	38	209	0	11.5	22	52.3%
563	WOMEN'S ACCESSORY & SPECIALTY	8	25	0	1.5	2	75.0%
564	CHILDREN'S AND INFANTS' WEAR	6	16	0	1	2	50.0%
565	FAMILY CLOTHING STORES	2	9	0	0.5	1	50.0%
57	HOME FURNITURE/FURNISHINGS/EQUIP.	230	2335	9	378.9	619	61.2%
571	FURNITURE, HOME FURNISHINGS STORE	140	1965	9	304.9	433	70.4%
5712	FURNITURE STORES	82	1710	7	272.7	354	77.0%
5713	FLOOR COVERING STORES	26	106	0	21.2	42	50.5%
5719	MISC. HOME FURNISHINGS STORES	19	107	2	8.5	34	25.0%
572	HOUSEHOLD APPLIANCE STORES	22	85	0	15.2	28	54.3%
573	RADIO,TV,CONSUM.ELEC.,MUSIC STORE	68	285	0	58.8	158	37.2%
5731	RADIO, TV, CONSUMER ELECTRONICS	19	67	0	10.8	23	47.0%
5734	COMPUTER/COMPUTER SOFTW. STORES	23	117	0	31.9	82	38.9%
5735	RECORD, PRERECORDED TAPE STORES	20	82	0	13.1	46	28.5%

SIC Code	Secondary Trade Area Business Description	Total Estab.	Total Employ.	Estab. 20+ Emp.	Sales (in millions)	6 Counties	STA Share
58	EATING AND DRINKING PLACES	336	5941	112	268	571	46.9%
5812	EATING PLACES	319	5862	111	264.3	562	47.0%
5813	DRINKING PLACES (ALCOHOLIC BEV.)	17	79	1	3.7	8	46.3%
59	MISCELLANEOUS RETAIL	510	2257	12	246.9	582	42.4%
591	DRUG STORES & PROPRIETARY STORES	42	395	1	50.5	123	41.1%
592	LIQUOR STORES	8	27	0	2.3	3	76.7%
593	USED MERCHANDISE STORES	70	165	1	11.2	27	41.5%
5932	A ANTIQUE STORES	26	50	0	3.4	11	30.9%
5932	B USED AND RARE BOOKS	1	1	0	0.1	0	0.0%
594	MISC. SHOPPING GOODS STORES	203	816	3	59.3	110	53.9%
5941	SPORTING GOODS & BICYCLE STORES	58	160	0	9.5	18	52.8%
5942	BOOK STORES	15	71	0	4	7	57.1%
5943	STATIONERY STORES	13	67	0	12.3	25	49.2%
5944	JEWELRY STORES	28	134	1	7.4	16	46.3%
5945	HOBBY, TOY, AND GAME SHOPS	28	94	1	6.2	11	56.4%
5946	CAMERA/PHOTOGRAPHIC SUPPLY	1	2	0	0.4	2	20.0%
5947	GIFT, NOVELTY, AND SOUVENIR	48	257	1	17.5	27	64.8%
5948	LUGGAGE AND LEATHER GOODS	0	0	0	0	0	0.0%
5949	SEWING/NEEDLEWORK/PIECE GOODS	12	31	0	2	4	50.0%
596	NONSTORE RETAILERS	16	295	4	46	62	74.2%
5961	CATALOG AND MAIL ORDER HOUSES	2	152	1	30.4	37	82.2%
598	FUEL DEALERS	1	1	0	0.2	1	20.0%
599	RETAIL STORES, N.E.C.	170	558	3	77.4	256	30.2%
5992	FLORISTS	51	141	0	8.2	20	41.0%
5993	TOBACCO STORES AND STANDS	1	9	0	0.5	16	3.1%
5994	NEWS DEALERS AND NEWSSTANDS	2	6	0	0.3	1	30.0%
5995	OPTICAL GOODS STORES	5	12	0	1.3	4	32.5%
5999	MISC. RETAIL STORES, N.E.C.	111	390	3	67.1	215	31.2%
5999M	PET SHOPS	7	23	0	4.1	9	45.6%

CONCLUSIONS OF RETAIL SHARES ANALYSIS

1. The counties surrounding Salisbury are an exceptionally strong marketplace for home furnishings. Major furniture shopping destinations exist in Davidson County to the north and in Kannapolis to the south. The primary trade area, including downtown Salisbury and environs, is not a strong part of Piedmont North Carolina's furniture marketplace. Lacking furniture manufacturers and facing immense competition, Salisbury will probably never gain a significant share of the region's furniture sales. Are there other, complementary opportunities to attract furniture shoppers to Salisbury? Antiques?

2. Despite a strong grouping of antiques and gift shops in downtown Salisbury, the analysis suggests that these store groups are not achieving a desirable market share overall. There is room for growth in these segments.

3. Sales in apparel stores are somewhat weak in the primary trade area. In contrast, the secondary trade area achieves relatively strong apparel store sales. There may opportunities for apparel stores of all types in downtown Salisbury; but, there is significant competition nearby and stores will have to be carefully positioned and marketed. Children's and infant's wear appears to be a prime opportunity.

4. There appears to be a good opportunity for a fruit and vegetable market(s) in the primary trade area.

5. The primary trade area is achieving very strong hardware store sales. A significant portion of these sales appears to be coming from customers outside the immediate Salisbury area. Downtown Salisbury has two significant hardware destinations. These stores provide a distinctive niche and identity for downtown Salisbury within the regional market.

6. Retail nurseries and garden supply store sales are weak in both the primary and secondary trade areas. This may be because hardware stores or other store groups are filling the demand. There may be opportunities for expanded sales of

plants and garden supply items in existing stores, or in new specialty stores that would be appropriate to a downtown setting.

7. The primary trade area generates restaurant sales that are relatively modest in comparison to the secondary trade area and the surrounding 6 counties. The community appears to have some capacity to accommodate additional restaurant uses.

8. Opportunities for new or expanded specialty retail may exist in the following categories: drug stores, jewelry stores, hobby, toy and game stores, sewing, needlework and piece goods stores, luggage and leather goods stores, tobacco shops, newsstands, optical goods, pet shops.

RETAIL LEAKAGE ANALYSIS

DEFINITIONS AND LIMITATIONS

"Retail leakage" refers to the difference between the retail expenditures by households living in a particular area and the retail sales reported by businesses located in the same area. If desired products are not available in close proximity to their homes, consumers will travel to other communities to meet their retail needs and there is likely to be a significant outflow of retail spending (leakage) from the home community. If a community is a major retail center with a wide variety of stores and products it will attract consumers from a wide area. In this case there will likely be a significant inflow of retail dollars into the community.

Retail leakage can be computed only for retail categories in which households (rather than businesses) are essentially the only consumer group. For example, in Salisbury's combined retail trade area consumers are estimated to spend $7.6 million annually in hardware stores. Retail sales in hardware stores within the same area are estimated to be $47.5 million. The $39.9 million difference most likely represents business (rather than household) spending in hardware stores and not, primarily, an inflow of household spending from other areas. For retail categories like apparel, bookstores, jewelry stores and the like, retail spending by businesses is not likely to be present in significant amounts.

It is important to note that retail leakage analysis is not an exact science. In some cases a large outflow may indicate that retail spending patterns have changed. For instance, consumers may be purchasing "drug store" items at Wal-Mart (a department store) instead of at traditional drug stores. Cautious interpretation of the results is required.

RETAIL LEAKAGE IN THE PRIMARY TRADE AREA

The table below shows the net retail inflow (outflow) in the primary trade area by retail categories of greatest interest to downtown Salisbury. Retail categories like gasoline service stations and mobile homes dealers that are of little or no interest to downtown Salisbury have been excluded from the analysis.

Primary Trade Area SIC's			Description	Consumer Expenditures	Retail Sales	Inflow/ (Leakage)
52-59			Selected Retail Categories	$329,517,946	$610,500,000	$280,982,054
525			Hardware Stores	$1,463,647	$19,500,000	$18,036,353
526			Retail Nursery/Lawn/Garden Supply	$2,188,004	$5,600,000	$3,411,996
531			Department Strs (Excl Leased)	$46,193,532	$77,100,000	$30,906,468
541			Grocery Stores	$108,184,248	$291,300,000	$183,115,752
553			Auto and Home Supply Stores	$10,515,333	$30,900,000	$20,384,667
561	562	564, 565, 569	Apparel Stores	$18,721,718	$14,400,000	($4,321,718)
563			Women's Accessory/Specialty Strs	$857,892	$100,000	($757,892)
571	2		Furniture Stores	$12,144,693	$12,800,000	$655,307
571	3	5714, 5719	Home Furnishing Stores	$6,317,216	$12,400,000	$6,082,784
572			Household Appliance Stores	$2,993,377	$5,800,000	$2,806,623
573			Radio/TV/Computer/Music Strs	$10,193,209	$28,500,000	$18,306,791
581	2		Eating Places	$65,288,080	$79,500,000	$14,211,920
581	3		Drinking Places	$2,882,807	$800,000	($2,082,807)
591			Drug and Proprietary Stores	$18,820,510	$15,200,000	($3,620,510)
594	1		Sporting Goods/Bicycle Shops	$5,295,803	$3,700,000	($1,595,803)
594	2		Book Stores	$3,996,791	$1,200,000	($2,796,791)
594	4		Jewelry Stores	$2,707,555	$2,100,000	($607,555)
594	5		Hobby, Toy, and Game Shops	$3,494,798	$1,500,000	($1,994,798)
594	6		Camera/Photographic Supply Stores	$1,448,855	$1,800,000	$351,145
594	7		Gift, Novelty, and Souvenir Shops	$2,870,259	$3,200,000	$329,741
594	8		Luggage and Leather Goods Stores	$253,410	$0	($253,410)
594	9		Sew/Needlework/Piece Goods Strs	$721,877	$300,000	($421,877)
599	2		Florists	$1,964,332	$2,800,000	$835,668

As expected, grocery stores and department stores (including Wal-Mart and K-Mart) attract a significant inflow of retail spending into the Salisbury area. In addition, Salisbury is a relatively strong restaurant market. Consumer expenditures are approximately equal to retail sales at gift shops. There is significant leakage of retail expenditures in the following retail store types:

- Apparel stores;
- Drug and proprietary stores;
- Sporting goods/bicycle shops;
- Book stores;
- Jewelry stores;
- Hobby, toy and game shops;
- Luggage and leather goods stores; and
- Sewing, needlework, piece goods stores;

RETAIL LEAKAGE IN THE SECONDARY TRADE AREA

The secondary trade area, including important retail centers at Lexington, Concord and Kannapolis, attracts strong retail sales in department stores, grocery stores, furniture stores and gift shops. The secondary trade area breaks even as a restaurant center. Significant leakage occurs in the following retail segments:

- Apparel stores;
- Drug and proprietary stores;
- Sporting goods/bicycle shops;
- Book stores;
- Jewelry stores;
- Hobby, toy and game stores;
- Luggage and leather goods stores;
- Camera and photo supply stores; and
- Sewing, needlework and piece goods.

SIC's			Description	Consumer Expenditures	Retail Sales	Inflow/ (Leakage)
52-59			Selected Retail Categories	$1,333,104,521	$1,673,600,000	$340,495,479
525			Hardware Stores	$6,137,362	$28,000,000	$21,862,638
526			Retail Nursery/Lawn/Garden Supply	$8,951,486	$26,800,000	$17,848,514
531			Department Strs (Excl Leased)	$187,886,112	$238,900,000	$51,013,888
541			Grocery Stores	$438,043,616	$476,300,000	$38,256,384
553			Auto and Home Supply Stores	$42,813,872	$125,700,000	$82,886,128
561	562	564, 565, 569	Apparel Stores	$75,038,944	$26,300,000	($48,738,944)
563			Women's Accessory/Specialty Strs	$3,419,183	$1,500,000	($1,919,183)
571	2		Furniture Stores	$48,680,012	$272,700,000	$224,019,988
571	3	5714, 5719	Home Furnishing Stores	$25,689,370	$29,700,000	$4,010,630
572			Household Appliance Stores	$12,142,647	$15,200,000	$3,057,353
573			Radio/TV/Computer/Music Strs	$41,382,844	$58,800,000	$17,417,156
581	2		Eating Places	$261,164,848	$264,300,000	$3,135,152
581	3		Drinking Places	$11,555,389	$3,700,000	($7,855,389)
591			Drug and Proprietary Stores	$76,039,072	$50,500,000	($25,539,072)
594	1		Sporting Goods/Bicycle Shops	$22,882,986	$9,500,000	($13,382,986)
594	2		Book Stores	$16,152,338	$4,000,000	($12,152,338)
594	4		Jewelry Stores	$10,679,291	$7,400,000	($3,279,291)
594	5		Hobby, Toy, and Game Shops	$14,815,629	$6,200,000	($8,615,629)
594	6		Camera/Photographic Supply Stores	$5,939,268	$400,000	($5,539,268)
594	7		Gift, Novelty, and Souvenir Shops	$11,651,815	$17,500,000	$5,848,185
594	8		Luggage and Leather Goods Stores	$1,030,276	$0	($1,030,276)
594	9		Sew/Needlework/Piece Goods Strs	$2,977,044	$2,000,000	($977,044)
599	2		Florists	$8,031,117	$8,200,000	$168,883

ANALYSIS OF MARKET POTENTIAL

In the analysis above we have identified numerous retail categories for which there is a net outflow of retail dollars from the primary trade area. The next task is to convert these lost retail dollars into possible demand for retail spaces in downtown Salisbury. The assumption of the analysis is that downtown Salisbury is seeking to capture retail dollars that are presently leaving the market area. It is important to recognize that there may also be significant market opportunities for downtown Salisbury in retail store types where there is currently a net inflow of retail dollars into the market.

It would not be reasonable to assume that downtown Salisbury can capture a very high percentage of this retail outflow. However, capture of only a small percentage of the outflow can have dramatic impacts on the downtown retail market. Two scenarios are presented below:

1) Downtown Salisbury captures 20% of the outflow from the primary trade area and 5% of the outflow from the secondary trade area; and
2) Downtown Salisbury captures 10% of the outflow from the secondary trade area and 2% of the outflow from the primary trade area.

In order to quantify the impacts of the additional retail sales on retail space in

Scenario 1 Description	20% of PTA Outflow	5% of STA Outflow	Potential Capture	Expected Sales per S. F.	Calculated Capture (SF)
Apparel Stores	($864,344)	($2,436,947)	($3,301,291)	$164.60	20,056
Women's Accessory/Specialty Strs	($151,578)	($95,959)	($247,538)	$178.17	1,389
Eating and Drinking Places	$0	($236,012)	($236,012)	$201.65	1,170
Drug and Proprietary Stores	($724,102)	($1,276,954)	($2,001,056)	$247.29	8,092
Sporting Goods/Bicycle Shops	($319,161)	($669,149)	($988,310)	$156.52	6,314
Book Stores	($559,358)	($607,617)	($1,166,975)	$161.16	7,241
Jewelry Stores	($121,511)	($163,965)	($285,476)	$263.92	1,082
Hobby, Toy, and Game Shops	($398,960)	($430,781)	($829,741)	$146.28	5,672
Camera/Photographic Supply Stores	$0	($276,963)	($276,963)	$542.63	510
Luggage and Leather Goods Stores	($50,682)	($51,514)	($102,196)	$198.82	514
Sew/Needlework/Piece Goods Strs	($84,375)	($48,852)	($133,228)	$74.91	1,779

downtown Salisbury, data has been obtained from Dollars and Cents of Shopping Centers: 1997 published by the Urban Land Institute regarding average sales per square foot for various store types. This data is used to convert projections of captured sales into new (or converted or expanded) retail space that would be required in downtown Salisbury to meet the demand.

The table above shows the results of the first scenario. Where there is less than 1,000 square feet of calculated capture, we assume that the market demand is insufficient to warrant new retail business. By this analysis, downtown Salisbury could support new or expanded retail businesses in 9 store types totaling 53,000 square feet.

The table below shows the results of the second, more conservative scenario. Even capturing only 10% of the outflow from the primary trade area and 2% of the outflow from the secondary trade area, downtown Salisbury could support new or expanded retail businesses in 5 store types totaling 21,000 square feet.

Scenario 2 Description	10% of PTA Outflow	2% of STA Outflow	Potential Capture	Expected Sales per S. F.	Calculated Capture (SF)
Apparel Stores	($432,172)	($974,779)	($1,406,951)	$164.60	8,548
Women's Accessory/Specialty Strs	($75,789)	($38,384)	($114,173)	$178.17	641
Eating and Drinking Places	$0	($94,405)	($94,405)	$201.65	468
Drug and Proprietary Stores	($362,051)	($510,781)	($872,832)	$247.29	3,530
Sporting Goods/Bicycle Shops	($159,580)	($267,660)	($427,240)	$156.52	2,730
Book Stores	($279,679)	($243,047)	($522,726)	$161.16	3,244
Jewelry Stores	($60,756)	($65,586)	($126,341)	$263.92	479
Hobby, Toy, and Game Shops	($199,480)	($172,313)	($371,792)	$146.28	2,542
Camera/Photographic Supply Stores	$0	($110,785)	($110,785)	$542.63	204
Luggage and Leather Goods Stores	($25,341)	($20,606)	($45,947)	$198.82	231
Sew/Needlework/Piece Goods Strs	($42,188)	($19,541)	($61,729)	$74.91	824

CONCLUSIONS

Based on this market potential analysis there are a number of store types that could succeed in downtown Salisbury by capturing existing retail expenditures of local residents. The best of these opportunities include:

5) Apparel stores;
6) Drug and proprietary stores;
7) Sporting goods/bicycle shops;
8) Book stores; and
9) Hobby, toy and game shops.

Lesser opportunities for retail growth include women's accessories stores, eating and drinking places, jewelry shops and sewing/needlework/piece goods stores.