

2007

Retail Market Analysis

Victor Valley, California



Victor Valley Economic Development Authority

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Victor Valley Retail Opportunities

- A variety of retail opportunities exist in Victor Valley based on a retail leakage analysis, results of a local community survey, and insights from community demographics and socio-economic population data.

GENERAL MERCHANDISE	CONVENIENCE GOODS
<ul style="list-style-type: none"> • Apparel • Books • Computers / Electronics • Garden Center • Home Decor 	<ul style="list-style-type: none"> • Hardware • Sporting Goods • Building Supplies / Home Improvement • Specialty Grocery, health-oriented • Pharmacy
SERVICES	ENTERTAINMENT
<ul style="list-style-type: none"> • Pack & Mail • Dry Cleaning • Exercise / Gym • Banking • Health Care 	<ul style="list-style-type: none"> • Restaurants (sit-down, quality chains) • Movie theaters • YMCA • All types of entertainment and recreation
Sources: 2005 Community Survey, ESRI, Marketek, Inc. 2007	

Opportunities Exist Based on Current Demand

- Based on household expenditures in the retail trade area, over 400,000 additional square feet of retail space could be supported in the Victor Valley today. Retail developments currently under construction will absorb some of this demand.
- Without a selection and choice of goods, residents will make their purchases out of the area; a fact that is supported by residents' comments in a 2005 survey.
- Potential for retail sales will continue to expand with Victor Valley's growing market population, the increasing number of households and rising household incomes.

RETAIL SECTOR	SUPPORTABLE RETAIL (SF)
Full-service Restaurants	162,593
Clothing	148,707
Drinking Places	44,610
Electronics & Appliances	46,280
Specialty Foods	29,495
Office Supplies, Stationery, Gifts	20,842
Shoes	10,526
Florists	7,446
Beer, Wine, Liquor	4,925
Total	475,423
Source: ESRI BIS, Marketek, Inc. 2007	

Growth Will Continue to Keep Retail Demand Strong

- To gauge near-term growth in retail sales, calculations were made of the additional retail sales that could be supported over the next five years, based on estimated population and income increases for the Victor Valley.
- In the year 2012, \$394.4 million in additional retail, restaurant and entertainment sales will be supportable in the Victor Valley market area based upon spending by the resident population. These sales equate to 1.61 million square feet of development.
- The table below depicts new potential sales and supportable square feet in 2012 for those general merchandise/service categories which represent most retail goods that would be found in neighborhoods and shopping centers.

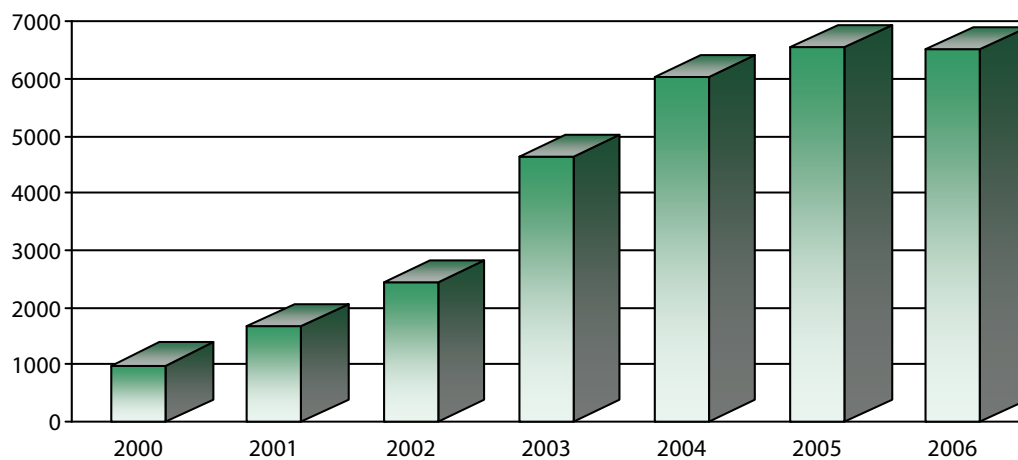
CATEGORY	HOUSEHOLD EXPENDITURE	POTENTIAL SALES	POTENTIAL SUPPORTABLE SPACE (SF)
Apparel	\$1,887	\$45,982,416	220,012
Home Furnishings	\$1,313	\$31,995,184	160,780
Home Improvement	\$989	\$24,099,952	172,143
Misc. Specialty Retail	\$1,769	\$43,106,992	199,569
Grocery	\$5,085	\$123,911,280	317,721
Health and Personal Care	\$1,298	\$31,629,644	86,657
Restaurants	\$2,992	\$72,909,056	277,221
Entertainment	\$357	\$8,699,376	96,660
Personal Services	\$497	\$12,110,896	80,205
Total Potential		\$394,444,816	1,610,966

Source: ESRI, ULI, Marketek, Inc. 2007

Development at All-Time High

- Residential and commercial building activity in Victor Valley has been consistently strong. (Source: City Building Departments Adelanto, Apple Valley, Hesperia, Victorville)

Figure 1 - Victor Valley Residential & Commercial Building Permits



Potential sales volume in Victor Valley over the next five years is estimated to be \$394.4 million

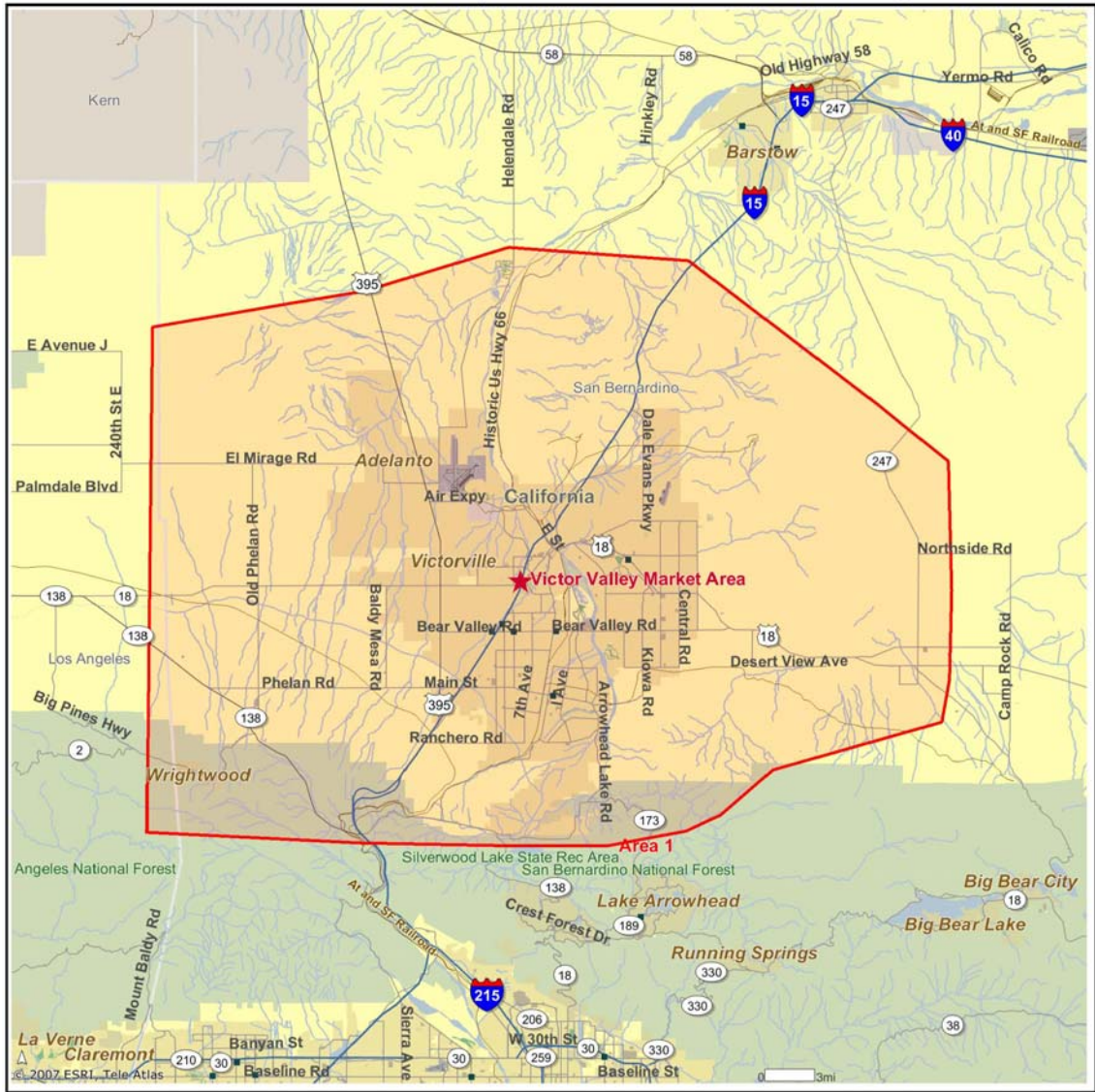
Victor Valley Retail Trade Area

- Demographics presented throughout this document reflect the Victor Valley market area as depicted on the trade area map on the following page.
- For the purposes of this analysis, the Victor Valley Trade Area — the area from which most Victor Valley businesses draw shoppers and where most Victor Valley area shoppers carry out day-to-day business transactions — is based upon the transportation systems, nearby retail competition, the Daily Press Newspaper circulation, Victor Valley Community College student population, the real estate market and other business activity.
- Sources for the following data include: U.S. Consumer Expenditure Surveys, Bureau of Labor Statistics, ESRI forecasts for 2007 and 2012, survey of Victor Valley residents.

LOCATION	AVERAGE DAILY TRAFFIC	
	2005	2007
I-15 & Bear Valley Road	75,000	95,000
I-15 & Highway 18	55,000	59,000
Highway 18 & Highway 395 (Palmdale Rd)	15,000	15,600
Highway 18 & Navajo Road (Town Center)	33,000	33,000
Apple Valley Road & Bear Valley Road	25,000	25,000

Source: MPSI Systems Inc., 2005 and 2007

Figure 2 - Victor Valley Retail Trade Area



Retail Trade Area Characteristics

- The forecast for population and household growth in Victor Valley continues to increase.
- Contrary to the national trend of declining household size, Victor Valley is experiencing growth in the number of persons per household. Today's 3.17 persons per household are expected to increase 3.20 persons per household by 2012. 2007 comparisons for California's average is 2.92 persons per household and the U.S. average is 2.59 persons per household.

Figure 3 - Average Annual Population and Household Growth, 2012 Forecast

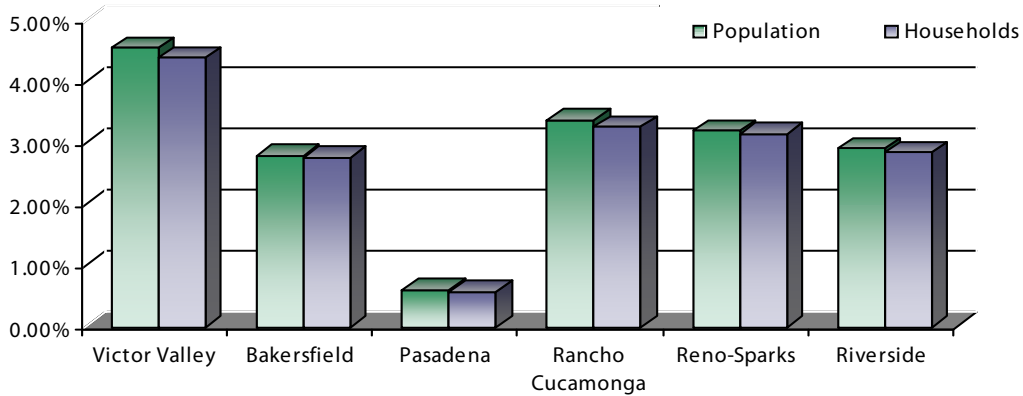
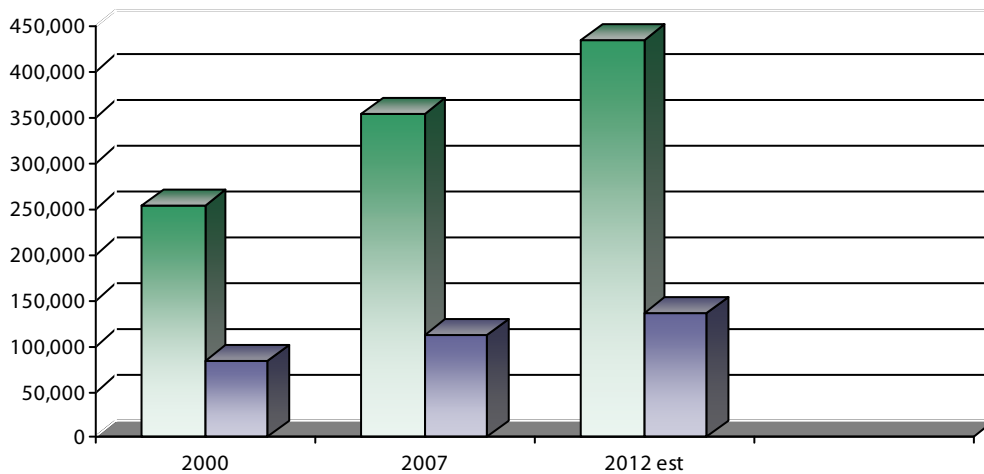


Figure 4 – Victor Valley's Estimated Population and Households.



Median Age

- The median age of the Victor Valley market area (33.9 years) compares well with the state as a whole (34.2 years) and the U.S. (36.7 years).
- The total Victor Valley market area population is 353,278.

Figure 5 - Age Distribution of Victor Valley Market Area, 2007

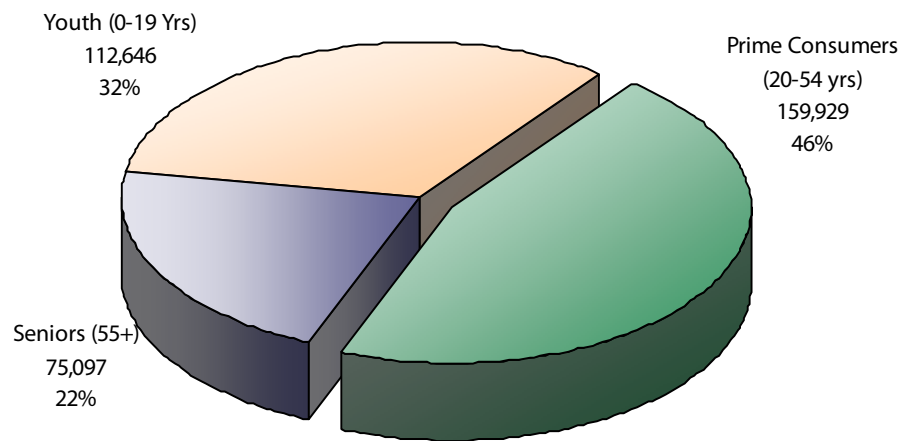
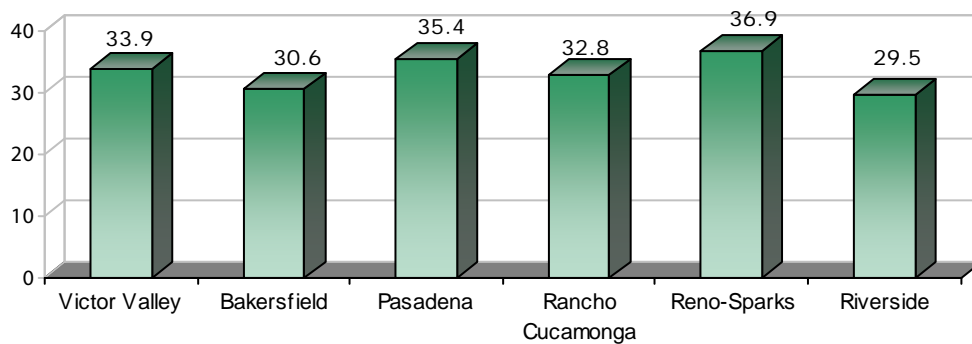


Figure 6 – Median Age of Victor Valley Market Area and Selected Cities, 2007



Income

- There are pockets of wealth in the Victor Valley trade area; 13.7 percent of households earn in excess of \$100,000 a year.

Figure 7 - Median Household Income for Victor Valley and Selected Cities, 2007

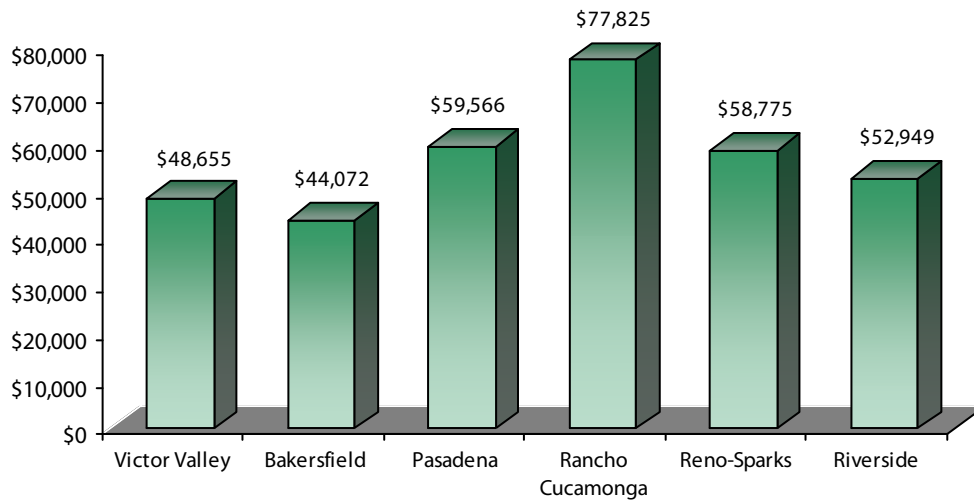
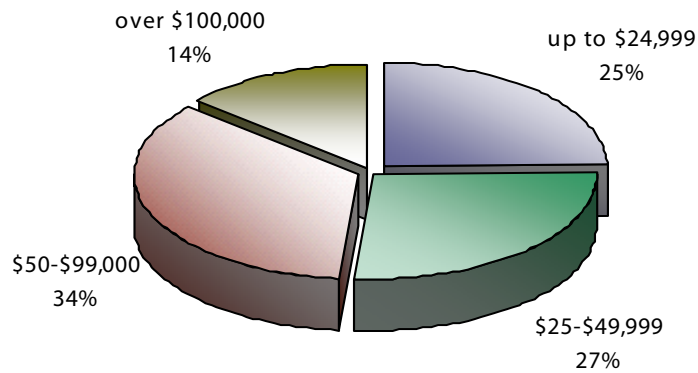


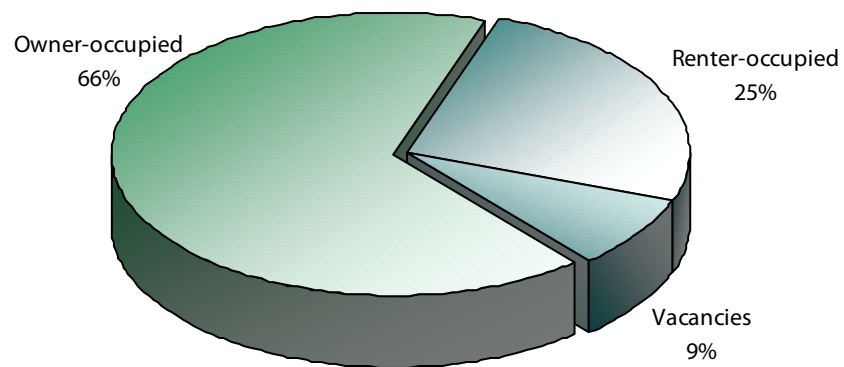
Figure 8 – Distribution of Household Income in Victor Valley, 2007



Housing

- The majority of Victor Valley households already own their home; this figure is gradually increasing over time and is expected to reach nearly 67 percent by 2012.
- Victor Valley has a higher proportion of owner-occupied housing units than California (55%) and the U.S. (61.3%).

Figure 9 - Victor Valley Household Units, 2007



"Certainly, the long term health of the Inland Empire's residential markets is secure. Every forecast of Southern California's population growth is bullish."

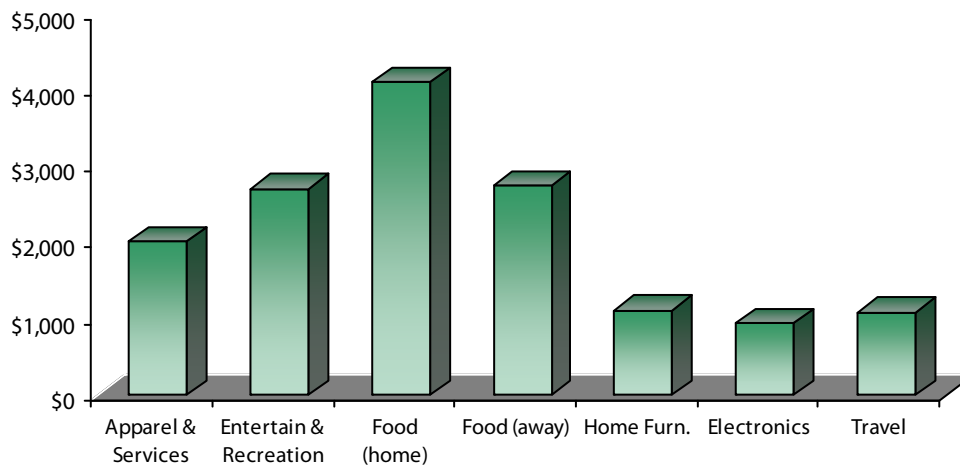
John E. Husing, Ph.D.
Inland Empire Quarterly Economic Report
July 2007



Spending – Resident Population

- Sources of the following spending statistics are U.S. Consumer Expenditure Surveys, Bureau of Labor Statistics, ESRI forecasts for 2007.

Figure 10 - Average Annual Spending of Victor Valley Households in Select Retail Categories, 2007



Spending – Daytime Workforce Population

- Within the Victor Valley Market Area there are an estimated 8,455 businesses employing over 64,900 persons — a captive consumer market for retail and service businesses.
- Two-thirds of these employees are in professional services.
- This market segment makes steady purchases 52 weeks a year, spending an average of \$147 per week.
- Conservatively, it is estimated that 15 percent of the daytime population commutes to the Victor Valley area.

Community Tapestry

- Developed by ESRI Business Information Solutions, the Community Tapestry System of analyzing market areas groups neighborhoods by census blocks which are then analyzed and sorted by a variety of demographic and socioeconomic characteristics and other determinants of consumer behavior. These groups are then categorized into one of 65 market segments which can be used to predict and estimate spending habits.

The top ten market segments in
Victor Valley represent:

- nearly 72,000 households
 - a diverse trade area
 - median incomes up to \$67,000
-

Victor Valley's Top Market Segments

INDUSTRIOUS URBAN FRINGE (18,284 HOUSEHOLDS)



Median Age 29 / Median Income \$39,000

Employed in manufacturing, construction, retail, and agriculture

Many live in multigenerational households; children are present in more than half of all households; two-thirds are homeowners; mostly older, single-family houses

Spending: mortgage, necessities for babies and children, pets, movies (at theater and home), listens to Hispanic and contemporary hit radio programming

MILK AND COOKIES (17,283 HOUSEHOLDS)



Median Age 33 / Median Income \$58,000

Young, affluent couples starting families or have young children; two workers and three or more vehicles

Spending: baby and children's products, investment portfolios, insurance policies, fast food, convenience foods, visits to zoo, movies, theme parks

COZY AND COMFORTABLE (5,792 HOUSEHOLDS)



Median Age 40 / Median Income \$61,000

Settled families, working but nearing retirement, many living in pre-1970's single family homes; likely have a second mortgage and use home equity credit lines for home improvement

Spending: home improvements, television over technology (many own four or more sets), many own computers but older equipment and software, leisure sports, lawn care, sports, mutual funds, financial planning

MIDLAND CROWD (5,700 HOUSEHOLDS)



Median Age 36 / Median Income \$47,000

Neighborhoods are mainly rural and experiencing strong population growth, live in single-family houses built after 1990; do-it-yourselfers, preferred vehicle is a used truck, politically conservative

Spending: children's items, pets, television, home and car care, fishing and hunting, country music, domestic travel

CITY DIMENSIONS (5,332 HOUSEHOLDS)



Median Age 29 / Median Income \$26,000

Highly diverse housing, household structures, and ethnic backgrounds, majority are renters, many are young singles

Spending: television (movies and news), spectator sports (top market for team sports clothing), home furnishings, video games, discount shopping, dancing, concerts, movies

PROSPEROUS EMPTY NESTERS (4,688 HOUSEHOLDS)

Median Age 46 / Median Income \$64,000

Most households have no children living at home; members of household are well-educated and experienced, active in the community, politics, and charities

Spending: home renovation and maintenance, lawn care, health products, investments, sports and exercise (golf, biking, skiing) travel, reading

MIDLIFE JUNCTION (4,321 HOUSEHOLDS)

Median Age 40 / Median Income \$43,000

Few households have children, most are employed but approaching retirement; mix of homeowners and low-density apartment dwellers living quiet, settled lives; prudent spenders

Spending: full-service restaurants, television, technology, computers, gardening, reading, bargain and online shopping

IN STYLE (4,321 HOUSEHOLDS)

Median Age 38 / Median Income \$65,000

Affluent suburban neighborhoods living an urban lifestyle (i.e. townhomes rather than single-family houses); professionally employed, most have fewer children than U.S. average

Spending: TV, radio, technology (cell phones, PDAs, fully-equipped PCs), home remodeling and lawn care services, live entertainment, exercise, diet and health, expensive clothing

UP AND COMING FAMILIES (3,218 HOUSEHOLDS)

Median Age 32 / Median Income \$67,000

Young, affluent families with young children (Generation Xers) in new homes

Spending: home furnishings and improvement products, lawn care equipment, baby and children's items, pets, fast food, spectator sports, zoos, ballgames, adult education classes

SIMPLE LIVING (2,942 HOUSEHOLDS)

Median Age 39 / Median Income \$27,000

High percentage of this population is 75 years or older; most are retired seniors living alone or in congregate housing

Spending: younger residents spend on clubs and dancing; seniors spend on bingo and hobbies (photography, bird watching, woodworking); both segments spend on swimming, golf, TV

Source: ESRI Business Information Solutions; Marketek, Inc.

Comparative Retail Trade Area Tapestries

To provide insight to Victor Valley's competitive position the region's top ten market segments are compared to other areas. Five of the Victor Valley's top-earning market segments are not shared with the other comparable markets — In Style, Midland Crowd, Midlife Junction, Prosperous Empty Nester, and Simple Living.

MARKET SEGMENT	VICTOR VALLEY	BAKERSFIELD	PASADENA	RANCHO CUCAMONGA	RENO - SPARKS	RIVERSIDE
Aspiring Young Families		3.9%		16.8%	8.4%	5.8%
Boomburbs				5.9%		4.2%
City Dimensions	5.8%	3.8%				
City Lights			5.9%			
Connoisseurs			5.1%		4.0%	
Cozy and Comfortable	6.3%				5.7%	
Enterprising Professional				5.0%		
Exurbanites				5.9%	6.3%	
In Style	4.7%					
Industrious Urban Fringe	19.9%	15.5%				11.9%
Inner City Tenants					8.2%	7.5%
International Marketplace			11.1%			
Main Street, USA				8.9%		9.7%
Metro Renters			16.9%			
Midland Crowd	6.2%					
Midlife Junction	4.7%					
Milk and Cookies	18.8%	6.0%				
NeWest Residents		3.2%	7.4%	9.7%		4.2%
Old and Newcomers					6.5%	
Prosperous Empty Nester	5.1%					
Simple Living	3.2%					
Sophisticated Squires				22.1%	4.0%	3.9%
Southwestern Families		7.3%				
Suburban Splendor				9.0%		3.2%
Top Rung			6.0%			
Trendsetters			7.8%			
Up & Coming Families	3.5%	6.5%		10.4%	9.5%	
Urban Chic			13.8%			
Urban Villages				2.7%		7.9%

Source: ESRI Business Information Solutions; Marketek, Inc.

Shopping Centers in the Victor Valley Area

SHOPPING CENTER / LOCATION	YEAR OPENED	GROSS LEASE (SQ.FT.)
Jess Ranch Marketplace / Bear Valley Rd & Apple Valley Rd	1994, expansion 2007-08	770,000
Apple Valley Commons / HWY 18 & Dale Evans Pkwy	2007	733,000
The Mall of Victor Valley / NWC Bear Valley Rd & I-15	1986	510,572
Desert Sky Plaza / SWC Roy Rogers & Civic Drive	2006	434,767
Dunia Plaza / SWC Bear Valley Rd & Amargosa Rd	2001	364,000
High Desert Gateway / I-15 & Main Street	Under construction (open 10/08)	361,000
The Fountains at Quail Ridge / Apple Valley Rd & Yucca Loma Rd	Under construction (open 2009)	346,460
Valley Center / I-15 & Roy Rogers Dr	1988	309,203
The Village Center / Amargosa Rd & I-15	1990	275,000
Apple Valley Towne Center / Bear Valley Rd & Apple Valley Rd	2005, expansion 2008	259,131
The Village At Bass Hill / Hwy 18 & Rancherias	1996	250,000
Victor Valley Town Center / Hesperia Rd & Bear Valley Rd	1987	244,375
Midtown Square / NEC Main St & C Avenue	1987	220,000
Victor Valley Home Center / Mariposa & Cottonwood	1991	215,000
Apple Valley Square / Bear Valley Rd & Navajo Rd	1985, expansion 2007	198,582
Victor Valley Shopping Center / Seventh St & Circle Dr	N/A	183,704
Bear Valley Plaza / Amethyst & Bear Valley Rd	1990	178,000
Kiowa Plaza / Bear Valley Rd & Kiowa	1990	177,000
Victor Plaza / Seventh St & LaPaz St	1968	168,151
Mojave River Crossings / Bear Valley Rd & Apple Valley Rd	2006	165,000
Apple Valley Plaza / Bear Valley Rd & Central Rd	2007	155,000
Liberty Village / NEC Bear Valley & Amethyst	1992	135,000
Target Center / Palmdale Rd & Park Dr	1982	123,300
Hi Desert Plaza / Bear Valley & Hesperia Rds	1983	111,000
Rancherias Plaza / Rancherias Rd & Hwy 18	1991	110,000
Hesperia Marketplace / SEC 11th St & Main St	1991	105,000
Wimbledon Business Center / Hesperia & Bear Valley Rds	N/A	96,464
Hesperia Town Center / Main St & I Avenue	1981	94,660
Desert Valley Shopping Center / Seventh St & Desert Knoll	1974	87,714
El Evado / Palmdale Rd & El Evado	1995	75,000
Topaz Marketplace / Main Street & Topaz Avenue	Under construction (open mid-08)	52,000

SHOPPING CENTER / LOCATION	YEAR OPENED	GROSS LEASE (SQ.FT.)
Adelanto Marketplace / Palmdale Rd & US Hwy 395	2005	44,000
Shops at Topaz / Main Street & Topaz Avenue	2007	36,124
Spirit River Center / Apple Valley Rd & Muni Rd	2006	35,000
Apple Bear Center / Bear Valley Rd & Apple Valley Rd	2008	29,000
Apple Valley Gateway / Hwy 18 & Apple Valley Rd	2008	25,000
The Historic Apple Valley Inn / Hwy 18 & Dale Evans Pkwy	1948, expansion 2004	25,000
Education & Shopping Center / Hwy 18 & Apple Valley Rd	1975	23,200
Hesperia Plaza / Main Street, east of 11th Avenue	2006	22,988
Midtown Spectrum / NEC Roy Rogers & Amargosa Rd	2007	20,800
Hickory Tree Plaza / Main Street & Hickory Avenue	2007	18,450
Desert Knoll Plaza / Desert Knoll Dr & Seventh St	1986	18,389
Source: VVEDA member communities		

SAMPLING OF RETAILERS PRESENT IN VICTOR VALLEY

99 Cents Only Stores	El Pollo Loco	Mama Carpino's Italian Restaurant
Automobile Club of Southern California (AAA)	Extreme Skin Rejuvenation Medical Spa	McDonald's
Albertson's	Famous Footwear	Mervyn's
All Star Sporting Goods	Fashion Bug	Mimi's Café
Allstate Insurance	Foot Locker	Natural Nails Nestlé Tollhouse Café
American Eagle	Four Star Pizza	Nubi Yogurt
Applebee's Restaurant	Flaming Wok	OfficeMax
AT&T Wireless	Game Stop	Oggi's Pizza & Brewery
AutoZone	Golden Chopstix	Olive Garden Restaurant
Baja Taco	Goodyear Auto Svc	One Hour Photo
Bank of America	Hair West Salon	Ono Hawaiian Barbeque
Banner Mattress	Hilmar Health Center	On The Border Restaurant
Barnes & Noble	Hollywood Video	Oscos Drug
Bath & Body Works	Home Depot	Outback Steakhouse
Best Buy	Hometown Buffet	Pacific Sunwear
Big K	Hooks Books	Panda Express
Blockbuster Video	Hudsons Grill	Papa John's Pizza
Baskin Robbins	Italian Restaurant	Payless ShoeSource
Boston Store	It's a Grind Coffee House	PETSMART
Brass Pickle	JCPenney	Pier1 Imports
Buffalo wild Wings Grill Bar	Johnny Carino's Country Italian Restaurant	Pita Stop Mediterranean Grill
Carl's Jr.	Juice It Up	The Pizza Factory
Carvel Ice Cream	KB Toys	Pizza Hut
Chili's Restaurant	Kirkland's Home	Port of Subs
Chipotle Mexican Grill	Kohls	Pro Beauty Supply
Chop Stix	Kristy Salon	Quality Sleep Center
Cinemark Theatre	L & L Hawaiian Barbeque	Quizno's Subs
Circuit City	Lane Bryant	R & M Postal Svc
Clothestime	Le Chateau de Soul Beauty Salon	Ralph's Grocery
Costco Wholesale	Linko Sushi	Rent A Center
DJ's Sandwiches	Little Caesars Pizza	Red Persimmon Nail & Spa
Dollar Tree	Longs Drugs	Rite Aid Pharmacy
Domino's Pizza	Lowe's	Ross Dress For Less
Dress Barn		

SAMPLING OF RETAILERS PRESENT IN VICTOR VALLEY

Round Table Pizza	Taco Bell	Video Store
Sears	Tans 'R Us	Vons Supermarket
Shamrock Flowers	Target (including Super Targets)	Wal-Mart
Sold It on eBay	Tender Touch Beauty Salon	Wells Fargo Bank
Spa Outlet	Texaco Svc Station	Wickers Furniture
Sports Bar	Tri-City Jewelers	Winco Foods
Staples Office	T-Shirt Warehouse	The Wine Seller
Starbucks Coffee	Two Good Chiropractic	Wing Stop
State Farm Insurance	Ultimate Gear	Wright's Watch Repair & Placques
Stater Brother Supermarket	UltraStar Cinema	Your Drug Store
Straw Hat Pizza	Victoria's Secret	Zales Jewelers
Sylvan Learning Center		

Source: VVEDA Member Communities

For more information on
specific retail opportunities
in the Victor Valley, check
the Properties Inventory at
www.VictorValleyCa.com
or email us at
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