

**RETAIL & OFFICE MARKET STUDY
CITY OF DUNCAN, OKLAHOMA**

November 2012

CANYON RESEARCH SOUTHWEST, INC.

COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

RETAIL & OFFICE MARKET STUDY CITY OF DUNCAN, OKLAHOMA

November 2012

Prepared for:

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COMMERCIAL REAL ESTATE RESEARCH AND ANALYSIS

October 8, 2012

Ralph Ochsner, PhD
Chief Executive Officer
Ochsner Hare & Hare, LLC
1801 McGee Street, Suite 101
Kansas City, MO 64108

Re: Retail & Office Market Study
City of Duncan, Oklahoma

Mr. Ochsner;

The City of Duncan, Oklahoma retained Ochsner Hare & Hare, LLC to conduct a *Retail/Office Market Study* and *Housing Impact Area Strategy*. As a sub-consultant to Ochsner Hare & Hare, LLC, Canyon Research Southwest has prepared the *Retail & Office Market Study* portion of the assignment. The study evaluated opportunities and constraints for future retail and office growth in Duncan, Oklahoma.

Upon review of the report, should any questions arise or additional information requested, contact me directly at (716) 551-0655.

Respectfully submitted,

CANYON RESEARCH SOUTHWEST, INC.

Eric S. Lander, Principal

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Principal of Canyon Research Southwest, Inc.	

SUMMARY OF MAJOR FINDINGS

The City of Duncan, Oklahoma, recently adopted a *Comprehensive Plan* to assist in guiding the City's future land use. As a compliment to the visioning outlined in the *Comprehensive Plan*, Canyon Research Southwest, Inc. has prepared a *Retail and Office Market Study* that evaluated opportunities and constraints for future retail and office growth in Duncan, Oklahoma. The report's major findings and recommendations are summarized in the text below.

Economic and Demographic Indicators

The City of Duncan is located within Stephens County in south-central Oklahoma, approximately 30 miles east of Lawton and 78 miles southwest of Oklahoma City. Duncan is the primary population and economic center for Stephens County and will account for the majority of future population and employment growth.

A trade area's purchasing power is a function of consumer population and income levels, while the demand for specific types of goods and services is influenced by the age of consumers. Therefore, the trade area's population growth, age composition and income levels play significant roles in the demand for a variety of retail goods and services.

The City of Duncan now accounts for 52 percent of the Stephens County population. From 2010 to 2020, the Stephens County population is forecast to increase by an estimated 1,802 residents with the City of Duncan capturing just over half of the population gains. Over the decade the elderly and young adult populations are expected to grow at the largest rates, with the adolescent and college age adult populations experiencing modest declines.

The median household income for Stephens County of \$37,509 lags considerably behind both the national and statewide averages. By 2016, the average household income for Stephens County is forecast to increase by 12.6 percent to \$42,234 annually. The largest percentage gains are forecast for incomes exceeding \$50,000. By 2016, nearly 37 percent of all Stephens County households are estimated to possess median incomes ranging from \$35,000 to \$74,999, with 10.7 percent of households with incomes of \$75,000 to \$99,999.

Stephens County's future gains in population and median household income will generate additional consumer purchasing power and retail sales growth. The age composition of the population will favor the growth in demand for hardware; furniture and home furnishings; home electronics; department stores; eating and drinking places; and healthcare goods and services.

The composition of employment growth is a key factor influencing the future demand for professional and medical office space. According to the *County Business Pattern* published by the U.S. Census Bureau, as of July 2010 the leading employment sectors in Stephens County included educational, health and social services; manufacturing; retail trade; and arts, entertainment, recreation, accommodation and food services. Compared to the statewide employment composition Stephens County supports an above average share of manufacturing, wholesale and retail trade, and educational, health and social services jobs. Sectors in which Stephens County lags include professional and administrative; finance, insurance and real estate; and arts, entertainment, recreation, accommodations and food services. Stephens County's employment composition is reflective of Duncan's existing office market, which consists of a

concentration of medical office space surrounding the Duncan Regional Hospital and modest inventory of professional office space concentrated in the Central Business District (“CBD”).

Business Location Factors

Interviews were conducted with several local business owners, property owners, bankers, and government and economic development staff focusing on identifying the advantages and constraints of Duncan, Oklahoma as a business location. The bullet points below summarize the content of those interviews.

Advantages

- The Duncan Area Economic Development Foundation actively markets the region;
- Affordable cost of real estate;
- Ample availability of industrial building sites in five industrial parks;
- Rail and highway access;
- Red River Technology Center offers training in twelve trades/professions and assists small businesses;
- Cameron University-Duncan offers majors in Business, Accounting, Pre-nursing, Criminal Justice, Education and Psychology;
- Cost of labor is well below the national average;
- Quality workforce with a strong work ethic;
- Strong Chamber of Commerce;
- Duncan Regional Hospital and Sanford Children’s Clinic provide quality healthcare;
- Small town atmosphere;
- A pivotal location on U.S. Highway 81;
- Economic incentives available through the State of Oklahoma and the Duncan Economic Development Foundation;
- Availability of capital from local banks;
- Duncan is the seat of Stephens County;
- Duncan is Stephens County’s principal retail location;
- Main Street Association events bring people downtown;
- Downtown and U.S. Highway 81 businesses tend to cater to different clientele; and
- High quality of life featuring an affordable cost of living, low crime, good schools, low taxes, affordable housing costs and availability of recreational and cultural amenities.

Constraints

- Limited inventory of for-sale housing and quality rental housing;
- City of Duncan bureaucracy is sometimes very difficult to navigate through;
- Limited selection of restaurants and a small and narrow retail base;
- Real estate development approval process is cumbersome;
- Limited number of high paying local jobs;
- Lack of national retailers and limited availability of existing commercial space and quality development sites on U.S. Highway 81 between Elk Avenue and Plato Road;

- Close proximity to Lawton, Oklahoma makes it difficult to attract national retailers;
- Location off Interstate 44;
- Reluctance of the community to support bond issue to build new schools;
- A large elderly population and the need for an influx of younger people;
- Under capitalized entrepreneurs; and
- Perceived parking shortage downtown

As ascertained by the stakeholder interviews, the City of Duncan possesses ample advantages for attracting businesses and jobs. The Duncan Area Economic Development Foundation, Red River Technology Center, Cameron University-Duncan, ample inventory of shovel ready industrial sites and high quality of life will be key in attracting higher paying, emerging industry jobs. Challenges facing future economic development include a limited stock of quality for-sale and rental housing, attracting a young workforce and under-capitalized entrepreneurs.

As it relates to this report, desirable commercial space and development sites must be created to improve the ability to attract new retail, professional and medical businesses to Duncan. The future demand for commercial space will rely on the region's population and income growth with office space also depending on increasing the number of college educated residents and continued expansion of the Duncan Regional Hospital.

Competitive Retail Market

Duncan is Stephens County's principal retail destination, accounting for two-thirds of all retail businesses and nearly three-quarters of taxable retail sales. Duncan's expanded retail trade area that includes both Stephens County and tourists is best quantified through trade area capture ("TAC") and pull factor estimates.

The trade area capture ("TAC") is an estimate of the number of people who shop in the local area during a certain period. The July 1, 2011, population for the City of Duncan was estimated at 23,507 residents, while the TAC was estimated at 32,231 residents, suggesting Duncan attracts customers and retail sales from outside the city. Meanwhile, Duncan's estimated pull factor of 1.371 indicates the city is capturing retail sales at a rate equivalent to 37.1 percent above the state-wide average. However, the well above average pull factor does not suggest that Duncan is over retailled and not capable of supporting additional retail businesses.

Despite servicing an expanded retail trade area, Duncan lacks a diverse and deep mix of retail goods and services. Comparison to Oklahoma's retail business composition, Duncan is deficient in such retail business categories as eating & drinking establishments, health & personal care stores and clothing & accessory stores. The *Retail MarketPlace Report* published by Esri Business Analyst further identified several retail categories in Duncan that remain under serviced, including grocery stores, building materials & supplies, electronics and appliances, furniture and clothing and accessories.

These retail deficiencies result in retail sales leakage outside of Duncan as residents must travel outside of the community to satisfy much of their shopping needs. The primary alternative retail destinations include Lawton, Oklahoma, approximately 30 miles to the west, Wichita Falls, Texas, approximately 66 miles to the south and Oklahoma City, Oklahoma, approximately 78 miles to the northeast. The close proximity of these larger retail destinations, particularly to

Lawton, places a limitation on the ability of Duncan to attract major retailers currently operating in these markets.

Duncan's two principal business districts include downtown and the North U.S. Highway 81 corridor. Both business districts co-exist because they for the most part cater to distinctive market segments. Secondary commercial corridors in Duncan include East Main Street and U.S. Highway 81 from Main Street south to Highway 7.

Downtown Duncan once served as the city's principal shopping district. Over the years many prominent retailers closed their downtown stores and with the opening of Chisholm Mall businesses began migrating to North U.S. Highway 81. With an estimated 270,500 square feet of retail space, downtown Duncan now houses a mix of antique shops, gift and specialty stores, hair salons/barbers and home furnishings. The historic character of downtown along with its mix of antique and specialty shops collectively serve as a tourism draw. Principal advantages of downtown as a retail location include its status as a specialty retail destination, affordable building rents and property values, historic character and cooperative marketing and promotions. Principal shortcomings for downtown include a location off a major thoroughfare, a perceived parking shortage on Main Street and the absence of a major "traffic generating" business.

The North U.S. Highway 81 corridor serves as the Duncan's primary shopping and dining destination supporting nearly 1.1 million square feet of retail space. The segment between Elk Avenue and Plato Road serves as the principal "core" of retail activity, housing the largest concentration of retail space and is viewed as Duncan's most desirable retail location. The only vacant retail space within this one-mile stretch of U.S. Highway 81 is the 25,000 square foot former Goody's in the Duncan Towne Square. Businesses have been reluctant to locate on U.S. Highway 81 north of Plato Road. An excellent illustration of retailers' preference to be located within the principal "core" is the fact that since opening in 1996, the 35,200 square foot Deer Creek Center located approximately 1/3-mile north of Plato Road, has been plagued by considerable vacancies despite the lack of available space elsewhere in the corridor.

Strengths of the North U.S. Highway 81 corridor as a retail business location include the concentration of big-box and national retailers that create a regional draw catering to all of Stephens County, high traffic volumes and excellent access and exposure created from frontage on U.S. Highway 81. Constraints include high rental rates and land values, limited inventory of commercial space available for lease and a declining inventory of suitable development sites within the coveted portion of the corridor from Elk Avenue to Plato Road.

Developers and businesses must now "manufacture" sites along U.S. Highway 81 between Elk Avenue and Plato Road by purchasing under-utilized properties and pursuing property assemblages. At some point when development sites are too difficult and expensive to assemble development will begin to migrate north of Plato Road or properties to the south of Elk Avenue will become more desirable redevelopment sites. A recent example is Big 5 Sports leasing 13,000 square feet space at Plaza 81 located south of Elk Avenue.

Both the East Main Street and South U.S. Highway 81 corridors are characterized by a narrow band of commercial zoning supporting a mix of strip retail and small freestanding buildings. National retailers play a minor role and many commercial properties in both corridors are in disrepair. Collectively, the East Main Street and South U.S. Highway 81 corridors account for less than 10 percent of the city's retail space inventory.

Duncan’s current population and income levels are sufficient to support an estimated 1.4 to 1.8 million square feet of occupied retail space. The existing inventory of retail space totals approximately 1.5 million square feet, suggesting an unmet demand for up to an estimated 282,489 square feet of additional retail space. Based on population growth estimates and continued impact of out-of-town visitors, Duncan is forecast to support an estimated 193,000 to 236,000 square feet of additional occupied retail space through 2042. The current pent-up retail space demand and continued growth in space demand over the next 30 years will create development opportunities.

Over the next decade the North U.S. Highway 81 corridor will continue to be Duncan’s predominant location for retail space absorption and development activity. While the Duncan Bypass offers the opportunity to support large-scale development formats, the scarce surrounding population density, modest traffic counts and absence of major interchanges will hinder the near-term development potential. Redevelopment efforts for both the East Main Street and South U.S. Highway 81 corridors are hampered by the shallow band of commercially zoned land and modest area demographics. To facilitate redevelopment of strip centers and freestanding commercial buildings some residential rezoning in appropriate locations would be required.

Any redevelopment plan for downtown should emphasize both redevelopment of existing underutilized properties and selective new construction. A façade improvement program could elevate the streetscape, improve retail sales and increase property values. What is needed in downtown is a “major” anchor to generate increased customer traffic and retail sales. The major anchor can take the form of a quality sit-down restaurant with liquor, coffee house or a “cluster” of complementary businesses.

Competitive Office Market

Duncan serves as Stephens County’s principal economic center. The office-related professions of information; finance, insurance and real estate; professional, scientific and technical services; and administration and support account for 13.2 percent of the Stephens County employment. Duncan’s inventory of office space is estimated at approximately 618,000 square feet, including 422,677 square feet of professional space and 195,591 square feet of medical space.

Duncan’s largest concentration of professional office space is located in the CBD consisting of downtown and surrounding the Stephens County Courthouse just west of downtown. The CBD supports approximately 266,000 square feet of professional office space and 25,000 square feet of medical office space. Downtown’s historic character attracts office tenants seeking a unique environment. The presence of the Stephens County Courthouse also attracts legal professionals and other government support services.

Despite currently supporting a modest inventory of office space, the North U.S. Highway 81 corridor is a feasible location for future office development, leveraging off its close proximity to high income households and upscale housing; availability of such businesses support services as banks, restaurants, hotels, fitness centers and retail stores; and highway access and visibility.

The principal location for medical office space in Duncan is along West Elk Road in close proximity to the Duncan Regional Hospital. This submarket contains nearly 179,000 square feet of office space, of which 88 percent is medical office. The West Elk Avenue/Duncan Regional

Hospital submarket is expected to remain as Duncan's predominant location for new medical office development.

The Duncan Bypass offers a desirable freeway location for future office development. However, the absence of major freeway interchanges, the necessary public infrastructure and the freeway's peripheral location will serve as barriers for attracting office tenants and development activity.

Most Duncan professional office tenants are classified as service firms such as real estate agencies, insurance agencies, financial services, accountants and attorneys. The presence of the Duncan Regional Hospital generates considerable demand for medical office space. Future professional and medical office space demand in Duncan will be tied to continued population growth. Stephen County's large senior population will also place an increasing demand on healthcare services.

Based on continued population and employment, from 2012 through 2032, the City of Duncan is forecast to absorb approximately 63,000 to 82,450 square feet of professional office space and approximately 33,000 to 36,000 square feet of medical office space. Those portions of the city expected to capture the bulk of future office space demand include the North U.S. Highway 81 Corridor and the West Elk Avenue/ Duncan Regional Hospital submarket.

Study Recommendations

Quantify existing retail sales leakage by major retailer business category in Duncan, Oklahoma

The City of Duncan serves as local merchants' primary trade area with the secondary trade area encompassing all of Stephens County. In an effort to identify retail opportunities by NAICS classification a *Retail MarketPlace Report* was generated for both Duncan and Stephens County.

The *Retail MarketPlace Report* estimated that Duncan's current population can support annual retail sales of approximately \$193 million. Actual retail sales are estimated at \$254.8 million, yielding a retail pull factor of 1.32 (retail sales 32 percent above the Oklahoma average). The surplus retail sales of \$61.8 million are reduced to just over \$3.1 million when automobile sales are removed. Despite the slight surplus in retail sales, several retail categories in Duncan that remain under serviced, including grocery stores, food & drinking places, building materials & supplies, electronics and appliances, furniture and clothing and accessories.

The *Retail MarketPlace Report* estimated Stephens County's annual retail gap, exclusive of automobile sales, at \$50.1 million. Retail classifications under serviced in Stephens County is much more broad than in the City of Duncan alone, led by retail sales gaps in eating and drinking places (\$16.1 million); grocery stores (\$14.9 million); building materials (\$7.2 million); department stores (\$5.8 million); electronics and appliances (\$3.4 million); clothing and accessories (\$2.5 million) and furniture and home furnishings \$2.4 million).

This analysis suggests that considerable retail opportunities exist in Stephens County. With a capture rate of nearly three-quarters of the county-wide retail sales, the City of Duncan is well positioned to capitalize on the retail sales gap in Stephens County.

Quantify the supportable inventory of new retail space in Stephens County and Duncan, Oklahoma, through 2042

Continued growth in both the resident population and out-of-town visitation in Stephens County is estimated to generate increased retail sales sufficient to support an estimated 267,000 to 326,000 square feet of additional retail space is supportable through 2042.

Trade area demographics suggest that the City of Duncan can currently support an estimated 1.4 to 1.8 million square feet of total retail space. Duncan's existing inventory of occupied retail space totals approximately 1.5 million square feet, suggesting unmet demand for up to an estimated 282,489 square feet of additional retail space. From 2012 through 2042, based on population growth estimates and continued impact of out-of-town visitors total annual retail sales within the City of Duncan are estimated to increase by \$53.2 million. This level of retail sales can support an estimated 193,000 to 236,000 square feet of additional retail space through 2042.

Quantify the supportable inventory of new professional and medical office space in Stephens County and Duncan, Oklahoma, through 2032

The demand for professional office space is closely correlated with expansion in office space using employment sectors. Medical office space demand is a function of expansion in medical practices and associated needs, which is related to growth in population. The demand for medical office space is typically highly geographic specific, with healthcare providers concentrated at or near hospitals.

Duncan serves as Stephens County's principal economic and healthcare center and currently supports an estimated 422,000 square feet of professional office space and 196,000 square feet of medical office space. Duncan's ability to facilitate the continued development of new office space will be based on continued population growth; status as the county seat; and the propensity of physicians and other healthcare providers to locate at or near hospital campuses.

From 2012 through 2032, the City of Duncan is forecast to absorb approximately 63,000 to 82,450 square feet of professional office space and approximately 33,000 to 36,000 square feet of medical office space.

Identify prospective retail development opportunities for Duncan, Oklahoma

The *Duncan, Oklahoma Comprehensive Plan* identifies four current and future commercial corridors within the city limits, including: 1) Main Street/Downtown; 2) U.S. Highway 81 north of Main Street; 3) U.S. Highway 81 south of Main Street and 4) the Duncan Bypass.

The North Highway 81 corridor will continue to be Duncan's predominant location for retail activity. However, commercial development sites between the much coveted section from Elk Avenue and Plato Road are becoming increasingly scarce. As a result, developers and business owners must now "manufacture" development sites by assembling under-utilized properties. Prospective future development sites include:

1. Strip center at 1702-1720 North Hwy 81 and Bryan's Car Corner property;
2. Strip center and VFW on the east side of North Hwy 81 north of Holiday Inn site;

3. Battison Chevrolet Buick GMC north of Walmart;
4. Two small office buildings, former bank and Duncan Veterinary Hospital on the east side of North U.S. Highway 81 across from the Duncan Library;
5. Stockman's and Gardentown properties;
6. Small lot at the southwest corner of Plato Road;
7. Two out lots on south side of Plato Road east of North U.S. Highway 81
8. Northeast corner of North U.S. Highway 81 and Plato Road; and
9. Elk Plaza could support more out parcels.

At some point when development sites are too difficult and expensive to assemble development will begin to migrate north of Plato Road or properties to the south of Elk Avenue will become more desirable development sites.

Any redevelopment plan for downtown should emphasize both redevelopment of existing under-utilized properties and selective new construction. A façade improvement program could elevate the streetscape, improve retail sales and increase property values. Vacant properties and those in poor condition on both Walnut and Willow avenues make for prospective sites for renovation or redevelopment with multi-story mixed-use formats that include residential components.

Both East Main Street and U.S. Highway 81 from Main Street south to Highway 7 are characterized by a narrow band of commercial zoning supporting a mix of strip retail and small freestanding buildings. Many commercial properties in both corridors are in disrepair and suitable for demolition and redevelopment. The current constraint on the assemblage of suitable commercial development sites limits the potential to accommodate large-scale retail formats. To facilitate redevelopment of strip centers and freestanding commercial buildings some residential rezoning in appropriate locations would be required.

Several major interchanges along the Duncan Bypass are designated for future mixed-use development. Suitable large-scale retail sites at major intersections along the Duncan Bypass should be preserved for future development of big-box retailers, power centers and other large-scale retail formats. Given the access, visibility, exposure and parcel size requirements of major and junior anchors, the interchanges at both Elk Avenue and Plato Road are suitable locations for large-scale retail formats. The major Duncan Bypass interchanges are also ideal for supporting mix-use development, including retail, office, hotel and high-density residential.

Identify prospective retail and professional business types suitable for expansion into Duncan, Oklahoma

By supporting a diverse retail market a community's quality of life is improved as is the ability to attract outside employers and stimulate economic growth. While Duncan supports an estimated 1.5 million square feet of retail space, notable retail gaps still exist. Retail classifications under serviced in Stephens County that are prospective businesses for the City of Duncan include eating and drinking places, grocery stores, home improvement centers, electronics and appliances, clothing and accessories, and furniture and home furnishings.

For downtown Duncan to evolve into an entertainment and tourist destination an increased concentration of retail uses are needed such as sit-down restaurants with liquor, furniture and home furnishings stores, antique stores and specialty retailers. A major "traffic generator"

business such as a sit-down restaurant or coffee house would improve customer traffic and expand downtown's business hours.

Future office demand will be generated through continued population growth led by personal/professional services and healthcare. Prospective personal and professional services firms include banking and financial services, insurance, real estate, accounting and tax, title companies and legal.

Suggest supportive infrastructure improvements needed to accomplish retail development

To improve the ability to support commercial redevelopment additional streetscape improvements and façade improvements should be considered for the CBD, East Main Street and South U.S. Highway 81.

Infrastructure improvements to North U.S. Highway 81 would improve traffic patterns and create viable redevelopment opportunities.

To support future commercial development, the construction of freeway interchanges complete with public infrastructure is required at such desirable Duncan Bypass intersections at Elk Avenue and Plato Road.

Identify potential development incentives needed to attract desired retail development

When used with private funding sources, government financing/incentive programs greatly enhance a real estate project's financial feasibility. To generally qualify for government incentives, a project must serve a public purpose, stimulate economic growth and conform to local planning and development guidelines. Retail development generally meets all three requirements, providing goods and services to often under-served residential areas, offering opportunities for employment, increasing the community's tax base and meeting all local requirements for zoning and construction.

Development incentives in Duncan should be utilized to attract new development. Incentives may include infrastructure as well as direct subsidies. Tax increment financing would be preferred over creation and implementation of specific incentive districts such as a Business Improvement District. Potential applications include using tax increment financing to fund: (1) streetscape and off-site infrastructure improvements in the CBD, East Main Street and U.S. Highway 81 and (2) construction of major arterial interchanges along the Duncan Bypass. It should be noted that tax increment financing should only be utilized to facilitate real development deals (i.e., a specific business plans to construct a facility), but not as a tool to foster speculative future development (i.e., construct infrastructure with the hopes of stimulating economic development).

The buildings on Main Street between 7th and 10th streets possess a historic character; however, the district is not on the National Register of Historic Places. It is recommended that the historic portion of downtown Duncan seek historic district designation. Doing so will add to the historic

identity of downtown, enhance cultural tourism and promote property investment through use of federal and state historic tax credits.

Identify the most suitable market niche and positioning for downtown Duncan

Up until the late 1960s to early 1970s, downtown served as Duncan's principal retail destination, home to such retailers as JC Penney and Ace Hardware. Development of the North U.S. Highway 81 corridor shifted the principal retail activities away from downtown. Today, downtown Duncan is predominantly occupied by independently owned specialty retailers such as antique shops, gift and specialty stores, hair salons/barbers and home furnishings. Many downtown retailers cater largely to the tourism market. Principal business services operating downtown include banks and financial services, law firms, accounting/tax, community organizations physicians, and insurance and real estate.

Downtown's survival and redevelopment hinges on continuing to serve a market niche distinctive from the North U.S. Highway 81 corridor. The vision of downtown Duncan is to create a mixed-use urban environment offering a blend of economic, entertainment, government, housing and pedestrian activities. Retailers now account for only 55 percent of downtown's business mix. More emphasis should be placed on attracting retailers that extend the street life of downtown. Retail businesses should be emphasized in Main Street properties with professional offices better suited off Main Street on Walnut and Willow streets. The intent is to improve the pedestrian and retail activity on Main Street.

Given its historic character and location downtown Duncan is best positioned as an entertainment and tourist destination. What is needed in downtown is a "major" anchor to generate increased customer traffic and retail sales. The major anchor can take the form of a quality sit-down restaurant with liquor, coffee house or a "cluster" of complementary businesses such as home furnishings, antiques and specialty stores.

Mixed-use development should be encouraged in downtown Duncan. This development format promotes increased density, security, pedestrian activity and business activity. Vacant properties and those in poor condition on both Walnut and Willow avenues make for prospective sites for renovation or redevelopment with multi-story mixed-use formats that include residential housing over ground floor commercial space.

Increasing the housing stock through "infill" development will be a key component in enhancing the pedestrian activity and economic vitality of downtown. A mix of attached housing is recommended, including apartments and senior housing. Second floor residential should be encouraged for Main Street properties. Though located outside of the downtown area, a former school could support apartments or senior housing.

Development of a community gathering place/park in downtown would improve the ability to host special events, enhance downtown's image/identity and increase customer traffic and potential retail sales. A suitable location for a community gathering place/park is the vacant lot at the southeast corner of 7th and Main streets.

Gateway features on Main Street leading into downtown would create a sense of arrival and place. This can be accomplished through streetscape improvements and monument signs.

Provide strategic plan recommendations for a multi-year, phased approach to retail development

The intent of Duncan's Retail Development Strategy is to maximize retail potential for the City. The strategy will incorporate existing retail operations, and provide ways to protect, enhance and expand retail development. The implementation program is intended to serve as both an immediate series of actions as well as a longer-term policy framework for sustaining retail development in Duncan.

It is recommended that the City of Duncan focus on four strategic goals designed to foster and promote new retail development:

1. Establish an organizational framework to support and market the City of Duncan as a retail destination;
2. Emphasize the attraction of new retail businesses that are not currently available in the City of Duncan;
3. Establish policy and financial incentives designed to leverage private investment; and
4. Identify infrastructure needed to facilitate future retail development.

**RETAIL & OFFICE MARKET STUDY
CITY OF DUNCAN, OKLAHOMA**

November 2012

INTRODUCTION

The City of Duncan, Oklahoma, recently adopted a *Comprehensive Plan* prepared by Ochsner Hare & Hare to assist in guiding future urban growth and land use. The *Comprehensive Plan* recommended an Implementation Plan that outlined a number of actions in support of the City's vision, one of which included preparing a Retail and Office Market Study.

Canyon Research Southwest, Inc. has prepared a *Retail and Office Market Study* evaluating future retail and office development opportunities in the City of Duncan.

The *Retail and Office Market Study* commenced with an Economic and Demographic Analysis of both Stephens County and the City of Duncan, designed to assist in quantifying future demand for both retail and office space. Examples of economic and demographic characteristics discussed include population growth, age distribution, educational attainment, income, job growth, residential construction trends and list of major employers. The analysis further identified opportunities and constraints for future growth and development of Duncan, Oklahoma. Opportunities and constraints were ascertained through stakeholder interviews with area property owners, business owners, bankers, real estate agents, economic development professionals, developers and city staff.

The *Retail Market Analysis* portion of the report evaluated directly competitive retail market trends impacting the community of Duncan, Oklahoma, by identifying the city's historical trends in new construction and sales tax collections, inventorying the existing supply of retail and defining the business profile. The study also quantified Duncan's short- and long-term need for additional retail space to determine the ability of the city to accommodate future commercial development as well as evaluated prospective retail development sites.

The *Office Market Analysis* portion of the report evaluated directly competitive office market trends impacting the community of Duncan, Oklahoma. The City of Duncan's capacity to support additional office space was evaluated by addressing the following issues:

1. Identify the currently mix of office tenants within the City of Duncan;
2. Inventory of professional and medical office space in the City of Duncan;
3. Forecast short- and long-term demand for office space in the City of Duncan; and
4. A site evaluation identifying suitable office development locations within the City of Duncan, especially along U.S. Highway 81 and the Duncan Bypass;

Based on the study findings, potential retail and office development opportunities are identified for Duncan, Oklahoma. Study recommendations include the following:

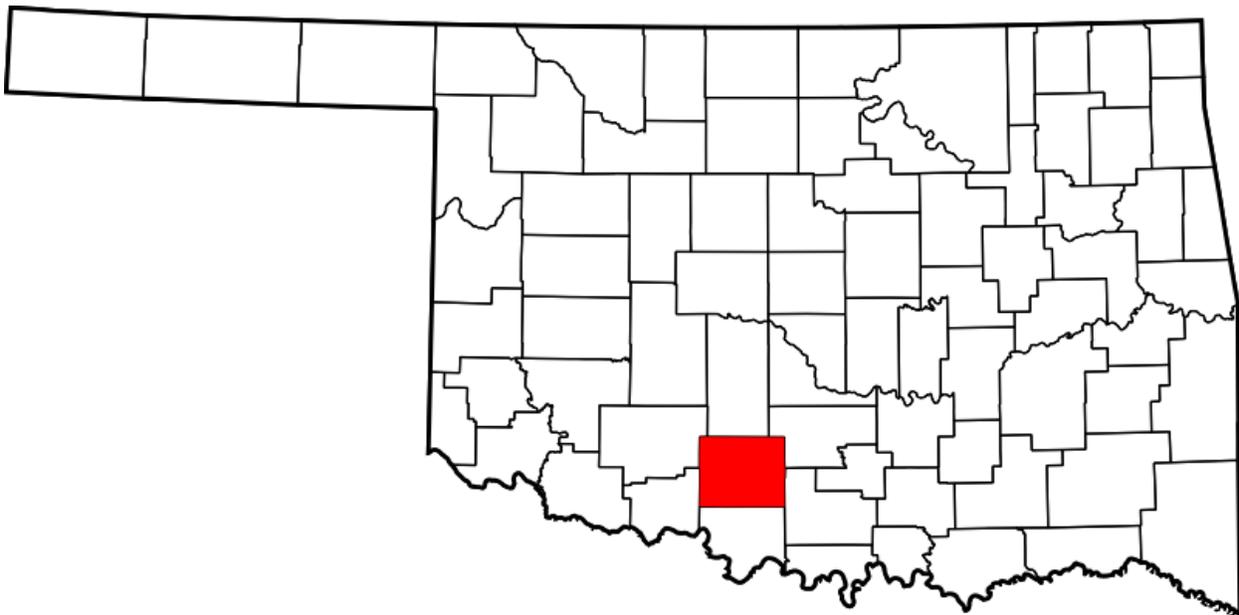
- Quantify existing retail sales leakage by major retailer business category in Duncan, Oklahoma;
- Quantify the supportable inventory of new retail and office space in Stephens County and Duncan, Oklahoma, through 2042;
- Identify prospective retail and office development opportunities for Duncan, Oklahoma, as well as specific sites;
- Identify prospective retail and professional business types suitable for expansion into Duncan, Oklahoma;
- Suggest supportive infrastructure improvements needed to facilitate retail and office development;
- Categorize recommendations for prospective retail by community desirability, based on past studies, current demographics, *Market Study* findings and results of stakeholder interviews. Determine likelihood or unlikelihood to attract desirable retail. Identify potential development incentives needed to attract desired retail development;
- Identify the most suitable market niche and positioning for downtown Duncan (i.e., arts and entertainment district, shopping destination, employment center and tourism attraction). Issues such as potential redevelopment sites, density, and development formats will be discussed; and
- Provide substantive information that would support a strategic plan for a multi-year, phased approach to retail development. Recommend elements of the strategic plan.

ECONOMIC AND DEMOGRAPHIC ANALYSIS

The City of Duncan is located in south-central Oklahoma approximately 30 miles east of Lawton and 78 miles southwest of Oklahoma City. Duncan, Oklahoma, is the largest community in Stephens County. This section of the report examines economic and demographic factors related to the current and future demand for commercial space in the City of Duncan. It includes an analysis of population and household growth trends and projections, age distribution, household income, employment trends and major employers for both Stephens County and the City of Duncan. Five-year demographic projections were provided by ESRI, a national demographic research firm. Quantifying these demographic and economic characteristics will assist in projecting the future demand for commercial space in Duncan.

Market Area Definition

In order to assess the potential future demand for commercial space in Duncan, Oklahoma, a demographic and economic analysis was prepared for both Stephens County and the City of Duncan. Stephens County is defined as the secondary market area while the City of Duncan is defined as the primary market area. Duncan is the primary population and economic center for Stephens County and will account for the majority of future population and employment growth. A map identifying the location of Stephens County within the State of Oklahoma is illustrated below.



Population and Household Growth Trends

Population and household growth is a key component for generating continued demand for commercial space. This section of the report provides historical growth trends in population and households for both Stephens County and the City of Duncan.

During the 1970s, both Stephens County and the City of Duncan experienced a population boom, increasing by 20.9 percent and 14.2 percent, respectively. However, during the 1980s both Stephens County and the City of Duncan lost population. During the past two decades Stephens County has added 2,749 new residents with the City of Duncan adding 1,699 new residents. The City of Duncan now accounts for 52 percent of the Stephens County population.

Historical Population Trends for Stephens County and City of Duncan

Year	City of Duncan			Stephens County			Duncan % of County
	Population	Population Change	Growth Rate	Population	Population Change	Growth Rate	
1920	3,463			24,692			14.02%
1930	8,363	4,900	141.50%	33,009	8,317	33.68%	25.34%
1940	9,207	844	10.09%	31,090	-1,919	-5.81%	29.61%
1950	15,325	6,118	66.45%	34,071	2,981	9.59%	44.98%
1960	20,009	4,684	30.56%	37,990	3,919	11.50%	52.67%
1970	19,718	-291	-1.45%	35,902	-2,088	-5.50%	54.92%
1980	22,517	2,799	14.20%	43,419	7,517	20.94%	51.86%
1990	21,732	-785	-3.49%	42,299	-1,120	-2.58%	51.38%
2000	22,505	773	3.56%	43,182	883	2.09%	52.12%
2010	23,431	926	4.11%	45,048	1,866	4.32%	52.01%
2042	26,696	3,265	13.93%	50,071	5,023	11.15%	53.32%

Source: U.S. Census and Oklahoma Department of Commerce.

The Oklahoma Department of Commerce forecasts the Stephens County population to increase by 5,023 residents from 2010 to 2042. Given its status as the County's largest population and economic center, Duncan is forecast to capture approximately two-thirds of the county population growth. By 2042, the City of Duncan population is estimated at 26,696, an increase of 2,986 residents from 2012. This continued population growth will fuel additional retail sales and demand for commercial space.

From 2000 to 2010, population growth in Stephens County outpaced the growth in households. For the decade, the County's population increased by 4.32 percent while the number of households grew by just 3.8 percent. The net effect has been an increase in the average household size reported by the U.S. Census at 2.44 in 2000 and 2.46 in 2010. According to the 2010 U.S. Census, Stephens County was home to 18,127 households, up from 17,463 households in 2000.

Over the past decade, family households in Stephens County as a percentage of total households declined from 72.1 percent in 2000 to 70.0 percent by 2010. Since 2000, the number of family households has remained virtually unchanged. The number of married-couple families with children under 18 years old actually declined from 4,045 in 2000 to 3,560 by 2010. The number of female householder families with no husband present rose from 1,608 in 2000 to 1,823 by 2010, an increase of 13.4 percent. These shifts in the types of households in Stephens County have likely had an impact on the composition of housing demand and new home construction.

Single households residing in Stephens County grew from 25.3 percent of total households in 2000 to 26.1 percent by 2010. The number of householders 65 years and older account for 11.9 percent of all households. Senior households will have a growing impact on the County's housing market and the demand for independent and assisted living facilities.

Stephens County Trends in Household Types

Household Type	% of		% of	
	2000	Total	2010	Total
Total Households	17,463	100.0%	18,127	100.0%
Family Households	12,591	72.1%	12,680	70.0%
Married-Couple Family	10,398	59.5%	10,014	55.2%
With Children Under 18	4,045	23.2%	3,560	19.6%
Female Householder, No Husband Present	1,608	9.2%	1,823	10.1%
Non-Family Households	4,872	27.9%	5,447	30.0%
Householder Living Alone	4,425	25.3%	4,728	26.1%
Householder 65 Years and Older	2,237	12.8%	2,159	11.9%
Average Household Size	2.44		2.46	
Average Family Size	2.91		2.95	

Source: U.S. Census.

Stephens County's changing household composition will also impact the local retail market through a changing demand for goods and services. For example, the elderly population will produce demand for healthcare related goods and services. The declining number of families with school-aged children will adversely impact the demand for such consumer items as groceries, clothing, electronics, sporting goods and restaurants.

Population Age Distribution Trends

Stephens County's population for the decades ending in 2000 and 2010 is summarized in the table below by six primary age groups, including adolescent (0-19 years), college age adults (20 to 24 years), young adults (25 to 34 years), family/working adults (35-44 years); empty nesters (45-64 years) and elderly (65+ years). Each of these six age demographics have distinctively different consumer needs.

Stephens County Population Age Distribution Trends

Age Group	2000 Census	% of Total	2010 Census	% of Total	2000-10 Change	% Change	2016 Estimate	2010-16 Change	% Change
0-19 Years	11,734	27.0%	11,916	26.5%	182	1.6%	11,816	-100	-0.8%
20-24 Years	2,245	5.2%	2,346	5.2%	101	4.5%	2,288	-58	-2.5%
25-34 Years	4,438	10.3%	5,395	12.0%	957	21.6%	5,596	201	3.7%
35-44 Years	6,415	14.9%	5,109	11.3%	-1,306	-20.4%	4,948	-161	-3.2%
45-64 Years	10,368	24.0%	12,484	27.7%	2,116	20.4%	12,512	28	0.2%
65+ Years	7,982	18.5%	7,798	17.3%	-184	-2.3%	9,088	1,290	16.5%
Totals	43,182	100.0%	45,048	100.0%	1,866	4.3%	46,248	1,200	2.7%
Median Age	40.1		40.6				41.8		

Source: U.S. Census and Esri Business Analyst.

The trade area population's growth and age composition play significant roles in the demand for a variety of retail goods and services. From 2000 through 2010, the Stephens County population grew by 4.3 percent adding 1,866 new residents. Over the decade the number of elderly (-2.3%) and family/working adult (-20.4%) residents declined. Absolute population gains were the largest for empty nesters (2,116 residents) and young adults (957 residents).

The large adolescent population is sufficient for supporting the sales of apparel and accessories; groceries; sporting goods; music; home electronics; eating and drinking places; and general merchandise. The large population ages 25 to 44 are in their principal consumer years, favoring hardware; furniture and home furnishings; home electronics; department stores; and eating and drinking places. The high percentage of seniors generates demand for medical goods and services. The aging of the Stephens County population is of some concern to the local retail market because the population aged 45+ years is generally less of a consumer of hard goods such as apparel, furniture and home furnishings than are younger consumers.

From 2011 to 2016, ESRI Business Analyst estimates the Stephens County population to increase by approximately 1,200 residents. The elderly (+16.5%) and young adult (+3.7%) populations are expected to grow at the largest rates. The adolescent and college age adult population is forecast to experience modest declines through 2016. The empty nester population is expected to remain virtually unchanged. These forecast trends in the aging of the Stephens County population will influence the demand for retail goods and services.

Household Incomes

A trade area's purchasing power is a function of consumer population and income levels. According to the U.S. Census Bureau *Average Annual Expenditures of all Consumer Units by Income Level 2009*, average annual expenditures increased from \$33,810 for incomes of less than \$70,000 to a high of \$124,306 for incomes exceeding \$150,000. Therefore, it can be concluded that as a trade area's incomes rise the more retail sales are supported.

The table below summarizes household income estimates for Stephens County provided by the U.S. Census for 2000. As of the date of this report, the U.S. Census Bureau had not yet published 2010 Census household income data for Stephens County so estimates published by ESRI Business Analyst were provided for both 2011 and 2016.

Stephens County Trends in Households by Income

Income Bracket	2000 Census	2011 Estimate	% of Total	% Change 2000-11	2016 Estimate	% Change 2011-16
Less than \$15,000	4,069	3,487	19.1%	-14.3%	3,349	-4.0%
\$15,000 - \$24,999	3,163	2,629	14.4%	-16.9%	2,143	-18.5%
\$25,000 - \$34,999	2,681	2,348	12.9%	-12.4%	2,211	-5.8%
\$35,000 - \$49,999	2,986	2,903	15.9%	-2.8%	2,816	-3.0%
\$50,000 - \$74,999	2,654	3,333	18.3%	25.6%	4,009	20.3%
\$75,000 - \$99,999	1,129	1,652	9.1%	46.3%	1,987	20.3%
\$100,000 - \$149,999	489	1,261	6.9%	157.9%	1,400	11.0%
\$150,000 - \$199,999	186	314	1.7%	68.8%	362	15.3%
\$200,000+	129	294	1.6%	127.9%	305	3.7%
Totals	17,486	18,221			18,582	
Median Income	\$30,709	\$37,509	22.1%		\$42,234	12.6%
2010 Census Median Income						
Oklahoma	\$33,400	\$42,076	26.0%			
United States	41,994	\$50,046	19.2%			

Source: U.S. Census and Esri.

The 2010 Census estimated the median household income for Oklahoma of \$42,076 and the United States of \$50,046. ESRI estimated that the 2011 median household income for Stephens County of \$37,509 lags behind both the national and statewide averages.

The median household income for Stephens County rose from \$30,709 in 2000 to \$37,509 by 2011, an increase of 22.1 percent. By comparison, for the decade the median income rose 26 percent in Oklahoma and 19.2 percent for the nation as a whole. The largest percentage gains were reported for the income brackets from \$100,000 to \$149,999 (157.9%); \$200,000+ (127.9%); \$75,000 to \$99,999 (46.3%) and \$50,000 to \$74,999 (25.6%). The strong gains in the highest income brackets bode well for fueling escalated retail sales growth in Stephens County.

By 2016, the average household income for Stephens County is forecast to increase by 12.6 percent to \$42,234 annually. Again, the largest percentage gains are forecast for incomes exceeding \$50,000. By 2016, nearly 37 percent of all Stephens County households are estimated to possess median incomes ranging from \$35,000 to \$74,999, with 10.7 percent of households with incomes of \$75,000 to \$99,999.

Educational Attainment

Education levels of an area’s labor pool are becoming increasingly important in the ability to attract and retain knowledge-based industries as well as the ability to support above average wages. The table below provides educational attainment levels in 2000 and 2010 for Stephens County. The U.S. Census Bureau provided educational attainment levels for 2000; however, the 2010 Census data has not yet been published. Educational attainment estimates for Stephens County were provided by ESRI Business Analyst.

Stephens County, Oklahoma Educational Attainment For Residents 25 Years and Over

Educational Attainment	2000	2010	% Change
Less than 9th Grade	1,866	1,442	-22.7%
9th to 12th Grade, No Diploma	4,838	3,345	-30.9%
High School Graduate	10,858	12,612	16.2%
Some College, No Degree	5,803	5,983	3.1%
Associate Degree	913	1,319	44.5%
Bachelor's Degree	3,467	4,326	24.8%
Master's/Professional/Doctorate Degree	1,366	1,657	21.3%
Totals	29,111	30,684	5.4%

Source: U.S. Census Bureau and ESRI.

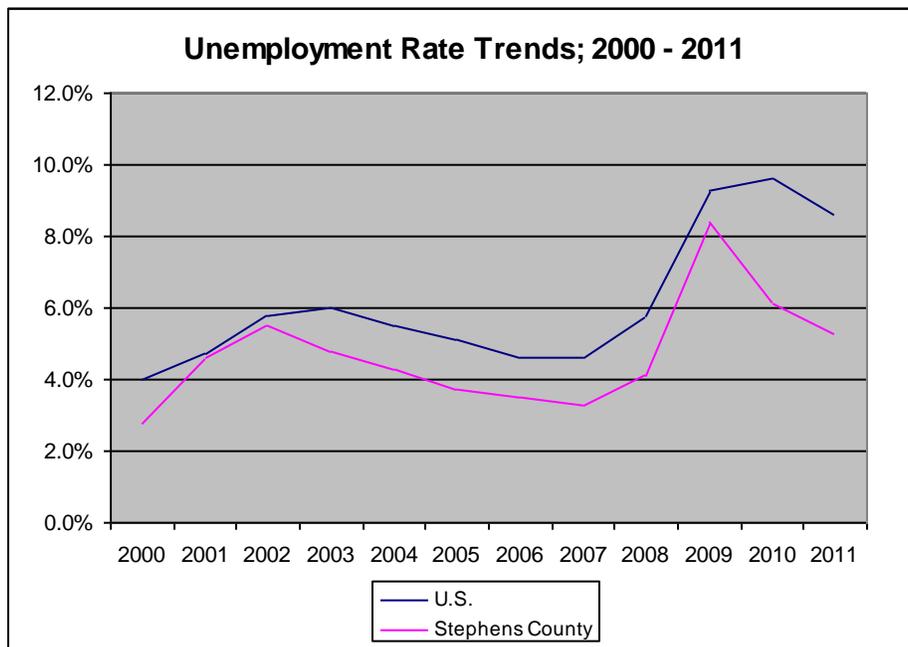
Over the past decade Stephens County made considerable gains in the number of residents 25 years and over with associate, bachelor’s and advanced degrees. The higher educational levels assist in generating higher income and retail sales levels. The demand for office space improves as more residents are employed in professional service and medical professions.

Despite the notable gains in educational levels among its residents, Stephens County lags behind the nation as a whole in the percentage of residents 25 years and above with a bachelor’s degree or better. The U.S. Census Bureau reported that 30.4 percent of U.S. residents aged 25 years and over possesses a bachelor’s degree or better which compares to just 19.5 percent for Stephens County.

Employment Trends

Since gains in employment generally fuel population, income and retail sales growth, employment trends are a reliable indicator of general economic conditions and commercial space demand. Typically, households prefer to live near work for convenience. Housing in smaller towns such as Duncan is often less expensive, making commuting from outlying communities to work in larger employment centers attractive for households concerned with housing affordability. Lower housing costs, reduced commute times and superior quality of life can also motivate employees of companies in outlying communities to relocate from the nearby metropolitan area or outside of the region to the outlying community.

According to the Bureau of Labor Statistics, since 2000 the unemployment rate for Stephens County has consistently run well below the U.S. average. However, the unemployment patterns for the County have mirrored national trends. Economic contractions occurred during the early and later portions of the past decade, with the unemployment rate for Stephens County peaking at 5.5 percent in 2002 and 8.4 percent in 2009.



According to statistics published by the U.S. Bureau of Labor Statistics, over the past 30 months the Stephens County employment picture has showed notable signs of improvement. From a peak of 8.4 percent in 2009, the annualized unemployment rate has declined gradually to 6.1 percent in 2010 and 5.3 percent in 2011. By April 2012 the Stephens County labor force totaled 22,817, of which 21,996 were employed. The County's overall unemployment rate of 3.6 percent compares favorably to the national rate of 8.1 percent and statewide rate of 4.8 percent.

According to the *County Business Pattern* published by the U.S. Census Bureau, as of July 2010, the leading employment sectors in Stephens County included health and social services (2,226 jobs); retail trade (2,017 jobs); manufacturing (1,694 jobs); and agriculture, forestry, fishing, hunting and mining (986 jobs). Compared to the statewide employment composition Stephens County supports an above average share of manufacturing, wholesale and retail trade, and educational, health and social services jobs. Sectors in which Stephens County lags include professional and administrative; finance, insurance and real estate; and arts, entertainment, recreation, accommodations and food services.

Stephens County, OK Employment by Sector; 2010

Industry Classification	# of Employees	% of Total
Total Employment	12,366	100.0%
Agriculture, forestry, fishing and hunting, and mining	986	8.0%
Construction	575	4.6%
Manufacturing	1,694	13.7%
Wholesale trade	450	3.6%
Retail trade	2,017	16.3%
Transportation and warehousing and utilities	664	5.4%
Information	142	1.1%
Finance, insurance, real estate and rental and leasing	740	6.0%
Professional, scientific and technical services	412	3.3%
Administrative and support and waste management services	346	2.8%
Health and social services	2,226	18.0%
Educational services	39	0.3%
Accommodations and food services	910	7.4%
Other services (except public administration)	890	7.2%

Source: U.S. Census Bureau.

According to the U.S. Census Bureau in 2009 Stephens County was home to 1,058 businesses employing 13,129 workers. The total annual payroll of \$387.1 million equates to approximately \$29,500 per job.

To generate primary jobs five sites in the Duncan area are certified by the State of Oklahoma under the Site Ready Certification Program through the Oklahoma Department of Commerce:

- 108-Acre Industrial Park North
- 290-Acre South Industrial Corridor
- 160-Acre Industrial Park South
- 60-Acre Greenfield Site
- 140-Acres South

Local and state economic incentives are also available to attract industry to Stephens County. The Duncan Area Economic Development Foundation operates as an incubator for start-up businesses.

Major Employers

Stephens County has attracted a diverse mix of private sector companies. A list of the largest private sector employers is provided in the table below. Eleven private sector employers with at least 90 employees operate in Stephens County, totaling 5,770 jobs. With 2,905 employees, Halliburton is by far Stephens County's largest private employer. The presence of this major provider of oilfield services has prompted the location of several other oilfield service companies such as NOV Hydra Rig, M&M Supply and Mack Energy.

Stephens County, Oklahoma Private Sector Employers

Company	Type of Business	# of Employees
Halliburton Energy	Oilfield Services	2,905
Duncan Regional Hospital	Healthcare	912
Wal-Mart	Retail Sales	460
Family Dollar Services	Distribution Center	425
Wilco Manufacturing	Machine Fabrication	420
NOV Hydra Rig	Oilfield Services	125
M&M Supply	Oilfield Services	114
Mack Energy	Oilfield Services	112
Pre-Paid Legal Services	Legal Services	109
Cameron Measurement Systems	Machine Fabrication	98
MIC Group	Machine Fabrication	90

Source: Duncan Economic Development Foundation.

Residential Building Permit Trends

The table below summarizes annual trends in new residential construction and demolition permit activity for the City of Duncan from 2003 through May 2012. Over the past decade new residential housing construction activity has followed a cyclical pattern, influenced by general economic conditions, population growth and the availability of mortgage financing. From 2003 through May 2012 the City of Duncan issued building permits for a total of 377 single family homes and 58 duplex units. Over the past decade the northwest quadrant of Duncan has captured the bulk of new residential construction.

Peaks in new residential construction occurred in 2003 with the issuance of permits for 61 housing units and again in 2006 when 81 housing units were permitted. Reflective of the national housing bust and economic recession, new residential construction in Duncan has declined steadily since 2006 to a low of just 21 housing units in both 2010 and 2011. Through May 2012, the City of Duncan has issued building permits for just eleven single family homes and no duplexes.

Trends in New Housing Construction City of Duncan; 2001 – May 2012

Year	# of Units Permitted		Total Units	Demolitions
	SF	Duplex		
2003	61	0	61	18
2004	60	0	60	9
2005	61	0	61	14
2006	61	20	81	18
2007	49	0	49	14
2008	26	16	42	10
2009	18	10	28	20
2010	9	12	21	10
2011	21	0	21	10
2012	11	0	11	11
Totals	377	58	435	134

Source: City of Duncan, Oklahoma.

The City of Duncan has a large inventory of substandard housing, the bulk of which is located in the City's southeast quadrant. To combat the issue building demolition has been implemented. Since 2003, the City of Duncan has issued permits for the demolition of a reported 134 housing units. Therefore, since 2003, the net gain in Duncan's housing inventory totals 301 units.

Business Location Factors

Interviews were conducted with several local business owners, property owners, bankers, and government and economic development staff focusing on identifying the advantages and constraints of Duncan, Oklahoma as a business location. The bullet points below summarize the content of those interviews.

Advantages

- The Duncan Area Economic Development Foundation actively markets the region;
- Affordable cost of real estate;
- Ample availability of industrial building sites in five industrial parks;
- Rail and highway access;
- Red River Technology Center offers training in twelve trades/professions and assists small businesses;
- Cameron University-Duncan offers majors in Business, Accounting, Pre-nursing, Criminal Justice, Education and Psychology;
- Cost of labor is well below the national average;
- Quality workforce with a strong work ethic;
- Strong Chamber of Commerce;
- Duncan Regional Hospital and Sanford Children's Clinic provide quality healthcare;
- Small town atmosphere;
- A pivotal location on U.S. Highway 81;
- Economic incentives available through the State of Oklahoma and the Duncan Area Economic Development Foundation;
- Availability of capital from local banks;
- Duncan is the seat of Stephens County;
- Main Street Association events bring people downtown;
- Downtown and U.S. Highway 81 businesses tend to cater to different market niches; and
- High quality of life featuring an affordable cost of living, low crime, good schools, low taxes, affordable housing costs and availability of recreational and cultural amenities.

Constraints

- Limited inventory of for-sale housing and quality rental housing;
- City of Duncan bureaucracy is sometimes very difficult to navigate through;
- Limited selection of restaurants and a small and narrow retail base;
- Real estate development approval process is cumbersome;
- Limited number of high paying local jobs;
- Lack of national retailers and limited availability of existing commercial space and quality development sites on U.S. Highway 81 between Elk Avenue and Plato Road;
- Location off Interstate 44;
- Reluctance of the community to support bond issue to build new schools;
- A large elderly population and the need for an influx of younger people;
- Under-capitalized entrepreneurs; and

- Perceived parking shortage downtown

As ascertained by the stakeholder interviews, the City of Duncan possesses ample advantages for attracting businesses and jobs. The Duncan Area Economic Development Foundation, Red River Technology Center, Cameron University-Duncan, ample inventory of shovel ready industrial sites and high quality of life will be key in attracting higher paying, emerging industry jobs. Challenges facing future economic development include a limited stock of quality for-sale and rental housing, attracting a young workforce and under-capitalized entrepreneurs.

As it relates to this report, desirable commercial space and development sites must be created to improve the ability to attract new retail, professional and medical businesses to Duncan. The future demand for commercial space will rely on the region's population and income growth with office space also depending on increasing the number of college educated residents and continued expansion of the Duncan Region Hospital.

RETAIL MARKET ANALYSIS

The *Retail Market Analysis* portion of the report evaluates directly competitive retail market trends impacting the community of Duncan, Oklahoma, by identifying the city's historical trends in new commercial construction and sales tax collections, inventorying the existing supply of retail space and defining alternative shopping destinations. A retail sales gap analysis suggests opportunities for additional retail store types in Duncan, Oklahoma.

The study also quantifies Duncan's short- and long-term need for additional retail space to determine the ability of the city to accommodate future commercial development as well as evaluated prospective retail development sites.

This report incorporated the findings of the *Analysis of Retail Trends and Taxable Sales for Duncan, Oklahoma and Stephens County* prepared in 2009 by Oklahoma State University.

Duncan Retail Market

Retail Trade Areas Defined

Within a retail trade area, customers closest to the site will affect the center most strongly, with customer influence diminishing gradually as the distance increases. Trade areas are usually divided into three categories or zones of influence, each of which is defined below.

Primary Trade Area: The primary trade area is the geographical area from which the largest share of repeat sales are derived, as much as 70 to 80 percent. Depending on the size of the shopping center or retailer, the primary trade area can extend in all directions up to seven miles in major markets. For rural markets the primary trade area can be much larger in size.

Secondary Trade Area: The secondary trade area generates about 15 to 20 percent of total sales. In major markets drive-time limits can be set at 15 to 20 minutes, or 7 to 10 miles. For rural markets the secondary trade area can encompass up to a 30 minute drive time.

Tertiary Trade Area: The tertiary trade area forms the broadest area from which customers are drawn. In major markets drive-time from this area to the site can be set at roughly 25 to 30 minutes, or 10 to 15 miles. In rural communities out-of-town visitors generally make up the bulk of the tertiary trade area.

The size and boundaries of a retail trade area are influenced by a variety of factors, including:

- The area's population density and demographic characteristics.
- Size of the shopping center and its tenant mix;
- The number and size of the anchor stores in the market;

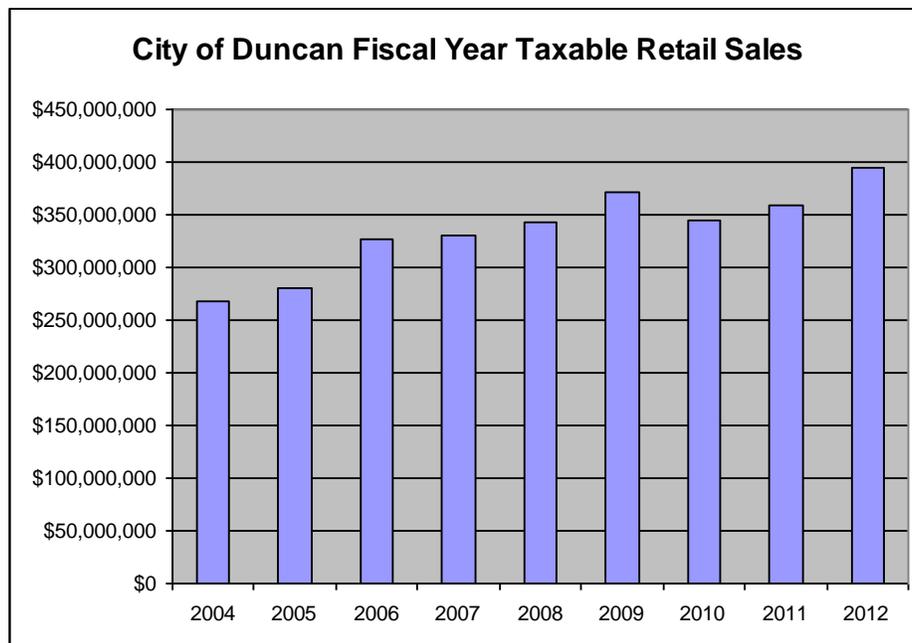
- The size and location of the anchor stores nearest “sister” store;
- Location of competitive retail destinations;
- The area’s transportation system;
- Site accessibility and travel times;
- Presence of geographic bodies of water and mountains, and such physical barriers as major freeways.

Based on these factors, for the purpose of this report the primary trade area is defined as the City of Duncan with the balance of Stephens County comprising the secondary trade area. The tertiary trade area includes out-of-town visitors residing outside Stephens County.

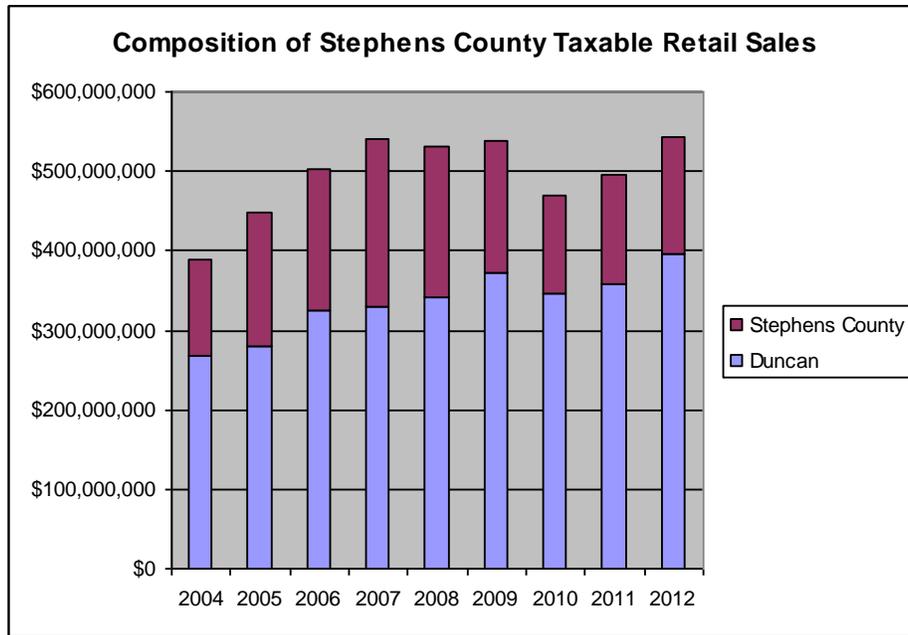
Retail Sales Trends

The Oklahoma Tax Commission provided fiscal year retail sales tax collections for the City of Duncan from 2004 through 2012. For the purpose of this report the sales tax revenue to the City was based on the month collected not the month appropriated by the Oklahoma Tax Commission. Taxable retail sales were calculated by applying the City’s 3.5 percent sales tax rate. As illustrated in the bar chart below, taxable retail sales for the City of Duncan grew for each fiscal year from 2004 through 2009 at an annual rate ranging from 1.4 percent to 16.1 percent. Taxable sales increased from \$268 million in fiscal year 2004 to \$372 million by fiscal year 2009.

By fiscal year 2010, the national recession produced a decline in taxable sales of 7.1 percent in Duncan to \$345.5 million for the year. This downward trend lasted just one year with taxable sales rebounding 3.7 percent in fiscal year 2011 to \$358.3 million. During fiscal year 2012 taxable retail sales for Duncan rose by 10.2 percent to \$395 million. The recent strong gains in retail sales are an indication of Duncan’s strong retail draw and improving local economy.



The City of Duncan serves as Stephens County’s principal retail destination, supporting the largest concentration of big-box retailers and widest selection of retail goods and services. During fiscal year 2004 the City of Duncan captured 69.1 percent of Stephens County’s \$388.3 million in taxable retail sales. From fiscal years 2005 through 2009 Duncan’s market share of county-wide taxable retail sales ranged from 61.2 to 69.0 percent. Over the past three fiscal years retail sales growth in Duncan outpaced that for Stephens County, yielding increased market shares of 72.4 to 73.6 percent. During fiscal year 2012 the City of Duncan captured 72.6 percent of the \$544.2 million in taxable retail sales collected for Stephens County.



With its critical mass of retailers as well as the presence of such major retailers as Walmart Supercenter, Fashion Bug, Hibbett Sports and Tractor Supply Co., Duncan is expected to remain as Stephens County’s principal retail destination with the potential to attract additional retailers.

The Oklahoma Tax Commission collects retail sales tax on a wide range of business activities, including construction materials, wholesale trade, lodging, fabricated metal products, manufacturing and utilities. Therefore, to provide a clear understanding of the level and composition of consumer based retail sales, the table on the following page summarizes taxable retail sales collected for the City of Duncan from fiscal years 2007 to 2012 segmented only by consumer related SIC codes.

From fiscal years 2007 through 2012, consumer related retail sales in Duncan increased by 9.44 percent to \$222.9 million. Sales declined significantly in fiscal year 2010 as the national recession took hold, but have rebounded strongly over the past two years. Department stores; eating & drinking places; food stores; furniture, home furnishings & electronics; and building materials garner the largest sales volumes. Retail classifications reporting the largest gains in sales over the past six years included eating & drinking places (\$6,922,549), department stores (\$5,999,021), food stores (\$2,978,571), variety & general merchandise (\$2,452,548) and sporting goods (\$2,263,612). Family clothing store sales declined by \$2.2 million.

City of Duncan Retail Sales by SIC Code

Retail Classification	2007	2008	2009	2010	2011	2012	Change	% Chg
Building Materials, Hardware & Garden	\$13,601,805	\$13,527,357	\$14,236,956	\$14,128,692	\$13,046,776	\$14,598,783	\$996,978	7.33%
General Merchandise Stores								
Department Stores	\$95,725,432	\$99,670,893	\$102,523,597	\$97,895,508	\$96,891,512	\$101,724,453	\$5,999,021	6.27%
Variety & General Merchandise Stores	\$1,912,441	\$1,883,348	\$2,223,088	\$2,978,083	\$3,810,845	\$4,364,989	\$2,452,548	128.24%
Apparel & Accessories								
Men's & Boy's Clothing	\$0	\$0	\$0	\$0	\$0	\$2,733	\$2,733	
Women's Ready-to-Wear Stores	\$73,267	\$47,649	\$59,356	\$53,015	\$49,747	\$145,339	\$72,072	98.37%
Women's Accessory & Specialty Stores	\$31,101	\$92,758	\$95,038	\$55,350	\$42,494	\$44,040	\$12,939	41.60%
Children's & Infants' Wear	\$4,616	\$7,971	\$11,261	\$13,112	\$35,672	\$33,441	\$28,825	624.46%
Family Clothing Stores	\$7,180,504	\$6,466,185	\$4,707,899	\$4,305,360	\$4,844,240	\$4,968,760	-\$2,211,744	-30.80%
Shoe Stores	\$1,031,883	\$1,093,901	\$1,111,774	\$1,090,012	\$1,169,457	\$1,188,130	\$156,247	15.14%
Misc. Apparel & Accessories	\$123,614	\$117,285	\$126,004	\$130,730	\$240,200	\$348,164	\$224,550	181.65%
Furniture, Home Furnishings & Electronics	\$18,473,122	\$21,149,974	\$19,701,970	\$14,914,177	\$16,119,908	\$15,517,193	-\$2,955,929	-16.00%
Food Stores	\$19,376,947	\$20,840,398	\$23,637,299	\$20,397,825	\$19,670,823	\$22,355,518	\$2,978,571	15.37%
Eating & Drinking Places	\$28,520,861	\$30,451,381	\$31,573,829	\$29,887,682	\$32,256,251	\$35,443,410	\$6,922,549	24.27%
Miscellaneous Retail							\$0	
Drug Stores	\$4,658,029	\$5,033,281	\$5,543,202	\$5,496,947	\$5,895,341	\$6,236,208	\$1,578,179	33.88%
Liquor Stores	\$2,072,251	\$2,441,980	\$2,474,597	\$2,521,348	\$2,703,122	\$2,771,653	\$699,402	33.75%
Used Merchandise	\$2,431,961	\$2,626,990	\$2,121,561	\$2,000,687	\$2,144,323	\$2,319,149	-\$112,812	-4.64%
Sporting Goods	\$2,824,630	\$3,201,421	\$3,962,837	\$4,057,959	\$4,256,675	\$5,088,242	\$2,263,612	80.14%
Book Stores	\$65,392	\$178,518	\$72,987	\$44,735	\$98,699	\$69,642	\$4,250	6.50%
Stationery Stores	\$132,641	\$104,491	\$31,882	\$30,470	\$51,459	\$31,106	-\$101,535	-76.55%
Jewelry Stores	\$641,195	\$660,177	\$494,811	\$497,894	\$587,039	\$516,511	-\$124,684	-19.45%
Hobby, Toy & Game Shops	\$21,333	\$8,487	\$20,609	\$27,429	\$27,793	\$61,388	\$40,055	187.76%
Camera & Photo Supplies	\$132,423	\$13,601	\$8,405	\$1,231	\$3,052	\$503	-\$131,920	-99.62%
Gift, Novelty & Souvenir Shops	\$1,601,958	\$1,849,206	\$2,060,570	\$1,831,832	\$1,939,146	\$1,787,794	\$185,836	11.60%
Luggage & Leather Goods	\$0	\$0	\$5,705	\$4,285	\$2,599	\$3,625	\$3,625	
Sewing Goods Stores	\$23,760	\$26,756	\$18,617	\$34,657	\$29,531	\$31,727	\$7,967	33.53%
Florists	\$190,553	\$175,531	\$98,585	\$86,768	\$79,165	\$266,103	\$75,550	39.65%
Optical Goods Stores	\$133,456	\$152,227	\$199,203	\$180,245	\$60,223	\$133,803	\$347	0.26%
Misc. Retail Stores	\$2,686,469	\$2,842,575	\$3,575,246	\$2,341,790	\$3,856,566	\$2,851,782	\$165,313	6.15%
Total Retail Sales	\$203,671,644	\$214,664,341	\$220,696,888	\$205,007,823	\$209,912,658	\$222,904,189	\$19,232,545	9.44%

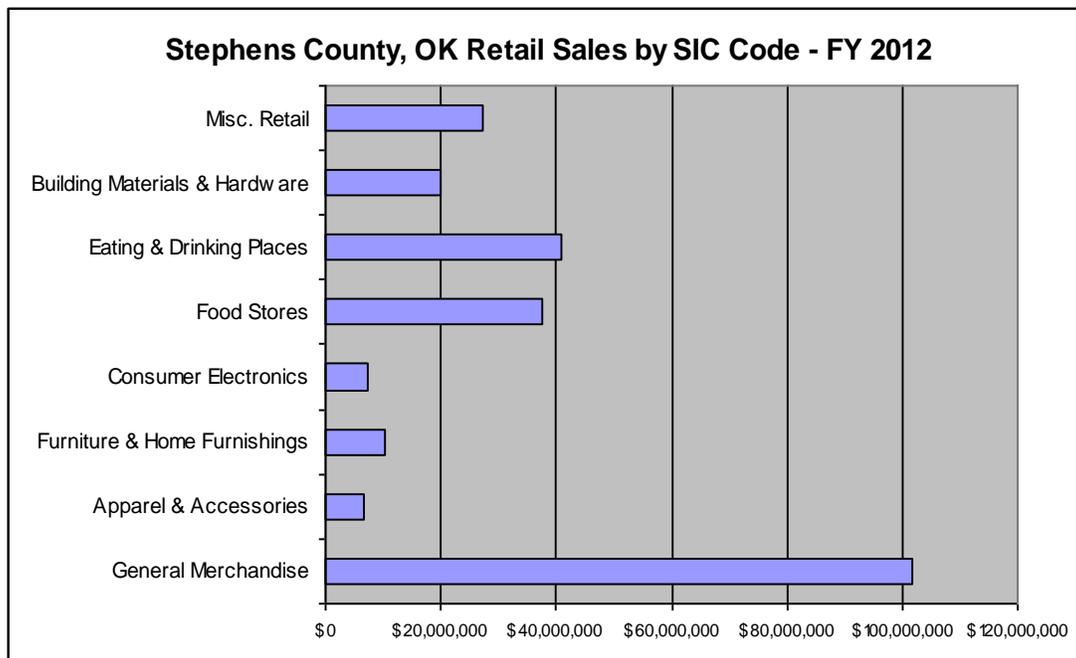
Source: Oklahoma Tax Commission.

Duncan’s primary and secondary retail trade areas encompass all of Stephens County. The City of Duncan accounts for approximately half of the Stephens County population but captures nearly three-quarters of all retail sales. A comparison of the composition of retail sales in Stephens County versus the State of Oklahoma was provided in an effort to identify potential retail market opportunities. In doing so, per capita retail sales by SIC code were calculated using data provided by the Oklahoma Tax Commission and the U.S. Census Bureau.

The U.S. Census Bureau estimated the July 1, 2011 population at 3,791,508 for the State of Oklahoma and 45,197 for Stephens County. The Oklahoma Tax Commission provided fiscal year 2012 sales tax collections by SIC code for both the State of Oklahoma and Stephens County. Taxable sales were estimated by dividing the reported sales tax collections by SIC code by the sales tax rates of 4.5 percent for the State of Oklahoma and 0.55 percent for Stephens County. Finally, per capita retail sales by SIC code was calculated by dividing the taxable retail sales by the populations of Oklahoma and Stephens County.

As the table on page 20 illustrates, for fiscal year 2012 per capita retail sales for the selected SIC codes totaled \$5,513 for Stephens County and \$7,544 for the State of Oklahoma. The discrepancy is consistent with the pull factor for Stephens County of 0.91 for all retail sales as reported by Oklahoma State University.

Because of Stephens County’s well below average per capita retail sales considerable leakage of retail sales is occurring within a large number of SIC codes. This retail leakage provides the opportunity to support additional retailers in Stephens County. In terms of per capita retail sales, those SIC codes suffering from the highest levels of leakage when compared to statewide averages include eating and drinking places (-\$546 per capita), lumber and building materials (-\$360), variety and general merchandise stores (-\$209), food stores (-\$193), consumer electronics stores (-\$133), family clothing stores (-\$92), furniture stores (-\$52), stationary stores (-\$51), women’s ready-to-wear clothing stores (-\$44) and book stores (-\$44).



Comparison of Per Capita Retail Sales by SIC Code – FY 2012 Stephens County vs. State of Oklahoma

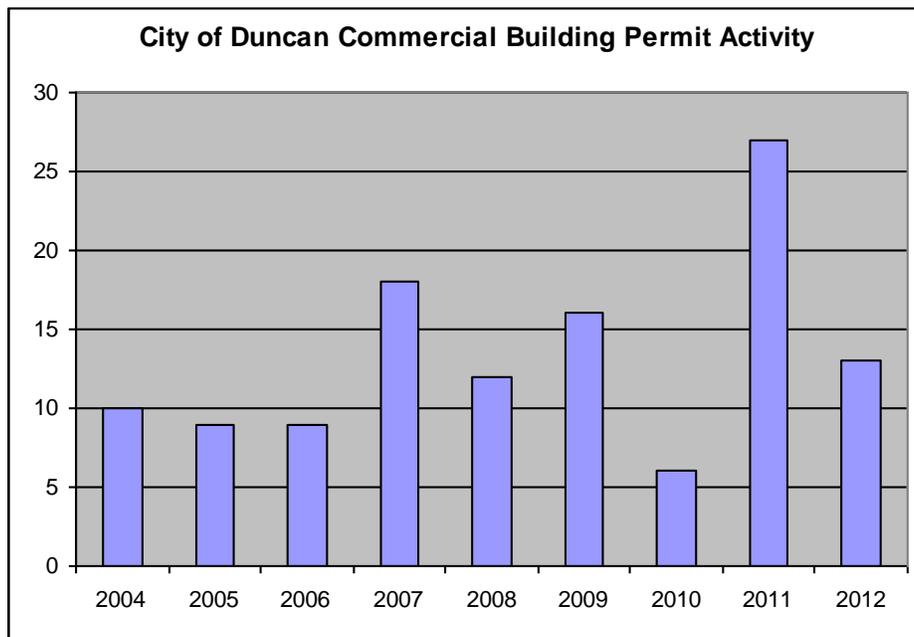
Retail Classification	Retail Sales		Per Capita Sales		Difference
	Stephens County	State of Oklahoma	Stephens 45,197	Oklahoma 3,791,508	
General Merchandise Stores					
Department Stores	\$95,385,956	\$7,458,549,667	\$2,110	\$1,967	\$143
Variety & General Merchandise Stores	\$6,232,600	\$1,316,658,179	\$138	\$347	-\$209
Apparel & Accessories					
Men's & Boy's Clothing	\$2,733	\$50,005,307	\$0	\$13	-\$13
Women's Ready-to-Wear Stores	\$241,680	\$187,771,738	\$5	\$50	-\$44
Women's Accessory & Specialty Stores	\$118,584	\$80,111,988	\$3	\$21	-\$19
Children's & Infants' Wear	\$45,329	\$46,493,848	\$1	\$12	-\$11
Family Clothing Stores	\$4,618,571	\$737,208,466	\$102	\$194	-\$92
Shoe Stores	\$1,442,405	\$197,081,074	\$32	\$52	-\$20
Misc. Apparel & Accessories	\$336,987	\$95,687,954	\$7	\$25	-\$18
Furniture, Home Furnishings & Electronics					
Furniture Stores	\$4,446,600	\$571,469,780	\$98	\$151	-\$52
Floor Covering Stores	\$436,738	\$174,887,437	\$10	\$46	-\$36
Drapery, Curtain & Upholstery Stores	\$36,273	\$10,361,033	\$1	\$3	-\$2
Misc. Home furnishing Stores	\$894,942	\$120,736,023	\$20	\$32	-\$12
Household Appliance Stores	\$4,502,938	\$429,349,065	\$100	\$113	-\$14
Consumer Electronics Stores	\$5,181,367	\$940,584,516	\$115	\$248	-\$133
Record & Tape Stores	\$2,028,742	\$63,608,536	\$45	\$17	\$28
Musical Instrument Stores	\$103,869	\$36,303,136	\$2	\$10	-\$7
Food Stores	\$37,399,313	\$3,868,556,071	\$827	\$1,020	-\$193
Eating & Drinking Places	\$41,030,367	\$5,513,954,580	\$908	\$1,454	-\$546
Building Materials, Hardware & Garden					
Lumber & Building Materials	\$13,789,655	\$2,521,026,553	\$305	\$665	-\$360
Paint, Glass & Wallpaper	\$1,000,729	\$154,046,538	\$22	\$41	-\$18
Hardware Stores	\$4,259,580	\$248,456,276	\$94	\$66	\$29
Retail Nurseries, Lawn & Garden Supplies	\$886,082	\$99,899,870	\$20	\$26	-\$7
Miscellaneous Retail					
Drug Stores	\$6,012,287	\$560,287,951	\$133	\$148	-\$15
Liquor Stores	\$2,922,847	\$411,298,699	\$65	\$108	-\$44
Used Merchandise	\$2,564,320	\$210,243,981	\$57	\$55	\$1
Sporting Goods	\$4,885,956	\$454,523,033	\$108	\$120	-\$12
Book Stores	\$74,398	\$171,340,754	\$2	\$45	-\$44
Stationery Stores	\$92,731	\$201,442,801	\$2	\$53	-\$51
Jewelry Stores	\$729,758	\$183,965,897	\$16	\$49	-\$32
Hobby, Toy & Game Shops	\$58,053	\$169,748,092	\$1	\$45	-\$43
Camera & Photo Supplies	\$504	\$9,017,058	\$0	\$2	-\$2
Gift, Novelty & Souvenir Shops	\$2,143,624	\$176,568,991	\$47	\$47	\$1
Luggage & Leather Goods	\$74,931	\$22,869,999	\$2	\$6	-\$4
Sewing Goods Stores	\$28,500	\$55,576,263	\$1	\$15	-\$14
Florists	\$511,320	\$10,404,830	\$11	\$3	\$9
Optical Goods Stores	\$65,300	\$62,479,491	\$1	\$16	-\$15
Misc. Retail Stores	\$4,563,016	\$980,936,030	\$101	\$259	-\$158
Totals	\$249,149,585	\$28,603,511,505	\$5,513	\$7,544	-\$2,032

Source: Oklahoma Tax Commission, U.S. Census Bureau and Canyon Research Southwest Inc.

Commercial Building Permit Activity

The table below summarizes City of Duncan annual trends in commercial construction permit activity for new, add on or remodel projects. From 2004 through May 2012, the City of Duncan issued building permits for a total of 120 commercial construction projects.

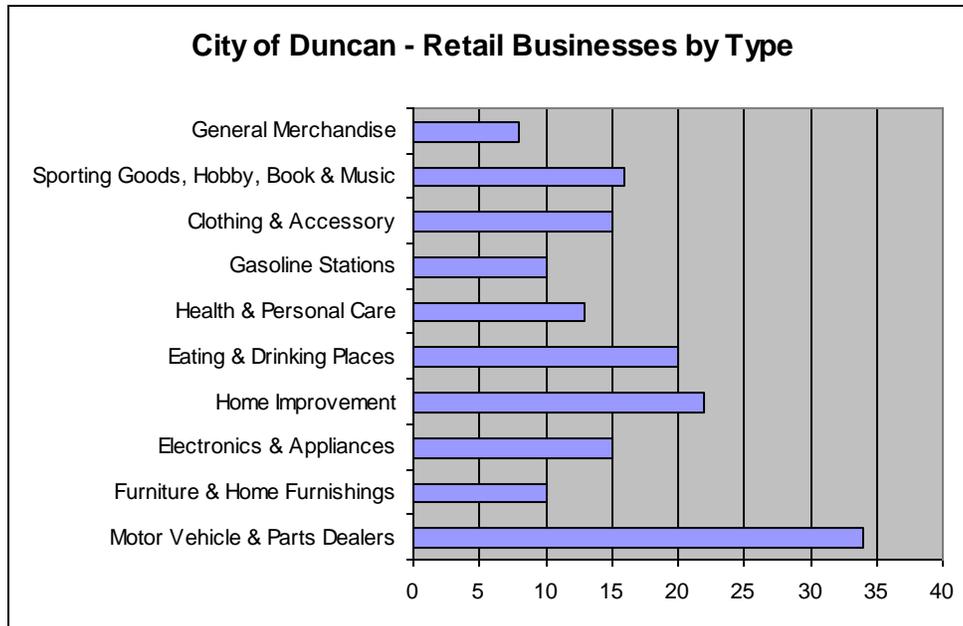
Peaks in commercial construction occurred from 2007 through 2009 with the issuance of permits for 46 projects and again in 2011 when 27 commercial projects were permitted. In 2011, five of the projects issued building permits were for new construction. Through May 2012 a reported 13 commercial projects were permitted for construction, including four new projects.



U.S. Highway 81 is Duncan's primary retail corridor. Commercial construction along U.S. Highway 81 has accelerated in recent years. From 2010 through May 2012, the 18 commercial projects issued building permits along U.S. Highway 81 accounted for 39.1 percent of all city-wide commercial building permits. From 2004 through 2009, just 24.3 percent of all commercial building permits issued in Duncan were for projects in the U.S. Highway 81 corridor.

Retail Market Overview

Duncan serves as Stephens County’s principal retail destination supporting a mix of national, regional and local businesses. According to *Esri Business Analyst*, 267 retail trade businesses operate in Duncan, accounting for 16.9 percent of all businesses citywide. By comparison, the retail sector accounts for 16.8 percent of all businesses in Stephens County and 14.8 percent of all businesses in Oklahoma. Retail categories with the largest number of businesses in Duncan include motor vehicle & parts dealers, building materials & garden equipment, and eating & drinking establishments.



The table on the following page provides a comparison of Duncan’s retail business mix by NAICS Code with that of Stephens County and the State of Oklahoma. Duncan accounts for two-thirds of all countywide retail businesses and nearly three-quarters of taxable retail sales. Therefore, the retail mix of Duncan and Stephens County is very similar, with just modest deviations in a few retail categories.

Compared to Oklahoma’s retail business composition, the City of Duncan is deficient in such retail business categories as eating & drinking establishments, health & personal care stores and clothing & accessory stores. These retail shortages result in retail sales leakage outside of Duncan as residents must travel outside of the community to satisfy much of their shopping needs. The primary alternative retail destinations for Duncan residents include Lawton, Oklahoma, approximately 30 miles to the west, Wichita Falls, Texas, approximately 66 miles to the south and Oklahoma City, Oklahoma, approximately 78 miles to the northeast.

The opening of an Applebee’s marks the first national restaurant chain serving liquor in Duncan. National health & personal care chains operating a store in Duncan are limited to Walgreens, GNC and Sally Beauty Supply. Fashion Bug and Stage are the only major clothing & accessory retailers with a store in Duncan.

Comparison of Retail Business Mix City of Duncan vs. Stephens County & State of Oklahoma

NAICS Code	Duncan, OK		Stephens, OK		State of OK	
	# of Businesses	% of Total	# of Businesses	% of Total	# of Businesses	% of Total
Motor Vehicle & Parts Dealers	34	17.0%	49	16.1%	3,705	17.1%
Furniture & Home Furnishings	10	5.0%	12	3.9%	956	4.4%
Electronics & Appliance Stores	15	7.5%	18	5.9%	1,229	5.7%
Building Materials & Garden Equipment	22	11.0%	37	12.2%	2,025	9.3%
Eating & Drinking Establishments	20	10.0%	31	10.2%	3,046	14.0%
Health & Personal Care Stores	13	6.5%	20	6.6%	1,551	7.1%
Gasoline Stations	10	5.0%	28	9.2%	1,202	5.5%
Clothing & Accessory Stores	15	7.5%	20	6.6%	2,005	9.2%
Sporting Goods, Hobby, Books & Music	16	8.0%	18	5.9%	1,290	5.9%
General Merchandise	8	4.0%	13	4.3%	1,046	4.8%
Misc. Retailers	35	17.5%	54	17.8%	3,337	15.4%
Nonstore Retailers	2	1.0%	4	1.3%	320	1.5%
Totals	200	100.0%	304	100.0%	21,712	100.0%

Source: Esri Business Analyst.

The bulk of existing retail space in Duncan, Oklahoma, is located in downtown along Main Street and within the U.S. Highway 81 corridor. The principal location within the U.S. Highway 81 corridor for national retailers and recent new construction is located along the 1-mile segment between Elk Avenue and Plato Road in the north-central portion of Duncan.

Downtown Duncan centers along Main Street and incorporates the 9-block area from 7th to 10th streets between Oak and Willow avenues (see aerial photo on next page). Main Street possesses a unique historic character that serves as a customer draw. Government offices in downtown Duncan include the Duncan Municipal Building, Central Fire Station, Municipal Court, Stephens County Courthouse and U.S. Post Office.

Main Street in downtown Duncan is improved with four lanes of traffic and diagonal parking on both sides of the street. Street improvements that have enhanced the image and visual appeal of Main Street include sidewalks with stepping stones, historic street lights, trash cans, seating, hitching posts, banners and landscaping. Advantages of downtown Duncan as a business location include:

- Destination location featuring a mix of unique specialty shops and antique stores;
- Affordable building rents and property values;
- Availability of ample and convenient parking;
- Historic character of Main Street;
- Façade improvement grants available;
- Co-op advertising available through Main Street Duncan, Inc.;
- Family friendly events bring people downtown;
- Businesses work together; and

Downtown Duncan, Oklahoma



- Façade and interior design services, education programs and business consultant services are available through Oklahoma’s Main Street program

Downtown Duncan’s principal disadvantages include a location off a major thoroughfare which results in reduced vehicular traffic and exposure, a perceived parking shortage on Main Street, moderate level of property investment and the absence of a large “traffic generator”.

Main Street Duncan, Inc. is a not-for-profit whose principal mission is to preserve the heritage, encourage restoration and new businesses, and promote downtown Duncan. Annual events designed to attract people downtown include the car show which draws 12,000 spectators and the Christmas Parade that brings 10,000 people downtown.

According to the Stephens County Assessor records, downtown Duncan supports 369,929 square feet of commercial space, including 270,524 square feet of retail space and 99,405 square feet of office space. The retail space houses a mix of specialty shops, antique shops and restaurants. Principal Main Street businesses include several banks, R & S Drug, Distinctive Décor and the Antique Mall of Duncan.

Downtown businesses were inventoried along Main Street, Willow Avenue and Walnut Avenue between 7th and 10th streets in an effort to quantify the mix of retailers and service businesses. As depicted by the table on the following page, a total of 83 businesses were inventoried, including 46 retailers and 37 service businesses. Prominent retail categories include antique shops, gift and specialty stores, hair salons/barbers and home furnishings. Principal business services operating downtown include banks and financial services, accounting/tax, community organizations physicians, and insurance and real estate. Given the tenant mix and market positioning, downtown businesses don’t generally compete directly with merchants operating along U.S. Highway 81.

Downtown Duncan affords businesses affordable rental rates and property values. Store rents generally don’t exceed \$600 per month. According to research conducted on Loopnet and Stephens County Assessor records, since 2007 a reported eleven Main Street properties have sold in downtown Duncan ranging in price from \$45,000 to \$200,000 (see table on page 27). On a per square foot basis the properties sold for \$5.06 to \$42.55, averaging just \$17.03 per square foot. These affordable property values have allowed some businesses to purchase the building their businesses are located. The large number of recent property sales on Main Street has also lead to increased property investment.

Up until the late 1960s to early 1970s, downtown remained as Duncan’s principal retail destination, home to such retailers as JC Penney and Ace Hardware. Important events leading to the shift of retail activity included demolition of the County Courthouse at 10th and Main streets and the opening of the Chisholm Mall on U.S. Highway 81 anchored by Montgomery Wards. Over the years new retail businesses continued to open along U.S. Highway 81 north of Elder Street. Advantages of a U.S. Highway 81 location included the availability of development sites, improved access, increased traffic and exposure, and closer proximity to new housing and upscale residential neighborhoods.

Downtown Duncan Historic District Business Mix

Retail Classification	# of Businesses	% of Total	Service Classification	# of Businesses	% of Total
Gifts/Specialty Shops	8	17.39%	Banking & Financial Services	12	32.43%
Antique Stores	6	13.04%	Accounting & Tax Services	4	10.81%
Salon/Barber	6	13.04%	Community Organizations	4	10.81%
Furniture & Home Furnishings	3	6.52%	Insurance & Real Estate	4	10.81%
Restaurants without Liquor	3	6.52%	Physicians	2	5.41%
Office Products	2	4.35%	Counseling	2	5.41%
Movie/Live Theatre	2	4.35%	Electrical	2	5.41%
Coffee/Tea House	2	4.35%	Dentist	1	2.70%
Drug/Pharmacy	1	2.17%	Attorney	1	2.70%
Discount Department Stores	1	2.17%	Title Company	1	2.70%
Shoes	1	2.17%	Energy	1	2.70%
Apparel	1	2.17%	Fitness	1	2.70%
Books	1	2.17%	Massage Therapy	1	2.70%
Computers	1	2.17%	Photography	1	2.70%
Beauty Supplies	1	2.17%			
Sewing Center	1	2.17%			
Picture Frames	1	2.17%			
Music Store	1	2.17%			
Tanning Salon	1	2.17%			
Carpet Cleaning	1	2.17%			
Hearing Systems	1	2.17%			
Automotive	1	2.17%			
Totals	46	100.00%		37	100.00%

Source: Canyon Research Southwest, Inc.; October 2012.

Main Street Property Transactions Downtown Duncan, Oklahoma

Property Address Parcel #	Bldg Size Sq. Ft.	Sale Date	Sale Price	Price Per Sq. Ft.	Seller Buyer
916 W. Main Street 1001-00-158-008-0-000-00	6,731	7/1/2012	\$50,000	\$7.43	Gaylan Hunt Big Loop Capital Mgt.
905 W. Main Street 1001-00-143-029-0-000-00	7,650	6/1/2012	\$105,000	\$13.73	Sterling Roberts Distinctive Décor LLC
807 W. Main Street 1001-00-142-029-0-000-00	6,006	4/17/2012	\$64,500	\$10.74	Jason Ferris Geoff Johnson
835 W. Main Street 1001-00-142-017-0-000-00	3,320	10/29/2010	\$150,000	\$45.18	Jody Burton Maramont Ward LLC
902 W. Main Street 1001-00-158-001-0-000-00	3,290	9/10/2010	\$140,000	\$42.55	Janet Peters Opal Wright
726 W. Main Street 1001-00-160-019-0-000-00	9,880	2/5/2010	\$50,000	\$5.06	Ely Alton Donna M. Bishop
1015 W. Main Street 1001-00-144-017-0-000-00	5,404	11/25/2008	\$200,000	\$37.01	Legacy Bank First Bank & Trust Co.
810 W. Main Street 1001-00-159-005-0-000-00	4,600	1/10/2008	\$59,500	\$12.93	Mills Elgene Trust Langley Mgt. Co.
722 W. Main Street 1001-00-160-018-0-000-00	3,000	12/28/2007	\$67,000	\$22.33	Richard Marks Troy Burt
811 W. Main Street 1001-00-142-027-0-000-00	5,550	10/26/2007	\$50,000	\$9.01	Kelly D. Jones RE-BL Properties LLC
826 W. Main Street 1001-00-159-012-0-000-00	2,179	9/10/2007	\$45,000	\$20.65	Suzanne Britten Jeffrey H. Bruehl
Totals	57,610		\$981,000	\$17.03	

Source: Loopnet and Stephens County Assessor.

Today, U.S. Highway 81 serves as Duncan's primary retail destination for retail goods, services, dining and entertainment. The segment of U.S. Highway 81 between Elk Avenue and Plato Road (see aerial photograph on next page) serves as the principal "core" of retail activity, housing the largest concentration of retail space and is viewed as Duncan's most desirable retail location. Businesses have been reluctant to locate on U.S. Highway 81 north of Plato Road. Strong tenant demand coupled with a limited inventory of leasable space has produced high rental rates, generally ranging from \$10 to \$15 per square foot triple-net.

Given the high level of past commercial development along North U.S. Highway 81 and the fact that several long-term property owners control much of the undeveloped land, there is currently a limited availability of development sites within the coveted portion of the corridor from Elk Avenue to Plato Road. As is the case with the Holiday Inn and Applebee's now under construction, developers and businesses must now "manufacture" sites along U.S. Highway 81 between Elk Avenue and Plato Road. At some point when development sites are too difficult and expensive to assemble development will begin to migrate north of Plato Road or properties to the south of Elk Avenue will become more desirable redevelopment sites. A recent example is Big 5 Sports leasing space at Plaza 81 located south of Elk Avenue.

Freestanding businesses and those operating within in shopping centers along U.S. Highway 81 north of Elder were inventoried in an effort to quantify the mix of retailers and service businesses. As depicted by the table on the following page, a total of 151 retail-based businesses were identified, including 101 merchants and 50 service businesses. The concentration of retailers, particularly Walmart Supercenter and such category-specific big-box retailers as Stage, Fashion Bug, Hibbett Sports, Hastings and Ace Hardware, creates a retail trade area that includes all of Stephens County.

Restaurants account for one-quarter of all retailers operating within the North U.S. Highway 81 corridor. Notable restaurant chains include Arby's, Burger King, Carl's Jr., KFC, McDonalds, Subway and Taco Bell. Despite the large concentration of restaurants, no national restaurant chain serving liquor currently operates in the corridor. Applebee's is now under construction adjacent to the new Holiday Inn along U.S. Highway 81.

Other prominent retail categories operating within the North U.S. Highway 81 corridor include gift and specialty stores, auto parts and repair, home improvement, clothing and accessories and gasoline stations. Principal business services operating along North U.S. Highway 81 include banks and financial services, telecommunications, insurance and real estate.

The North U.S. Highway 81 corridor supports a much larger and diverse retail market than downtown Duncan. Grocery stores, gasoline stations, hardware stores, discount department and thrift stores, drugs stores and home furnishing store cater to the day-to-day goods and services needs of area residents. Given the tenant mix and market positioning, businesses operating along U.S. Highway 81 don't generally compete directly with downtown merchants.



North U.S. Hwy 81 Retail-Based Business Mix

Retail Classification	# of Businesses	% of Total	Service Classification	# of Businesses	% of Total
Restaurants without Liquor	25	24.75%	Finance	9	18.00%
Gifts & Specialty Stores	8	7.92%	Telecommunications	7	14.00%
Auto Parts & Repair	7	6.93%	Banks	6	12.00%
Home Improvement	6	5.94%	Insurance	6	12.00%
Clothing & Accessories	5	4.95%	Hair Salons	5	10.00%
Gasoline Stations	5	4.95%	Real Estate	3	6.00%
Dollar & Thrift Stores	4	3.96%	Nail Salon	2	4.00%
Pharmacy/Drug Store	4	3.96%	Medical Services	2	4.00%
Health & Beauty	3	2.97%	Tanning Salon	2	4.00%
Home Furnishings	3	2.97%	Dry Cleaners	2	4.00%
Medical Supplies	3	2.97%	Accounting & Tax	1	2.00%
Electronics & Appliances	2	1.98%	Employment Agency	1	2.00%
Sporting Goods	3	2.97%	Dance Studio	1	2.00%
Shoes	2	1.98%	Janitorial Services	1	2.00%
Entertainment & Video	2	1.98%	Locksmith	1	2.00%
Optical	2	1.98%	Shoe Repair	1	2.00%
Furniture Rental	2	1.98%			
Fitness & Health Club	2	1.98%			
Liquor Store	2	1.98%			
Pawn Shop	2	1.98%			
Yogurt & Ice Cream	2	1.98%			
Grocery Store	1	0.99%			
Discount Department Store	1	0.99%			
Office Supplies	1	0.99%			
Jewelry	1	0.99%			
Books & Music	1	0.99%			
Movie Theater	1	0.99%			
Florist	1	0.99%			
Totals	101	100.00%		50	100.00%

Source: Canyon Research Southwest, Inc.; October 2012.

Because of the past availability of large tracts of land as well as the presence of high traffic volumes and excellent access and visibility, most major retailers in Duncan have located along North U.S. Highway 81. As depicted in the table below, major retailers now include Walmart Supercenter, Dollar General, Dollar Tree, Walgreens, Ace Hardware, Big 5 Sports, Hibbett Sports, Fashion Bug, Shoe Dept. and Payless ShoeSource. As leasable space and development sites have become increasingly scarce, some major retailers have been forced to locate at the periphery or just outside the most desirable section of the corridor between Elk Avenue and Plato Road. Examples include Carmike Cinema and Tractor Supply at the intersection of Plato Road and most recently Big 5 Sports south of Elk Avenue.

North U.S. Highway 81 Major Retailers

Retail Classification	Retailer
Discount Department Store	Walmart Supercenter
Dollar Store	Dollar General Dollar Tree
Home Improvement	Ace Hardware McCoys Building & Supplies Orscheln Farm & Home Sherwin Williams Tractor Supply Co.
Home Electronics	Radio Shack
Home Furnishings	Aaron's Rent-A-Center
Clothing & Apparel	Fashion Bug Stage
Shoes	Payless Shoe Source The Shoe Dept.
Health & Beauty	GNC Sally Beauty Supply Walgreens
Movie Theater	Carmike Cinema
Music	Hastings
Sporting Goods	Hibbett Sports / Big 5 Sports
Auto Parts	Auto Zone

The North U.S. Highway 81 corridor also houses a large number of freestanding restaurants, banks and gasoline stations attracted to the thoroughfare because of the high traffic volumes and increased exposure. Prominent fast food restaurant chains along North U.S. Highway 81 include Arby's, Burger King, KFC, McDonalds, Pizza Hut, Sonic, Subway and Taco Bell. The Applebee's now under construction on North U.S. Highway 81 adjacent the new Holiday Inn hotel will be the first sit-down restaurant chain with liquor to open a location in Duncan. Bank branches along North U.S. Highway 81 include Arvest Bank, BancFirst, Bank of Commerce, First Bank & Trust Co., IBC Bank and Legacy Bank. Gasoline station chains operating along North U.S. Highway 81 include Conoco, Phillips 66 and Shell.

North U.S. Highway 81 Businesses Occupying Freestanding Buildings

Retail Classification	Retailer
Restaurants	
	Arby's
	Burger King
	Carl's Jr.
	Domino's Pizza
	Golden Corral
	KFC
	Little Caesar's
	Long John Silvers
	McDonalds
	Mazzio's
	Pizza Hut
	Sonic
	Subway
	Taco Bell
Banks	
	Arvest Bank
	BancFirst
	Bank of Commerce
	First Bank & Trust Co.
	IBC Bank
	Legacy Bank
Gasoline Stations	
	Conoco
	Phillips 66
	Shell

The North U.S. Highway 81 corridor houses a mix of anchored shopping centers, strip centers and freestanding retailers. The largest shopping centers include Elk Plaza, Duncan Towne Square, Oak Tree Shopping Center, 81 Center and Deer Creek Center. Elk Plaza and Duncan Town Square are located with the corridor’s principal “core” while Oak Tree and 81 Center are located to the south and Deer Creek Center is north of Plato Road.

Elk Plaza located at the northwest corner of U.S. Highway 81 and Elk Avenue is a 110,641 square foot community center anchored by Dollar General, Ace Hardware, Stage and R & S Drug #3. At the time of this report Elk Plaza was fully occupied. It appears that additional out parcels could be created at Elk Plaza, though the fact the shopping center is encumbered by a ground lease could hamper marketing. The current tenant roster is outlined in the table below.

Elk Plaza Tenant List

National Retailers	Independent Businesses	Out Parcels
Ace Hardware	R & S Drugs #3	Burger King
Dollar General	Advanced Medical Supply	Plaza Wine & Spirits
Stage	American Scents	
GNC	Blue Eyed Girls Boutique	
Payless ShoeSource	Crapemyrtle Capital	
Edward Jones Investments	Crutcher's Western Wear	
U.S. Cellular	Divine Furnishings	
	Duncan Opticians	
	Factory Connection	
	Ginger Jar Boutique	
	La Vana's Front Door	
	Locke Supply	
	Payne Jewelry	
	Printer's Island Office Products	
	Tag Office	
	The Picket Fence	
	Valet Cleaners	
	World Acceptance Corporation	

The 185,995 square foot Duncan Towne Square located immediately north of Elk Plaza is anchored by a Walmart Supercenter. The Knoxville-based Horne Properties owns the 60,975 square feet of retail space that accompanies the Walmart and houses several junior anchors including Fashion Bug, Dollar Tree, The Shoe Dept. and Hibbett Sports. Smaller inline tenants include Sally Beauty Supply and Gamestop. Out parcels are occupied by McDonalds, Phillips 66 and Stockmans. The only vacancy is a 25,000 square foot former Goody’s store at the far southern end of the shopping center. Given the large size of the former Goody’s space, Horne Properties would consider subdividing the space into smaller suites. The asking rental rate is \$14.00 per square foot triple-net.

A strip center is positioned just southeast of Duncan Town Square along the access road that leads to U.S. Highway 81. The center is fully occupied with existing tenants including Money Tree Finance, Pro Nail's, Supercuts, Radio Shack, CherryBerry Yogurt Bar, Verizon Wireless and Advance America Cash advance.

The 20,790 square foot Oak Tree Shopping Center is located on the west side of U.S. Highway 81 between Elder and Elk Avenues. Notable small shop tenants include H&R Block, Rent-A-Center, State Farm Insurance and Quizno's Subs. Out parcels are occupied by Subway, Duncan Donuts and Carl's Jr. The center is fully leased.

Immediately north of the Oak Tree Shopping Center a former 40,000 square foot Kmart store has been subdivided and is now fully occupied by Hastings Books Music Video (22,000 sq. ft.), Rent-a-Center (8,700 sq. ft.) and Shape Fitness (8,300 sq. ft.).

81 Center is located on the east side of U.S. Highway 81 south of Elk Avenue. The 48,000 square foot strip center is fully occupied by Buffett King, AT&T, Check 'n Go and Riviera Tanning Spa. In July, Big 5 Sports occupied the remaining 13,000 square foot vacant space.

Deer Creek Center is located on the west side of U.S. Highway 81 less than one-half mile north of Plato Road. The center appears to be about half occupied with existing tenants including Sears Appliances Electronics Lawn & Garden Tools, Farmers Insurance and Preferred Real Estate. The Sleep World store has closed.

As evident by the primary shopping centers along the North U.S. Highway 81 corridor, available commercial space is in short supply which places a considerable constraint on the ability of the retail base to expand and grow. Considerable space remains available at Deer Creek Center located north of Plato Road, but retailers' hesitation to locate north of the U.S. Highway 81 corridor's principal "core" places a constraint on demand.

To conclude, Duncan serves as Stephens County's principal retail destination supporting the largest concentration of retail and service businesses. Duncan's two principal business districts include Main Street in downtown and the North U.S. Highway 81 corridor with the segment between Elk Avenue and Plato Road viewed as the most desirable location. Both business districts co-exist because they for the most part cater to distinctive market segments.

Prominent retail categories in downtown Duncan include antique shops, gift and specialty stores, hair salons/barbers and home furnishings. The historic character of downtown along with its mix of antique and specialty shops collectively serve as a tourism draw. Principal advantages of downtown as a retail location include its status as a specialty retail destination, affordable building rents and property values, historic character and cooperative marketing and promotions. Principal shortcomings for downtown include a location off a major thoroughfare, a perceived parking shortage on Main Street and the absence of a large sit-down restaurant. The presence of churches and City Code Sections 3-113 (alcoholic beverages) and 3-213 (non-intoxicating beverages) prohibits location of an establishment serving alcohol within 300 feet of a public school or church place a considerable constraint on the ability of a sit-down restaurant serving alcohol to locate downtown.

The North U.S. 81 corridor serves as Duncan's primary retail destination for retail goods, services, dining and entertainment. The corridor's concentration of big-box and national retailers creates a regional draw catering to all of Stephens County. Advantages of the corridor as a retail business location include the presence of several major retailers that possess a regional customer draw, high traffic volumes and excellent access and exposure created from frontage on U.S. Highway 81. Constraints include high rental rates and land values, limited inventory of commercial space available for lease and a declining inventory of available development sites within the coveted portion of the corridor from Elk Avenue to Plato Road.

Developers and businesses must now "manufacture" sites along U.S. Highway 81 between Elk Avenue and Plato Road by purchasing under utilized properties and pursuing property assemblages. At some point when development sites are too difficult and expensive to assemble development will begin to migrate north of Plato Road or properties to the south of Elk Avenue will become more desirable redevelopment sites. A recent example is Big 5 Sports leasing space at Plaza 81 located south of Elk Avenue.

Inventory of Retail Space

The current inventory of retail space in the City of Duncan was compiled by consulting property records published by the Stephens County Assessor as well as interviews with property owners and leasing agents. Bank branches and convenience store/gas stations were omitted from the retail inventory. Four primary retail corridors in Duncan were surveyed, including: 1) downtown Duncan; 2) Main Street east of downtown; 3) Highway 81 north of Main Street and 4) Highway 81 south of Main Street.

According to the Stephens County Assessor, 58 buildings in downtown Duncan are classified as retail properties totaling 270,524 square feet of space (excludes storage and warehouse space). Main Street between 7th and 10th Streets maintains approximately two-thirds of retail space with 42 properties totaling 174,324 square feet. The remainder of retail space downtown is located along Walnut Street north of Main Street and Willow Street one block to the south.

Main Street immediately east of downtown Duncan supports a mix of strip and freestanding commercial buildings built largely in the 1970s and early 1980s. Given the strip commercial nature of East Main Street, property depths are shallow. Automotive uses are prominent on this stretch of Main Street as are small independent businesses. A total of 18 retail properties were surveyed supporting 90,376 square feet of space. Many of the commercial properties are vacant and in poor condition. Notable commercial properties include a 7,420 square foot Family Dollar store at 110 West Main Street built in 1999 and a 26,000 square foot shopping center at 109 East Main Street housing Goodner's Grocer and R & S Discount Drug.

Highway 81 south of Main Street is also an older commercial corridor supporting strip and freestanding retail along with a significant inventory of automotive service, restaurant and industrial uses. The bulk of retail properties were constructed in the 1970s. Just 18 retail properties were surveyed totaling 56,082 square feet of space. This older commercial corridor is also characterized by shallow lot depths. Notable businesses include Taco Tico, O'Reilly's Auto Parts and Subway.

U.S. Highway 81 north of Main Street is Duncan’s newest commercial corridor and now serves as the primary retail destination for retail goods, services, dining and entertainment. Businesses have gravitated to North U.S. Highway 81 because of the improved access, exposure, demographics and availability of large commercial development parcels. Anchor centers, strip centers, freestanding retailers and restaurants were inventoried by driving the corridor, interviewing property owners and consulting Stephens County Assessor records. Based on these sources, as outlined in the table on the following page, the North Highway 81 corridor currently supports an estimated 1.07 million square feet of retail space.

In total, the current inventory of retail space in Duncan, Oklahoma is estimated at nearly 1.5 million square feet. The North U.S. Highway 81 corridor supports nearly 72 percent of the City’s total space. Downtown Duncan is the second largest retail center with 270,524 square feet of retail space, or 18.2 percent of the city-wide stock. Both the East Main Street and South Highway 81 corridors maintain a modest inventory of retail space.

Duncan, Oklahoma Retail Space Inventory

Submarket	Space Sq. Ft.	% of Total
Downtown	270,524	18.21%
East Main Street	90,376	6.08%
South U.S. Highway 81	56,082	3.78%
North U.S. Highway 81	1,068,286	71.93%
Total Inventory of Space	1,485,268	100.00%

North Highway 81 Retail Space Inventory

Retailer/Property	Address	Space Sq. Ft.	Year Built
Shopping Centers			
Chisholm Mall	1206 N. Hwy 81	150,000	
Oak Tree Shopping Center	1201-1223 N. Hwy 81	20,790	1989
Hastings Center	1225-1231 N. Hwy 81	40,700	1985
81 Center	1314-1382 N. Hwy 81	48,240	1987
Elk Plaza	1505-1713 N. Hwy 81	110,641	1988
Duncan Towne Square	1829 N. Hwy 81	60,975	2000
Deer Creek Center	2915 N. Hwy 81	35,200	1996
Strip Center	9-17 N. Hwy 81	10,000	
Strip Center	1702 N. Hwy 81	8,720	1989
Strip Center	1720 N. Hwy 81	8,370	1989
Strip Center	1803 N. Hwy 81	10,000	
Strip Center	4001 N. Hwy 81	10,044	1980
Freestanding Retailers			
Wal-Mart Supercenter	1845 N. Hwy 81	181,600	2000
Dollar General	505 W. Elder Avenue	8,250	2003
Smith's Pawn	18 N. Hwy 81	1,928	1981
HomeLand	1401 W. Beech Avenue	33,539	1985
Auto Zone	502 N. Hwy 81	11,440	1978
Spyked Salon & Spa	512 N. Hwy 81	1,800	1978
Eddie's Thrift Store	612 N. Hwy 81	1,683	1978
Dave's Cave Liquor Store	618 N. Hwy 81	720	1980
U.S. Cellular	1019 N. Hwy 81	3,000	1982
Walgreen	1100 N. Hwy 81	13,970	1999
Family Video	1120 N. Hwy 81	5,040	2003
Goodwill	1300 N. Hwy 81	5,556	
Goodner's	1715 N. Hwy 81	61,971	1987
Stockman's Tack & Supply	1813 N. Hwy 81	9,310	1980
Baker Express Pharmacy	1842 N. Hwy 81	2,400	1997
Tractor Supply Co. & Prepaid Legal	1520 W. Plato Road	73,522	1989
Carmike Cinema	1501 W. Plato Road	20,311	1980
Mike's Bikes	2115 N. Hwy 81	7,840	2002
Orscheln Farm & Home	3800 N. Hwy 81	28,025	1980
Sherwin Williams	4021 N. Hwy 81	10,000	
Restaurants			
Tastee's	101 N. Hwy 81	828	1957
La Fortuna Bar-B-Q	102 N. Hwy 81	1,215	1983
Little Caesars	510 N. Hwy 81	1,200	1995
Rice Bowl Express	708 N. Hwy 81	2,262	1980
Dominos Pizza	806 N. Hwy 81	1,084	1985
Napoli's Italian Restaurant	808 N. Hwy 81	1,406	1983
Taco Bell	1125 N. Hwy 81	2,664	2006
Wild Horse Creek Café	1204 N. Hwy 81	2,203	1993
KFC	1208 N. Hwy 81	3,750	1986
Duncan Donuts	1223 N. Hwy 81	2,130	1980
Subway	1229 N. Hwy 81	1,647	1998
Carl's Jr.	1235 N. Hwy 81	3,301	1985
Eduardo's Mexican Restaurant	1304 N. Hwy 81	6,878	1982
Mazzio's Pizza	1414 N. Hwy 81	2,951	1995
Burger King	1501 N. Hwy 81	3,390	1989
McDonalds	1817 N. Hwy 81	4,652	2005
Braum's	1850 N. Hwy 81	5,638	1994
Pizza Hut	1910 N. Hwy 81	3,268	1987
Arby's	2001 N. Hwy 81	2,896	1983
Chicken Express	2009 N. Hwy 81	3,875	1980
Sonic Drive-in	2111 N. Hwy 81	1,530	2000
Golden China II	2305 N. Hwy 81	6,429	1980
Golden Corral	2815 N. Hwy 81	7,504	2005
Total Retail Space		1,068,286	

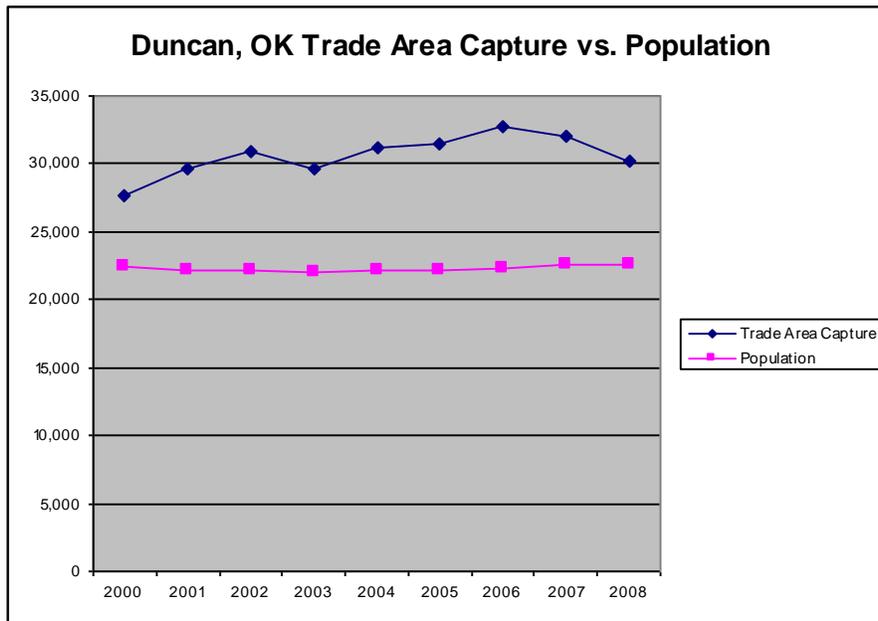
Trade Area Capture

Information about a community’s retail trade area can help assess the ability of local merchants to attract and capture the retail business of local residents. The trade area capture (“TAC”) is an estimate of the number of people who shop in the local area during a certain period. TAC assumes that local residents will buy goods at the same rate as the state average, and that the only force that causes a variation in spending patterns is income. The formula for calculating TAC is:

$$\text{TAC} = \frac{\text{Community's Actual Retail Sales}}{\text{State Per Capita Sales} \times \text{Community's Per Capita Income} / \text{State Per Capita Income}}$$

If the TAC estimate is larger than the community’s population two explanations are possible: 1) the community is attracting customers outside its boundaries or 2) residents of the community are spending more than the state average. If the estimate is smaller than the community’s population: 1) the community is losing its customers to other regions for retail purchases or 2) residents of the community are spending less than the state average.

In June 2009, Oklahoma State University prepared an *Analysis of Retail Trends and Taxable Sales for Duncan, Oklahoma and Stephens County*. The report documents annual trade area capture rates for Duncan from 1980 through 2008. Throughout the 29-year period Duncan’s trade area capture far exceeded the city population. During 2008, Duncan’s trade area capture was estimated at 30,225 people. By comparison, the city population totaled just 22,531 residents, suggesting Duncan attracted shoppers from outside the city. The chart below compares Duncan’s trade area capture to the resident population base since 2000.



As an update to the Oklahoma State University study, this report calculates Duncan’s current trade area capture by researching current population, per capita income and sales tax collections statistics.

The U.S. Census Bureau estimated the July 1, 2011, population for the City of Duncan at 23,507 and the Oklahoma Tax Commission reported fiscal year 2012 sales tax collections of \$13,592,285.68. At the City's sales tax rate of 3.5 percent total taxable retail sales were estimated at \$388,351,019.

The Oklahoma Tax Commission reported fiscal year 2011 retail sales tax collections for the state of \$2,010,705,806. The U.S. Census estimated the July 1, 2011, population for Oklahoma at 3,791,508 residents. The state sales tax rate of 4.5 percent yields per capita sales of \$11,785.

The U.S. Census Bureau reported 2010 per capita income of \$27,334 for the U.S., \$23,094 for the State of Oklahoma, \$22,509 for Stephens County and \$23,611 for the City of Duncan.

$$\text{City of Duncan Trade Area Capture} = \frac{\$388,351,019}{\$11,785 \times (\$23,611 / \$23,094)} = 32,231 \text{ Residents}$$

Using this population and taxable retail sales data the current TAC for the City of Duncan is estimated at 32,231 residents, suggesting the City of Duncan is attracting considerable residents and retail sales from outside the city.

Applying the same methodology for Stephens County yields a Trade Area Capture of 47,375 residents. By comparison, the U.S. Census Bureau estimates Stephens County's July 1, 2011 population at 45,197 residents.

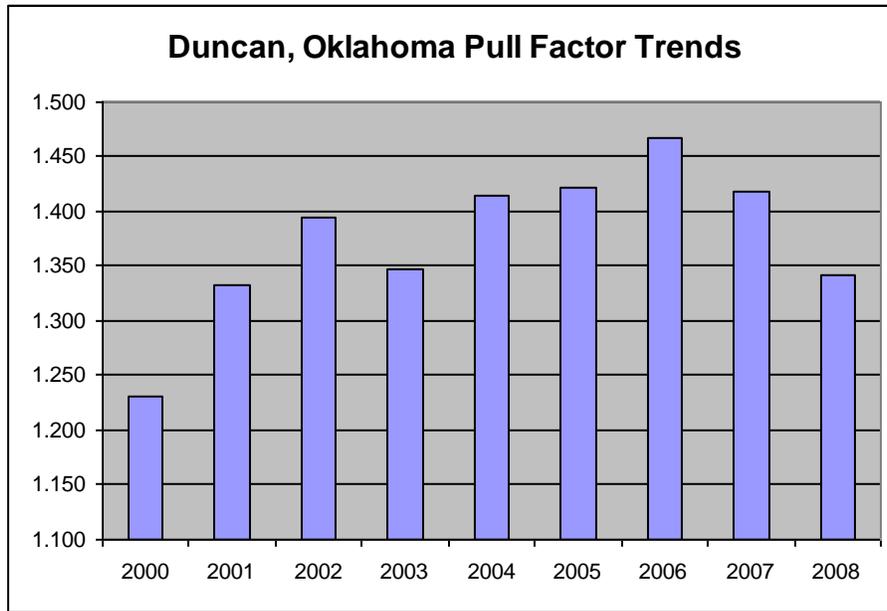
$$\text{Stephens County Trade Area Capture} = \frac{\$544,166,487}{\$11,785 \times (\$22,509 / \$23,094)} = 47,375 \text{ Residents}$$

Retail Pull Factor

Pull factors ("PF") measure a community's ability to attract shoppers, residents and non-residents alike, to make retail purchases within the community. A pull factor is a measure of the strength of a community's retail trade, based on a comparison of local spending in relation to that of a wider geographic area (e.g. the state), with a measure of 1.0 representing a perfect balance. A pull factor greater than 1.0 indicates that the community is pulling in retail sales from beyond its boundaries and the balance of trade is favorable. Alternatively, a pull factor less than 1.0 indicates that the community is not capturing local shoppers and is experiencing retail sales leakage. Pull factors are calculated by dividing the TAC by the community's population.

$$\text{PF} = \frac{\text{Trade Area Capture}}{\text{Community Population}}$$

In June 2009, Oklahoma State University prepared an *Analysis of Retail Trends and Taxable Sales for Duncan, Oklahoma and Stephens County*. The report documents annual pull factors for Duncan from 1980 through 2008. Throughout the 29-year period Duncan's pull factor was well above the state-wide average, ranging from a low of 1.231 in 2000 to a high of 1.556 in 1988.



The City of Duncan’s current pull factor was calculated by dividing the TAC of 32,231 residents by the City’s July 1, 2011, population of 23,507. The net result is a pull factor of 1.371, suggesting the City of Duncan is capturing retail sales at a rate equivalent to 37.1 percent above the state-wide average. This pull factor is proof that the City of Duncan serves an expanded trade area that encompasses both Stephens County and tourists. However, the well above average pull factor does not suggest that Duncan is over retailled and not capable of supporting additional retailers. Conversely, the pull factor for Stephens County is estimated at 1.0482 (Trade Area Capture of 47,375 residents divided by County resident population of 45,197).

Retail Sales Gap Analysis

The *Retail MarketPlace Report* published by ESRI Business Analyst attempts to identify opportunities for additional retail categories within a specific trade area. Founded in 1969, ESRI is a software development and services company providing Geographic Information System (GIS) software and geodatabase management applications. The company generates accurate and comprehensive demographic, lifestyle segmentation, consumer spending and business data.

ESRI uses the North American Industry Classification System (NAICS) to classify businesses by their primary type of economic activity. Retail establishments are classified into 27 industry groups in the Retail Trade sector, as well as four industry groups within the Food Services & Drinking Establishments. The difference between demand and supply within each industry group represents the opportunity gap or surplus available for each retail category in the specified reporting geography. When the demand is greater than the supply there is an opportunity gap for that retail category. A positive value signifies an opportunity gap, while a negative value signifies a surplus.

The City of Duncan serves as local merchants' primary trade area with the secondary trade area encompassing all of Stephens County. In an effort to identify retail opportunities by NAICS classification a *Retail MarketPlace Report* was generated for both Duncan and Stephens County.

Findings of the *Retail MarketPlace Report* support Duncan's current 1.371 pull factor calculated in the previous section. The Duncan population is estimated to support retail sales of approximately \$193 million. Actual retail sales are estimated at \$254.8 million, yielding a retail pull factor of 1.32 (retail sales 32 percent above the Oklahoma average). The surplus retail sales of \$61.8 million are reduced to just over \$3.1 million when automobile sales are removed.

Despite the slight surplus in retail sales, the *Retail MarketPlace Report* identifies several retail categories in Duncan that remain under serviced. As outlined in the table below, retail categories under-supplied in Duncan include grocery stores, food & drinking places, building materials & supplies, electronics and appliances, furniture and clothing and accessories.

Retail Sales Gap by Retail Classification – Duncan, OK

Retail Classification	Demand - Supportable Consumer Expenditures	Supply - Estimated Actual Retail Sales	Opportunity Gap / (Surplus)
City of Duncan – Excl. Automotive	\$159,014,123	\$162,176,455	(\$3,162,332)
Grocery Stores	\$20,988,428	\$11,106,038	\$9,882,390
Food & Drinking Places	\$26,312,507	\$22,697,905	\$3,614,602
Building Materials & Supplies	\$5,510,146	\$2,972,396	2,537,750
Electronics & Appliance Stores	\$4,366,514	\$3,325,970	\$1,040,544
Furniture Stores	\$2,827,608	\$1,875,043	\$952,565
Beer, Wine & Liquor Stores	\$1,220,819	\$849,164	\$371,655
Clothing & Accessories	\$3,602,709	\$3,303,552	\$299,157
Books & Music Stores	\$586,524	\$309,385	\$277,139

Source: Retail MarketPlace; Esri Business Analyst.

Retail businesses in Duncan support a county-wide trade area. Therefore, a *Retail MarketPlace Report* was also generated for Stephens County, Oklahoma. Exclusive of automobile sales, Stephens County supports a retail gap, or shortage, of \$50.1 million. Retail classifications under serviced in Stephens County is much more broad than in the City of Duncan alone, led by retail sales gaps in eating and drinking places, grocery stores, home improvement centers, department stores, electronics and appliances, clothing and accessories, and furniture and home furnishings.

This analysis suggests that considerable retail opportunities exist in Stephens County. With a capture rate of nearly three-quarters of the county-wide retail sales, the City of Duncan is ideally positioned to capitalize on the retail sales gap in Stephens County.

Retail Sales Gap by Retail Classification – Stephens County, OK

Retail Categories	Demand - Supportable Consumer Expenditures	Supply - Estimated Actual Retail Sales	Opportunity Gap / (Surplus)
Stephens County – Excl. Automotive	\$283,207,486	\$233,099,932	\$50,107,554
Food & Drinking Places	\$45,461,968	\$29,376,541	\$16,085,427
Grocery Stores	\$37,253,593	\$22,318,867	\$14,934,726
Building Materials & Gardening Equip.	\$12,236,801	\$4,994,371	\$7,242,430
Department Stores	\$34,179,900	\$28,393,228	\$5,786,672
Electronics & Appliances	\$7,690,801	\$4,259,019	\$3,431,782
Clothing & Accessories	\$6,208,411	\$3,743,288	\$2,465,123
Furniture & Home Furnishings	\$7,396,916	\$5,040,442	\$2,356,474
Books & Music	\$983,768	\$411,813	\$571,955
Office Supplies	\$2,522,731	\$2,063,159	\$459,572
Sporting Goods	\$1,334,134	\$925,983	\$408,151

Source: Retail MarketPlace; Esri Business Analyst.

Alternative Shopping Destinations

The fact that Duncan's current retail market is not very broad with a limited presence of major national retailers force residents to travel outside of the community to meet much of their durable goods and entertainment needs such as clothing and apparel, home electronics, home furnishings, sit-down restaurants and more. The primary alternative shopping destinations include Lawton, Oklahoma, approximately 30 miles west of Duncan, Wichita Falls, Texas, 66 miles to the south and Oklahoma City, Oklahoma, 78 miles to the northeast. The table on the following page provides a summary of big-box retailers operating stores in each of the three cities.

Lawton, Oklahoma is the closest shopping destination to Duncan, but the smallest of the three cities with a population of approximately 124,000. Though Lawton is a smaller retail market than Wichita Falls and Oklahoma City, it maintains a much larger and diverse retail market than Duncan. Major retailers operating and/or to operate stores in Lawton include Target, Walmart, Kmart, Home Depot, Lowe's, Best Buy and Old Navy. Sister stores operating in Duncan include Walmart, Ace Hardware, Hastings Book Music, Radio Shack, Big 5 Sports and Hibbett Sports. The 523,763 square foot Central Mall in Lawton is anchored by Dillard's, JC Penney, Sears and Dickinson Theatre. The close proximity of Lawton makes it a logical alternative shopping destination for Duncan residents and creates a barrier of entry into Duncan for those major retailers already operating in the Lawton market. Lawton's sales tax rate of 8.875 percent is slightly higher than Duncan's rate of 8.55 percent.

Of the three alternative shopping destinations Wichita Falls, Texas, possesses the second largest retail market and population with approximately 151,000 residents. Major retailers operating stores in Wichita Falls but lacking a presence in Lawton include Kohl's, Bed Bath & Beyond, Books-a-Million, PetSmart, Petco, Michaels and TJ Maxx. The Sikes Center Mall houses Dillard's, JC Penney, Sears, Old Navy and Sikes 10 Theatres. Wichita Falls larger retail market than Lawton and lower sales tax rate of 8.25 percent serve as draws for Duncan residents.

The Oklahoma City MSA possesses a population of approximately 1.25 million and a retail market much larger than both Lawton and Wichita Falls. Major retailers exclusive to Oklahoma City include Barnes & Noble, Gap and Steinmart. Oklahoma City also boasts a large selection of shopping malls, sit-down restaurants, full-line department stores, professional and college sports, cultural venues and other entertainment that serve as draws to the region. The primary disadvantage is that of the three alternative retail destinations Oklahoma City is furthest distance from Duncan.

To conclude, given Duncan's modest population, limited retail market and rural location, residents must now travel outside of the community to satisfy much of their durable goods and entertainment needs. Lawton's close proximity and larger selection of retail goods and services makes it the leading alternative shopping destination. The short drive to Lawton also reduces the need for major retailers to operate "sister" stores in both communities. With its slighter larger retail market, Wichita Falls, Texas is also a primary destination. Oklahoma City serves as the big city destination boasting the largest and most diverse retail market.

Alternative Shopping Destinations Retailer Mix

Retail Category / Retailer	Duncan, Oklahoma	Lawton, Oklahoma	Wichita Falls, Texas	OKC, Oklahoma
Discount Department Stores				
Kmart		X		X
Kohl's			X	X
Target		X	X	X
Wal-mart	X	X	X	X
Home Improvement				
Home Depot		X	X	X
Lowe's		X	X	X
Ace Hardware	X	X		X
Home Electronics				
Best Buy		X	X	X
Radio Shack	X	X	X	X
Office Supplies				
Office Depot		X	X	X
Office Max				X
Staples		X		X
Linens/Home Store				
Bed Bath & Beyond			X	X
Book Stores				
Barnes & Noble				X
Books-a-Million			X	
Hastings Books Music Video	X	X	X	
Pet Supplies				
PetsMart			X	X
Petco			X	X
Sporting Goods				
Big 5 Sports	X	X		
Hibbett Sports	X	X	X	X
Hobby & Crafts				
Hobby Lobby		X	X	X
Michaels			X	X
Clothing				
Gap				X
Fashion Bug	X			X
Old Navy		X	X	X
TJ Maxx			X	X
Stage	X			
SteinMart				X

Forecast Retail Space Demand

In order to quantify the City of Duncan's future retail space needs this section of the report estimates both primary and secondary trade area purchasing power and retail space demand for the period from 2012 to 2042.

Retail Trade Area Defined

The first step in quantifying retail space demand is to identify the City of Duncan's retail trade area. According to the Urban Land Institute, the retail trade area is the geographic area that provides the majority of the steady customers to support a business.

Within a retailer's trade area; those customers closest to the business have the greatest affect on sales, with customer influence diminishing gradually as the distance increases. Retail trade areas generally consist of three regions, primary, secondary and tertiary. The primary trade area is the geographic area from which the business derives its largest share of repeat sales, drawing 70 to 80 percent of its regular customers. The secondary trade area generates 15 to 20 percent of a business' sales. The tertiary trade area forms the broadest area from which customers are drawn.

For the purpose of this report the primary trade area is defined as the City of Duncan with the entire Stephens County making up the secondary trade area. The tertiary trade area includes out-of-town visitors and the area population residing just outside Stephens County.

Trade Area Purchasing Power

Fiscal year 2012 taxable retail sales for Stephens County totaled \$544.2 million, with the City of Duncan capturing 72.6 percent. Both local residents and out-of-town visitors contribute to retail sales in Stephens County and the City of Duncan.

Out-of-town visitors represent the tertiary retail trade area. Visitors have a considerable impact on retail sales in the City of Duncan and Stephens County. *The Economic Impact of Travelers on Oklahoma Counties 2009-2010* prepared by the U.S. Travel Association estimated visitor expenditures in Stephens County at \$49.75 million for 2010. The report estimated that foodservice, entertainment & recreation and general retail trade accounted for 44.2 percent of all statewide visitor expenditures. Assuming this capture rate, during 2010 visitors to Stephens County spent an estimated \$22 million on retail goods and services.

Local residents account for the balance of the trade area retail sales. A trade area's purchasing power is a function of consumer population and income levels. A trade area's total income is calculated by multiplying the trade area population by the average per capita income. Purchasing power, or total sales potential of the trade area, is then quantified by applying average retail expenditures as a percentage of total income.

The Oklahoma Department of Commerce estimates the 2012 population for Stephens County at 45,477 residents. By multiplying the per capita income of \$22,720 reported by the 2010 Census yields total personal income for Stephens County of \$1.07 billion. Retail sales for Stephens County were estimated by consulting retail sales expenditures data published by the *U.S. Census Bureau Annual Retail Trade Survey* and U.S. Department of Commerce.

For 2009, the U.S. Bureau of Economic Analysis reported the county's personal income at \$12,026 (\$ billions) and disposable income at \$10,924 (\$ billions). Meanwhile, the *U.S. Census Bureau Annual Retail Trade Survey* reported total U.S. retail and food services sales in 2009 of \$4,091.7 (\$ billions), equating to 34.02 percent of total personal income.

Estimated Total Sales of United States Retail and Food Services Firms by Kind of Business: 2009

NAICS Code	Kind of Business	Sales (\$Millions) United States
	Total Retail and Food Services Sales	\$4,091,723
	Total Retail Sales (excl. motor vehicle and parts dealers)	\$3,638,471
441	Motor Vehicle and Parts Dealers	\$676,801
442	Furniture and Home Furnishings Stores	\$86,657
443	Electronics and Appliance Stores	\$98,384
444	Building Materials and Garden Equipment	\$268,206
445	Food and Beverage Stores	\$570,581
4451	Grocery Stores	\$510,555
4452	Specialty Food Stores	\$19,233
4453	Beer, Wine and Liquor Stores	\$40,793
446	Health and Personal Care Stores	\$253,243
4461	Health and Personal Care	\$35,849
44611	Pharmacies and Drug Stores	\$217,394
447	Gasoline Stations	\$388,515
448	Clothing and Accessories Stores	\$204,866
451	Sporting Goods, Hobby, Book and Music Stores	\$81,373
452	General Merchandise Stores	\$592,009
453	Miscellaneous Store Retailers	\$105,366
454	Non-Store Retailers	\$312,470
4541	Electronic Shopping and Mail-order Houses	\$234,667
4542	Vending Machine Operators	\$6,813
4543	Direct Selling Establishments	\$70,990
772	Eating and Drinking Places	\$453,252
	Total U.S. Retail Sales	\$4,091,723
	U.S. Total Personal Income (\$ Millions)	\$12,026,000
	U.S. Total Disposable Income (\$ Millions)	\$10,924,000
U.S. Sales as Percentage of Income		
	Personal Income	34.02%
	Disposable Income	37.46%

Source: U.S. Census Bureau Annual Retail Trade Survey.

The 2010 Census estimated the total population of Oklahoma at 3,791,508 and per capita income of \$23,094, yielding total personal income of approximately \$87.56 billion. The U.S. Census Bureau further estimated total retail sales for Oklahoma at approximately \$43.1 billion, equating to per capita retail sales of \$11,931. Based on this data, retail sales in Oklahoma represent 49.2 percent of total personal income. Oklahoma's per capita income of \$23,094 is 1.3 percent higher than that of Stephens County, suggesting retail sales as a percent of total income is higher for Stephens County.

Based on the findings, the purchasing power by the primary and secondary trade area population was estimated at 50.5 percent of personal income.

The Stephens County current population of 45,477 residents supports total personal income of approximately \$1.04 billion annually. At a 50.5 percent capture of total personal income, the purchasing power for Stephens County is estimated at \$523.4 million annually. Applying the pull factor of 1.048189 estimated by this report for Stephens County yields total retail sales of \$548.6 million, including an estimated \$25.2 million by out-of-town visitors (based on U.S. Travel Association data, 2010 out-of-town visitor sales in Stephens County were estimated at \$22 million). By comparison, the State of Oklahoma reported **taxable** retail sales for Stephens County during the fiscal year ended June 30, 2012 of \$544.2 million.

Current Retail Space Demand Estimates

A range of supportable total retail space for both Stephens County and the City of Duncan was calculated by dividing estimated annual retail sales captured by standard per square foot retail sales rates. According to the *County Business Pattern* published by the U.S. Census Bureau, as of July 2010, Stephens County's retail sector supported 2,017 jobs, equating to a 16.3 percent market share.

For 2012, total retail sales for Stephens County are estimated at \$548.6 million from both the resident population and out-of-town visitors. From fiscal years 2010 through 2012 Duncan's market share of county-wide taxable retail sales ranged from 72.4 to 73.6 percent. For the purpose of this report, the City of Duncan capture rate for all retail sales in Stephens County is 72.5 percent, equating to total retail sales of \$397.7 million in 2012.

According to *Dollars & Cents of Shopping Centers*, median sales for open air, convenience, neighborhood and community/super community centers in the Midwest region range from approximately \$152 to \$312 per square foot. Assuming average total retail sales rates of \$225 to \$275 per square foot, Stephens County's estimated retail sales during 2012 of \$548.6 million can support an estimated 2.0 to 2.4 million square feet of total retail space.

The City of Duncan's estimated retail sales of \$397.7 million for 2012 can support an estimated 1.4 to 1.8 million square feet of total retail space. Based on property data provided by the Stephens County Assessor, the city's total inventory of retail space is estimated at approximately 1.5 million square feet. This existing inventory of retail space and supportable current demand suggests unmet demand for up to an estimated 282,489 square feet of retail space.

Current Retail Space Demand Estimates Stephens County and City of Duncan

	Stephens County	City of Duncan	Duncan Existing Retail Space	Surplus/ Deficit
Resident Population	45,477			
Per Capita Income	\$22,790			
Total Personal Income	\$1,036,420,830			
Retail Sales - 50.5%	\$523,392,519	\$379,459,576		
Out-of-Town Visitor Retail Sales - 4.8189%	\$25,221,762	\$18,285,777		
Total Retail Sales	\$548,614,281	\$397,745,354		
Supportable Retail Space				
\$225/SF	2,438,286	1,767,757	1,485,268	282,489
\$250/SF	2,194,457	1,590,981	1,485,268	105,713
\$275/SF	1,994,961	1,446,347	1,485,268	-38,921

Source: Canyon Research Southwest, Inc.

Future Retail Space Demand Projections

Future growth in retail sales and space demand within Stephens County and the City of Duncan will originate from continued growth in population and out-of-town visitors. Population growth through 2042 was estimated based on historic trends from 1990 to 2010 and population projections for Stephens County published by the Oklahoma Department of Commerce.

According to the U.S. Census, from 1990 to 2010 the Stephens County population grew by 2,749 residents while the City of Duncan population increased by 1,699 residents. The population growth rate for both the county and city accelerated during the past decade.

1990 to 2010 Population Growth Trends Stephens County and City of Duncan

Year	Stephens County	Change	City of Duncan	Change
1990	42,299		21,732	
2000	43,182	883	22,505	773
2010	45,048	1,866	23,431	926

Source: U.S. Census.

According to the *2012 Demographic State of the State Report*, through 2075 the Oklahoma Department of Commerce forecasts Stephens County to experience a gradual rate of population growth, averaging 0.34 percent annually. This is nearly identical to the county's historic average annual growth rate of 0.37 percent. Year to year variation from forecasts are likely, but the long term trend of population growth is expected to continue.

As summarized in the table below, the Oklahoma Department of Commerce forecasts the Stephens County population to increase 4,594 residents from 2012 to 2042. Based on historical population growth patterns, throughout the 30-year period the City of Duncan is anticipated to capture 65 percent of the population growth in Stephens County. By 2042, the City of Duncan population is estimated at 26,696, an increase of 2,986 residents from 2012.

Stephens County and City of Duncan Population Projections

Year	Stephens County			City of Duncan		
	Population Projections	Population Growth	Annualized Rate	Population Projections	Population Growth	Annualized Rate
2012	45,477			23,710		
2022	47,009	1,532	0.33%	24,706	996	0.41%
2032	48,540	1,531	0.32%	25,701	995	0.40%
2042	50,071	1,531	0.31%	26,696	995	0.38%

Supportable **total** retail sales within the Stephens County resulting from future population growth are estimated to increase from approximately \$549 million in 2012 to \$622 million by 2042. Based on recent capture rates, the City of Duncan is forecast to garner 72.5 percent of countrywide retail sales, increasing from \$398 million in 2012 to \$451 million by 2042. These retail sales forecasts are in constant dollars absent of the influence of annual inflation.

For 2012, out-of-town visitors to Stephens County are estimated to contribute retail sales of approximately \$25.2 million. Throughout the 30-year project period retail sales from out-of-town visitors are forecast to increase at an average annual rate of 2.0 percent, reaching \$45.7 million by 2042.

The table on page 50 provides both **total retail sales and space demand projections** through 2042 for both the Stephens County and the City of Duncan.

By 2042, based on continued growth in the resident population and out-of-town visitation **total** retail sales for Stephens County are estimated to increase by \$73.3 million. At average retail sales rates of \$225 to \$275 per square foot an estimated 267,000 to 326,000 square feet of additional retail space is supportable through 2042.

Based on trade area population and income levels the City of Duncan can currently support an estimated 1.4 to 1.8 million square feet of **total retail space**. Duncan’s existing inventory of occupied retail space totals approximately 1.5 million square feet. This supply and demand imbalance suggests the City of Duncan has unmet demand for up to an estimated 282,489 square feet of additional retail space. From 2012 through 2042, based on population growth estimates and continued impact of out-of-town visitors **total** annual retail sales within the City of Duncan are estimated to increase by \$53.2 million. This level of retail sales can support an estimated 193,000 to 236,000 square feet of additional retail space through 2042.

Retail Space Demand Projections; 2012 - 2042

Stephens County and City of Duncan

	2012 - 2022	2022 - 2032	2032 - 2042	Totals
Population Growth				
Stephens County	1,532	1,531	1,531	4,594
City of Duncan	996	995	995	2,986
Estimated Retail Sales Growth				
Stephens County	\$17,631,711	\$17,620,202	\$17,620,202	\$52,872,116
Out-of-Town Visitors	\$5,523,423	\$6,733,022	\$8,207,516	\$20,463,961
Total Retail Sales Growth	\$23,155,134	\$24,353,224	\$25,827,718	\$73,336,077
City of Duncan Market Share	\$16,787,472	\$17,656,088	\$18,725,096	\$53,168,656
Supportable Retail Space				
Stephens County				
\$225/Sf	,102,912	108,237	114,790	325,938
\$250/Sf	92,621	97,413	103,311	293,344
\$275/SF	84,200	88,557	93,919	266,677
City of Duncan				
\$225/Sf	74,611	78,472	83,223	236,305
\$250/Sf	67,150	70,624	74,900	212,675
\$275/SF	61,045	64,204	68,091	193,341

Source: Canyon Research Southwest, Inc.; October 2012.

Retail Development Site Evaluation

The Duncan, Oklahoma, Comprehensive Plan identifies four current and future commercial corridors within the city limits, including: 1) Main Street/Downtown; 2) U.S. Highway 81 north of Main Street; 3) U.S. Highway 81 south of Main Street and 4) the Duncan Bypass.

Duncan's four principal commercial corridors were evaluated for their ability to support future retail development based on the following site selection criteria: visibility; accessibility; traffic volumes; parcel size requirements; level of direct competition and trade area demographics.

Visibility and Exposure

Visibility and exposure have a significant influence on shopping center's and retail business' achievable retail sales volumes. All shopping center types and freestanding retailers should possess visibility via a major arterial street. National and regional big-box retailer, restaurant, convenience store and bank chains require major arterial frontage. Exposure is measured by the level of vehicular traffic past the retail property. The most desirable retail properties benefit from highway or major arterial visibility and high adjacent traffic counts.

Commercial properties along north and south U.S. Highway 81 as well as the Duncan Bypass offer excellent major arterial visibility, satisfying the site exposure requirement of prospective shopping center and freestanding retailer sites. Those properties on Main Street suffer from reduced tenant visibility and exposure.

The vehicular traffic counts on arterials that flow past a commercial property are important when evaluating a potential retail development site, as higher traffic counts generally result in increased exposure and higher retail sales volumes. Average daily traffic counts from 2005 to 2011 for Duncan's four commercial corridors, as provided by the Oklahoma Department of Transportation, are summarized in the table on the following page.

U.S. Highway 81 supports the highest traffic counts in Duncan, with volumes highest in the northern portion of the city. Traffic counts are the highest within the dominant retail location between Elk Avenue and Plato Road, ranging from 22,695 to 29,794 vehicles per day. From 2005 through 2009 traffic counts on this section of North U.S. Hwy 81 increased by 5.9 percent. These traffic volumes provide sufficient exposure for anchored centers, strip centers and freestanding retailers. Traffic counts on U.S. Hwy 81 on the south end of Duncan are lower, reported at 18,646 daily vehicles south of Main Street.

Main Street supports modest traffic counts. In the downtown area average daily traffic counts were reported in 2005 at just 6,099 vehicles. Traffic counts on Main Street east of downtown are even lower, reported in 2009 at 4,924 vehicles between SR-7A and B Street.

The Duncan Bypass on the west side of Duncan also currently supports modest traffic volumes due to limited residential in the area and no commercial development. Average daily traffic counts on the Duncan Bypass west of U.S. Hwy 81 reported in 2011 ranged from just 4,400 to 5,300 vehicles.

Duncan Commercial Corridors Average Daily Traffic Counts

Street	2005	2006	2007	2008	2009	2010	2011
North U.S. Hwy 81							
South of Hwy 7	13,700	13,400	12,200	11,900	12,900	12,900	12,800
South of Plato Road	21,954				22,695		
North of Elk Avenue	27,621				29,794		
Between Elk & Elder Avenues	25,000	24,500	20,800	20,300	25,100	25,800	26,200
North of Beech Avenue	24,577						
South U.S. Hwy 81							
Main Street South to Cypress	16,742				18,646		
East Main Street							
SR-7A to B Street	5,574				4,924		
West Main Street (Downtown)							
Between 8th & 9th Streets	6,099						
Duncan Bypass (Hwy 7)							
U.S. Hwy 81 West to 27th Street							4,400
Between Beech & Elk Avenues							5,300

Source: Oklahoma Department of Transportation.

Accessibility

The larger the retail format the larger the serviced trade area. The Duncan, Oklahoma, transportation network features a mix of highways and major arterial streets.

Commercial properties located along U.S. Hwy 81 benefit from superior access and exposure as well as the connection with such major arterials as Elk Avenue, Plato Road, Main Street and Hwy 7. The U.S. Hwy 81 Corridor offers sufficient access to facilitate the development of anchored shopping centers, strip centers and freestanding retailers.

The Duncan Bypass (Hwy 7) also affords excellent access to prospective commercial development sites, particularly at such major intersections as Elk Avenue. The most suitable retail formats include big-box retailers and anchored shopping centers such as community and power centers. Near-term development constraints for prospective commercial properties along the Duncan Bypass include the absence of major interchange improvements, distance from population centers and modest traffic counts.

Downtown Duncan and East Main Street, while accessible from both major/minor streets and U.S. Highway 81, suffer from reduced direct access when compared to commercial properties along U.S. Highway 81. The modest traffic counts on Main Street are representative of the reduced accessibility and exposure.

Parcel Size and Dimensions

Prospective retail development formats for Duncan's four commercial corridors include anchored shopping centers, strip centers and freestanding restaurants, bank branches, convenience store and shop space. Site requirements for major retail development formats as defined by the *International Council of Shopping Centers* are summarized in the table below.

Site Requirements by Shopping Center Format

Shopping Center Format	Building Area (Sq. Ft.)	Land Area (Acres)	Anchor Ratio*	Primary Trade Area**
Strip Center	5,000 - 25,000	1 to 3	0%	1-2 Miles
Neighborhood Center	30,000 - 100,000	5 to 12	30-50%	2-3 Miles
Community Center	100,000 - 350,000	10 to 40	40-60%	3-6 Miles
Super Community Center	250,000 - 500,000	25 to 50	50-70%	5-7 Miles
Power Center	250,000 - 600,000	25 to 80	75-90%	5-10 Miles
Lifestyle Center	300,000 - 700,000	30 to 80	75-90%	5-10 Miles
Notes: *Denotes the share of a shopping center's total space occupied by anchor tenants.				
**The geographic area from which 60 to 80% of the shopping center's sales originate.				
Source: International Council of Shopping Centers				

Strip shopping center sites typically range in size from 1 to 3 acres and 5 to 12 acres for neighborhood centers. Freestanding junior anchors of less than 25,000 square feet generally require approximately 3.0 acres. Each retail development format also requires a rectangular shape and an orientation towards the most prominent adjacent arterial. Freestanding pads sites capable of accommodating restaurant, convenience store and bank branch uses generally occupy 1.0+ acres.

Downtown Duncan is largely built-out with the only viable vacant parcel on Main Street at the southeast corner of 7th Street. However, this parcel is designated for a much needed future pocket park. Given the historic character of existing properties on Main Street any redevelopment plan should stress renovation rather than new construction. A façade improvement program could elevate the streetscape, improve retail sales and increase property values. Vacant properties and those in poor condition on both Walnut and Willow avenues make for prospective sites for multi-story mixed-use development. Examples of prospective development or revitalization sites include the north side of Walnut Avenue between 8th and 9th streets as well as the southeast corner of 10th Street and Willow Avenue.

Commercial zoning along most of the Main Street frontage east of downtown consists of a narrow band that is remnant of small-scale automotive and strip commercial uses that dominated the corridor in years past. East Main Street is largely built-out. Existing development consists primarily of strip centers and small freestanding buildings. Redevelopment constraints include small parcel sizes, narrow lot depths and the need to assemble properties to create suitable development sites. The existing commercially zoned properties abut residential neighborhoods. To facilitate redevelopment of strip centers and freestanding commercial buildings some residential rezoning in appropriate locations would be required. A minimum depth of 225 feet, and preferable 250 feet, is necessary to support commercial uses. Many properties are in disrepair and suitable for demolition and redevelopment.

Similar to East Main Street, U.S. Highway 81 from Main Street south to Highway 7 is characterized by a narrow band of commercial zoning supporting a mix of strip retail and small freestanding buildings. Redevelopment efforts face the same challenges as East Main Street. The constraint on the assemblage of suitable commercial development sites along South U.S. Highway 81 limits the potential to accommodate large-scale retail formats.

U.S. Highway 81 north of Main Street supports the largest inventory of commercially zoned land in Duncan, as well as the largest individual parcels. As a result, this corridor supports the largest and most diverse retail development formats, including anchored shopping centers, strip centers, big-box retailers, freestanding retailers and small buildings housing restaurants, banks, convenience stores and automotive service facilities. The corridor's prime location extends from Elk Avenue north to Plato Road.

Commercial development sites between Elk Avenue and Plato Road are becoming increasingly scarce. The largest undeveloped commercial parcel is located on the north side of Elk Avenue just west of Elk Plaza. While large enough to facilitate a big-box retailer or anchored shopping center, the absence of U.S. Highway 81 frontage reduces the desirability of this parcel. The shortage of available sites is compounded by unmotivated long-time property owners. As a result, as evident with the Holiday Inn and Applebee's site, developers and business owners must now "manufacture" development sites by assembling underutilized properties. Prospective future development sites include:

1. Strip center at 1702-1720 North Hwy 81 and Bryan's Car Corner property;
2. Strip center and VFW on the east side of North Hwy 81 north of Holiday Inn site;
3. Battison Chevrolet Buick GMC north of Walmart;
4. Two small office buildings, former bank and Duncan Veterinary Hospital on the east side of North Hwy 81 across from the Duncan Library;
5. Stockman's and Gardentown properties;
6. Small lot at the southwest corner of Plato Road;
7. Two out lots on south side of Plato Road east of North Hwy 81
8. Northeast corner of North Hwy 81 and Plato Road; and
9. Elk Plaza could support more out parcels.

Trade Area Demographics

This report has defined the primary trade area as the City of Duncan with the entire Stephens County making up the secondary trade area. Current primary and secondary trade area demographics are summarized in the table on the following page.

The trade area's large adolescent and young adult population is sufficient for supporting the sales of such consumer goods as apparel and accessories; groceries; sporting goods; music; home electronics; eating and drinking places; and general merchandise. The large population ages 25 to 44 are in their principal consumer years, favors the consumption of hardware; furniture and home furnishings; home electronics; department stores; and eating and drinking places. The large senior population generates demand for medical goods and services. Over one-third of trade area households earn \$35,000 to \$74,999 per year which is attractive to category specific, big-box retailers. Meanwhile, the over 46 percent of trade area households earning less than \$35,000 per year is attractive to value-oriented retailers.

These consumption patterns and demographic characteristics bode well for Duncan's potential to support a diverse retail market. However, the trade area population of less than 50,000 residents places a constraint on the ability to attract and support many national big-box retailers.

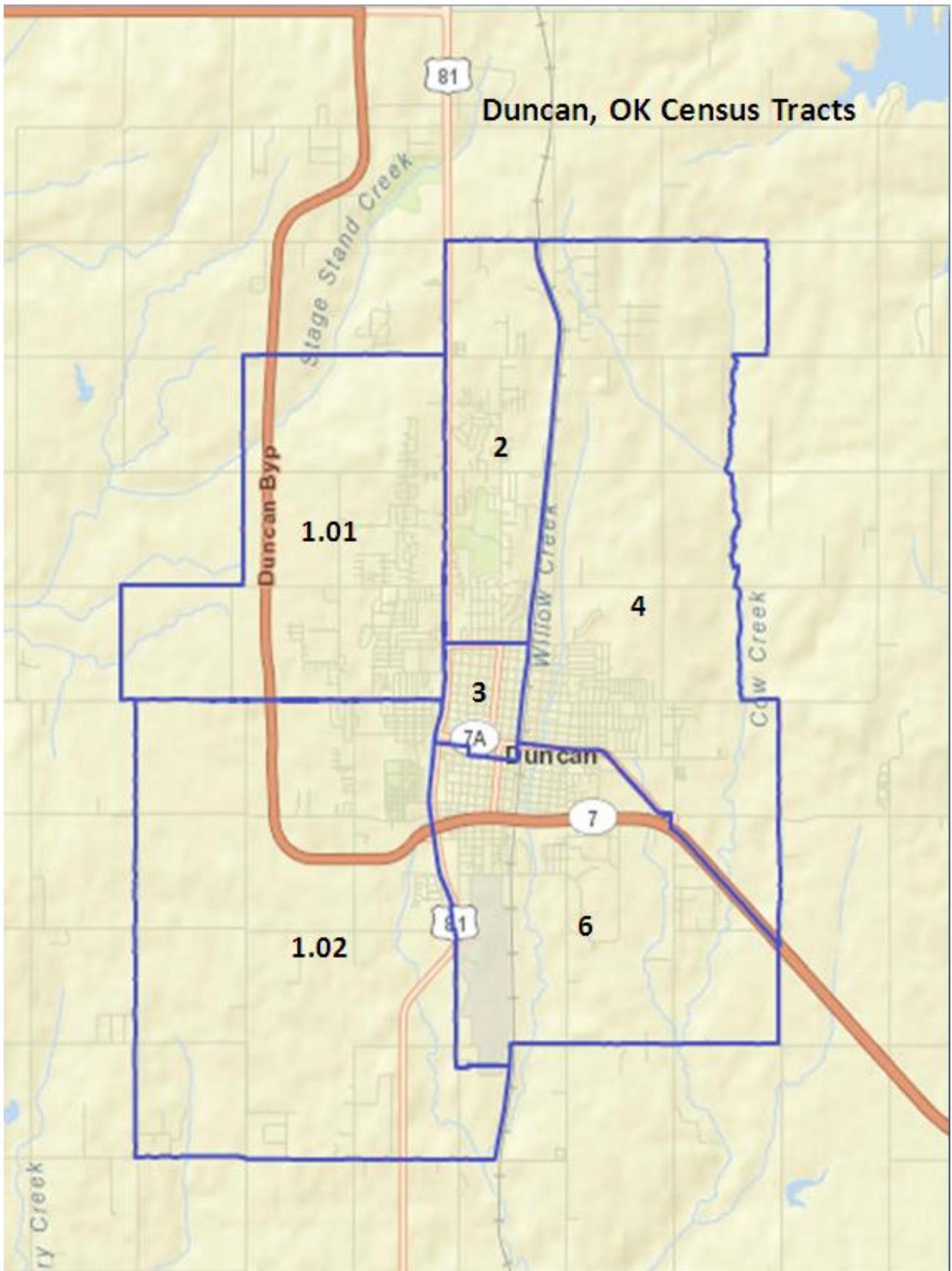
The extent and composition of retail sales are driven largely by population, age and income levels. The immediate trade area surrounding a retail business or shopping center has the greatest influence on retail sales. Therefore, the demographics surrounding each of Duncan's four major commercial districts have a direct impact on the volume and composition of retail sales. The *Duncan Comprehensive Plan* divides the city into four quadrants. The North U.S. Highway 81 corridor is located in the Northeast Quadrant while downtown, East Main Street and the South U.S. Highway 81 corridor are all located in the Southeast Quadrant.

Duncan's population, age and income levels were segmented by Census Tract. As the graphic on page 57 illustrates, Duncan is divided into six Census Tracts. The Northwest Quadrant is roughly defined by Census Tract 1.01 with the Northeast Quadrant consisting of Census Tracts 2, 3 and 4; the Southeast Quadrant is Census Tract 6 and the Southwest Quadrant Census Tract 1.02.

Primary and Secondary Trade Area Demographics - 2011

Demographic Characteristic	Primary Trade Area	Secondary Trade Area
Total Population	23,539	45,278
Households	9,719	18,221
Population by Age		
0-9	3,221	6,006
10-19	2,910	5,881
20-24	1,365	2,362
25-34	3,075	5,436
35-44	2,576	5,100
45-54	3,204	6,582
55-64	2,933	5,975
65+	4,257	7,936
Median Age	39.5	40.8
Household Income		
Less than \$15,000	18.4%	19.1%
\$15,000 - \$24,999	14.4%	14.4%
\$25,000 - \$34,999	13.2%	12.9%
\$35,000 - \$49,999	15.6%	15.9%
\$50,000 - \$74,999	16.8%	18.3%
\$75,000 - \$99,999	9.7%	9.1%
\$100,000 - \$149,999	8.1%	6.9%
\$150,000 - \$199,999	1.8%	1.7%
\$200,000+	2.1%	1.6%
Average Household Income	\$52,753	\$50,387
Median Household Income	\$38,009	\$37,509
Per Capita Income	\$21,875	\$20,451

Source: ESRI Business Analyst



As depicted in the table below, the northern portion of Duncan supports the highest population and income levels which are attractive to retailers. Census Tracts 1.01 and 2 which surround the North U.S. Highway 81 corridor support Duncan’s highest income levels and 39.4 percent of the city’s population. Nearly 22 percent of the population is between the ages of 25 and 44 with 16.5 percent of school age. These favorable demographics serve as a major retailer draw for the North U.S. Highway 81 corridor.

Census Tracts 3, 4 and 6 have the greatest influence on downtown Duncan and the East Main Street corridor possesses the city’s lowest incomes levels and youngest population. Given downtown’s mix of specialty retailers and influence of out-of-town visitors, the low income levels of the surrounding neighborhoods play less of a role in generating retail sales. However, the low income levels do influence supportable retail sales volumes on East Main Street.

Census Tracts 1.02 and 6 collectively support just 27.4 percent of the city’s population and below average age and income levels. These demographics place a constraint on the ability of the South U.S. Highway 81 corridor to attract and support retail businesses.

To conclude, Duncan’s residential development patterns and resulting population demographics play a contributing role in the location and character of the local retail market. Where population density and income levels are the highest retail development is most prominent. The opposite also holds true as the less populated and lower income neighborhoods support only a modest level of retail activity.

Duncan Population, Age and Income Levels By Quadrant and Census Tract

Quadrant & Census Tract	2010 Population	Average Household Income	Median Household Income	Median Age
Northwest				
Census Tract 1.01	5,437	\$62,628	\$48,805	44.0
Northeast				
Census Tract 2	3,850	\$73,384	\$53,577	47.7
Census Tract 3	2,121	\$46,758	\$40,758	33.8
Census Tract 4	5,705	\$41,695	\$29,611	35.0
Totals	11,676	\$53,776	\$39,921	39.0
Southeast				
Census Tract 6	3,228	\$30,596	\$21,169	35.2
Southwest				
Census Tract 1.02	3,225	\$49,905	\$38,159	37.1
Totals	23,566	\$52,753	\$38,009	39.2

Source: U.S. Census Bureau, Census 2010 data and Esri.

Direct Competition

While Duncan serves as Stephens County's principal center for retail activity, the trade area's modest population supports a small number of major retailers. Major retailers operating stores in Duncan are limited to Walmart Supercenter, Dollar General, Dollar Tree, Walgreens, GNC, Ace Hardware, Sherwin Williams, Tractor Supply Co., Big 5 Sports, Hibbett Sports, Fashion Bug, Stage, Shoe Dept., Payless ShoeSource, Hastings Books & Music and Carmike Cinema.

Duncan's narrow and modest retail market forces residents to travel outside of the community to meet much of their durable goods and entertainment needs such as clothing and apparel, home electronics, home furnishings, sit-down restaurants and more. The primary alternative shopping destinations include Lawton, Oklahoma, approximately 30 miles west of Duncan, Wichita Falls, Texas, 66 miles to the south and Oklahoma City, Oklahoma, 78 miles to the northeast. Notable major retailers operating stores within these principal alternative shopping destinations, but absent from Duncan include Target, Kohl's, Home Depot, Lowe's, Best Buy, Office Depot, Office Max, Staples, Bed Bath & Beyond, Petco, PetMart, Hobby Lobby and Michaels.

The primary hurdles in attracting these major retailers to Duncan include a primary and secondary trade area population of only 45,000 people and the close proximity of Lawton, Oklahoma. Most of the major retailers identified above require minimum trade area population levels higher than Stephens County currently supports. For example, for a single-store, mid-size community location, Kohl's requires a trade area population of 100,000.

Prominent fast food restaurant chains along North U.S. Highway 81 include Arby's, Burger King, KFC, McDonalds, Pizza Hut, Sonic, Subway and Taco Bell. Notable fast food restaurant chains operating elsewhere in Oklahoma but without a presence in Duncan include Chick-Fil-A, Dunkin' Donuts, Jack-in-the-Box, Panera Bread, Popeyes, Steak 'N Shake, Wendy's and Whataburger.

The Applebee's located on North U.S. Highway 81 adjacent the new Holiday Inn Express hotel is the first sit-down restaurant chain serving liquor to open a location in Duncan. The hope is that other casual restaurant chains will now consider a location in Duncan.

Conclusions

The North U.S. Highway 81 corridor will continue to be Duncan's predominant location for retail activity. Favorable site characteristics include the necessary access, visibility and exposure, and favorable demographics. However, commercial development sites between the much coveted section from Elk Avenue and Plato Road are becoming increasingly scarce. As a result, developers and business owners must now "manufacture" development sites by assembling underutilized properties. At some point when development sites are too difficult and expensive to assemble development will begin to migrate north of Plato Road or properties to the south of Elk Avenue will become more desirable redevelopment sites.

The historic character of downtown along with its mix of antique and specialty shops collectively serve as a tourism draw. Principal advantages of downtown as a retail location include its status as a specialty retail destination, affordable building rents and property values, historic character and cooperative marketing and promotions. Downtown's principal shortcomings include a

location off a major thoroughfare, a perceived parking shortage on Main Street and the absence of a large sit-down restaurant. The presence of churches and City Code Sections 3-113 (alcoholic beverages) and 3-213 (non-intoxicating beverages) that prohibits location of an establishment serving alcohol within 300 feet of a public school or church place a considerable constraint on the ability of a sit-down restaurant serving alcohol to locate downtown.

Any redevelopment plan for downtown should emphasize both redevelopment of existing underutilized properties and selective new construction. A façade improvement program could elevate the streetscape, improve retail sales and increase property values. Vacant properties and those in poor condition on both Walnut and Willow avenues make for prospective sites for renovation or redevelopment with multi-story mixed-use formats. What is needed in downtown is a “major” anchor to generate increased custom traffic and retail sales. The major anchor can take the form of a quality sit-down restaurant, coffee house or a “cluster” of complementary businesses.

Both East Main Street and U.S. Highway 81 from Main Street south to Highway 7 are characterized by a narrow band of commercial zoning supporting a mix of strip retail and small freestanding buildings. Many commercial properties in both corridors are in disrepair and suitable for demolition and redevelopment. The current constraint on the assemblage of suitable commercial development sites limits the potential to accommodate large-scale retail formats. To facilitate redevelopment of strip centers and freestanding commercial buildings some residential rezoning in appropriate locations would be required. A minimum depth of 225 feet, and preferable 250 feet, is necessary to support commercial uses.

Several major interchanges along the Duncan Bypass are designated for future mixed-use development. Given the access, visibility, exposure and parcel size characteristics of major and junior anchors, the interchanges at both Elk Avenue and Plato Road are suitable locations for big-box retailers and power center development formats.

Conclusions

Duncan is Stephens County’s principal retail destination serving local residents and out-of-town visitors. Duncan accounts for two-thirds of all countywide retail businesses and nearly three-quarters of taxable retail sales. Duncan’s expanded retail trade area is best quantified through trade area capture (“TAC”) and pull factor estimates.

The trade area capture (“TAC”) is an estimate of the number of people who shop in the local area during a certain period. The July 1, 2011, population for the City of Duncan was estimated at 23,507 residents, while the TAC was estimated at 32,231 residents, suggesting Duncan attracts considerable residents and retail sales from outside the city. Meanwhile, Duncan’s estimated pull factor of 1.371 indicates the city is capturing retail sales at a rate equivalent to 37.1 percent above the state-wide average. However, the well above average pull factor does not suggest that Duncan is over retailled and not capable of supporting additional retailers.

Despite servicing an expanded retail trade area, Duncan lacks a diverse and deep mix of retail goods and services. Comparison to Oklahoma’s retail business composition, Duncan is deficient in such retail business categories as eating & drinking establishments, health & personal care

stores and clothing & accessory stores. The *Retail MarketPlace Report* published by ESRI further identified several retail categories in Duncan that remain under serviced, including grocery stores, food & drinking places, building materials & supplies, electronics and appliances, furniture and clothing and accessories.

These retail deficiencies result in retail sales leakage outside of Duncan as residents must travel outside of the community to satisfy much of their shopping needs. The primary alternative retail destinations for Duncan residents include Lawton, Oklahoma, approximately 30 miles to the east, Wichita Falls, Texas, approximately 66 miles to the south and Oklahoma City, Oklahoma, approximately 78 miles to the northeast. The close proximity of these larger retail destinations, particularly to Lawton, places a limitation on the ability of Duncan to attract major retailers currently operating in these markets.

Duncan's two principal business districts include downtown and the North U.S. Highway 81 corridor. Both business districts co-exist because they for the most part cater to distinctive market segments. Secondary commercial corridors in Duncan include East Main Street and U.S. Highway 81 from Main Street south to Highway 7.

Downtown Duncan once served as the city's principal shopping district. Over the years many prominent retailers closed their downtown stores and with the opening of Chisholm Mall businesses began migrating to North U.S. Highway 81. With an estimated 270,500 square feet of retail space, downtown Duncan now houses a mix of antique shops, gift and specialty stores, hair salons/barbers and home furnishings. The historic character of downtown along with its mix of antique and specialty shops collectively serve as a tourism draw. Principal advantages of downtown as a retail location include its status as a specialty retail destination, affordable building rents and property values, historic character and cooperative marketing and promotions. Principal shortcomings for downtown include a location off a major thoroughfare, a perceived parking shortage on Main Street and the absence of a large sit-down restaurant serving liquor.

The North U.S. 81 corridor serves as Duncan's primary shopping and dining destination supporting nearly 1.1 million square feet of retail space. The segment between Elk Avenue and Plato Road serves as the principal "core" of retail activity, housing the largest concentration of retail space and is viewed as Duncan's most desirable retail location. The only vacant retail space within this one-mile stretch of U.S. Highway 81 is the 25,000 square foot former Goody's in the Duncan Towne Square. Businesses have been reluctant to locate on U.S. Highway 81 north of Plato Road. An excellent illustration of retailers' preference to be located within North U.S. Highway 81's principal "core" is the fact that since opening in 1996, the 35,200 square foot Deer Creek Center located 1/3-mile north of Plato Road has been plagued by considerable vacancies despite the lack of available space elsewhere in the corridor.

Strengths of the North U.S. 81 corridor as a retail business location include the concentration of big-box and national retailers that creates a regional draw catering to all of Stephens County, high traffic volumes and excellent access and exposure created from frontage on U.S. Highway 81. Constraints include high rental rates and land values, limited inventory of commercial space available for lease and a declining inventory of available development sites within the coveted portion of the corridor from Elk Avenue to Plato Road.

Developers and businesses must now “manufacture” sites along U.S. Highway 81 between Elk Avenue and Plato Road by purchasing under-utilized properties and pursuing property assemblages. At some point when development sites are too difficult and expensive to assemble development will begin to migrate north of Plato Road or properties to the south of Elk Avenue will become more desirable redevelopment sites. A recent example is Big 5 Sports leasing 13,000 square feet space at Plaza 81 located south of Elk Avenue.

Both the East Main Street and South U.S. Highway 81 corridors are characterized by a narrow band of commercial zoning supporting a mix of strip retail and small freestanding buildings. National retailers play a minor role and many commercial properties in both corridors are in disrepair. Collectively, the East Main Street and South U.S. Highway 81 corridors account for less than 10 percent of the city’s retail space inventory.

The City of Duncan is estimated to currently support approximately 1.4 to 1.8 million square feet of occupied retail space. Duncan’s existing inventory of retail space totals approximately 1.5 million square feet, suggesting an unmet demand for up to an estimated 282,489 square feet of additional retail space. From 2012 through 2042, based on population growth estimates and continued impact of out-of-town visitors, the City of Duncan is forecast to support an estimated 193,000 to 236,000 square feet of additional occupied retail space. The current pent-up retail space demand and continued growth in space demand over the next 30 years will create development opportunities.

Over the next decade North U.S. Highway 81 corridor will continue to be Duncan’s predominant location for retail space absorption and development activity. While the Duncan Bypass offers the opportunity to support large-scale development formats, the scarce surrounding population density, modest traffic counts and absence of major interchanges will hinder the near-term development potential. Redevelopment efforts for both the East Main Street and South U.S. Highway 81 corridors are hampered by the shallow band of commercially zoned land and modest area demographics. To facilitate redevelopment of strip centers and freestanding commercial buildings some residential rezoning in appropriate locations would be required.

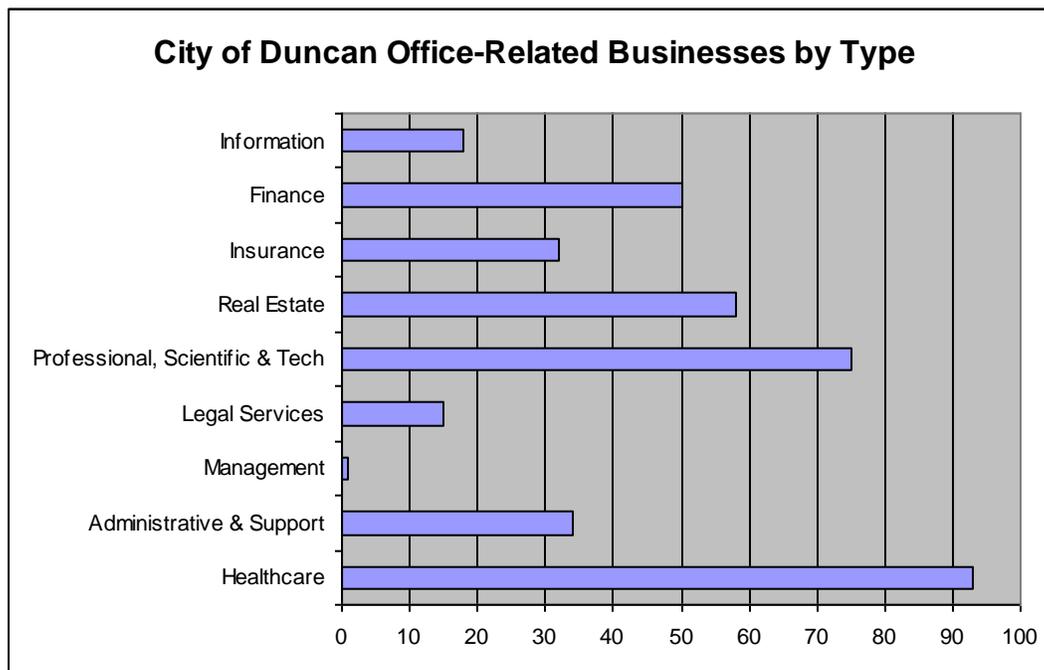
Any redevelopment plan for downtown should emphasize both redevelopment of existing underutilized properties and selective new construction. A façade improvement program could elevate the streetscape, improve retail sales and increase property values. What is needed in downtown is a “major” anchor to generate increased custom traffic and retail sales. The major anchor can take the form of a quality sit-down restaurant with liquor, coffee house or a “cluster” of complementary businesses.

OFFICE MARKET ANALYSIS

This portion of the study evaluates directly competitive office market conditions in Duncan, Oklahoma, by identifying the city's mix of office-related tenants and existing inventory of professional and medical office space. The study also quantifies Duncan's short- and long-term need for additional office space to determine the ability of the city to accommodate future commercial development as well as evaluate prospective development sites.

Office Market Overview

Duncan serves as Stephens County's principal business center supporting a mix of professional and medical businesses. According to *Esri Business Analyst*, 283 professional services businesses and 93 healthcare-related businesses operate in Duncan, accounting for 32.1 percent of all businesses citywide. By comparison, the professional services and healthcare sectors account for 27.1 percent of all businesses in Stephens County and 33.0 percent of all businesses in Oklahoma. Leading professional businesses in Duncan include finance and insurance; professional, scientific and tech services; and real estate.



The table on the following page provides a comparison of Duncan's professional and healthcare business mix by NAICS Code with that of Stephens County and the State of Oklahoma. Duncan accounts for two-thirds of all countywide professional and healthcare businesses. Therefore, the business mix of Duncan and Stephens County is very similar, with just modest deviations in a few professional categories.

Comparison to Oklahoma’s office-related business composition, the City of Duncan supports a below average percentage of such professional business categories as information; insurance; professional, scientific and tech services, legal services, and administrative and support. Given Duncan’s status as the Stephens County seat as well as the presence of the Duncan Regional Hospital, healthcare and social assistance businesses account for an above average percentage of overall businesses.

Comparison of Office-Related Business Mix City of Duncan vs. Stephens County & State of Oklahoma

NAICS Code	City of Duncan		Stephens County		State of OK	
	# of Businesses	% of Total	# of Businesses	% of Total	# of Businesses	% of Total
Information	18	4.8%	25	5.1%	2,661	5.5%
Finance	50	13.3%	59	12.0%	5,103	10.5%
Insurance	32	8.5%	41	8.4%	3,698	7.6%
Real Estate	58	15.4%	77	15.7%	7,685	15.8%
Professional, Scientific & Tech Services	75	19.9%	100	20.4%	10,247	21.1%
Legal Services	15	4.0%	17	3.5%	2,726	5.6%
Management Companies	1	0.3%	2	0.4%	152	0.3%
Administrative & Support	34	9.0%	45	9.2%	5,129	10.6%
Healthcare & Social Assistance	93	24.7%	124	25.3%	11,141	23.0%
Totals	376	100.0%	490	100.0%	48,542	100.0%

Source: Esri Business Analyst.

The largest concentration of professional office space in Duncan, Oklahoma, is located in the downtown and in close proximity to the Stephens County Courthouse just west of downtown. The principal professional office space within the U.S. Highway 81 corridor is located along the 1-mile segment between Elk Avenue and Plato Road in the north-central portion of Duncan. The largest private-sector office tenants in Duncan include Prepaid Legal occupying 43,422 square feet of space within the former Walmart store at 1520 West Plato Road and Universal Fidelity Life with 11,380 square feet at 815 West Ash.

The principal location for medical office space in Duncan is along Elk Avenue in close proximity to the Duncan Regional Hospital. The Brookwood Office Park west of the Duncan Regional Hospital houses several medical offices.

Inventory of Office Space

The current inventory of professional and medical space in the City of Duncan was compiled by consulting property records published by the Stephens County Assessor as well as interviews with property owners and leasing agents. The Halliburton Company office buildings and office space within industrial properties were omitted from the office building inventory.

According to the Stephens County Assessor, 64 properties in excess of 2,000 square feet within the City of Duncan are classified as professional office buildings totaling 422,677 square feet of building area. The principal concentrations of professional office space are located in downtown and in close proximity to the Stephens County Courthouse. In addition, the Stephens County Assessor classified 45 properties in excess of 2,000 square feet as medical office buildings, totaling 195,591 square feet of building area. The majority of medical office space in Duncan is located in and surrounding the Duncan Regional Hospital campus.

In total, the current inventory of office space in Duncan, Oklahoma, is estimated at approximately 618,000 square feet, including 422,677 square feet of professional space and 195,591 square feet of medical space. Downtown and the West Main Street/Courthouse submarkets possess the largest inventory of professional office space while the West Elk Avenue/Duncan Regional Hospital submarket supports the largest stock of medical office space.

Duncan, Oklahoma Office Space Inventory

Submarket	Professional # of Buildings	Office Space Sq. Ft.	Medical # of Buildings	Office Space Sq. Ft.
Downtown	18	99,405	2	5,228
West Main/Courthouse	25	166,489	7	19,871
North U.S. Hwy 81	7	77,402	1	4,656
West Elk/Duncan Regional Hospital	3	20,592	33	158,311
Other	11	58,789	2	7,525
Totals	64	422,677	45	195,591

Source: Stephens County Assessor and Canyon Research Southwest, Inc.

Much of the office space in Duncan consists of single-tenant or owner-occupied buildings. Commercial property owners contacted indicated that rental rates for average quality office space ranges from \$4.00 to \$6.00 per square foot with better quality space garnering \$8.00 to \$10.00 per square foot. Small suites of less than 400 square feet in better quality buildings are being marketed at \$11.00 to \$14.00 per square foot full-service. It was also suggested that a sufficient inventory of office space is currently available to preclude the near-term construction of additional speculative office space.

With 109 employees, Pre-Paid Legal Services is the only office-related employer among Duncan's Top 10 Employers. The firm occupies 43,422 square feet of space with a former Walmart store at 1520 West Plato Road. Other large professional office tenants in Duncan include Universal Fidelity Life (11,380 square feet), First Bank & Trust (7,283 square feet) and

Kellpro Inc. (6,424 square feet). The Duncan Regional Hospital with 912 employees is the region's second largest employer.

According to the Stephens County Assessor, 17 properties in downtown Duncan are classified as office buildings totaling 99,405 square feet of space. Main Street between 7th and 10th Streets maintains approximately 35 percent of office space with six properties totaling 34,620 square feet. The remainder of office space downtown is located along Walnut Street north of Main Street and Willow Street one block to the south. Downtown professional office tenants consist predominantly of banks and financial services, accounting/tax, community organizations, insurance and real estate. Just two properties in downtown totaling 5,228 square feet are classified as medical office buildings.

The Stephens County Courthouse is located just west of downtown at 11th Street and Walnut Avenue. Several office buildings surround the courthouse as well as line Main Street from 10th Street west to 13th Street. The Stephens County Assessor classifies 25 properties in this area as professional office buildings totaling 166,489 square feet of space. Professional office tenants located along west Main Street are predominantly finance and insurance firms. Seven medical office buildings totaling 19,871 square feet of space are also present within West Main Street corridor.

Despite serving as Duncan's premiere retail location, the North U.S. Highway 81 corridor supports a modest inventory of office buildings with eight properties totaling just 82,058 square feet of space. The existing office product includes seven professional office buildings totaling 77,704 square feet and one, 4,656 square foot medical office building.

The West Elk Avenue/Duncan Regional Hospital submarket contains 36 office buildings totaling nearly 179,000 square feet. Duncan Regional Hospital is this submarket's principal generator of office space demand. Established in 1977, Duncan Regional Hospital maintains 145 licensed beds and operates a Birth Center, an Imaging Center, a Wound Care Center, trauma and emergency room departments, surgical services, cardiac rehabilitation and diabetes management. In 2008, the hospital opened the Taylor Le Norman/McCasland Cancer Center, for cancer patients needing radiation therapy and chemotherapy. The hospital primarily services Stephens County. Lawton, approximately 30 miles to the west, supports two major hospitals and a Veterans hospital.

Duncan Regional Hospital currently has a staff of 110 physicians, of which about 50 actively work and office in Duncan. There are no immediate plans to increase the number of physicians based at the hospital. Three medical office buildings are located on the hospital campus, including the 30,000 square foot Pavilion which has room to accommodate 3 to 5 more physicians, and a medical office park with ten office suites. The hospital is preparing a facilities master plan with no plans to construct any additional medical office space. The hospital also owns approximately 70 acres of land to the west along Elk Avenue. The long-term plans call for the site to eventually accommodate construction of a replacement hospital.

Due largely to the expansion of the Duncan Regional Hospital, according to the Stephens County Assessor, since 2000 eleven medical office buildings have been constructed in Duncan totaling 68,990 square feet, or 35 percent of the city’s total inventory. All but one of the medical office buildings were built at or near the Duncan Regional Hospital campus. Fourteen medical office buildings totaling 50,684 square feet were built in the 1990s. By comparison, since 2000, just three professional office buildings have been constructed in Duncan totaling 13,021 square feet.

Historic Trends in Office Construction City of Duncan, Oklahoma

Year	Office Space (sq. ft.)		Totals
	Professional	Medical	
2000	0	43,030	43,030
2001	0	0	0
2002	0	0	0
2003	0	0	0
2004	2,604	0	2,604
2005	0	11,050	11,050
2006	7,042	0	7,042
2007	0	0	0
2008	0	3,472	3,472
2009	3,375	0	3,375
2010	0	6,782	6,782
2011	0	4,656	4,656
Totals	13,021	68,990	82,011

Source: Stephens County Assessor.

Duncan serves as Stephens County’s principal economic center. However, the office-related professions of information; finance, insurance and real estate; professional, scientific and technical services; and administration and support account for only 13.2 percent of the Stephens County employment. As a result, Duncan supports a modest inventory of office space estimated at approximately 618,000 square feet, including 422,677 square feet of professional space and 195,591 square feet of medical space.

Most office tenants are classified as professional service firms such as real estate agencies, insurance agencies, financial services, accountants and attorneys. The presence of the Duncan Regional Hospital generates considerable demand for medical office space. Future professional and medical office space demand in Duncan will be tied to continued population growth leading to increased demand for professional and healthcare services.

Forecast Office Space Demand

Professional office space demand projections for both Stephens County and the City of Duncan through the year 2032 provide an understanding of future market conditions directly impacting the feasibility of new office space development.

The demand for professional office space is closely correlated with expansion in office space using employment sectors. Future demand for professional office space was forecast utilizing an occupational employment-driven model. This model was designed using the variables of increased employment in categories of economic activity typically associated with demand for office space and average space requirements per employee. A share of regional demand is assigned to the submarket (and specific project) on the basis of location, competition, access, project scale, etc.

The U.S. Department of Labor defines office employment as jobs in the information, financial activities, and professional and business services industries. According to the *County Business Pattern* published by the U.S. Census Bureau, as of July, 2010, employment in Stephens County for the office using sectors of information; finance, insurance and real estate; professional, scientific and technical services; and administrative and support services was reported at 1,640 jobs, or 13.2 percent of total employment. Meanwhile, health and social services sector employment in 2010 was reported at 2,226 jobs, or 18.0 percent of total employment.

From 1998 through 2010, total employment for office using sectors in Stephens County increased by 155 jobs while healthcare-related employment increased by 626 jobs.

Stephens County, OK Employment Growth by Sector; 1998-2010

Industry Classification	2010	1998	Change
Total Employment	12,366	12,375	-9
Agriculture, forestry, fishing and hunting, and mining	986	736	250
Construction	575	471	104
Manufacturing	1,694	2,057	-363
Wholesale trade	450	449	1
Retail trade	2,017	2,193	-176
Transportation and warehousing and utilities	664	316	348
Information	142	161	-19
Finance, insurance, real estate and rental and leasing	740	855	-115
Professional, scientific and technical services	412	225	187
Administrative and support and waste management services	346	244	102
Health and social services	2,226	1,600	626
Educational services	39	0	39
Accommodation and food services	910	929	-19
Other services (except public administration)	890	819	71

Source: U.S. Census Bureau.

According to the Bureau of Labor Statistics, total employment for Stephens County rose from

14,467 jobs in 2001 to 15,646 jobs by 2011, an increase of 1,179 jobs, or 8.2 percent. Total employment over the 11-year timeframe peaked in 2008 at 16,079 jobs.

Based upon historic employment trends and population projections published by the Oklahoma Department of Commerce, job growth for Stephens County is projected at 1,250 total jobs from 2012 to 2022 and 1,325 total jobs from 2022 through 2032. Office-related employment during this 20-year period is forecast to account for 13 to 15 percent of total job growth. These capture rates translate into office-related employment growth of 163 to 188 jobs from 2012 to 2022 and 172 to 200 jobs from 2022 through 2032.

Office space demand created by the future growth in office-related employment was forecast by applying standard job creation ratios outlined in the *Development Impact Assessment Handbook* published by the Urban Land Institute (“ULI”) and per capita space requirements currently being supported in the Duncan office market. The *Development Impact Assessment Handbook* publishes a job creation rate of 1.0 job per 250 square feet of office space. Meanwhile, Stephens County currently supports 422,677 square feet of office space and 1,640 office jobs, translating into a per capita job creation rate of 1.0 job per 258 square feet of office space, which includes vacant space. Therefore, this report utilized a per capita job creation rate of 1.0 job per 250 square feet of occupied office space. These job creation rates account for both owner-occupied and speculative office space.

Based on this employment-driven model, from 2012 through 2032, Stephens County is estimated to absorb approximately 83,750 to 97,000 square feet of professional office space.

Office Space Demand Projections Stephens County, Oklahoma; 2012-2032

Timeframe	Office - Related Job Growth	Space Conservative	Demand Optimistic
2012 – 2022	163 - 188	40,750	47,000
2022 – 2032	172 - 200	43,000	50,000
Totals		83,750	97,000
Annual Average		4,188	4,850

Source: Canyon Research Southwest, Inc.

Duncan serves as Stephens County’s principal economic center and currently supports an estimated 422,000 square feet of professional office space. Duncan’s ability to facilitate the continued development of new office space will be based on further population growth; status as the county seat; and the availability of development sites. The City of Duncan is forecast to capture the bulk of Stephen County’s office-related employment growth over the next 20 years, estimated at 75 to 85 percent. Therefore, Duncan is estimated to absorb approximately 63,000 to 82,450 square feet of professional office space through the year 2032.

Strong demand for medical services has created a boom in medical office buildings that carried beyond the peaking of the traditional commercial office market in 2007. Medical office construction has spilled over into fast-growing suburbs and has followed the outmigration of hospitals and the growth in outpatient facilities. Indeed, medical office buildings are somewhat tethered to hospital facilities providing convenience for physicians and patients alike. The demand for new medical office space is also being driven by advances in medical technology that require infrastructure not available in many existing office buildings.

Medical office space demand is a function of expansion in medical practices and associated needs, which is related to growth in population. While population growth trends are associated with economic trends, the fluctuations are less pronounced and demand for this market segment is considered to be less cyclical. The demand for medical office space is typically highly specific geographically, with healthcare services gravitating to locations at or near hospitals.

Demand for medical office space is forecast via a methodology that includes a determination of medical employment per capita for the trade area which is then multiplied by the average square footage required per medical employee to derive a total medical office square footage per capita coefficient. This local area coefficient is applied to current (future) estimates of area population to generate an estimate of current (future) medical space demand, excluding demand related to acute care hospitals and other more specialized surgical centers.

Duncan Regional Hospital's primary trade area is Stephens County. According to the *County Business Pattern* published by the U.S. Census Bureau, as of July, 2010, healthcare employment in Stephens County totaled 2,226 jobs. The U.S. Census Bureau also estimated Stephens County's 2010 resident population at 45,048 people. The *Development Impact Assessment Handbook* publishes a job creation rate of 1.0 job per 250 square feet of medical office space. These economic indicators translate to an average of 12.35 square feet of medical office space per every resident of Stephens County. For the purpose of this report, a per capita rate of 12 to 13 square feet was utilized.

The Oklahoma Department of Commerce forecasts the Stephens County population to increase by 3,063 residents from 2012 to 2032. Therefore, over the 20-year projection period Stephens County is estimated to support the absorption of 36,756 to 39,819 square feet of medical office space. Given the propensity of physicians and other healthcare providers to locate at or near hospital campuses, this report estimates that the City of Duncan will capture up to 90 percent of the countrywide demand for medical office space from 2012 to 2032, or approximately 33,000 to 36,000 square feet.

To conclude, from 2012 through 2032, the City of Duncan is forecast to absorb approximately 63,000 to 82,450 square feet of professional office space and approximately 33,000 to 36,000 square feet of medical office space.

Evaluation of Prospective Office Sites

A feasible office building site possesses the following characteristics: excellent location and access; proximity to a large and diverse labor pool; appropriate parcel size and shape; and compatibility with surrounding land uses. Suburban office development tends to gravitate to convenient freeway locations and/or mixed-use environments that provide the needed support services (i.e., restaurants, retail goods, lodging and entertainment) and prestigious business image. Standard site selection criteria utilized by office developers and tenants are summarized in the table below.

Standard Office Site Selection Criteria

Site Characteristics
Zoning compliance
Parcel size and dimensions
Availability of utilities and information technology
Site visibility and exposure
Context of adjacent land uses
Proximity to freeways, major arterials, public transportation and airport
Proximity to customers
Proximity to downtown or mixed-use urban environment
Availability of parking
Presence of existing office development
Safe neighborhood
Land and off-site infrastructure costs
Achievable rental rates
Local Amenities
Community identity and image
Availability of a diverse labor force
Proximity to executive housing
Availability of support services such as banks, post office, office supply stores, etc.
Availability and quality of restaurants, hotels and off-site meeting space
Proximity to fitness centers and other recreational amenities
Accessibility to day care services

Duncan’s competitive advantages in supporting future professional and medical office development include its status as Stephens County’s government seat and largest population and economic center; presence of the Duncan Regional Hospital; a large and diverse labor force; supply of executive housing; high quality of life and availability of suitable development sites. Duncan’s competitive disadvantages include its small size, modest future population and employment growth, absence of an Interstate freeway and the fact that it lags behind the nation as a whole in the percentage of residents 25 years and above with a bachelor’s degree or better.

Duncan's existing and designated employment centers evaluated for the potential to support the future development of professional and medical office space included:

1. Duncan CBD
2. North U.S. Highway 81 Corridor
3. West Elk Avenue / Duncan Regional Hospital
4. Duncan Bypass / Highway 7

Duncan CBD

The Duncan CBD consists of downtown and the West Main Street Corridor, serving as the government center for both Stephens County and the City of Duncan. These government offices are strong professional office space demand generators. The CBD is a primary office location supporting approximately 266,000 square feet of professional office space and 25,000 square feet of medical office space.

As a prospective location for future office development the Duncan CBD offers the following favorable site and location characteristics: 1) a large inventory of existing office space; 2) adequate zoning and public infrastructure; 3) presence of city and county government offices; 4) downtown Post Office; and 5) historic character of Main Street.

As a prospective future office development site the Duncan CBD is hampered by the absence of direct highway access and exposure, modest availability of business support services, distance from upscale housing, affordable rental rates and limited availability of development sites.

While the Duncan CBD features such businesses support services as banks, daycare and retail stores, it lacks sit-down restaurants, fitness center, office supply store and lodging. The CBD does not offer the same level of access, visibility and business support services as the North U.S. Highway 81 Corridor or the West Elk Avenue Corridor.

Rental rates for existing office space in the CBD are affordable which may hamper financially feasible future office development. With a limited inventory of vacant land, prospective development sites will have to be manufactured by purchasing and redeveloping underutilized properties. The property assemblage process may prove too costly.

The Duncan CBD's historic character will always attract office tenants seeking a unique environment. The presence of the Stephens County Courthouse will also attract legal professionals and other government support services.

North U.S. Highway 81 Corridor

The North U.S. Highway 81 corridor supports a modest inventory of office space, estimated at just 82,058 square feet. The existing office product includes seven professional office buildings totaling 77,704 square feet and one, 4,656 square foot medical office building.

As a prospective location for future office development the North U.S. Highway corridor offers a long list of favorable location and site attributes, including: 1) adequate zoning and public infrastructure; 2) close proximity to high income households and upscale housing; 3) availability

of such businesses support services as banks, restaurants, hotels, fitness centers and retail stores; 4) highway access and visibility; 5) desirable business location and 6) above average achievable rental rates.

Barriers to facilitating future office development include: 1) lack of a large concentration of existing office space; 2) absence of master planned office parks; 3) high land costs; 4) decreasing availability of development sites within the high-demand stretch from Elk Avenue to Plato Road; and 5) growing need to manufacture development sites by assembling under utilized properties

West Elk Avenue / Duncan Regional Hospital

The West Elk Avenue/Duncan Regional Hospital submarket contains nearly 179,000 square feet of office space. This submarket supports the majority of medical office space in Duncan and will remain the dominant location for future development activity. The West Elk Avenue/Duncan Regional Hospital submarket possesses many of the same favorable location and site characteristics as well as barriers for facilitating future office development.

As a prospective location for future office development the West Elk Avenue/Duncan Regional Hospital submarket benefits from many favorable attributes, including: 1) presence of a large inventory of existing office space; 2) presence of the Duncan Regional Hospital; 3) adequate zoning and public infrastructure; 4) close proximity to high income households and upscale housing; 4) availability of such businesses support services as banks, restaurants, hotels, fitness centers and retail stores; 5) access and visibility via the major arterial of Elk Avenue; 6) desirable business location; 7) above average achievable rental rates and 8) ample availability of development sites.

Given the presence of Duncan Regional Hospital, the West Elk Avenue/Duncan Regional Hospital submarket is expect to remain as Duncan's predominant location for new medical office development.

Duncan Bypass / Highway 7

The Duncan Bypass doesn't currently support any professional or medical office space. While the Duncan Bypass offers office tenants desirable freeway access and exposure, as a near-term development location barriers include the absence of: 1) major freeway interchanges and the necessary public infrastructure; 2) existing office development; and 3) business support services. Favorable location attributes include close proximity to high-income households and upscale housing; designated commercial nodes at major interchanges and ample availability of land.

The Duncan Bypass offers a desirable freeway location for future office development. However, the absence of major freeway interchanges, the necessary public infrastructure and the freeway's peripheral location will serve as barriers for supporting near-term office development.

Conclusions

Duncan serves as Stephens County's principal economic center. The office-related professions of information; finance, insurance and real estate; professional, scientific and technical services; and administration and support account for 13.2 percent of the Stephens County employment. Duncan's inventory of office space is estimated at approximately 618,000 square feet, including 422,677 square feet of professional space and 195,591 square feet of medical space.

The largest concentration of professional office space in Duncan, Oklahoma, is located in the CBD consisting of downtown and surrounding the Stephens County Courthouse just west of downtown. The CBD supports approximately 266,000 square feet of professional office space and 25,000 square feet of medical office space. Main Street's historic character will always attract office tenants seeking a unique environment. The presence of the Stephens County Courthouse also attracts legal professionals and other government support services.

Despite currently supporting a modest inventory of office space, the North U.S. Highway 81 corridor is a feasible location for future office development, leveraging off its close proximity to high income households and upscale housing; availability of such businesses support services as banks, restaurants, hotels, fitness centers and retail stores; and highway access and visibility.

The principal location for medical office space in Duncan is along West Elk Road in close proximity to the Duncan Regional Hospital. This submarket contains nearly 179,000 square feet of office space, of which 88 percent is medical office space. The West Elk Avenue/Duncan Regional Hospital submarket is expected to remain as Duncan's predominant location for new medical office development.

The Duncan Bypass offers a desirable freeway location for future office development. However, the absence of major freeway interchanges, the necessary public infrastructure and the freeway's peripheral location will serve as barriers for attracting office tenants and development activity.

Most Duncan professional office tenants are classified as service firms such as real estate agencies, insurance agencies, financial services, accountants and attorneys. The presence of the Duncan Regional Hospital generates considerable demand for medical office space. Future professional and medical office space demand in Duncan will be tied to continued population growth. Stephens County's large senior population will also place an increasing demand on healthcare services.

Based on continued population and employment, from 2012 through 2032, the City of Duncan is forecast to absorb approximately 63,000 to 82,450 square feet of professional office space and approximately 33,000 to 36,000 square feet of medical office space. Those portions of the city expected to capture the bulk of future office space demand include the North U.S. Highway 81 Corridor and the West Elk Avenue/ Duncan Regional Hospital submarket.

STUDY RECOMMENDATIONS

Based on the study findings, potential retail and office development opportunities are identified for Duncan, Oklahoma. Study recommendations include the following:

- Quantify existing retail sales leakage by major retailer business category in Duncan, Oklahoma;
- Quantify the supportable inventory of new retail space in Stephens County and Duncan, Oklahoma, through 2042;
- Quantify the supportable inventory of new professional and medical office space in Stephens County and Duncan, Oklahoma, through 2032;
- Identify prospective retail and office development opportunities for Duncan, Oklahoma, as well as prospective development sites;
- Identify prospective retail and professional business types suitable for expansion into Duncan, Oklahoma;
- Suggest supportive infrastructure improvements needed to accomplish retail development;
- Categorize recommendations for prospective retail by community desirability, based on past studies, current demographics, *Market Study* findings and results of stakeholder interviews. Determine likelihood or unlikelihood to attract desirable retail. Identify potential development incentives needed to attract desired retail development;
- Identify the most suitable market niche and positioning for historic downtown Duncan (i.e., arts and entertainment district, shopping destination, employment center and tourism attraction). Issues such as potential redevelopment sites, density, development formats will be discussed; and
- Provide substantive information that would support a strategic plan for a multi-year, phased approach to retail development. Recommend elements of the strategic plan.

Quantify existing retail sales leakage by major retailer business category in Duncan, Oklahoma

The City of Duncan serves as local merchants' primary trade area with the secondary trade area encompassing all of Stephens County. In an effort to identify retail opportunities by NAICS classification a *Retail MarketPlace Report* was generated for both Duncan and Stephens County.

Findings of the *Retail MarketPlace Report* support Duncan's current 1.371 pull factor. The Duncan population is estimated to support retail sales of approximately \$193 million. Actual retail sales are estimated at \$254.8 million, yielding a retail pull factor of 1.32 (retail sales 32 percent above the Oklahoma average). The surplus retail sales of \$61.8 million are reduced to just over \$3.1 million when automobile sales are removed.

Despite the slight surplus in retail sales, the *Retail MarketPlace Report* identifies several retail categories in Duncan that remain under serviced, including grocery stores, food & drinking places, building materials & supplies, electronics and appliances, furniture and clothing and accessories.

Retail Sales Gap by Retail Classification – Duncan, OK

Retail Classification	Demand - Supportable Consumer Expenditures	Supply - Estimated Actual Retail Sales	Opportunity Gap / (Surplus)
City of Duncan – Excl. Automotive	\$159,014,123	\$162,176,455	(\$3,162,332)
Grocery Stores	\$20,988,428	\$11,106,038	\$9,882,390
Food & Drinking Places	\$26,312,507	\$22,697,905	\$3,614,602
Building Materials & Supplies	\$5,510,146	\$2,972,396	2,537,750
Electronics & Appliance Stores	\$4,366,514	\$3,325,970	\$1,040,544
Furniture Stores	\$2,827,608	\$1,875,043	\$952,565
Beer, Wine & Liquor Stores	\$1,220,819	\$849,164	\$371,655
Clothing & Accessories	\$3,602,709	\$3,303,552	\$299,157
Books & Music Stores	\$586,524	\$309,385	\$277,139

Source: Retail MarketPlace; Esri Business Analyst.

Duncan supports a county-wide retail trade area. Therefore, a *Retail MarketPlace Report* was also generated for Stephens County, Oklahoma. Exclusive of automobile sales, Stephens County supports an annual retail gap, or shortage, of \$50.1 million. Retail classifications under serviced in Stephens County are much more broad than in the City of Duncan alone, led by retail sales gaps in eating and drinking places (\$16.1 million); grocery stores (\$14.9 million); building materials (\$7.2 million); department stores (\$5.8 million); electronics and appliances (\$3.4 million); clothing and accessories (\$2.5 million) and furniture and home furnishings \$2.4 million).

This analysis suggests that considerable retail opportunities exist in Stephens County. With a capture rate of nearly three-quarters of the county-wide retail sales, the City of Duncan is well positioned to capitalize on the retail sales gap in Stephens County.

Quantify the supportable inventory of new retail space in Stephens County and Duncan, Oklahoma, through 2042

By 2042, based on continued growth in both the resident population and out-of-town visitation, retail sales for Stephens County are estimated to increase by \$73.3 million annually. At average retail sales rates of \$225 to \$275 per square foot an estimated 267,000 to 326,000 square feet of additional retail space is supportable through 2042.

Based on trade area population and income levels the City of Duncan can currently support an estimated 1.4 to 1.8 million square feet of total retail space. Duncan's existing inventory of occupied retail space totals approximately 1.5 million square feet. This supply and demand imbalance suggests the City of Duncan has unmet demand for up to an estimated 282,489 square feet of additional retail space. From 2012 through 2042, based on population growth estimates and continued impact of out-of-town visitors total annual retail sales within the City of Duncan are estimated to increase by \$53.2 million. This level of retail sales can support an estimated 193,000 to 236,000 square feet of additional retail space through 2042.

Retail Space Demand Projections; 2012 - 2042 Stephens County and City of Duncan

	2012 - 2022	2022 - 2032	2032 - 2042	Totals
Population Growth				
Stephens County	1,532	1,531	1,531	4,594
City of Duncan	996	995	995	2,986
Estimated Retail Sales Growth				
Stephens County	\$17,631,711	\$17,620,202	\$17,620,202	\$52,872,116
Out-of-Town Visitors	\$5,523,423	\$6,733,022	\$8,207,516	\$20,463,961
Total Retail Sales Growth	\$23,155,134	\$24,353,224	\$25,827,718	\$73,336,077
City of Duncan Market Share	\$16,787,472	\$17,656,088	\$18,725,096	\$53,168,656
Supportable Retail Space				
Stephens County				
\$225/Sf	,102,912	108,237	114,790	325,938
\$275/SF	84,200	88,557	93,919	266,677
City of Duncan				
\$225/Sf	74,611	78,472	83,223	236,305
\$275/SF	61,045	64,204	68,091	193,341

Source: Canyon Research Southwest, Inc.; September 2012.

Quantify the supportable inventory of new professional and medical office space in Stephens County and Duncan, Oklahoma, through 2032

The demand for professional office space is closely correlated with expansion in office space using employment sectors. Future demand for professional office space in Stephens County and City of Duncan was forecast utilizing an occupational employment-driven model.

Based on this employment-driven model, from 2012 through 2032, Stephens County is estimated to absorb approximately 83,750 to 97,000 square feet of professional office space.

**Professional Office Space Demand Projections
Stephens County, Oklahoma; 2012-2032**

Timeframe	Office - Related Job Growth	Space Conservative	Demand Optimistic
2012 – 2022	163 - 188	40,750	47,000
2022 – 2032	172 - 200	43,000	50,000
Totals		83,750	97,000
Annual Average		4,188	4,850

Source: Canyon Research Southwest, Inc.

Duncan serves as Stephens County’s principal economic center and currently supports an estimated 422,000 square feet of professional office space. Duncan’s ability to facilitate the continued development of new office space will be based on continued population growth, status as the county seat and the availability of development sites. The City of Duncan is forecast to capture the bulk of Stephens County’s office-related employment growth over the next 20 years, estimated at 75 to 85 percent. Therefore, Duncan is estimated to absorb approximately 63,000 to 82,450 square feet of professional office space through the year 2032.

Medical office space demand is a function of expansion in medical practices and associated needs, which is related to growth in population. The demand for medical office space is typically highly geographic specific, with healthcare providers concentrated at or near hospitals.

Based on a per capita need for 12.35 square feet of medical office space and population growth of 3,063 residents as forecast by the Oklahoma Department of Commerce, from 2012 to 2032 Stephens County is estimated to support the absorption of 36,756 to 39,819 square feet of medical office space. Given the propensity of physicians and other healthcare providers to locate at or near hospital campuses, this report estimates that the City of Duncan will capture up to 90 percent of the countywide demand for medical office space over the 20-year projection period, or approximately 33,000 - 36,000 square feet.

In summary, from 2012 through 2032, the City of Duncan is forecast to absorb approximately 63,000 to 82,450 square feet of professional office space and approximately 33,000 to 36,000 square feet of medical office space.

Identify prospective retail development opportunities for Duncan, Oklahoma

The *Duncan, Oklahoma Comprehensive Plan* identifies four current and future commercial corridors within the city limits, including: 1) Main Street/Downtown; 2) U.S. Highway 81 north of Main Street; 3) U.S. Highway 81 south of Main Street and 4) the Duncan Bypass.

The North Highway 81 corridor will continue to be Duncan's predominant location for retail activity. However, commercial development sites between the much coveted section from Elk Avenue and Plato Road are becoming increasingly scarce. As a result, developers and business owners must now "manufacture" development sites by assembling under-utilized properties. Prospective future development sites include:

1. Strip center at 1702-1720 North Hwy 81 and Bryan's Car Corner property;
2. Strip center and VFW on the east side of North Hwy 81 north of Holiday Inn site;
3. Battison Chevrolet Buick GMC north of Walmart;
4. Two small office buildings, former bank and Duncan Veterinary Hospital on the east side of North U.S. Highway 81 across from the Duncan Library;
5. Stockman's and Gardentown properties;
6. Small lot at the southwest corner of Plato Road;
7. Two out lots on south side of Plato Road east of North U.S. Highway 81
8. Northeast corner of North U.S. Highway 81 and Plato Road; and
9. Elk Plaza could support more out parcels.

No large commercial sites fronting U.S. Highway 81 between Elk Avenue and Plato Road are suitable to support discount department stores or home improvement centers. Less desirable alternatives for supporting large-scale retail development include the vacant parcel on West Elk Avenue behind Elk Plaza or sites on U.S. Highway 81 north of Plato Road. Given the property availability constraints, future retail development along U.S. Highway 81 between Elk Avenue and Plato Road will take the form of freestanding junior anchors, strip centers and 1+ acre parcels designed for sit-down restaurants, fast food restaurants, bank branches, convenience stores and retail shop space.

At some point when development sites are too difficult and expensive to assemble, development will begin to migrate north of Plato Road or properties to the south of Elk Avenue will become more desirable development sites. The northeast corner of U.S. Highway 81 and Plato Road is a suitable anchored shopping center site.

The historic character of downtown along with its mix of antique and specialty shops collectively serve as a tourism draw. Principal advantages of downtown as a retail location include its status as a specialty retail destination, affordable building rents and property values, historic character and cooperative marketing and promotions. Downtown's principal shortcomings include a location off a major thoroughfare, a perceived parking shortage on Main Street and the absence of a large sit-down restaurant. The presence of churches and City Code Sections 3-113 (alcoholic beverages) and 3-213 (non-intoxicating beverages) that prohibits location of an establishment serving alcohol within 300 feet of a public school or church place a considerable constraint on the ability of a sit-down restaurant serving alcohol to locate downtown.

Any redevelopment plan for downtown should emphasize both redevelopment of existing underutilized properties and selective new construction. A façade improvement program could elevate the streetscape, improve retail sales and increase property values. Vacant properties and those in poor condition on both Walnut and Willow avenues make for prospective sites for renovation or redevelopment with multi-story mixed-use formats that include residential components.

Both East Main Street and U.S. Highway 81 from Main Street south to Highway 7 are characterized by a narrow band of commercial zoning supporting a mix of strip retail and small freestanding buildings. Many commercial properties in both corridors are in disrepair and suitable for demolition and redevelopment. The current constraint on the assemblage of suitable commercial development sites limits the potential to accommodate large-scale retail formats. To facilitate redevelopment of strip centers and freestanding commercial buildings some residential rezoning in appropriate locations would be required. A minimum depth of 225 feet, and preferably 250 feet, is necessary to support commercial uses.

Several major interchanges along the Duncan Bypass are designated for future mixed-use development. Suitable large-scale retail sites at major intersections along the Duncan Bypass should be preserved for future development of big-box retailers, power centers and other large-scale retail formats. Given the access, visibility, exposure and parcel size requirements of major and junior anchors, the interchanges at both Elk Avenue and Plato Road are suitable locations for large-scale retail formats. The major Duncan Bypass interchanges are also ideal for supporting mix-use development, including retail, office, hotel and high-density residential.

Identify prospective office development opportunities for Duncan, Oklahoma

Over the next 20 years Duncan is forecast to absorb 63,000 to 82,450 square feet of professional office space and 33,000 to 36,000 square feet of medical office space, providing for future development opportunities. Duncan's existing and designated employment centers evaluated for the potential to support future development of professional and medical office space included:

1. Downtown Duncan / Courthouse
2. North U.S. Highway 81 Corridor
3. West Elk Avenue / Duncan Regional Hospital
4. Duncan Bypass / Highway 7

The largest concentrations of professional office space in Duncan, Oklahoma are located in the CBD and West Elk Avenue in the vicinity of Duncan Regional Hospital.

Much of the demand for office space in the Duncan CBD stems from the presence of government offices and the Stephens County Courthouse. The historic character of Main Street also attracts office tenants. Future office development within the Duncan CBD is constrained by the absence of direct highway access and exposure, modest availability of business support services, distance from upscale housing, affordable rental rates and limited availability of development sites. Potential office development opportunities include the renovation or redevelopment of underutilized properties on Walnut and Willow streets. Viable development formats include 1- and 2-story office buildings.

Despite currently supporting a modest inventory of office space, the North U.S. Highway 81 corridor is a feasible location for future office development, leveraging off its close proximity to

high income households and upscale housing; availability of such businesses support services as banks, restaurants, hotels, fitness centers and retail stores; and highway access and visibility. Potential development formats include freestanding single tenant buildings and multi-tenant office complexes.

Given the presence of Duncan Regional Hospital, the West Elk Avenue/Duncan Regional Hospital submarket is expected to remain as Duncan's predominant location for new medical office development. Potential development formats include freestanding single tenant buildings and multi-tenant office complexes.

The Duncan Bypass offers a desirable freeway location for future office development. However, the absence of major freeway interchanges, the necessary public infrastructure and the freeway's peripheral location will serve as barriers for attracting office tenants and near-term development activity. The freeway location and ample availability of land would afford the opportunity to support larger, higher-density office development than elsewhere in the city.

Identify prospective retail and professional business types suitable for expansion into Duncan, Oklahoma

By supporting a diverse retail market a community's quality of life is improved as is the ability to attract outside employers and stimulate economic growth. While Duncan supports an estimated 1.5 million square feet of retail space, notable retail gaps still exist. Retail classifications under serviced in Stephens County that are prospective businesses for the City of Duncan include eating and drinking places, grocery stores, home improvement centers, electronics and appliances, clothing and accessories, and furniture and home furnishings.

For downtown Duncan to evolve into an entertainment and tourist destination an increased concentration of retail uses are needed such as sit-down restaurants with liquor, furniture and home furnishings stores, antique stores and specialty retailers. A major "traffic generator" business such as a sit-down restaurant or coffee house would improve customer traffic and expand downtown's business hours.

North U.S. Highway 81 is Duncan's primary shopping district supporting a few national big-box retailers, franchise retailers and a large number of fast food restaurants. There is a shortage of quality sit-down restaurants. The recent commitment by Applebee's to open a restaurant along U.S. Highway 81 validates the need and ability to support sit-down restaurants with liquor. No commercial sites fronting U.S. Highway 81 between Elk Avenue and Plato Road are suitable to support large discount department stores or home improvement centers. North U.S. Highway 81 is an ideal location for major retail chains and franchises, including sit-down restaurants with liquor, fast food restaurants, clothing and accessories, books and office supplies.

Future office demand will be generated through continued population growth led by personal/professional services and healthcare. Prospective personal and professional services firms include banking and financial services, insurance, real estate, accounting and tax, title companies and legal.

Determine likelihood or unlikelihood to attract desirable retail

Throughout the *Market Study* process stakeholder interviews were conducted of which one objective was to identify the types of retail uses residents desired to have more of in Duncan. These interviews identified a host of retail types, including sit-down restaurants with liquor, clothing and accessories, shoes and home improvement center. National restaurant chains and big-box retailers seem to be preferred.

The City of Duncan has also conducted workshops and surveys seeking input from its residents regarding the types of businesses they would like to see in the community. Those business types most desired include chain sit-down restaurants, clothing stores, shoe stores, coffee house, grocery store, home improvement center and movie theatre. Those goods most purchased outside the community include clothing and furniture.

When evaluating new markets and potential store locations, national restaurant chains and big-box retailers rely on minimum trade area demographic thresholds. To determine the likelihood of Duncan attracting major retailers, trade area population and income requirements for a host of national retailers were compiled by consulting *Retail Lease Trac*, a national web-based retail tenant information service. The table on the following pages categorizes big-box retailers by discount department stores, dollar stores, home improvement centers, office supplies, pet supplies, books, clothing and shoes. Trade area demographic requirements for major sit-down and fast food restaurant chains were also identified.

The trade area demography requirements of national big-box retailers suggest that Duncan and Stephens County lack both sufficient population and income levels to attract and support most discount department stores, home improvement center, office supplies, pet supplies, books, clothing and shoes store chains. Possible exceptions include Home Depot, Office Depot and Maurices. Supporting a dollar store is viable.

Duncan does possess the necessary population to support a host of sit-down and fast food restaurant chains. Restaurants operating in Lawton, Oklahoma that would be likely prospects for Duncan include Buffalo Wild Wings, Chili's, Cracker Barrel, Church's Chicken and Wendy's.

Findings of this analysis suggest Duncan will have difficulty attracting big-box retailers and national clothing and accessories stores given minimum trade area demographic requirements. Furthermore, given the close proximity of Lawton, Oklahoma, big-box retailers with a presence in this alternative shopping destination may not select to open a "sister" store in Duncan due to the likelihood of cannibalizing sales from the existing Lawton store. Most big-box retailers won't open stores in Duncan until the Stephens County population grows to meet required population thresholds. The near-term potential does exist for Duncan to attract additional sit-down and fast food chains.

Big-Box Retailer Trade Area Demographic Requirements

Retail Category / Retailer	Lawton, OK Store	Store Size Sq. Ft. (000's)	Trade Area Radius	Population	Household Income
Stephens County - 2010				45,048	\$47,900
Discount Department Stores					
Kmart	Yes	93 - 168	5-Mile	250,000	
Kohl's	No	64 - 110	5-Mile	100,000	\$40,000
Target	Yes	80 - 178	5-Mile		\$63,000
Home Improvement					
Home Depot	Yes	125 - 135	10-Mile	55,000	
Lowe's	Yes	90 - 150	10-Mile	60,000	
Office Supplies					
Office Depot	Yes	20 - 22	5-Mile	40,000	\$40,000
Office Max	No	13 - 18	5-Mile	70,000	
Staples	Yes	14 - 18	5-Mile		
Books					
Barnes & Noble	No	25 - 40	3-Mile	100,000	\$50,000
BAM	No	15 - 25	5-Mile	150,000	
Pet Supplies					
Petco	No	10 - 15	3-Mile	75,000	
Petsmart	No	19 - 26	3-Mile	100,000	\$45,000
Hobby					
Hobby Lobby	Yes	55 - 60	3-Mile	70,000	\$45,000
Michaels	No	21 - 22	5-Mile	100,000	\$35,000
Clothing					
Dress Barn	No	7 - 8	5-Mile	120,000	\$55,000
Maurices	Yes	5 - 5.5		25,000	\$75,000
Men's Wearhouse	No	4.5 - 6		150,000	
Steinmart	No	28 - 40	5-Mile	150,000	\$75,000
Shoes					
DSW	No	14 - 30	5-Mile	200,000	\$60,000
Famous Footwear	Yes	4.5 - 6	5-Mile	100,000	\$50,000
Shoe Carnival	No	8 - 12			
Others					
Bed Bath & Beyond	No	20 - 85	5-Mile	100,000	\$50,000
Party City	No	12 - 15	5-Mile	150,000	

Source: Retail Lease Trac.

Restaurant Chain Trade Area Demographic Requirements

Restaurant Chain	Lawton, OK Store	Store Size Sq. Ft.	Trade Area Radius	Population	Household Income
Stephens County - 2010				45,048	\$47,900
Fast Food Restaurants					
Chick-Fil-A	Yes	1,000 - 4,500	3-Mile	50,000	\$50,000
Church's Chicken	Yes	750 - 2,800	2-Mile	20,000	
Firehouse Subs	No	1,500 - 2,000	3-Mile	20,000	\$35,000
Jimmy John's	No	600 - 1,800	5-Mile	25,000	\$40,000
Popeyes	Yes	1,500 - 3,000	2-Mile	45,000	\$35,000
Wendy's	Yes	2,500 - 3,300	3-Mile	35,000	\$35,000
Sit-Down Restaurants					
Bob Evan's	No	5,000 - 5,200	5-Mile	75,000	\$50,000
Buffalo Wild Wings	Yes	4,000 - 7,000	5-Mile	40,000	\$30,000
Carrabba's	No	5,100 - 6,300	3-Mile	35,000	\$50,000
Chili's	Yes	3,900 - 5,500		50,000	
Cracker Barrel	Yes	11,000 - 12,000	5-Mile	25,000	\$15,000
Denny's	No	4,000 - 5,100		40,000	\$32,000
Famous Dave's	No	3,000 - 6,000	3-Mile	75,000	\$60,000
Golden Corral	Yes	7,700 - 12,000	3-Mile	25,000	
Longhorn Steakhouse	No	5,000 - 6,000		75,000	
Moe's Southwest Grill	No	2,000 - 2,800	2-Mile	30,000	\$50,000
Olive Garden	Yes	6,400 - 7,500		100,000	
Outback Steakhouse	Yes	5,000 - 6,500	3-Mile	70,000	\$65,000
Perkins	No	4,500 - 7,000	3-Mile	50,000	\$50,000
Red Lobster	Yes	7,000 - 8,000		125,000	
Red Robin	Yes	2,000 - 6,000		75,000	\$65,000
Ruby Tuesday	No	4,600 - 5,400	5-Mile	50,000	\$30,000
TGI Friday's	No	6,500 - 9,000	5-Mile	250,000	\$50,000
Texas Roadhouse	Yes	6,500 - 7,500		100,000	

Source: Retail Lease Trac.

Suggest supportive infrastructure improvements needed to accomplish retail development

To improve the ability to support commercial redevelopment additional streetscape improvements and façade improvements should be considered for the CBD, East Main Street and South U.S. Highway 81.

Infrastructure improvements to North U.S. Highway 81 would improve traffic patterns and create viable redevelopment opportunities.

To support future commercial development, the construction of freeway interchanges complete with public infrastructure is required at such desirable Duncan Bypass intersections at Elk Avenue and Plato Road.

Identify potential development incentives needed to attract desired retail development

When used with private funding sources, government financing/incentive programs greatly enhance a real estate project's financial feasibility. To generally qualify for government incentives, a project must serve a public purpose, stimulate economic growth and conform to local planning and development guidelines. Retail development generally meets all three requirements, providing goods and services to often under-served residential areas, offering opportunities for employment, increasing the community's tax base and meeting all local requirements for zoning and construction.

Government financing/incentives are more often indirect than direct, and take different forms. Tax abatement, special taxing districts and tax increment financing are the most commonly employed local programs that can assist in financing a project. Tax abatement reduces the property tax burden on a project, often postponing payment of the bulk of the taxes until after the first few years of a project's operation. Tax increment financing uses tax revenues generated by a specially created district to repay municipal bonds. The bonds can pay for land acquisition, site work, improvements to infrastructure and parking. An otherwise infeasible project that does not have to bear these costs often becomes feasible.

The current sales tax rate in Duncan, Oklahoma of 8.55 percent compares to 8.875 percent in Lawton, Oklahoma and 8.25 percent in Wichita Falls, Texas. Implementing special taxing districts would increase the sales tax rate for effected retailers. Many major retailers such as Wal-Mart prefer not to be included in special taxing districts because the increased tax can put stores at a competitive disadvantage. Wal-Mart's position is, unless other major retailers in the community are subject to the same additional sales tax, they don't want to be included in the district.

Tax increment financing can assist financially strapped local governments make needed infrastructure improvements, like new roads or new sewers, and provide incentives to attract businesses or help existing businesses expand, without tapping into general funds or raising taxes. Use of tax increment financing creates short- and long-term benefits for communities. TIF benefits include:

- No self-assessed tax, in TIF districts properties are assessed and taxed the same way as in non-TIF areas. The only change is that during the life of the TIF the property and sales tax revenues are distributed differently, with the incremental increase in tax revenue going to finance the redevelopment expenditures within the TIF district.
- Increased property values: The engine that drives TIF is investment in private property subject to the property and sales tax. It is primarily this investment that causes the increased property values and enables the TIF to be a valuable redevelopment tool for cities.
- Private investment and development
- Job Retention
- Stronger, broader tax base
- Stronger economic base
- Locally controlled
- Incremental revenue is reinvested in the TIF district
- Stimulates investment outside TIF district boundaries

Tax increment financing has proven to be an enduring and widely used economic development tool nationwide. Tax increment financing offers local governments a means to revitalize their communities by expanding the tax base without imposing property and sales tax increases on the whole community.

Development incentives in Duncan should be utilized to attract new development. Incentives may include infrastructure as well as direct subsidies. Tax increment financing would be preferred over creation and implementation of specific incentive districts such as a Business Improvement District. Potential applications include using tax increment financing to (1) fund streetscape and off-site infrastructure improvements in the CBD, East Main Street and U.S. Highway 81 and (2) advocate with the Oklahoma Department of Transportation construction of major arterial interchanges along the Duncan Bypass. It should be noted that tax increment financing should only be utilized to facilitate real development deals (i.e., a specific business plans to construct a facility), but not as a tool to foster speculative future development (i.e., construct infrastructure with the hopes of stimulating economic development).

The buildings on Main Street between 7th and 10th streets possess a historic character; however, the district is not on the National Register of Historic Places. It is recommended that the historic portion of downtown Duncan seek historic district designation. Doing so will add to the historic identity of downtown, enhance cultural tourism and promote property investment through use of federal and state historic tax credits.

The Federal Historic Tax Credit Program began in 1976 and provides qualified projects a 20 percent tax credit on qualified rehabilitation expenditures. The tax credit is a dollar-for-dollar reduction in the recipient's Federal income tax liability. The Secretary of the Interior through the National Park Service (NPS) administers the program in partnership with the Internal Revenue Service (IRS) and with State Historic Preservation Offices (SHPOs).

Rehabilitation is defined in the regulations governing Historic Preservation Certifications as:

The process of returning a building or buildings to a state of utility, through repair or alteration, which makes possible an efficient use while preserving those portions and features of the building and its site and environment which are significant to its historic, architectural, and cultural values.

Rehabilitation not only encourages the repair of historic buildings, it allows appropriate alterations to ensure their efficient contemporary use.

Federal Historic Tax Credits are available for any qualified project that the Secretary of the Interior designates as a certified rehabilitation of a certified historic structure. A qualified project must meet the following four criteria to be eligible for the 20 percent tax credit.

1. Only certified historic structures qualify for the tax credits. The historic structure must be listed in the National Register of Historic Places, either individually or as a contributing building in a National Register historic district, or as a contributing building within a local historic district that has been certified by the Department of the Interior.
2. After rehabilitation, the historic structure must be used for an income-producing purpose for at least five years. Owner-occupied residential properties do not qualify for the federal rehabilitation tax credit.
3. The project must meet the "substantial rehabilitation test," meaning that the qualified rehabilitation expenditures must exceed the adjusted basis in the building. The adjusted basis is equivalent to the property's purchase price less land cost, depreciation and any incurred prior rehab costs. Qualified rehabilitation expenditures must be "capital" in nature and "depreciable" as real property. Most soft and hard construction costs are eligible. Generally, this test must be met within two years or within five years for a project completed in multiple phases.
4. The rehabilitation work must be done according to the Secretary of the Interior's Standards for Rehabilitation. These ten standards do not require restoration, but allow some alteration that may be necessary in order for the historic building to provide an efficient contemporary use. However, the rehabilitation project must not damage, destroy, or cover those exterior or interior materials or features that define the building's historic character. To be eligible to receive the tax credits the rehabilitation project must be consistent with the historic character of the property and it must meet all ten standards.

In addition to the Federal Historic Tax Credits, the Oklahoma Credit for Qualified Rehabilitation Expenditures provides a transferable tax credit against state tax liability for 20 percent of qualifying building rehabilitation costs. Typically, buildings must be on the National Register of Historic Places for the tax credits to be claimed.

Identify the most suitable market niche and positioning for downtown Duncan

Up until the late 1960s to early 1970s, downtown served as Duncan's principal retail destination, home to such retailers as JC Penney and Ace Hardware. Development of the North U.S. Highway 81 corridor shifted the principal retail activities away from downtown. Today, downtown Duncan is predominantly occupied by independently owned specialty retailers such as antique shops, gift and specialty stores, hair salons/barbers and home furnishings. Many downtown retailers cater largely to the tourism market. Principal business services operating downtown include banks and financial services, law firms, accounting/tax, community organizations physicians, and insurance and real estate.

Downtown's survival and redevelopment hinges on continuing to serve a market niche distinctive from the North U.S. Highway 81 corridor. The vision of downtown Duncan is to create a mixed-use urban environment offering a blend of economic, entertainment, government, housing and pedestrian activities. Retailers now account for only 55 percent of downtown's business mix. More emphasis should be placed on attracting retailers that extend the street life of downtown. Retail businesses should be emphasized in Main Street properties with professional offices better suited off Main Street on Walnut and Willow streets. The intent is to improve the pedestrian and retail activity on Main Street.

Given its historic character and location downtown Duncan is best positioned as an entertainment and tourist destination. What is needed in downtown is a "major" anchor to generate increased customer traffic and retail sales. The major anchor can take the form of a quality sit-down restaurant with liquor, coffee house or a "cluster" of complementary businesses such as home furnishings, antiques and specialty stores.

Mixed-use development should be encouraged in downtown Duncan. This development format promotes increased density, security, pedestrian activity and business activity. Vacant properties and those in poor condition on both Walnut and Willow avenues make for prospective sites for renovation or redevelopment with multi-story mixed-use formats that include residential housing over ground floor commercial space.

Increasing the housing stock through "infill" development will be a key component in enhancing the pedestrian activity and economic vitality of downtown. A mix of attached housing is recommended, including apartments and senior housing. Second floor residential should be encouraged for Main Street properties. Though located outside of the downtown area, a former school could support apartments or senior housing.

Development of a community gathering place/park in downtown would improve the ability to host special events, enhance downtown's image/identity and increase customer traffic and potential retail sales. A suitable location for a community gathering place/park is the vacant lot at the southeast corner of 7th and Main streets.

Gateway features on Main Street leading into downtown would create a sense of arrival and place. This can be accomplished through streetscape improvements and monument signs.

Provide strategic plan recommendations for a multi-year, phased approach to retail development

The intent of Duncan's Retail Development Strategy is to maximize retail potential for the City. The strategy will incorporate existing retail operations, and provide ways to protect, enhance and expand retail development. The implementation program is intended to serve as both an immediate series of actions as well as a longer-term policy framework for sustaining retail development in Duncan.

It is recommended that the City of Duncan focus on four strategic goals designed to foster and promote new retail development:

1. Establish an organizational framework to support and market the City of Duncan as a retail destination;
2. Emphasize the attraction of new retail businesses that are not currently available in the City of Duncan;
3. Establish policy and financial incentives designed to leverage private investment; and
4. Identify infrastructure needed to facilitate future retail development.

Establish Implementation Framework for Retail Strategy – An essential first step to enhancing the City of Duncan as a desirable retail location for businesses and shoppers is the creation of a public/private partnership whose primary focus would be to collectively promote retailing in the City. Key tasks in the creation of this framework are:

Adopt a strategic retail plan that includes the desired character and location of future retail development and redevelopment. The North U.S. Highway 81 corridor represents the most desirable location for near-term retail development. Given the shortage of vacant land strategies promoting in-fill development must be adopted. To enhance downtown Duncan as a tourist destination such issues as tenant mix, public space, mixed-use development, pedestrian-oriented uses, infrastructure and others must be addressed. Redevelopment of East Main Street and South U.S. Highway 81 will require demolition, renovation and possibly rezoning of existing residential properties to commercial use. The Duncan Bypass represents the City's long-term location for large-scale retail development. The key issues include public infrastructure and the direction and context of residential growth in the City's northwest quadrant.

Establish an on-going public/private retail implementation committee that includes business owners, property owners, tenants, landlords and bankers. This committee should focus on ways to:

- Keep Duncan residents shopping in the City by providing stores and shopping destinations that residents are currently patronizing elsewhere;
- Attract shoppers from outside of Duncan by providing stores and shopping destinations that are unique to the county and region;

- Provide unique and attractive shopping environments and
- Avoid duplicating existing retail development where an over supply of retail exists.

Undertake a marketing program designed to attract patronage, private investors and development. This may include:

- Maintaining brochures, maps, flyers and other marketing materials for the entire city and individual retail districts;
- Adding signage to promote businesses and retail districts;
- Maintaining a website promoting Duncan businesses, special events and attractions;
- Creation and management of special events, promotions and festivals; and
- Conduct regular survey research designed to monitor customer and public perceptions and levels of satisfaction with Duncan's retail market and individual retail districts.

Currently, three organizations promote business development in the City of Duncan, including the Duncan Chamber of Commerce, Main Street Duncan, Inc. and Duncan Area Economic Development Foundation. Each of these organizations can play a role in implementing a retail strategy for the City of Duncan.

With 1.5 million square feet of retail space and 200 retail businesses in Duncan, focusing on smaller retail districts will allow each to identify strengths to build upon and weaknesses on which to focus further efforts. To start, Duncan's largest retail districts, downtown and North U.S. Highway 81, should establish associations made up of business and property owners. Cooperation between associations should be encouraged, by sharing best practices and organizing cooperative marketing efforts. Each organization should identify unique themes and establish a common name/identity to improve brand recognition.

Emphasize the attraction of new retail businesses that are not currently available in the City of Duncan - The *Retail Gap Analysis* section of this report identified retail categories under-supplied in both Duncan and Stephens County. Study findings identified such under-supplied retail categories as grocery stores, eating & drinking places, clothing and accessories, building materials & supplies, department stores, electronics and appliances, furniture and home furnishings. The City should target these types of retailers specifically to keep residents from shopping elsewhere and to attract shoppers from outside the community.

Targeting specific retailers may spur interest, but there currently is very little vacant commercial space in Duncan suitable to house new businesses. Also, most national retailers prefer to locate in retail centers built by developers they have had prior business relations with. Therefore, it is critical that tenant recruitment occur simultaneously with the recruitment of developers that can successfully build new space or redevelop existing space. The City should be proactive in attracting developers that have experience:

- Developing new and innovative shopping centers;

- Creating successful developments in similar cities and
- Attracting tenants that appeal to local shoppers and fill identified niches.

Establish policy and financial incentives designed to leverage private investment – At strategic locations the City should promote reinvestment in existing shopping centers and encourage new development or redevelopment of commercial properties.

Many shopping centers and retail properties in Duncan are showing their age and are in need of capital investment. Owners of existing shopping centers and the businesses in retail centers should be encouraged to make upgrades that could include:

- Façade improvements to provide a more coordinated look for the center or district
- Additional landscaping
- Improved signage

The City could potentially assist with the cost of property upgrades with matching grants or loan programs.

A number of retail properties on East Main Street and South U.S. Highway 81 are located on narrow lots that can't be easily adapted or expanded as sustainable properties for the future. At selective locations along North U.S. Highway 81, it is difficult for a developer to acquire adequate land to accommodate the scale of new large-scale retail development. Therefore, the City of Duncan should:

- Consider providing infrastructure improvements (i.e., roads and utilities) to facilitate new development or redevelopment.
- Strategically utilize available redevelopment incentive tools to facilitate land acquisition, infrastructure improvements and financial assistance.

Tax increment financing would be a preferred economic incentive tool over creation and implementation of specific incentive districts such as a Business Improvement District.

It is recommended that the historic portion of downtown Duncan seek designation on the National Register of Historic Places. Doing so would promote property investment through use of federal and state historic tax credits.

Prepare capital improvement plan for selected retail locations to anticipate and fund necessary public infrastructure on a timely basis – With the possible exception of downtown Duncan, there has been limited public investment that would assist to create identifiable retail nodes or districts. For example, the Duncan Bypass lacks the necessary public infrastructure to accommodate commercial development. As part of a comprehensive strategic plan to create unique, identifiable retail locations, this type of investment is desirable. Examples of capital improvement projects include streetscape and façade improvements to downtown as well as

street and utility improvements to North U.S. Highway 81 and the Duncan Bypass. Public investment could include:

- Planting of trees and other landscaping
- Special lighting
- Banners
- District signage
- Street furniture
- Special sidewalks
- Paving, curbing, gutters, sidewalks and public utilities

ADDENDA

EXHIBIT A

Canyon Research Southwest, Inc., Client Roster

CLIENT ROSTER

During its period of operation, Canyon Research Southwest, Inc. has provided real estate consulting services for a number of leading organizations including:

Abigail Properties
Appraisal Technology, Inc.
Arizona State Land Department
Aspen Enterprises
Bain & Company, Inc. (Boston, Massachusetts)
Bashas' Markets
Belz-Burrow (Jonesboro, Arkansas)
Biskind, Hunt & Taylor, PLC
Bridgeview Bank Group
Browning-Ferris Industries
Burch & Cracchiolo PA
Cass County, Missouri
Cavan Real Estate Investments
D.J. Christie, Inc. (Overland Park, Kansas)
Church of Jesus Christ of Latter Day Saints
Circle G Development
City of Belton, Missouri
City of St. Charles, Missouri
City of Fenton, Missouri
City of Glendale Economic Development Department
City of Independence, Missouri
City of Lee's Summit, Missouri
City of Liberty, Missouri
City of Osage Beach, Missouri
City of Mesa Economic Development Department
City of Mesa Real Estate Services
City of Phoenix Economic Development Department
City of Phoenix Real Estate Department
City of St. Charles, Missouri
City of Tucson Community Services Department
City of Warsaw, Missouri
Dial Realty (Omaha, Nebraska and Overland Park, Kansas)
Danny's Family Car Wash
Diamond Ventures (Tucson, Arizona)
DMB Associates
DMJM Arizona Inc.
EDAW, Inc. (Denver, Colorado)
Engle Homes
Frontera Development, Inc.
Gilded Age (St. Louis, Missouri)
W.M. Grace Development
Greystone Group (Newport Beach, California)
Hanford/Healy Advisory Company
Heritage Bank (Louisville, Colorado)

Holiday Hospitality Corporation (Atlanta, Georgia)
Jordan & Bischoff, PLC
JPI Development
Kaiser Permanente (Oakland, California)
Landmark Organization (Austin, Texas)
Lee's Summit Economic Development Council (Lee's Summit, Missouri)
Lewis and Roca
Lowe's Companies, Inc. (West Bloomfield, MI)
Lund Cadillac
Marriott International, Inc. (Washington, D.C.)
AJ Martinez & Associates (Prescott, Arizona)
MCO Properties
Meritage Homes
Metropolitan Housing Corporation (Tucson, Arizona)
Monterey Homes
Mountain Funding (Charlotte, North Carolina)
Navajo Nation Division of Economic Development
Opus Northwest Corporation
Opus West Corporation
Pederson Group, Inc.
Phelps Dodge Corporation
Piper Jaffray (Kansas City, Missouri)
Pivotal Group
Pulte Home Corporation
Pulte Homes of Greater Kansas City
Pyramid Development (St. Louis, Missouri)
Ralph J. Brekan & Company
RED Development (Kansas City, Missouri)
R.H. Johnson & Company (Kansas City, Missouri)
Richmond American Homes
River Run Development (Boise, Idaho)
Royal Properties (Champaign, Illinois)
Salt River Project
Steiner + Associates, Inc. (Columbus, Ohio)
Summit Development Group (St. Louis, Missouri)
SWD Holdings (San Francisco, California)
The Innova Group Tucson (Tucson, Arizona)
The University of Arizona Department of Economic Development (Tucson, Arizona)
The University of Arizona Medical Center (Tucson, Arizona)
Trammell Crow Residential
Union Homes (Salt Lake City, Utah)
Unified Government of Wyandotte County and City of Kansas City, Kansas
Wal-Mart, Inc. (Bentonville, Arkansas)
Waste Management
Wells Fargo Bank NA
Weststone Properties
Wolfswinkel Group
Yavapai-Apache Nation (Camp Verde, Arizona)
Zaremba Group (Atlanta, Georgia)

EXHIBIT B

Resume of Eric S. Lander, Principal
Canyon Research Southwest, Inc.

EDUCATION

In May, 1981, Mr. Lander received a B.S. in Marketing from the Arizona State University College of Business Administration. He attended Arizona State University from September 1977 to May 1981, and received honors status for his superior cumulative grade point average. During this time, he was an active member of the Marketing Club and National AMA as well as a participant in several research projects involving both local and national firms. In May, 1992, Mr. Lander received a Masters in Real Estate Development and Investment from New York University, graduating with honors.

BUSINESS EXPERIENCE

Canyon Research Southwest, Inc.

President (October 1984 to Present)

Established Canyon Research Southwest, Inc. as a multi-disciplined real estate consulting firm designed to provide comprehensive research and analysis to the development, financial, investment, and municipal communities. Responsibilities include direct marketing, project management, staffing, and client relations. The firm has performed in excess of 400 major consulting assignments with over 75 local and national clients. Fields of expertise include market and feasibility analysis of large-scale master planned communities, freeway oriented mixed-use projects, retail centers, office complexes, business parks, and hotels. Additional services include fiscal impact studies, property valuation, and development plan analysis.

Mountain West Research

Associate (December 1988 to January 1990)

Senior Consultant (October 1983 to October 1984)

Mr. Lander assisted in managing the Commercial Real Estate Services Division of Mountain West, Arizona's largest real estate and economic development consulting firm. Responsibilities included direct marketing, personnel management, client relations, and consulting on large-scale commercial, office, industrial, and hotel projects. Also contributed to several real estate publications and assisted in the management and marketing of the firm's commercial, office, and industrial (COI) data base.

Iloff, Thorn & Company

Marketing Assistant (January 1982 to December 1983)

Joined Iloff, Thorn & Company during its infancy and became solely responsible for providing in-house marketing support services to its commercial real estate brokers. These services included demographic research, office/industrial/retail market studies, raw land sales packages, site selection analysis, client relations, and property research. Major accomplishments included establishing and implementing office and industrial absorption studies, devised central office market and available raw land files, and organized the development of an industrial/retail map. Also, during this time, Mr. Lander obtained a real estate sales license and became involved in commercial brokerage activities.

RANGE OF EXPERIENCE

In 1987, Mr. Lander, in cooperation with the Drachman Institute of Regional Land Planning, published a working paper titled "Land Development as Value Added in the Development Process and Appropriate Criteria to Rank Sites for Selection of Master Planned Satellite Communities." Since the publication of this working paper, Mr. Lander has conducted numerous market feasibility studies on existing and proposed, large-scale, master planned communities in the Southwestern United States, totaling over 80,000 acres. The working paper was also evaluated and utilized by such prestigious universities as Harvard, M.I.T. and the University of North Carolina as part of their Masters program in Real Estate, City and Regional Planning, and Business.

Mr. Lander is an instructor with the Commercial Real Estate Institute, teaching classes in Market Analysis, Commercial Property Valuation and Land Valuation.

Developed a model designed to evaluate and rank the development potential of freeway interchanges. The methodology for ranking freeway properties is based on a list of 25 criteria which provide a framework to efficiently compare the strengths and weaknesses of various freeway sites. Seven (7) criteria have been established which apply to metropolitan area economic base and real estate market, five (5) criteria evaluate the region influenced by the presence of the freeway in question, and thirteen (13) interchange and site-specific criteria are aimed at determining future real estate development opportunities. This model has been utilized in evaluating freeway-oriented, mixed-use projects anchored by regional malls, business parks, office complexes, and hotels.

Mr. Lander has provided consulting services on downtown redevelopment and historic preservation efforts. Recent examples include a heritage tourism study for the Erie Canal terminus in Buffalo, New York; evaluation of potential office, retail, hotel and arena development in the downtown areas of Glendale and Mesa, Arizona; retail market evaluation and redevelopment plan for downtown Warsaw, Missouri; a downtown master plan for downtown Lee's Summit, Missouri; and a redevelopment plan for the 24 Highway Corridor in Independence, Missouri.

Mr. Lander has conducted *TIF and TDD Revenue Projections* for a variety of large-scale retail projects in Missouri and Kansas. Tax Increment Financing and Transportation Development Districts are government-backed funding mechanisms designed to finance project-specific public infrastructure improvement. Funding is provided via the issue and sale of bonds. In the case of Tax Increment Financing the bonds are repaid with incremental increases in property tax and sales tax revenue generated by the designated redevelopment area. Transportation Development Districts involve the levy of an additional sales tax on businesses operating within the redevelopment area.

Mr. Lander has conducted *STAR Bond Feasibility and Market Studies* on several proposed developments in Kansas, including the Kansas City Tourism District, Legends at Village West, Kansas City Research & Medical Campus, and Rosedale Station Shopping Center. The *Market Study* evaluates the market positioning, market demand, short-term development potential, and economic impact for the proposed Redevelopment District. Meanwhile, the *Feasibility Study* provides a STAR Bond revenue vs. costs comparison to determine the ability of the Redevelopment District to cover debt service for the projected STAR Bond obligations throughout the bond maturity period.