2. Market Area Background and Demographics – Deliverable 1B

This section evaluates demographic and economic characteristics of the two principal sources of demand in the market area, the resident population and tourists. The latter category includes visitors to the region and people passing through by auto and boat.

2.1 Overview: Market Area Background

We define a market area as the locus in which people shop for goods and services. Many physical and cultural factors determine the shape of a market area: roads and travel times, terrain, rivers and other geographic features, political and institutional associations (e.g., school districts, zip codes) and other features. Market area boundaries change over time and market areas often overlap. The extent of a market area varies by the specific product or service as the distance that people will travel varies depending on their need; the market area for a convenience store or gas station is very different from that of a regional mall. The locations of competitive places is an important factor.

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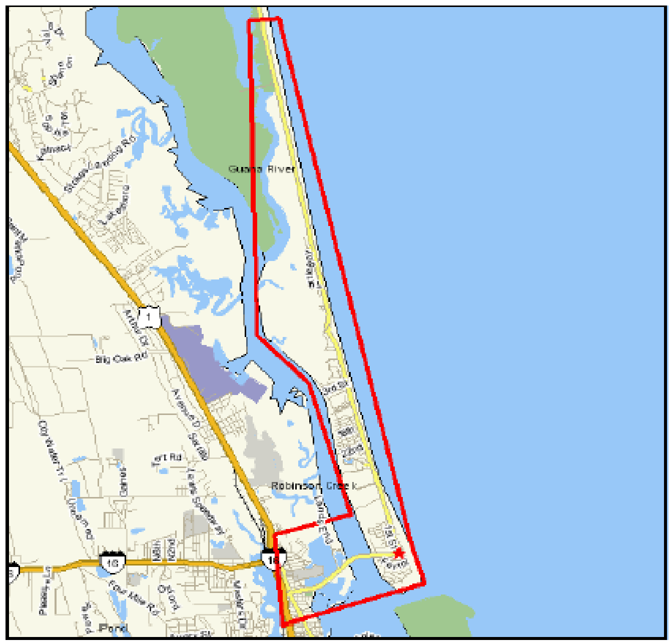

Figure 2-1
The Primary Market Area

For the Vilano Town Center we use a primary market area that comprises Vilano Beach, including Porpoise Point and all the residential communities to the north including South Ponte Vedra (Figure 2-1). The project location is marked by a red star at lower right indicating the intersection of the Coastal Highway, Route A1A, with Poplar Avenue. The boundaries of the PMA are mostly within a drive of approximately seven minutes from the project location, although South Ponte Vedra is ten to twelve minutes. The PMA includes a portion of the City of St. Augustine that lies across the Intracoastal Waterway but is closer to Vilano Beach than to shopping centers on US Route 1. The neighborhoods in the City portion of the market area vary in character on a block-to-block basis but they are largely neighborhoods with homes built before 1950, many of which have been restored or renovated.

One important issue with respect to the PMA population is the fact that some oceanfront communities like Serenata Beach are second-home communities that are sparsely occupied in winter months. This is important since the demographic information in

Exhibits 1 and A-1 reflect the primary residence, so many of the people who have a primary residence elsewhere but live in this area nearly half the year are not counted as residents.

Throughout this analysis we also describe the populations and retail potentials within the 5- and 10-minute drive distances from the project location (Figure 2-2). Many retailers, brokers and developers use drive times as a basis for comparing locations in terms of population and buying power, and we have included the full data set (in the Appendix) in order to facilitate comparisons. Figure 2-2 shows the areas contained by distance from the central location (Poplar Ave. and Route A1A).

Figure 2-2
5- and 10-minute Drive from Project Location

The 5-minute drive is roughly equivalent to a distance of 2 miles from the site. While the primary market area for the site is the area shown in Figure 2-1, the larger 10-minute drive area will attract additional but smaller numbers of shoppers. This much larger area includes most of the City of St. Augustine as well as portions of St. Johns County outside the City. While there are many competitive locations in this area, the ten-minute drive is a reasonable market range for specialty goods and services. In this demographic analysis, we focus on the primary market area and also give attention to the larger area for specific types of goods and services. In the description below we relate these areas to the US population.

2.2 Demographics

The demographic information that follows provides a framework for evaluating shopping patterns and commercial development potentials. In addition to the summary information in Exhibit 2-1, below, Exhibit A-1 in the Appendix provides the complete set of demographic data.

Exhibit 2-1 summarizes demographic information for the PMA and the drive-time populations:

- This is fast-growing area: population grew by 21% from 1990 to 2000; projected growth from 2007 to 2012 is 17%.
- It is majority white (96%), well educated (45% have bachelors degrees or higher), relatively affluent (median household income is $52,550) and largely white collar.
- It is older (47 years) and smaller in household size (2.1 persons) compared to the US.
- Median value of owner-occupied houses is $176,300.

Exhibit 2-1

Demographic Overview, Vilano Beach, For Primary Market Area and by Drive Time*

Description	5 Minutes	Primary Mkt Area	10 Minutes	15 Minutes
Population	**No.**	**No.**	**No.**	**No.**
2012 Projection	3,888	7,396	28,001	55,980
2007 Estimate	3,360	6,304	25,102	49,521
2000 Census	2,693	4,678	21,698	41,774
1990 Census	2,423	3,866	20,266	36,039
Growth 1990-2000	11.14%	0	7.07%	15.91%
2000 Average Household Size	2.11	2.12	2.29	2.38
2000 Median Household Income	$48,816	52,550	$33,790	$37,191
2000 Per Capita Income	$31,293	33,805	$19,903	$20,526
2000 Median All Owner-Occupied Housing Value	$164,088	$176,289	$96,850	$100,853
2000 Median Year Structure Built**	1979	1982	1965	1978
2000 Average Contract Rent	$ 513	$ 524	$465	$479

Source: Claritas, Inc.; Thomas Point Associates, Inc.

*Drive is from intersection of Poplar Avenue and Coastal Highway.

The 2005 study classified residents into "Tapestry Lifestyles" and identified five categories of mostly older and affluent couples without children and single-person households that made up the population of the primary market area:

- Exurbanites
- Silver and Gold
- Metropolitans
- Rural resort dweller
- Midlife junction

These five types of residents account for nearly all residents of the market area.

2.3 Tourism

In 2006 Florida ranked second in tourism among states, with 84 million visitors and $65 billion in taxable sales. Tourism is an important factor in the economy of St. Johns County and has a profound impact on the City of St. Augustine. This important historic and beach destination attracts roughly 3.8 million visitors yearly (Convention and Visitors Bureau) and represents one of the top attractions in northeastern Florida.

Trends in tourism in the County have been very positive, according the figures from the CVB. Exhibit 2-2 shows the growth on a yearly basis every year since 2000; the figures in the exhibit are adjusted for inflation so they represent real growth. Overall in the seven year period we see a total growth of 44 percent.

Exhibit 2-2

Tourism Spending* by Year, 2000-2006
St. Johns County, Florida

Year		*Amount**	*% ch. Previous year*
2000	$	465,734,861	-
2001	$	493,457,730	6.0%
2002	$	510,264,247	3.4%
2003	$	518,416,418	1.6%
2004	$	568,763,540	9.7%
2005	$	652,323,808	14.7%
2006	$	672,845,026	3.1%

Source: CVB; Thomas Point Associates, Inc.

*Constant dollars, adjusted for inflation.

Tourists account for significant share of spending in all trade categories, another finding based on CVB figures. The Bureau estimates tourist spending based on the following distribution (Exhibit 2-3):

Exhibit 2-3

Proportion of Tourism Spending in Retail Sales Categories

Category	*%**
Restaurants & Lunchrooms	80%
Taverns & Nightclubs	85%
Filling & Service Stations	25%
Hotels/Condos…	100%
Gift, Card & Novelty Shops	75%
Admissions	95%
Vending Machines	80%
Parking lots, Boat docking	25%
Flea Market Vendors	50%

Source: CVB

Vilano Beach has a significant tourist and seasonal population. There are several hundred hotel/motel and condo-rental units within walking distance of the Town Center. The 2005 market study represented the fact that there are nearly 600 housing units in the market area that are rented for weekend/seasonal tourist use. The Spring/summer months April through August are busiest while November through March have the least tourism activity. The tourist business potential at Vilano Beach will be particularly strong in the food/ beverage and specialty retail categories in the Spring and Summer high season.

2.4 Traffic

Exhibit 2-4 indicates the dimension of vehicular traffic in relation to Vilano Beach and the project location. Traffic on the Bridge and north of Vilano Beach itself is relatively light. The A1A figures north of Vilano suggest that there is very little movement south from Ponte Vedra. Traffic counts and growth are much higher on A1A in South Saint Augustine where the beaches and larger beach communities are stronger attractions.

The downtown figures reflect activity in the retail core and the historic area. The decline in traffic on San Marco is surprising since tourist activity has been increasing over this period. The largest volume growth in the County is on Interstate 95 which has rapidly become a local commuter route and a high-speed main street as much as a regional and national travel corridor.

Exhibit 2-4

Traffic Counts, Selected Locations, St. Johns County 1996, 2000 and 2006

	Average Annual Daily Traffic			
Location	**2006**	**2000**	**1996**	**Change EY-2006**
Vilano and North				
A1A west of Vilano Bridge	14,100	13,000	11,500	8.5%
A1A 6 mi. so. of CR 203	4,600	4,200	4,300	9.5%
A1A at Mickler	5,900	6,200	5,500	-4.8%
Downtown				
King St.	14,500	13,500	n/a	7.4%
San Marco Ave.	15,300	15,600	n/a	-1.9%
Interstate 95 at Green Cove Springs Rd	55,000	34,000	35,500	61.8%
South Beach: A1A south of CR 312	25,071	22,331	n/a	12.3%

Source: Thomas Point Associates, Inc.

2.5 The Intracoastal Waterway

One significant component of new development in the Town Center will be the construction of a marina with as many as 79 slips in a mixed-use project at the western end of the project area. This marina has the potential to bring additional boating traffic and to expand commercial development opportunities. It serves two functions. First, the marina draws boating traffic, and boaters spend money on various goods and services. Second, the marina can be an important part of the experience of the place where visitors have the opportunity to see boats, boaters and fish.

According to a recent study by the Florida Inland Navigation District, marine-related businesses have a significant impact on the economy of St. Johns County ("An Economic Analysis of the District's Waterways in St. Johns County," September, 2005). The District estimated total marine-related sales at $131.2 million. Exhibit 2-5 summarizes the distribution of expenditures by type of activity:

Exhibit 2-5

Distr. of Revenue from Marine-Related Activity, St. Johns County, 2005

	Revenue (million $'s)	
Category	***Amount***	***% Of Total***
Manufacturing	49.4	37.6%
Services	31.5	24.0%
Retail trade	30.1	22.9%
Construction	13	9.9%
Wholesale	4.3	3.3%
Used boat sales	1.8	1.4%
Finance activity	0.913	0.7%
Transportation	0.258	0.2%
Total	131.271	100.0%

Source: Florida Inland Navigation District

Manufacturing leads the list but retail and service revenues account for nearly half the total, over $60 million in expenditures.

The study focused on spending patterns associated with recreational boaters:

- Boaters spend an average of $57 per trip at non-marine businesses for gas, food, ice and drinks.
- Forty-nine percent of boaters were on half-day trips, 48% were on full-day trips and 3% were on multiple day trips.
- Boaters who store their boats at a commercial storage facility pay an average of $3,353 per year.
- Boaters spend an average of $908 on maintenance and $808 on boat insurance premiums.

Figure 2-3 identifies marine-related businesses in Vilano Beach and across the waterway in St. Augustine; as indicated there are one retail and two service marine businesses in

Vilano Beach. The shore on both sides of the Bridge of Lions between the City of St. Augustine and Anastasia Island is a center of marine service businesses for the area.

Figure 2-3. Location of Marine Retail and Service Businesses
Key: Light blue: retail
Brown: service business
Source: Florida Inland Navigation District, Sept. 2005 (Economic Analysis of the District's Waterways in St. Johns County, G.E.C. Inc.)

In addition to recreational boating, there has been discussion of the potential to create a water taxi service between the City and Vilano Beach. This would make an excellent addition to the experience of the place by expanding the downtown tourism connection and adding a public point of interest to the waterfront.

2.6 Conclusions

Key indicators of demand are positive. The primary market area and drive-time populations are fast-growing, educated and affluent. The PMA population of 6,904 is expected to increase by 17% over the next five years. The St. Augustine area attracts roughly 3.8 million visitors yearly and this sector has also been growing at an average annual rate of 6.3% in real spending over the past seven year. Vehicular traffic on A1A and boat traffic on the Intracoastal waterway are less important but positive factors in the commercial development picture.