



Economic and Real Estate Consulting

May 5, 2025

Mr. Chase Courchaine
VP Development
The Wolff Company
6710 E. Camelback Rd
Scottsdale, AZ 85251

Re: Retail Spending Analysis - New Residential Development

Dear Mr. Courchaine:

Elliott D. Pollack & Company was retained to conduct a brief analysis of retail spending potential for a proposed new residential development in the City of Apache Junction. The following analysis models new demand for commercial development from the proposed 336-unit multifamily community at Apache Trail and Plaza Drive in Apache Junction located adjacent to the city's downtown area.

This analysis evaluates the spending potential of new residents within the proposed apartment community based on the U.S. Consumer Expenditure Survey (CES). The Survey is a long-term nationwide household survey conducted by the U.S. Bureau of Labor Statistics (BLS) to find out how Americans spend their money. It is the only federal government survey that provides information on the complete range of consumers' expenditures as well as their incomes and demographic characteristics. The CES is used by analysts to determine the demand for retail goods and services based on household income levels.

Retail spending has also been distributed into distinct categories: local-serving retail spending, restaurant and bar spending, and regional-serving retail spending. Local-serving spending includes groceries and other convenience goods and services (medical prescriptions, household supplies, tobacco products, and personal care products and services). Regional-serving spending is related to big-ticket items that typically are sold in large-format retail centers such as furniture, electronics, appliances, flooring, and apparel.

Household incomes (combined income of residents in each unit) of new apartment residents is estimated to range between \$55,440 and \$78,640 based on each household spending 30% of household income toward housing cost (rent and utilities) taking into account the community's projected rent between \$1,300 and \$1,850 per month and an estimated utility cost between \$86 and \$116 per month.

Elliott D. Pollack & company

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An economic model was prepared to estimate the amount of retail and restaurant spending that will be generated from new residents living in the apartment community assuming stabilized occupancy of 95% (319 new households). A weighted average was utilized for household income based on the projected unit mix equating to \$70,469 per household.

The following table outlines the spending that will be generated from new residents. Based on the Consumer Expenditure Survey, residents in this income range are expected to spend approximately 30.2% of gross income or \$21,260 per household on retail goods and services and restaurants, excluding spending on the purchase of a vehicle. **This equates to nearly \$6.8 million in new retail spending annually.** Each new household at the proposed apartment community is expected to spend an estimated \$10,127 on local-serving retail items, \$7,908 on regional-serving items, and \$3,225 at restaurants and bars each year. Local-serving retail spending is also divided into grocery spending and non-grocery spending (household goods, day care, medical prescriptions and supplies, personal care products, etc.)

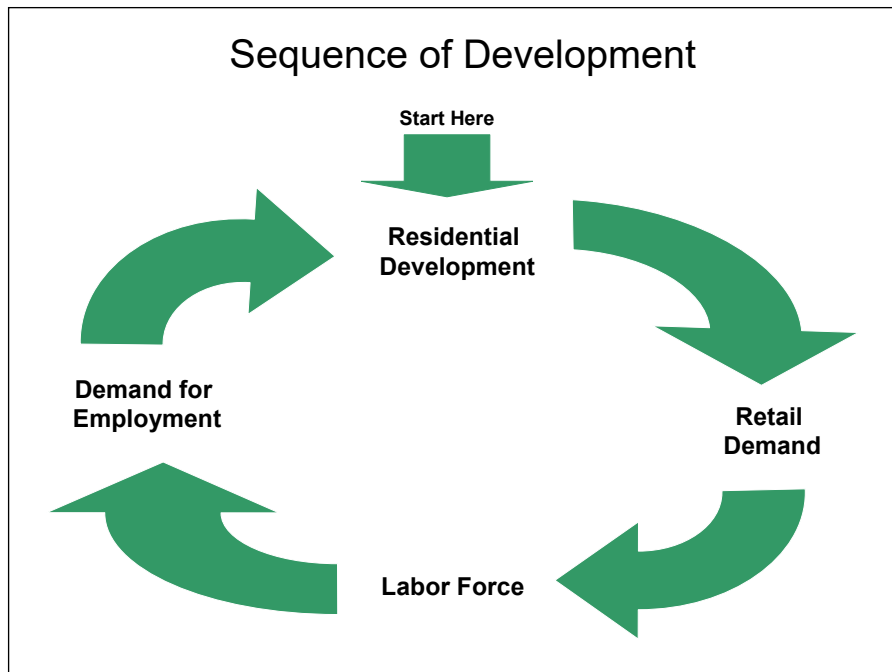
New Resident Retail Spending Analysis Apache Trail & Plaza Apartment Community		
Income & Spending Assumptions	Dollars	% of Income
Projected New Tenant Average Household Income	\$70,469	
Total Retail Spending/Household (excluding vehicles)	\$21,260	30.2%
Local-Serving Retail Spending	\$10,127	14.4%
Grocery Spending/Household	\$5,454	7.7%
Non-Grocery Local-Serving Retail Spending/Household	\$4,672	6.6%
Regional-Serving Retail Spending/Household	\$7,908	11.2%
Restaurant Spending/Household	\$3,225	4.6%
New Households (95% occupancy)	319	
Supportable Local-Serving Retail Demand	Retail Demand	
Total Grocery Spending	\$1,739,960	
Supportable SF at \$500 Per SF in Sales	3,480	
Other Local-Serving Retail Spending (excluding Groceries)	\$1,490,497	
Supportable SF at \$300 Per SF in Sales	4,968	
Regional-Serving Retail	\$2,522,629	
Supportable SF at \$500 Per SF in Sales	5,045	
Restaurant Spending	\$1,028,911	
Supportable SF at \$500 Per SF in Sales	2,058	
TOTAL RETAIL SPENDING	\$6,781,997	
TOTAL RETAIL DEMAND (Square Feet)	15,551	
Sources: U.S. Consumer Expenditure Survey; AZ DOA; Elliott D. Pollack & Company		

The lower part of the table converts retail spending to potential retail development square footage. For instance, cumulative non-grocery spending at local serving retail establishments from new residents is estimated at \$1.5 million per year for the 319 new households. At an average retail sales rate of \$300 per square foot for local retail shops, the residents would support 5,000 square feet of retail store space. Likewise, restaurant and bar spending of over \$1.0 million per year will generate demand for nearly 2,100 square feet of additional restaurant space. Demand from market area households for regional serving retail totals over 5,000 square feet. Grocery spending supports another 3,500 square feet of space.

Together, approximately 15,600 square feet of retail space will be supported by new residents of the apartment community.

The proposed residential development at the subject site will help to support new and existing retail assets within the City of Apache Junction. Each new additional resident will create demand for additional local serving retail. Continued residential development in all forms within the market area will be critical to the eventual success of existing retail assets and additional commercial development.

As the following graphic helps to illustrate, local residents are the primary source of retail demand. They also provide a local workforce for additional commercial and employment development. This residential development must come first, eventually building to a critical mass of residents to attract additional retailers and employers.



In our opinion, the development of the subject site with residential uses will enhance the City of Apache Junction's efforts to continue to attract new commercial development and employment opportunities to the community.