

Market Demand Analysis

Introduction

Purpose:

- Address market context for new development: Destination Retail in Urban Mixed Use
- Provide input and direction for Specific Plan

Approach:

- Build on and update earlier retail analysis
- Assess demand for other uses: housing, office, hotel, convenience retail and services
- Identify development program parameters
- Draw from experience developing major retail in other cities

Market Demand Analysis

Scope of Presentation

- Key aspects of retail market demand
- Characteristics of successful retail development
- Market demand for mix of other uses
- Implementation considerations and issues
- Opportunities and Challenges Focus on Retail Market

Retail Market Demand Background

Large Leakage of Comparison Goods Spending

- Over \$1 billion leakage per year
- Lack of convenient shopping options in Oakland
- Large leakage of spending in upper-middle and middle markets



Leakage of Comparison Goods Spending

Oakland Resident Expenditures Compared to Oakland Sales

	<u>Expenditure Potential</u>	<u>Retail Sales</u>	<u>Sales as % of Expenditures</u>
General Merchandise	\$597 mil.	\$61 mil.	10%
Apparel	\$210 mil.	\$64 mil.	30%
Home Furnishings/ Appliances	\$195 mil.	\$121 mil.	62%
Specialty	\$588 mil.	\$341 mil.	58%
TOTAL Comparison Goods	\$1,590 mil.	\$587 mil.	37%

- General Merchandise Stores
 - Macy's
 - Nordstrom
 - McCaulou's
 - Sears

- Apparel Stores
(clothing, accessories, shoes)
 - Gap
 - Men's Warehouse
 - J. Jill
 - Ann Taylor
 - H & M

- Competition
 - Walnut Creek
 - San Francisco
 - Emeryville
 - Berkeley
 - San Leandro

Broadway Needs Relatively Small Share of Spending to Succeed

- Large and potentially lucrative market

	Primary Trade Area	Inner East Bay	15-minute Drive Time	20-minute Drive Time
Population 2012	400,000	660,000	830,000	1,670,000
Comparison Goods Expenditures	\$1.6 billion	\$2.7 billion	\$3.4 billion	\$6.8 billion

- \$280 million in Sales Needed to Support 800,000 s.f. of comparison retail in Project Area

Support from Each Area	70%	78%	90%	95%
Percent of Expenditures Needed	12%	8%	7%	4%

Market Success of Retail in Project Area Depends on Ability to Attract Shoppers

- Critical mass of new retail development
- Tenant mix and merchandising
- Location and configuration of retail
- Place-making and design
- Access and parking
- Security



Characteristics of Successful Retail Development

- **Large enough to create new retail district**

- Critical mass of ~1 million sq. ft.
 - 700,000 – 800,000 sq. ft. comparison goods
 - 100,000 – 250,000 sq. ft. E&D, entertainment, arts/culture, convenience

- **Anchors to attract shoppers**

- At least 2 department stores
- Other anchors including large-format retailer(s)

- **Specialized retailing clusters/themes**

- **Mix of national and local retailers**



Characteristics of Successful Retail Development

- **Unique, Oakland-based “place”**
 - Authentic, street-oriented development
 - Pedestrian-oriented
 - High-quality architecture
 - Beautification of public spaces
 - Sunlight on the street
 - Vibrant, active sidewalks and public areas
 - Mix of uses



Retail Locations and Configurations

- Lifestyle retail district in Valdez Triangle Area south of 27th St.
 - 20 – 24 acres
 - Multi-block area for street-oriented retail
 - Fine-grained approach possible
 - Room for anchors and stores to support
 - Connects to downtown and neighborhoods



Retail Locations and Configurations

- Retail development along Broadway north of 27th St.
 - Complement and support retail in Triangle Area
 - Several large sites
 - Up to ~10 acres in proximity
 - Attractive for large-format and smaller retailers



Housing Market Demand

- Interest in Downtown housing extending north into Project Area

	<u>Project Area</u>	<u>Nearby Areas</u>	<u>Total</u>
Units Built 2000-mid 2009	48	647	695
Approved mid 2009	672	365	1,037

- Market potential for housing development good over longer term
 - Potentially 1,000-1,500 units over next 20 years
 - Plus more units over long term
- Will take time for market recovery, maybe 4-5 years
- Approved projects in Triangle Area do not include major retail
- Approved projects could take 6-10 years to absorb

Office Market Demand

- Potentials for smaller professional offices as upper-floor uses
 - 50,000 – 150,000 sq. ft.
 - Stronger potentials in later phases with retail district development
- Medical office growth likely to Pill Hill
- Project Area unlikely to compete for major downtown office tenants



Market Demand for Hotel and Convenience Uses

- **Hotel: may be potential for boutique hotel**
 - 150 to 250 rooms
 - Later phase
- **Smaller Convenience Retail and Service Uses**
 - Demand will grow over time
 - residents
 - workers
 - shoppers
 - visitors
 - Seek lower cost locations
 - Integrate in new development and in existing buildings



Auto Dealerships

- **Industry trends and recession are reducing auto-related businesses**
 - Dealerships declining
 - Auto sales down ~40% since 2001 in Project Area
- **Properties likely to become available for new uses**
 - Opportunities for gaining control of larger site area
- **Viable dealers likely to remain in area**
 - 3-5 dealers potentially remaining
 - Can benefit from new retailing
 - Can add to mix of uses and attractions
 - Can complicate redevelopment



Considerations for Successful Retail, Mixed-Use Development

- **Project Area land values are high for retail development**
 - Suburban style retail: ~\$35-40 per sq. ft.
 - Project Area before recession: ~\$150-200 per sq. ft.
 - Project Area land values driven by the housing market and encouraged by land use policies
- **Benefits and costs from mixed use with major retail**
 - Higher-density uses can help cover costs for land and capital improvements
 - Mixed use buildings have higher costs, and are not always preferred by retailers
 - Horizontal and vertical mixed-use options
 - Benefits best captured on area-wide basis

Considerations for Successful Retail, Mixed-Use Development

- Major retail needs to be developed/managed as a unit
- Site control is very important
- Projects of equal complexity, makeup, and public value have required substantial public sector participation
 - Land assembly
 - Entitlements
 - Provisions of parking and/or infrastructure
 - Beautification of public spaces



Market Demand

Q & A