

**THE MARKET FOR RETAIL USES AT THE  
FRED C. NELLES YOUTH CORRECTIONAL FACILITY SITE**

A Report to

The State of California  
Department of General Services  
Real Estate Services Division  
Asset Planning and Enhancement Branch

From

**GRUEN GRUEN + ASSOCIATES**  
*Urban Economists, Market Strategists & Land Use/Public Policy Analysts*

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## CHAPTER I

### INTRODUCTION AND CONCLUSIONS

#### INTRODUCTION AND PURPOSE

In order to estimate the potential size and make-up of retail uses for the Fred C. Nelles Youth Correctional Facility site Gruen Gruen + Associates (GG+A) conducted an overview assessment of the market for retail uses at the site. GG+A directed the assessment to estimating the relationship between the potential demand for retail goods and services from residents and the potential supply of retail space within the primary market area for neighborhood-serving uses (for convenience and necessity goods and services). We also estimated the relationship between potential demand and potential supply within the identified primary market area for community- or regional-serving uses (for shopper or destination goods and services). We estimated potential existing and likely future retail demand, in terms of available dollars from residents in the relevant market areas for the purchase of retail goods and services. We converted estimated retail demand or expenditure potential into estimates of the square footage of retail space the identified demand could support. We did so based on assumptions about required average sales per square foot of retail space. We then compared the estimated supportable space within the identified market areas to the estimated supply of retail space. Based on (a) the relationship between retail space supply and demand in the primary market areas, (b) insights drawn from interviews with knowledgeable local and regional real estate brokers and retail developers, and (c) inspections of the site and competing projects and locations within the market areas, we make judgments about the relative intensity of competition for the sales dollars of consumers within the market areas and the potential for the market areas to support new neighborhood (necessity and convenience goods and services) and community or regional (shopper or destination goods and services) retail space at the site.

#### WORK COMPLETED

In order to accomplish the study objectives, GG+A performed the following principal tasks:

1. To gain insights into the supply of space and market conditions for retail uses in the market areas, we inspected the site and shopping agglomerations within or near the identified market areas, reviewed secondary data sources such as the *Shopping Center Directory* and CoStar Group, Inc., and obtained data from real estate brokers, local economic development and community development departments on the existing and future supply of retail space<sup>1</sup>;
2. Conducted interviews with developers, real estate brokers, and leasing agents for market area properties to obtain insights and information about: (a) the market area the site would serve; (b) demand and shopping pattern dynamics and market overlaps; and (c) the relative advantages and disadvantages of the site and likely penetration into the



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<sup>1</sup> Note, however, we have not attempted to contact City of Whittier staff.

obtainable consumer markets;

3. Obtained and analyzed demographic and income data within the relevant market areas. We estimated expenditure potential based on the purchasing characteristics of residents in the market areas;
4. Converted estimates of purchasing power or retail demand into estimates of the supportable amount of on-the-ground retail space for the relevant market areas. The estimates were derived from initial research on sales thresholds required to support viable new development and successful tenancies;
5. Evaluated the relationship between the demand for and supply of retail space for the relevant market areas; and
6. Synthesized the results of the supply and demand analysis, site inspections, and interviews in order to reach judgments about the type of retail development likely to be obtainable at the site in the foreseeable future.

## **REPORT ORGANIZATION**

The research and analysis on which we base the conclusions is presented in the following chapters. Chapter II presents the relevant market area assumptions underlying the quantitative model of demand-supply conditions, and a review of the estimated current and future supply of retail facilities in the identified market areas. Chapter III presents estimates of retail demand attributable to current and forecast future households within the smaller neighborhood and wider community or regional-serving market area definitions. Chapter IV presents the relationship between current and forecast demand and supply.

## **CONCLUSIONS**

### **COMPETITIVE CONDITIONS IN THE RETAIL MARKETPLACE**

The quantitative comparison of supply and demand conditions suggests that market conditions will be highly competitive for the foreseeable future. The analysis suggests that new commercial space at the site will need to capture demand now being realized by competing projects, in addition to serving the growth in demand attributable to housing uses built at the site.

The neighborhood market area supply of approximately 593,000 square feet of space exceeds the demand of 393,000 to 459,000 square feet of space arising from market area households. The expected growth in market area households and income produces a forecast for 2009 of a reduction in the imbalance from a demand deficit or supply surplus of 134,000 to 200,000 square feet to a smaller demand deficit of 54,000 to 131,000 square feet of space.



Within the larger community- and regional-serving market area, the estimated supply of space currently exceeds the supportable demand from residents by approximately 532,300 square feet of space. By 2009, due to anticipated population and income growth, the supply-demand imbalance is estimated to shrink to an excess supply of about 155,300 square feet. As described below, we have not attempted to quantify the amount of commercial space not located in major centers or freestanding facilities. Nor do we attempt to estimate the amount of new space that could be added as a result of the reported plans by the City of Whittier to encourage retail development on a 14-acre site across the street from the site. For the reasons described below, the demand estimate for the larger market area includes demand attributable to convenience and necessity goods and services but does not include neighborhood-serving uses that are not part of larger-scale facilities. This serves to understate the supply-demand imbalance.

**WELL-ESTABLISHED COMMUNITY- AND REGIONAL-SERVING  
AGGLOMERATIONS LIKELY TO REMAIN STRONG  
AND MARKET AREA UNLIKELY TO SUPPORT COMMUNITY-WIDE  
AND REGIONAL-SERVING RETAIL USES AT THE SITE**

Market area dominance primarily depends upon three factors: location, size, and tenant mix. The community- and regional-serving agglomerations already located in other parts of the Whittier Boulevard Corridor in Whittier (.e.g., The Quad at Whittier approximately 1.5 miles to the east and Whittwood Town Center approximately 3.5 miles to the east of the site), and other centers surrounding the site (e.g., the Pico Rivera Plaza and Crossroads Plaza in Pico Rivera about 2.5 miles to three miles west of the site, Gateway Plaza in Santa Fe Springs about 2.5 miles south of the site, and the Pico Rivera Town Center about three miles southwest of the site) are likely to maintain market area dominance. This is because of the superior accessibility afforded by many of these more desirable (higher income, denser, and perceived safer) locations with a critical mass of hard and soft goods, including a relatively complete supply of category-killer retailers.

The Westridge Plaza at Imperial Highway and Beach Boulevard in La Habra approximately six miles southeast of the site with Lowe's, Wal-Mart, Sam's Club Kohl's, Bed, Bath & Beyond, Borders Books, super-regional regional mall and power center concentrations (e.g., Montebello Town Center and Montebello Plaza) in the higher-income and growth community of Montebello approximately five miles northwest of the site, the Stonewood Center, a super-regional mall anchored by four department stores in Downey five miles southwest of the site, and power center developments in La Mirada less than five miles to the southeast of the site are examples of dominant developments in a ring around the site between four and five miles or an estimated 12-minutes to 20-minutes driving time from the site. These strong retail agglomerations are excluded from the market area definition. We identify the additional retail space supply, however, to point out that that the wider market area definition we adopt and the broader geographic area contain a relatively complete supply of regional mall, community, power-center, and big-box, category-killer tenancies.



The trade areas and consumer markets served by centers are likely to continue to shrink because of intense supply competition.

**Site is Not an Ideal Location for Community- or Regional-Serving, Large-Scale Uses**

The site has less than ideal ingress and egress, accessibility, and crossroads-type traffic typically associated with strong community- and regional-serving uses. Interstate 605 to the west, and the San Gabriel River that runs along I-605, and the San Gabriel Foothills to the north of the site serve as physical barriers that make it difficult to access the center from the north and west and limit the surrounding population density.

The primary access route to the site requires potential shoppers to pass by major concentrations of retail on the way to the site. In addition to the constraints attributable to physical barriers and geographic blockage factors, the following factors contribute to limiting the potential for the site to serve as a preferred location for large-scale retail uses:

- relatively complete supply of regional, community, power-center, and big-box, category-killer type tenancies surrounding the site;
- moderate income of the households near the site; and
- presence of industrial uses near the site.

The Whittier Boulevard Specific Plan recommendations are consistent with this conclusion. The recommended revitalization strategy under the Plan focuses on encouraging the strengthening of a community and regional “shopping cluster” around the Quad and Whittwood Town Center projects. If retailers and uses not substitutes or “duplicative” of existing businesses at these projects could be attracted, we concur that it would be appropriate policy to concentrate or cluster such retailers and uses around the Quad or Whittwood Town Center in order to enhance the size and magnetic strength of these agglomerations rather than create a third node of retail space on Whittier Boulevard and spread-out the particles of consumer attraction.

**IF CITY DOES NOT FOLLOW SPECIFIC PLAN POLICY OF CLUSTERING RETAIL USES, THEN WHOLESALE CLUB WOULD BE ESSENTIAL TO ATTRACT FOR LARGE-SCALE RETAIL DEVELOPMENT AT THE SITE**

The review of supply competition and interviews suggest that obtaining large-scale retail development at the site would depend upon attracting a leading wholesale club such as Costco to the site. If a Costco store could be attracted, it might be possible, though not at all certain, to attract promotional retailers like a consumer electronics store such as Best Buy. For planning purposes, at a maximum, assuming Costco requires 150,000-square feet of



space, not more than 100,000 square feet of additional space could accommodate co-tenancies. Assuming a floor-area ratio of 0.35, 250,000 square feet of retail space would require a land area of approximately 16.5 acres.

We would note, however, we have identified that Costco has purchased a 14-acre retail center at the northwest corner of Beach and La Habra Boulevard in La Habra, about 5.5 miles southeast of the site. Costco plans to demolish the existing center to build a 148,500-square-foot store with a gas station in front of the store. The project is currently in the Plan Check stage. Costco units are also located in Montebello and Norwalk to the northwest and southwest of the site respectively. Accordingly, the existing and planned units may serve much of the geographic areas that a unit at the site would potentially serve.

In addition, based on our interviews, we understand that Lowe's Home Improvement previously considered locating a store near the site but decided against doing so because senior management reached the judgment that the market area could not sustain it. As described in Chapter II, other category-killer tenancies have decided not to locate at the Whittwood Town Center. If these retailers did not opt for the better Whittwood Town Center location, it is unlikely they would select the site for store expansion.

The analysis of the relationship between supply and demand described below also suggests the absence of unmet demand sufficient to support new large-scale uses without siphoning off sales from existing supply. Therefore, from both a market and land use policy perspective, we do not recommend incorporating into the site planning a large-scale retail use.

**OBTAINABLE RETAIL DEMAND LIKELY TO BE RESIDUAL,  
SERVING THE NEIGHBORHOOD AND NEW RESIDENTS**

Given the competitive market conditions, and the absence of significant competitive advantages pertaining to the site, any retail development should be geared to serving residual demands in the neighborhood, and especially those attributable to new residents of housing built on the site. Any retail uses should be designed to improve the image of the location and enhance the appeal of the site as a residential location. Tenancies such as a coffee shop, bakery, or casual dining establishments are potential examples of uses that could be appealing to new residents. A significant amount of new space (e.g., more than 30,000 to 50,000 square feet) will likely adversely impact existing neighborhood-serving uses in the primary market area and cause both the new space and existing space to perform only marginally well.



## CHAPTER II

### SUPPLY COMPETITION WITHIN THE MARKET AREA DEFINITIONS

As indicated in Chapter I, in order to obtain a sense of the intensity of retail competition in the neighborhood and wider market area definitions, GG+A evaluated the relationship between estimated potential demand and supply of retail space in the smaller and wider primary market areas. This chapter presents an overview of the retail supply in the identified market areas defined below.

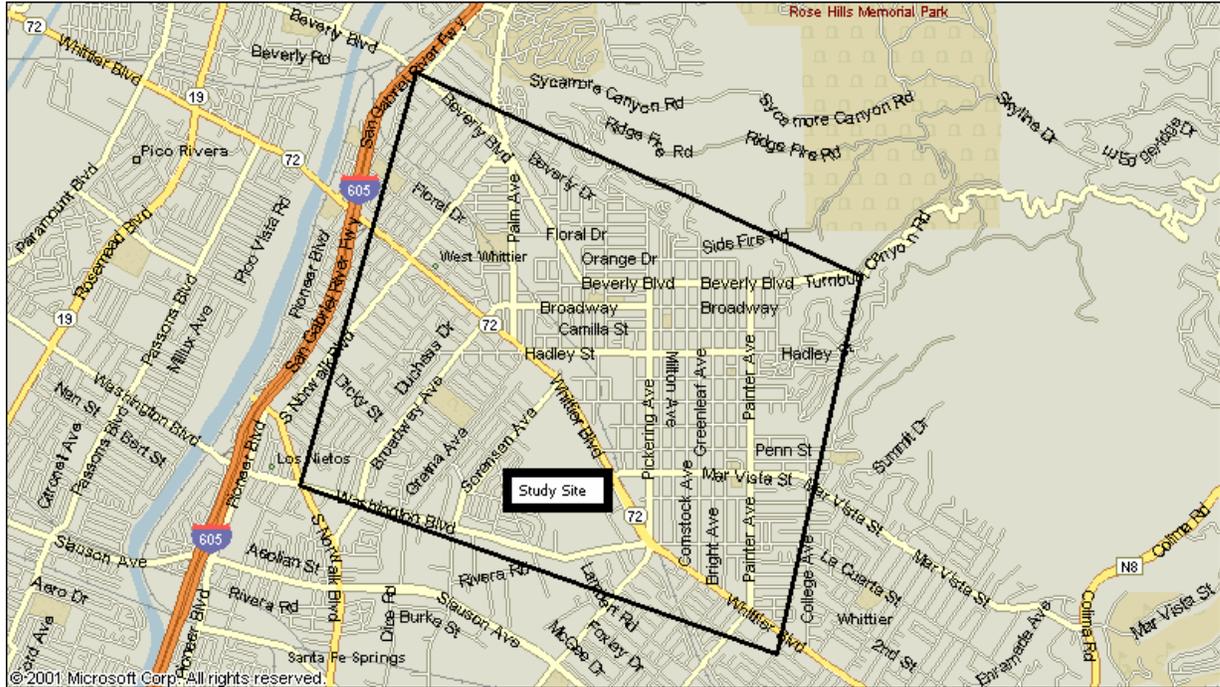
### THE RELEVANT MARKET AREA DEFINITIONS

A primary market area is the geographic area from which most (i.e., 70 percent or more) customers of a shopping center or shopping area are drawn. The market area for any specific agglomeration or set of stores is a function of the size and tenant make-up of the agglomeration, its accessibility, and the scale and tenancies of competing agglomerations. Therefore, market areas are dynamic and tend to change as a function of the type and supply of competing shopping locations. The travel time people are willing to expend in order to visit a shopping or business location varies as a function of both the size of the shopping areas and the relative uniqueness of the tenancies and environments available at alternative destinations. The relative accessibility to the shopping area and ease of getting in, about, and out of the shopping area also influence the market area. Uniqueness, attraction, and accessibility are not measured in the abstract, but are always relative to the specific competition in the market area.

To estimate potential demand and supply conditions for convenience goods and services typically found in neighborhood shopping centers, we assume based on our interviews, review of supply, and site inspections a primary market area depicted on Map II-1.



Map II-1 Primary Market Area for Neighborhood Shopping Centers

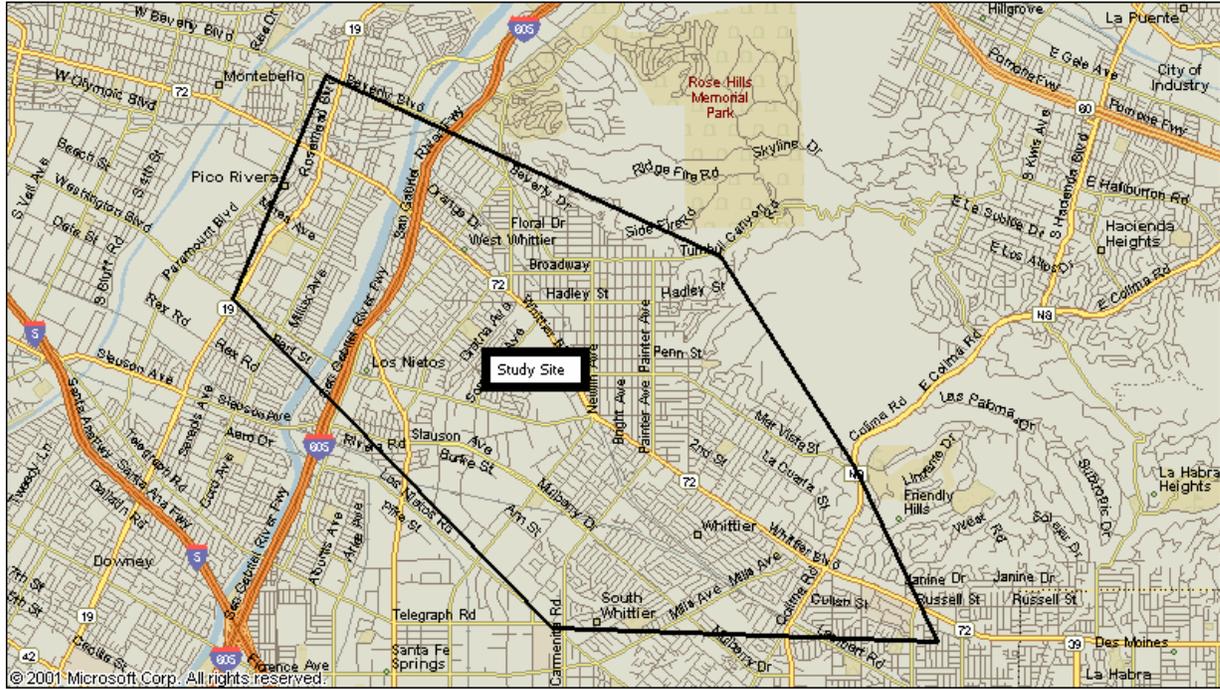


The primary market area definition includes a geographic area encompassing about 1.5 miles north of the site to the San Gabriel Foothills (and including Uptown Whittier); about two miles west of the site to interstate 605; about one mile south of the site, including the intersections of Broadway and Washington and Norwalk and Washington; and about 1.5 miles to the east to Painter Avenue.

To estimate potential demand for shopper or destination goods and services such as those found at community shopping centers, power centers, “category-killer, big-box” retail stores, or regional malls, we estimate a primary market area as depicted in Map II-2.



Map II-2 Primary Market Area for Community Shopping Centers



We estimate a wider market area for shopper/destination goods and service uses based on estimated driving time from the site as well as the trade areas identified to apply to competing larger scale centers. The market is bounded by Santa Gertrudes Ave (at which the Whittwood Town Center is located) about four miles to the east; Acacia Boulevard in Pico Rivera about three miles to the west; Telegraph Road and Carmenita Street about 2.5 miles to the south in Santa Fe Springs; and Rosemead and Washington in Pico Rivera, about three miles southwest of the site. The northern boundary for the wider market area definition is the same as that applicable to the neighborhood market area definition because of the presence of the San Gabriel Foothills.

### ESTIMATED PRESENT AND LIKELY FUTURE RETAIL SUPPLY COMPETITION WITHIN THE MARKET AREA DEFINITIONS

This section summarizes our estimate of the supply of neighborhood retail centers and major freestanding stores located within the neighborhood market area definition and larger retail facilities such as community center, power center and freestanding, category killer, big-box retail space within the wider shopper/destination goods market area definition.

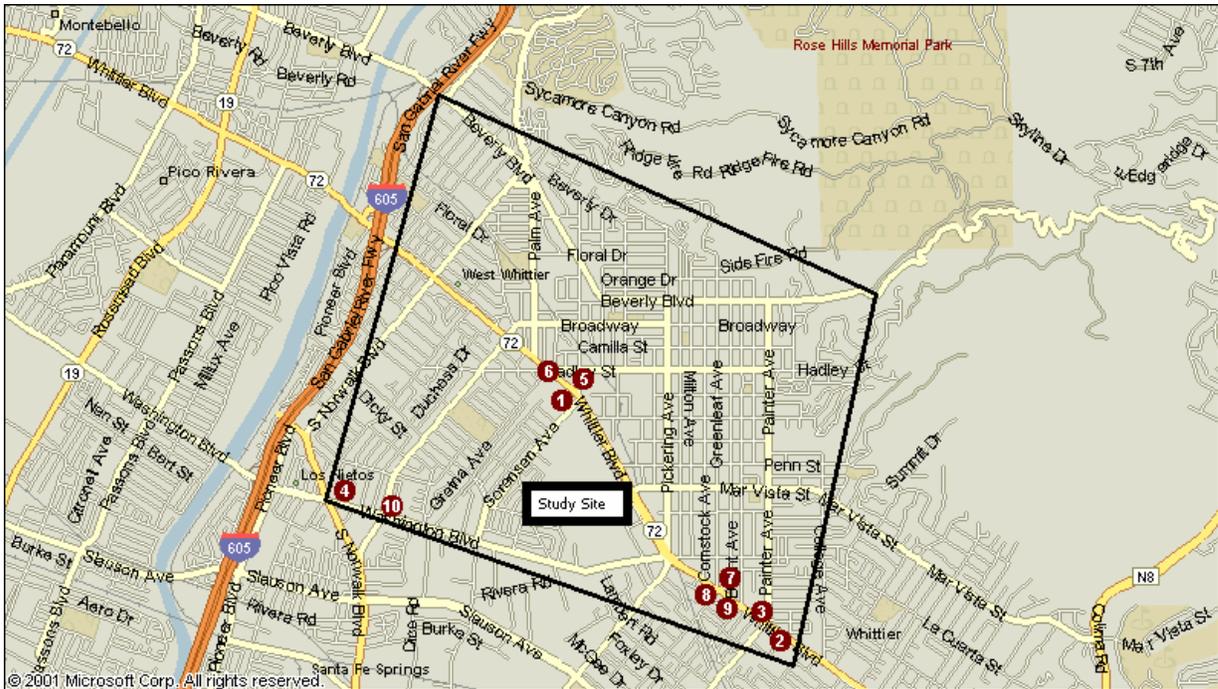


## CURRENT SUPPLY COMPETITION

### Neighborhood-Serving Market Area

Map II-3 and Table II-1 identify the estimated supply of neighborhood retail centers and large freestanding stores within the neighborhood-serving market area definition.

### Map II-3 Neighborhood Retail Centers



**TABLE II-1**

**Supply of Neighborhood-Serving Uses in Primary Market Area**

Map Key/ Distance to Site	Name/ Location	When Built/Last Renovated	Size # Square Feet	Anchor Tenants/ # Square Feet	Occupancy Rate %	Annual Rent Rents \$ Per Square Foot
1  <0.5 miles	The Marketplace 11749 Whittier Blvd., Whittier	1992	170,000	Ralph's – 44,000 Rite-Aid – 22,000	98	20.40
2  1-1.5 miles	The Quad SEC Whittier Blvd. & Painter Avenue, Whittier	1940s Renovated and expanded since 1996	433,000 total 68,700 neighborhood	Ralph's – 40,000 Rite-Aid – 18,000 Petco – 10,000	100	Large Box - 12 Medium Box – 15 Small Box – 18 Shop/In-line 24
3  1-1.5 miles	Five Point Center Washington & Whittier Blvd., Whittier	Newer <sup>2</sup>	25,000 <sup>2</sup>	CVS Pharmacy Shoe City	100	
4  1-1.5 miles	Santa Fe Springs Marketplace Norwalk & Washington Blvd., Santa Fe Springs	1988	175,400	Food-4 Less Rite-Aid Kragen Auto Parts		
5  <0.5 miles	Stater Bros Grocery 11750 Whittier Blvd., Whittier	1969 Remodeled interior space since 1999	34,650	Stater Bros Grocery	NA	
6  <0.5 miles	Walgreen's Whittier Blvd. & Hadley, Whittier		14,500 <sup>3</sup>		NA	
7  0.5-1 miles	Walgreen's Whittier Blvd. & Greenleaf, Whittier		14,500 <sup>3</sup>		NA	



TABLE II-1 Cont.

Supply of Neighborhood-Serving Uses in Primary Market Area

Map Key/ Distance to Site	Name/ Location	When Built/Last Renovated	Size # Square Feet	Anchor Tenants/ # Square Feet	Occupancy Rate %	Annual Rent Rents \$ Per Square Foot
8 0.5-1 miles	Albertson's/ Sav-on Drug Whittier Blvd.& Greenleaf, Whittier		54,000 <sup>4</sup>		NA	
9 0.5-1 miles	Sav-on Drug Whittier Blvd. & Greenleaf		18,500 <sup>4</sup>		NA	
10 1-1.5 miles	Sav-on Drug Broadway & Washington		18,500 <sup>4</sup>		NA	
Total			593,750			
<p><sup>1</sup>The Quad includes neighborhood as well as community and regional-serving uses. We include most of the square-footage in the wider market area supply table and present in Table II-1 estimates of anchor neighborhood use tenancies only.</p> <p><sup>2</sup>The center appears to be new. We estimate the square footage based on our windshield visual inspection. Due to time constraints and lack of signage, we have not attempted to contact store managers for an estimate of square footage or when built.</p> <p><sup>3</sup>Based on visual inspection, assume to be typical store size of 14,500 square feet of standard format.</p> <p><sup>4</sup>Based on visual inspection, and review of retail format standards for Albertsons and Sav-on Drug.</p>						
<p>Sources: Gruen Gruen + Associates; <i>Shopping Center Directory</i>, published by National Research Bureau; CoStar Realty Group; GMS Realty, LLC; Whitesel Real Estate.</p>						

The neighborhood-serving market area is estimated to contain three neighborhood shopping centers comprising about 370,000 square feet of retail space plus the hybrid neighborhood-community Quad at Whittier shopping center of which we allocate 68,700 square feet of 433,000 square feet to neighborhood uses. The market area includes five grocery stores and nine drug stores. It also includes a significant “hodgepodge” of commercial uses along Whittier Boulevard. We have not included in the inventory identification for purposes of comparing supply to demand two grocery stores (Trader Joes and Ralph’s) located on Whittier Boulevard and Colima between 2.5 and three miles of the site. The approximate drive time to these two additional grocery stores is approximately five to seven minutes depending upon traffic conditions. Trader Joes and Ralph’s however, likely serve much of the eastern portion of the market area. These stores are estimated to contain at least 50,000 square feet of space.

The Marketplace is located across the street from the site. It consists of approximately 170,000 square feet of space anchored by a 44,000-square-foot Ralph’s and a 22,000-square-



foot Sav-on Drug. The center was built in 1992. Net monthly rents average \$1.70 per square foot and have been relatively stable. With the primary exceptions of Ralph's and Sav-on Drug, the center tends to attract local "mom and pop" businesses rather than credit or national chains. The trade area for The Marketplace extends north to the Foothills, west to Interstate 605 and east toward the Quad at Whittier shopping center. In addition to competing with the Quad and the free-standing grocery and drug stores located within approximately two miles of the center, it also competes with the Santa Fe Marketplace.

Built in 1988, the Santa Fe Marketplace, located about 1.5-miles south of the Marketplace, consists of about 174,000 square feet of space. It is anchored by a Food-4-Less supermarket, a Rite-Aid pharmacy, and Kragen Auto Parts. It appears to be substantially leased.

The Stater Brothers grocery store located just east of the site was built in 1968. The interior of the nearly 35,000-square-foot store has been remodeled and refurbished by Lucky's and then by Stater since it took the store over in 1999. The store is estimated to have a trade area of about 1.5 miles based on our interview with the head of real estate for State Brothers.

### Community and Regional Centers, and Major Freestanding Retailers in Primary Market Area

Map II-4 and Table II-2 identify the supply of community and regional-serving shopping center, power center, and category killer, big-box space located within the primary market area for shopper/destination goods and service uses.

Map II-4 Community, Regional and Freestanding Retail

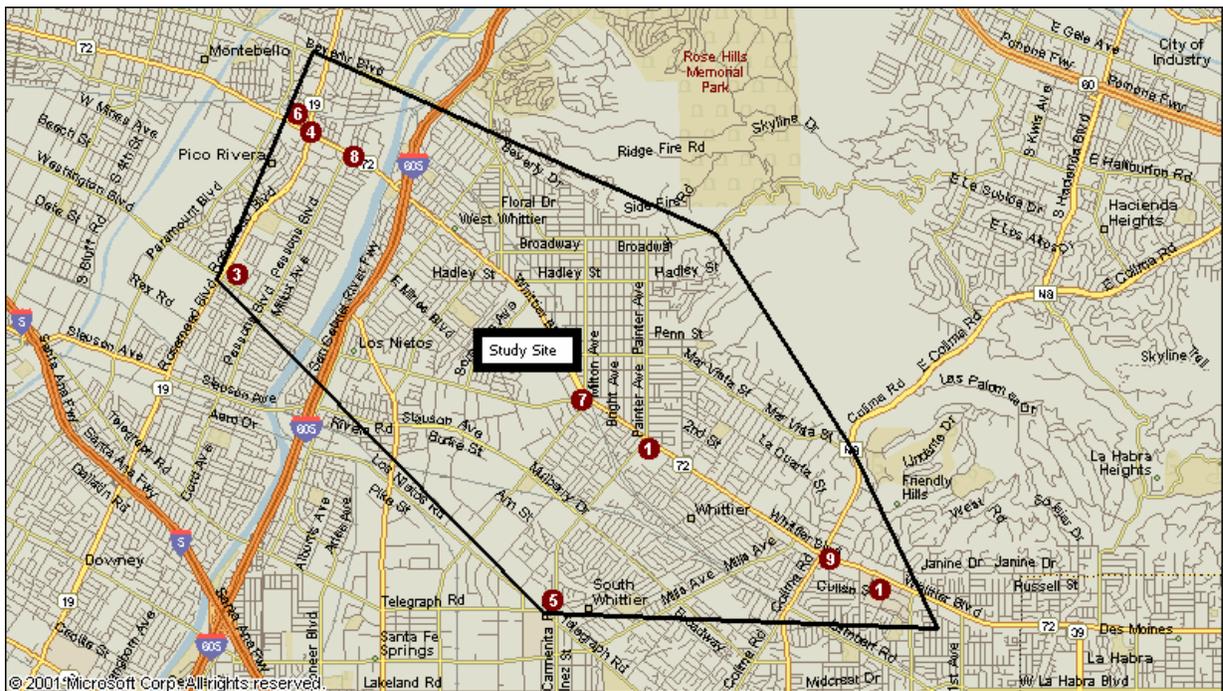


TABLE II-2

Community, Power Center, and Major Freestanding Space in Primary Market Area

Map Key/ Distance to Site	Name/ Location	When Built/Last Renovated	Size # Square Feet	Anchor Tenants/ # Square Feet	Occupancy Rate %	Annual Rent Rents \$ Per Square Foot
1  1-1.5 miles	The Quad SEC Whittier Blvd. & Painter Avenue, Whittier	1940s Renovated and expanded since 1996	433,000 total 364,300 community	Staples – 17,200 Old Navy – 25,100 TJ Maxx – 25,000 Ross Dress for Less – 25,800 Michaels Big 5 Sporting Goods	100	Large Box - 12 Medium Box – 15 Small Box – 18 Shop/In-line 24
2  3.5-4 miles	Whittwood Town Center Whittwood Dr., Whittier	Renovation, redevelop- ment and expansion in progress	800,000	Existing: JC Penny – 102,468 Mervyn’s-82,600 Sears – 137,985 Vons – 51,298 New Target – 142,375 Cost Plus Petsmart-28,000	95	Box Space 15 - 19 In-line, shop, food, and pad space – 24 average but some space in 30s and one lease at 40
3  2.5-3 miles	Pico Rivera Towne Center SWC Rosemead & Washington, Pico Rivera	2002	629,000	Lowe’s Borders Ross – 30,000 Marshall’s Staples – 24,000 Albertson’s – 60,000 Wal-Mart – 134,000 Old Navy – 16,000 Party City	100	Shop, In-line – 24.00
4  2.5-3 miles	Crossroads Plaza Whittier Blvd. & Rosemead Blvd., Pico Rivera	1987	223,400	Home Depot Gigante Foods Sav-on Drug	96	



TABLE II-2 cont.

Community, Power Center, and Major Freestanding Space in Primary Market Area

Map Key/ Distance to Site	Name/ Location	When Built/Last Renovated	Size # Square Feet	Anchor Tenants/ # Square Feet	Occupancy Rate %	Annual Rent Rents \$ Per Square Foot
5 2-2.5 miles	Gateway Plaza Telegraph & Carmenita, Santa Fe Springs	1990 Redeveloped reconfigured and converted to open-air in 2002	430,000	Target – 133,564 Wal-Mart – 112,869 Office Max – 23,500 Gigante – 54,960 Sav-on Drug 14,884	100	Shop, in-line – 28-31 Box space – 30-35
6 2.5-3 miles	Pico Rivera Plaza, Whittier & Acacia Blvd., Pico Rivera		172,700	Target-122,280 Food-4-Less- 50,420 <sup>1</sup>		
7 >0.5 miles	Whittier Gateway Washington Blvd., Whittier		150,000	Home Depot		
8 2-2.5 miles	Gateway Plaza 9426 Whittier Blvd., Pico Rivera		17,389	Big 5 Sporting Goods		
9 2.5-3 miles	Office Depot 15100 Whittier Blvd. Whittier		23,500 <sup>2</sup>			
Total			2,810,289			
<sup>1</sup> The size of the Target store is assumed to be the average size in the chain; Food-4-Less is assumed to be the average size of grocery stores. <sup>2</sup> Assumed to be similar size to Office Max in Gateway Plaza.						
Sources: Gruen Gruen + Associates; <i>Shopping Center Directory</i> , published by National Research Bureau; CB Richard Ellis; <i>GMS Realty, LLC</i> ; Vestar Development; Watts Commercial Management.						

We estimate that the supply of community, power center, and big-box, category-killer freestanding retail facilities totals approximately 2,810,300 square feet of space. Excluded from the supply inventory are neighborhood retail centers and smaller freestanding space. The overall shopping center retail inventory is over 95 percent leased. A five-percent vacancy rate is considered optimal because it is low enough to not cause financial problems, but high enough to permit mobility and the ability to accept new tenants.

The combination of hard and soft goods retailing have created major retail destinations in well-established locations near relatively dense populations with superior roadway



accessibility. A variety of popular casual dining restaurants have also located in these agglomerations, providing lunch- and dinnertime traffic and support for retail tenants.

The nearest large-scale center near the site is the Quads. As indicated above, this center has been redeveloped and expanded within the past 10 years. It includes a combination of neighborhood necessity and convenience uses along with soft goods and “junior” big-box and category-killer tenancies. Tenants include Burlington Coat Factory, Ross Dress for Less, TJ Maxx, Old Navy, Staples, Anna’s Linens, and Big 5 Sporting Goods. It has taken eight years for the property to become 100 percent leased. Annual net rents have increased over the past few years to about \$12 to \$15 per square foot for larger users above 10,000 square feet, \$18 per square foot for 7,000- to 10,000-square foot users, and \$24 per square foot for shop or in-line or pad space. Some pad or in-line space, however, has rented for considerably more than \$24 per square foot. Sales have grown moderately because the trade area has decreased due to supply additions. Rents have probably peaked at this center because moderate sales growth is likely to constrain rent-paying ability. While the trade area for Ralph’s and Rite Aid is typical of neighborhood-serving uses, TJ Maxx, Ross, Michaels, Burlington, and Staples combine to serve a wider trade area. The Quads splits or shares the trade area to the south with the Gateway Plaza in Santa Fe Springs. Its trade area extends to Interstate 605 to the west, to the Foothills to the north and east to the Whittwood Town Center.

The Whittwood Mall was originally built as an open-air center and then was converted into an enclosed mall in the 1970s. Lennar Partners purchased the property from the original owners in 2003 and in conjunction with Hopkins Real Estate Group is leading the redevelopment of the Whittwood Mall into a power center and department store hybrid referred to as the Whittwood Town Center. Because the property does not have immediate freeway access, the department anchors have other stores within five miles of the site, and consumer shopping preferences in the area have shifted to value-oriented uses, the development is expected to serve a trade area of approximately three miles. A national book store considered the site but decided against it because of concerns that the Borders at the Westridge Plaza in La Habra is better positioned and would represent too strong of competition. A category-killer home accessory retailer also considered the site but decided it could penetrate the market from another location and decided to select other locations outside the market area for its current expansion program. It might, however, have still selected the Whittwood Town Center had the rent been lower and it could have deferred opening the store.

Because of limited land availability, and high occupancy rates, the Town Center has been able to obtain annual net rents of \$15 to \$19 per square foot for anchor box tenancies and well above the market rent for shop or in-line and pad site space. Rents for small spaces that make up approximately 19 percent of the total space at the project have escalated to \$36 to \$40 per square foot. Rents are expected to level off at the Town Center, but have helped to generate increased shop space rents for the Quad development.



The Pico Rivera Towne Center, which opened in September 2002, was built on part of the property left vacant by Northrop. Located about three miles southwest of the site, at 629,000 square feet, the Towne Center is one of the area's largest power centers with anchors including Wal-Mart, Lowe's, Ross, Old Navy, Marshall's, and Staples. The Towne Center also includes a Borders Books & Music store, the first the chain has opened in a predominantly Latino-American community. Like other large-scale development within the market area, the project also includes a grocery store and drug store. It appears to be 100 percent leased. Monthly net rents for shop space are reported to average \$2.00 per square foot.

Target, Home Depot, and Office Depot, and Big 5 Sporting Goods are other category leading stores in Pico Rivera within three miles of the site along the Whittier Boulevard corridor.

Gateway Plaza in Santa Fe Springs located approximately 2.5 miles south of the site is another example of a conversion of an obsolete shopping format to adapt to the changing demographic make-up of area residents, limited vacant land, and big-box, category-killer user demand. Originally built in 1990, in 2002, the Santa Fe Springs Mall was redeveloped from an enclosed mall into an open-air hybrid power center of 430,000 square feet with grocery and drug store anchors in addition to a Target, Wal-Mart, and Office Max. Since the redevelopment, rents have increased and are reported by the property manager to range from \$28 to \$31 per square foot for shop or in-line space to \$30 to \$35 per square foot for junior box space. The rent increases reflect an increase to a 100 percent occupancy rate following the redevelopment. Gateway Plaza serves a market area including Santa Fe Springs and parts of Whittier, Downey, Norwalk, and La Mirada. The primary sources of customers are middle income Hispanic households.

Sources of additional competition from within Whittier include the 150,000-square-foot Home Depot-anchored Whittier Gateway development at Washington Boulevard approximately half a mile east of the site.

## **FUTURE SUPPLY COMPETITION**

Interviews with real estate developers, brokers and leasing agents and planners with the communities of La Habra, La Mirada, Pico Rivera, and Santa Fe Springs suggest that no significant retail development is currently planned other than the Costco project in La Habra. In addition, the interviews with developers and brokers report that the City of Whittier is planning to issue a solicitation for retail development on a 14-acre site across from the site. Apparently approximately 10 or more of the 14-acres would be devoted to retail uses. Again, we have not attempted to confirm this finding with representatives of the City of Whittier.<sup>2</sup>

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<sup>2</sup> We have excluded from future supply a planned redevelopment of an 8.1 acre site at Rosemead and Washington in Pico Rivera previously occupied by a K-Mart. According to a City of Pico Rivera February 2005 newsletter, three building totaling 83,000-square-feet are planned for the site.



## CHAPTER III

### ESTIMATED POTENTIAL DEMAND

#### INTRODUCTION AND APPROACH

GG+A obtained and analyzed demographic and income data to estimate the range of demand in terms of expenditure potential and the square footage the identified demand could support, given assumptions about required average sales per square of commercial space. Retail demand primarily originates from two sources: market area residents and workers. Potential retail demand from residents primarily depends upon the amount of disposable income within the market area. Population and income factors influence disposable income. Estimating potential demand also requires the identification of the proportion of income spent on retail goods and services. Not all internally generated demand is satisfied in a primary market area. Some of the potential demand within the market area is lost to retailers outside the market area. Conversely, retail sales in a market area will be made to customers such as visitors and workers who live outside the market area.<sup>3</sup> In order to simplify our analysis and to make a conservative estimate of demand, the potential demand estimates are based on the estimated present and forecast households and average household income of the residents within the smaller neighborhood- and wider community-and regional-serving market area definitions.

GG+A forecast the amount of potential dollars to be spent for convenience goods and services by residents within the neighborhood market area definition and the amount of potential dollars to be spent for shopper or destination-type goods within the community-and regional-serving market area definition. We then divided these estimates of purchasing power potential by the estimated sales per square foot that a new retail project would likely need to generate in order to be profitably developed and operated. We did so in order to estimate the amount of on-the-ground retail space the estimated purchasing power could support.

#### ESTIMATE OF RESIDENTS, HOUSEHOLDS, AND INCOME WITHIN THE NEIGHBORHOOD MARKET AREA DEFINITION

##### Demographic Make-up of Residents

Within the neighborhood market area, a very high proportion (77.3 percent) of the population is Hispanic and slightly younger at 33.3 years (and projected to decline within five years to 31.4-years) than the average age of residents for the City of Whittier and wider market area.<sup>4</sup> The estimated household size of 3.10 per persons in 2000 is estimated to increase to 3.22 persons per household in 2009. The average household income of market area residents of \$57,361 is lower than that of households in the City of Whittier as a whole (\$63,141), the wider market area (\$62,238) and the United States (\$63,301). Residents in the

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<sup>3</sup> The interviews suggest that the Quad and Whittwood Town Center attract shoppers originating from outside the City of Whittier.

<sup>4</sup> The average age of residents is much younger than the average age of 36.9-years for the United States as a whole.



primary market area have relatively low labor force participation rates (41 percent versus nearly 47 percent of the population in the United States as a whole). Residents in the primary market area have relatively low levels of educational attainment with less than 11 percent of the population over the age of 25-years-old having earned a bachelor's degree and less than five percent of the population having earned advanced degrees. Most (53.9 percent) of the dwelling units in the primary market area are estimated to be renter-occupied. This compares to approximately 42 percent renter-occupied rate within the wider market area definition.

Table III-1 presents estimates of the population, number of households, average household income, and total income of households within the primary market area definition.

<b>TABLE III-1</b>					
<b>Demographic and Income Estimates for Residents in the Neighborhood Market Area Definition: 2000 - 2009</b>					
	2000	2004	2009	2004 - 2009 Change #	2004 - 2009 Change %
Population	47,580	50,397	53,769	3,372	6.7
Households	15,370	15,999	16,696	697	4.4
Average Household Income		\$57,361	\$64,586	\$7,225	12.6
Total Aggregate Household Income <sup>1</sup>		\$917,718,600	\$1,078,327,900	\$160,609,200	17.5
<sup>1</sup> Figures have been rounded.					
Sources: Claritas, Inc. <i>Pop-Facts: Demographic Snapshot Report</i> ; Gruen Gruen + Associates.					

The neighborhood market area is forecast to grow by nearly 700 households between 2004 and 2009, or about 4.4 percent. Not taking into account the effects of inflation, average pre-tax household income is forecast to grow by nearly 13 percent from approximately \$57,400 in 2004 to \$64,600 in 2009. Total available household income is forecast to increase by 17.5 percent from approximately \$917.7 million in 2004 to \$1.1 billion in 2009.

**ESTIMATE OF RESIDENTS, HOUSEHOLDS, AND INCOME WITHIN THE COMMUNITY/REGIONAL-SERVING MARKET AREA DEFINITION**

**Demographic Make-up of Residents**

Within the wider community- and regional-serving market area, a very high proportion (76.1 percent) of the population is Hispanic and slightly older at 33.9 years (and projected to decline within five years to 32.1-years) than the average age of residents for the City of Whittier and wider market area.<sup>5</sup> The estimated household size of 3.3 per persons in 2000 is estimated to increase to 3.41 persons per household in 2009. The average household size in the wider market area is higher than that of the smaller market area definition. The average



<sup>5</sup> The average age of residents is much younger than the average age of 36.9-years for the United States as a whole.

household income of market area residents of \$62,238 is lower than that of households in the City of Whittier as a whole (\$63,141), but higher than the smaller area. Residents in the primary market area have relatively low labor force participation rates (nearly 42 percent versus nearly 47 percent of the population in the United States as a whole). Residents in the primary market area have relatively low levels of educational attainment with less than 10 percent of the population over the age of 25-years-old having earned a bachelor's degree and less than five percent of the population having earned advanced degrees. In contrast with the higher proportion of renter-households in the neighborhood market area, most (58.3 percent) of the dwelling units in the primary market area are estimated to be owner-occupied.

Table III-2 presents for the community- and regional-serving market area definition estimates of the population, number of households, average household income, and total household income.

<b>TABLE III-2</b>					
<b>Demographic and Income Estimates for Residents in the Community/Regional-Serving Market Area: 2000 – 2009</b>					
	2000	2004	2009	2004 - 2009 Change #	2004 – 2009 Change %
Population	128,868	134,072	140,687	6,615	4.9
Households	39,056	40,030	41,203	1,173	2.9
Average Household Income		\$62,238	\$70,473	\$8,235	13.3
Total Aggregate Household Income <sup>1</sup>		\$2,491,387,100	\$2,903,699,000	\$412,311,900	16.6
<sup>1</sup> Figures have been rounded.					
Sources: Claritas, Inc. <i>Pop-Facts: Demographic Snapshot Report</i> ; Gruen Gruen + Associates.					

The wider community- and regional-serving market area is forecast to grow by nearly 1,200 households between 2004 and 2009, or nearly five percent. Not taking into account the effects of inflation, average pre-tax household income is forecast to grow by 13 percent from approximately \$62,200 in 2004 to \$70,500 in 2009. Total available household income is forecast to increase by 16.6 percent or over \$400 million from approximately \$2.5 billion million in 2004 to \$2.9 billion in 2009.

## **ESTIMATE OF EXPENDITURES FOR RETAIL GOODS**

### **Expenditure Rate**

Based on a review of the 2002-2003 BLS *Consumer Expenditure Survey* for the Los Angeles MSA and the review of estimates of consumer spending for a similar market area around



14,200 Whittier Boulevard in Whittier by ESRI Business Information Solutions prepared for the City of Whittier, we estimate that households expend approximately 15 percent of their before-tax income on the kinds of goods and services found in neighborhood centers (e.g., grocery, eating and drinking establishments, household supplies, personal care items tobacco etc.) and about 17 percent of their before-tax income on shopper and destination goods found in community, power centers, and regional malls on goods and services such as household furnishings, apparel, reading materials, and entertainment. To estimate the purchasing power or expenditure potential within the neighborhood-serving market area definition, we assume approximately 15 percent of total before-tax household income is spent on goods and services typically found in neighborhood centers including food at home, food away from home, alcoholic beverages, housekeeping supplies, personal care products and services, and tobacco products. The estimated expenditure rate of 15 percent multiplied by average household income within the neighborhood market area definition equates to expenditures per household of approximately \$8,604 in 2004 and \$9,688 in 2009.

For the wider community- and regional-serving market area definition, we have assumed that approximately 32 percent of total household income is spent on purchases of goods and services often found in regional malls, community and power centers, or larger freestanding stores such as category killer, big box stores, and neighborhood centers. This higher proportion spent of household income is assumed because expenditures on items such as apparel, luggage and leather goods, home furnishings, jewelry, major appliances and entertainment are most likely to be made in larger retail centers that have these types of shopper goods. The 32 percent expenditure rate assumption includes expenditures potentially spent in the smaller trade area. This is because consumers also spend retail dollars in neighborhood centers or hybrid centers within the larger market areas where the same type of necessity and convenience goods and services are also found in larger community, power and regional shopping centers. Based on our review of supply every larger-scale center in the market area includes grocery and drug stores. But, in essence, we are double counting demand for neighborhood type goods and services in the larger market expenditure rate assumption. This expenditure rate assumption equates to expenditures per household of \$19,916 in 2004 and \$22,551 in 2009.

## **EXPENDITURE POTENTIAL AND ESTIMATE OF THE AMOUNT OF MARKET-DEMAND SUPPORTABLE SQUARE FEET OF RETAIL SPACE**

### **Estimated Expenditure Potential and Supportable Space Within the Primary Market Area for Neighborhood-Serving Uses**

Table III-3 presents estimates of potential retail demand within the neighborhood market area based on the estimated expenditure rate of 15 percent and the estimated number of households, average household income, and total pre-tax income in 2004 and 2009.



<b>TABLE III-3</b>				
<b>Estimate of Retail Demand from Residents and Supportable Square Feet of Retail Space in the Neighborhood Market Area: 2004 and 2009<sup>1</sup></b>				
	2004	2009	Increase 2004 – 2009 #	Increase 2004 – 2009 %
Total Aggregate Household Income	\$917,718,600	\$1,078,327,900	\$160,609,200	17.5
Potential Purchasing Power for Shopping Center-Type Goods <sup>2</sup>	\$137,657,800	\$161,749,200	\$24,091,400	17.5
Total Supportable Retail Space in Square Feet at \$300 to \$350 per Square Foot Sales Assumption <sup>3</sup>	393,000 – 459,000	462,000 – 539,000	69,000 – 80,000	17.5
Notes:				
<sup>1</sup> Figures have been rounded.				
<sup>2</sup> Assumes residents in the expend 15 percent of average household income on neighborhood retail or convenience-type retail goods and services.				
<sup>3</sup> Assumes new viable retail space would need to generate \$300 to \$350 per square foot in sales revenues.				
Sources: Bureau of Labor Statistics, <i>Consumer Expenditure Survey</i> ; Urban Land Institute, <i>Dollars and Cents of Shopping Centers 2004</i> ; ESRI Business Information Solutions; Gruen Gruen + Associates.				

Multiplying the total household income within the neighborhood market area definition by the 15 percent expenditure rate produces an estimate of current retail demand of approximately \$137.7 million. Due to the forecast growth in the number of households and the anticipated increase in average household income, by 2009, expenditure or retail demand is forecast to increase by 17.5 percent or \$24.1 million to \$161.7 million.

In order to convert estimates of expenditure potential or purchasing power into estimates of potential on-the-ground retail space, an assumption must be made as to the average sales per square foot required to be generated for tenants to viably operate and landlords to obtain high enough rents to amortize development costs and provide a satisfactory return on investment. Table III-3 also presents an estimate of the demand for retail space within the neighborhood market area definition for 2004 and 2009. We estimate that demand from residents within the neighborhood market area can currently support approximately 393,000 to 459,000 square feet of retail space. We estimate that by 2009, supportable space demand will increase by approximately 69,000 to 80,000 square feet for total supportable space of 462,000 to 539,000 square feet of retail space. This demand estimate equates to eight square feet to 10 square feet per person in the primary market area. This is consistent with shopping census data published by National Research Bureau which indicates that neighborhood and



community shopping center space tends to range between 11 and 12 square feet per capita with about 4.5 square feet per person for neighborhood centers. Combined with space devoted to regional and super-regional, retail space per capita tends to approximate 20 square feet.

The estimates of retail demand reflect the assumption that a new retail development in the market area would need to generate \$300-per-square-foot to \$350-per-square-foot in sales in order to be a financially feasible venture. To put this sales threshold assumption into context, Table III-4 presents the average size and average sales per square foot of West Coast shopping centers as well as categories of tenants and selected individual retailers.

<b>Type of Center or Tenant</b>	<b>Average Size # Square Feet</b>	<b>Average Sales Per Square Foot \$</b>
Neighborhood Shopping Centers	58,840	314
Community Shopping Centers	215,753	286
Regional Shopping Centers <sup>2</sup>	637,757	254
Supermarket	50,420	390
Drugstore/Pharmacy	8,993	408
Restaurant with Liquor	5,204	302
<b>Individual Retailers</b>		
Men's Wearhouse <sup>3</sup>	7,174	319
Ross Stores <sup>3</sup>	23,306	316
Costco	137,000	771
Sam's Club	124,462	497
Wal-Mart	135,195	422
Target <sup>3</sup>	122,280	278
Williams-Sonoma (& Pottery Barn)	7,793	410
Bed Bath & Beyond	36,129	229
Linens 'n Things	34,801	171
Cost Plus <sup>3</sup>	16,000	266
Galyan's Trading	87,288	233
Dick's Sporting Goods	49,099	192
Sports Authority	43,238	164
Borders Group	25,700	237
Barnes & Noble	24,137	243
Best Buy	39,805	830
Good Guys	20,121	497
Whole Foods Markets	30,356	673
Safeway <sup>3</sup>	44,012	443
Rite Aid	12,700	361
CVS <sup>3</sup>	7,607	768



<b>Type of Center or Tenant</b>	<b>Average Size # Square Feet</b>	<b>Average Sales Per Square Foot \$</b>
Walgreen's <sup>3</sup>	10,929	709
Long's Drug Stores <sup>3</sup>	23,548	601
Home Depot	108,000	370
Lowe's <sup>3</sup>	111,000	302
Michael's <sup>3</sup>	16,162	204
PetSmart	23,917	189
<sup>1</sup> For individual retailers, sales data is provided for fiscal year 2003. <sup>2</sup> ULI 2002 estimate for regional shopping centers in the West. <sup>3</sup> According to BizStats.com, sales are reported on selling (retail) space which is typically between 60% to 90% of gross store space. Sales per square foot reported on a selling basis must be adjusted to be comparable to sales reported on a gross basis. For example a \$500 sales per square foot (selling basis) is equivalent to \$350 sales per square foot on a gross basis if selling space represents 70 percent of total store space.		
Sources: Urban Land Institute, <i>Dollars and Cents of Shopping Centers 2004, 2003</i> ; BizStats.com, Retail Industry Benchmarks; Gruen Gruen + Associates.		

As shown in Table III-4, according to Urban Land Institute's 2004 Dollar & Cents of Shopping Centers, neighborhood shopping centers in the West Coast average almost 59,000 square feet and obtain annual sales of \$314 per square foot. Community centers average approximately 215,800 square feet and obtain annual sales of \$286 per square foot. Regional shopping centers average approximately 637,800 square feet and obtain sales of \$254 per square foot. The restaurant with liquor category averages about \$300 per square foot in sales. Keep in mind that the sales data reported in the Dollars & Cents publication is for existing shopping centers with an almost two year lag between the reporting of shopping center operating data and publication of the data. Typically new developments will need to achieve higher sales than reported in the Dollars & Cents survey. Properly programmed new centers in well placed locations will typically generate higher sales per square foot than older centers because: (a) they are newer, fresher, and more exciting to consumers; and (b) have "today's tenants" rather than tenants who were preferred when the older centers were built.

Table III-4 also presents estimates of the average store size and sales per square foot productivity for publicly traded firms in the general merchandise, clothing, home furnishings, grocery, drug store, sporting goods, books, and electronic businesses. The preeminent wholesale club retailer, Costco has an average sales per square foot of \$770. General merchandise category leaders, Wal-Mart and Target, produce sales per square foot of \$422 and \$278 respectively. Home improvement category leaders Home Depot and Lowe's average sales per square foot of \$370 and \$302, respectively. Home accessory category leaders Bed, Bath & Beyond and Linen n' Things average sales per square foot of \$229 and \$171, respectively. The electronics category leader, Best Buy generates extremely high sales per square foot of \$830. Book store category leaders Borders and Barnes & Noble have comparable sales per square foot of \$237 and \$243, respectively. Sporting good retailers' Sports Authority, Galyan Trading, and Dick's Sporting Goods sales per square foot



performance ranges from \$164 to \$233.

We believe the \$300- to \$350-per-square-foot sales assumption is a reasonable estimate for sales for a newer center. This estimate is also supported by rents obtained by successful centers in the market area. Net rents for shop space are reported to range from \$1.70 per month or \$20.40 per square foot per year for the Whittier Marketplace across the street from the site to \$2.00 per square foot per month or \$24.00 per square foot per year for space at the Quad at Whittier development. A \$24 per square foot annual rent suggests a range of sales of \$300 to \$480 per square foot or an average of \$357 sales per square foot. A \$20 per square foot annual rent suggests sales per square foot range of \$255 to \$408. These sales estimates are based on the assumption that rents range from five to eight percent of sales.

### **Estimated Expenditure Potential and Supportable Space Within the Primary Market Area for Community- and Regional-Serving Uses**

We use the high end of the sales threshold range or the required sales per square foot assumption of \$350 per square foot in the shopper/destination good, regional-serving market area. The larger market area contains big-box stores and larger size shopping centers emphasizing shopper goods. Similar to anchor grocery tenants, these types of retailers need to generate high sales per square foot because of low per unit margins. The larger market area also includes grocery stores which like the category-killer, big box tenancies, operate on low per unit margins. Obtainable rents are also higher for larger-scale centers in the wider market area than for smaller centers in the neighborhood market area.

Table III-5 presents estimates of expenditure potential or purchasing power of residents within the larger market area definition for 2004 and 2009.



<b>TABLE III-5</b>				
<b>Estimate of Retail Demand from Residents and Supportable Square Feet of Retail Space in the Community-and Regional-Serving Market Area: 2004 - 2009<sup>1</sup></b>				
	2004	2009	Increase 2004 – 2009 #	Increase 2004 – 2009 %
Total Aggregate Household Income	\$2,491,387,100	\$2,903,699,000	\$412,311,900	16.6
Potential Purchasing Power for Shopping Center-Type Goods <sup>2</sup>	\$797,243,900	\$929,183,700	\$131,939,800	16.6
Total Supportable Retail Space in Square Feet at \$350 per Square Foot Sales Assumption <sup>3</sup>	2,278,000	2,655,000	377,000	16.6
Notes:				
<sup>1</sup> Figures have been rounded.				
<sup>2</sup> Assumes residents in the expend 32 percent of average household income on neighborhood retail or convenience-type retail goods and services plus community, power center, and regional-serving retail uses.				
<sup>3</sup> Assumes new viable retail space would need to generate \$350 per square foot in sales revenues.				
Sources: Bureau of Labor Statistics, <i>Consumer Expenditure Survey</i> ; Urban Land Institute, <i>Dollars and Cents of Shopping Centers 2004</i> ; ESRI Business Information Solutions; Gruen Gruen + Associates.				

Multiplying the total household income within the wider shopper/destination good market area definition by the 32 percent estimated expenditure rate produces an estimate of expenditure potential or retail demand of nearly \$797.2 million dollars. 2009 expenditure potential or retail demand is forecast to increase by nearly 17 percent, or \$131.9 million to approximately \$929.2 million.

Using a \$350-per-square-foot minimum sales threshold produces an estimate of currently supportable retail space of nearly 2.3 million square feet. The forecast increase in expenditure potential due to household and income growth translates into additional space demand of approximately 377,000 square feet for a total of nearly 2.7 million square feet by 2009. This equates to about 19 square feet per person.



**CHAPTER IV**

**RELATIONSHIP BETWEEN ESTIMATED RETAIL DEMAND AND SUPPLY WITHIN THE TWO TRADE AREAS**

The comparisons of estimated supply and demand presented below suggest the relative intensity of competition for the expenditures of households within the smaller neighborhood and wider community-and regional-serving market areas.

**NEIGHBORHOOD MARKET AREA**

Table IV-1 presents the relationship between estimated supply and potential retail demand within the neighborhood market area.

<b>TABLE IV-1</b>		
<b>Relationship Between Demand and Supply of Retail Space in the Neighborhood Market Area: 2004 and 2009<sup>1</sup></b>		
	2004 # Square Feet	2009 # Square Feet
Estimated Supportable Retail Space Demand	393,000 – 459,000	462,000 – 539,000
Estimated Supply of Neighborhood Retail Space <sup>2</sup>	593,000	593,000
Demand Deficit/Surplus Supply	134,000 - 200,000	54,000 – 131,000
<sup>1</sup> Figures have been rounded.		
<sup>2</sup> We have not attempted to quantify the amount of space that could be added as the result of the City of Whittier’s reported solicitation for land across the street from the site. Nor do we include an estimate of the commercial space not located in major neighborhood or freestanding national chain units, given the finding of excess supply without including such additional space.		
Source: Gruen Gruen + Associates		

Table IV-1 shows as of 2004, the neighborhood market area supply of approximately 593,000 square feet of space exceeds the demand of 393,000 to 459,000 square feet of space arising from market area households by 134,000 to 200,000 square feet of space. The expected growth in market area households and income produces a forecast for 2009 of a reduction in the imbalance to a demand deficit of 54,000 square feet to 131,000 square feet of space. Note that the relationship between estimated demand and supply in 2009 ignores the potential new retail space added across the street from the site as the result of the reported solicitation planned by the City. Nor do the comparisons between demand and supply include the commercial space not located in the major centers or freestanding facilities identified in Chapter II above.



**COMMUNITY- AND REGIONAL-SERVING MARKET AREA**

Table IV-2 presents the relationship between estimated supply and estimated potential retail demand within the shoppers/destination good, community- and regional-serving market area.

<b>TABLE IV-2</b>		
<b>Relationship Between Demand and Supply of Retail Space in Community-and Regional-Serving Market Area<sup>1</sup></b>		
	2004 # Square Feet	2009 # Square Feet
Estimated Supportable Retail Space Demand	2,278,000	2,655,000
Estimated Supply of Existing Retail Space <sup>2</sup>	2,810,300	2,810,300
Demand Deficit/Supply Surplus	532,300	155,300
<sup>1</sup> Figures have been rounded.		
<sup>2</sup> We have not attempted to quantify the amount of space that could be added as the result of the City of Whittier's reported solicitation for land across the street from the site. Nor do we include an estimate of the commercial space not located in major neighborhood or freestanding national chain units, given the finding of excess supply without including such additional space. We do include all of the space in the Quad at Whittier development.		
Source: Gruen Gruen + Associates		

Table IV-2 shows that within the larger market area, the estimated supply of space currently exceeds the supportable demand from residents by approximately 532,000 square feet of space. By 2009, however, due to anticipated population and income growth, the relationship between demand and supply is estimated to shrink to a demand deficit or surplus of space of 155,000 square feet of space. As indicated above, we have not attempted to quantify the amount of commercial space not located in major centers or freestanding facilities or include the space that could be added across the street as the result of the reported solicitation plans by the City of Whittier. Keep in mind as well that the demand estimate includes demand attributable to convenience and necessity goods and services but does not include neighborhood-serving uses that are not part of larger-scale facilities. This serves to understate the demand deficit.



Gruen Gruen + Associates (GG+A) is a firm of economists, sociologists, statisticians and market, financial and fiscal analysts. Developers, public agencies, attorneys and others involved in real estate asset management utilize GG+A research and consulting to make and implement investment, marketing, product, pricing and legal support decisions. The firm's staff has extensive experience and special training in the use of demographic analysis, survey research, econometrics, psychometrics and financial analysis to describe and forecast markets for a wide variety of real estate projects and economic activities.

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