

Broadway Corridor Retail Strategy



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Chamber of Commerce

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Broadway Corridor Retail Strategy

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Nature of the Assignment

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Executive Summary

INTRODUCTION

The Capitol Hill Chamber of Commerce engaged Kidder Mathews to update its 2007 Retail Strategic Plan (2007 Report) for the Broadway Retail Corridor (Corridor). The Corridor runs along Broadway Avenue East (Broadway) and is bounded by East Union Street to the south and East Roy Street to the north, as shown in Exhibit E1. The work includes an assessment of the existing space market, an assessment of current demographics, a contrast of the current retail environment with the past, and makes strategic recommendations as to how the Chamber can affect positive change.

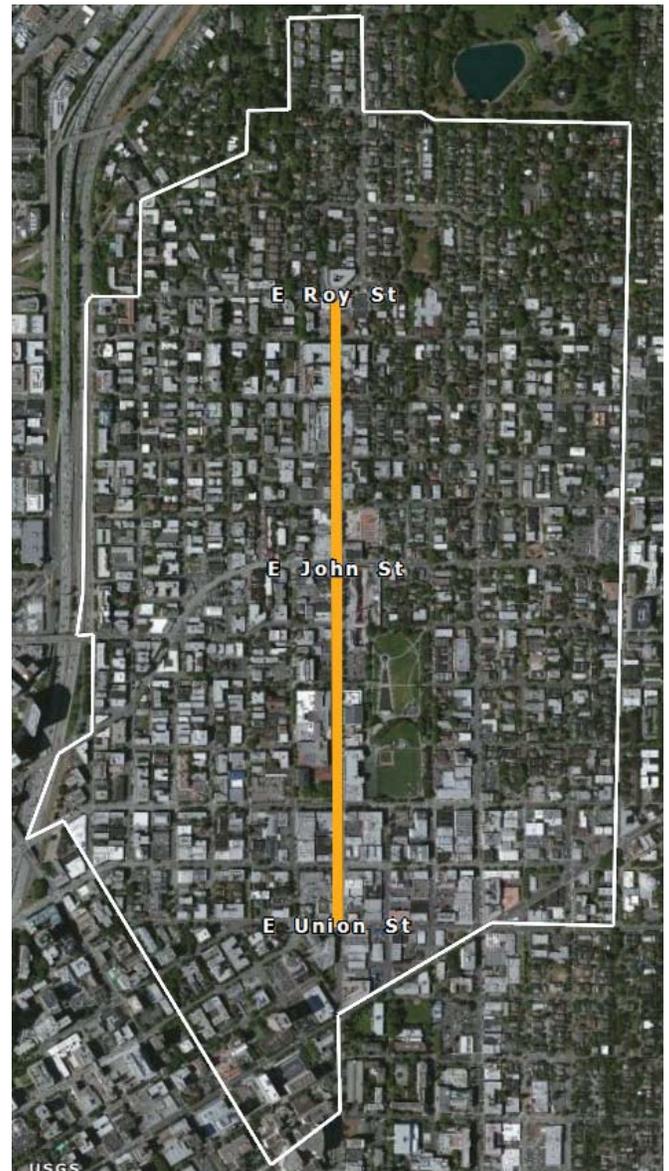
RETAIL SPACE MARKET

The Corridor represents one of the strongest neighborhood retail markets in Seattle. The Corridor itself contains approximately 465,000 square feet of retail space, about 60,000 square feet of which is less than five years old. The Corridor’s strong rental rates (\$30-\$40 per square foot) and low vacancy continues to drive development. There is currently 16,500 square feet of retail space under construction within the Corridor, and at least one additional project under consideration.

DEMOGRAPHICS

The Corridor’s Primary Market Area (PMA), outlined in white in Exhibit E1, roughly represents the geographic area that is easily accessible to the Corridor by foot. The PMA has one of the highest population densities in the state with almost 28,000 residents per square mile. As compared to the City of Seattle (City) as a whole, the PMA has a high percentage of renter occupied households, a small average household size, and a high percentage of residents with college degrees. It also has a young residential population; in fact, over 40% of all residents in the PMA are between the ages 25 and 34 years old. The

Exhibit E1- Broadway Retail Corridor



PMA’s median household income is relatively low; however, within the PMA median incomes increase significantly from south to north. With an estimated 10,000 employees and over 8,000 full time students, the PMA also benefits from a significant non-residential population.

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2007 RETAIL ENVIRONMENT

The 2007 Report found the Corridor to be, “a mix of unkempt storefronts, quick serve restaurants, and service uses mingled with a few restaurants and boutiques.” The report went on to describe the Corridor as follows;

- a culinary scene that was tarnished by an abundance of low quality restaurants;
- a high number of service businesses that do not function synergistically with other retailers;
- a significant number of salons, checking cashing operations, and other stores that cast an unfavorable image;
- and uses like grocery stores, banks, and government services that occupy key street corners and dominate street presence, which detracts from the hip retail vibe, and keeps trendy retailers from locating on Broadway.

The 2007 Report concludes by stating that “Broadway’s tenant mix leaves much room for improvement yet has a handful of stores and restaurants from which to develop around.”

CURRENT RETAIL ENVIRONMENT

Since 2007 the Corridor has experienced significant revitalization marked by four new mixed use projects and one currently under construction, each offering retail space. In addition, major public transportation projects are currently under construction, including a light rail station, a streetcar line, and a dedicated two-way bike lane. While the rapid pace of new development will strengthen the long term health of the Corridor, it does present challenges to some long-time retailers struggling to adjust to the changing environment.

The most significant growth over the last five years has been from limited service restaurants. In 2007 this

category made up 20% of the overall market, as compared to 26% today. Much of the growth is attributable to limited service restaurants tenanted a disproportionate amount of the newly built space. In fact, of the 20 retailers that currently occupy retail space within the four mixed-use buildings constructed since 2007, 11 are limited service restaurants. During this same period, the combined Gifts/Home/Art, and Clothing & Accessories categories, have decreased from 34% of the overall market in 2007 to 19% today.

Other notable changes to the Corridor’s retail mix include a decrease in the number of personal care businesses and an increase in specialty food offerings. As in 2007, the Corridor still lacks a general merchandiser.

RETAIL SURVEY

To understand the realities of operating a retail business within the Corridor, 55 of the 106 identified Corridor retailers were surveyed. Among other questions, the survey asked retailers to name the top three benefits and challenges to operating a business within the Corridor.

The three most commonly cited benefits were foot traffic, population density, and Broadway’s hip reputation. Other commonly cited benefits include the diverse local population, the high student population, the diversity of Corridor businesses, an established customer base, and the significant tourist traffic.

The three most commonly cited challenges were dealing with street people, the lack of convenient affordable parking, and the perceived effect of construction on customer traffic. Other commonly cited challenges included the lack of law enforcement, increasing rental rates, general crime, declining business diversity, and insufficient streetscape maintenance.

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STRATEGIC RECOMMENDATIONS

The Broadway Corridor is one of the strongest retail neighborhood markets in the City and has attracted significant development over the last five years. The Corridor benefits from its proximity to Downtown Seattle, its proximity to neighborhoods with high residential densities, its hip reputation, and recent public investments aimed at improving public transportation.

Although the Corridor enjoys a retail environment that would be enviable to most other neighborhoods in the City, there is opportunity for improvement. Most of these improvements revolve around cleaning-up the southern and central sections of the Corridor, increasing customer activity along the northern section of the corridor, and attracting a greater diversity of retailers, particularly those that generate multi-stop shoppers throughout the Corridor. The following are ten achievable strategic recommendations aimed at improving the Corridor's retail environment. It is worth noting that the Chamber has been pursuing a number of these strategies.

1. To encourage the redevelopment of underutilized properties, particularly those that interrupt the shopping flow, develop a "marketing package" outlining site opportunities for use as a sales tool by property owners and retail brokers.
2. To limit collateral damage caused by multi-year construction projects on Corridor businesses, continue to improve communication between the agencies/developers responsible for the construction and Corridor businesses. Additionally, advertise the fact that Corridor businesses are open during construction, and create signage aimed at directing shoppers past "dead zones" created by construction projects.
3. The high concentration of street people on Broadway can deter potential customers from shopping the Corridor. Advocate for an aggressive panhandling law, and for strict enforcement of the amount time a person can "camp out" at a single location on a public sidewalk.
4. To create a safer shopping environment, advocate for additional police dedicated to the Corridor and stricter enforcement of public drunkenness, drug use and shoplifting. Encourage the Seattle Police Department to dedicate more time to walking the Corridor, including into stores, as opposed to staking out specific corners.
5. To help mitigate issues related to the perceived lack of affordable parking, advocate for shifting the metered parking hours from 8 pm to 6 pm, and for the reduction of parking rates along the entire Corridor.
6. Work with the City of Seattle and the business community to direct additional resources toward street/sidewalk cleaning, and tree trimming.
7. Encourage retail businesses to remain open during non-peak hours for the benefit of the Corridor as a whole.
8. To maximize the effect of consumer spending during sponsored events, provide ample advanced notice to Corridor businesses, and hold events at locations that are within sight of Corridor retailers. Create events aimed at attendees that align with Corridor retailers' target customers and that promote Corridor exploration.
9. In order to enhance the street-front appeal of the Corridor, work with relevant stakeholders to create a storefront improvement program. This program can include incentives like free sign design or graphic assistance, matching funds to improve worn facades, and expedited review and approval processes.
10. Aggressively communicate the success of past and ongoing efforts by the Chamber to support the retail community.

Broadway Corridor Retail Strategy

Purpose of Assignment

The Capitol Hill Chamber of Commerce (Chamber) engaged Kidder Mathews to update its 2007 Retail Strategic Plan for the Broadway Retail Corridor (Corridor). The Corridor, which runs along Broadway Avenue East (Broadway), is represented by the orange line in Exhibit 1.

The work is intended to assist the Chamber in understanding the challenges facing Corridor retailers today, unearth opportunities to improve the retail environment going forward, and make strategic recommendations as to how the Chamber can affect positive change.

Among other tasks, the assignment involved a review of the 2007 Report, an analysis of current market and demographic trends, a retail leakage analysis, a cataloging of the Corridor's existing retailers, an analysis of the Corridor's locational characteristics, and a survey of Corridor retailers.

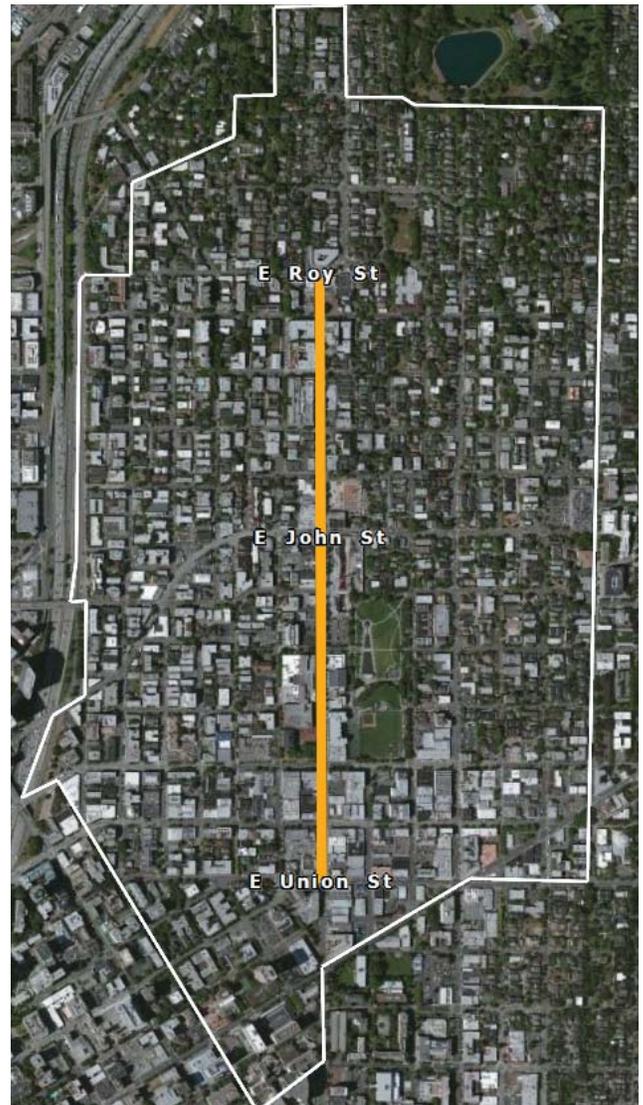
Corridor Description

As illustrated in Exhibit 1, the Corridor runs south to north along Broadway, from East Union Street to East Roy Street.

The majority of development within the Corridor consists of single story retail and multi-story mixed-use buildings. The southern section of the Corridor also contains Seattle Central Community College.

The nature of existing uses to the north of the Corridor includes a mix of established single and multi-family neighborhoods; the development pattern to the east of the Corridor transitions from a mix of commercial and multi-family uses, to established single family neighborhoods; the area to the south of the Corridor consists of a mix of commercial, multi-family, and institutional uses; and the area directly to the west of the corridor consists primarily of multi-family buildings between one and six stories in height.

Exhibit 1- Broadway Retail Corridor



Broadway Corridor Retail Strategy

Demographics

INTRODUCTION

Knowledge of consumer behavior is the key to determining the potential for retail sales. The demographic and employment characteristics presented in the following section are vital to understanding the types of retailers that could be attracted to the Corridor.

TRADE AREA



Selection Methodology

There is no one industry standard which dictates the way in which a trade area is derived. Typically a trade area is determined by its ability to attract customers given impeding or enhancing factors. The boundaries of the retail trade area for the Corridor used in this report were influenced by the following factors:

1. Size, trading performance and retail mix within the corridor.
2. Type, size, trading performance, retail mix and location of competing retail corridors and competing facilities such as regional shopping malls.
3. The transportation network around the corridor, particularly roads, but including rail, bus, and other transport networks.
4. Physical barriers such as lakes, railway tracks,

freeways, parks, and topography.

For this study three market areas were analyzed; the Primary Market Area, which is highlighted in yellow in Exhibit 2; the Secondary Market Area, which is outlined in blue; and the Tertiary Market Area, which is outlined in white.

Combined, 75% or more of the customers are typically drawn from these three trade areas. Many of the customers that originate from beyond a tertiary market area consist of tourists and customers attracted to destination retail offerings, which are retail establishments that offer unique products or such a wide assortment of offerings that it attracts consumers who are will to make a special trip from a wide geographic area.

Exhibit 2 - Market Areas Map



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MARKET AREA DEMOGRAPHICS

Tertiary Market Area Demographics

The Tertiary Market Area (TMA) consists of the entire City of Seattle (City). Exhibit 3 shows the key current and projected demographic data for the TMA. According to ESRI projections, Seattle’s population is forecasted to increase by 1.03% annually through 2015, and median household incomes are expected to increase by 4.38% annually. According to a 2012 forecast conducted by Conway Pederson Economics, annual inflation is expected to average 2.4% over the same time period. The fact that annual household incomes are forecasted to increase at a faster pace than inflation should translate to an increase in consumer spending power.

Exhibit 3 - TMA Demographics

	2010	2015	Change
Population	614,161	646,320	1.03%
Population Density (Pop/SqMile)	7,323	7,706	1.03%
Households	285,718	302,470	1.15%
Median HH Income	\$64,294	\$79,650	4.38%
Average Household Size	2.05	2.04	
Median Age	38	38	
Greatest Pop. Group by Race	54% White		
Bachelor/Grad/Prof Degree	51%		
Renter Occupied Housing	52%		
Employment (Daytime) Population	420,630		

A TMA typically contains an additional 5% to 15% of a retail corridor’s customers, beyond those that originate in from the Primary and Secondary Market Areas. Typically these customers consist of people that drive or use public transportation to access the Corridor.

Secondary Market Area Demographics

The Secondary Market Area (SMA), outlined in blue in Exhibit 2, is made up of an area bordered to the west by Highway 99, to the north by Highway 520, to the east by Lake Washington Boulevard, and to the south by Interstate 90. As shown in Exhibit 4, relative to the City as a whole, the SMA is more densely populated, has a smaller average household size, has a higher percentage of renter

households, and has lower median household incomes. Because a large portion of the SMA is made up of Seattle’s commercial core it also has an unusually large employment population, in fact there are 1.8 employees per resident in this geographic area as compared to .68 employees per resident the City as a whole.

Exhibit 4 - SMA Demographics

SMA	2010	2015	Change
Population	109,014	116,330	1.31%
Population Density (Pop/SqMile)	13,229	14,116	1.31%
Households	58,242	62,846	1.53%
Median HH Income	\$49,100	\$63,111	5.15%
Average Household Size	1.69	1.68	
Median Age	37	37	
Greatest Pop. Group by Race	59% White		
Bachelor/Grad/Prof Degree	50%		
Renter Occupied Housing	72%		
Employment (Daytime) Population	196,489		

The SMA typically accounts for an additional 15% to 20% of the customer demand which originates from beyond the Primary Market Area. Similar to the TMA, the majority of these additional customers typically drives or takes public transportation to access the Corridor.

Primary Market Area Demographics

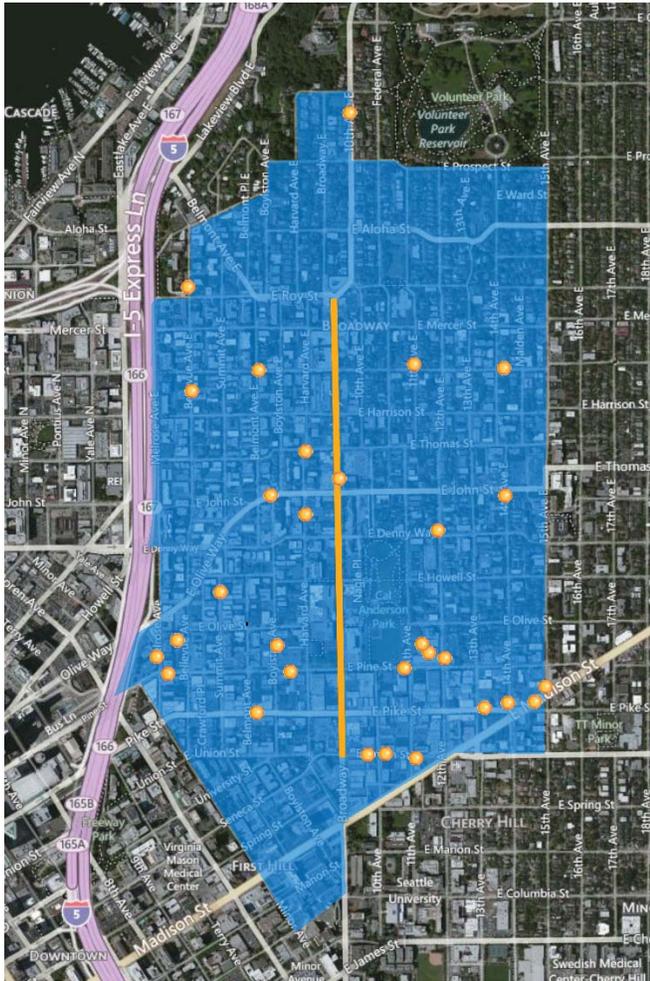
For this analysis the Primary Market Area (PMA), highlighted in blue in Exhibit 5, consists of a 17 census block groups and roughly represents the geographic area that is easily accessible to the Corridor by foot. Typically, 55% to 70% of a retail corridor’s demand originates from the PMA. The orange line in Exhibit 5 represents the Corridor itself.

As shown in Exhibit 6, the PMA has twice the residential density of the SMA, and almost four times the density of the City as a whole. The PMA’s residential density is likely to continue increasing as evidenced by the roughly 3,000 apartment units, represented by the orange spheres in Exhibit 5, that are either currently under construction or in the planning stages.

Although the ratio of employees to residents is the lowest

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Exhibit 5 - Primary Market Area Map



of the three market areas, this ratio is slightly misleading due to the PMA's unusually high residential population. The PMA's actual employment density is more than double that of the City as a whole and roughly half that of the SMA.

As compared to the SMA and the City as a whole, the PMA has the highest percentage of renter occupied households, the lowest average household size, and the highest education levels. The PMA also has the lowest median age; in fact, over 40% of all residents in the PMA

Exhibit 6 - PMA Demographics

PMA	PMA	2015	Change
Population	22,469	23,525	0.92%
Population Density (Pop/SqMile)	27,647	28,947	0.92%
Households	15,360	16,118	0.97%
Median HH Income	\$46,512	\$58,605	4.73%
Average Household Size	1.43	1.43	
Median Age	33	34	
Greatest Pop. Group by Race	73% White		
Bachelor/Grad/Prof Degree	57%		
Renter Occupied Housing	84%		
Employment (Daytime) Population	10,065		

area between the ages 25 and 34 years old.

Based on the demographic characteristics described in the preceding paragraphs, it is reasonable to assume that the PMA also has a relatively high percentage of apartment renter households. A high percentage of apartment renters typically correlate to a highly transient population, as these households are not bound to multi-year mortgages.

Although the PMA contains an unusually high residential density at 27,647 people per square mile, the median household income is only \$46,512 which makes it the lowest of the three trade areas. The following two Exhibits illustrate this point graphically.

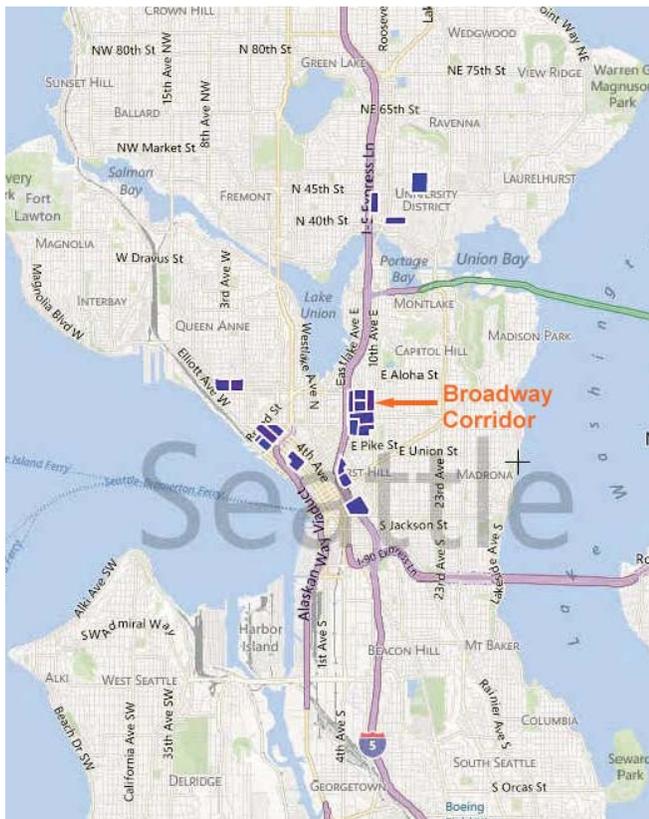
The census block groups with a population density of over 35,000 people per square mile are highlighted in Exhibit 7. As shown, the area from East Olive Street and East Roy Street, between I-5 and Broadway represents one of the densest areas in the Seattle, which makes it one of the densest areas in the State.

The census block groups with median household disposable incomes of less than \$32,000 are highlighted in Exhibit 8. As shown, the residential population within the PMA but to the east of Denny Way represents a high concentration of households earning less than \$32,000 in disposable income annually.

Further analysis reveals that the median disposable income increases steadily to the north of Denny Way; however,

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Exhibit 7 - Block Groups by Population Density



sophisticated retailers that base location decisions on demographic data will be turned off by the area’s overall low household incomes. Furthermore, according to retail specialists interviewed for this report, the high income households located in the northern section of the PMA are most likely to shop in areas like University Village that offer a wide selection of upscale offerings.

Primary Market Area Lifestyle Characteristics

Environmental Systems Research Institute’s (ESRI) market segmentation system called Community Tapestry, classifies U.S. neighborhoods into 65 segments based on their socioeconomic and demographic composition. Segmentation explains customer diversity, describes lifestyles and lifestages, and incorporates a wide range of

Exhibit 8 - Block Groups by Disposable Income



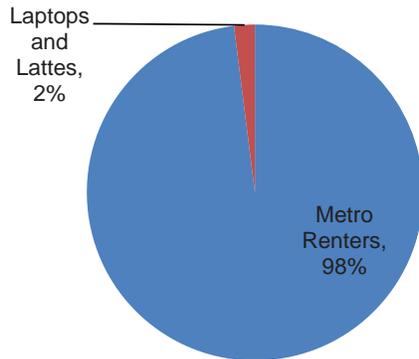
data such as demographic, business, and market potential data.

As shown in Exhibit 9, approximately 98% of households within the PMA are be classified as Metro renters and the remaining 2% are classified as Laptops and Lattes. The following paragraphs describe these two segments.

Metro Renters residents are young (approximately 30 percent are in their 20s), well-educated singles beginning their professional careers in some of the largest U.S. cities such as New York City, Chicago, and Los Angeles. The

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Exhibit 9 - PMA Tapestry Segments



median age is 33.8 years; the median household income is \$57,662. As the name Metro Renters implies, most residents are renting apartments in high-rise buildings, living alone or with a roommate. Their interests include traveling, reading two or more daily newspapers, listening to classical music and public radio programs, and surfing the Internet. For exercise, they work out regularly at clubs, play tennis and volleyball, practice yoga, ski, and jog. They enjoy dancing, attending rock concerts, going to museums or the movies, and throwing Frisbees. Painting and drawing are favorite hobbies. Politically, this market is liberal.

Laptops and Lattes are the most eligible and unencumbered market of Community Tapestry, Laptops and Lattes residents are affluent, single, and still renting. They are highly educated, professional, and partial to city life, preferring major metropolitan areas such as New York, Los Angeles, San Francisco, Boston, and Chicago. The median household income is \$100,428; the median age is 38.4 years. Technologically savvy, this is the top market for owning an iPod, as well as a laptop or notebook PC; they use the Internet daily, especially to shop. Their favorite department store, by far, is Banana Republic. Leisure activities include going to movies, rock concerts, shows, museums, and nightclubs. These residents exercise regularly and take vitamins. They enjoy yoga, jogging, skiing, reading, watching foreign films on DVD, dining out,

and traveling abroad. They embrace liberal philosophies and work for environmental causes.

PRIMARY MARKET AREA DAYTIME POPULATION

The daytime population refers to the number of people, including workers, who are present in a market area during normal business hours, in contrast to the resident population present during the evening and nighttime hours. With approximately 15% of household purchases originating from the workplace, daytime population estimates have become an increasingly important tool for retailers, especially Food & Beverage entrepreneurs who can capture a time-limited lunchtime crowd.

Exhibit 10 illustrates the employment characteristics of the PMA as compared to the SMA, and to Seattle as a whole. As shown, there are 1,359 businesses which employ approximately 10,000 employees within the PMA. Although the majority of employees working within the PMA are employed by small businesses, the area does contain a few large employers such as the Swedish First Hill Hospital and Seattle Central Community College.

Within the PMA approximately 38% of the employees work in three industries; 16% work in the restaurant/bar industry,

Exhibit 10 - Daytime Population Estimates (2010)

	PMA	SMA	Seattle
Businesses	1,359	12,705	35,173
Daytime Employment Population	10,065	196,489	420,630
Employment Density	12,385	23,843	5,015
Employee/Resident Ratio	0.45	1.80	0.68

14% work in the health services industry, and 8% work in Education. To provide context, these three industries combined only make up 24% of the total employment in the SMA and 25% in the City as a whole.

One factor that is not included in the daytime population estimate but has a significant effect on Broadway's total daytime population is the approximately 8,000 full time

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college students that attend Seattle Central Community College.

Retail Space Market

INTRODUCTION



A retail property's primary intended use is to promote, distribute or sell products and services to the general public. It will often be in high traffic or easily accessible areas.

Much of the high level data used in this report is sourced from Costar.com, the most comprehensive commercial real estate tracking service in the United States, and the industry standard for commercial real estate data in the Seattle Area. While Costar provides fairly accurate data at a high level, it tends to overestimate total inventory and underestimate vacancy.

SEATTLE RETAIL SPACE MARKET

According to Costar.com there is approximately 30 million square feet of existing inventory in the City of Seattle. Over the last five years Seattle has absorbed an average of negative 5,000 square feet of net retail space annually. The market for retail space is beginning to recover however, with year-to-date absorption at positive 133,000

square feet as of October 2012. The average asking rate for retail space within the Seattle market is currently \$19 per square foot, per year, triple net.

Approximately 11%, or four million square feet of the total retail space was built within the last decade. Of this newer space, 5% is currently vacant with an average asking rental rate of \$24 per square foot per year, triple net.

SECONDARY RETAIL MARKET AREA

There is approximately eight million square feet of retail space within the SMA. Over the last five years this market has absorbed approximately 53,000 net new square feet of space annually. In the last 12 months 36 retail leases have been completed; six of these transactions were for spaces over 5,000 square feet in size. The rental rate for these larger leases ranged from \$12 per square foot to \$35 per square foot, per year, triple net. The average asking rate for vacant retail space is currently \$20 per square foot, triple net. The market also saw 28 retail building sales transactions over the last 12 months ranging price from \$450,000 to \$14,000,000.

Of total retail space, approximately 8% or 655,000 was constructed over the last decade. Approximately 8% or 55,000 square feet of the newer retail space is currently vacant with an average asking rental rate of \$25 per square foot, per year, triple net.

PRIMARY RETAIL MARKET AREA

With 1.5 million square feet of existing retail space, the PMA contains approximately 5% of the total retail space in the City of Seattle. Over the last five years the PMA has absorbed approximately 8,500 net square feet of retail space per year; however, over the last two years this market has performed much better, with average annual net absorption of roughly 40,000 square feet. According to Costar.com the average asking rate for retail space in the PMA is currently \$27 per square foot, per year, triple net.

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Over the last 12 months there have been ten leases signed, ranging in size from 300 square feet to 15,300 square feet. The rental rate for these ten transactions ranged from \$12 per square foot to \$35 per square foot, per year, triple net. There have also been ten retail building sales closed in the last 12 months within the PMA, ranging in price from \$900,000 to \$14,870,000.

Of the total retail space located in the PMA approximately 10% or 170,000 square feet was built within the last decade. Approximately 2% of this newer space is currently available for lease.

BROADWAY RETAIL CORRIDOR SPACE MARKET

Rental Market

There is approximately 465,000 square feet of retail space located within the Corridor. According to Costar.com nine retail spaces are currently available for lease along the Corridor, ranging in size from 1,040 square feet to 9,111 square feet. The average asking rate is \$35 per square foot, per year, triple net. Triple net expenses in these nine buildings average just above \$6 per square foot, per year. Part of the reason that these lease rates are so high is that many of them were signed at the height of the market. Going forward it is questionable whether rental rates will remain this frothy.

A survey of retail tenants conducted for this report that have signed leases for ground floor retail space within the Corridor over the last three years, revealed a median rental rate of \$37 per square foot, per year triple net with \$10 in triple net expenses. The median lease term was 5 years, and 75% of respondents had rent escalations built into their leases with a typical escalation of either 3% per year, or at the annual consumer price index adjustment.

For Sale Market

There have been 15 retail buildings sold since the beginning of 2007 with a median sales price of \$366 per square foot of building area. The average capitalization rate for these sales was 6.31%. Since the beginning of 2012 the only sales transaction was the 3,953 square foot 824 East Pike Street Building which sold for \$1.45 million, or \$366 per square foot of building area. This two story building contains one level of ground floor retail over one floor of office space, and was fully leased at the time of sale.

The Broadway Center, located at 206 Broadway is the only retail building currently for sale within the Corridor. This two story building is approximately 13,556 square feet in size and sits on a 12,800 square foot lot. The building has a current net operating income of \$200,000 is listed for \$1.45 million which translates to a capitalization rate of 13.8%. The high capitalization rate may indicate that the property is facing future vacancy, or that it will require significant future investment.

Recent Projects

Exhibit 11 lists the five mixed-use projects built over the last decade within the Corridor. As shown, two of the five projects contain commercial condominiums, and the remaining three contain commercial space for lease.

Exhibit 11 - Recent Corridor Projects

Project	Year Built	Retail Sq Ft	Retail Ownership	Stories	Non-Retail Component
The Hieights	2006	8,860	Lease	6	296 Mrkt. Rate Apts.
The Broadway Crossing	2007	11,040	Condo	5	45 Subsidized Apts.
Brix	2008	7,428	Condo	6	141 Residential Condos
Joule	2010	26,390	Lease	6	295 Mrkt. Rate Apts.
The Broadway Building	2010	14,000	Lease	6	94 Mrkt. Rate Apts./28 Student Housing/12,000 SF Office

Under Construction

The Lyric, located between on Broadway between East Thomas and East John Street is the only private sector building currently under construction within the

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Corridor. This six story mixed-use building will consist of 234 apartment units over 16,500 square feet of ground floor retail space. According to market participants, the ground floor retail will be anchored by a 6,000 foot Bank of America branch, other tenants are rumored to include Einstein Brothers Bagels, McDonalds, and 7-Eleven.

There are also two public sector projects under construction within the Corridor; they include Sound Transit's Capitol Hill Light Rail Station, and a First Hill Street Car Line.

Proposed Projects

There is no known retail projects currently proposed within the Corridor; however, Sound Transit is planning on releasing a Request For Qualifications (RFQ) for the development of its Capitol Hill parcels.

KEY REDEVELOPMENT OPPORTUNITIES

The following section describes a number of potential development/redevelopment sites within the Corridor.

- **The Post Office Site** located at 101 Broadway is owned by a subsidiary of Bartells. The subsidiary paid just under \$3 million for the 7,200 square foot property in July, 2012. The Post Office Lease runs through 2015, and it is unknown whether the buyer has plans to redevelop the property at lease expiration. The building itself is ripe for redevelopment. According to a Post Office representative, "for many years we've been trying to find another location. It's (the building) small, old, there's no customer parking, no employee parking, and we have to rent space offsite to park the trucks. We just haven't been able to find a replacement."
- **The former Hollywood Video Building** located at 127 Broadway has been vacant since 2009 and is owned by Ron Amundson, one of Capitol Hill's most prolific developers. According to a retailer who considered renting space in the building, the owner is requiring demolition clauses and only willing to enter into year-long leases which may indicate plans to renovate, redevelop, or sell the property. This information has not been verified by the owner.
- **The Teriyaki Wok Site** which is located at 324 E. Broadway is a 5,825 foot underdeveloped site owned by Roy Amundson, the same developer that owns the Hollywood Video Building.
- Sound Transit owns **Five Development Sites at the future Capitol Hill Light Rail Station** which is scheduled to open in 2016. According to the Daily Journal of Commerce, Sound Transit plans to put out a request for qualifications from developers for each of the five sites in 2013. Three of the five sites have frontage on Broadway, they include;
 - Site A, located along the east side of Broadway between Denny and East John Street. A building on Site A could potentially contain 134,000 square feet with 132 units, 21,400 square feet of retail, and 210 parking spaces.
 - Site C, located on the Southeast corner of Broadway and Denny. A 96,200 square foot building containing 94 units, 15,800 square feet of retail, and 26 parking spaces could potentially be built on this site.
 - Site D, is located on the west side of Broadway adjacent to Seattle Central Community College. This site could potentially accommodate a 46,500 square foot building with 44 units, 8,800 square feet of retail, and 19 parking spaces.
- **The Bonney Watson Funeral Home Site** is a 14,080 square foot property containing a 19,810 square foot building just to the south of the future light rail station on Broadway; it also offers views of Cal Anderson Park. Bonney Watson also owns a 23,040 square foot

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surface parking lot directly to the north of the funeral home across East Howell Street.

In addition to the redevelopment opportunities listed above there are a handful of surface parking lots located within the Corridor; however, none contain more than 8,000 square feet of land area.

Project Feasibility

Understanding the financial feasibility of real estate development at a high level is useful in gauging the likelihood of additional space being brought on-line. The following section is meant to give the reader some sense as to the financial feasibility of developing new retail space within the Corridor. Understanding the viability of specific development opportunities requires in-depth, project specific pro-forma analysis, which is beyond the scope of this assignment.

BUILDING FINANCIAL FEASIBILITY

The cost to build new retail space that is integrated into a larger building is currently \$300 to \$400 per square foot. The rental income required to off-set the cost to construct new space and provide the developer with a return on investment is currently in the range of \$35 to \$45 per rentable square foot of space, triple net. As the cost of construction changes, so does the rental income required to make a project feasible. At this time rental rates in the Corridor are on the low end of this range. If rental rates decrease over the next few years as some market participants are predicting, new retail construction will not continue to be supported by retail market rents alone.

COMMERCIAL CONDOMINIUMS

Real estate developers and owners have broad ranging investment objectives. In some situations creating commercial condominiums best meets the owner's objectives and, if a market is strong enough, can

generate significant value. There have been four projects constructed in the Capitol Hill/Central District submarket since 2008 that sold as retail condominiums with an average sales price for \$341 per square foot. Based on financial feasibility alone, it is questionable whether commercial condominium construction pencils under current market conditions.

Location Analysis

INTRODUCTION

In retail site selection, location is multi-faceted. Its elements include, among other factors, area demographics, proximity of employee housing, foot traffic volumes, vehicular traffic volumes, access to major arterials, access to public transportation, physical barriers, proximity of major retailers, the cost of land, the availability of developable land, and the availability of suitable retail space.

DEMOGRAPHICS

There are tenants in the market that view Broadway as a desirable place to do business. From a demographic perspective this market offers high residential density, solid employment density, and an educated populace.

The Corridor's income characteristics however, are not robust enough to attract high-end tenants. This point is demonstrated by contrasting the average disposable household incomes of the PMA with a market that supports high-end retail. The median disposable household income within in the PMA is roughly \$39,000, in all of Seattle this figure is \$53,000, and within two miles of the concentration of high-end retailers at the University Village the figure is \$57,000.

EMPLOYEE HOUSING

The neighborhoods surrounding the Corridor offer an

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abundance of housing options including apartments, single family housing, and condominiums. Although the area is somewhat expensive relative to other parts of the City, it is well connected to public transportation, allowing employees to commute from areas with less expensive housing options like Rainer Valley and the Central District.

FOOT TRAFFIC

Urban retailers, especially in the quick food and convenience segments pay close attention to pedestrian activity when selecting sites. According to Walkscore.com, the Corridor receives a Walk Score of 95 out of 100 which makes it a “walker’s paradise”.

The Downtown Seattle Association (DSA) has been conducting pedestrian traffic counts three times per year at the intersection of Broadway & East John since December of 2007. The last count taken recorded a daily volume of 1,008 pedestrians, although this is a fairly high number, it is far lower than a number of intersections downtown which see daily pedestrian volumes of close to 7,000 people.

According to the DSA, while “the site at Broadway & East John, next to the new light rail construction site has shown a year-over-year decrease, the 2011 summer count was one of the highest on record. The 2012 count is similar to the average for counts for this area since we began our records.”

VEHICULAR TRAFFIC

Generally retailers like traffic volume, and the more the better; however, over congested roadways are a problem if customers are not able to reach their destinations.

Exhibit 12 illustrates the traffic counts of major arterials in downtown Seattle. As shown, the Corridor had a daily traffic volume of 23,500 in 2010 making it the most trafficked North/South thoroughfare in Capitol Hill. Based

on casual observation, Broadway’s traffic lights are not coordinated to move traffic through efficiently. One noticeable issue the lack of a dedicated left hand signal at East Olive Way & Broadway, to allow eastbound traffic from East Olive Way to make a hard left onto Broadway Northbound.

Exhibit 12 - Seattle Traffic Counts



ACCESS TO MAJOR ARTERIALS

The south end of the Corridor offers excellent access to Interstate 5. Accessing the Interstate from the north end of Broadway is only moderately convenient.

STREET VISIBILITY

Retailers, particularly those that sell impulse goods and services, value locations with good street visibility. Many local retailers depend on street visibility as their main source of advertising and depend on good visibility to attract first time customers. This is why there is a premium for space with Broadway frontage over space fronting on secondary streets.

Once a shopper has become a regular customer, visibility

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becomes less important. The highly transient population of the Corridor’s surrounding neighborhoods increases the significance of good visibility along Broadway, as retailers are less able to depend on longtime customers as compared to area’s with a higher percentage of owner occupied housing.

PUBLIC TRANSPORTATION

The Corridor is well served by the bus system and currently receives a transit score of 86 out of 100 on Walkscore.com. There is also a light rail station with a target opening date in 2016, and a street car station with a target opening date in 2014, currently under construction within the Corridor.

In the transit oriented retail marketplace, until ridership becomes substantial (50,000 daily boardings or greater), demand is not adequate on its own to support retail. According to Sound Transit, there will be an estimated 14,000 daily riders at the Capitol Hill Station by 2030. Starbucks describes its demand for transit oriented retail as important; however, additional day-long traffic is required to support its model. In short, transit ridership contributes to, but may not make retail viable on its own.

PHYSICAL BARRIERS

Access to the Corridor from downtown is somewhat limited by Interstate 5, and by steep topography to the west. Volunteer Park diminishes access to some of the residential neighborhoods to the north, and Cal Anderson Park impedes direct vehicular access from some areas to the east.

RETAIL SYNERGY

A retailer’s site selection criterion often includes proximity to other certain retailers. From this perspective, the Corridor is only moderately well located. Although there are a number of small and mid-size retailers along

Broadway, the Corridor lacks a major anchor. The lack of major retailers has been a chronic issue for this area and puts it at a competitive disadvantage relative to other clusters like University Village that have a healthy mix of large, well known retailers.

COST OF LAND

Most of the land within the Corridor is zoned to accommodate multi-story mixed use projects, and has been attracting projects with five floors of wood frame residential construction over a concrete podium containing ground floor retail space.

Exhibit 13 presents a select number of land sales located within the Capitol Hill/ Central District with zoning that permits buildings of up to 65 feet in height. The comparable sales have been identified from sources deemed reliable; however, they have not been confirmed or verified.

Exhibit 13 - Recent Capitol Hill Land Sales

Address	Neighborhood	Zoning	Land Total SF	Sale Date	Land \$ Total	Land \$/SF
2212-2216 E Madison St	Capitol Hill	NC3P-65	24,986	Apr-12	\$4,950,000	\$198
1831 E Madison St	Capitol Hill	NC3P-66	4,530	Apr-11	\$450,000	\$278
E Pine St @ 15th	Capitol Hill	NC3P-65	14,201	Oct-10	\$3,700,000	\$261
401 E Pike Street	Capitol Hill	NC3P-65	9,652	May-10	\$2,325,000	\$241
<i>Average</i>						<i>\$244</i>

As shown, the sales ranged between \$198 and \$278 per square foot of land area. The cost of land is high enough so as to prohibit some retailers from entering the market, especially larger single use retailers that require surface parking. As discussed in the project feasibility section, the cost of land does not preclude retail development that is incorporated into the ground floor of a mixed-use project.

AVAILABILITY OF LAND

With the exception of a handful of surface parking lots and Sound Transit’s Capitol Hill Light Rail Station properties, there are few developable parcels that wouldn’t require demolishing an existing building. Of the surface parking lots

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within the Corridor, only one is larger than 8,000 square feet in size. The one large parking lot, owned by Bonnie Watson Funeral Home, is 23,040 square feet in size.

Big box and shopping mall development is all but precluded from the Corridor due to a lack of multi-acre parcels. In fact, block sizes in the corridor top out at around 2.5 acres which is too small to accommodate most big box concepts.

SIZE AND AVAILABILITY OF RETAIL SPACE

There are currently no available retail spaces within the Corridor in excess of 10,000 square feet. The limited size of available spaces precludes certain retail uses like general merchandisers, department stores, and traditionally sized junior anchors like PetCo and Staples from entering the market. Although there are no existing, or known projects within the Corridor with enough space to accommodate these types of uses, it is possible a new project will come to the market in the future.

Retail Potential

INTRODUCTION

This section compares the PMA’s retail potential (demand) to its retail sales (supply) in order to define the area’s strengths, weaknesses, and potential opportunities.

RETAIL LEAKAGE ANALYSIS

Retail leakage, represented by the positive values in Exhibit 14, occurs when local residents are spending more for products than local businesses capture. Retail sales leakage suggests that there is unmet demand in the trade area and that the community can support additional retail space for that type of business. However, retail leakage is just one of a number of factors that determine actual retail

opportunity. For example, retail leakage can occur when a retail cluster outside the market area provides a better situation for a particular segment of retailer than could ever be achieved within the market area. It is also possible that there is a lack of suitable land within the market area to accommodate a particular type of retailer, or that land is too expensive to allow for certain types of retail activity.

Retail surplus, represented by negative values can indicate that a market area is capturing the local resident’s spending plus additional spending from customers originating from areas outside of the trade area. A retail surplus typically either means that there is not enough spending power within the market area to support existing retailers or that the area has become a cluster for a certain type of retail segment, allowing it to attract customers from a much wider area than would typically be expected due to its ‘destination’ status.

Exhibit 14 illustrates, that of the 1,359 businesses located within the PMA, 356 or approximately 26% can be categorized as Retail Trade, and Food & Drink businesses. As shown, the PMA is experiencing a surplus in both categories. It is important to note that some of the demand is being captured by retailers that are located within the PMA but not within the Corridor.

Exhibit 14 - PMA Retail Leakage

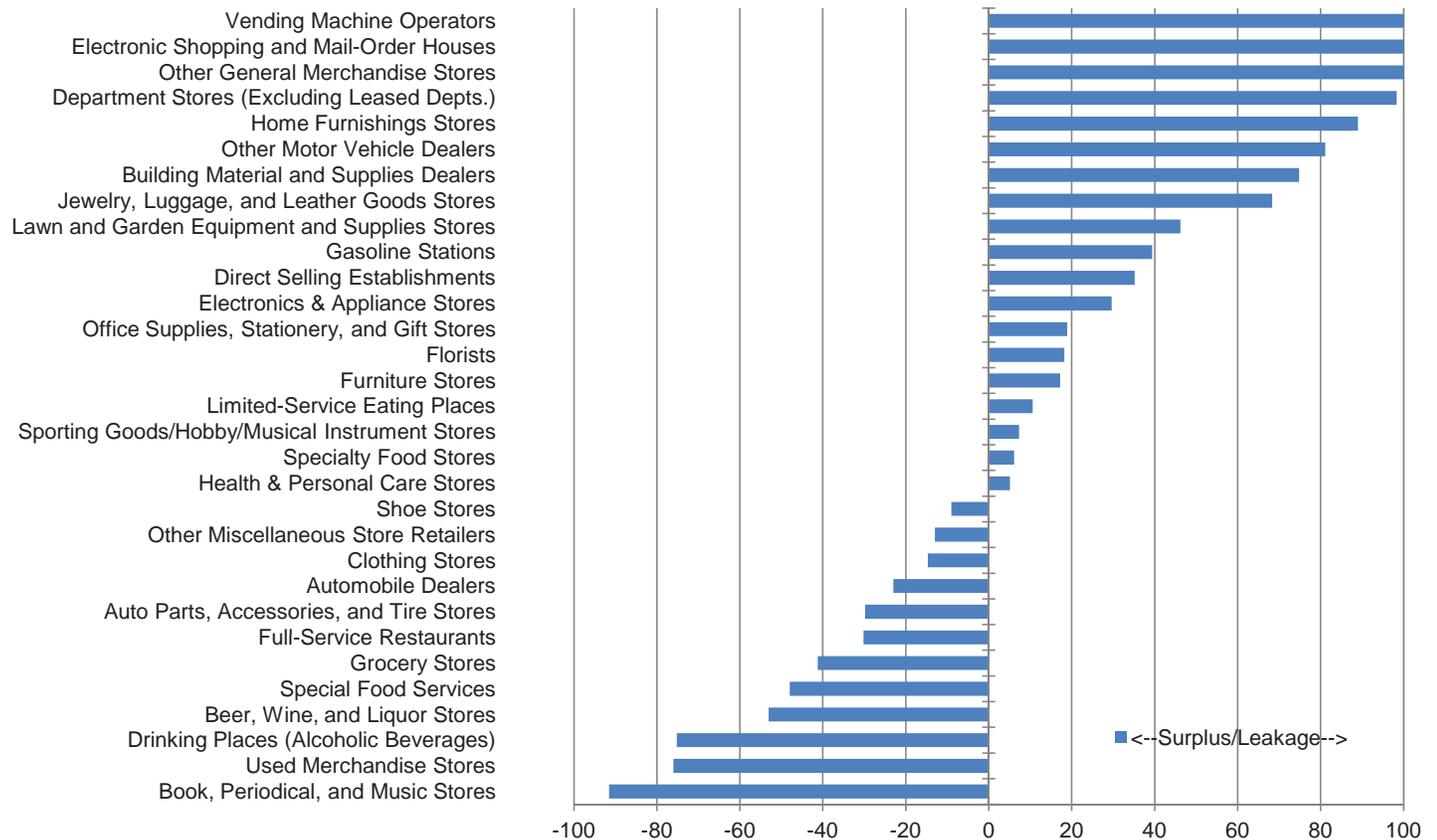
	Number of Businesses	Demand	Supply	Surplus/ Leakage
Retail Trade	185	\$314,936,440	\$362,259,678	-\$47,323,238
Food & Drink	171	\$55,536,016	\$99,553,598	-\$44,017,582
Total	356	\$370,472,456	\$461,813,276	-\$91,340,820

Exhibit 15 illustrates the leakage factor of the 27 industry groups as categorized by the North American Industry Classification System. Many times categories with extreme surplus are oversupplied, and categories experiencing extreme leakage have fundamental issues that preclude them from entering the market.

One way to use the chart is to focus on the retail

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Exhibit 15 - PMA Retail Leakage/Surplus by Segment



categories experiencing moderate leakage or surplus. Categories with moderate a surplus that like to cluster may provide the opportunity to strengthen the cluster. Retailers experiencing moderate leakage may provide the opportunity to capture a greater percentage of the local demand.

RETAILER PRODUCTIVITY

A survey of existing retailers located within the Corridor revealed median gross revenue of \$249 per square foot annually. Of the 21 respondents that provided financial data, 16 reported gross revenues between \$100 and \$599 per year, three reported grossing less than \$100 per square foot, and two reported bringing in more than \$600 per

square foot, per year, in gross revenue.

To provide context, according to a 2012 study by market analytics firm Asymco, drawing from raw data provided by RetailSails, in the US; annual per square foot store sales (excluding restaurants) in the range of \$300 per square foot is considered respectable; the US national average for regional malls is \$341 per square foot; the average for specialty apparel retailers is \$400 per square foot; and the median for the top 20 US retailers is \$787 per square foot.

Retail Corridor History

The Corridor serves as Capital Hill's retail spine with retail businesses representing the vast majority of occupied

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ground floor space on both sides of Broadway between Union and Roy. The following two paragraphs, taken from Beckons: Invigorating the Spine of Capitol Hill (UW 2005), describe the history of this retail area:

“Both Capitol Hill in general and Broadway in particular, have a history of being in flux. As recently as the 1970s, the culture of Broadway became dominated by younger, more urbane clientele, fueled in part from the presence of south Broadway’s anchor, the Seattle Central Community College (SCCC). The eighties and nineties witnessed an increase and legitimization of the ‘Culture of Broadway’, with tourist guides and newspaper articles touting the place as the ‘hippest’ and ‘most happening’ area in all of Seattle.

The 2000 downturn in both the national and local economies brought this period of Broadway to an end, however. The youth-oriented culture of Capitol Hill gave way to a seedier culture, creating a self-fulfilling scenario of a low demand retail mix, resulting in fewer shoppers, which prompted more businesses leaving, sending the district into further decline.”

Since the turnaround following the 2000 downturn, the corridor has gone through a significant revitalization, and arguably represents the hottest multi-family development market in the City today. Although it felt some pain during the crash of 2007, over the last five years there have been a number of mixed-use projects built that include a retail component. New construction has been partly fueled by a recovery in the overall multi-family market, partly by the area’s favorable demographics, and partly by a number of large public infrastructure projects that will improve public transportation to the area. There are still some seedy pockets, many of the most depressed sections however, have been redeveloped and the corridor as a whole continues to gentrify.

Retail Mix

INTRODUCTION

The following section details the changes that have taken place since the 2007 Report was completed.

RETAIL MIX 2007

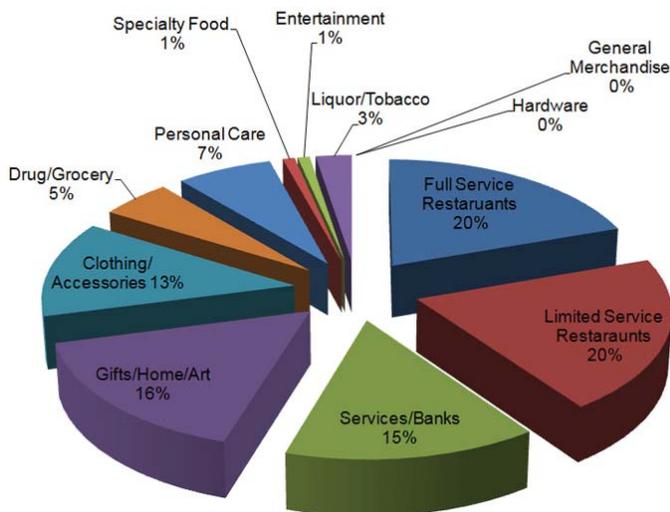
In 2007 Gray and Associates conducted a retail mix analysis as part of its Broadway Corridor Retail Strategy Report (2007 Report). According to the 2007 Report, the Corridor was “a mix of unkempt storefronts, quick serve or fast-food restaurants and service uses mingled with a few restaurants and boutiques.” The report also makes the following points:

- Broadway’s culinary scene is being tarnished by an abundance of fast food and low quality restaurants.
- There are a high number of service businesses which are typically “one-stop” shops that do not produce the waterfall affect desired in a retail neighborhood.
- Grocery and convenience stores occupy key street corners and dominate the street presence which detracts from the hip retail vibe and keeps trendy retailers from locating on Broadway
- A high number of salons and vacant storefronts weigh down the corridor.
- There are a significant number of stores which cast an unfavorable image on Broadway. For example, Castle Video, an adult video store, is located in the heart of one of two facing blocks, which are heavily populated with restaurants. Other unfavorable tenants along Broadway include check cashing, tobacco, and liquor stores. Additionally, government uses and financial institutions occupy key retail corners.

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The 2007 Report concludes with, “the Broadway’s tenant mix leaves much room for improvement yet has a handful of stores and restaurants from which to develop around.” Exhibit 16 illustrates the mix of retailers along the Corridor in 2007.

Exhibit 16 - Broadway Retail Mix (2007)



RETAIL MIX 2012

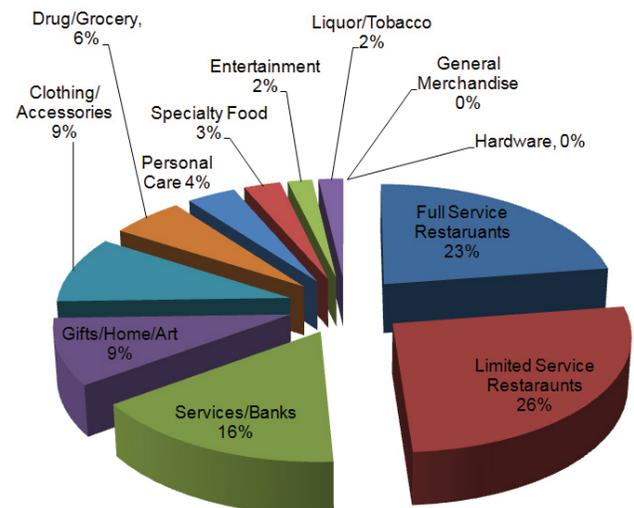
Exhibit 17 illustrates the retail mix along the Corridor. For a detailed list of ground floor uses within the Corridor today see Appendix 1.

New development in the Corridor since 2007 has affected the retail environment including;

- The completion of four mixed-use projects and a fifth that is currently under construction. Each of these projects includes a retail component, and most of the projects displaced existing retailers by demolishing existing space.
- The construction of a light rail station that led to the relocation of a number of Corridor retailers.

These new projects along with a rebound in the local economy have driven developer speculation within the Corridor to new heights. While much of the development is positive and adds to the long term growth of the Corridor, it does present challenges for some of the local retailers that have historically given Broadway its eclectic flavor. As older lower cost buildings are being replaced by newer higher rent spaces, chain retailers, particularly limited

Exhibit 17 - Broadway Retail Mix (2012)



service restaurants, are replacing local businesses. This is happening in part due to the fact that successful chains can afford to take a temporary loss on higher rent space while building up a customer base, by offsetting the loss against more established profitable locations in other areas; something many single location retailers can't afford to do.

Of the 20 retailers that currently occupy retail space in the four mixed-use buildings constructed since 2007, 11 are Limited Service Restaurants, and all but one is a chain or franchise operator. In fact, as shown in Exhibits 16 and 17, the number of Limited Service Restaurants has increased from 20% of the total retail mix in 2007 to 26% today, while the number of retailers that generate multi-stop

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shoppers (Gifts/Home/Art and Clothing & Accessories) has decreased from 34% in 2007 to 19% today.

Other notable changes to the Corridor's retail mix over the last five years include:

- A decrease in the number of personal care businesses, a category primarily consisting of salons, from 7% in 2007 to 4% of the overall mix today.
- An increase in specialty food offerings from 1% in 2007 to 3% of the overall mix today.
- Although the Service/Bank category remains unchanged, this category now consists of a greater number of traditional banks and fewer check cashing operations.
- Due to a change in the liquor law, the state run liquor store closed down, and the liquor sales now take place in the Corridor's two QFC's.
- There has been minimal or no change in the Drug & Grocery, and entertainment categories.
- The corridor still lacks both a general merchandiser and a hardware store.

SUMMARY

Since 2007 a number of public and private developments have either been delivered to the Corridor or are currently under construction.

The most significant retail growth has been in the Limited Service Restaurant category. Much of the growth is attributable to limited service restaurants tenanted a disproportionate amount of recently built space. During this same period, the combined Gifts/Home/Art and Clothing & Accessories categories, have decreased as a percentage of the total retail mix. As in 2007, the Corridor still lacks a General Merchandiser.

Existing Retail Conditions

INTRODUCTION

This section defines each retail category and its place in Broadway's current and future retail mix.

RETAIL CONDITION BY CATEGORY

Full Service Restaurants

Full service restaurants consist of both fine dining establishments and casual eateries. Although there are differences between the two restaurant types they fall under the same general category due to the fact that in addition to kitchen staff, both restaurant types employ wait staff, servers, and in many cases bartenders.

- *Fine dining establishments* typically represent the top restaurants and offer service and food of the highest quality. An excellent fine dining restaurant can generate strong customer draw from the local trade area, but a single establishment in an urban area will rarely capture a significant amount of expenditures from beyond two miles away. The only fine dining option within the Corridor is Poppy.
- *Casual eateries* offer full table service, but generally offer food and service of a lesser quality than fine dining establishments, at lower prices. Relative to fine dining, they are typically more insulated from economic downturns when many people do not feel that they can afford to eat at upscale restaurants. Examples of casual eateries along the Corridor include Americana, Broadway Grill, Julia's, La Cocina & Cantina, and Aoki Japanese Grill & Sushi.

Casual eateries compete with both fine dining and fast casual restaurants. Although some casual eateries like La Cocina & Cantina, which have been establishing a customer base for decades are likely to remain strong, new entrants and struggling casual eateries face an

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uphill battle against the growing number of fast casual restaurants locating to the Corridor.

Limited Service Restaurants

Limited service offerings include fast casual and quick service restaurants, as well as coffee, ice cream, and other similar offerings. These restaurants typically offer limited service and lower prices than full service restaurants. They also do not typically attract customers from beyond a few miles or multi-stop shoppers.

- *Fast casual restaurants* typically offer better quality food and more upscale dining than quick-service restaurants but with a less expensive menu and less service than full service restaurants. Examples of fast casual restaurants along Broadway include Blue Moon, Ooba Tooba Mexican Grill, Panera Bread, and MOD Pizza. According to the 2009 CCIM article Feasting on Fast casual, the typical space requirements for this sector are small but the concepts bring high customer volumes which allow them to swallow high per square foot rents. This makes fast casual restaurants a popular tenant with landlords trying lease high quality space as evidenced by the disproportion amount of space that these concepts represent in the Corridor's newest developments. This category will likely continue to grow along Broadway, as new retail space is added and additional fast casual offerings like Chipotle consider this market.
- *Quick service* restaurants are characterized by simple décor, inexpensive food items, and speedy service. This category includes typical fast food restaurants and other quick serve offering. Examples of quick service restaurants along Broadway include Subway, Taco Del Mar, and Qdoba.

Drug & Grocery

This category consists of supermarkets, convenience stores, and drug stores. Convenience stores are typically

smaller and more expensive than supermarkets. Lately many of the larger drug store operators, like Walgreens and Rite-aid, have been expanding into the Convenience sub-category.

There are currently two QFC grocery stores, and four convenience stores including a Walgreens, a Rite-Aid, a Super 97, and a Bartells in the Corridor. There are no stand-alone drug stores; however, three of the convenience stores and one of the QFC's contains a pharmacy.

What isn't currently available within the Corridor is a specialty brand grocery store like Trader Joe's, Fresh&Easy, or Whole Foods. One advantage to specialty stores is that they tend to require less space (starting as small as 8,000 square feet) than supermarkets, which may allow one to fit into an existing Corridor retail space.

Specialty Food

Specialty food stores include retailers that sell a particular type of food that doesn't fit into the grocery or restaurant categories. Many times these retailers focus on organic, handmade, or local food offerings. Examples on Broadway include; Dilettante Chocolates which sells locally made gourmet chocolates; Eat local which sells prepared food made with organic, locally grown ingredients; and the Confectional, a boutique cheesecake bakery that does all its baking on-site.

Specialty food businesses typically like to cluster in areas with high foot traffic, target both tourists and local residents, and help characterize a retail corridor's unique retail flavor. Tourist-centric corridors like Pike Place Market and Front Street in Leavenworth are ideal locations for specialty food stores. An increase in Corridor tourist activity would make this a more attractive market for this category of retailer.

Liquor & Tobacco

Of all the categories, the Liquor & Tobacco category

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has been most affected by government regulation since the 2007 Report. Since 2007, the State of Washington privatized liquor sales, but prohibited retailers occupying less than 10,000 square feet to sell liquor. This law has resulted in the shuttering of one state liquor store, and shifted liquor sales to the two Corridor QFCs.

The corridor still contains two tobacco shops; however a more lenient stance on marijuana dispensaries at the state level has resulted in a marijuana dispensary opening above the Castle Video space. Just recently, Washington voters chose to decriminalize marijuana at the state level. While the implications are unclear, marijuana dispensaries could become increasing presence in the Corridor.

Gifts/Home/Art

Gift shops, home furnishing stores, and art retailers typically sell goods for use or display at home. These retailers generate a high number of multi-stop shoppers and typically add interest to a retail corridor. The 2007 Report noted that this category was underdeveloped along the Corridor, and as a result did not create the cluster effect that compels as many multi-store shoppers as any one store could. Unfortunately, this category has declined more than any other retail category within the Corridor over the last five years, declining from 16% of the total retail mix in 2007 to 9% today.

A portion of these losses likely stem from e-commerce retailers like I-tunes, Netflix, and Kindle outcompeting brick-and-mortar operations in the book, music, and video sub-categories. Of the nine retailers in this category to close in the last five years, five were in the Book/Video/Music sub-categories. Art galleries in particular add interest to a retail Corridor and work well in places with high concentrations of restaurants; however, galleries locate in clusters which puts the Corridor at a significant disadvantage relative to other areas with an established gallery scene.

Clothing & Accessories

Similar to the Gifts/Home/Art category, the Clothing & Accessories category generates multi-stop shoppers and makes up smaller percentage of the overall retail mix today, then in 2007. Businesses operating within this category in Corridor today include a mix of national retailers like Urban Outfitters and American Apparel, and local boutiques such as Panache, Aprie, and World Beads.

As mentioned in the 2007 Report, the close proximity to Downtown Seattle and University Village largely precludes national retailers with existing locations from locating on Broadway. New to market clothing chains that value Broadway's residential density over the benefit of locating in an established cluster however, may view the Corridor as an attractive option.

Boutique operations targeting Broadway's young hip demographic are also attracted to the Corridor.

These retailers typically feed off each other, and are attracted to areas with a high concentration of other boutique retailers.

General Merchandise

General merchandise stores are defined as stores that offer one-stop shopping. They typically offer relatively low prices and focus on meeting the needs of the population living within a three to six mile area. General merchandisers include retailers like Target, Fred Myer, and Wal-Mart. This category of retailer can anchor a corridor by drawing shoppers initially attracted to the anchor, to shop at surrounding retailers.

The Corridor has not had a general merchandiser since Fred Meyer converted its Broadway location into a QFC in 2004. General merchandisers typically require 100,000+ square feet of building area plus room for 3 to 4 parking spaces per 1,000 square feet of building area. One of the challenges the Corridor faces in trying to attract this category of retailer is a lack of spaces large enough to

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accommodate this requirement. To penetrate the urban areas, general merchandisers like Wal-Mart and Target are rolling out stores with smaller footprints, a carefully selected assortment of goods, and lower parking ratios. These smaller stores however, are typically require 60,000+ square feet of building area, which is still too large to be accommodated by existing Corridor retail spaces. To provide context, Target's City Target in Downtown Seattle is 96,000 square feet in size, located on three floors, and has a parking ratio of approximately 2 per 1,000 square feet.

Another issue general merchandisers can face in urban areas is community resistance. Due to significant economies of scale, general merchandisers often maintain such a competitive advantage over local competition that it is difficult for local businesses with overlapping offerings to operate profitably.

Hardware

A hardware store's primary customer base is typically comprised of do-it-yourself (DIY) customers. Unlike home centers such as Lowes and Home Depot which occupy 90,000+ square feet buildings, hardware stores do not typically carry lumber and other large building items, and offer a relatively narrow selection of each item; for this reason, hardware stores can locate in spaces as small as 4,000 square feet, and average 8,555 square feet in the US, according to the 2006 Hardware Retailing Annual Report. Examples of large hardware stores include Ace and True Value. One of the challenges with this Corridor is the high percentage of renter households, as the DIY market primarily consists of homeowners. Ace for example, prefers markets with a home ownership rate of at least 65%. The home ownership rate in the Corridor's primary market area is currently only 16%.

Bank & Other Services

The Bank & Other Services category consists of service businesses that sell things that are not tangible. Although

these businesses do not stock inventory they may stock tools and supplies. The most common type of service business in many retail areas, and certainly along the Corridor, is banks.

Along the Corridor almost 65% of the service businesses are banks, this is up from about 40% in 2007, and will likely continue increasing as at least two additional banks are contemplating locations within the Corridor. As stated in the 2007 Report, many of the Corridor's main retail corners are occupied by banks. This can be an issue because banks usually contain blank walls that interrupt the flow of the retail shopping experience.

Other businesses in this category, like government services, auto repair businesses, and funeral homes also have this effect, and can sometimes adequately serve the market on secondary streets. Examples of non-bank service businesses within the Corridor include the Bonny Watson Funeral Home, Social Skins Tattoos, and the US Post Office.

Personal Care

This category primarily consists of hair salons, nail salons, and spas. This type of retailer typically attracts precision shoppers, which are one stop shoppers that do not drive retail purchases at surrounding businesses. Many times these businesses, particularly nail salons, are viewed by landlords as tenants of last resort due to high turnover rates, low credit status, and in some cases high use of chemicals that risk causing environmental liability for the landlord. Some businesses within this category however, such as high end spas and hair salons, can add to the cachet of a retail area. Within the Corridor personal care offerings have dropped from 7% of the overall retail mix in 2007 to 4% today, due mostly to a number of displaced nail salons that can't keep up with the cost of increasing rental rates and the limited number of small (less than 500 SF) spaces available for lease.

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Entertainment

The Entertainment category includes businesses like theaters, clubs, and bowling alleys. Entertainment venues can be extremely beneficial to a retail corridor and in some cases anchor a corridor. Many entertainment businesses draw customers from large geographic areas, and generate multi-stop shoppers that support other area businesses, especially restaurants. Certain entertainment businesses like night clubs and movie theaters can also attract people to a corridor during non-peak hours which generates customer activity for surrounding businesses beyond typical operating hours.

The only entertainment businesses currently operating within the Corridor are a handful of clubs which include the Q Nightclub and Neighbors Nightclub. There are also a few entertainment venues adjacent to the Corridor, which influence shopping behavior within the Corridor, such as the Landmark Theater to the north and Garage Bowl to the south.

Retailer Survey

INTRO

To understand the realities of operating a retail business within the Corridor, 55 of the 106 identified Corridor retailers were surveyed. Among other questions, the survey asked retailers to name the top three benefits and challenges to operating a business within the Corridor, and to make specific recommendations for improving the Corridor's retail environment. Of the 55 respondents, 21 were business owners, 30 were managers, and 4 held other positions.

The full survey, included in Appendix 2, was anonymous in nature; therefore, the results are summarized in this section without reference to specific retailers.

SUMMARY

The three most commonly cited benefits to operating a business within the Corridor were foot traffic (40%), population density (24%), and Broadway's hip reputation (16%). Other commonly cited benefits include the diverse local population, the high student population, the diversity of Corridor businesses, an established customer base, and the significant tourist traffic.

The three most commonly cited challenges to operating a business within the Corridor were dealing with street people (40%), the lack of convenient affordable parking (35%), and effects of construction (15%). Other commonly cited challenges included the lack of law enforcement, increasing rental rates, general crime, declining business diversity, and insufficient streetscape maintenance.

BENEFITS

Foot Traffic

According to retailers, high foot traffic is one of the greatest benefits to operating within the Corridor and was the most commonly cited reason for deciding to locate to the Corridor in the first place. Restaurants in particular almost always cited foot traffic as a notable benefit.

Although retailers were overwhelmingly positive about the amount of foot traffic along the Corridor there were a few issues mentioned including;

- Complaints about decreasing foot traffic due to a mix of both public and private construction projects.
- Several retailers located to the north of Republican Street were disappointed with the amount of foot traffic. According to these retailers foot traffic falls off significantly at Republican Street due to the combination of, two large mixed-use construction projects, which have created a retail dead zone, a high number businesses that are new to the area (less

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than 2yrs. old) that haven't had a chance to build up a customer base, and a general lack awareness about the existence of retailers on the north end of Broadway.

Population Density

Not surprisingly a significant number of businesses cited high residential population density as one of the top three benefits to being located in the Corridor. As discussed in the demographic section of this report, the Corridor's Primary Market Area is one of the densest residential areas in Washington State. Density will likely continue to increase, with 3,000+ multi-family units planned for construction within the Corridor's Primary Market Area over the next five years.

Broadway's Hip Reputation

Historically, the Corridor has been known as a hip area to live, shop, and do business. This is evidenced by the high percentage of retailers that cited Broadway's hip reputation as one of the main reasons they decided to locate to the corridor. Being located in a hip area allows businesses to connect with young shoppers and attract employees who want to work in a hip environment; it also draws businesses to the corridor that are on the cutting edge of new trends, which results in a more dynamic shopping experience.

Many of Broadway's hippest businesses are local operators that depend on low rent commercial space. As this space is replaced by new, higher rent space, many of these businesses are finding it hard to operate profitably, causing them to vacate the Corridor. As one long time operator put it, "Broadway is losing its sparkle". In fact, a few of the long time owner/operators surveyed for this study said that one of the only things keeping them from leaving the Corridor is their existing customer base.

CHALLENGES

Street People

The most commonly cited challenge to operating a retail business within the Corridor can generally be categorized as issues related to street people. It's worth noting that a much larger percentage of businesses to the south of Republican Street cited issues with street people, than to the north. A number of businesses also pointed to the parking lot and alley surrounding Dick's Drive-In as a gathering place for street people

In general, the issues with street people fell into four sub-categories which are listed below in order of the frequency in which respondents cited the particular issue;

- *Loitering* was the most commonly cited issue. Many retailers were particularly upset with the number of street people that "camp out" at one location for days, and in some cases weeks at a time. The general feeling was that "sidewalk camping" advertised that fact that there is no loitering enforcement along Broadway.
- *Public abuse of drugs and alcohol* by street people along Broadway and the surrounding alleys was a major concern for many businesses. As one owner put it, "the high number of crazy street people on Broadway hurts repeat business by leaving a bad taste in customer's mouths".
- *Aggressive panhandling* was another issue cited under this category; however, the practice wasn't just limited to street people, as a number of retailers also complained about aggressive panhandling by people trying to raise money for humanitarian issues.
- *Safety and theft* related issues caused by street people was another concern of many retailers. The

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general consensus was that safety concerns kept potential customers from shopping the Corridor and stressed employees. It was also generally felt that the number of police dedicated to the Corridor was insufficient, as was the incident response time. One business owner even commented that the response time for shoplifting was so poor that he had given up calling the police.

Parking

Parking was the second most commonly cited issue faced by Corridor businesses. According to some retailers the parking problem has been exacerbated in recent years due to new construction both adding residents with vehicles, and displacing existing parking spaces.

While most businesses felt that the best case scenario would be to add more public parking, many also felt that more practical measures, if implemented, could also go a long way. A few specific parking related issues included;

- According to many of the restaurant operators, extending the public meter hour from 6pm to 8pm caused a significant shift in the dinner crowd. Some restaurants simply saw their dinner crowd shrink, while others saw the dinner crowd transition from a steady stream between 6pm and closing, to a dinner rush from 8pm till closing. The rush has caused restaurants turn customers away during peak times and necessitates keeping more staff on hand till close. The ultimate result is lower revenues and higher employment expenses.
- A number of restaurants, particularly in the limited service category, indicated that charging up to \$3.00 per hour for public parking was too high, as it can double the cost of a meal which makes customers think twice before deciding to eat at Corridor restaurants.
- A few businesses were specifically concerned with the

lack of employee parking.

Construction

The Corridor has been experiencing a construction boom over the last five years. Since 2007 there have been a number of private mixed-use developments, and two large public transportation projects; the Capitol Hill Light Rail Station and First Hill Streetcar Line.

Both the public and private mixed-use developments have created temporary dead spaces along the Corridor which, according to a number of business owners, has negatively impacted customer traffic.

Many long time businesses complained that customer traffic dropped significantly since construction started, and that it has been difficult to schedule business around construction due to a lack of concise communication from the responsible agencies/developers.

While many businesses believe that the benefits of this construction will outweigh the inconvenience, others don't think that they will be able to survive the construction, therefore won't reap the long term benefits.

It is worth noting that a number of factors influence customer traffic and that additional analysis would be required to determine the correlation between construction activity and customer traffic. It is also worth noting that, according to Sound Transit, significant effort has been put into minimizing construction's impact on Corridor businesses.

RETAILER SUGGESTIONS

This section outlines retailers' recommendations for measures that the Chamber can take, or advocate for, to improve the retail environment within the Corridor. The responses generally fit into five categories, street people, foot traffic, construction, parking, and other. The following paragraphs summarize each of the five categories.

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Street People

To deal with street people, retailers recommended that the Seattle Police Department (SPD) take a stricter approach to law enforcement; particularly to drug use, loitering, public drunkenness, and shop lifting. Recommendations included advocating for;

- more police officers dedicated to patrolling the Corridor;
- the implementation of an aggressive panhandling law;
- a no tolerance approach to those who loiter at a single location for multiple days;
- the SPD to spend more time walking the corridor and checking in with businesses;
- and for the SPD to improve incident response times.

Foot Traffic

To increase foot traffic, particularly to the north of Republican Street, retailers recommended;

- adding retail directories at street corners, the future light rail station, and other high traffic areas;
- placing more “Shop Broadway” ads in publications like the Stranger, Seattle Weekly, and Seattle Times;
- continuing to advocate for expedited streetcar connectivity to North Broadway;
- locate the farmers market in an area that encourages Corridor exploration;
- and hosting more events on Broadway.

Construction

To help retailers thrive through major construction projects, it was recommended that the Chamber;

- spend more money advertising the fact that businesses are open during construction;
- create signage to direct shoppers past the “dead

zones” caused by construction projects;

- and to facilitate better communication between the agencies/developers responsible for construction projects, and Corridor businesses.

Parking

To help mitigate issues related to the perceived lack of affordable parking, retailers recommended;

- advocating for moving metered parking hours back from 8pm to 6pm;
- advocating for reducing hourly meter rates;
- providing public parking passes to business owners and employees;
- and if funding were available, constructing a large well lit public parking garage.

Other

Recommendations that did not fit into one of the other four categories included;

- advocating for better street maintenance;
- cracking down on people who aggressively push advocacy issues from the sidewalk;
- taking steps to encourage a greater mix of retailers;
- and adding more bike racks along the Corridor.

Strategic Recommendations

Although the Corridor enjoys a retail environment that would be enviable to most other neighborhoods in the City, there is opportunity for improvement. In a nutshell, these improvements revolve around; cleaning-up the southern and central sections of the Corridor; increasing customer activity along the northern section and at locations affected by construction; and attracting a greater diversity of retailers, particularly those that generate multi-stop shoppers. The following is a list of 10 recommendations

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aimed at improving the Corridor's retail environment.

1. As mentioned in the 2007 Report, to encourage the redevelopment of underutilized properties, particularly those that interrupt the shopping flow, the chamber can develop a "marketing package" outlining site opportunities for use as a sales tool by property owners and retail brokers. Priority focus is on properties that represent turnaround opportunities, meaning blighted properties. The marketing package can be designed to target the types of retail that are underrepresented or that generate multi-stop shoppers including, a general merchandiser, entertainment venues, a specialty grocery store, businesses in the Gifts/Home/Art category, and businesses in the Clothing & Accessories category.
2. To limit collateral damage caused by multi-year construction projects on Corridor businesses, the Chamber can facilitate better communication between the agencies and developers responsible for the projects and Corridor businesses. More specifically, the Chamber can make sure businesses get concise information about road closures, parking adjustments, utility shut-offs, and other potential disruptions, in a timely manner. Additionally, the Chamber can advertise the fact that Corridor businesses are open during construction, and create signage aimed at directing shoppers past "dead zones" created by construction projects.
3. The high concentration of street people on Broadway has a negative impact on the shopping atmosphere and can deter potential customers from shopping the Corridor. To address the issue, the Chamber can also advocate for an aggressive panhandling law. It is also recommended that the Chamber advocate for strict enforcement of the amount time a person can "camp out" at a single location on a public sidewalk.
4. To create a safer shopping environment the Chamber can advocate for additional police dedicated to the Corridor and stricter enforcement of public drunkenness, drug use, and shoplifting. The Chamber can encourage the Seattle Police Department to dedicate more time to walking the Corridor, including into stores, as opposed to staking out specific corners.
5. To help mitigate issues related to the perceived lack of affordable parking, the Chamber can advocate for shifting the metered parking hours from 8pm to 6pm, and for the reduction of parking rates along the entire Corridor.
6. The Chamber can work with the City of Seattle and the business community to direct additional resources toward street/sidewalk cleaning, and tree trimming.
7. Many of the Corridor's existing businesses close during non-peak hours. The Chamber can encourage retail businesses to remain open during non-peak hours for the benefit of the Corridor as a whole. Sporadic closing's hurt the Corridor's ability to compete with other shopping areas that keep consistent hours, as customers like the convenience of being able to shop an area without first checking individual store hours.
8. The Chamber hosts events each year that attract people to Capitol Hill. To increase consumer spending within the Corridor, businesses need to be provided ample advanced notice to prepare. Events need to be held in locations that are within sight of Corridor retailers. Events also need to target attendees that align with Corridor retailer's target customers and promote exploration of the corridor (for example trick-or-treat or scavenger-hunt events that draw people into participating retailers). The Chamber should also advocate for positioning the farmers market in a location that encourages Corridor exploration.
9. As mentioned in the 2007 Report, in order to enhance the street-front appeal of the Corridor, the Chamber can work with its members, the City of Seattle, and other stakeholders to create a storefront improvement program. This program should include incentives like free sign design or graphic assistance, matching funds to improve worn facades, and expedited review and approval process.
10. The Chamber is active on many fronts; it creates business activity through its efforts, and understands the unique character of the Corridor. To build on its success the Chamber should more aggressively communicate its accomplishments.

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Appendix 1

CORRIDOR RETAIL MATRIX (2012)

Roy Street	Roy Street	John Street	John Street
De Lux Bar and Grill	Poppy	US Bank	Light Rail Station
Matrix Communication	The Confectional	Crazy Cherry	
Aoki Japanese Grill & Sushi	Bank of America	Vacant	
Dreamscape Massage	Vacant	Dick's	
Altura Restaurant	Lab5 Fitness	Broadway Boutique	
Rom Mai Thai	Diamond Parking Lot	Perfect Copy and Print	
Vacant		Super 97 Store	
Social Skins Tattoo		Us Post Office	
Choice Tobacco		Denny Way	Denny Way
Byzantium		PEETS Coffee and Tea	Light Rail Station
	Mercer Street	Annapurna India	Diamond Parking Lot
Mercer Street	Dilettante Chocolates	Kings Teriyaki	
Umpqua Bank	Russell Jones Real Estate	Sound Transit Lot	
Vacant	Hour Eyes Optical	Seattle CCC	
ZoomCare	Espresso Vivace	Howell Street	Howell Street
Qdoba	The Vajara	Seattle CCC	Bonney Watson Funeral Home
MOD Pizza	Pho Thai Brothers		Seattle CCC
Blue Moon	Broadway Video		Seattle CCC Bookstore
Vacant	India Express		Diamond Parking Lot
GNC	All Pilgrims Church		Olive Street
Menechie			Olive Street
UPS Store			Seattle CCC
Eat Local			
Vacant			
	Republican Street		
Republican Street	Starbucks		
BECU	Lacucina & Cantina		
QFC	Emerald City Smoothie		
Urban Outfitters	Pagliacci Pizza		
	Hardware Haircuts		
	Wedgewood Veg. Thai		
	Infinity Nail and Spa		
	Panevino Bar		
	Seattle Cigar & Tobacco		
	Samuri Noodle		
	Five Fish Bistro		
	Pinto Thai & Sushi Bar		
	Phocyclo Café		
	Vacant		
	Harrison Street		
Harrison Street	TNT Espresso		
Crossroads Trading Co.	Teriyaki Wok		
Spin Cycle	Broadway Grill		
Mishu	Red Light Vintage		
Espresso Vivace	Aprie		
Chase	Julia's		
	Thomas Street		
Thomas Street	Vacant		
Jai Thai	Vacant		
Worlds Beads	Vacant		
Metro Clothing Company	Vacant		
Panache	Vacant		
Ha Na	Vacant		
Americana	Castle Video		
Charlie's	Subway		
Massia Ethnic Treasure	India Imports		
Mirch Masala	Vacant		
Ooba Tooba Mex Grill	American Apparel		
Rite Aid Pharmacy			
John Street	John Street	Union Street	Union Street

John Street	John Street	John Street	John Street
US Bank	Light Rail Station		
Crazy Cherry			
Vacant			
Dick's			
Broadway Boutique			
Perfect Copy and Print			
Super 97 Store			
Us Post Office			
Denny Way	Denny Way		
PEETS Coffee and Tea	Light Rail Station		
Annapurna India	Diamond Parking Lot		
Kings Teriyaki			
Sound Transit Lot			
Seattle CCC			
Howell Street	Howell Street		
Seattle CCC	Bonney Watson Funeral Home		
	Seattle CCC		
	Seattle CCC Bookstore		
	Diamond Parking Lot		
Olive Street	Olive Street		
Seattle CCC	Panera Bread		
	Youngurmland		
	Gamestop		
	Zpizza		
	Emerald City Smoothie		
	Genki Sushi		
	Blick Art Materials		
Pine Street	Pine Street		
Walgreens	Broadway Dental Program		
Follicle Barber Shop	Seattle CCC		
Broadway Café	Diamond Parking Lot		
Seattle CCC	Taco Del Mar		
Vacant	Vacant		
Neighbors Nightclub	Vacant		
Tully's Coffee Shop	Shell Station		
Pike Street	Pike Street		
QFC Grocery Store	Frame Central		
Bartells	Q Night Club		
Chase	Perkins Glass		
Dominos Pizza	Porsche Service		
Mediterranean Express	Diamond Parking Lot		
Vacant	Gilda's Club		
Great Clips			
8oz Burger			
Union Street	Union Street		

Legend

Full Service Restaurants	Services/Banks
Limited Service	Entertainment
Specialty Food	General Merchandise
Grocery/Drug	Liquor/Tobacco
Personal Care	Vacant/Parking/OtherParking
Gifts/Home/Art	Other
Clothing & Accessories	Vacant



Appendix 2

CORRIDOR RETAILER SURVEY



Broadway Corridor (Union to Roy) Retail Survey

Business

Contact Name..... #/Email.....

- 1) How long have you operated out of your current space?
- 2) Did you relocate your business from an area outside of the Broadway Corridor?
 - If so, what caused you to locate to the Broadway Corridor?
- 3) When does your current lease expire? Do you plan to stay?
 - If not, what other areas would you consider relocating to?

4) To gauge the current retail environment we're collecting tenant data:

Size of Space..... Lease Term..... Parking (D/S) #.....\$.....

Monthly Rent \$..... Monthly Utilities \$..... Rent Escalations.....

TI Allowance \$..... Other Incentives.....

5) As a retailer what are the top three benefits about being located on Broadway?

1).....2).....3).....

6) What are the top three challenges about being located on Broadway?

1).....2).....3).....

7) Do most of your customers walk or drive? Where do customers park?

8) How can Broadway be improved to make your business more profitable?

9) What is the gross revenue per square foot at this location?

- A) \$0-300
- B) \$301-600
- C) \$601-900
- D) \$901+