

RETAIL MARKET STUDY

for

**Fairfield Commercial Development
East 23rd Street**

LAWRENCE, KANSAS

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Prepared by

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The purpose of this study is to provide an independent retail market analysis for new commercial development planned in Lawrence, Kansas. More specifically, this analysis has been prepared to assess the demand for retail commercial development constructed over the next decade in East Lawrence fronting on a parcel located on the south side of East 23rd Street (Kansas Highway 10) and east of O'Connell Road. The parcel is a part of the Fairfield Farms development.

This retail market study has been prepared in accordance with City of Lawrence Land Development Code Sec. 20-1107. The proposed commercial development is planned to include a combination of retail and a limited number of office uses. The following factors and conditions were examined:

- Recent and projected population and employment trends for Lawrence and immediately east of Lawrence along K-10 highway
- Retail and non-retail commercial data in Lawrence
- Review of retail occupancy and vacancy rates in Lawrence and East Lawrence sub-market areas

This market study is presented in four sections:

- I. Executive Summary
- II. Retail Market Conditions
- III. East Lawrence Retail Market Overview
- IV. Projected Commercial Demand Analysis and Conclusion

I. EXECUTIVE SUMMARY

The commercial center within the Fairfield Farms East development consists of approximately 34 acres. It has been planned by the City of Lawrence to be zoned as CC200. At a site coverage ratio of less than .20, the parcel is planned to accommodate 235,000 square feet of commercial (retail and office) development upon completion. The projected mix of commercial uses on the parcel is presented in the following Table A. The site plan lower proportion of non-retail than found elsewhere in Lawrence including the East 23rd Street area.

Table A
Fairfield Commercial Center Summary

Commercial Use	Square Feet	Percent of Center
Retail	199,000	84.7%
Non-retail/Office	36,000	15.3%
TOTAL	235,000	100%

There is an average annual demand for approximately 147,720 square feet of new retail development in the Lawrence over the next decade. The proposed Fairfield commercial development, including the non-retail uses on the parcel, on East 23rd Street at O'Connell Road represents approximately 15 percent of this citywide projected demand. The potential retail and office uses are discussed in the body of this market study.

These absorption projections are based on the following findings and conclusions:

1. Lawrence population and income growth will continue to grow during the next decade yet the retail market is not being completely served.
2. Kansas State University and the Kansas Department of Revenue report that Lawrence and Douglas County's retail "pull factors" have both declined in the past decade. Douglas County fell below 1.00 in 1998 and has experienced retail sales "leakage" to other counties since that time. (See Table G.) Lawrence's pull factor ranks 8th among 10 Kansas mid-sized cities. Douglas County's pull factor declined by 10 percent from 2006 to 2007.
3. Lawrence has a retail vacancy that is below average compared to national and regional retail averages. (See Table D.)

Non-Retail Uses in Commercial Districts

The commercial uses in the proposed Fairfield development include a combination of retail and office uses. This commercial mix is within the range reported in the City of Lawrence Retail Market Report 2006 that identified approximately 38.8 percent of the square footage in Lawrence's 17 commercial districts is occupied by non-retail tenants. The city's data reports that this mix occurs throughout Lawrence, where as little as 13 percent of the square footage is found in two commercial districts to more than 60 percent of the square footage in three commercial districts is occupied by non-retail users.

The proposed Fairfield commercial project is located in the East 23rd Street commercial district, as defined by the city's 2006 retail market report. (See Table B – "Existing and Projected Percent of Square Footage by District by Use.")

The city's current commercial inventory offers meaningful insight into the mix of business activity that exists in Lawrence's commercial districts. The proposed Fairfield commercial development includes a modest percentage of non retail use, less than the mix of uses found on a citywide basis, 39 percent non-retail, excluding vacant space.

Table B
Existing and Projected Percent of Square Footage by District by Use

Sub-Market District	Retail Uses	Non-Retail Uses	Vacant
East 23 rd Street existing: Total: square feet: 413,749	51.8%	31.8%	9.4%
City of Lawrence citywide	54.3%	39.0%	6.7%
East 23 rd Street projected: With Fairfield (+235,000 sq. feet = 648,796 total sq. feet)	199,000 = 64% of East 23 rd St.	36,000 = 36% of East 23 rd St.	N / A

Source: City of Lawrence Retail Market Report 2007.

As a result of these prevailing conditions, Fairfield's 235,000 square feet is planned to include 199,000 square feet of retail users and 36,000 square feet of non-retail commercial users. Upon completion and occupancy of Fairfield, the East 23rd Street commercial district will approach a more comparable mix of retail and non-retail uses as other parts of the city.

II. LAWRENCE RETAIL MARKET CONDITIONS

This section of the study describes the prevailing conditions and factors that influence the retail market in Lawrence – income, population, employment and retail occupancy and vacancy rates.

A. Local Income Levels

Local per capita and household income levels significantly influence retail sales patterns. In 2005, Douglas County had a per capita income of \$29,097 according to data published by the U.S Department of Commerce Bureau of Economic Analysis. It is widely acknowledged that countywide income levels are influenced in Douglas County because of the number of college students factored into per capita income calculations. Nevertheless, since 2000, Douglas County's per capita income grew after adjusting for inflation. (See Table C - "Per Capita Income Trends 2000 – 2005 (in 2006 consumer price index inflation adjusted dollars.)")

Table C
Per Capita Income Trends 2000 – 2005

Year	Douglas County
2000	\$24,200
2004 Actual	\$28,291
2005 Actual	\$28,394
2000 Inflation Adjusted to 2005	\$27,446
2000 – 2005 Percent Change	17.3%
2000 – 2005 Inflation Adjusted Change	13.4%

Source: U.S Department of Commerce Bureau of Economic Analysis.

B. Lawrence Population

Population growth is one of the key factors influencing retail demand. In the past decade, Lawrence has added an average of 1,483 new residents per year since 1995. The most recent population figure prepared by Lawrence/Douglas County Metropolitan Planning in January 2007 set the city's population at 90,475.

Horizon 2020 projects the city's population to increase to approximately 95,178 (the plan's middle population scenario) by 2010 and over 110,000 by 2020 contributing to an on-going demand for additions to the city's retail supply. New retail construction is predominantly planned in the two areas of Lawrence experiencing the most new residential development – southeast and northwest Lawrence. Otherwise, the South Iowa Street commercial corridor is nearly built out. New retail in Downtown Lawrence will only occur only through redevelopment.

The pace of the city and county's population growth is influenced by a range of factors beyond the direct control of the city such as interest rates and national demographic trends. Nevertheless, Lawrence's population growth patterns continue to exceed the rate of growth for four of five surrounding counties areas and the State of Kansas, though the population growth rate is less than experienced in nearby Johnson County which has been impacted by the continuing attraction of major private employers.

C. Douglas County Employment

Cities with large concentrations of employment require retail support regardless of population trends. Employment growth in Douglas County is concentrated in Lawrence and further contributes to the growth in local sales tax collections and retail demand. In May, 2008, the

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Douglas County labor force reported an increase of over 3,000 workers since 2001, according to data from the Kansas Department of Labor.

In 2005, the Kansas Department of Labor projected the Northeast Kansas region of the state, a 17 county area that includes Douglas County but excludes Johnson and Wyandotte County, to increase employment by approximately 20,500 jobs by 2010. As the second largest county in this 17 county region, Douglas County will continue to attract its share of this expanded employment base.

In summary, the Lawrence retail market can be described as growing given the city and county's continuing and projected population and employment growth, and near record KU student enrollment and expected employment growth as a result of university-generated research activity.

D. Retail Vacancy Rates

A key indicator of the current condition of a retail market and influence on retail demand are retail vacancy rates. In 2007, the average retail vacancy rate for the nation's 50 largest major metropolitan areas was 7.3 percent according to Integra Realty Resources, Inc. Viewpoint 2008. The metropolitan Kansas City area retail vacancy rate was 9.8 percent. In 2006, Lawrence had a city-wide retail vacancy rate of 6.4 percent, lower than the region and the nation.

It is important for any community to maintain a reasonable inventory of available or potential projects in order to enable local, regional or national retail (office or industrial) prospects to have optional locations to serve their customers, employees or suppliers. This situation enables each respective market to respond to local demand.

The East 23rd Street submarket district contains 214,425 square feet of retail as defined by the City of Lawrence Retail Market Study 2006. The vacancy data for this district, including retail and non-retail uses, was 9.4 percent in 2006. (See Table D - "Lawrence Vacancy Rate Analysis by District 2006.") The citywide vacancy rate does not reflect the 2007 reopening of the Hereford House in March 2007. The reopening of 16,000 square foot restaurant reduces the city-wide vacancy rate from 6.7 percent to 6.4 percent.

In addition, a windshield survey of the 10 properties identified as vacant in the City of Lawrence inventory used for Retail Market Report 2006 found that three of these properties representing approximately 8,100 square feet are now occupied lowering the East 23rd Street sub-market area vacancy from the 9.3 percent rate reported in the city's 2006 report to approximately 7.4 percent.

Table D
Lawrence Vacancy Rate Analysis by District 2006

Commercial District	Total Square Feet	Vacant Square Feet	Vacancy Rate
East 23 rd Street	413,749	38,800	9.4%
<i>East 23rd Street (revised July 2008)</i>	<i>413,749</i>	<i>30,700</i>	<i>7.4%</i>
Downtown Lawrence	1,722,039	148,541	8.6%
All other Lawrence districts	5,633,871	317,642	5.6%
Total	7,581,660	488,183	6.4%

Source: City of Lawrence Retail Market Report 2006; September 2007; RICHARD CAPLAN & ASSOCIATES.

The development of Fairfield will increase the city-wide vacancy rate in the unlikely event that the proposed project was fully constructed and not occupied. However, since a majority of the commercial project is intended to be constructed in phases by different users, the entire amount of square footage would not be constructed unless and/or until tenants and/or owner-occupants are secured. Furthermore, because of the size of the two largest users, a grocery store and a home improvement center, will not be built until or unless a pre-leasing commitment is secured. Therefore, there is no possibility that the proposed development would be constructed and completely unoccupied.

Upon complete occupancy of the proposed development, the city-wide vacancy rate will decline by 0.1 percent. If the proposed commercial development is only 50 percent occupied, the city-wide vacancy rate would increase by 9.4 percent in the unlikely scenario that the entire proposed development is constructed and not occupied. (See Table E - "Proposed Development Impact on City of Lawrence Vacancy Rate.")

Table E
Proposed Development Impact on City of Lawrence Vacancy Rate

	City of Lawrence			Proposed Project		City-wide Vacancy Rate
Project Occupancy Assumption	Total Square Feet	Total Occupied Square Feet	Total Vacant Square Feet	Project Occupied Square Feet	Project Vacant Square Feet	
Retail and Non-retail	7,581,660	7,077,477	504,183	N / A	N / A	6.6%
<u>With Proposed Development:</u>						
100% Occupied	7,816,660	7,312,477	504,183	235,000	0	6.5%
50% Occupied	7,816,660	7,195,977	621,683	117,500	117,500	7.9%
0% Occupied	7,816,660	7,077,477	739,183	0	235,000	9.4%

Lawrence has experienced growth in retail sales over the past decade, attracting continued investment in the community to serve a growing population and employment base. However, since 1995, retail sales have increased 11.9 percent, after adjusting for inflation, and have not kept pace with the city's population and per capita income. (See Table F - "Lawrence Retail Sales and Income Trends 1995 – 2007.") The fact that retail sales have not kept up with population and per capita income growth is consistent with the decline in the city's retail pull factor from 1.26 in 1995 to 1.12 in 2006. (See Table G.) Douglas County's retail pull factor has also declined over the past decade. A slowdown in retail sales growth in 2007 is attributed, in part, to a slowdown in the national economy. Nevertheless, Douglas County's pull factor declined by 10 percent in the past year. This decline exceeds any key economic indicators.

The most realistic explanation by independent observers for retail sales not keeping pace with population and income growth is that the range of retail products and/or selection in Lawrence has declined over the past decade. Consequently, retail sales that used to occur in Lawrence in 1995 are now leaking to other nearby cities and counties, especially newer retail stores with wider selection in Wyandotte and Johnson Counties.

Table F
Lawrence Retail Sales and Income Trends 1995 – 2007

Year	Lawrence Population	Retail Sales Tax Collections (Cash Basis)	Adjusted Retail Sales Tax Collections – 2006 \$ @
1995	73,235	\$8,427,203	\$10,959,907
2000	80,098	\$10,348,071	\$11,866,772
2001	81,457	\$10,739,915	\$11,995,391
2002	83,495	\$10,789,837	\$11,906,452
2003	85,282	\$10,914,097	\$11,813,913
2004	87,184	\$11,438,872	\$12,090,374
2005	88,664	\$11,841,727	\$12,130,856
2006	89,690	\$12,260,437	\$12,260,437
2007	90,475	\$12,370,800	N / A
1995 – 2007 Change	23.5%	46.8%	11.9%

Source: U.S. Census; Lawrence/Douglas County Metropolitan Planning Department;
City of Lawrence Finance Department.

@ = U.S. Bureau of Labor Statistics inflation calculator.

Further evidence of this trend was noted in a 2005 study that despite the income and population growth rate over the past decade, Lawrence is considered “under retailed” by outside retail analysts and industry representatives. According to an independent retail market study commissioned in 2005 by the City of Lawrence, Development Strategies of St. Louis, Missouri found that Lawrence’s retail sales and pull factor were lower than 12 peer cities in the Midwest, including several university communities.

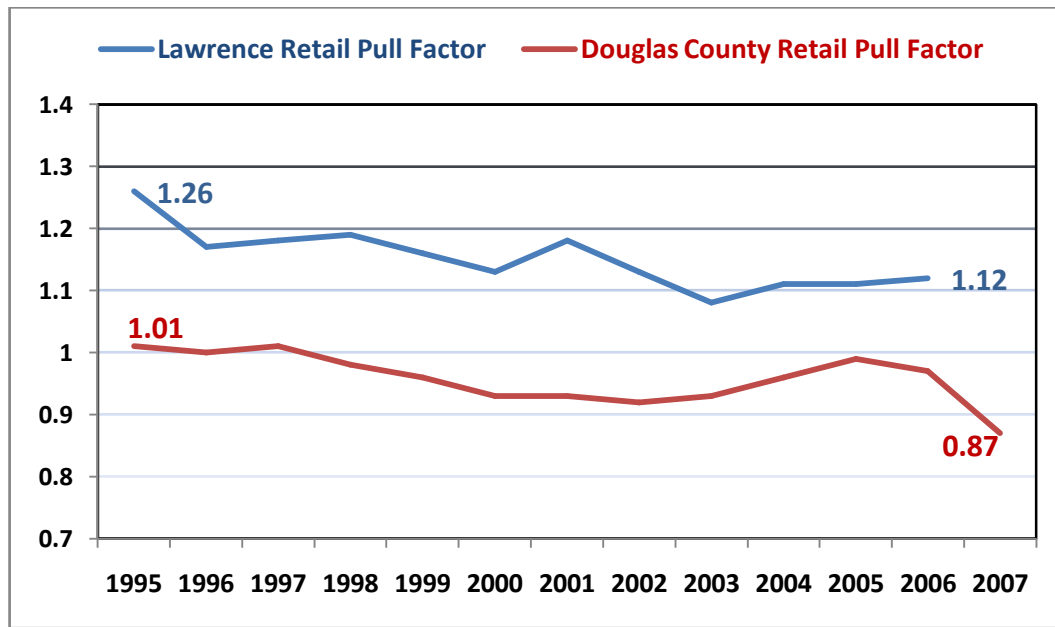
This retail shortfall is evidenced, in part, by the decline of Lawrence and Douglas County’s retail “pull factor.” Lawrence’s pull factor in 2006 was 1.12, according to the Kansas Department of Revenue. (See Table G – “Lawrence and Douglas County Retail Pull Factor 1995 – 2006.”) Especially significant is the fact that Douglas County remains below 1.00, declining to 0.87 in 2007 from 0.99 in 2005, indicating retail sales dollars are increasingly leaving Douglas County, a condition that began to appear in the county’s pull factor data in 1998.

Because Lawrence is the employment center for Douglas County, is located at the convergence of all major roads in Douglas County and houses 80 percent of the county’s population, the city and county have the potential to grow its retail base and recapture this retail sales leakage and return to the pull factors achieved by the city and county in the 1990’s.

Table G
Lawrence and Douglas County Retail Pull Factor 1995 – 2007

Year	City of Lawrence Pull Factor	Douglas County Pull Factor
1995	1.26	1.01
1996	1.17	1.00
1997	1.18	1.01
1998	1.19	0.98
1999	1.16	0.96
2000	1.13	0.93
2001	1.18	0.93
2002	1.13	0.92
2003	1.08	0.93
2004	1.11	0.96
2005	1.11	0.99
2006	1.12	0.97
2007	N / A	0.87
1995 – 2006 / 07: Net Change	(0.14)	(0.14)
Percent Change	(11%)	(14%)

Source: Kansas State University Research and Extension; Kansas Department of Revenue.



Although this pull factor figure illustrates the fact that the City of Lawrence is pulling retail activity from beyond its own population, the city's pull factors have declined by 11 percent over the last decade and is lower than seven Kansas cities nearest to Lawrence in population. (See Table H.) Lawrence's 1.12 pull factor is 8th among the 10 medium sized cities in Kansas with population between 30,000 and 120,000 persons.

Table H
Major Kansas Cities Retail Pull Factor 2006

City	Pull Factor
1. Lenexa	1.60
2. Topeka	1.49
3. Salina	1.47
4. Manhattan	1.43
5. Hutchinson	1.36
6. Olathe	1.33
7. Leawood	1.24
8. Lawrence	1.12
9. Shawnee	1.11
10. Leavenworth	0.82

Source: Kansas Department of Revenue.

The fact that Douglas County's pull factor has declined over the past decade and is below the 1.00 level for sales equilibrium further indicates an inadequate selection of goods within the county to satisfy all county consumers. The larger and more convenient the selection of goods that Lawrence can offer, the more likely Douglas County's sales tax leakage can be overcome.

Lawrence and Douglas County's potential to expand their pull factors can be attributed to a range of factors influencing the local retail market:

1. Douglas County has added over 4,000 jobs since 2000 according to data published by the U.S. Bureau of Economic Analysis and attracts 7,000 workers from outside Douglas County according to 2000 U.S. Census data.
2. The site is located on the primary highway connecting Lawrence to Johnson County. Area residents employed in Johnson County use East 23rd Street (K 10 Highway) to commute to Johnson County.

3. Lawrence has unique shopping opportunities, especially in Downtown Lawrence, attracting shoppers and diners from beyond Douglas County.
4. The city and county are projected to continue to expand their population and employment bases. However, population growth does not, by itself, influence a pull factor.

III. EAST 23RD STREET RETAIL MARKET DESCRIPTION

The proposed Fairfield development is located in ZIP Code area 66046. From 1990 to 2000, this section of Lawrence in the southern portion of the city (the area located within the 66046 ZIP Code) experienced a 22.2 percent increase in population. (See Table I – “Lawrence Population by ZIP Code Area 1990 – 2000.”) The increase was relatively comparable to the city’s combined population of 27 percent increase. The area’s ZIP Code boundaries do not match the city limits but serve to illustrate population trends in different parts of the city.

Table I
Lawrence Population by ZIP Code Area 1990 – 2000

ZIP Code: Area of City	66044 Central	66046 Southern	66047 Southwest	66049 Northwest	TOTAL
1990	30,021	16,345	9,194	12,615	68,608
2000	31,131	19,981	15,122	20,338	86,572
Net Change	1,110	3,636	5,928	7,723	17,964
Percent Change	3.7%	22.2%	64.5%	61.2%	27.0%

Source: U.S. Census.

The site lies less than five miles from Eudora. Eudora, the fastest growing city in Douglas County, is the home to over 6,000 persons. Certain retail uses proposed at the center can also be expected to attract Eudora residents. As Lawrence is also a major employer of Eudora residents, these workers will pass by the Fairfield center on a daily basis that will contribute to the success of the center.

There is no other retail approved and unbuilt commercial developments in East Lawrence unlike other parts of the city. The rate of new construction in Lawrence is routinely influenced by a variety of economic and corporate factors beyond announced plans including:

- The inability to secure private financing;
- The inability to secure sufficient pre-leasing agreements;
- Changes in corporate partners and/or ownership;
- The availability of infrastructure; and,

- Trends in the national and regional retail industry beyond local market conditions.

It is essential that a community to maintain a reasonable inventory of available or potential projects in order to enable local, regional or national retail (office or industrial) prospects to have optional locations to serve their customers, employees or suppliers. This situation enables each respective market to respond to local demand. East Lawrence will be one of the faster growing residential parts of the City in the future and the need to expand the inventory of potential retail development is appropriate.

Fairfield Commercial Site Description

The northern boundary of the Fairfield site fronting on East 23rd Street is suited for commercial development. Some of these characteristics include:

- Location on a principal arterial K-10 Highway;
- Proximity to new residential development immediately south of the site; and
- Excellent visibility to automobile traffic on K-10.

Although new retail on the site contributes to the amount of retail competition in the East 23rd Street market, there remains continued population growth and on-going commercial absorption in the area.

Proposed Mix of Fairfield Commercial Uses

The development proposes that 190,000 square feet, or 87.2% of the commercial development, be used for retail. The remaining 28,000 square feet of the commercial space is expected to be non-retail tenants including a range of office uses (bank, real estate office, insurance office, etc.). These uses are intended to serve the East Lawrence. The site is zoned CC200. According to the City's zoning code, the CC, Community Commercial Centers District, is primarily intended to serve multiple neighborhoods. The primary purpose of the CC200 Center is to provide for the redevelopment of existing Community Commercial Centers and, in the case of Fairfield, to provide an alternative for the existing highway strip commercial areas.

Although definitive decisions about the specific tenants have yet to be made, based on typical neighborhood centers as surveyed by the Urban Land Institute throughout North America, the following 15 retail uses/tenants and square footage at the commercial development are anticipated:

Table J
Proposed Fairfield Commercial Center Mix of Uses

Use Category	Planned Use	Square Feet
Retail	1. Home Improvement Center	108,000
	2. Grocery store	57,000
	3. Auto parts	7,000
	4. Bike shop	2,400
	5. Liquor store	2,400
	6. Tanning salon	2,000
	7. Dry cleaners	1,500
	8. Hair salon	1,500
	9. Mailing/packageing	1,500
	10. Jewelry store	1,500
	11. <u>Nail salon</u>	<u>1,200</u>
	SUB-TOTAL	184,000
Office	Bank(s)	} 36,000
	Real Estate Office	
	Medical offices	
	Financial Services / Tax Preparation Services	
	Insurance Office / Other	
Eating & Drinking	Restaurants & Fast food (3)	} 15,000
	Coffee shop	
	Sandwich shop	
	Donut or ice cream shop	
TOTAL		235,000 Sq. Ft.

Potential Impact on Downtown Lawrence

Each of these commercial uses has other locations in and around Lawrence's neighborhoods and Downtown Lawrence. A review of the number of like business establishments in Lawrence and downtown in these categories and the number and percent located in Downtown Lawrence is presented in Table K – "Lawrence Business Inventory Comparisons 2008."

There are an estimated 396 Lawrence retail establishments offering similar services as the potential retail uses at Fairfield. The proposed uses within the development and their impact

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on the rest of the Lawrence market, specifically on the downtown district, and the mix of neighborhood retail uses are presented in the following Table K.

Table K
Lawrence Business Inventory Comparisons 2008

Retail Use	Projected Square Feet	Fairfield	City-wide Total	Downtown Lawrence	Percent of Total Located Downtown
1. Home Improvement Center	108,000	1	5	0	0%
2. Grocery store	57,000	1	9	0	0%
3. Auto parts	7,000	1	8	0	0%
4. Bike Shop	2,400	1	3	1	33%
5. Liquor store	2,400	1	22	2	9%
6. Tanning salon	2,000	1	7	1	14%
7. Dry cleaners	1,500	1	13	1	8%
8. Hair salon	1,500	1	58	17	29%
9. Mailing/packageing	1,500	1	5	2	40%
10. Jewelry store	1,500	1	7	3	43%
11. Nail salon	1,200	1	15	3	20%
12. Restaurants & Fast food	10,500	3	182	30	16%
13. Coffee shop	1,500	1	20	10	50%
14. Sandwich shop	1,500	1	15	1	7%
15. Donut shop	1,500	1	2	0	0%
Total retail	199,000	17	396	76	19%
Non-retail sq. feet	36,000				
Total Sq. Feet	235,000				

Source: Yellow Pages 2008.

As the analysis in Table K reveals, all 15 retail categories have Lawrence locations beyond downtown. Only the potential Fairfield coffee shop category has a majority of similar Lawrence establishments in Downtown Lawrence.

Overall, these possible retail uses are not expected to impact the rest of the Lawrence market and/or Downtown Lawrence and do not compete with downtown for the following reasons:

- a. East Lawrence Community Uses - The uses are planned to be targeted to serve the East Lawrence community and Eudora.

- b. Growing Sub-Market Area of Lawrence - The uses are located three miles from downtown in an area of the city experiencing new residential development activity warranting additional retail uses.
- c. Absence of or Limited Downtown Competition – Many of the possible uses offer retail choices that currently have a limited presence in downtown, e. g., grocery, home improvement center, auto parts, tanning salon and other uses. These uses will locate in community centers serving other parts of the community from downtown because their owners and/or operators seek locations easily served by neighborhood traffic and are along a major thoroughfare.

IV. PROJECTED COMMERCIAL DEMAND ANALYSIS AND CONCLUSION

A retail demand analysis has been prepared based on the city supplied data and trends and analysis presented in the prior sections of this market study. The demand for commercial development is based on maintaining a constant amount of commercial square footage per capita basis. Based on these indicators, there is a city-wide average annual demand for approximately 142,720 square feet of commercial retail. An acceleration or decline in the rate of population, employment or income growth may serve to influence the average annual demand. However, this rate of construction will not offset the unmet retail demand as evidenced by Douglas County's less than 1.00 pull factor and Lawrence's declining pull factor.

Additional retail square footage in East Lawrence is supported by a combination of reasons including:

- A. Continuing Employment Growth - Increased employment is a factor that contributes to retail demand. Lawrence City and Douglas County Commissioners have expressed a concern about Lawrence becoming a commuter community. City and County Commissioners are seeking more local employment opportunities in biosciences and other sectors for Lawrence to avoid becoming a "bedroom community." To further offset this trend, the city and county adopted a "Farmland Industries Redevelopment Plan" intended to assist with the future redevelopment of the site immediately north of the proposed Fairfield commercial center.
- B. Declining City and County Pull Factors – Lawrence and Douglas County's pull factors have both declined in the past decade indicating that there is an insufficient selection of goods and services available to satisfy all county consumers.
- C. Low Retail Vacancy Rate - The city has a below average retail vacancy rate. **Compared to other cities and retail markets, Lawrence's 6.4 percent retail vacancy rate is below the national average and viewed by outside real estate experts as a reflection of a strong retail market.** As a result, more retail square footage is supportable to reach what retail industry specialists consider an industry average. (The Kansas City metropolitan area has an area-wide retail vacancy in 2007 of 9.4 percent according to the commercial real estate firm Block & Company, Inc.)

- D. New Residential Growth - Increased residential development in East Lawrence and Eudora will contribute to East 23rd Street retail demand.
- E. Limited Downtown Impact – The majority of planned retail uses are the types of businesses that are found throughout the Lawrence community and, therefore, will have a negligible influence on the Downtown Lawrence retail market.

The Fairfield Commercial Center is projected to capture 15 percent of this city-wide demand over the next decade. (See Table L – “Lawrence Commercial Demand Analysis 2009 – 2019.”) However, upon completion, the East 23rd Street share of the citywide inventory would be 7.1 percent of the citywide inventory, given the addition of 1.569 million square feet of commercial constructed over the next decade. This demand analysis is based on maintaining a constant amount of commercial square footage that exists on a per capita basis (84.5 square feet) maintaining the status quo in terms of city retail factor and beginning to reverse the county retail pull factor.

Table L
Lawrence Commercial Demand Analysis 2009 – 2019

Demand Factor	Square Feet
2007 Population	90,475
Commercial Square Feet (a)	7,581,660 sq. feet
Square Feet per Capita (b)	84.5 sq. feet
@ 1.9% Average population growth (c) since 2000 Average Annual Commercial Demand 10 Year Total Demand: 2009 – 2019	x 1,689 persons = 142,720 square feet 1,569,920 square feet
235,000 square feet FAIRFIELD COMMERCIAL CENTER CAPTURE RATE:	15 percent of total

Notes to Table M:

(a) Source is the City of Lawrence Retail Market Report 2006; September 2007.

(b) Projected population is based on the fact that Lawrence has grown by an average of 1.9% since 2000 according to the City of Lawrence/Douglas County Metropolitan Planning Department. (See Table below). This growth rate is lower than the moderate population growth rate used in Horizon 2020 and lower than the city's growth rate experienced in the 1990's.

Year	Estimated Lawrence Population
2007	90,475
2008	92,164
2009	93,853
2010	95,542
2011	97,231
2012	98,920
2013	100,609
2014	102,298
2015	103,987
2016	105,676
2017	107,365
<u>2018</u>	109,054
<u>2019</u>	<u>110,743</u>
Change	20,268
Avg. Annual Increase	1,689

As noted in Table E, upon complete occupancy of the proposed development, the city-wide vacancy rate will decline to 6.5 percent. Alternatively, the city's projected vacancy rate will be 7.9 percent in the unlikely event that only one-half of this development is constructed and occupied. **In conclusion, there is sufficient retail demand for the commercial site at the East 23rd Street at O'Connell Road to be absorbed over the next decade.** This conclusion is further based on the following:

- The proposed development is targeted to serve under served East Lawrence neighborhoods;
- The site enjoys excellent visibility and well designed pedestrian access is planned that balances public safety with the needs of future shoppers;
- The site is located adjacent to residential land expected to be constructed over the next several years; and
- The potential exists for Lawrence and Douglas County to support increased retail.

This retail market study has been prepared exclusively for the proposed Fairfield development in east Lawrence, Kansas. It may be used for deliberation by City of Lawrence officials in consideration of this proposed project. Otherwise, any use or reproduction of the material in this report without the expressed consent of RICHARD CAPLAN & ASSOCIATES is prohibited.

Richard Caplan

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