

**Southpoint Retail Market Study**

**Lawrence, Douglas County, Kansas**

August 14, 2015

Prepared by

**RICHARD CAPLAN & ASSOCIATES**

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Kansas City, MO 64113

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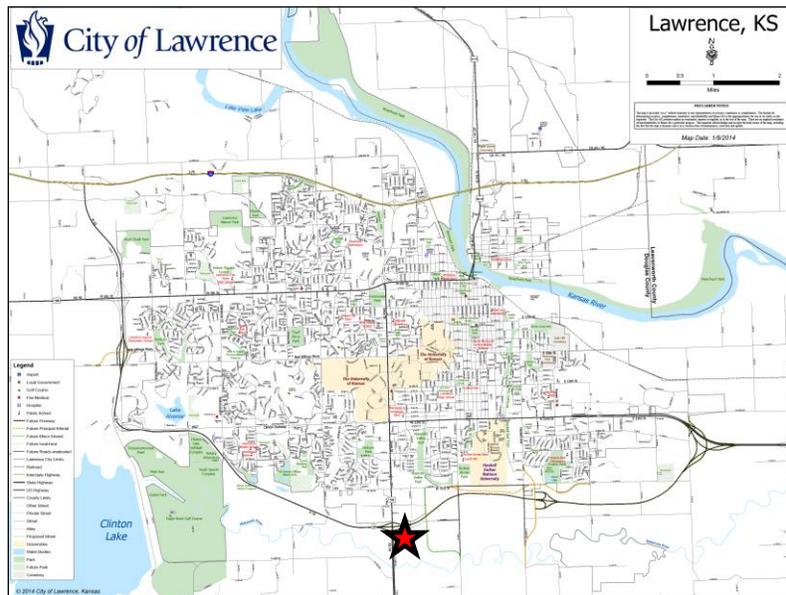
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## **Executive Summary**

A retail market study has been prepared on behalf of Collett for the company's commercial center, Southpoint, planned on South Iowa Street at K-10/South Lawrence Trafficway in Lawrence, Kansas scheduled for opening in 2017.

Southpoint will offer the Lawrence market area national retail companies that currently do not have a retail outlet in Lawrence. These businesses will occupy at least one-half of the retail space at Southpoint. However, as a result of their addition to the Douglas County market, Douglas County and Lawrence will be able to increase its retail sales capture rate (pull factor) through new and expanded retail offerings and attract shoppers who historically spend a portion of their retail dollars outside of Douglas County.

### **Southpoint Center Locational Map, Lawrence, Douglas County**



The Southpoint project also plans to accommodate one existing retail establishments in Lawrence. Their relocation to Southpoint offers this business building space that is more tailored to their operations as well as an easily accessible location to all Douglas County residents.

In summary, the results of this retail market study quantify the following key economic indicators:

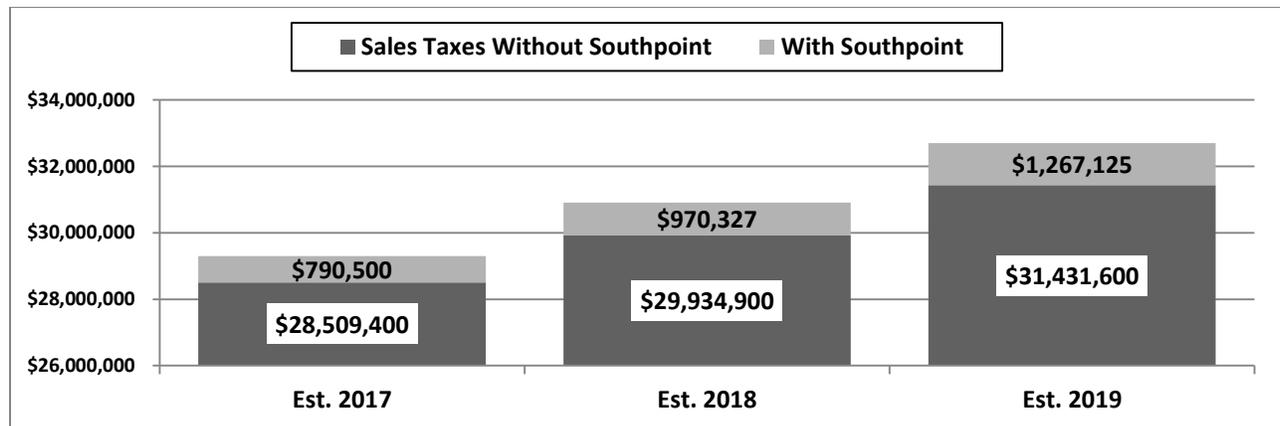
- I. The amount and type of retail sales leakage occurring in Douglas County;
- II. The projected amount of retail sales generated by Southpoint (see Table A on the following page);
- III. The net projected retail sales impact on the City of Lawrence; and
- IV. An analysis of the projected impact of Southpoint on Douglas County and the City of Lawrence's pull factors and commercial vacancy rate.

Based on the findings of this analysis, **Southpoint will generate approximately \$1,267,125 in additional sales tax revenue to the City of Lawrence** upon build out in 2019 and **increase the city’s retail pull factor from 1.07 to 1.11** as summarized in the following Table A and described in detail in this market study.

**Table A**  
**Projected Lawrence Retail Sales Taxes and Pull Factor 2010 – 2020**

Year	Actual / Projected Sales Taxes (@ 1.55%)	Plus: Southpoint Net Sales Taxes	Revised Total Sales Taxes <u>with</u> Southpoint	Existing / Projected Pull Factor
2011	\$ 21,812,424	\$ -	\$ -	1.02
2012	\$ 22,906,979	\$ -	\$ -	1.07
2013	\$ 23,347,479	\$ -	\$ -	1.07
2014	\$ 24,627,520	\$ -	\$ -	1.07
2015 (Budget)	\$25,858,896	\$ -	\$ -	N / A
Est. 2016	\$27,15,800	\$ -	\$ -	1.07
Est. 2017	\$28,509,400	\$790,500	\$29,299,900	1.10
Est. 2018	\$29,934,900	\$970,327	\$30,905,227	1.10
Est. 2019	\$31,431,600	\$1,267,125	\$32,698,725	1.11
<b>% Change 2017 - 2019</b>	<b>15.0%</b>	N / A	<b>20.4%</b>	<b>4.0%</b>

Source: City of Lawrence; RICHARD CAPLAN & ASSOCIATES.



## I. Douglas County Retail Sales Analysis

An analysis of Lawrence and Douglas County, Kansas retail sales has been performed that quantifies the retail sales leakage by major retail categories. The results of these findings are beneficial in strategically planning for those businesses committed to Southpoint, potential retail tenants being solicited by Collett and existing businesses seeking expansion in Douglas County. These findings also will result in the City of Lawrence and Douglas County increasing their retail pull factors and local sales as discussed in greater detail in Section II of this market study.

### Southpoint Market Area

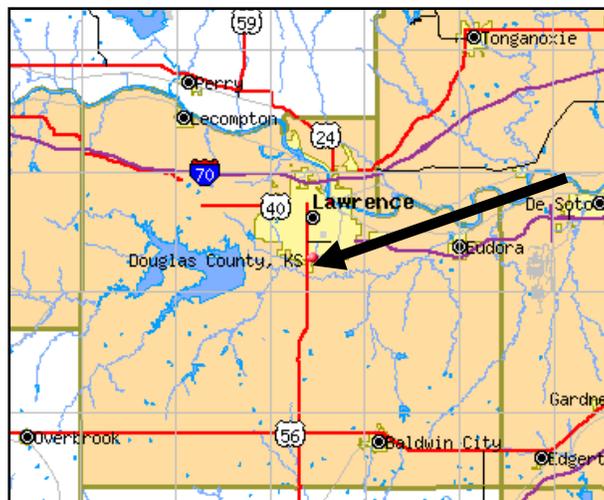
This analysis utilized Douglas County retail sales data since the county provides a more comprehensive insight into the potential retail for Southpoint. The primary market area for Southpoint is all of Douglas County, Kansas, not only the City of Lawrence.

Southpoint market area is based on a combination of the following factors:

- The presence of national retailers, many not currently serving Douglas County shoppers;
- The size and mix of new tenants of the center;
- The central location within Douglas County;
- The South Iowa Street location adjacent to the Lawrence's largest commercial district; and
- The visibility and direct access to the site from K-10/South Lawrence Trafficway and U.S. 59 Highway providing easy access and visibility to all Douglas County residents.

Southpoint will also attract some shoppers from Franklin County, located south of the site on U.S. Highway 59 and others who will utilize the new K-10/South Lawrence Trafficway between Topeka to the west and Johnson County, Kansas to the east.

### Douglas County, Kansas: Southpoint Site



**Retail Sales Categories**

Retail sales are paid to and reported by the Kansas Department of Revenue according to the standardized NAICS (North American Industry Classification System). There are 11 major retail reporting categories. These categories and the most common type of retail establishments found in each category are presented in the following Table I-A (“NAICS Retail Classifications”).

**Table I - A**  
**NAICS Retail Classifications**

<b>Code</b>	<b>Sector</b>	<b>Businesses in the Subsector</b>
441	<b>Motor Vehicle and Parts Dealers</b>	New car dealers, Used car dealers, Recreational vehicle dealers, Motorcycle, boat, and other motor vehicles, parts and tire stores
442	<b>Furniture and Home Furnishings</b>	Furniture and home furnishings stores, floor covering stores and Window treatment stores
443	<b>Electronics and Appliances</b>	Electronics and appliance stores, Computer and software stores, camera and photographic supplies stores
444	<b>Building Materials and Garden Equipment</b>	Building material and garden equipment and supplies dealers, Home centers, Paint and wallpaper stores, Hardware stores, Lawn and garden equipment, Nurseries, garden center, and farm supply stores
445	<b>Food and Beverage</b>	Grocery stores, Supermarkets, Convenience stores, Specialty food stores, Meat markets, Baked goods stores, Confectionery and nut stores; Beer, wine, and liquor stores
446	<b>Health and Personal Care</b>	Pharmacies and drug stores, Cosmetics, beauty supplies, and perfume stores, Optical goods stores and food (health) supplement stores
447	<b>Gasoline</b>	Gasoline stations and stations with convenience stores
448	<b>Clothing</b>	Clothing and clothing accessories stores; Men's clothing stores; Women's clothing stores; Children's and infants' clothing stores; shoe stores, jewelry, luggage, and leather goods stores
451	<b>Sporting Goods, Hobby and Books</b>	Sporting goods stores, Hobby, toy, and game stores, Sewing, needlework, Musical instrument and supplies stores, Book, periodical, and music stores, News dealers, Compact disc and dvd stores
452	<b>General Merchandise</b>	Department stores, Discount department stores, Warehouse clubs, Florists, Office supplies, stationery, gift, novelty stores, Used merchandise, Pet, pet supplies, Art dealers & Tobacco stores
722	<b>Food and Drinking Places</b>	Meals, snacks, and beverages to customers for immediate on-premises and off-premises consumption, drinking places

Source: U.S. Census.

Eight of the retail categories are planned to be located in Southpoint. The retail uses not planned to be tenants in Southpoint are well represented north of Southpoint along the South Iowa Street corridor, as well as elsewhere in Lawrence. Category 444 will be well served by the addition of Menards to the Lawrence market in 2015.

### **Douglas County Retail Sales Leakage by Category**

In order to perform this leakage analysis, sales tax data reported to the State of Kansas was analyzed for 2012. The pull factor for Douglas County in 2013 and 2014 has remained the same as 2012.

Douglas County has a retail pull factor of 0.91. This pull factor, analyzed in Section III, indicates that \$0.09 cents of every Douglas County retail dollar is spent outside of the county. In summary, this analysis finds that only four retail categories exceeded the 0.91 retail pull factor for the county. (See Table & Graph I – B “Douglas County Retail Pull Factors by Category.”) More importantly, only two retail categories exceeded 1.00 retail pull factor, indicating an inflow of dollars into the county. Altogether, this leakage offers an opportunity for retail growth, especially among those sectors where the sales leakage is greatest.

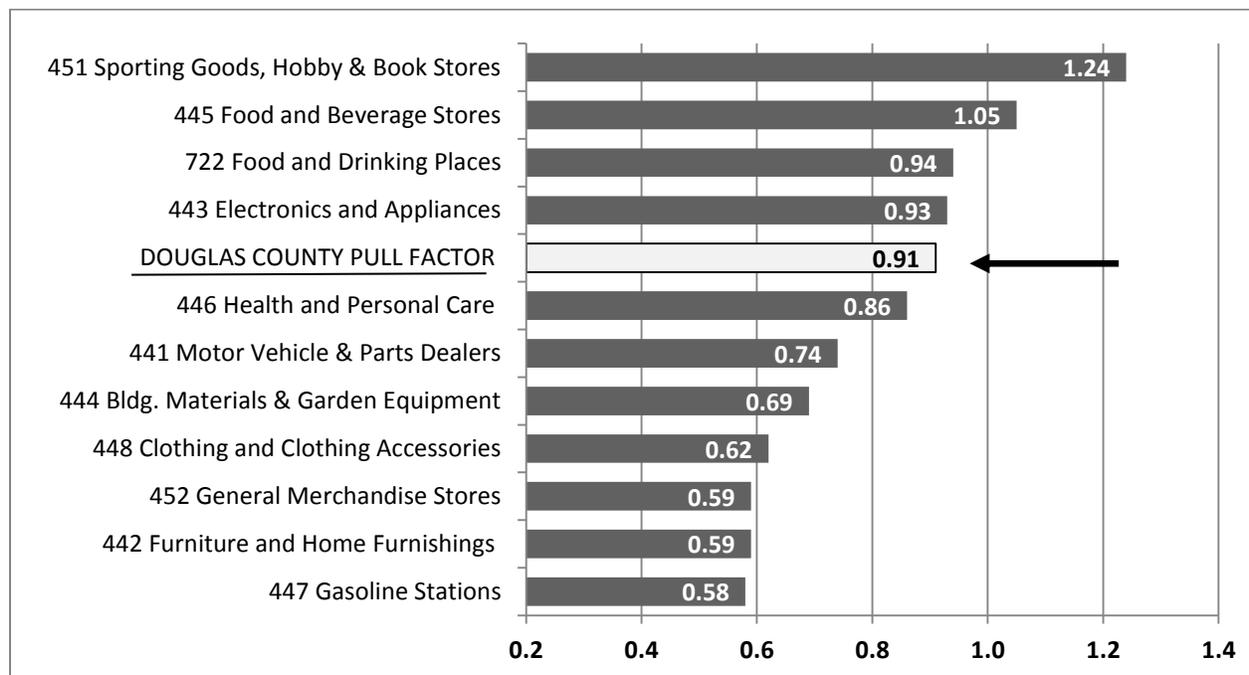
Not surprisingly, Douglas County’s two retail pull factors over 1.00 can be attributed to the demographic fact that Lawrence is home to more than 24,400 University of Kansas students, as well as full-time university students at Haskell Indian Nations University (student enrollment 1,000) and Baker University (student enrollment 3,280) also in Douglas County in nearby Baldwin City. More specifically,

- Food and Beverage Stores (NAICS 445) has a pull factor of 1.05.  
This sales factor is greatly influenced by university students who buy groceries and beverages. Furthermore, many students are, in fact, not accounted for in the Douglas County official population but rather counted by the U.S. Census in their permanent place of residence when it is not Douglas County. This does not reflect itself in the sales expenditure data but impacts the pull factor. The precise number of full-time college students not accounted for in Douglas County is uncertain.
- Sporting Goods, Hobby and Book Stores (NACIS 451) has a pull factor of 1.24.  
This category’s high pull factor is due to the inclusion of book stores. Given the quantity and prices of college text books, as well as related materials sold to college students, this high pull fact is to be expected. Analysis of confidential information in this category indicates that the retail sales attributed to sporting goods and hobby related expenditures are below 1.00.

The other nine retail categories presented in the following table (Table I-B – “Douglas County Retail Pull Factors by Category”) and depicted in the accompanying graph reflect opportunities for real retail expansion in Lawrence and Douglas County achieved, in part, by the introduction into the market of a greater selection of goods and products in these retail areas.

**Table I - B & Graph**  
**Douglas County Retail Pull Factors by Category 2012**

NAICS Category	State Taxes Collected Per Capita (@ 1%)	1% Douglas County Sales Taxes Collected Per Capita	Douglas County Retail Pull Factor
441 Motor Vehicle and Parts Dealers	\$137.	\$101.	0.74
442 Furniture and Home Furnishings Stores	\$23.	\$14.	0.59
443 Electronics and Appliance Stores	\$18.	\$16.	0.93
444 Building Materials, Garden Equipment	\$60.	\$41.	0.69
445 Food and Beverage Stores	\$94.	\$99.	1.05
446 Health and Personal Care Stores	\$14.	\$12.	0.86
447 Gasoline Stations	\$27.	\$15.	0.58
448 Clothing and Clothing Accessories Stores	\$35.	\$22.	0.62
451 Sporting Goods, Hobby, Musical Instruments, and Book Stores	\$21.	\$26.	1.24
452 General Merchandise Stores	\$165.	\$97.	0.59
722 Food and Drinking Places	\$94.	\$88.	0.94
<b>TOTAL</b>	<b>\$608.</b>	<b>\$553.</b>	<b>0.91</b>



The sectors with the lowest pull factors in Douglas County offer real potential sales that can be achieved with increased product availability and selection.

## II. Southpoint Projected Retail Sales

Upon full build out in 2019, Southpoint is planned to have 247,000 square feet of commercial use which includes 18,000 square feet of office users. The following rendering displays the site plan and the square footage for each site, space or building. Southpoint is planned to contain a mix of 19 commercial businesses. These 19 businesses include the relocation of one existing establishment to Southpoint. (See Table II-A – “Southpoint Tenant Mix by Category and Size”) This business will occupy one of the anchor sites and may result in an interim increase of vacant square feet to the Lawrence retail inventory, at least on a temporary basis. The Lawrence market has routinely refilled prime retail spaces vacated due to a variety of market factors.

**Table II - A**  
**Southpoint Tenant Mix by Category and Size**

NAISC	Category	Number in Southpoint	Total Square Feet Planned	Opening Year(s)
441	Motor Vehicle and Parts Dealers	None	N / A	N / A
442	Furniture and Home Furnishings	2	28,000	2017, 2019
443	Electronics and Appliances	None	N / A	N / A
444	Bldg. Materials & Garden Eqpmnt.	None	N / A	N / A
445	Food and Beverage	2	22,300	2018, 2019
446	Health and Personal Care	1	1,900	2018
447	Gasoline Station with C-Store	None	N / A	N / A
448	Clothing Stores	3	24,900	2017, 2018, 2019
451	Sporting Goods, Hobby & Books	2	117,000	2017
452	General Merchandise	2	17,500	2018
722	Food and Drinking Places (3 sit down restaurants; 2 fast food establishments)	5	30,500	2017, 2018, 2019
<u>Other:</u> 523	Office uses, Medical offices	2	4,900	2018, 2019
<b>TOTAL</b>		<b>8 Categories; 19 businesses (a)</b>	<b>247,000 Sq. feet</b>	<b>-</b>

(a) Includes one existing Lawrence establishment.

Source: Collett; RICHARD CAPLAN & ASSOCIATES.

## Southpoint Site Plan



## Projected Retail Sales

Southpoint is projected to result in a net increase of over \$60 million in retail sales to Lawrence and Douglas County. (See Table II-E “Southpoint Projected Retail Sales”).

Sales for the retailers are based on the proposed tenant list and projected other uses provided on a confidential basis for this study by Collett. These sales projections incorporate a combination of the following economic and market factors:

- Average store data published for those Southpoint tenants that are publicly owned companies as reported in the company’s most recent SEC filing;
- Confidential data provided to Collett by several of the national retailers that have committed to locate in the Southpoint project;
- Historical retail sales trends for Lawrence and Douglas County including number and reported retail sales of the retailers already in Douglas County;
- Retail industry averages by category as published by the Urban Land Institute’s Dollar and Cents of Shopping Centers;
- Key Douglas County and Lawrence demographic trends and conditions especially population growth and per capita income; and

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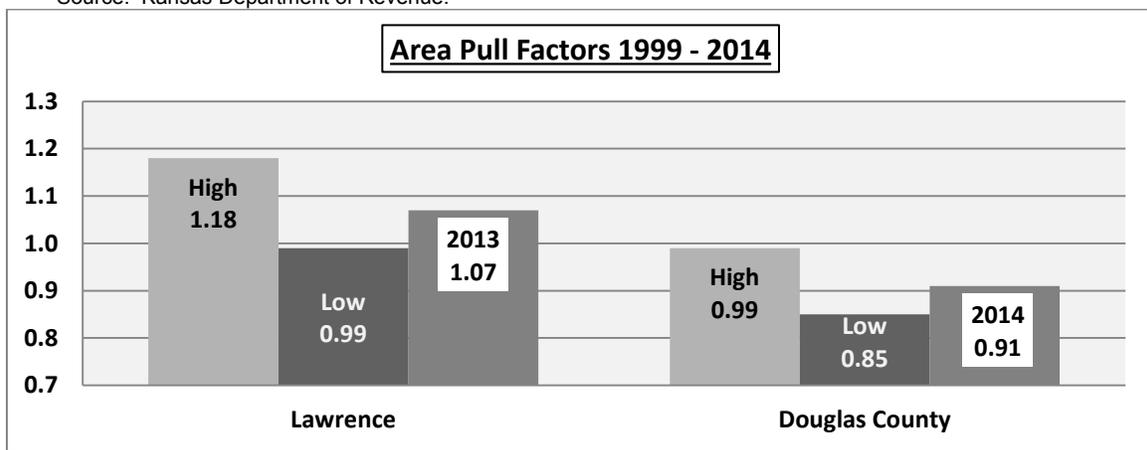
- Recapturing Douglas County retail sales leakage described on the following pages offering a combination of new national retailers to the community and expanding the selection of goods and products to residents.

The local retail pull factors are significant in that Douglas County remains below 1.00, a balanced retail sales threshold, declining to 0.91 in 2012 from a peak of 0.99 in 2005, and the City of Lawrence has declined 10.2% from its pull factor peak of 1.18 indicating retail sales dollars are increasingly leaving Douglas County. These figures reflect the potential for both the city and county to return, in not exceed, their high pull factor levels recorded in the last decade.

**Table II - B  
City of Lawrence and Douglas County Retail Pull Factors 2000 – 2013**

Year	City of Lawrence Pull Factor	Douglas County Pull Factor
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	1.02	0.87
2008	0.99	0.85
2009	0.99	0.85
2010	1.02	0.86
2012	1.07	0.91
2013	1.07	0.91
2014	N / A	0.91
<b>Range 2000 – 2014: Highest Level Lowest Level</b>	<b>1.18 0.99</b>	<b>0.99 0.85</b>
<b>2013/14 Difference from Highest Pull Factor Level</b>	<b>(10.2%)</b>	<b>(9.9%)</b>

Source: Kansas Department of Revenue.



Douglas County leaks 9% of its retail sales. Furthermore, although Douglas County is the 5<sup>th</sup> most populated county in Kansas, it ranks 6<sup>th</sup> among the 10 most populated counties in Kansas. (See Table II-C – “Pull Factors for Kansas 10 Most Populated Counties 2014”)

**Table II – C  
Pull Factors for Kansas’ 10 Most Populated Counties 2014**

<b>Pull Factor Rank</b>	<b>Kansas County</b>	<b>2014 Population</b>	<b>FY 2014 Retail Pull Factor</b>
1	Saline	55,755	1.32
2	Johnson	574,272	1.28
3	Sedgwick	508,803	1.14
4	Shawnee	178,406	1.04
5	Reno	63,794	1.03
<b>6</b>	<b>Douglas</b>	<b>116,585</b>	<b>0.91</b>
7	Wyandotte	168,036	0.88
8	Riley	75,195	0.77
9	Butler	66,208	0.73
10	Leavenworth	78,979	0.54

Source: U.S. Census; Kansas Department of Revenue.

There is significant opportunity to increase Lawrence’s retail sales. In 2013, the City of Lawrence’s retail pull factor is lower than seven Kansas cities nearest to Lawrence in population. Lawrence’s pull factor is 8<sup>th</sup> among the 10 mid-size populated cities in Kansas (cities with a population between 30,000 and 120,000 persons). **Lawrence’s retail pull factor is ranked 17<sup>th</sup> among the State of Kansas’ 25 1<sup>st</sup> class cities.** Consequently, retail sales in Lawrence and Douglas County have the potential to grow by approximately 10%. This growth is achievable as it reflects past pull factors reached by both the City of Lawrence and Douglas County.

In conclusion, because Lawrence is the employment center for Douglas County, is located at the convergence of all major highways in Douglas County and houses 79% of the county’s population, the city and county have the potential to grow their retail base and recapture the county’s sales leakage. Based on the realistic opportunity for Lawrence and Douglas County to grow their retail pull factors based on past sales levels and through the addition of national name brands add to the local market, **Southpoint will add approximately \$81.7 million in sales to the local economy upon full opening of the development.** The projected phasing for the opening of the Southpoint from 2017 until 2019 is summarized in the following Table II - D.

**Table II – D**  
**Southpoint Square Feet by Year and Projected Retail Sales & Sales Tax Receipts**

<b>Year Opened</b>	<b>No. of Businesses</b>	<b>Square Feet Open</b>	<b>Projected Sales (in Opening Year)</b>	<b>Projected Sales in 2019 (100% Open)</b>
2017	5	168,500	\$51,000,000	\$56,330,000
2018	6	190,600	\$9,001,000	\$9,510,000
2019	8	247,000	\$15,900,000	\$15,910,000
Less Net from Relocation	N / A	(Confidential)	(~\$13,000,000)	N / A
<b>NET TOTAL SALES</b>	<b>19</b>	<b>247,000</b>	<b>N / A</b>	<b>\$81,750,000</b>
<b>City of Lawrence Sales Tax Receipts</b>				<b>\$1,267,125</b>

### III. Southpoint Projected Sales Tax to City of Lawrence

The total sales tax rate in Lawrence is 9.05% that includes the State of Kansas and Douglas County. The City of Lawrence share of sales tax is 1.55%.

Based on retail pull factors achieved by the City of Lawrence in 2001 and Douglas County in 2005, there is the potential to recapture Douglas County sales leakage and grow Lawrence retail sales by up to 10% based on historical data and through increasing the selection of products and an expanded choice of brand name national retailers.

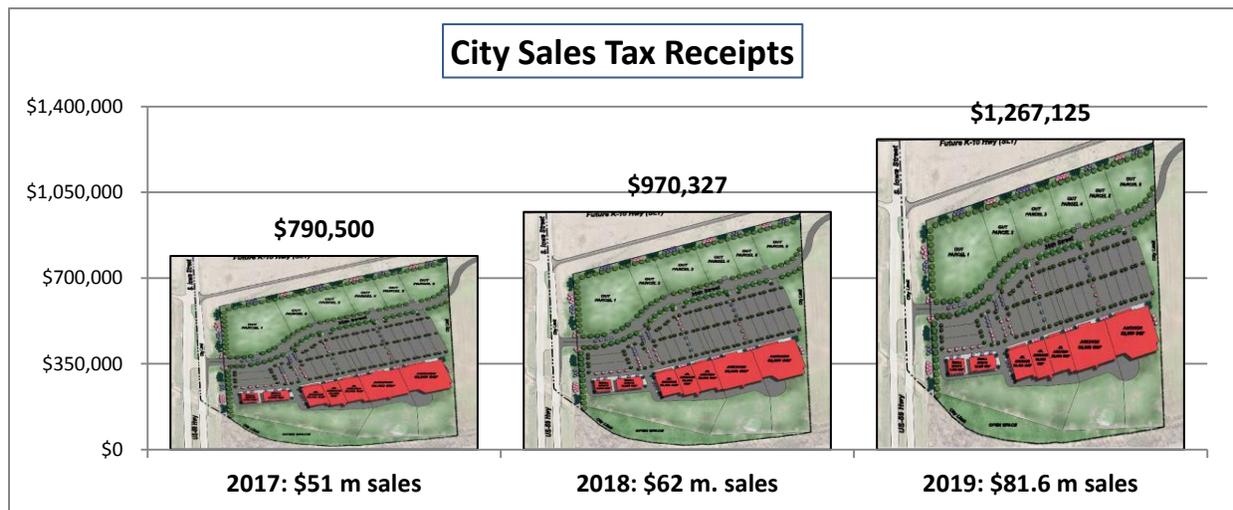
Based on **Southpoint projected City of Lawrence sales of \$81.7 million (in 2015 dollars) upon full development**, This will result in a net increase of approximately at least 6.7% in retail sales growth to the city.

Southpoint will generate a total annual increase in Lawrence sales taxes of \$1,259,387 per year by 2019 (See Table III-A - "Projected Southpoint Annual Sales and City of Lawrence Tax Receipts.") These projections project the net change in retail sales from the three existing Lawrence tenants planning to relocate to Southpoint.

Sales tax from the project will build over the three year period (2017 – 2019) that the project is under development. The build out is presented in the following graph III-A Southpoint Total Square Feet by Year.

Based on this three year build out, total projected sales are presented in the following Graph and Table III – A.

#### Southpoint Total Sales by Year



**Table III – A**  
**Projected Southpoint Sales and City Sales Tax Receipts 2017 - 2019**

Year; Total Square Feet Open	2017		2018		2019	
	Total Sales (in 2015 \$)	City Sales Taxes (@1.55%)	Total Sales (in 2015 \$)	City Sales Taxes (@1.55%)	Total Sales (in 2015 \$)	City Sales Taxes (@1.55%)
<b>2017:</b> 168,500 s.ft.	\$51,000,000	\$790,500	-	-	-	-
<b>2018:</b> 190,600 s.ft.			\$62,600,000	\$970,300	-	-
<b>2019:</b> 247,000 s.ft.					\$81,600,000	\$1,264,800
<b>TOTALS</b>	<b>\$51 million</b>	<b>\$790,500</b>	<b>\$62.6 million</b>	<b>\$970,300</b>	<b>\$81.6 million</b>	<b>\$1,264,800</b>

Note: Sales taxes reflect the net change in retail sales from the existing Lawrence tenant planning to relocate to Southpoint.

## IV. Projected Impact on Lawrence Vacancy Rate

This study projects the impact on the Lawrence commercial vacancy rate upon adding Southpoint to the city's inventory and considering the impact of relocations from elsewhere in the city. These findings also provide insight into the ability of the project to achieve full occupancy. Upon occupancy of the Southpoint, the city-wide vacancy rate will decline by 0.4% to 6.8%. (See Table IV - D - "Proposed Development Impact on Lawrence Vacancy Rate").

### Background

There has been an average over 334,000 added square feet of commercial development in Lawrence from 1995 through 2014. Since 1993, according to the City of Lawrence Planning & Development Services 2012 Retail Market Report. This amount has fluctuated from during periods of the city's highest population growth rates from 2002 to 2004 and declined during the national recession. For this reason, projecting commercial development based on a 20 year annual average has been used from 2015 through 2020. The projected absorption incorporates Southpoint and all outstanding major commercial projects approved by the City of Lawrence as summarized in the following Table. (See Table IV- A - "Lawrence, Kansas Unbuilt Commercial Inventory"). Excluding Southpoint, the City of Lawrence has an approved unbuilt inventory of 1,184,968 commercial square feet. Southpoint's addition to the market will raise this amount to 1,431,968 square feet.

**Table IV - A**  
**Lawrence, Kansas Unbuilt Commercial Inventory**

<b>Project</b>	<b>Approved Square Feet</b>	<b>Timing</b>
Fairfield Farms	200,000	Unknown
Gateway	155,000	Unknown
Mercato	359,640	Unknown
31 <sup>st</sup> & Ousdahl Phase I (Menards)	189,988	2015
31 <sup>st</sup> & Ousdahl Phase II	65,340	Unknown
North Mass	215,000	Unknown
<b>SUB-TOTAL</b>	1,184,968	-
<b>SOUTHPOINT</b>	<b>247,000</b>	<b>2017 - 2019</b>
<b>TOTAL</b>	<b>1,431,968</b>	-
<b>Projected Annual Average 2015-2020 (IF all constructed)</b>	<b>238,661</b>	-

Source: City of Lawrence Planning & Development Services.

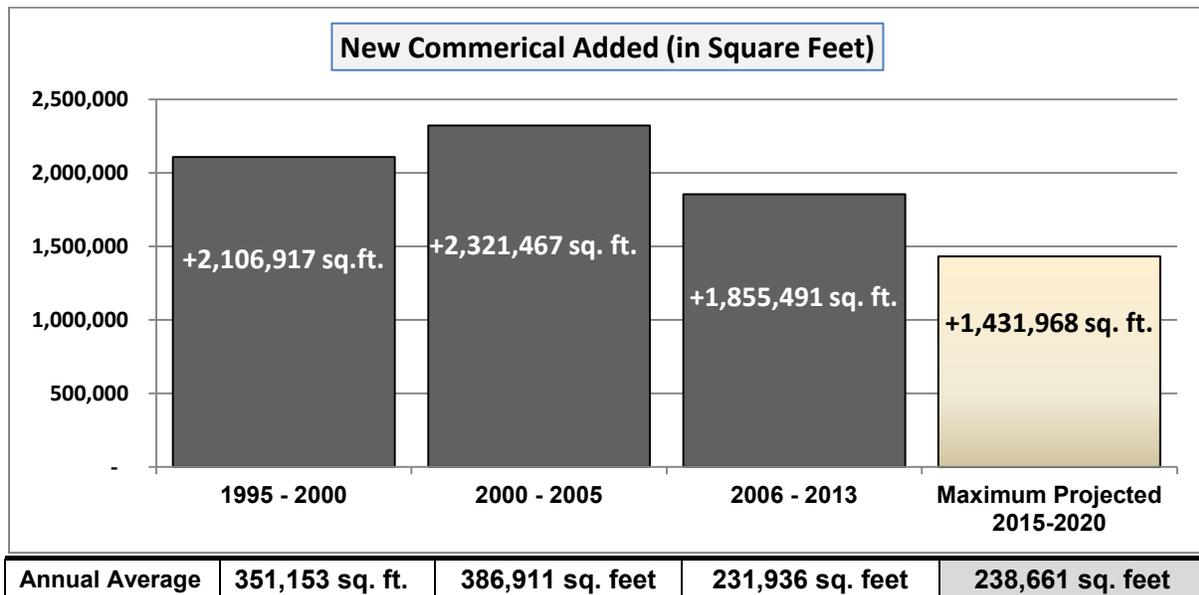
Phase I at 31<sup>st</sup> & Ousdahl, Menards, is under construction expects to be open in 2015. In addition, it should be noted that the sales category, Building materials and supplies category is not in competition with any of the expected tenants at Southpoint. In 2015, the city is also adding 39,075 square feet of predominantly food related sales at Bauer Farms

The Lawrence commercial market has demonstrated stability and its ability to absorb new commercial space. As noted elsewhere in this market study, the City has absorbed an average of 265,070 square feet since 2006. This is due, in part, to the permanence of city’s economic base – the students, faculty and staff of the University of Kansas, as well as Haskell Indian Nations University.

This absorption projection in this study covers from 2017 through 2019, the years that Southpoint is planned to enter the market during which time the new K10/U.S. 59 (South Iowa Street) interchange immediately adjacent to Southpoint will be completed and opened.

If all of these projects are completed and phased into local market by 2020, an unlikely scenario since one or more the sites may compete for the same national tenants as Southpoint, this will result in adding an average increase of 238,661 square feet per year. **This amount is comparable to the 231,936 square feet annual average amount that has been absorbed by the Lawrence market between 2006 and 2013** and more than any five year period since 1995.

**Graph IV - B  
Lawrence Commercial Development Trends 1995 - 2020**



Source: City of Lawrence Planning & Development Services 2012 Retail Market Study.

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Commercial vacancy data is collected and reported by the City of Lawrence on a periodic basis, most recently published in 2013 for 2012. In addition to the city's vacancy data, the Lawrence office of a leading international commercial real estate firm, Colliers International, tracks and reports Lawrence commercial occupancy and vacancy on an annual basis. Since 2006, vacancy rates ranged from 3.9% to 7.2% and the city has absorbed an average of 279,733 per year. These figures, along with historical absorption rates, are a major barometer of projecting the city's future vacancy rate upon full build out of Southpoint. (See Table A – "Lawrence Commercial Vacancy Rates 2006 – 2014").

The following table reflects the City of Lawrence and private source's commercial vacancy data for the city since 2006. The city reported data reflects the fact that more has been absorbed in the last six years than was added to the market.

**Table IV – C  
Lawrence Commercial Vacancy Rates 2006 - 2014**

Year	City of Lawrence Data			Private Real Estate Data	
	Total Commercial Square Feet	Occupied Commercial Square Feet	Vacancy Rate	Retail Vacancy Rate	Source
2006	7,249,660	6,771,182	6.6%	3.9%	Development Strategies
2007	N / A	N / A	N / A	5.1%	Grubb & Ellis
2008	N / A	N / A	N / A	5.3%	Grubb & Ellis
2009	N / A	N / A	6.6%	5.4%	Grubb & Ellis
2010	8,800,567	8,184,527	7.0%	N / A	N / A
2012	9,105,151	8,449,580	7.2%	5.4%	Colliers International
2013	Est. 9.1 million	N / A	N / A	4.4%	Colliers International
2014	N / A	N / A	N / A	3.9%	Colliers International
<b>2006 – 2013 Average</b>	<b>265,070 per year</b>	<b>279,733 per year</b>	<b>6.8%</b>	<b>4.9%</b>	

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As stated, Southpoint’s square feet are projected to be opened beginning in 2017 through 2019 in the stages as summarized in the following Table IV – D and site plan.

**Table IV – D  
Southpoint Opening Schedule 2017 – 2019**

Year Opening	Square Feet Completed	Total Square Feet Opened
2017	168,500	158,500
2018	22,100	190,600
2019	56,400	247,000
<b>Total</b>	<b>247,000</b>	<b>247,000</b>

**Southpoint Site Plan - Phasing**



 Phase I: 168,000 square feet

### Findings and Conclusion

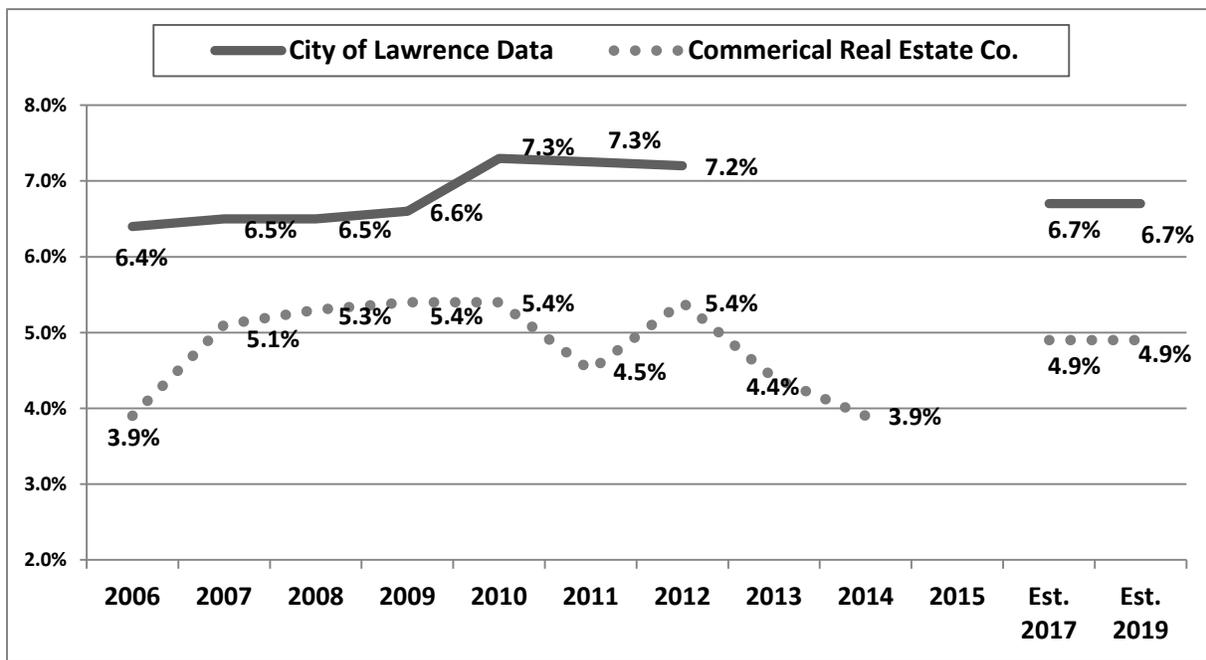
In conclusion, the city’s commercial vacancy has been projected to be 7.2% upon completion of the Southpoint project in 2019. This projection is based on the following:

1. The city’s average annual absorption rate since 1995;
2. The city’s historically stable vacancy rate ranging from 6.6% to 7.2% in the last decade;
3. The phasing of building over three years through 2019 for Southpoint; and
4. The amount of commercial space that has been approved but unbuilt may be absorbed by the Douglas County market by 2020.

Furthermore, **the attraction of new tenants to the Douglas County market will add more than \$81 million in retail sales and \$1.266,000 in sales tax receipts to the City of Lawrence by 2019.**

In conclusion, upon occupancy of the Southpoint, the city-wide vacancy rate will remain within the range of 6.6% to 6.7% based upon the city’s continued ability to absorb an average of 238,661 square feet annually, less than the amount since 2006 but incorporating all outstanding major projects and Southpoint. (See Table IV - D - “Commercial Vacancy Rate 2006 – 2019 and Proposed Development Impact on Lawrence Vacancy Rate”). This represents the city’s historic average absorption and vacancy rates from 2006 through 2013. This vacancy projection incorporates the build out of the total approved inventory. This total build out amount represents less than the amount of square footage that has been added to the Lawrence market since 2006.

**Graph IV - E**  
**Commercial Vacancy Rates 2006 - 2019**



Source: City of Lawrence Planning & Development Services; Development Strategies; Colliers International.

**Table IV - E**  
**Lawrence Commercial Square Footage and Vacancy Rates 2012 - 2019**

Year	Total Square Footage	Southpoint Square Footage Opened (a)	MAXIMUM Increase in Square Footage (Table IV-B)	Net Annual Absorption in Sq. Feet	Total Vacant Sq. Feet (b)	Projected Vacancy Rate
2012	9,105,151	N / A	N / A	2006-2012: 279,733	653,222	7.2%
2014	9,336,979	N / A	238,661	70,914	637,427	6.8%
2015 (c)	9,568,807	N / A	238,661	222,432	637,427	6.7%
2016	9,807,468	N / A	238,661	222,432	653,656	6.7%
2017	10,046,129	168,500	238,661	222,432	669,885	6.7%
2018	10,284,790	22,100	238,661	222,432	686,114	6.7%
2019	10,523,451	56,400	238,661	222,431	702,343	6.7%
<b>2015 - 2019 Change / Average</b>	<b>1,193,305; 238,661 per year</b>	<b>247,000; 21% of total</b>	<b>1,193,305</b>	<b>1,112,160; 222,432 per year</b>	<b>142,399</b>	<b>(0.0%)</b>

- (a) Assumes that 100% of Southpoint will be absorbed by the market due to pre-lease commitments;  
 (b) Conservatively assumes that 93.2% will be absorbed, average 6.8% vacant, by the market through 2019;  
 (c) Includes Menards and Bauer Farms additions in 2015 that are fully absorbed.

These projections assume that all major outstanding commercial projects will be built by 2020 (see Table IV-A) and that each phase of Southpoint will be fully occupied in the year opened as each anchor and our parcel will be preleased prior to construction. They also assume that space vacated space by relocations within Lawrence to Southpoint will be re-occupied by other commercial tenants by 2019.

This retail market study has been prepared exclusively for the use of Collett and the City of Lawrence in planning a commercial development in Lawrence, Kansas. Otherwise, any use or reproduction of the material in this study without the expressed consent of RICHARD CAPLAN & ASSOCIATES is prohibited.

August 14, 2015  
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# **Southpoint Retail Market Study**

**Addendum:**

**Economic Impact on the City of Lawrence**

**August 16, 2015**

**Southpoint Market Study:  
Economic Impact on the City of Lawrence**

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**City of Lawrence Property Taxes**

In 2014, the property tax mill levy for land within the City of Lawrence was 124.808 mills. Of this total, 23.7% of this total, 29.534 mills is the City of Lawrence share of the total and remitted to the City of Lawrence. Southpoint will pay **\$207,138 per year** (in 2015 dollars) to the City of Lawrence in property taxes for 46.10 acres upon full build out of the project.

The following table summarizes by the property tax payments by year beginning in FY 2018 through Southpoint build out projected in FY 2020.

The major assumptions for these figures are based on the average assessed values assigned by the Douglas County Appraiser's Office for comparable, recently appraised commercial land and commercial buildings in the City of Lawrence in 2015 and are described following Table A - 1.

**Table A - 1  
Southpoint Property Taxes to the City of Lawrence**

<b>Fiscal Year</b>	<b>Land (a)</b>	<b>Improvements (b)</b>	<b>City of Lawrence TOTAL TAXES</b>
<b>2018</b>	\$86,558	\$82,260	<b>\$168,818</b>
<b>2019</b>	\$86,558	\$93,048	<b>\$179,606</b>
<b>2020</b>	\$86,558	\$120,580	<b>\$207,138</b>

Source: City of Lawrence, Douglas County Assessor.

Assumptions:

- (a) The assessed value of the land will average \$250,000 per acre.
- (b) The assessed value of the improvements will average \$65.00 per square foot of improvements.

**Douglas County Projected Employment**

Southpoint will generate **442 direct employment** opportunities in Lawrence and Douglas County upon full build out of the development.

Restaurant and hotel employment figures are based on national industry averages adjusted for the State of Kansas. Retail employment is based on the actual average retail employment per square foot in Lawrence. The following Table A -2 summarizes these employment figures by job category and year available.

**Southpoint Market Study:  
Economic Impact on the City of Lawrence**

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**Table A - 2  
Southpoint Employment by Labor Market Category**

<b>Year Opened</b>	<b>Retail Services</b>	<b>Food Services</b>	<b>Office Workers</b>	<b>TOTAL JOBS</b>
<b>2017</b>	202	27	0	<b>229</b>
<b>2018</b>	9	76	10	<b>95</b>
<b>2019</b>	56	47	15	<b>118</b>
<b>2019 Total</b>	<b>267</b>	<b>150</b>	<b>25</b>	<b>442</b>
<b>% of Total</b>	<b>60%</b>	<b>34%</b>	<b>6%</b>	

Source: National Restaurant Association; Kansas Department of Labor; Bureau of Labor Statistics.