

## **V. RETAIL DEMAND**

The potential for additional retail development in Everett will be related to growth in the market area and the City's ability to capture additional retail sales. The contribution of these factors is considered and quantified in this section. The conclusions are not intended to be a forecast of future development, rather an estimate of what could occur under a set of assumptions and actions. The demand projections are presented in the following subsections:

Overview of Retail Development

Retail Mix and Trends

Retail Inventory

Retail Development Trends and Considerations

Projected Demand

### **OVERVIEW OF RETAIL DEVELOPMENT**

#### **TYPES OF RETAIL DEVELOPMENT**

Retail development occurs either in a stand-alone building or in a shopping center. Shopping centers fall into several categories, which differ according to the number and type of stores, the amount of space and site area, and the size of the market area they serve, both in terms of population and distance. Table V-1 summarizes the characteristics of the major types of shopping centers.

The characteristics of existing development in Central Everett are typical of neighborhood and strip retail centers. The major stores are grocery and drug stores. The three to five mile market areas identified for Everett in Section III are consistent with the areas served by a community scale center in terms of distance.

**Table V-1  
Types of Shopping Centers**

<p><b>Neighborhood Shopping Center</b></p> <p>Supermarket and drug store</p> <p>10-40 stores</p> <p>30,000-100,000 square feet</p> <p>3-10 acres</p> <p>10,000-30,000 people</p> <p>1-3 miles</p>	<p><b>Off-Price Center</b></p> <p>Off-price/discount store</p> <p>20-60</p> <p>100,000-500,000 square feet</p> <p>5-15 acres</p> <p>80,000-250,000 people</p> <p>6-15 miles</p>
<p><b>Community Shopping Center</b></p> <p>Junior department or discount store</p> <p>25-30 stores</p> <p>100,000-450,000 square feet</p> <p>10-30 acres</p> <p>30,000-75,000 people</p> <p>3-8 miles</p>	<p><b>Specialty Center</b></p> <p>Specialty/theme retailer(s)</p> <p>varies widely</p> <p>varies widely</p> <p>varies widely</p> <p>varies widely</p>
<p><b>Regional Shopping Center</b></p> <p>1 or 2 full-line department stores</p> <p>50-100 stores</p> <p>300,000-750,000 square feet</p> <p>30-50 acres</p> <p>100,000-250,000 people</p> <p>8-15 miles</p>	<p><b>Outlet Center</b></p> <p>Manufacturer's outlet stores</p> <p>30-100 stores</p> <p>200,000-800,000 square feet</p> <p>20-50 acres</p> <p>200,000-600,000 people</p> <p>over 50 miles</p>
<p><b>Super-Regional Shopping Center</b></p> <p>3 or more full-line department stores</p> <p>100-300 stores</p> <p>600,000-2,000,000 square feet</p> <p>40-100 acres</p> <p>250,000-600,000 people</p> <p>12-50 miles</p>	<p><b>Power Center</b></p> <p>Large warehouse/discount retailers</p> <p>10-20 stores (mainly large retailers)</p> <p>250,000-800,000 square feet</p> <p>20-50 acres</p> <p>250,000-500,000 people</p> <p>12-50 miles</p>
<p><b>Strip Retail Center</b></p> <p>Convenience Grocery</p> <p>3-20 stores</p> <p>10,000-30,000 square feet</p> <p>1-3 acres</p> <p>under 20,000 people</p> <p>under 2 miles</p>	<p><b>Sources:</b></p> <p>Urban Land Institute, Dollars and Cents of Shopping Centers</p> <p>Property Counselors</p>

## **REGIONAL DEVELOPMENT**

The greater Seattle Metropolitan area contains a number of major retail nodes, which vary according to their trade area size (trade area demographics and amount of retail density) and the extent of their market expanse (i.e., local versus regional draw). These major retail nodes operate as key hubs of retail activity and commercial concentration. Typical retail developments and retailers in these areas are of a larger scale (i.e., regional/super-regional malls surrounded by power and lifestyle centers, big box and supporting specialty retailers) than those found in smaller local trade areas. The major primary retail trade areas (regional basis) in the greater Seattle area are:

- Downtown Seattle
- Northeast/North Seattle, Highway 99 corridor- University Village
- Northgate
- Lynnwood/Alderwood/Everett
- Downtown Bellevue
- Factoria,
- Issaquah/Issaquah Plateau
- Redmond
- Woodinville
- Tacoma/Federal Way
- Southcenter/Kent Valley/Auburn

A major attribute of these larger regional trade areas is their close proximity and access to major highway, road systems, and public transportation hubs, as well as abundant public parking. These features allow a large number of shoppers to easily access these commercial districts.

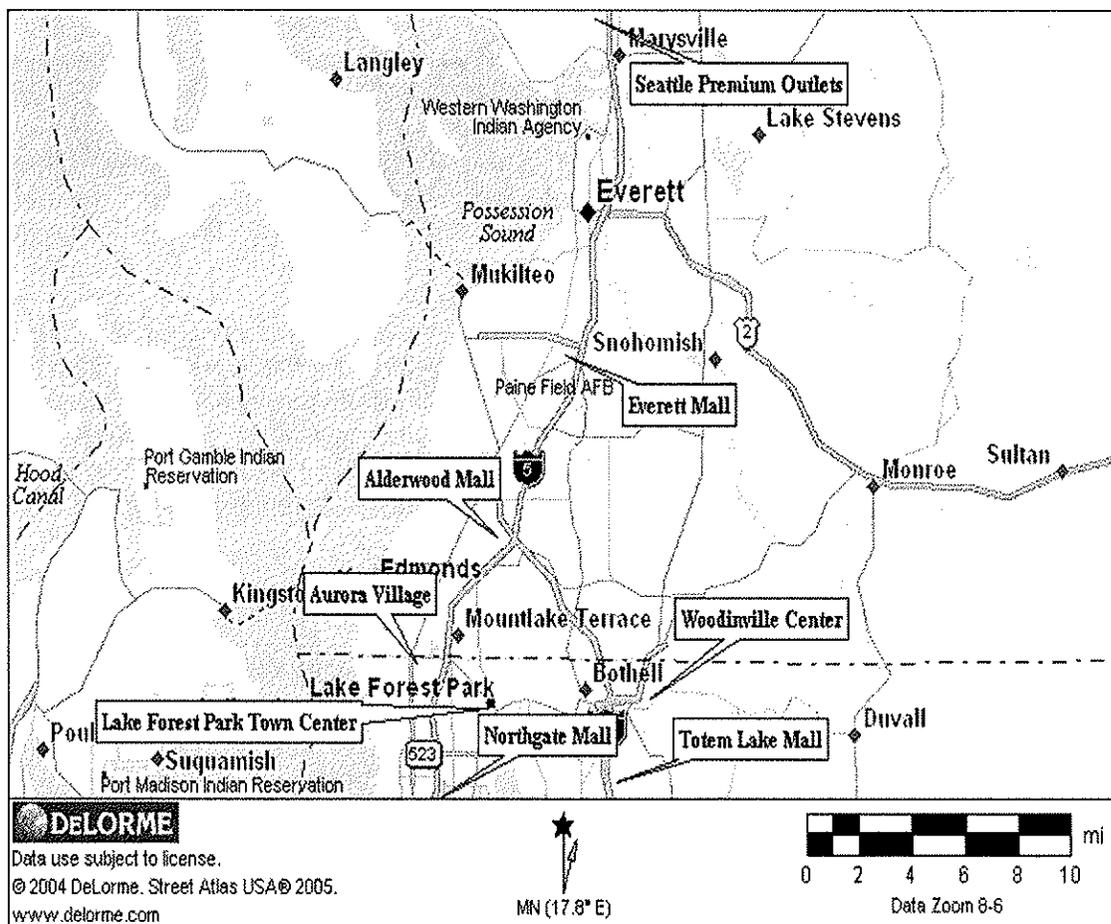
Everett Mall, located just southwest of I-5 and SR-526, is the largest regional shopping center in Everett. This 673,000 square foot facility has three anchors (Sears, Mervyn's, and Macy's) and more than 110 shops and services. The 74-acre site was first developed in 1974. Purchased by Steadfast Commercial Properties in June 2004, Everett Mall is undergoing a three-year redevelopment which will include a new retail 100,000 square foot component known as The Village. National retail tenants Best Buy; Bed, Bath and Beyond; Pet Smart; and Aaron Brothers are slated to move in to this new development.

Alderwood Mall is the largest regional shopping center in Snohomish County. Located in Lynnwood, southwest of I-5 and SR-525, this 1.4 million square foot center is anchored by JC Penney, Nordstrom, Macy's, and Sears. Recently completed at Alderwood Mall is a collection of lifestyle shops and restaurants collectively known as The Village at Alderwood. Tenants include REI, Pottery Barn, Apple Computer, William Sonoma, J. Jill, and P.F. Chang's.

The Seattle Premium Outlet Mall is a 381,000 outlet mall located north of the Tulalip Casino in Marysville, Washington. The mall opened in 2005 and currently offers approximately 100 major national brand stores.

There are also a number of successful secondary retail trade areas or “spokes” in the greater Seattle area. These districts also serve as key retail markets, but operate more on a local/semi-regional and/or neighborhood versus regional basis. Retail markets in this secondary level in Everett include Broadway Avenue, Evergreen Way. The type and retail mix of tenants within these secondary trade areas typically tend to be smaller in scale and attract a wide variety of local to big box (national/local bookstores, office/pet supply etc) specialty retailers, and usually contain a grocery store component (local and national chains). These secondary retail trade areas may or may not have major direct access to and from major transportation systems, which may be one of the reasons why retail development is limited to a specific size (aside from adequate demographic criteria).

**Figure V-I**  
**Regional Retail Development**



## Regional Market Conditions

Current market conditions in the region are monitored by organizations such as CB Richard Ellis. Rent and vacancy conditions as of the first quarter of 2005 are summarized by subarea in Table V-2.

**Table V-2**

### Puget Sound Retail Market Conditions

**1<sup>st</sup> Quarter 2005**

Submarket	No. of Buildings	Total Sq Ft	Vacant Sq Ft	Vacancy Rate	Average Rent Rate*
Seattle Downtown	133	3,315,792	260,768	7.86%	\$24.81
Eastside	303	8,240,120	252,300	3.06%	\$23.73
Kitsap/Olympic Penin.	34	1,306,300	71,856	5.50%	\$16.36
Northend	213	8,265,316	396,829	4.80%	\$18.03
Southend	235	7,437,353	207,452	2.79%	\$19.02
Tacoma	188	7,144,354	255,753	3.58%	\$17.24
<b>Total</b>	<b>1,106</b>	<b>35,709,235</b>	<b>1,444,958</b>	<b>4.05%</b>	<b>\$19.96</b>

Sources: OfficeSpace.com (Excludes owner-occupied buildings, government buildings, and buildings under construction or proposed). Data as of April 2005

\* Net lease basis

- Puget Sound region's retail vacancy rate was 4.05% as of April 2005, up slightly from 3.97% in the second half of 2004. Vacancy declined in Downtown Seattle and the Eastside, but increased in all other submarkets.
- The Northend market, which includes Everett as well as Lynnwood, Mountlake Terrace, North Seattle, and Whatcom County, had a vacancy rate of 4.80%, slightly higher than the area-wide average.
- The average Northend rental rate is \$18.03 per square foot, below the Puget Sound region's average rate of \$19.96 per square foot. Average rent in the Everett/Snohomish County market was \$16.95 per square foot, lowest among the Northend submarkets.

Table V-3 summarizes historical data for the Everett/Snohomish County market (excludes Lynnwood and Mountlake Terrace) between 2001 and 2005.

**Table V-3**  
**Everett Retail Market Conditions**  
**2001-2005**

<b>Time Period</b>	<b>No. of Buildings</b>	<b>Total Sq Ft</b>	<b>Vacant Sq Ft</b>	<b>Vacancy Rate</b>	<b>Average Rent Rate</b>
2001 Year-end	63	2,931,632	115,094	3.93%	\$15.72
2002 Year-end	79	3,698,509	268,592	7.34%	\$15.46
2003 Year-end	86	4,518,279	202,714	4.49%	\$15.44
2004 Year-end	90	4,018,722	216,767	5.39%	\$16.95
2005 First Quarter	90	4,018,722	223,331	5.56%	\$16.95

Sources: OfficeSpace.com (Excludes owner-occupied buildings, government buildings, and buildings under construction or proposed). April 2005

\* Net lease basis

Total square footage of retail space in the Everett submarket has increased 37 percent since late 2001, with a current total of 4.0 million square feet. The overall vacancy rate has increased from 4.5 percent since the end of 2003 to its current level of 5.6 percent. The current average rental rate of \$16.95 per square foot represents an approximate 10 percent increase since 2002-2003.

## **RETAIL MIX AND TRENDS**

The best available measure of retail activity is taxable sales data compiled by the Washington State Department of Revenue. Table IV-4 compares calendar year 2004 taxable retail sales for the City of Everett with Snohomish County and Washington State. Approximately one-half of taxable sales consist of retail trade, similar to Snohomish County as a whole. The major retail sectors in Everett are Motor Vehicles/Parts and General Merchandise, which account for 29.4 percent of total retail trade. Construction and Wholesale Trade represent the largest non-retail sectors.

Business receipts data for the Downtown Study Area are available from City business tax records. The data differs from the data in the previous table in that the City data is gross receipts while the other data is taxable receipts (reflects exemptions such as food sales). Table V-5 summarizes the results for retail trade sectors and selected service sectors.

## Table V-5

### Gross Business Receipts for Downtown Study Area

	2001	2002	2003	2004	Avg. Ann. Gr.
<b>Retail Trade</b>					
Motor Vehicles and Parts	6,146,632	6,758,430	9,890,591	9,147,473	14.2%
Furniture and Home Furnishings	2,353,815	2,256,815	2,301,009	2,609,050	3.5%
Electronics and Appliances	56,313	44,474	42,131	35,547	-14.2%
Building Materials and Garden	15,476,801	13,049,113	12,031,779	10,747,785	-11.4%
Food and Beverage	9,465,065	6,836,661	6,796,803	9,237,290	-0.8%
Drug/Health Stores	174,330	147,032	157,227	196,847	4.1%
Gas Station and Convenience	-	-	-	-	
Apparel and Accessories	821,531	1,100,622	1,113,801	1,304,124	16.7%
Sporting Goods, Toys, Books and Music	2,622,244	2,612,533	2,605,926	2,471,942	-1.9%
General Merchandise	-	-	-	-	
Misc. Retail	3,564,755	3,543,945	3,901,792	4,097,271	4.8%
Non-store Retail	4,745	38,525	62,853	482,329	366.7%
Subtotal	40,686,231	36,388,150	38,903,912	40,329,658	-0.3%
<b>Selected Services</b>					
Arts Entertainment and Recreation	3,719,670	4,366,258	6,885,904	9,928,735	38.7%
Accommodations	244,064	230,750	221,953	471,867	24.6%
Restaurants Food Services	5,323,635	5,432,058	5,884,000	7,129,281	10.2%
Repair and Maintenance Services	7,268,528	8,840,501	8,275,059	9,877,715	10.8%
Personal Services	1,302,770	1,522,805	1,659,711	1,831,157	12.0%
Subtotal	17,858,667	20,392,372	22,926,627	29,238,755	17.9%
<b>Total</b>	<b>58,544,898</b>	<b>56,780,522</b>	<b>61,830,539</b>	<b>69,568,413</b>	<b>5.9%</b>

Source: City of Everett Business Tax Records  
Property Counselors

As shown in the table, total retail trade receipts declined slightly over the period while selected services increased. For the period 2002-2004, retail trade did increase at an average annual rate of 5.3%.

- The largest retail sectors are Building Materials, Food Stores, Motor Vehicles, and Miscellaneous Retail.
- Sectors showing strong growth are motor vehicles, apparel and accessories and miscellaneous retail, as well as the various service sectors.
- Arts entertainment and recreation, and restaurants both experienced strong growth from 2002 to 2004, reflecting, in part, the impact of the Everett Event Center.

## RETAIL INVENTORY

The retail inventory of Everett consists of a mix of shopping centers, shopping districts, a concentration of individual buildings, highway-oriented strip development, and stand-alone facilities. Table IV-6 summarizes the characteristics of existing shopping centers and retail concentrations.

**Table V-6**

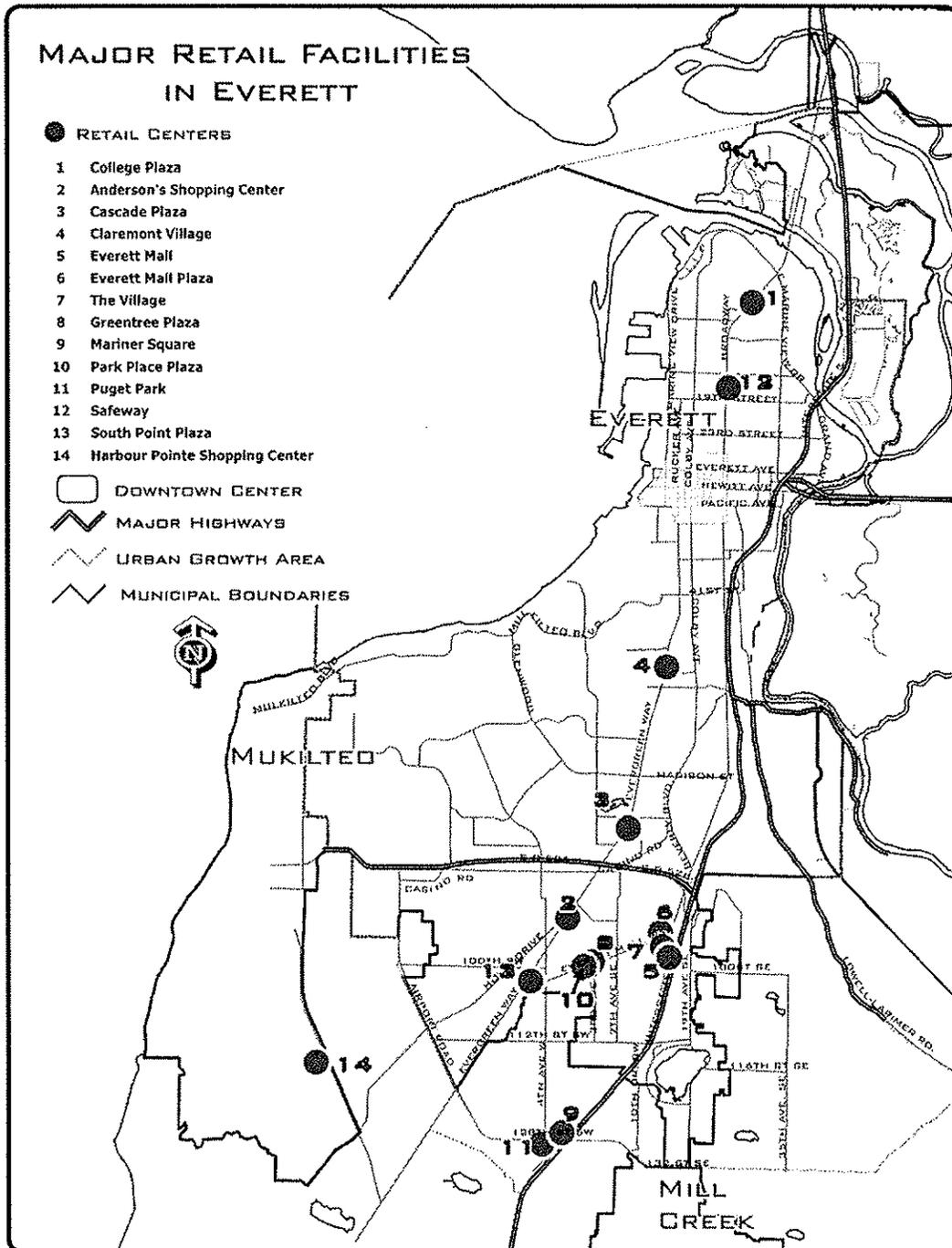
### Everett Retail Centers

Map No.	Identification/ Location	Type of Center	Year Built	Size (Sq Ft)	Anchor Tenants
1	College Plaza 1001 Broadway	Community	1944	174,077	Rite Aid Shari's
2	Anderson's Shopping Center 9115 Evergreen Way	Neighborhood	1979	45,000	
3	Cascade Plaza 7601 Evergreen Way	Community	1987	217,657	Safeway Ross Dress for Less Long's Drugs
4	Claremont Village 4919 Evergreen Way	Neighborhood	1955	88,770	QFC Grocery Les Schwab Tire Center Hollywood Video
5	Everett Mall I-5 and Everett Mall Way	Regional	1973	673,157	Mervyn's Macy's Sears
6	Everett Mall Plaza 1205 Everett Mall Way	Community	1985	198,693	Top Foods Grocery Toys R Us Pier 1 Imports
7	The Village 1402 Everett Mall Way	Community	2005	100,000	Best Buy Bed, Bath and Beyond Pet Smart
8	Greentree Plaza Everett Mall Way and 3rd Ave.	Community	1988	178,932	Target Gart Sports
9	Mariner Square I-5 and 128th St. SW	Community	1993	122,880	
10	Park Place Plaza Everett Mall Way and Intercity Ave.	Neighborhood	1982	36,712	
11	Puget Park 128th St. SW and 4th Ave. W.	Neighborhood	1981	88,884	Albertsons

12	Safeway Shopping Center 1715 Broadway	Neighborhood	1971	37,060	Safeway
13	South Point Plaza	Community	1986	190,378	Cost Cutter Foods Office Depot Rite Aid
14	Harbour Pointe Shopping Center SR-525 and Harbour Pointe Blvd.	Community	1993	135,000	QFC Grocery Rite Aid
15	Lake Stevens Marketplace Highway 9 and 91 <sup>st</sup> Ave. SE	Community	1993	153,880	Albertsons Rite Aid
16	Marysville Towne Center SR-528 and State Ave.	Community	1988	226,218	Albertsons Gottschalk's JC Penney
17	Safeway Plaza at Marysville 1242 State Ave.	Community	1995	111,656	Safeway

Figure V-2

Major Retail Facilities in Everett



- The largest concentration of retail is located in the Everett Mall area, southwest of I-5 and SR-526 in south Everett. Approximately 1.38 million square feet of retail space exists in seven centers fronting SE Everett Mall Way.
- Several neighborhood and community shopping centers are scattered along Evergreen Way, the primary commercial arterial south of downtown. These centers are generally anchored by a grocery store.
- Retail in the downtown area is generally limited to smaller independent retailers. Major retailers located in Central Everett, but outside downtown, include Lowe's, Safeway, QFC and Albertsons.

## **RETAIL DEVELOPMENT TRENDS AND CONSIDERATIONS**

The success of potential retail developments in downtown Everett will depend on a number of key attributes, including demographics and locational factors. Another critical feature will be the appropriate design and quality of finishes for retail developments. Well-designed and positioned centers will attract the desired quality tenants. Developers are demanding an increased emphasis on design components, not only to attract shoppers with innovative design elements (i.e., seating areas and plazas, water features etc.) but also to create environments that get people to stay and shop longer. The current consumer groups who command the greatest spending power have defined what comprises a favorable shopping experience are the Baby Boomers and Gen Y's. They look for convenience and a broad range of retail options, which need to be presented in an exciting environment. Downtown Everett's close proximity to the waterfront and other public amenities will further the positioning of retail and mixed use developments in the trade area. The City of Everett and retail developers should strive, if possible to develop projects patterned after "lifestyle centers" (i.e., possibly a small-scale version of University Village in Seattle). These open-air centers are proving successful across the U.S. because they create a shopping and leisure destination that is an extension of the consumer's lifestyle but still invoke the feelings present in Main Street shopping districts. The distinguishing factors between the types of retail centers continues to be the developments' store sizes and configuration, tenant mix, number and quality of entertainment venues and the ability to convey a main street and town center environment. The expanded Alderwood Mall will meet the regional demand for a true life-style center, but smaller developments that incorporate some of these elements will be attractive.

Among the main factors cited for the recent changes being made to retail centers are changes in customer shopping patterns, increased competition among retailers, and the evolution of city government' planning strategies to incorporate community-oriented amenities into proposed retail developments. Retail development in the Everett market area will respond to these same factors in terms of attracting local and national mid sized retail tenants.

## PROJECTED DEMAND

Downtown Everett should capture additional retail development as a result of three factors:

- Growth in market area population,
- Increased capture rate for sectors of restaurants, entertainment and specialty retail, and
- Capture of spending by additional households living Downtown

The impact of these factors can be quantified

### Growth in market area

The current level of Downtown Study area sales is \$70 million. With the Snohomish County area projected to grow at 2% per year, and assuming a constant capture rate, retail sales would grow by \$35 million during the 20 year period. Assuming \$200 retail sales per square foot of floor area (a typical rate for new retail space in neighborhood and community scale retail centers) this level of sales growth would support 175,000 square feet or 9,000 square feet per year.

### Increased Capture in Selected Sectors

Downtown has shown strong growth in restaurant and entertainment uses. Further, there has been strong growth in apparel and accessories, and miscellaneous retail. These sectors currently represent \$23 million in annual sales. With market area growth they are likely to reach \$35 million over 20 years. An increased capture rate of 50% would represent an additional \$17.5 million in sales. At \$200 per square foot, this would represent 90,000 square feet of supportable development.

### Spending by Downtown Residents

Average household expenditures for routine purchases such as groceries, food away from home, household supplies, personal care products, and miscellaneous goods is \$12,000 per year for households with \$50,000 annual income or greater. The level of spending will support 60 square feet of neighborhood or convenience retail. The projected retail demand of 1,900 new households in the Downtown Study Area, would thus support 114,000 additional square feet.

In summary, the potential demand for retail would support the following level of development over 20 years.

Normal Growth	175,000 square feet
Increased Market Share	90,000
Residential Purchases	<u>110,000</u>
Total – 20 year	375,000

The types of development will vary from small specialty shops with 2,000 square feet of floor area, to restaurants with 2,000 to 6,000 square feet, to small grocers or drug stores with 6,000 to 12,000 square feet. Supportable rents should be comparable to rates for the Northend market of \$18 to 20 per square foot for new space and \$14-16 for older buildings.