CAPITOL BOULEVARD PLAN

MARKET ANALYSIS

PREPARED FOR:

CITY OF TUMWATER AND
MAKERS ARCHITECTURE AND URBAN DESIGN

PREPARED BY:

PROPERTY COUNSELORS

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I. INTRODUCTION AND SUMMARY

INTRODUCTION

South Capitol Boulevard through Tumwater was a segment of Highway 99 through Washington and along the Pacific coast. With the development of Interstate Highway 5 in the 1960's, the boulevard no longer served as a regional transportation facility, but it continued as a major arterial in this area of the county, and continues to serve significant volumes of vehicular traffic. Much of the development along the corridor is auto-oriented by business type and physical form, including quick serve restaurants, motels, and auto services.

The City of Tumwater considers the corridor to be an important location for higher density residential and commercial development. The City has a stated goal "to improve the corridor's visual appeal and economic functioning through infrastructure enhancement and the development of attractive places in key nodes near residential concentrations." The City has initiated a Capitol Boulevard Corridor Plan to identify key opportunities, necessary improvements and associated actions to accomplish both. The plan will be based on a realistic assessment of economic conditions and trends, and an identification of opportunities that are achievable. To this end, the plan includes a market analysis that provides the economic background for plan recommendations.

This report documents the results of the market analysis for potential uses. It is organized into seven sections.

I. Introduction and Summary

II. Economic and Demographic Overview

III. District Profile

IV. Demand for Retail

V. Demand for Office

VI. Demand for Residential

VII. Demand for Lodging

The major findings and conclusions of the analysis are summarized in the remainder of this section.

SUMMARY

ECONOMIC AND DEMOGRAPHIC OVERVIEW

The State of Washington is the largest employer in Thurston County with 24% of total wage and salary employment. State employment has declined since its peak in 2008. Tumwater has increased its share of State workers from 17% in 1998 to 33% in 2008. Much of that growth has occurred at the south end of the Corridor.

Tumwater is the smallest of the three major cities in the County, but the City and its surrounding urban growth area are projected to grow faster than the other two. The average household size in Tumwater is lower than in the other two cities; the median age is lower; and the median income is higher.

The visitor industry in Thurston County is comparable in terms of number of employees to the wholesale or manufacturing sectors. Tumwater is easily accessible within the region by automobile, and offers several park, recreation and museum attractions.

DISTRICT PROFILE

The Capitol Boulevard Corridor includes approximately 142 businesses with over 3,000 total employees. The business mix is noteworthy for three sectors: government (with two-thirds of total employment), food services (12%), and health care and social assistance. Food service dominates the taxable retail sales with 57% of total sales. Two categories of business have particularly strong performance in terms of dollars per square foot: food services and motor vehicles and parts.

Corridor businesses are generally auto-oriented. They serve a combination of local users (particularly State workers) and a regional trade area within a three to five mile radius. Interviews with business and property owners indicate that many feel that the Corridor is a good location, but it would benefit from a positive identity, extension of activity further into the evening, reduced traffic congestion at major intersections, improved streetscape, and improved walking environment.

DEMAND FOR RETAIL

Tumwater taxable sales grew at an average annual rate of .9% per year between 2004 and 2010. Sales in retail trade and selected services remained constant in Tumwater while they grew by 50% in Lacey over the period and declined in Olympia. Generally, the County as a whole and all three major cities captured sales that exceeded estimated spending by residents. Tumwater does experience leakage in motor vehicle sales, furniture and home furnishings, electronics and appliances, sporting goods/toys/books/movies, and miscellaneous retail.

Tumwater has a strong regional retail concentration with big box stores along Littlerock Road. The strength of those retailers in food sales will impede the Corridor in its ability to attract a grocery store, a desirable neighborhood retail anchor.

The Corridor should be able to increase its capture of State worker spending, natural trade area spending, spending by users of an expanded lodging/entertainment concentration, and increased regional retail capture.

DEMAND FOR OFFICE

State-occupied office space represents 94% of total office space in Tumwater. There is a major concentration of State office workers at the south end of the Corridor. The buildings in this area offer the State the opportunity to place large departments or divisions in a single location. The State has moved to consolidate departments in these buildings.

There hasn't been much new office development in the County in recent years. The State has vacated several large private buildings in Lacey. Several buildings in the Tumwater Brewery District command rents at the upper end of the range within the County, but most of the non-State occupied buildings in the Corridor are older and smaller, and command rents in the lower end of the range.

The number of office-using employees in the City of Tumwater is projected to grow by 4,400 over a 23 year period. The Corridor currently provides 35% of total office space in the City. The Corridor should be able to maintain or increase this share.

DEMAND FOR RESIDENTIAL

Tumwater has historically provided a significant share of housing units as multifamily. However, there has been little multifamily development over the past two decades. Tumwater apartments currently report a high vacancy rate of 7.3%, but average rents are highest in the County. Newer buildings in the County and Tumwater are generally two to three stories with carports or under-building parking. Prevailing rents are at levels that can support development of this type. The Hearthstone apartments in the Corridor were completed in 2005 and 2007, and command rents in the upper end of the range for new apartments in the County. This experience indicates that that the Corridor can support quality multifamily development. Condominium sales in the County have begun to increase and prices have stabilized, but it's unlikely that condominiums will represent a major segment of the multifamily activity in the foreseeable future.

Thurston Regional Planning Council (TRPC) sponsored a housing market analysis for key focus areas in the County, including the Corridor. Projected county-wide demand over the period 2010 to 2030 is 12,421 units, 10,212 of which are multifamily units. The Corridor is projected to capture 9% of the total, equal to 1,147 units. The Corridor share was assumed as the same share as current dwelling units in the focus areas. With an increase in the Corridor share as a result of Corridor improvements, the Corridor could capture as many as 1,714 units of the County total. While the housing projections for each focus area assume new investment as well, the upper end of the range reflects increased relative desirability of the Corridor.

The housing demand projections were based on current Thurston Regional Planning Council (TRPC) forecasts. Those forecasts are being updated, and the increased population is likely to be 15% to 20% lower than in the current forecasts for 2030. Discounting the housing demand projections by these factors yield the following estimates of demand for the next 20 years:

Single Family	138 to 190 dwelling units
Townhouse	195 to 317 dwelling units
Low-rise (1 to 2 stories)	468 to 633 dwelling units
Mid-rise (3 to 6 stories)	117 to 317 dwelling units
High-rise (9 or more stories)	0 dwelling units
Total	918 to 1,457 dwelling units

DEMAND FOR LODGING

The lodging industry has suffered major shocks over the past decade. Occupancy rates dropped dramatically after 2008 and have only now recovered, while average daily room rates are still at 2006 levels. Tumwater's share of hotel room revenue activity was comparable to Lacey's through 2006, but has declined since that year.

There are approximately 1,800 guest rooms in Thurston County, with 19% of those in Tumwater. Of the 18 major hotels in the County, only two are full service hotels, and only eight have significant meeting facilities. The Best Western hotel on the Corridor offers room rates in the lower half of the major properties.

The historical real growth rate for the hotel room revenues was 2.5% per year between 1997 and 2011, a very challenging period. With real growth of 3.0% to 3.5% per year, and a constant or increased capture rate, the number of supportable hotel rooms could increase in a range of 75 to 317. It's important that at least one full service hotel be included in order to diversify the segmentation, and reinforce the location as a lodging/entertainment center.

SUMMARY OF POTENTIAL DEMAND

The projected demand for increased development in the Corridor is summarized in Table I-1.

Table I-1
Summary of Projected Demand

Base Case

	2010-2020	2020-2030	2010-2030
Residential Units			
Single Family	62	76	138
Townhouse	88	107	195
Low rise (1 to 2 stories)	211	257	468
Mid Rise (3 to 6 stories)	53	64	117
High Rise (9 or more stories)	-	-	-
	413	505	918
Retail Square Feet	21,030	16,891	37,920
Office Square Feet	84,000	98,400	182,400
Hotel Rooms	33	42	75

Increased Share

	2010-2020	2020-2030	2010-2030
Residential Units			
Single Family	86	105	190
Townhouse	143	174	317
Low rise (1 to 2 stories)	285	348	633
Mid Rise (3 to 6 stories)	143	174	317
High Rise (9 or more stories)	-	-	-
	656	801	1,457
Retail Square Feet	98,250	87,275	185,526
Office Square Feet	110,500	136,000	246,500
Hotel Rooms	125	192	317

In order to achieve these projected levels, it will be necessary to improve the desirability of the Corridor through:

Establishment of a positive identity.

Improvements to traffic flow.

Improvements to streetscape.

Improvements to walkability.

II. ECONOMIC AND DEMOGRAPHIC OVERVIEW

The physical and economic characteristics of Tumwater and Thurston County will affect the Corridor's potential for a range of uses. These attributes are discussed in this section in terms of:

Employment
Population
Population Characteristics
Visitor Activity

EMPLOYMENT

Government dominates employment in Thurston County. As shown in Table II-1, government represents approximately 24 percent of total employment within the County. The State is the single largest employer in the County. State employment in Thurston County exceeded 25,000 in 2006 and 2008, but has declined to 21,123 by 2011.

Table II-1
Thurston County Covered Employment by Sector - 2010

	Employment		
	Avg.	**% of Total**	**Avg Wage**
Agriculture, Forestry	1,369	1.4%	$32,503
Mining	35	0.0%	$41,204
Utilities	169	0.2%	$75,435
Construction	3,274	3.4%	$41,859
Manufacturing	2,986	3.1%	$44,227
Wholesale Trade	2,689	2.8%	$83,892
Retail Trade	11,075	11.4%	$26,317
Transportation and Warehousing	1,642	1.7%	$35,101
Information	991	1.0%	$46,379
Finance and Insurance	2,158	2.2%	$53,969
Real Estate, Rental and Leasing	1,272	1.3%	$28,829
Professional and Technical Services	3,241	3.4%	$54,801
Management	663	0.7%	$59,515
Administrative and Waste Services	3,316	3.4%	$25,455
Educational Services	1,271	1.3%	$42,339
Health Care and Social Assistance	11,582	12.0%	$42,212
Arts, entertainment, and Recreation	1,189	1.2%	$16,737
Accommodations	1,019	1.1%	$18,897
Food Services	6,500	6.7%	$15,148
Other Services	4,433	4.6%	$25,772
Government		0.0%	
Federal	1,006	1.0%	$64,373
State	23,525	24.3%	$57,069
Local	11,335	11.7%	$43,755
Total	96,740	100.0%	

Source: Washington State Employment Security Department

The largest employers are shown in Table II-2. The figures show that employment in the area is dominated by institutions and retailers.

Table II-2
Thurston County
Top Ten Employers - 2011

	No. of Employees
State Government	20,000-25,000
Local Government	10,000-15,000
Providence St. Peter Hospital	1,000-5,000
Tribal Government	1,000-5,000
Federal Government	500-1,000
Group Health Cooperative	500-1,000
Affiliated Computer Services	500-1,000
Great Wolf Lodge	500-1,000
Columbia Capital Medical Center	100-500
Walmart	100-500
Saint Martin’s University	100-500
Costco Wholesale Corporation	100-500
Safeway	100-500
Target	100-500
Cabela’s	100-500

Source: Thurston Regional Planning Council

The share of State employment located in Tumwater increased from 17% in 2003 to 33% in 2008. Over that period, Olympia’s share has dropped from 65% to 50%. Much of the State employment in Tumwater is located in leased office buildings at the south end of Capitol Way.

Table II-3
State Employment Distribution Trends

Employment

	1994	1998	2003 [1]	2008	Growth
Lacey and UGA	2,620	2,570	3,550	3,150	530
Olympia and UGA	12,300	14,260	12,040	12,210	(90)
Tumwater and UGA	4,120	3,720	6,030	7,970	3,850
Other Thurston county	790	1,200	1,210	1,210	420
Total	19,830	21,750	22,830	24,540	4,710

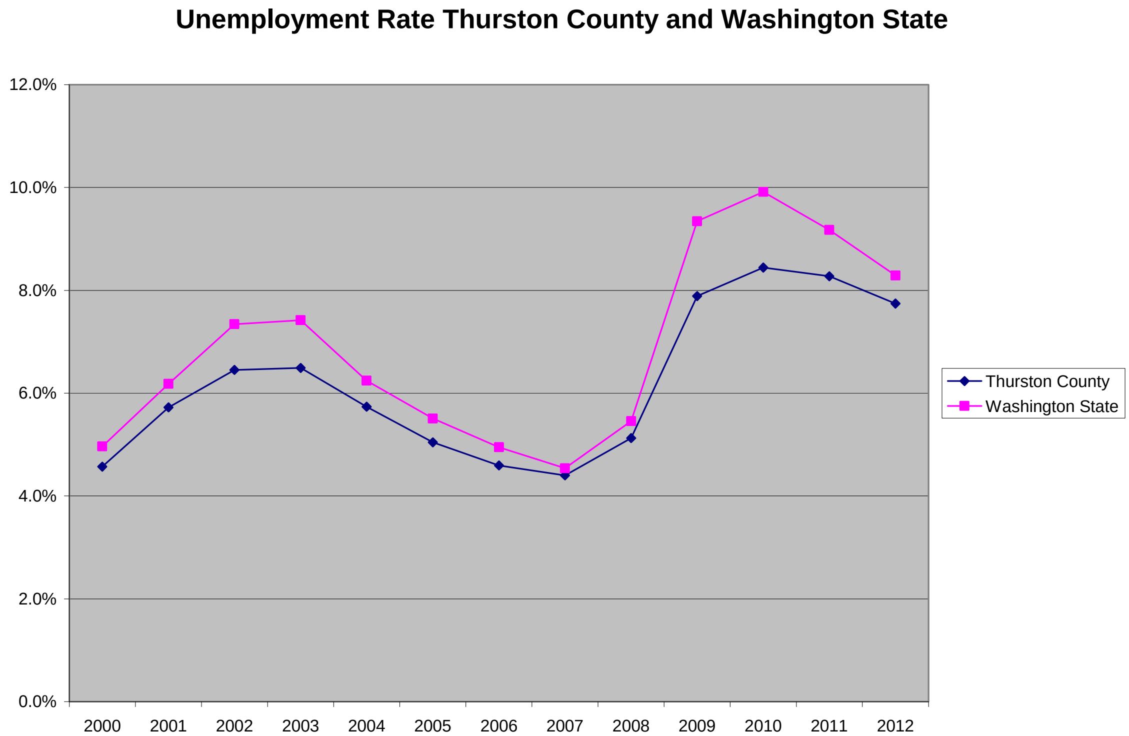
Percent of Total

	1994	1998	2003	2008	Growth
Lacey and UGA	13.2%	11.8%	15.5%	12.8%	11.3%
Olympia and UGA	62.0%	65.6%	52.7%	49.8%	-1.9%
Tumwater and UGA	20.8%	17.1%	26.4%	32.5%	81.7%
Other Thurston county	4.0%	5.5%	5.3%	4.9%	8.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

[1]2003 employment numbers allocated to 2005 locations.
Source: Washington State Departments of Employment Security and General Administration; TRPC.

Thurston County's economy is stable in comparison to the State as a whole. As shown in Figure II-1, the unemployment rate has been lower than the rate for the State every year over the last thirteen years. The current rate is 7.8 percent, compared to the rate of 8.2 percent for the State as a whole.

Figure II-1
Civilian Average Annual Unemployment in Thurston County, Washington – 2000 to 2012



Source: Washington State Department of Employment Security, Labor Market Economic Analysis, United States Department of Labor

Nonagricultural wage and salary employment is projected to increase at an average annual rate of 1.6 percent between 2003 and 2030, as shown in Table II-4. The fastest growing sectors are projected to be construction, professional and technical services, other services, transportation and warehousing, and arts entertainment and recreation. Government employment is projected to grow at only nominal rates.

Table II-4
Thurston County
Total Non-Agriculture Employment Projections

	Actual 2010	Projected 2030	Avg Ann. Growth
Agriculture, Forestry	2,780	2,640	-0.3%
Mining	110	180	2.5%
Utilities	180	290	2.4%
Construction	5,620	11,010	3.4%
Manufacturing	3,100	3,500	0.6%
Wholesale Trade	3,250	3,960	1.0%
Retail Trade	14,660	19,500	1.4%
Transportation and Warehousing	2,310	3,730	2.4%
Information	1,280	1,890	2.0%
Finance and Insurance	4,610	5,650	1.0%
Real Estate, Rental and Leasing	5,470	6,280	0.7%
Professional and Technical Services	13,000	21,800	2.6%
Educational Health & Social Svcs.	17,000	24,500	1.8%
Arts, Entertainment, and Recreation	2,750	4,190	2.1%
Accommodations and Food Service	8,270	11,530	1.7%
Other Services	7,380	12,030	2.5%
Government			
Federal	1,010	1,180	0.8%
State	24,300	28,200	0.7%
Local	11,400	15,800	1.6%
Total	128,480	177,860	1.6%

Source: Thurston Regional Planning Council, 2012

The military is an important sector in Thurston County. Although there are no major facilities in the county, Joint Base Lewis and McChord (JBLM) to the north in Pierce County has a strong impact on residential and commercial demand. As shown in Table II-5, Thurston County houses 3,556 active duty military personnel. Thurston County offers an attractive relatively affordable housing opportunity for service people and their families stationed at JBLM. A community survey prepared for JBLM offered several relevant findings:

- 59% of active duty personnel living off-base are married and/or have children.
- 70% of respondents plan to remain in the region for their next deployment.
- 45% of off-base respondents transitioning out of military in next five years would like to remain in the region.

These households have needs for housing and commercial and public services.

Table II-5
Resident Active Duty Military Personnel
2000 to 2011

	2000	2011	% Increase
Pierce	16,847	30,256	79.6%
Kitsap	10,624	11,335	6.7%
Island	6,208	6,042	-2.7%
Spokane	3,103	3,608	16.3%
Thurston	1,979	3,556	79.7%
King	1,977	2,014	1.9%
Snohomish	4,662	4,822	3.4%
Total	45,400	61,633	35.8%

Source: Office of Financial Management, Population Trends 2011.

POPULATION

Population within Thurston County has grown at the rate of 2.2 percent per year since 1990, a rate greater than that of the State as a whole, and adjacent counties over the same period. Generally the counties at the periphery of the urbanized area around the Seattle metropolitan area are experiencing the fastest growth rates. 76 percent of the net change in population in the County between 1990 and 2011 was due to net migration as opposed to natural increases, compared to 57.8 percent for the State as a whole. The County is an attractive destination for households looking to relocate.

Table II-6
Population Growth Trends

Thurston and Adjacent Counties

	1990	2000	2011	Avg. Annual Growth 1990 - 2011
State of Washington	4,866,663	5,894,121	6,767,900	1.7%
Thurston	161,238	207,355	254,100	2.2
Grays Harbor	64,175	67,194	72,900	0.6
Lewis	59,358	68,600	76,000	1.2
Mason	38,341	49,405	61,100	2.2
Pierce	586,203	700,820	802,150	1.5
King	1,507,319	1,737,034	1,942,600	1.2

Source: Washington State Office of Financial Management

Tumwater is the smallest of the three major cities in Thurston County, but the City and its surrounding urban growth area (UGA) are projected to grow faster than the other two over the next 30 years as shown in Table II-7. It should be noted that the population projections are being updated by TRPC, and projected growth rates are likely to be lower than the rates in the prior projections.

Table II-7
Population Growth Trends
Thurston County Cities

	Estimate 2011	Projected 2020	Projected 2030	Avg. Ann. Growth 2011-2020	2020-2030	2011-2030
Bucoda						
City	560					
UGA	-					
Total	560	800	1,050	3.6%	2.8%	3.2%
Lacey						
City	42,830					
UGA	33,380					
Total	76,210	92,200	106,700	1.9%	1.5%	1.7%
Olympia						
City	46,780					
UGA	11,915					
Total	58,695	73,000	82,100	2.2%	1.2%	1.7%
Rainier						
City	1,825					
UGA	110					
Total	1,935	2,480	2,900	2.5%	1.6%	2.0%
Tenino						
City	1,700					
UGA	15					
Total	1,715	2,890	3,590	5.4%	2.2%	3.8%
Tumwater						
City	17,570					
UGA	6,105					
Total	23,675	32,500	42,000	3.2%	2.6%	2.9%
Yelm						
City	7,005					
UGA	1,415					
Total	8,420	16,600	24,100	7.0%	3.8%	5.4%
Ground Mound UGA	1,375	1,900	2,690	3.3%	3.5%	3.4%
Chehalis Reservation	70	110	180	4.6%	5.0%	4.8%
Nisqually Reservation	600	790	940	2.8%	1.8%	2.3%
Total Cities	118,270					
Total UGA's	54,315					
Total Cities & UGA's	172,585	222,370	265,130	2.6%	1.8%	2.2%
Total Reservations	670	900	1,120	3.0%	2.2%	2.6%
Rural Unincorporated Thurston	80,845	96,000	107,000	1.7%	1.1%	1.4%
Total Thurston County	254,100	319,270	373,250	2.3%	1.6%	1.9%

Source: Washington State Office of Financial Management
Thurston Regional Planning Council Employment and Population Forecasts 2007

POPULATION CHARACTERISTICS

Several major population characteristics are compared for Thurston County and its major cities in Table II-8.

Household Size: Tumwater has a lower average household size than the county as a whole, and lower than either Lacey or Yelm. There are fewer families than in the latter communities.

Age: The median age in Tumwater is lower than the County median and well above the median for Lacey and Yelm. Again, this reflects fewer families in the city.

Population Growth: Tumwater grew faster than the County as a whole over both the past two decades, but slower than either Lacey or Yelm.

Ethnicity: There is little ethnic diversity in the city as reflected in the high percentage of the population that is white.

Income: The median income in Tumwater is higher than in the other two major cities.

Table II-8
Population Characteristics-Thurston County and Major Cities

	Tumwater	Lacey	Olympia	Yelm	Thurston County
Average Household Size 2010	2.30	2.44	2.18	2.95	2.46
Median Age 2010	37	34	38	29	39
Avg. Ann. Population Growth 1990-2000	2.4%	4.9%	2.3%	9.4%	2.5%
Avg. Ann. Population Growth 2000-2010	3.2%	3.1%	0.9%	7.6%	2.0%
Ethnicity % White	85.0%	74.0%	84.0%	82.0%	82.0%
Median Household Income 2005-2009	$55,765	$53,692	$51,435	$57,598	$59,453

Source: TRPC Profile 2011

The median household income in Thurston County exceeds that of the State as a whole. State government provides a relatively high wage contribution to the overall economy in the area. Income estimates for the period 1990 through 2011 for the County and the State are shown in Table II-9.

Table II-9

Median Household Income Growth

	Washington	Thurston
1989	$31,183	$30,976
1990	33,417	33,139
1991	34,379	34,851
1992	35,882	36,676
1993	36,679	37,766
1994	37,895	38,939
1995	38,997	39,971
1996	40,568	41,497
1997	42,399	43,748
1998	44,514	45,843
1999	45,776	46,975
2000	44,120	48,457
2001	45,761	50,885
2002	46,039	51,111
2003	46,967	51,243
2004	49,585	52,043
2005	50,004	54,914
2006	53,522	57,985
2007	56,141	60,576
2008	57,858	63,009
2009	55,458	60,978
2010*	54,888	60,038
2011**	55,500	60,621
Avg. Ann. Growth	2.7%	3.1%

* Preliminary estimate. ** Projection.

Source: Washington State Office of Financial Management Forecasting

Considering only the period 2006 to 2011, the median household income in Thurston County is estimated to have grown at only .9% per year, slightly above the rate of .7% per year for the State.

VISITOR INDUSTRY

The visitor industry is Thurston County is represented by a broad spectrum of businesses, activities and attractions. The make-up of the industry is shown in Table II-10.

Table II-10

Thurston County Travel Impacts – 2009

	Visitor Spending
Accommodations	$35,400,000
Food and Food Service	70,600,000
Food Stores	14,000,000
Transportation	64,900,000
Arts Entertainment and Recreation	33,400,000
Retail Sales	37,200,000
Total	$255,500,000

Source: Dean Runyon Associates, Washington State Travel Impacts 1991 – 2009

Employment in the visitor industry is estimated to be 2,850 in 2009, similar in size to the wholesale or manufacturing sectors.

Thurston County has the ninth highest level of total visitor spending among the State's 39 counties as shown in Table II-11. On a per capita basis, however, Thurston County ranks 34 out of the 39 counties.

Table II-13

Visitor Spending by County – 2009
Ranked by Per Capita Spending

Rank	County	Spending ($M)	Population	Spending/Capita
1	San Juan	$116.5	16,300	$7,147
2	Pacific	120.2	21,800	5,514
3	Chelan	343.2	72,600	4,727
4	Skamania	46.9	10,800	4,343
5	King	6,977.4	1,909,300	3,654
6	Grays Harbor	253.7	71,200	3,563
7	Jefferson	103.3	29,000	3,562
8	Okanaogan	129.2	40,500	3,190
9	Kittitas	124.1	39,900	3,110
10	Clallam	179.4	69,500	2,581
11	Lewis	177.2	75,200	2,356
12	Whatcom	435.5	193,100	2,255
13	Grant	188.6	86,100	2,190
14	Ferry	15.7	7,800	2,013
15	Skagit	234.8	118,900	1,975
16	Pend Oreille	24.8	12,900	1,922
17	Columbia	7.5	4,100	1,829
18	Spokane	790.9	465,000	1,701
19	Island	134.0	80,300	1,669
20	Klickitat	31.6	20,200	1,564
21	Mason	88.7	56,800	1,562
22	Benton	257.7	169,300	1,522
23	Lincoln	15.6	10,450	1,493
24	Adams	26.8	18,000	1,489
25	Walla Walla	86.7	59,200	1,465
26	Yakima	309.5	238,400	1,298
27	Cowlitz	128.6	99,600	1,291
28	Franklin	92.1	72,700	1,267
29	Whitman	53.9	43,300	1,245
30	Asotin	25.7	21,500	1,195
31	Snohomish	797.6	704,300	1,132
32	Stevens	49.1	44,000	1,116
33	Pierce	852.8	813,600	1,048
34	Thurston	259.4	249,800	1,038
35	Kitsap	251.2	247,600	1,015
36	Douglas	35.6	37,600	947
37	Wahkiakum	3.8	4,100	927
38	Clark	364.3	431,200	845
39	Garfield	1.8	2,250	800
	State	$14,135.4	6,668,200	$2,120

Source: Dean Runyon Associates, Washington State County Travel Impacts, 2009

Thurston County offers a wide variety of natural, cultural and historical attractions including:

Museums and Historical Attractions

Parks Trails and Nature Preserves

Recreational Facilities

Shops and Stores

Heritage, Pioneer, and Tumwater Falls Parks

Indoor Recreation and Entertainment

Farmers Market and Wineries

Various Performing Arts Organizations and Venues

Community Festivals and Events

With the exception of some of the park and recreation facilities and the Olympia flight Museum, few of these attractions are located in Tumwater. At one time, the Olympia Brewery in Tumwater was a major visitor attraction with over 100,000 visitors in 1962, but the brewery has been closed. The Tyee Inn was a major meeting and conference venue in Tumwater, but that was demolished in 1999 to 2000 and replaced by the Fred Meyer store on Littlerock Road.

Tumwater has the advantage of being easily accessible by automobile, located along I-5, the most heavily traveled highway in Washington State.

III. DISTRICT PROFILE

The characteristics of the South Capitol Boulevard commercial district and surrounding area provide an understanding of how the area currently performs and a starting point for identifying future opportunities.

LAND USE

The study area extends for 1.25 miles from Linderson Street on the north to Israel Road on the south. The properties on the corridor and extending east or west on major side streets total 114 acres in land area. The breakout of these parcels by land use is summarized in Table III-1. As one would expect, the predominate land use is commercial. Of the 71 acres in commercial use, much of that is office rather than retail. The second most prevalent use is government. The government use is understated as State leased space is classified as Commercial/Industrial. The figures do not include street rights of way.

Table III-1
Land Use by Type-Commercial Core

Commercial/Industrial	71.46	acres
Residential	5.07	
Federal/State/Local	28.47	
Religious Institutions and Private Schools	1.43	
Undeveloped Private	7.35	
Total	113.78	

Source: Thurston County Assessor, Property Counselors.

There are 1.3 million square feet of commercial/industrial building area. 210,000 square feet is retail, and the balance is office.

BUSINESS MIX

The City of Tumwater conducted an inventory of businesses in the commercial district. The number of businesses and employment is summarized by number and total employment in Table III-2. The sectors with the most businesses are health care and social services, personal services, finance and insurance, and limited service restaurants. In terms of total employment government is the largest sector by far. It represents approximately two-thirds of the total 3,000 jobs in the Corridor. This figure is somewhat understated because there are major state office buildings on Capitol Boulevard immediately south of Israel Road, as well as facilities west of Capitol on Tumwater Boulevard. In total there are approximately 7,000 state jobs in Tumwater east of I-5.

Table III-2
Corridor Businesses and Employment

NAICS	Category	Businesses	Employees
11	Agriculture, Forestry	1	1
236	Construction	4	11
441	Motor Vehicles and Parts	5	35
442	Furniture and Home Furnishings	2	14
444	Building Materials and Garden	4	24
445	Food and Beverage	3	5
446	Health and Personal Care	1	18
447	Gasoline	2	9
451	Sporting Goods, Hobby, Books, Music	3	15
453	Misc. Stores	3	4
51	Information	1	3
52	Finance and Insurance	17	53
53	Real Estate and Leasing	4	10
54	Professional, Scientific, Technical	8	47
56	Administrative and Support	3	22
61	Educational Services	2	22
62	Health Care and Social Assistance	22	143
71	Arts, Entertainment, Recreation	3	17
721	Accommodations	3	29
7221	Full Service Restaurant	5	93
7222	Limited Service Eating	14	281
811	Repair and Maintenance Service	6	25
812	Personal and Laundry Services	20	48
813	Business Professional, Labor Organization	4	17
92	Government	2	2,062
		142	3,008

Source: City of Tumwater Survey. Property Counselors

The second largest sector on the corridor is limited service restaurants. Most of the major franchises are represented on the corridor. Total employment is approximately three times that of full service restaurants.

Corridor employment can also be expressed as a share of City-wide employment. As shown in Table III-3, both services (including food and personal services) and government sectors exhibit high employment shares. Conversely, the corridor's share of city-wide retail jobs is only 5%. This figure reflects the presence of major big box stores on the west side of I-5.

Table III-3
Corridor Employment as % of City Employment

	Corridor	Tumwater UGA 2003	Corridor as %
Resource and Construction	12	1,306	0.9%
Manufacturing		1,871	0.0%
Transp/Comm/Utility/Wholesale/Information	3	2,009	0.1%
Retail	124	2,479	5.0%
Finance Insurance Real Estate	63	879	7.2%
Services	744	3,211	23.2%
Government	2,062	6,991	29.5%
Total	3,008	18,746	16.0%

Source: City of Tumwater Survey. Property Counselors

TAXABLE SALES AND BUSINESS PERFORMANCE

Economic activity on the corridor can also be expressed in terms of taxable sales. While there are many sectors whose activities aren't subject to the retail sales tax, retail trade and many services are. Table II-4 summarizes the levels of taxable retail sales for retail trade and selected services in 2011. The figures were derived from City data. Sectors were combined as necessary to meet the non-disclosure requirement of the State that data not be shown for categories with fewer than three businesses.

Table III-4
Corridor Businesses Taxable Sales 2011

GroupCode	No.	Type	2011
23	3	Construction	29,821
441	3	Motor Vehicles and Parts	5,398,873
442	5	Furniture and Building Materials	2,354,667
445/46	3	Food, Beverage & Health	1,184,107
447	3	Gasoline	951,683
451/453	5	Misc. Retail	1,984,766
522	4	Finance and Insurance	119,206
541/561/562/611	6	Prof/Tech/Admin/Mgmt/Educ.	10,130
621	9	Health Care	29,420
713/721	5	Arts/Ent/Rec/Accomod.	2,781,598
722	24	Food Service	20,636,264
811	5	Repair and maintenance	296,162
812	12	Personal Services and Laundry	264,616
Grand	87		36,041,312

Source: Property Counselors

The results are quite striking. Of the $36 million in taxable sales by corridor businesses in 2011, $20.6 million or 57% was reported by food service businesses. Other major sectors were motor vehicles and parts, arts/entertainment/recreation/accommodations, and furniture and building materials. These results emphasize the current role of the district as auto-oriented.

Corridor taxable sales can also be compared to city-wide sales to show the importance of the corridor to the City's overall tax base. As shown in Table III-5, there are three sectors where the corridor achieves a dominant share: motor vehicles and parts 59%, food service 50%, and arts/entertainment/ recreation/accommodations 24%.

Table III-5
Corridor Taxable Sales as % of City-wide-2010

Type	Capitol Corridor	Tumwater	Corridor as %
Construction	23,037	51,790,066	0.0%
Motor Vehicles and Parts	5,390,126	9,174,437	58.8%
Furniture and Building Materials	2,538,136	40,425,986	6.3%
Food, Beverage & Health	1,137,020	15,608,038	7.3%
Gasoline and Convenience	997,305	11,639,001	8.6%
Misc. Retail	1,514,459	125,529,515	1.2%
Finance and Insurance	217,683	8,498,458	2.6%
Prof/Tech/Admin/Mgmt/Educ.	15,720	5,634,861	0.3%
Health Care	29,515	5,692,516	0.5%
Arts/Ent/Rec/Accomod.	2,775,180	11,779,498	23.6%
Food Service	19,779,910	39,249,182	50.4%
Repair and maintenance	263,262	9,898,555	2.7%
Personal Services and Laundry	278,089	3,194,098	8.7%
All other Sectors	-	71,640,848	0.0%
	34,959,442	409,755,059	8.5%

Source: Property Counselors

Corridor businesses showed growth in several sectors. As shown in Table III-6, food/beverage/health, miscellaneous retail, food service, and personal services are grew at average annual rates of 3.8% or greater over the period 2000 to 2011.

Table III-6.
Average Annual Growth for Current Businesses-2000 to 2011

Motor Vehicles and Parts	-0.1%
Furniture and Building Materials	-4.3%
Food, Beverage & Health	3.8%
Misc. Retail	6.2%
Food Service	5.6%
Repair and maintenance	0.9%
Personal Services and Laundry	7.1%

Source: Property Counselors

Business performance can also be measured as sales efficiency or sales per square foot of building area. Table III-7 summarizes sales efficiency by business sector.

Table III-7.
Corridor Business Taxable Sales Performance

Type	2011 Tx Sales	Sq.Ft.	$/Sq. Ft.
Motor Vehicles and Parts	5,398,873	15,500	$348.31
Furniture and Building Materials	2,354,667	25,241	93.29
Food, Beverage & Health	1,184,107	12,316	96.14
Gasoline	951,683	5,056	188.23
Misc. Retail	1,984,766	13,900	142.79
Arts/Ent/Rec/Accomod.	2,781,598	89,216	31.18
Food Service	20,636,264	22,857	902.84
Repair and Maintenance	296,162	17,942	16.51
Personal Services and Laundry	264,616	9,524	27.78

Source: Property Counselors

Two measures stand out. The figure for food service is comparable to figures for the 90th percentile for businesses in this sector. The quick service restaurants in the area are performing at a very high level. The motor vehicle and auto parts sector is also strong by industry standards. The other figures are lower than industry standards, although they are representative of older businesses in secondary locations.

TRADE AREA SERVED

As part of the market study, we interviewed forty business and property owners to determine how they viewed the corridor and how they would like to see it improved. Business owners were also asked about their customers and the trade area they serve. The response was surprisingly consistent. The major source of business for almost all sectors was state office workers in the buildings within and adjacent to the corridor. This source of business is obvious in the case of limited service restaurants at lunch time. But it was expressed by other retail, personal service, health care and professional service businesses as well. While business owners appreciated this source of business, they also acknowledge that they are less successful in capturing spending by these potential customers after the work day. The current amount of activity in the evening is relatively small.

Many businesses report that they also serve customers who don't live or work on the Corridor. In most cases they report that they serve a regional trade area that extends three to five miles in each direction. Based on these responses and an assessment of the natural features and transportation network, three trade areas can be defined reflecting different potential opportunities:

Immediate Trade Area: Employees and Residents along Corridor.

Natural Trade Area: East of I-5, south of Deschutes River.

Regional Trade Area: 3 to 5 mile radius, includes Tumwater and Olympia UGA's.

The populations of the two larger areas are estimated to be as shown in Table III-6

Table III-6
Trade Area Population

	2010	2020	2030
Natural Trade Area	7,046	8,745	10,287
Regional Trade Area	85,000	105,500	124,100

Source: TRPC

Further, the income levels within a band around the corridor are estimated to be:

1 mile: $37,000
3 mile: $62,000
5 mile: $54,000

Given the population estimates and the income levels, it's clear that Corridor businesses need to continue to serve a wider regional area and capture an increased level of spending from these households.

PERCEPTIONS

The interviews with business and property owners indicated that many owners feel that the Corridor is a good location, but that there are several issues that negatively affect its performance.

- There is no clear identity and no consensus as to what comprises the Corridor.
- The Corridor is largely quiet at the end of the workday after the peak evening rush hour, with few businesses open, and few customers to patronize those that are open.
- The traffic congestion at key intersections and the lack of alternative routes discourage potential customers at certain times of the day.
- The streetscape along the Corridor is neither consistent nor attractive, and contributes to the lack of identity.
- The Corridor lacks wide sidewalks and safe crosswalks, and does not provide a safe walking environment.

IV. DEMAND FOR RETAIL

The Corridor offers the potential to serve both the local residents and employees, and the larger regional market area. The potential demand for retail development at the site is presented in three subsections:

Current Retail Demand
Existing Development
Potential Retail Demand

CURRENT RETAIL DEMAND

The best available measure of retail demand is taxable retail sales data collected by the State of Washington. Table IV-1 summarizes the trends in taxable retail sales for retail trade and selected services in Tumwater. As shown, total taxable retail sales in these sectors grew from $252 million in 2004 to $266 million in 2010, an annual average growth rate of .9 percent, well below the rate of inflation for the period of approximately 2.0%. Retail trade grew at .6% percent while the selected services grew at 3.0 percent. General Merchandise, Building Materials, and Food Services were the largest sectors. The fastest growing sectors were E-commerce, Convenience Stores, Miscellaneous Retail, Apparel/Accessories and Electronics/Appliances.

Retail trends differed in other cities in the county. Trends in total retail trade and selected services are shown for the major cities and the remainder of the county in Figure IV-1. As shown Olympia lost retail sales over the period, while Lacey increased their sales. The remaining areas experienced little or no growth.

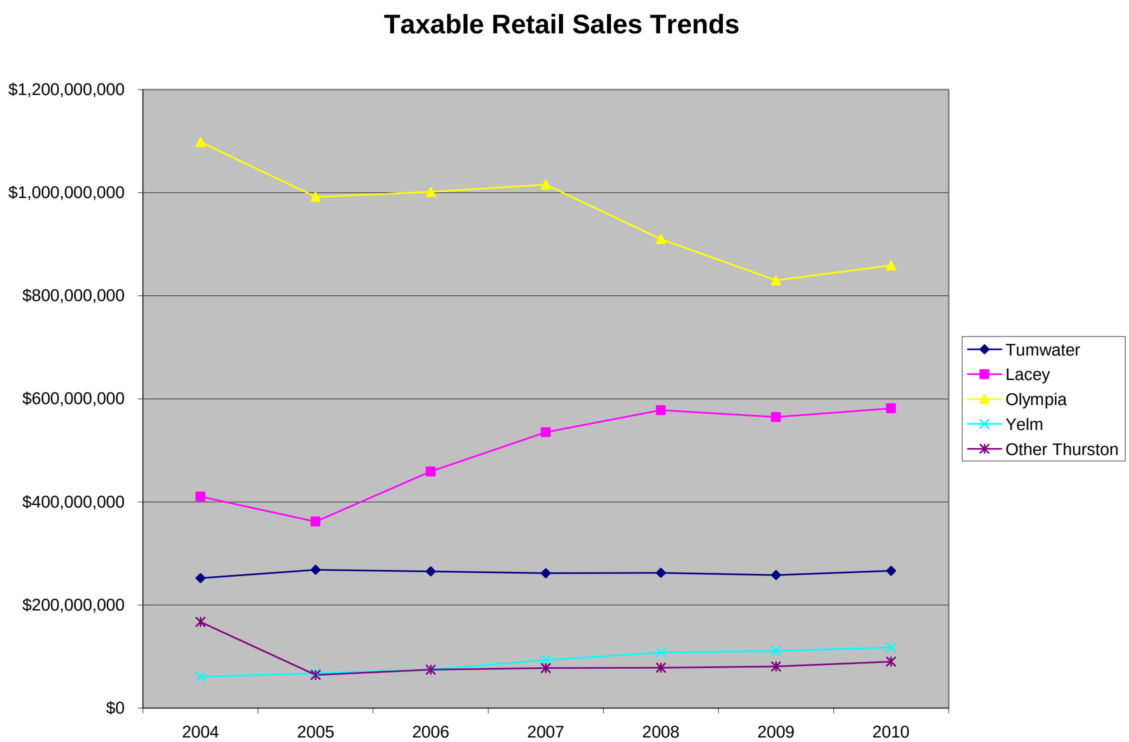
Table IV-1

Taxable Retail Sales Trends
Tumwater

	2004	2005	2006	2007	2008	2009	2010	Avg. Ann. Gr.
Retail Trade								
Motor Vehicles & Parts	$13,206,149	$9,769,643	$9,059,245	$8,993,717	$8,855,628	$8,432,205	$9,174,437	-5.9%
Furniture & Home Furnishing	5,317,783	7,036,298	5,175,230	5,440,639	4,864,265	4,015,397	3,653,804	-6.1%
Electronics & Appliances	3,178,606	6,334,289	6,565,854	5,406,542	4,720,358	3,823,173	4,774,290	7.0%
Building Materials, Garden Equip & Supplies	37,440,815	40,768,560	37,017,950	37,444,898	35,761,159	31,542,493	31,997,892	-2.6%
Food & Beverage Stores	15,464,206	15,283,863	14,801,637	14,509,024	14,678,098	14,146,784	14,081,815	-1.5%
Drug/health Stores	1,893,982	1,844,313	1,533,248	1,973,956	1,869,249	1,810,022	1,526,223	-3.5%
Gas Stations & Convenience Stores W/pumps	4,713,147	5,768,766	6,923,837	8,493,622	10,238,124	10,459,976	11,639,001	16.3%
Apparel & Accessories	1,708,175	2,153,594	1,838,108	2,167,674	2,500,502	2,851,553	2,574,121	7.1%
Sporting Goods, Toys, Book & Music Stores	4,470,594	3,808,511	4,009,075	4,099,975	4,194,935	3,739,573	3,930,275	-2.1%
General Merchandise Stores	105,539,943	111,250,991	108,759,005	101,696,013	100,458,107	103,759,443	106,410,242	0.1%
E-commerce & Mail Order	397,351	621,756	770,698	893,830	1,027,668	1,133,004	1,515,630	25.0%
Miscellaneous Retailers	5,404,833	7,294,243	9,646,582	9,438,022	10,086,976	10,851,271	11,099,247	12.7%
Subtotal Retail Trade	$198,735,584	$211,934,827	$206,100,469	$200,557,912	$199,255,069	$196,564,894	$202,376,977	0.3%
Selected Services								
Arts, Entertainment & Recreation	5,549,692	6,332,245	6,656,123	7,230,742	7,421,387	7,061,051	7,351,436	4.8%
Accommodations	3,806,676	4,179,597	4,516,923	4,225,487	4,860,511	4,681,925	4,428,062	2.6%
Food Services	32,396,404	33,982,952	35,421,026	36,911,619	38,284,954	37,576,718	39,249,182	3.2%
Repair & Maintenance	9,021,481	8,951,139	9,279,112	9,435,696	9,486,759	9,336,281	9,898,555	1.6%
Personal Services	$2,806,357	$2,993,439	$3,182,764	$3,287,305	$3,329,907	$3,111,564	$3,194,098	2.2%
Subtotal Selected Services	$53,580,610	$56,439,372	$59,055,948	$61,090,849	$63,383,518	$61,767,539	$64,121,333	3.0%
Total Retail Trade and Selected Services	$252,316,194	$268,374,199	$265,156,417	$261,648,761	$262,638,587	$258,332,433	$266,498,310	0.9%

Source: Washington State Department of Revenue
Property Counselors

Figure IV-1
Trends in Retail Trade and Selected Services by City



Source: Washington State Department of Revenue
Property Counselors

Retail sales in Tumwater and Thurston County can also be compared to the level of spending by local residents to determine the extent to which local businesses capture resident spending. Table IV-2 provides that comparison. Resident spending is estimated by applying statewide taxable sales per capita factors. Taxable sales are converted to gross sales using factors derived from statewide data. The difference between resident spending and gross sales is the retail leakage, the amount of resident spending which "leaks" outside the county. Negative leakage indicates that a jurisdiction is, on a net basis, attracting spending from outside its boundaries.

Table IV-2
Retail Leakage Analysis - 2010

	Tumwater	Lacey	Olympia	Yelm	Other Thurston	Total Thurston
Retail Trade						
Motor Vehicles & Parts	$18,380,000	$20,289,000	($244,015,000)	($380,000)	$218,691,000	$12,965,000
Furniture & Home Furnishing	578,000	(6,884,000)	(26,836,000)	(2,231,000)	28,906,000	(6,467,000)
Electronics & Appliances	2,878,000	(19,833,000)	(44,501,000)	896,000	66,466,000	5,906,000
Building Materials, Garden Equip & Supplies	(22,723,000)	(30,481,000)	(54,443,000)	(7,783,000)	61,874,000	(53,556,000)
Food & Beverage Stores	(20,328,000)	(55,082,000)	(133,748,000)	(24,795,000)	216,343,000	(17,610,000)
Drug/health Stores	6,868,000	(1,141,000)	(54,441,000)	(6,253,000)	83,765,000	28,797,000
Gas Stations & Convenience Stores W/pumps	(46,802,000)	12,963,000	(28,756,000)	(9,799,000)	42,896,000	(29,499,000)
Apparel & Accessories	8,326,000	533,000	(57,073,000)	2,647,000	99,283,000	53,716,000
Sporting Goods, Toys, Book & Music Stores	1,328,000	(76,346,000)	(46,958,000)	1,344,000	46,623,000	(74,008,000)
General Merchandise Stores	(153,140,000)	(318,297,000)	(71,596,000)	(64,888,000)	399,663,000	(208,257,000)
E-commerce & Mail Order	12,616,000	13,668,000	(195,248,000)	(18,772,000)	252,228,000	64,491,000
Miscellaneous Retailers	2,451,000	(30,875,000)	(73,083,000)	947,000	97,439,000	(3,120,000)
Total Retail Trade	(189,570,000)	(491,486,000)	(1,030,697,000)	(129,067,000)	1,614,177,000	(226,644,000)
Selected Services	0	0	0	0	0	0
Arts, Entertainment & Recreation	(5,025,000)	(2,438,000)	(1,890,000)	46,000	19,412,000	10,106,000
Accommodations	882,000	5,394,000	(70,000)	810,000	46,909,000	53,926,000
Food Services	(17,056,000)	(33,295,000)	(73,813,000)	(11,758,000)	175,368,000	39,447,000
Repair & Maintenance	(4,828,000)	(9,356,000)	(27,206,000)	(1,684,000)	38,079,000	(4,995,000)
Personal Services	(1,180,000)	316,000	(2,646,000)	(777,000)	17,671,000	13,383,000
Total Selected Services	(28,089,000)	(44,773,000)	(105,554,000)	(14,173,000)	250,530,000	57,941,000
Total Retail Trade and Selected Services	($217,659,000)	($536,259,000)	($1,136,251,000)	($143,240,000)	$1,864,706,000	($168,703,000)

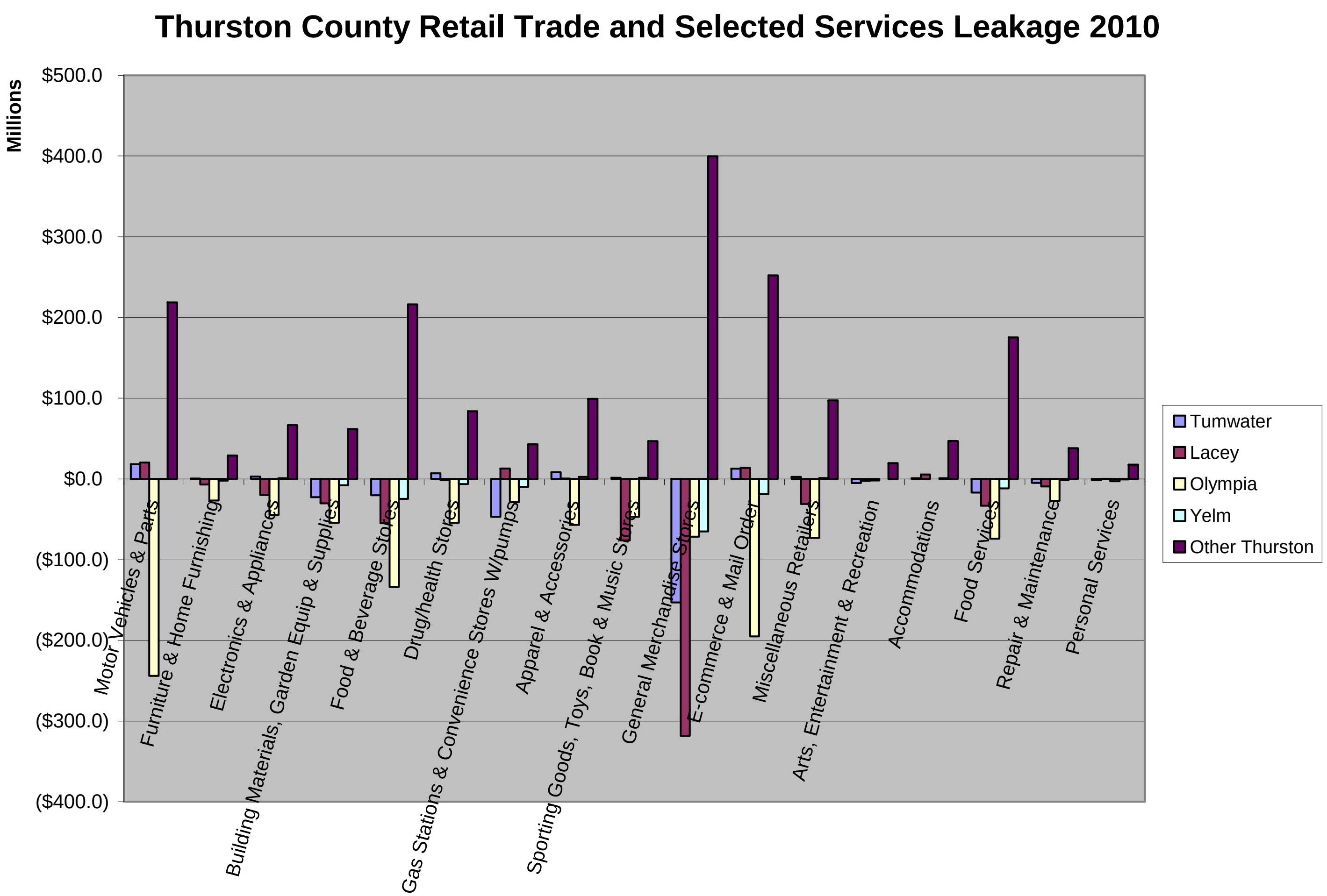
Source: Washington State Department of Revenue
Property Counselors

Thurston County as a whole is a net attractor of retail sales. Each city is a net attractor as well, capturing spending from residents of the unincorporated areas. Leakage is shown graphically by sector in Figure IV-2. Tumwater experiences leakage in several sectors:

Motor Vehicles and Parts
Furniture and Home Furnishings
Electronics and Appliances
Drug/Health Stores
Apparel and Accessories
Sporting Goods, Toys, Books and Movies
Miscellaneous Retailers

These sectors may represent opportunities for new development for the City.

Figure IV-2



Source: Property Counselors

EXISTING DEVELOPMENT

Retail development has become a highly segmented product, based on types of goods and geographic features of market areas. The table on the following page provides a description of several types of shopping centers. Of the ten types shown in the table, the neighborhood, community and strip shopping centers serve local market areas of fewer than 100,000 people, while the remaining types serve larger regional market areas. The major retail developments are described by type below.

There are two regional shopping centers in Thurston County, as shown in Table IV-3. Both centers offer 600,000 square feet or more in gross leasable area. Both feature a mix of national and regional tenants. Capital Mall is a true regional shopping center with a tenant mix that mirrors that found in a Lifestyle Center. It offers many of the popular national apparel retailers such as American Eagle, Eddie Bauer, The Gap, Old Navy, Zumiez, and Victoria's Secret. It also offers popular Mac Store and REI outlets, as well as the 14-screen Century Cinema. There are additional large retailers such as Target on adjacent sites.

South Sound Center was converted to a Power Center in 2001 with the enclosed interior portion of the mall replaced by large retailers.

There are three other concentrations of big box retailers in the County.

Littlerock Road in Tumwater. Several large format retailers have located in Tumwater west of I-5 including Fred Meyer, Costco, Home Depot, and Walmart.

Hawk's Prairie. This area at the Marvin Road exit from I-5 in Lacy has attracted Costco, Walmart, Cabela's, Big Five and Harley Davidson.

Martin Way in Olympia. This area offers a Lowe's Home Improvement Center and at one time a Super K.

Table IV-3
Types of Shopping Centers

Neighborhood Shopping Center		Lifestyle Center	
Anchors	Supermarket and drug store	Anchors	Restaurants, furnishings, apparel
Number of Stores	10-40 stores	Number of Stores	50 – 100
Total Retail Space	30,000-100,000 square feet	Total Retail Space	250,000 - 400,000
Site Area	3-10 acres	Site Area	10 – 50
Market Area Population	10,000-30,000 people	Market Area Population	250,000 – 500,000
Market Area Radius	1-3 miles	Market Area Radius	12 – 50 miles
Community Shopping Center		Off-Price Center	
Anchors	Junior department or discount store	Anchors	Off-price/discount store
Number of Stores	25-80 stores	Number of Stores	20-60 stores
Total Retail Space	100,000-450,000 square feet	Total Retail Space	100,000-500,000 square feet
Site Area	10-30 acres	Site Area	5-15 acres
Market Area Population	30,000-75,000 people	Market Area Population	80,000-250,000 people
Market Area Radius	3-8 miles	Market Area Radius	6-15 miles
Regional Shopping Center		Specialty Center	
Anchors	1 or 2 full-line department stores	Anchors	Specialty/theme retailer(s)
Number of Stores	50-100 stores	Number of Stores	varies widely
Total Retail Space	300,000-750,000 square feet	Total Retail Space	varies widely
Site Area	30-50 acres	Site Area	varies widely
Market Area Population	100,000-250,000 people	Market Area Population	varies widely
Market Area Radius	8-15 miles	Market Area Radius	varies widely
Super-Regional Shopping Center		Outlet Center	
Anchors	3 or more full-line department stores	Anchors	Manufacturer's outlet stores
Number of Stores	100-300 stores	Number of Stores	30-100 stores
Total Retail Space	600,000-2,000,000 square feet	Total Retail Space	200,000-800,000 square feet
Site Area	40-100 acres	Site Area	5-50 acres
Market Area Population	250,000-600,000 people	Market Area Population	200,000-600,000 people
Market Area Radius	12-50 miles	Market Area Radius	over 50 miles
Strip Retail Center		Power Center	
Anchors	Convenience grocery	Anchors	
Number of Stores	3-20 stores	Number of Stores	10-20 stores (mainly large retailers)
Total Retail Space	10,000-30,000 square feet	Total Retail Space	250,000-800,000 square feet
Site Area	1-3 acres	Site Area	20-50 acres
Market Area Population	under 20,000 people	Market Area Population	250,000-500,000 people
Market Area Radius	under 2 miles	Market Area Radius	12-50 miles

Sources: Urban Land Institute, Dollars and Cents of Shopping Centers
Property Counselors

Table IV-4
Regional Shopping Centers in Thurston County

Name	Location	Sq. Ft.	Year Built	Total Stores	Anchors	Other Major Tenants
Westfield Capital Mall	West Olympia	770,000	1978 2006 expansion	120	Macy's JC Penney Century Cinema TJ Maxx (future)	American Eagle Bed Bath and Beyond Best Buy Chico's Coldwater Creek Eddie Bauer Foot Locker Forever 21 The Gap GNC Hollister Mac Store Old Navy REI Talbots Victoria's Secret Walking Company Zumiez
South Sound Center	Lacey	595,000	1966 2003	39	Target Sears Kohl's Marshal's PetSmart	Applebee's Carl's Jr. Famous Footwear Hallmark Merle Norman Radio Shack Red Wing Rite Aid Skippers Taco Bell Verizon

Source: Property Counselors

NEIGHBORHOOD SCALE RETAIL

Neighborhood scale retail is typically anchored by a supermarket and drugstore, with various smaller convenience retail outlets. There are five grocery stores that serve Tumwater.

Safeway	500 Cleveland
Albertsons	705 Trosper Road
Costco	5500 Littlerock Road SW
Fred Meyer	555 Trosper Road
Walmart	5900 Littlerock SW

The Safeway and Albertsons stores are typical neighborhood scale grocery stores with approximately 50,000 of floor area. The other three stores are general merchandise stores with large grocery departments. These stores serve trade areas much greater in size than a traditional grocery store.

There is one independent drugstore/pharmacy on South Capitol Boulevard – Martins Southgate Pharmacy. Walgreens opened a new pharmacy on Trosper. All five of the grocery stores in the area have pharmacy departments.

CINEMA/ENTERTAINMENT

Thurston County is currently served by three major multiscreen theaters, the 16 screen Regal Cinema on Martin Way, the 14 screen Century Cinema at Capital Mall and the eight screen Yelm Cinemas at Prairie Park. Based on the national average of .13 screens per 1,000 population, Thurston County could support a total of 33 screens. The existing 38 screens exceed this number.

There are two major performance venues in Downtown Olympia, the 1,000 seat Washington Performing Arts Center, and the Capitol Theater with the Harlequin Players. The two provide live theater, music, and dance performances.

The Great Wolf Lodge offers a family entertainment center as part of a convention hotel in Grand Mound. The development offers a water park, arcade and fitness center.

SPECIALTY RETAIL

Downtown Olympia serves as a specialty retail district. Food service is the most strongly represented with a range from fine dining restaurants to small ethnic restaurants. Further, the Farmers Market provides food services during the times it is open. The Market attracts over 500,000 visitors each year. There are several galleries and design businesses. The galleries and related businesses are the focus of the Art Walk events held twice each year. There are major furniture stores offering a broad inventory of goods.

There are specialty retailers including books, outdoor equipment, and apparel stores. The businesses are located in a variety of settings including historic buildings, new multi-use buildings, and venues along the Olympia waterfront. Neither Tumwater nor Lacey currently offers a specialty retail concentration comparable to downtown Olympia.

RETAIL RENTAL RATES

Prevailing retail rents vary with location, and building age/condition. Table IV-5 summarizes current asking rents for selected properties in Thurston County. Several proposed or new buildings are being marketed in Lacey. Rents in these buildings are generally in the range of $22 to $27 per square foot per month. These rents reflect the rates necessary to recover the investment in new buildings.

The lower part of the table summarizes the asking rents for several established retail buildings. As shown, these rents typically fall in the range of $15 to $20 per square foot. Differences in the rates reflect the competitive positions of the locations. The highest rate is in Martin Village. This rate is somewhat of an anomaly because it’s a small space in a center with a cinema. Such a space is very attractive for some tenants, particularly food services. Otherwise the rents fall into a hierarchy as follows: Capital Mall (Cooper Point and Black Lake), Hawk’s Prairie, Littlerock Road, Downtown Olympia and West Olympia.

Table IV-5
Selected Retail Rents in Thurston County

	Address	City	Asking Rent
New Space			
Britten Plaza	2501 Marvin Road	Lacey	$22.00
College St. Retail	1102 College	Lacey	$18.00
Lacey Crossroads	5600 Martin Way	Lacey	$32.00
Lacey Town Center	2425 Marvin	Lacey	$27.00
Lacey Retail	4320 Pacific	Lacey	$25.00
5000 Yelm Highway	5000 Yelm Highway	Lacey	$24.00
Established Centers			
Martin Village	5400 Martin	Lacey	$28.00
Black Lake Village	2615 Capital Mall	Olympia	$18.00
6050 Pacific	6050 Pacific	Lacey	$22.00
111 Capitol Way N.	111 Capitol Way N.	Olympia	$15.00
Capitol Theater	204 5th	Olympia	$12.78
Cooper Point Pavilion	1500 Cooper Point Blvd	Olympia	$21.00
Hawks Prairie Center	8205 Martin	Lacey	$21.00
Grocery Outlet	2100 Harrison	Olympia	$15.00
Littlerock Retail	5743 Littlerock Road	Tumwater	$18.00
TwinStar Plaza	5729 Littlerock Road	Tumwater	$17.00
Little Prairie Center	4700 Yelm Hwy.	Yelm	$20.00

* Rents are /sq. ft. / yr. NNN (tenant pays operating expenses).

Source: Commercial Brokers Association, Property Counselors

The South Capitol Corridor rents are generally at the low end of the range. Table IV-6 summarizes asking prices for several retail spaces on the corridor. Generally the buildings are older, but even the newer commercial space in Old Towne Plaza south of Tumwater Boulevard and the Lee Street offices are new buildings with low rents. In each case however, the available spaces are either on upper floors, or not oriented to the street so as to be most marketable.

Table IV-6
Selected Retail Rents on Capitol Boulevard

Building	Address	Sq. Ft.	Asking Rent*
Tumwater Square	3405 Capitol Boulevard	2,340	$14.25
Southgate Center	5109 Capitol Boulevard	3,551	$12.00 to $15.00
Lee St. Office	208 Lee St.	1,500	$12.00
Armada Building	6101 Capitol Boulevard	1,200	$15.75
Bakery building	6301 Capitol Boulevard	7,150	$8.00
6528 Capitol	6528 Capitol Boulevard	1,579	$13.25
Old Towne Plaza	111 Tumwater Boulevard	8,136	$7.00 to $16.00
7249 S. Capitol	7249 S. Capitol Boulevard	3,488	$14.00

* Rents are are /sq. ft./ yr. NNN (tenant pays expenses) except Tumwater Square, which is modified gross (tenant pays utilities).

Source: Commercial Brokers Association, Property Counselors

POTENTIAL RETAIL DEMAND

Potential retail demand can be categorized as either regional comparison, destination retail, or local serving retail.

REGIONAL COMPARISON RETAIL

As indicated by the results of the leakage analysis, Thurston County and Tumwater both capture spending from beyond their borders. There is no obvious unmet demand in terms of the existing retail shopping centers and the big box retailers. Any gaps in the retail mix are the higher end national general merchandise, furnishings, apparel and miscellaneous retail sectors. Such retailers would likely be accommodated in Westfield Capital Mall.

DESTINATION RETAIL

Destination retail development is retail which attracts customers because of its special characteristics, rather than pure convenience. Destination retail can serve a relatively small market area – Thurston County - or a larger market area - Central and South Puget Sound and Southwest Washington. Leavenworth and La Conner are obvious examples of retail destinations of the latter type in terms of draw. Downtown Olympia already serves as a retail destination to the Thurston County area. It does not currently serve as a destination for a larger area. Cabela's store in Hawks Prairie does serve as an anchor for destination retail development serving a larger trade area.

LOCAL SERVING RETAIL

Local serving retail refers to the convenience needs of area residents and employees. These needs recur on a regular basis, and are met by goods and services providers in close proximity. While consumers may travel outside their neighborhood occasionally for major purchases at regional businesses, they stay close to home or work for the smaller purchases.

Based on our research of consumer spending patterns and walkable neighborhoods, we identified the following relationships:

72 square feet per household total supportable retail

40 square feet per household supportable retail in neighborhood retail centers

15 square feet per household supportable retail within walking distance

Based on these factors, the population growth in the natural trade area identified in Table III-6 of 1,000 households over the next 20 years would support only 45,000 square feet of additional neighborhood scale retail development. Further the presence of the existing major grocers to the north and east of the Corridor will make it difficult to attract this traditional neighborhood center anchor.

The office workers in the local area are already a source of retail activity, particularly at lunch time. The long-term growth trend in State government was identified in Table II-4 to be .7% per year. However, there is potential to capture additional spending by existing State employees. In a survey of Kitsap County employees in Port Orchard in 2001, we identified the following weekly spending factors (with adjustments for inflation):

Before/After Workday: $125

During Workday: $45

These figures are consistent with employee spending factors reported for other communities for the During Workday spending. The figures for Before/After spending are not inconsistent with figures for total household spending in Thurston County. Applying these factors to the current State employment in and around the corridor, the estimated potential annual spending is:

Before/After Workday: $43 million

During Workday: $16 million

Given the current level of taxable sales in the corridor or $35 million for all consumer groups), it's clear that there is potential for additional capture of State employee spending, particularly before and after the workday.

With this as background, the long-term retail demand potential for the corridor is projected using capture rates for Tumwater relative to the county as a whole, and the Corridor relative to the City. County wide spending is estimated as the product of population and the per capita spending factors used in the leakage analysis presented earlier. Table IV-7 on page 41 presents the assumed capture rates for the three geographic areas. Current capture rates are calculated for existing gross sales levels. Future capture rates are assumed in a range of a low case representing continuation of current capture rates, and a high case reflecting increased capture for sectors where increased performance is reasonable. The Corridor capture rate is the most important factor in this analysis. It is assumed at significantly higher levels for sectors that are underserved or would benefit from improvements to the Corridor. These sectors include:

Drug/Health Stores

Convenience Stores

Arts/Entertainment/Recreation

Food Services (quick serve and full service)

Personal Services

The Corridor is unlikely to increase its capture significantly in sectors that favor large format stores on large sites.

Table IV-8 on page 42 presents the results of application of these factors. Projected spending capture is shown for the County, Tumwater and the corridor for years 2010, 2020 and 2030 by retail category. Under the low case, corridor gross sales would grow from $43 million to $62 million by 2030. Under the high case corridor gross sales would grow from $43 million to $113 million.

The increased sales would support additional retail development as shown in Table IV-9. Supportable development is estimated by applying sales per square foot factors for each category of retail or service. The projections in Tables IV-8 and IV-9 were based on current Thurston Regional Planning Council (TRPC) forecasts. Those forecasts are being updated, and the increased population is likely to be 15% to 20% lower than in the current forecasts. Discounting the housing demand projections by these factors yield the following estimates of demand for the next 20 years:

	Base Case	High Case
2010 to 2020	21,000 square feet	98,300 square feet
2020 to 2030	16,900 square feet	87,300 square feet
2010 to 2030	37,900 square feet	185,500 square feet

Realization of the higher projections will require that improvements be made to increase the desirability of the Corridor:

Establishment of Identity

Extension of Activity Farther into Evening

Improvements to Traffic Flow

Improvements to Pedestrian Accessibility

Establishment of Distinctive Attractions.

The Corridor is positioned to serve different retail sectors and market segments than Littlerock Road, and to a lesser extent, the Brewery district to the north. Littlerock Road will continue to serve as Tumwater's center for big-box regional retail. The Brewery District will largely serve the surrounding neighborhood, depending upon what is developed on the brewery properties. Generally, the Corridor will increase its retail activity by recapturing sales lost to other communities in Thurston County over the past decade.

Table IV-7
Projected Retail Capture Assumptions

Base Case

	County Sales as % of Spending 2010	County Sales as % of Spending 2020	County Sales as % of Spending 2030	Tumwater Sales as % of Thurston 2010	Tumwater Sales as % of Thurston 2020	Tumwater Sales as % of Thurston 2030	Capitol Blvd as % of Tumwater 2010	Capitol Blvd as % of Tumwater 2020	Capitol Blvd as % of Tumwater 2030
Motor Vehicles & Parts	97.1%	97.1%	97.1%	2.7%	2.7%	2.7%	58.7%	58.7%	58.7%
Furniture & Home Furnishing	109.2%	109.2%	109.2%	5.3%	5.3%	5.3%	-	-	-
Electronics & Appliances	95.5%	95.5%	95.5%	4.7%	4.7%	4.7%	-	-	-
Building Materials, Garden Equip & Supplies	131.2%	131.2%	131.2%	15.2%	15.2%	15.2%	6.4%	6.4%	6.4%
Food & Beverage Stores	103.7%	103.7%	103.7%	10.5%	10.5%	10.5%	-	-	-
Drug/health Stores	84.3%	84.3%	84.3%	3.4%	3.4%	3.4%	7.1%	7.1%	7.1%
Gas Stations & Convenience Stores W/pumps	109.1%	109.1%	109.1%	19.3%	19.3%	19.3%	8.6%	8.6%	8.6%
Apparel & Accessories	69.9%	69.9%	69.9%	2.8%	2.8%	2.8%	-	-	-
Sporting Goods, Toys, Book & Music Stores	184.9%	184.9%	184.9%	2.8%	2.8%	2.8%	-	-	-
General Merchandise Stores	129.2%	129.2%	129.2%	21.8%	21.8%	21.8%	-	-	-
E-commerce & Mail Order	88.9%	88.9%	88.9%	5.0%	5.0%	5.0%	-	-	-
Miscellaneous Retailers	101.2%	101.2%	101.2%	5.7%	5.7%	5.7%	0.8%	0.8%	0.8%
Arts, Entertainment & Recreation	75.7%	75.7%	75.7%	24.7%	24.7%	24.7%	4.9%	4.9%	4.9%
Food Services	89.0%	89.0%	89.0%	12.8%	12.8%	12.8%	51.0%	51.0%	51.0%
Repair & Maintenance	104.9%	104.9%	104.9%	10.9%	10.9%	10.9%	2.7%	2.7%	2.7%
Personal Services	63.0%	63.0%	63.0%	15.7%	15.7%	15.7%	8.7%	8.7%	8.7%

High Case

	County Sales as % of Spending 2010	County Sales as % of Spending 2020	County Sales as % of Spending 2030	Tumwater Sales as % of Thurston 2010	Tumwater Sales as % of Thurston 2020	Tumwater Sales as % of Thurston 2030	Capitol Blvd as % of Tumwater 2010	Capitol Blvd as % of Tumwater 2020	Capitol Blvd as % of Tumwater 2030
Motor Vehicles & Parts	97.1%	102.0%	102.0%	2.7%	2.9%	2.9%	58.7%	65.0%	70.0%
Furniture & Home Furnishing	109.2%	114.7%	114.7%	5.3%	5.9%	5.9%	-	-	-
Electronics & Appliances	95.5%	100.3%	100.3%	4.7%	5.1%	5.1%	-	-	-
Building Materials, Garden Equip & Supplies	131.2%	137.8%	137.8%	15.2%	16.7%	16.7%	6.4%	7.0%	7.5%
Food & Beverage Stores	103.7%	108.9%	108.9%	10.5%	11.6%	11.6%	-	-	-
Drug/health Stores	84.3%	88.5%	88.5%	3.4%	3.8%	3.8%	7.1%	12.0%	15.0%
Gas Stations & Convenience Stores W/pumps	109.1%	114.5%	114.5%	19.3%	21.2%	21.2%	8.6%	12.0%	15.0%
Apparel & Accessories	69.9%	73.4%	73.4%	2.8%	3.1%	3.1%	-	-	-
Sporting Goods, Toys, Book & Music Stores	184.9%	194.1%	194.1%	2.8%	3.0%	3.0%	-	-	-
General Merchandise Stores	129.2%	135.7%	135.7%	21.8%	24.0%	24.0%	-	-	-
E-commerce & Mail Order	88.9%	93.3%	93.3%	5.0%	5.5%	5.5%	-	-	-
Miscellaneous Retailers	101.2%	106.2%	106.2%	5.7%	6.2%	6.2%	0.8%	3.0%	5.0%
Arts, Entertainment & Recreation	75.7%	79.5%	79.5%	24.7%	27.2%	27.2%	4.9%	10.0%	15.0%
Food Services	89.0%	93.4%	93.4%	12.8%	14.1%	14.1%	51.0%	54.0%	59.0%
Repair & Maintenance	104.9%	110.2%	110.2%	10.9%	12.0%	12.0%	2.7%	3.0%	3.4%
Personal Services	63.0%	66.1%	66.1%	15.7%	17.3%	17.3%	8.7%	12.0%	15.0%

Table IV-8
Projected Retail Capture

Low Case

	Thurston Resident Spending 2010	Thurston County Sales 2010	Tumwater Sales 2010	Capitol Blvd Sales 2010
Motor Vehicles & Parts	451,693,938	438,729,375	11,631,925	6,831,592
Furniture & Home Furnishing	70,170,874	76,638,280	4,084,720	
Electronics & Appliances	132,045,739	126,140,143	5,895,700	
Building Materials, Garden Equip & Supplie	171,472,025	225,028,345	34,116,307	2,820,151
Food & Beverage Stores	478,936,918	496,546,841	52,149,958	
Drug/health Stores	182,965,851	154,169,273	5,288,992	4,060,785
Gas Stations & Convenience Stores W/pum	325,701,463	355,200,096	68,442,557	5,866,502
Apparel & Accessories	178,270,195	124,554,522	3,518,853	
Sporting Goods, Toys, Book & Music Store	87,167,860	161,175,947	4,463,568	
General Merchandise Stores	712,253,546	920,510,791	200,463,715	
E-commerce & Mail Order	579,403,340	514,912,634	25,880,956	
Miscellaneous Retailers	267,460,461	270,580,229	15,319,152	2,019,279
Arts, Entertainment & Recreation	41,575,377	31,469,167	7,787,308	380,616
Food Services	358,072,475	318,625,857	40,846,984	20,820,958
Repair & Maintenance	100,965,342	105,960,608	11,536,541	306,119
Personal Services	36,165,320	22,782,088	3,583,113	312,460
Total Selected Services	536,778,515	478,837,721	63,753,947	21,820,152
Total Retail Trade and Selected Services	4,174,320,724	4,343,024,196	495,010,348	43,418,461

	Thurston Resident Spending-2020	Thurston County Sales 2020	Tumwater Sales 2020	Capitol Blvd Sales 2020
Motor Vehicles & Parts	557,870,647	541,858,590	14,366,164	8,437,449
Furniture & Home Furnishing	86,665,477	94,653,134	5,044,888	
Electronics & Appliances	163,084,858	155,791,073	7,281,563	
Building Materials, Garden Equip & Supplie	211,778,821	277,924,270	42,135,802	3,483,065
Food & Beverage Stores	591,517,454	613,266,825	64,408,504	
Drug/health Stores	225,974,424	190,408,825	6,532,240	5,015,327
Gas Stations & Convenience Stores W/pum	402,261,953	438,694,635	84,530,896	7,245,502
Apparel & Accessories	220,174,991	153,832,730	4,346,007	
Sporting Goods, Toys, Book & Music Store	107,657,832	199,062,512	5,512,790	
General Merchandise Stores	879,678,280	1,136,889,180	247,585,395	
E-commerce & Mail Order	715,599,854	635,949,744	31,964,621	
Miscellaneous Retailers	330,330,624	334,183,735	18,920,124	2,493,937
Arts, Entertainment & Recreation	51,348,226	38,866,416	9,617,820	470,085
Food Services	442,242,206	393,523,132	50,448,615	25,715,202
Repair & Maintenance	124,698,598	130,868,068	14,248,360	378,076
Personal Services	44,666,463	28,137,323	4,425,372	385,908
Total Selected Services	662,955,493	591,394,939	78,740,166	26,949,271
Total Retail Trade and Selected Services	5,155,550,710	5,363,910,193	611,369,159	53,624,552

	Thurston Resident Spending 2030	Thurston County Sales 2030	Tumwater Sales 2030	Capitol Blvd Sales 2030
Motor Vehicles & Parts	643,150,247	624,690,488	16,562,266	9,727,250.06
Furniture & Home Furnishing	99,913,705	109,122,405	5,816,081	
Electronics & Appliances	188,015,031	179,606,272	8,394,668	
Building Materials, Garden Equip & Supplie	244,152,658	320,409,515	48,576,944	4,015,508
Food & Beverage Stores	681,940,516	707,014,633	74,254,391	
Drug/health Stores	260,518,290	219,515,910	7,530,799	5,782,002
Gas Stations & Convenience Stores W/pum	463,754,235	505,756,245	97,452,818	8,353,095
Apparel & Accessories	253,832,319	177,348,565	5,010,365	
Sporting Goods, Toys, Book & Music Store	124,115,083	229,492,455	6,355,510	
General Merchandise Stores	1,014,151,411	1,310,681,180	285,432,849	
E-commerce & Mail Order	824,990,930	733,165,005	36,850,933	
Miscellaneous Retailers	380,827,031	385,269,154	21,812,372	2,875,176
Arts, Entertainment & Recreation	59,197,637	44,807,780	11,088,060	541,945
Food Services	509,846,119	453,679,542	58,160,506	29,646,189
Repair & Maintenance	143,760,807	150,873,380	16,426,453	435,871
Personal Services	51,494,458	32,438,570	5,101,862	444,900
Total Selected Services	764,299,021	681,799,273	90,776,880	31,068,905
Total Retail Trade and Selected Services	5,943,660,478	6,183,871,097	704,826,878	61,821,936

High Case

	Thurston Resident Spending 2010	Thurston County Sales 2010	Tumwater Sales 2010	Capitol Blvd Sales 2010
Motor Vehicles & Parts	451,693,938	438,729,375	11,631,925	6,831,592
Furniture & Home Furnishing	70,170,874	76,638,280	4,084,720	
Electronics & Appliances	132,045,739	126,140,143	5,895,700	
Building Materials, Garden Equip & Supplie	171,472,025	225,028,345	34,116,307	2,820,151
Food & Beverage Stores	478,936,918	496,546,841	52,149,958	
Drug/health Stores	182,965,851	154,169,273	5,288,992	4,060,785
Gas Stations & Convenience Stores W/pum	325,701,463	355,200,096	68,442,557	5,866,502
Apparel & Accessories	178,270,195	124,554,522	3,518,853	
Sporting Goods, Toys, Book & Music Store	87,167,860	161,175,947	4,463,568	
General Merchandise Stores	712,253,546	920,510,791	200,463,715	
E-commerce & Mail Order	579,403,340	514,912,634	25,880,956	
Miscellaneous Retailers	267,460,461	270,580,229	15,319,152	2,019,279
Total Retail Trade	3,637,542,209	3,864,186,476	431,256,401	21,598,309
Arts, Entertainment & Recreation	41,575,377	31,469,167	7,787,308	380,616
Food Services	358,072,475	318,625,857	40,846,984	20,820,958
Repair & Maintenance	100,965,342	105,960,608	11,536,541	306,119
Personal Services	36,165,320	22,782,088	3,583,113	312,460
Total Selected Services	536,778,515	478,837,721	63,753,947	21,820,152
Total Retail Trade and Selected Services	4,174,320,724	4,343,024,196	495,010,348	43,418,461

	Thurston Spending 2020	Thurston County Sales 2020	Tumwater Sales 2020	Capitol Blvd Sales 2020
Motor Vehicles & Parts	557,870,647	568,951,520	16,592,920	10,785,398
Furniture & Home Furnishing	86,665,477	99,385,790	5,826,845	
Electronics & Appliances	163,084,858	163,580,626	8,410,205	
Building Materials, Garden Equip & Supplie	211,778,821	291,820,484	48,666,851	4,403,273
Food & Beverage Stores	591,517,454	643,930,166	74,391,822	
Drug/health Stores	225,974,424	199,929,266	7,544,738	9,832,387
Gas Stations & Convenience Stores W/pum	402,261,953	460,629,367	97,633,185	11,715,982
Apparel & Accessories	220,174,991	161,524,367	5,019,638	
Sporting Goods, Toys, Book & Music Store	107,657,832	209,015,638	6,367,272	
General Merchandise Stores	879,678,280	1,193,733,639	285,961,132	
E-commerce & Mail Order	715,599,854	667,747,231	36,919,137	
Miscellaneous Retailers	330,330,624	350,892,922	21,852,743	10,683,598
Total Retail Trade	4,492,595,217	5,011,141,017	615,186,488	47,420,638
Arts, Entertainment & Recreation	51,348,226	40,809,737	11,108,582	1,110,858
Food Services	442,242,206	413,199,289	58,268,150	31,464,801
Repair & Maintenance	124,698,598	137,411,471	16,456,855	493,706
Personal Services	44,666,463	29,544,189	5,111,304	613,357
Total Selected Services	662,955,493	620,964,686	90,944,891	33,682,721
Total Retail Trade and Selected Services	5,155,550,710	5,632,105,703	706,131,379	81,103,359

	Thurston Spending 2030	Thurston County Sales 2030	Tumwater Sales 2030	Capitol Blvd Sales 2030
Motor Vehicles & Parts	643,150,247	655,925,012	19,129,417	13,390,592
Furniture & Home Furnishing	99,913,705	114,578,525	6,717,573	
Electronics & Appliances	188,015,031	188,586,585	9,695,842	
Building Materials, Garden Equip & Supplie	244,152,658	336,429,991	56,106,371	5,438,984
Food & Beverage Stores	681,940,516	742,365,364	85,763,822	
Drug/health Stores	260,518,290	230,491,705	8,698,073	14,169,284
Gas Stations & Convenience Stores W/pum	463,754,235	531,044,057	112,558,005	16,883,701
Apparel & Accessories	253,832,319	186,215,993	5,786,971	
Sporting Goods, Toys, Book & Music Store	124,115,083	240,967,077	7,340,614	
General Merchandise Stores	1,014,151,411	1,376,215,239	329,674,941	
E-commerce & Mail Order	824,990,930	769,823,255	42,562,828	
Miscellaneous Retailers	380,827,031	404,532,612	25,193,290	20,527,932
Total Retail Trade	5,179,361,457	5,777,175,415	709,227,747	70,410,493
Arts, Entertainment & Recreation	59,197,637	47,048,169	12,806,709	1,921,006
Food Services	509,846,119	476,363,520	67,175,384	39,633,477
Repair & Maintenance	143,760,807	158,417,049	18,972,553	645,067
Personal Services	51,494,458	34,060,499	5,892,650	883,898
Total Selected Services	764,299,021	715,889,237	104,847,297	43,083,447
Total Retail Trade and Selected Services	5,943,660,478	6,493,064,651	814,075,044	113,493,941

Table IV-9
Projected Retail Demand

Base Case

	Capitol Boulevard Increased Sales 2010 to 2020	Capitol Boulevard Increased Sales 2020 to 2030	Capitol Boulevard Increased Sales 2010 to 2030	Sales per Square Foot	Supportable Square Feet 2010 to 2020	Supportable Square Feet 2020 to 2030	Supportable Square Feet 2010 to 2030
Motor Vehicles & Parts	1,605,857	1,289,801	2,895,658	300	5,353	4,299	9,652
Furniture & Home Furnishing	-	-	-				
Electronics & Appliances	-	-	-				
Building Materials, Garden Equip & Sup	662,914	532,443	1,195,357	200	3,315	2,662	5,977
Food & Beverage Stores	-	-	-				
Drug/health Stores	954,542	766,674	1,721,216	300	3,182	2,556	5,737
Gas Stations & Convenience Stores W/p	1,379,000	1,107,593	2,486,593	300	4,597	3,692	8,289
Apparel & Accessories	-	-	-				
Sporting Goods, Toys, Book & Music St	-	-	-				
General Merchandise Stores	-	-	-				
E-commerce & Mail Order	-	-	-				
Miscellaneous Retailers	474,659	381,239	855,897	250	1,899	1,525	3,424
Arts, Entertainment & Recreation	89,469	71,860	161,329	200	447	359	807
Food Services	4,894,245	3,930,987	8,825,232	750	6,526	5,241	11,767
Repair & Maintenance	71,957	57,795	129,752	150	480	385	865
Personal Services	73,448	58,992	132,440	150	490	393	883
Total Selected Services	5,129,119				7,942	6,379	14,322
Total Retail Trade and Selected Servic	10,206,091	4,077,750	9,154,722		26,287	21,113	47,400

High Case

	Capitol Boulevard Increased Sales 2010 to 2020	Capitol Boulevard Increased Sales 2020 to 2030	Capitol Boulevard Increased Sales 2010 to 2030	Sales per Square Foot	Supportable Square Feet 2010 to 2020	Supportable Square Feet 2020 to 2030	Supportable Square Feet 2010 to 2030
Motor Vehicles & Parts	3,953,806	2,605,194	6,559,000	300	13,179	8,684	21,863
Furniture & Home Furnishing	-	-	-				
Electronics & Appliances	-	-	-				
Building Materials, Garden Equip & Sup	1,583,122	1,035,711	2,618,833	200	7,916	5,179	13,094
Food & Beverage Stores	-	-	-				
Drug/health Stores	5,771,602	4,336,897	10,108,499	300	19,239	14,456	33,695
Gas Stations & Convenience Stores W/p	5,849,480	5,167,719	11,017,198	300	19,498	17,226	36,724
Apparel & Accessories	-	-	-				
Sporting Goods, Toys, Book & Music St	-	-	-				
General Merchandise Stores	-	-	-				
E-commerce & Mail Order	-	-	-				
Miscellaneous Retailers	8,664,319	9,844,335	18,508,653	250	34,657	39,377	74,035
Arts, Entertainment & Recreation	730,242	810,148	1,540,391	200	3,651	4,051	7,702
Food Services	10,643,843	8,168,676	18,812,519	750	14,192	10,892	25,083
Repair & Maintenance	187,587	151,361	338,948	150	1,251	1,009	2,260
Personal Services	300,897	270,541	571,438	150	2,006	1,804	3,810
Total Selected Services	11,862,569	9,400,726	21,263,295		21,100	17,755	38,855
Total Retail Trade and Selected Servic	37,684,898	32,390,581	70,075,480		115,589	102,677	218,266

Source: Property Counselors

V. DEMAND FOR OFFICE

The analysis of the market for office development is presented in this section in terms of:

Historical Office Market Activity
Existing and Planned Office Space
Potential Office Demand

HISTORICAL OFFICE MARKET ACTIVITY

Given the major role that state government plays in the local economy, it is not surprising that the local office market is dominated by State-occupied space. Table V-1 provides a rough measure of the State's influence in the year 2010. The total office space estimate was derived by Thurston Regional Planning Council from Assessor data. As shown, State-occupied space at that time represented 60 percent of all office space in the County. The actual percentage was undoubtedly higher, as the total square feet includes vacant space, and space that may serve some retail uses. The State-occupied buildings include most of the larger office buildings, while much of the non-State space is in smaller buildings.

Table V-1
Office Space in Thurston County – 2010
(square feet)

	Olympia	Lacey	Tumwater	Other	Total
State Office					
Leased	1,673,154	727,637	1,839,766		4,240,557
Owned	2,356,000	497,000	997,000	237,000	4,087,000
Subtotal	4,029,154	1,224,637	2,836,766	237,000	8,327,557
Non-State	3,406,846	1,416,363	186,234	511,000	5,520,443
Total	7,436,000	2,641,000	3,023,000	748,000	13,848,000
State as % of Total	54.2%	46.4%	93.8%	31.7%	60.1%

Source: State Facilities Report
Thurston Regional Planning
Property Counselors

The total figures can be compared to numbers for the year 2000.

Table V-2
Office Space in Thurston County Growth 2000 to 2010
(square feet)

	2000	2010	Change 2000-10
State Office			
Leased	2,763,053	4,240,557	1,477,504
Owned	3,151,766	4,087,000	935,234
Subtotal	5,914,819	8,327,557	2,412,738
Non-State	5,558,058	5,520,443	(37,615)
Total	11,472,877	13,848,000	2,375,123

Source: TRPC, Property Counselors

As shown, approximately two-thirds of the increase in State occupied space is located in leased buildings. With the decline in State employment in Thurston County since 2008 and the completion of the new Department of Information Services building in Olympia, the State is consolidating its leased space occupancy. The State vacated two large buildings in Woodland Square in Lacey at the end of 2011.

State occupied space represents 94% of the total office space inventory in Tumwater. Approximately two-thirds of that is in leased buildings. The Edna Goodrich Building on Linderson Way is a 220,000 square foot build-to-suit lease-to-own building on Linderson Way for the Departments of Corrections and Transportation. Other major State-leased buildings in Tumwater include:

6300 6500 Linderson	151,336 square feet	Department of Revenue
Cleanwater Plaza	148,311 square feet	Attorney General
Town Center East	231,601 square feet	Health
Point Plaza West	212,746 square feet	DSHS, Retirement Services, OFM, DOT
Point Plaza East	149,989 square feet	DSHS, Retirement Services, Library, Health

These major facilities offer the State the opportunity to place large departments or divisions in a single location. The State has moved to consolidate departments in these buildings.

EXISTING AND PLANNED OFFICE SPACE

EXISTING BUILDINGS

Current market conditions in Thurston County are suggested by vacancy rates and prevailing rents in major buildings. Table V-3 summarizes conditions in selected major buildings.

Table V-3
Selected Major Office Buildings

Building	Address	City	Year Built	Available Sq. Ft.	Total Sq. Ft.	Rent (/sf/yr)*
Bell Towne Centre	4200 6th	Lacey	2001	45,836	12,347	$18.00
Big Rock Medical	6342 Littlerock	Tumwater	2002	1,261	10,444	$16.00
Black Hills Medical	412 Black Hills	Olympia	1985/1991	6,382	15,630	$16.95-$20.25
Boardwalk Building	525 Columbia	Olympia	1988	707	12,500	$15.00 FS
Britton Plaza	2501 Marvin Rd.	Lacey	2011	107,450	107,450	$26.00-$29.50
Capitol Medical	601 McPhee	Olympia	1980	15,552	31,000	$20.00
Ensign Medical	3425 Ensign Rd	Olympia	1988	1,150	19,435	$22.00 FS
Evergreen Plaza	711 Capitol	Olympia	1972	2,488	116,214	$18.72 FS
Harborstone Credit Uni	1445 Galaxy Dr.	Lacey	2004	3,380	23,000	$24.00 FS
Hawkstone	8645 Martin Way	Lacey	1996	10,028	53,045	$18.00
Irving St Station	1550 Irving St.	Tumwater	2006	3,628	24,213	$19.50 FS
Lilly Road Medical	703 Lilly	Olympia	2007	2,293	10,153	$20.00-$22.00
Lilly Rd. Professional	112 Lilly Road	Olympia	2006	4,400	29,112	$18.00-$22.00
Market Center	111 Market St.	Olympia	2001	12,130	45,687	$23.00 FS
Market Place	724 Columbia	Olympia	1998	8,557	47,740	$25.00 FS
Mottman Plaza	2510-2646 Robt Johnson Blvd,		2005/2006	2,252	3,893	$15.00-$16.00
Parkside Building	300 Deschutes	Tumwater	2002	4,362	28,000	$18.50-$23.50
Smythe Landing	1801 West Bay Dr.	Olympia	2005	12,601		$22.00
Sunset Point	3003 Sunset Way	Tumwater	Proposed	12,000	12,000	$20.00
TwinStar Plaza	5739 Littlerock	Tumwater	2005	4,000	7,118	$17.00-$18.00
West Olympia	3025 Limited lane	Olympia	2004	12,000	12,000	$15.00-$18.00
605 Woodland Square	605 Woodland Sq.	Lacey	1985	69,683	69,683	$14.00
676 Woodland Square	676 Woodland Sq.	Lacey	1989	76,143	76,143	$14.50

* Rents are NNN (tenant pays operating expenses) unless designated as Fully Serviced (FS)

Source: Commercial Brokers Association
Property Counselors

The newest buildings are in the Britten Plaza complex in Lacey. Those buildings have the highest rents at $26.00 to $29.50 per square foot, but none of the space has been leased. This experience suggests that such rents may be necessary to recover costs, but the market won't support such rents yet. Several other new buildings were built between 2001 and 2007. These buildings typically rent for $18.00 to $22.00 per square foot, and represent the broader market. The Market Square and Market Center near the water in north downtown Olympia achieve the highest rents for established buildings.

Lacey has several newer buildings in the Hawk's Prairie area, with rents at the top of the market. Lacey also has the two buildings in the Woodlands District that were recently vacated by the State. These vacancies have depressed the market in this area.

The Irving Street Station and Parkside buildings in the Brewery District have the highest rents for multi-tenant buildings in Tumwater. These rents are comparable to the rents paid by the State for the leased buildings on Capitol Boulevard. Newer offices on Littlerock Road achieve rents at the lower end of the band for the market as a whole. The older buildings along Capitol Boulevard capture rents in the $12 to $16 per square foot range. These rents are comparable to rents in Mottman Plaza and Ridgeview Office Park elsewhere in Tumwater.

PLANNED BUILDINGS

There are very few new private office projects in the County. Project under way include the 224,000 square foot West Capital Office Park in West Olympia, Olympia Orthopedic medical facility near Capital Mall, and small projects in the Hawk's Prairie area.

The State of Washington has several established policies regarding development and leasing of office space:

- Ownership of buildings is considered to be more cost effective to the State over the long term. In the short term, lack of availability of funding to develop or purchase office space may dictate lease of space.

- The State is interested in procuring investment grade property with a 50 year life, whether through private lease development or State development of buildings.

- The State is promoting consolidation of its functions to maximize efficiency of agency operations. As leases of small space expire, the State is seeking to relocate functions into larger related concentrations.

- The State has identified, in conjunction with local governments, Preferred Development Areas (PDAs) for owned space and Preferred Leasing Areas (PLAs) for leased space. The PDAs and PLAs are similar in geographic scope and include Downtown Olympia, the Town Center area of Tumwater, and the area between St. Martins College and the Lacey retail core.

- The State can procure office space through purchase, lease, or development. For property that the State owns or intends to own in the future, a specified public works process must be pursued. A private property can be purchased or lease purchased through a one or two step process. Under the one step process, the State can advertise for a site and building simultaneously. Under the two step process, the State can advertise for a site, and advertise separately for a lease development project on the selected site.

The State intends to maintain Tumwater as a concentration of State offices, but no new projects or leases are planned at this time.

POTENTIAL OFFICE DEVELOPMENT

Non-State office demand in Thurston County is composed predominantly of smaller tenants in the professional service, finance, insurance, and real estate industries. The market can be further characterized in three segments:

- Firms and individuals doing business with the State and seeking proximity to the State Capitol Campus.
- Firms and individuals providing services to other businesses and locating near commercial concentrations.
- Firms providing services to local households.

The need for office space in all three categories is related to the amount of employment growth in certain office using sectors. Table V-4 summarizes employment trends in those sectors for the City of Tumwater. Office using sectors include communications, finance, insurance and real estate, and services. Office-using employment can be estimated as certain percentages of total employment in each sector. Office using employment is projected to grow by 4,394 between 2003 and 2030.

Table V-4
Projected Tumwater Office Absorption Based on Employment

	Total Employment			Office Employment			Sq. Ft.	
	2003	2030	Change 2003-2030	Office Employment as %	Change 2003-2030	Avg. Ann. Change 2003-2030	Sq. ft.@ 200 /Employee	Avg. Ann. Change 2003-2030
Resources	89	117	28		-	-	-	-
Construction	1,217	1,807	590	10%	59	2	437	437
Manufacturing	1,871	1,621	(250)		-	-	-	-
Transportation Communications	622	1,297	675	75%	506	19	3,750	3,750
Wholesale Trade	1,387	2,415	1,028		-	-	-	-
Retail Trade	2,479	4,390	1,911		-	-	-	-
FIRE	879	2,025	1,146	100%	1,146	42	8,489	8,489
Services	3,211	7,276	4,065	66%	2,683	99	19,873	19,873
Government	6,991	12,215	5,224		-	-	-	-
Total	18,746	33,163	14,417		4,394	163	32,549	32,549

Source: Thurston Regional Planning Council 2006, Property Counselors

The Corridor currently provides approximately 35% of the total office square feet in the City. Future office development can be estimated in a range of 35% to 45% of office development in the City. Estimated absorption rates are discounted 15% to 20% to reflect the likely reductions in projected office using employment under updated TPRC forecasts when they are complete. The potential demand in the corridor is thus estimated to be as follows:

	Base Case	High Case
2010 to 2020	84,000 square feet	110,500 square feet
2020 to 2030	98,000 square feet	136,000 square feet
2010 to 2030	182,000 square feet	246,500 square feet

In order to capture demand at the upper end of the range, the Corridor will need to improve its competitive position by establishing an identity, resolving congestion issues, and improving its physical appearance.

VI. DEMAND FOR RESIDENTIAL

Residential development is an increasingly common use in commercial districts. It is not only a potential use in the South Capitol Boulevard area in its own right, but it also has the potential to support commercial uses in the area as well. Multifamily residential demand is considered in this section in terms of:

- Overview
- Apartment Market
- Condominium Market
- Potential Residential Demand

OVERVIEW

The multifamily residential development demand in Tumwater is only one segment of the overall housing inventory in the City. Table VI-1 summarizes the make-up of the housing inventory in the City and County as of the year 2010.

Table VI-1
Changes in Housing Inventory-Thurston County

Housing Units					% of Total				
2000					**2000**				
	SF	**MF**	**Other**	**Total**		**SF**	**MF**	**Other**	**Total**
Tumwater	3,155	2,328	470	5,953	Tumwater	53.0%	39.1%	7.9%	100.0%
Lacey	8,336	3,890	934	13,160	Lacey	63.3%	29.6%	7.1%	100.0%
Olympia	11,089	7,797	852	19,738	Olympia	56.2%	39.5%	4.3%	100.0%
Other Cities	1,971	388	366	2,725	Other Cities	72.3%	14.2%	13.4%	100.0%
Unincorporated	33,017	2,936	9,123	45,076	Unincorporated	73.2%	6.5%	20.2%	100.0%
Thurston	57,568	17,339	11,745	86,652	Thurston	66.4%	20.0%	13.6%	100.0%
2010					**2010**				
	SF	**MF**	**Other**	**Total**		**SF**	**MF**	**Other**	**Total**
Tumwater	4,568	2,768	655	7,991	Tumwater	57.2%	34.6%	8.2%	100.0%
Lacey	12,342	4,822	909	18,073	Lacey	68.3%	26.7%	5.0%	100.0%
Olympia	12,474	8,167	819	21,460	Olympia	58.1%	38.1%	3.8%	100.0%
Other Cities	3,181	579	395	4,155	Other Cities	76.6%	13.9%	9.5%	100.0%
Unincorporated	41,149	3,439	10,523	55,111	Unincorporated	74.7%	6.2%	19.1%	100.0%
Thurston	73,714	19,775	13,301	106,790	Thurston	69.0%	18.5%	12.5%	100.0%
Change 2000 to 2010					**Change 2000 to 2010**				
	SF	**MF**	**Other**	**Total**		**SF**	**MF**	**Other**	**Total**
Tumwater	1,413	440	185	2,038	Tumwater	69.3%	21.6%	9.1%	100.0%
Lacey	4,006	932	-25	4,913	Lacey	81.5%	19.0%	-0.5%	100.0%
Olympia	1,385	370	-33	1,722	Olympia	80.4%	21.5%	-1.9%	100.0%
Other Cities	1,210	191	29	1,430	Other Cities	84.6%	13.4%	2.0%	100.0%
Unincorporated	8,132	503	1,400	10,035	Unincorporated	81.0%	5.0%	14.0%	100.0%
Thurston	16,146	2,436	1,556	20,138	Thurston	80.2%	12.1%	7.7%	100.0%

Source: Washington Office of Financial Management, Property Counselors.

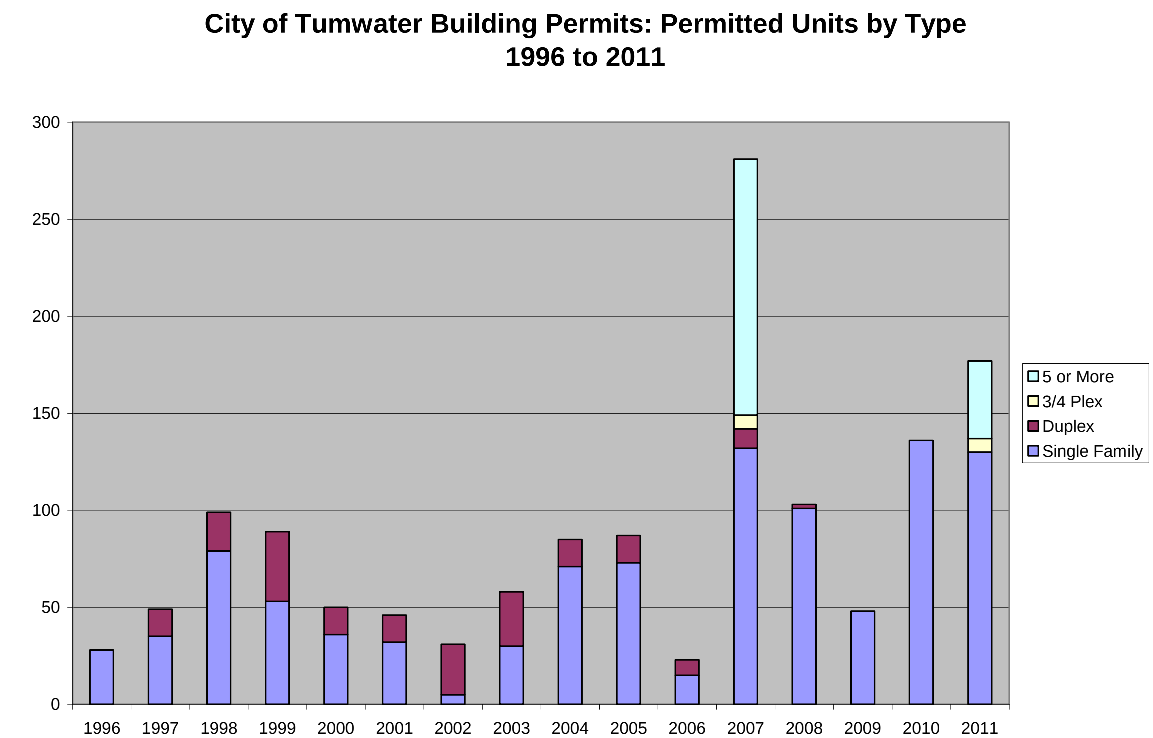
Single family residences make up 69 percent of the housing stock in the entire county in 2010. Multifamily makes up 19 percent of the total. Multifamily development is far more prevalent in Tumwater and Olympia, with multifamily representing 35% and 38% respectively of total units in 2010. Over the past ten years, only 22% of the net increase in units in Olympia and Tumwater was in multifamily units, a figure slightly higher than that for Lacey. The amount of multifamily development activity in the area has been slow in recent years.

The number of residential building permits has slowed dramatically since 1996, reflecting in part, the slow population growth since that time. The only permits for new units in structures with five units or more were issued in 2007 and 2011, as shown in Figure VI-1.

In summary, the residential development trends indicate that there has been very little multifamily development in recent years in Tumwater and throughout the county, but construction activity is increasing.

Figure VI-1

Tumwater Building Permits
Dwelling Units



Source: US Census Bureau

RENTAL MARKET

Rental apartments are one broad segment of the multifamily housing market. Current and historical vacancy and rental rates provide a measure of the strength of the existing market as well as an indication of possible future market performance.

MARKET AREA STATISTICS

Market conditions in the Olympia area are reported semi-annually in the Apartment Vacancy Report by Dupre and Scott. Current and historical conditions are summarized in Table VI-2.

Table VI-2
Thurston County
Apartment Statistics

	2008	2009	2010	2011	2012	5 Year Avg.
Vacancy Trends						
Thurston County	3.2%	5.3%	6.5%	5.2%	6.2%	5.2%
Tumwater	3.3	5.5	5.1	5.3	7.3	5.6
Lacey	3.9	5.2	7.7	5.7	4.8	5.4
Olympia	2.6	5.3	6.3	4.8	6.5	4.9
Rental Rate Trends						
Thurston County	$786	$826	$805	$834	$845	$816
Tumwater	814	872	847	870	866	852
Lacey	804	833	806	828	839	797
Olympia	759	798	785	822	840	706

Vacancy by Unit Type - 2012	**All Units**	**Studio**	**1 BR**	**2BR/1BA**	**2BR/2BA**	**3BR/2BA**
Thurston County	6.2%	6.7%	5.2%	6.7%	6.0%	9.3%
Tumwater	7.3		6.5	6.0	6.9	11.6
Lacey	4.8	0.0	3.2	6.3	5.1	7.7
Olympia	6.5	7.0	6.2	7.2	6.1	8.0
Rent by Unit Type - 2012						
Thurston County	$845	$615	$733	$811	$983	$1,048
Tumwater	866		776	810	942	1,030
Lacey	839	601	735	846	962	1096
Olympia	840	616	713	789	1,018	1,045
Rent per Square Foot - 2012($/mo)						
Thurston County	$.99	$1.40	$1.10	$.96	$.95	$.89
Tumwater	.98		1.09	.96	.95	.86
Lacey	1.00	1.55	1.10	.97	.93	.93
Olympia	.99	1.40	1.11	.95	.95	.89

Source: Dupre + Scott, Apartment Vacancy Report, March 2012

The upper part of Table VI-2 summarizes vacancy and rental rate trends for the County as a whole and the three major cities, over the past five years. Tumwater has a current vacancy rate (as of March 2012) of 7.3 percent, higher than the average for the County and higher than the 5.0 percent target rate for a healthy market. The rate for Lacey is 4.8%.

Tumwater's average rent is the highest of the major cities. This can be partly attributed the newer inventory in the city. Over time, new development will put upward pressure on average rents in all cities.

The lower part of Table VI-2 summarizes vacancy and rental conditions by type of unit in March 2012. In the County as a whole, the lowest vacancies are in one bedroom units. The highest vacancies are in three bedroom units.

The rental rates vary by unit type with the larger units commanding higher rents. On a per square foot basis, the larger units command lower rental rates. Only the studio apartments command rates of more than $1.00 per square foot per month.

EXISTING APARTMENTS

A survey of newer apartments in the County provides additional information on market conditions. Table VI-3 summarizes information for several existing projects. The experience of these projects provides several conclusions about the market.

- Apartment development has recovered over the past year with three buildings completed in 2011 or 2012. All are in Olympia. But newer buildings have been built in all three of the cities over the past 6 years.

- The highest rents are in Madison, Pacific, Parkview and Woodlands, all in Olympia. But Tabula Rasa and Hearthstone, both in Tumwater, also achieved rents at the upper end of the range for the market as a whole.

- The rents expressed on a per square foot basis are $1.25 to 1.43 for studios: $.93 to 1.30 for one bedroom units; .81 to $1.19 for two bedrooms; and $.91 to $1.13 for two bedrooms.

With the exception of the Capitol Steps project with underground parking, all the buildings offer carports or partially covered parking. The buildings are generally two to three stories. The prevailing rents are at levels that can support development for this product.

Table VI-3

Selected Thurston County Apartments Built Since 2005

					Unit Size				Rent			
Name	**Address**	**City**	**Year Built**	**# of Units**	**Studio**	**1 BR**	**2 BR**	**3 BR**	**Studio**	**1 BR**	**2 BR**	**3 BR**
Abbey Road	9320 Windsor Ln	Lacey	2005	102		823-881	991-1,053			$880-$985	$1,,020-1,155	
Capitol Steps	623 Eastside	Olympia	2005	26	627	694-778			$835	$860-895		
Country Club Villas	3625 Yelm Hwy	Olympia	2007	64		956	1,156			$885	$1,035	
Hearthstone	215 Pinehurst	Tumwater	2005/2007	102		681-788	1,084-1,101	1,084-1,101		$835-$885	$968-$1,050	$1,175-$1,205
Madison	105 Newberry	Olympia	2007	190		773-883	991-1,180			$890-$1,055	$1025-$1,295	
Pacific Place	6514 Pacific	Olympia	2009	59		771-1,026	990-1,177			$980-$1,250	$1,190-$1,405	
Parkview	4523 Briggs Dr.	Olympia	2012	72		765	1,035	1,230		$950-$995	$1,195-$1,235	$1,325-$1,395
Red Leaf	1330 Fones Rd.	Olympia	2011	56		1,345-1,467	1,842			$1,249-$1,399	$1,495	
Regency	1521 McDaniel	Lacey	2005	66		956	1,100-1,160				$920-$940	
Sommers Manor	4000 57th Trail	Olympia	2007	40			1,008				$995	
Tabula Rasa	1978 Trosper Rd.	Tumwater	2008	117		802	1,102-1,154	1,298-1,411		$1,050	$1,275	$1,400
Woodlands	800 Yauger Way	Olympia	2011	284	678	875-903	1,186-1,194		$843	$975-$1,030	$1,175-$1,303	
6th Ave. Place	4410 6th Ave.	Lacey	2007	103		613-909	870-979	1,192-1,298		$790-$900	$950-$975	$1,125-$1,175

Source: ForRent.com, Property Counselors

The Hearthstone apartments are located in the Capitol Way Corridor. Their performance demonstrates that the area can capture rents comparable to those in other cities in the county. The study area also offers several older buildings that have rents at the low end of the market.

			Monthly Rent		
	Yr. Blt	**Units**	**1BR**	**2BR**	**3BR**
Alpine Village	1970	206	$675+	$800+	
Falls Pointe Apartments	1970	96	$595-670	$700-775	
Tumwater Apartments	1985	50	Restricted to elderly and disabled.		
Suncrest Apartments	1969	62	$550	$650	

CONDOMINIUM MARKET

Condominiums are multifamily residential units available for sale. Sales prices for all housing in Thurston County has declined since 2008, but began to stabilize in 2010 as shown in Figure VI-2. Condominium sale prices reflect a similar trend over recent years as shown in Table VI-4.

Figure VI-2
Single Family Sales Price Trends Thurston County

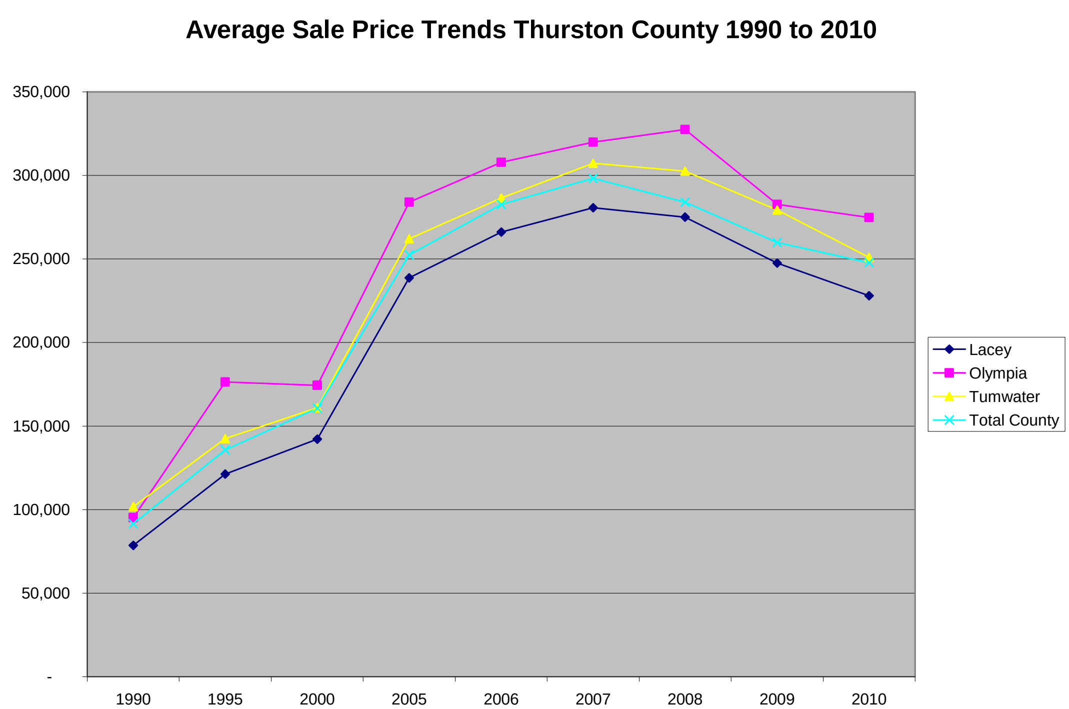


Table VI-4
Thurston County
Condominium Sales Trends

All Sales by Year

	2007	2008	2009	2010	2011
Sales	186	160	89	101	149
Avg Price	$197,819	$179,375	$151,031	$142,061	$246,384
Avg. Price/sf	$160	$144	$131	$149	$191

April 2011 thru March 2012 Sales by City

	Lacey	Olympia	Tumwater
Sales	17	26	8
Avg Price	$108,700	$139,225	$86,134
Avg. Price/sf	$85	$115	$74

Source: Condo.com
Property Counselors

- Average sale price declined from 2007 through 2010. The higher numbers in 2011 were related to higher priced new condo sales in the second half of that year.
- Average prices over the 12 months ended March 2012 were under $150,000 in each of the three major cities.
- The average price in Olympia was highest, followed by Lacey, and Tumwater.

Several condominium projects with units for sale are shown in Table VI-5.

Table VI-5
Thurston County
Selected Condominium Sales Prices

Name	Address	City	Bedrooms/Baths	Price	Sq. Ft.	Price/sf
Broadmoor West	314 Evergeen Park D	Olympia	2/2	$179,900	1,742	$103.27
Capitol Lake Towers	1910 Evergreen	Olympia				
Unit 201			3/2.5	$129,900	1,501	$86.54
Unit 301			3/2.5	$175,000	1,501	$116.59
Unit 302			2/1.5	$167,900	1,024	$163.96
Unit 702			3/1.5	$277,920	1,625	$171.03
Unit 1001			2/2.5	$299,500	1,966	$152.34
Citi Life	1411 Evergreen Dr.	Olympia				
Unit 101			2/1.5	$115,000	1,030	$111.65
Unit 303			2/1.5	$120,000	1,030	$116.50
Country Club Gardens	6023 Merlot Ln SE	Lacey	4/2	$138,000	1,690	$81.66
East Bay Harbor	920 East Bay Dr.	Olympia	2/2	$229,000	1,502	$152.46
Edgewater East	1801 East Bay Dr.	Olympia	2/1.5	$499,900	1,524	$328.02
Kwannchuck	222 West Bay Dr.	Olympia	2/1.5	$364,000	2,146	$169.62
Rainier Crossing	6611 Millstone	Olympia				
Unit			3/1.5	$157,000	1,544	$101.68
Unit 102			3/2.5	$167,500	1,550	$108.06
Simmons Mill	3864 Simmons Mill	Tumwater				
			3/2.5	$214,900	1,735	$123.86
			3/2.5	$179,950	1,652	$108.93
			3/2.5	$199,000	1,808	$110.07
			3/2	$237,995	1,744	$136.47
Simmons Heights	3706 Simmons Heigh	Tumwater	3/2	$289,900	1,710	$169.53
			4/3	$349,900	2,510	$139.40
Smythe Landing	1801 West Bay Dr.	Olympia				
Unit 402			2/2	$609,000	1,732	$351.62
Unit 403			2/2	$637,000	1,928	$330.39
Vista Village	3300 Carpenter Road	Lacey				
			2/1.5	$60,000	960	$62.50
			2/1.5	$79,950	1,120	$71.38
			3/1.5	$62,500	1,232	$50.73
			2/1.5	$114,500	1,120	$102.23
			2/1.5	$114,999	1,529	$75.21
Westmark Terrace	705 Sherman	Olympia	3/2	$314,000	2,186	$143.64
Windridge Hills	1320 Evergreen Pk D	Olympia	2/1.5	$214,950	1,700	$126.44
15th Fairway	2916 36th Nw	Olympia	2/2	$399,000	2,029	$196.65
2025 Berry St.		Olympia	2/2.5	$319,000	1,510	$211.26

Source: Thurston County Assessor's Office, Property Counselors

- The highest prices for units currently on the market are on Budd Inlet in Smyth Landing and Edgewater East.
- Several other projects are located on or near the waterfront on either side of Budd Inlet, and these units have prices of $250,000 to $300,000.
- The most expensive units generally range in size from 1,500 to 2,000 square feet.
- On a per square foot basis, many older units sold for less than $100. Some new projects and high amenity projects sold for $250 to $375.

The only condominiums in the study area are the Indian Creek Townhomes on Israel Road. These 91 units were built between 1984 and 1987. There have been only four sales in 2010 and 2011 with prices of $57,000 to $89,000. Many of these sales are foreclosures.

Generally, condominium sales have begun to increase and prices stabilized, but the current prices are still well below the prices necessary to justify new investment.

POTENTIAL RESIDENTIAL DEMAND

Multifamily residential development throughout the market area is likely to be apartments for the foreseeable future. Current price levels are well below the levels necessary to support condominium construction costs. Further, the collapse of the for-sale market in 2008 will likely remain in the minds of potential purchasers, and there won't be strong upward pressure on prices.

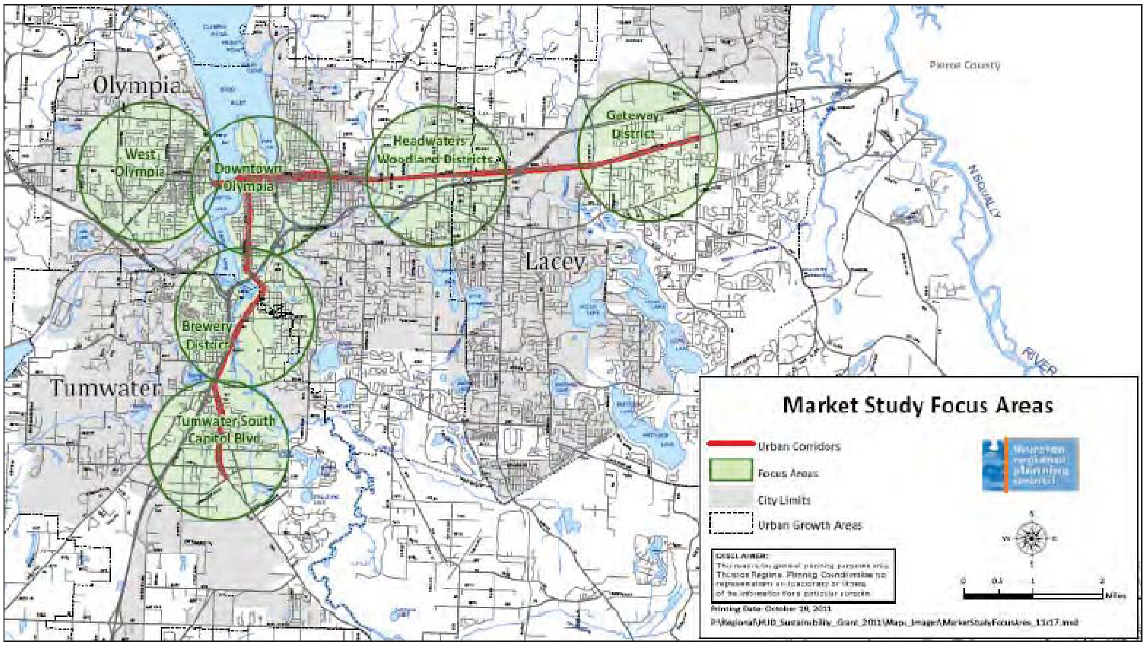
Thurston Regional Planning Council sponsored a housing market analysis as part of the Sustainable Thurston project. The study conducted by New Home Trends and published in 2011 projected housing demand in six urban focus areas as well as smaller towns in the County. South Capitol Boulevard was one of the focus areas as shown in the figure on the following page.

The study provided projections for housing demand over the period 2010 to 2030 in five product types:

Single Family
Townhouse
Low-rise
Mid-rise and
High-rise

The projected total demand for all focus areas is summarized in Table VI-6.

Figure VI-3
Housing Market Study Focus Areas



Source: TRPC

Table VI-6
Projected Housing Growth Thurston Focus Areas

	Dwelling Units	Share	Growth 2010-2020	2021-2030	2010-2030	Share
Downtown Olympia	4,307	18%	1,034	1,175	2,209	18%
Lacey Gateway	2,572	11%	617	702	1,319	11%
Headwaters/Woodland	4,008	17%	962	1,093	2,055	17%
West Olympia	4,827	20%	1,158	1,317	2,475	20%
Tumwater South Capitol	2,237	9%	537	610	1,147	9%
Tumwater Brewery	2,918	12%	700	796	1,496	12%
Downtown Yelm	1,708	7%	410	466	876	7%
Tenino	704	3%	169	192	361	3%
Rainier	648	3%	156	177	333	3%
Bucoda	293	1%	70	80	150	1%
	24,222	100%			12,421	100%

Source: New Home Trends 2011.

As shown in the table, the number of dwelling units in the area is projected to grow by 12,000 beyond the existing 24,000 units over the next two decades. South Capitol Boulevard is projected to capture 1,147 of the additional units. That amount is the lowest of the six urban focus areas. The breakdown of units by type is shown under the base case in Table VI-7. As shown, the area is projected to capture 9% of total growth for all focus areas. Single-family development is projected to capture 15% of the total. The 85% multi-family share is projected to be split 25% townhomes, 60% low-rise and 15% mid-rise. The low-rise, mid-rise and high-rise units were defined in the market study in terms of units per acre, but the figures in the table are expressed as equivalent height.

Table VI-7
Projected Housing Growth South Capitol Boulevard

		Growth		
		2010-2020	2021-2030	2010-2030
Base Case				
Share of Activity Centers Total	9%			
Mix by Unit Type				
Single Family (% of Total Units)	15%	77	95	172
Townhouse (% of Multifamily)	25%	110	134	244
Low rise - 1 to 2 stories (% of Multifamily)	60%	263	322	585
Mid Rise - 3 to 6 stories (% of Multifamily)	15%	66	80	146
High Rise - 9 or more stories (% of Multifamily)	0%	-	-	-
		516	631	1,147
High Case				
Share of Activity Centers Total	12%			
Mix by Unit Type				
Single Family (% of Total Units)	15%	101	123	224
Townhouse (% of Multifamily)	25%	168	205	373
Low rise - 1 to 2 stories (% of Multifamily)	50%	335	410	745
Mid Rise - 3 to 6 stories (% of Multifamily)	25%	168	205	373
High Rise - 9 or more stories (% of Multifamily)	0%	-	-	-
		771	943	1,714

Source: New Home Trends, Property Counselors

The Base Case reflects a market share equal to the existing share. With improvements to the corridor it's likely that it will be relatively more attractive and capture a higher share. Further, with increased demand, it's likely that the district can support the higher density mid-rise form of development. The high case in the bottom of the table reflects a set of projections with changes to those assumptions.

The resulting projected number of multifamily units can be summarized as follows:

	Base Case	High Case
2010 to 2020	351 MF units	570 MF units
2020 to 2030	429 MF units	696 MF units
2010 to 2030	780 MF units	1,267 MF units

In order to capture demand at the higher level, the perception of the Corridor must be addressed. The experience of the Hearthstone indicates that the area can attract development with rents at the upper end of the market. But a significant increase in the projected capture rate will depend upon:

Improvements to attractiveness.

Improvement to walkability.

Additional public amenities like parks and community facilities.

Attraction of commercial services.

VII. DEMAND FOR LODGING

Lodging can support other businesses, at the same time that it is supported by other uses and the visitor industry. Potential demand is presented in this section in terms of:

Regional Market Performance
Existing Hotels
Potential Lodging Demand

REGIONAL MARKET PERFORMANCE

Table VII-1 on the following page summarizes occupancies and average daily rates (ADR) for Southwest Washington (primarily Thurston County) and the State of Washington for the years 1997 through 2011. Market conditions changed dramatically in 2008 with the collapse of the national and regional economies. Average occupancies dropped from strong levels of 70% or more to levels below 65%. Average occupancy fell below 60% in Southwest Washington. Rates have increased since 2009, but still haven't reached earlier levels. Similarly the average daily room rates increased through 2007 then plunged. The average daily rates recovered more slowly than the occupancy rates, and are approximately at 2006 levels. Generally, the lodging industry was affected by declines in both business and recreational travel. Recent improvements mirror increases in business profits and consumer confidence.

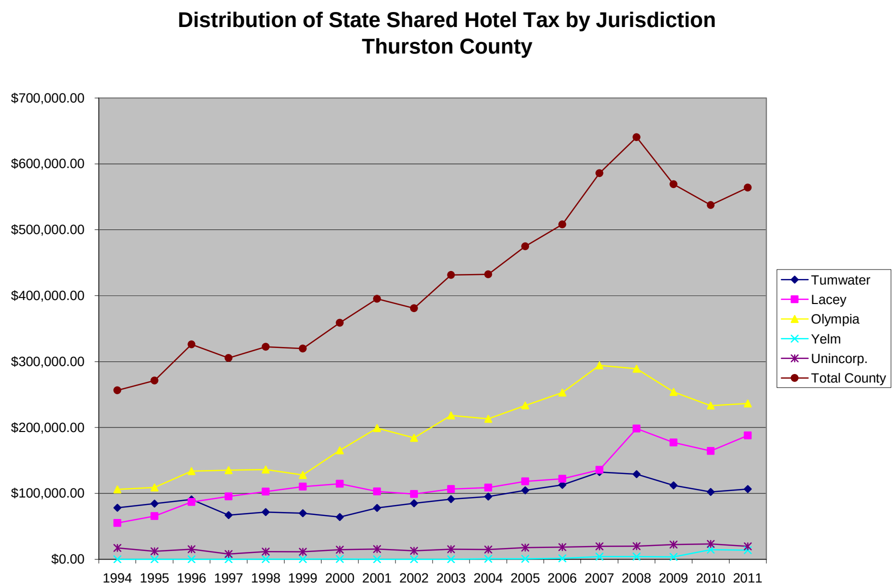
Performance at the city level can be derived from hotel/motel tax data. A tax of 2% of room revenues is collected by the State (as part of the retail sales tax) and distributed to cities and counties. A 2% special tax is also imposed by local cities and the County. Tax revenues are proportional to room revenues. Changes in tax collections for individual cities and the County are shown in Figure VII-1. Revenues in all jurisdictions declined with the general economy in 2008. Revenues are no longer declining and are showing strong growth in Lacey and the County as a whole. Olympia captures the largest share of lodging activity, followed by Lacey. Tumwater revenues were comparable to Lacey's through 2006, but have grown more slowly since then.

Table VII-1
Olympia and Southwest Washington
Hotel Market Performance
1997-2011

	Avg Occupancy		Avg Daily Rate	
	Statewide	Southwest Washington	Statewide	Southwest Washington
1997	68.8%	57.9%	$89.19	$54.41
1998	68.7%	58.7%	95.65	54.28
1999	68.2%	58.2%	99.00	56.05
2000	67.5%	59.4%	99.71	59.26
2001	63.1%	57.5%	99.21	61.68
2002	63.5%	57.0%	96.49	57.59
2003	63.7%	57.1%	95.09	55.21
2004	67.0%	59.9%	99.93	66.11
2005	69.4%	66.1%	105.08	68.62
2006	72.2%	70.9%	116.41	74.10
2007	73.1%	73.0%	125.38	78.03
2008	70.8%	64.2%	131.54	76.76
2009	63.8%	58.5%	117.56	69.99
2010	67.1%	63.1%	114.88	67.61
2011	69.6%	63.2%	116.37	70.52

Source: Wolfgang Rood Hospitality Consulting, *Trends in the Hotel Industry*

Figure VII-1



Travelers in the Olympia market area can be categorized into four primary segments: government travelers, commercial travelers, groups, and tourists and other transients. The market segmentation at individual hotels varies, based on the facilities and services offered at the properties. The largest demand in local hotels comes from the commercial market segment with approximately one-third of the total market share, while group and leisure demand command a market share of approximately 25% each. Government demand accounts for the balance of demand. The legislative session has a large effect on Olympia area occupancy during the first quarter of every year.

Corporate or commercial travelers are those conducting business in the area. Lodging demand for the commercial travelers market segment is generated by commercial, industrial, and retail activity throughout the Thurston County area. Commercial demand typically occurs Monday through Thursday and is characterized by short lengths of stay. Weekend rates are typically lower during the winter season and increase to levels above commercial rates during the high-tourist season. Commercial activity takes place year-round, however most facilities in the area prefer to reserve the summer season for guests paying full rack-rates and staying for longer periods. In general, this market segment chooses its lodging facilities based on room rate structure, quality, and amenities, location, and the availability of restaurants and other support services.

The group meetings market is comprised of associations, conventions, and business meetings which utilize blocks of guestrooms in addition to banquet and meeting rooms and is comprised of associations, conventions, trade shows, small business meetings, family retreats, and weddings. Group demand is generally offered discounted rates, depending upon the group size and the season during which they are accommodated. Discounted group rates are also limited primarily to the shoulder seasons, due to the stronger occupancies experienced by the hotels in the competitive supply during the summer months. The development of the group segment is critical, however, in assuring a facility's long-term success, since group business tends to be heaviest in spring and fall, while it tends to be displaced during the summer months for higher rated leisure demand.

Leisure travelers are those travelers visiting attractions in the area or visiting family and friends. Demand derived from this segment has the highest incidence of double occupancy among the market segments. Tourists typically pay the full rack rate, however they occasionally receive discounts for coupons or tour packages. Tour groups are considered to be part of the leisure traveler market. Leisure demand tends to be strongest in the summer months of June through August.

Government travelers, which represent a larger than average segment of demand in the Olympia market area, consist of government employees doing business in the state capital. Lobbyists and many individuals who are not government employees but are involved in government-related work also frequently receive the per diem government rate. The peak period for government travel is in the months of January and February during even-numbered years and from January through March during odd-numbered years. The current government per diem is approximately $88 for lodging and $61 for food.

EXISTING HOTELS

The Olympia market area offers a range of hotel properties, varying in terms of size, location, and services. Table VII-2 summarizes the size, location, and services of the major hotels in Thurston County. As shown, there are over 1,800 guestrooms in the Olympia market area, with 39 percent in Lacey, 33% percent in Olympia, and 24% in Tumwater. The newest properties in the County have been built in Lacey. Lacey offers sites with high visibility from the freeway, and is the closest community to JBLM.

Table VII-2
Summary of Thurston County Hotel Inventory

	Location	City	Rooms	Avg Room Rate	Meeting Space *	Food Service
Best Western Plus	8326 Quinault	Lacey	82	$139.00	80	
Candlewood Suites	4440 3rd Ave. SE	Lacey	91	133.00	40	
Comfort Inn Lacey	4700 Park Center NE	Lacey	69	99.00		
Holiday Inn Express	4460 3rd Ave. SE	Lacey	81	118.00	40	
King Oscar Motel and Conventi	8200 Quinault DR. NE	Lacey	124	75.00	40	
La Quinta Inn & Suites	4704 Park Center Ave. NE	Lacey	89	104.00		
Quality Inn & Suites	120 College Way	Lacey	77	80.00		
Super 8	111 College Way	Lacey	100	59.00		
			713			
Governor Hotel	621 Capitol	Olympia	119	99.00	150	Restaurant
Phoenix Inn & Suites	415 Capitol Way N.	Olympia	102	149.00	120	
Quality Inn	1211 Quince	Olympia	63	85.00	100	
Ramada	4520 Martin Way	Olympia	125	129.00	100	
Red Lion	2300 Evergreen Boulevard	Olympia	190	109.00	480	Restaurant
			599			
Best Western	5188 Capitol Boulevard	Tumwater	89	91.99	40	
Comfort Inn & Conference Cen	1620 74th SW	Tumwater	58	88.00	200	
Extended Stay of America	1675 Mottman	Tumwater	107	81.99		
Guesthouse Inn and Suites	1600 74th SW	Tumwater	59	90.00		
Motel 6	400 Lee St.	Tumwater	119	43.99		
			432			
Prairie Hotel	700 Prairie Lane	Yelm	67	99.00	100	
Total			1,811			

* Capacity of largest room with banquet seating.

Source: Thurston County Visitor and Convention Bureau, Property Counselors

Of the 19 hotels shown, only two are full-service hotels. In addition, only eight have significant amounts of meeting space. The Extended Stay of America includes kitchens and provides for stays of one week or longer, but is also available for short stays as well. The Tumwater Inn and Suites on Capitol Boulevard is primarily a long-stay facility and is not considered comparable to the hotels shown in the table.

In addition to the hotels shown in the table, the Great Wolf Lodge is a major attraction in the area, providing meeting space and recreational facilities. The Lodge is oriented toward families and includes 317 all-suite guestrooms, 30,000 square feet of meeting space, a 50,000 square foot indoor water park, arcade, spa, and fitness center on a three and a half-acre parcel of land. The Great Wolf Lodge is owned by the Chehalis Tribe, which also owns the Lucky Eagle Casino. The development is approximately 20 minutes outside of Olympia in Grand Mound, Washington.

A 90 room La Quinta Inn has been announced for a site on the east side of Capitol Boulevard north of the study area in Tumwater.

POTENTIAL LODGING DEMAND

Future demand for lodging facilities in the study area will depend upon the continued recovery and future growth of the travel industry, and the area's competitive position. Table VII-3 summarizes the assumptions and projections for supportable future hotel development in the study area. Projections are made in a range for base and high demand conditions.

Real growth in hotel performance reflects growth in room nights and growth in ADR above inflation. The historical real growth rate was 2.5% between 1997 and 2011, a very challenging period for the industry. Future growth is assumed at 3.0% to 3.5%. The City's current share of county-wide room revenue was 18.9%, down from 22.5% in 2007 and 32% in 1994. Tumwater should be able to maintain that share and even increase it somewhat based on its freeway visibility and the concentration of State workers. In the high growth projection, that share is projected to grow to 25%, still below its historical high. The study area's share of Tumwater hotel activity should hold steady or grow if it can be reinforced as the lodging and entertainment center for the city.

As shown in Table VII-3, the number of supportable new hotel rooms in the study are over the next 20 years is projected to range from 93 to 373. More than one-half of these rooms are likely to be limited service rooms. But it is important that at least one full service hotel be included in order to increase the diversify market segmentation and reinforce the location as the center of the local lodging and entertainment sector.

Table VII-3
Projected Hotel Demand
2011 to 2031

Baseline Projection

		2011	2021	2031
Real Growth Rate				
2011-2021	2.5%			
2021 to 2031	2.5%			
City Share		18.9%	18.9%	18.9%
Capitol Boulevard Share		48%	48%	48%
Thurston County				
Projected Tax		564,157	722,169	924,437
Projected Room Revenue		28,207,859	36,108,444	46,221,861
Tumwater		5,331,285	6,824,496	8,735,932
Capitol Blvd.		2,559,017	3,275,758	4,193,247
Avg Room Rev.		17,500	17,500	17,500
Supportable Rooms		146	187	240
Increase			41	52

High Projection

		2011	2021	2031
Real Growth Rate				
2011-2021	3.5%			
2021 to 2031	3.5%			
City Share		18.9%	22.0%	25.0%
Capitol Boulevard Share		75%	75%	75%
Thurston County				
Projected Tax		564,157	795,799	1,122,554
Projected Room Revenue		28,207,859	39,789,970	56,127,683
Tumwater		5,331,285	8,753,793	14,031,921
Capitol Blvd.		3,998,464	6,565,345	10,523,941
Avg Room Rev.		17500	17500	17500
Supportable Rooms		228	375	601
Increase			147	226

Source: Property Counselors

The projections can be discounted by 15% to 20% to reflect the likely reductions in population and employment projections in the TRPC update. The projected demand can be summarized as follows:

	Base Case	High Case
2011 to 2021	33 rooms	125 rooms
2021 to 2031	42 rooms	192 rooms
2011 to 2031	75 rooms	317 rooms

In order to capture demand at the high end of the range, the Corridor will need to reinforce its identity as the lodging and entertainment center of the City. The development of a new La Quinta motel north of the Corridor will contribute to this goal. Expansion of eating and drinking opportunities will also improve the area's competitiveness. Improvements to traffic flow around Trosper Road will make the area more accessible.