

OLYMPIA DOWNTOWN STRATEGY

MARKET ANALYSIS

PREPARED FOR:

**CITY OF OLYMPIA AND
MAKERS ARCHITECTURE AND URBAN DESIGN**

PREPARED BY:

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I. INTRODUCTION AND SUMMARY

INTRODUCTION

Olympia is the capitol city of Washington State and enjoys a stable workforce with an engaged and educated community. Its historic downtown has a dramatic natural setting and a variety of living, shopping, and entertainment experiences. Over the past twenty years, Downtown has benefitted from over \$150 million in investment in public infrastructure and amenities. The City is looking to capitalize on that investment by adopting a Downtown Strategy that will provide a plan for achieving the vision for Downtown. The Strategy will set priority actions for the next five to six years, illustrate desired design elements and future conditions, guide City budgets, work plans and partnerships, and help to market downtown.

In order to identify realistic economic opportunities for Downtown, the Strategy includes a market analysis for potential uses that could be supported over the next 20 years. The analysis will provide a basis for identifying physical improvements to Downtown, as well as conditions that will support private investment. All of these elements will become part of the overall strategy for the future.

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. Downtown 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

Government is the largest category of employment in Thurston County with 34% of total wage and salary employment. State employment has grown since 2011 to reach a total of over 25,000 full and part-time workers. Olympia's share of State workers in Thurston County has fallen from 66% 1998 to 52% in 2011.

Olympia is the largest of the three major cities in Thurston County. The average household size in Olympia is lower than in the other two cities; the median age is higher; and the median income is lower. The population in Olympia is projected to increase by 17,390 over the next 20 years. The City's Comprehensive Plan calls for 25% of that increase to occur in Downtown Olympia.

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

DISTRICT PROFILE

The Downtown Strategy Area is defined as the area west of Plum Street, north of 11th SW and 14th SW, west of Capitol Lake, north to include the Port of Olympia property. The area includes approximately 500 acres of land. The area includes over seven million square feet of buildings as determined by a recent inventory by the City. The amount of building area is equally distributed among ground floor uses and all upper floors. Office is the most prominent use, followed by residential and retail. Much of the retail space is located on the ground floor. Most of the residential and office space is on upper floors.

The total population of Downtown in 2010 was approximately 1,800, an increase of 21% over the previous decade. The area south of Legion Way has a greater population than the area to the north, and grew at a faster rate over the decade. The area to the north has a significantly higher median age, lower household size and lower median income. Overall there are 931 units of low and moderate income housing units (both subsidized and low cost) and 714 market rate units. The latter number includes 299 units currently under construction. The number of units under construction represents almost 20% of the total number of units Downtown. These units represent a significant shift in the balance between low and moderate income and market rate units.

The largest single category of business in terms of square feet is restaurants. Including bars and coffee shops/bakeries, the food service cluster represents one-third of total retail and restaurant space downtown. General retail and boutiques is the second largest single category. Together with furniture, apparel, art, antiques, books, and jewelry, specialty retail makes up almost 30% of total space. There is only one grocery store and no stand-alone drug store. Downtown taxable sales represent only 4.6% of city-wide retail trade and 21% of selected services. Downtown has the largest shares of city-wide sales for

Non-store Retailers, Personal Services, Miscellaneous Retailers, Arts/Entertainment/Recreation, and Foods Services.

DEMAND FOR RETAIL

Total taxable retail sales in Olympia grew from \$1.10 billion in 2004 to \$1.24 billion in 2014, an annual average growth rate of 1.2 percent, well below the rate of inflation for the period of approximately 2.4%. Retail trade grew at .8% percent while the selected services grew at 3.4 percent. Automobiles, Food Services, General Merchandise, and Building Materials were the largest sectors. The fastest growing sectors city-wide were E-commerce, Arts and Entertainment, Drug Stores and Convenience Stores.

Downtown Olympia currently has a business mix typical of a lifestyle retail center with multiple tenants in the food service, entertainment, furnishings, apparel and miscellaneous retail. It is distinct from the regional shopping centers in West Olympia and Lacey, and the many neighborhood and community scale centers that provide more convenience type goods that shoppers seek on a frequent basis. The asking rents for several established retail buildings in Olympia typically fall in the range of \$15 to \$20 per square foot. There are many buildings with rents below these levels, particularly in Downtown Olympia. Such rents provide opportunities for new businesses to become established and grow over time.

The total potential increase in sales is estimated to be \$152 million annually by 2035, an increase of approximately 100% over the period. Capture of regional growth represents the largest share if this increase, followed closely by increased downtown capture in selected sectors, and increased sales to Downtown residents. The sectors with the largest potential increase are Food Services, Food and Beverage, Miscellaneous Retail, and Apparel and Accessories. Increased sales of this magnitude would support an additional 650,000 square feet of retail space, an increase of approximately two-thirds over the current inventory.

DEMAND FOR OFFICE

State-occupied space represented 51 percent of all office space in the County in 2014. 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. The amount of State leased space declined dramatically between 2010 and 2014. Accordingly, the amount of Non-State space increased dramatically, but the amount of occupied space has not kept pace. The estimated office vacancy is approximately 10%, and the vacant space represents approximately eight to ten years absorption at historic rates.

The highest office rents in Olympia are in the higher amenity buildings with water views Downtown. None of these buildings were built in the past ten years. The newest major office building in downtown Olympia is the Washington State Employees Credit Union

building on Union Street, but this building is owner-occupied. There are very few new private office projects in the County. The State-owned 1063 Building is under construction on the capitol campus. Thurston County is considering possible relocation of its administrative buildings in West Olympia above Capitol Lake, with Downtown Olympia a possible location.

Office using employment in Olympia is projected to grow by 5,357 between 2014 and 2040. Office using employment in Thurston County is projected to grow by 16,748 between 2014 and 2040. This growth would support an additional 41,000 square feet each year in Olympia and 124,000 square feet in the county as a whole. At this rate it would require approximately eight years to fill the existing vacant office space county-wide. However, with conversion of some buildings to residential or other uses, and with the lack of any new Class A office space developed in Olympia over the past decade, there will be support for new development in Olympia sometime sooner than that eight year horizon.

DEMAND FOR RESIDENTIAL

Multifamily development is relatively common in Olympia, with multifamily representing 40% of total units in 2015. Over the past 15 years, 44% of the net increase in units in Olympia was in multifamily units. Olympia has a current vacancy rate (as of September 2015) of 3.6 percent, higher than the other cities, but lower than the 5.0 percent target rate for a typical market. Units built since 2010 in Olympia have a slightly lower average vacancy. Olympia's average rents are lower than the average for the county as a whole. This can be partly attributed the older inventory in the city. Considering only units built since 2010, rents are much higher in Olympia. Generally, prevailing rents of \$1.00 to \$1.40 per square foot are less than the rents necessary to support the cost of new construction of midrise buildings with structured parking. However, the 123 4th building under construction has asking rents of \$2.00 per square foot or more, levels that will support such construction.

The average home values for condominiums/coops in Olympia are estimated by Zillow to be \$196,000 compared to \$254,000 for all homes. Condominium/coop values dropped from a peak of \$241,000 in 2007, to a low of \$175,000 in 2012, before returning to the current value. Of the units currently for sale many are in projects built just prior to the recession. Most of the units for sale are townhouse units. The most expensive units generally range in size from 1,500 to 2,000 square feet. On a per square foot basis, the highest priced units are just over \$200. However, many of the new townhouse units are for sale for approximately \$150 per square foot. Generally, condominium sales have begun to increase and prices have stabilized, but the current prices are still well below the prices necessary to justify new investment.

The City targets that approximately one-quarter of the projected increase in City population over the next 20 years will locate Downtown. This increase would represent 2,500 to 3,500 additional housing units depending on the average household size. The distribution of new units by type will be based on the likely household composition and

income levels of new residents. Family households with children under 18 are more likely to choose a townhouse. Family households without children, and with higher incomes are more likely to choose a midrise unit. Non-family households, with moderate incomes are more likely to choose a lowrise unit. The projected demand by unit type over the twenty year period is:

Townhouses	680 to 960 units
Lowrise (2-3 stories)	1,100 to 1,530 units
Midrise (4-5 stories)	<u>720 to 1,010 units</u>
Total	2,500 to 3,500 units

DEMAND FOR LODGING

The lodging industry suffered major shocks over the last decade. Activity in all jurisdictions in the County declined with the general economy in 2008, but has recovered strongly since then. Olympia captures the largest share of lodging activity, followed by Lacey.

There are over 2,000 guestrooms in the Olympia market area, with 36% in Lacey, 34% in Olympia, and 26% in Tumwater. Of the major hotels, only two are full-service hotels. In addition, only eight have significant amounts of meeting space. The Towne Place Suites on Capitol Way in Olympia opened in January 2016 after a major renovation. The Tumwater La Quinta opened in 2015. A Hampton Inn and Suites is scheduled to open with 126 rooms at 4301 Martin Way in Olympia in June 2016. A 118 room Hilton Garden Inn is under construction on Henderson Boulevard in Olympia. A Marriott Courtyard is proposed for an adjacent site.

Real growth in hotel performance reflects growth in room nights and growth in average daily room rate above inflation. The historical real growth rate was 2.3% between 1994 and 2015, a very challenging period for the industry. Future growth is assumed at 2.5% to 3.5%. The City's current share of county-wide room revenue was 46% in 2015 down from 51% in 2003. Olympia should be able to maintain that share and even increase it somewhat based on likely enhancements to Downtown. The number of supportable new hotel rooms in the study area over the next 20 years is projected to range from 138 to 311. A portion of the new rooms are likely to be limited service rooms. But it is important that at least one full service hotel be included in order to diversify the market segmentation and reinforce Downtown as the center of the local lodging and entertainment sector.

SUMMARY OF POTENTIAL DEMAND

The projected demand for increased development in Downtown Olympia is summarized in Table I-1.

Table I-1
Summary of Projected Demand

	2015-2025	2025-2035	2015-2035
Residential Units			
Townhouse	342-479	342-479	684-958
Low rise	549-768	549-768	1,097-1,536
Mid Rise	360-503	360-503	719-1,006
	1,250-1,750	1,250-1,750	2,500-3,500
Retail Square Feet	327,000	328,000	655,000
Office Square Feet	200,000*	200,000	400,000
Hotel Rooms	62-133	76-178	138-311
* includes backfill.			

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

Promotion of a positive identity.

Addition of streetscape improvements and public amenities to enhance attractiveness.

Response to perceptions of lack of parking and security.

Promotion of business retention and attraction.

II. ECONOMIC AND DEMOGRAPHIC OVERVIEW

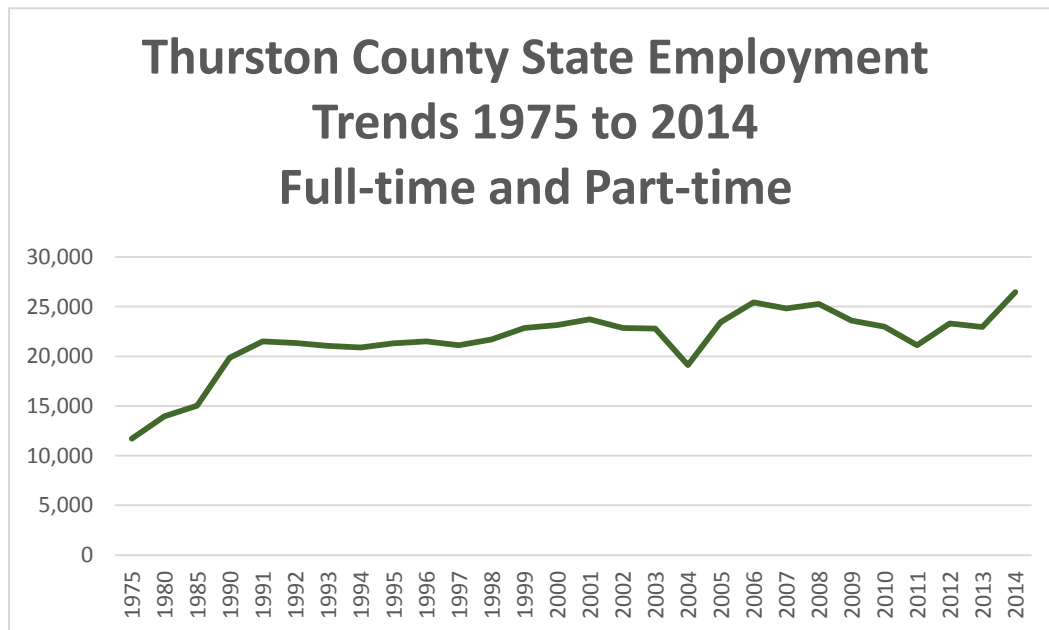
The physical and economic characteristics of Olympia and Thurston County will affect Downtown Olympia's potential for a range of uses. These attributes are discussed in this section in terms of:

- Employment
- Population
- Population Characteristics
- Visitor Activity

EMPLOYMENT

Government dominates employment in Thurston County. As shown in Table II-1 on the next page, government represents approximately 34 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 2014, after a decline to below 20,000 in 2004, and to 21,000 in 2011, as shown in Figure II-1.

Figure II-1



Source: WA Office of Financial Management, Thurston Regional Planning Council

Table II-1
Thurston County Covered Employment by Sector – 2005-2014

	2005	2010	2014	Avg. Ann. Gr.	Avg. Wage 2014
Agriculture, forestry, fishing and hunting	1,647	1,369	1,541	-0.7%	\$35,725
Mining	59	35	31	-6.9%	\$53,783
Utilities	213	169	170	-2.5%	\$84,354
Construction	4,425	3,274	3,894	-1.4%	\$47,173
Manufacturing	3,139	2,986	3,162	0.1%	\$48,471
Wholesale trade	2,255	2,689	3,067	3.5%	\$87,897
Retail trade	10,510	11,075	11,842	1.3%	\$28,134
Transportation and warehousing	1,693	1,642	2,146	2.7%	\$36,650
Information	947	991	918	-0.3%	\$58,450
Finance and insurance	2,688	2,158	2,452	-1.0%	\$62,324
Real estate and rental and leasing	1,304	1,272	1,233	-0.6%	\$32,953
Professional and technical services	2,741	3,241	3,592	3.0%	\$58,503
Management of companies and enterprises	486	663	724	4.5%	\$67,198
Administrative and waste services	3,813	3,316	5,216	3.5%	\$28,865
Educational services	1,168	1,271	1,848	5.2%	\$39,308
Health care and social assistance	9,745	11,582	13,286	3.5%	\$43,082
Arts, entertainment, and recreation	1,018	1,189	1,175	1.6%	\$19,388
Accommodation and food services	6,595	7,519	7,991	2.2%	\$16,659
Other services, except public administration	3,993	4,433	3,377	-1.8%	\$33,855
GOVERNMENT	35,375	35,867	35,435	0.0%	\$55,904
Total	93,814	96,741	103,100	1.1%	\$45,026

Source: Washington State Employment Security Department, Quarterly Covered Employment and Wage Report.

As shown in Table II-1, the average wage for covered employment in Thurston County was \$45,000 in 2014. The sectors with the highest average wages were Wholesale Trade, Utilities, Management of Companies and Enterprises, and Finance and Insurance.

The share of State employment located in Olympia declined from 66% in 1998 to 50% currently as shown in Table II-3. The State dispersed many of its functions over this period, but has since begun to concentrate them again in Olympia.

**Table II-2
State Employment Distribution Trends**

	1994	1998	2003	2008	2010	2014
Employment						
Lacey & UGA	2,620	2,570	3,550	3,150	2,906	2,359
Olympia & UGA	12,300	14,260	12,040	12,210	12,337	12,036
Tumwater & UGA	4,120	3,720	6,030	7,970	7,936	7,613
Other Locations in Thurston	790	1,200	1,210	1,210	1,097	1,109
Total	19,830	21,750	22,830	24,540	24,276	23,117
% of Total						
Lacey & UGA	13%	12%	16%	13%	12%	10%
Olympia & UGA	62%	66%	53%	50%	51%	52%
Tumwater & UGA	21%	17%	26%	32%	33%	33%
Other Locations in Thurston	4%	6%	5%	5%	5%	5%
Total	100%	100%	100%	100%	100%	100%

¹2003 employment numbers allocated to 2005 locations.

Source: Washington State Departments of Employment Security and General Administration; TRPC.

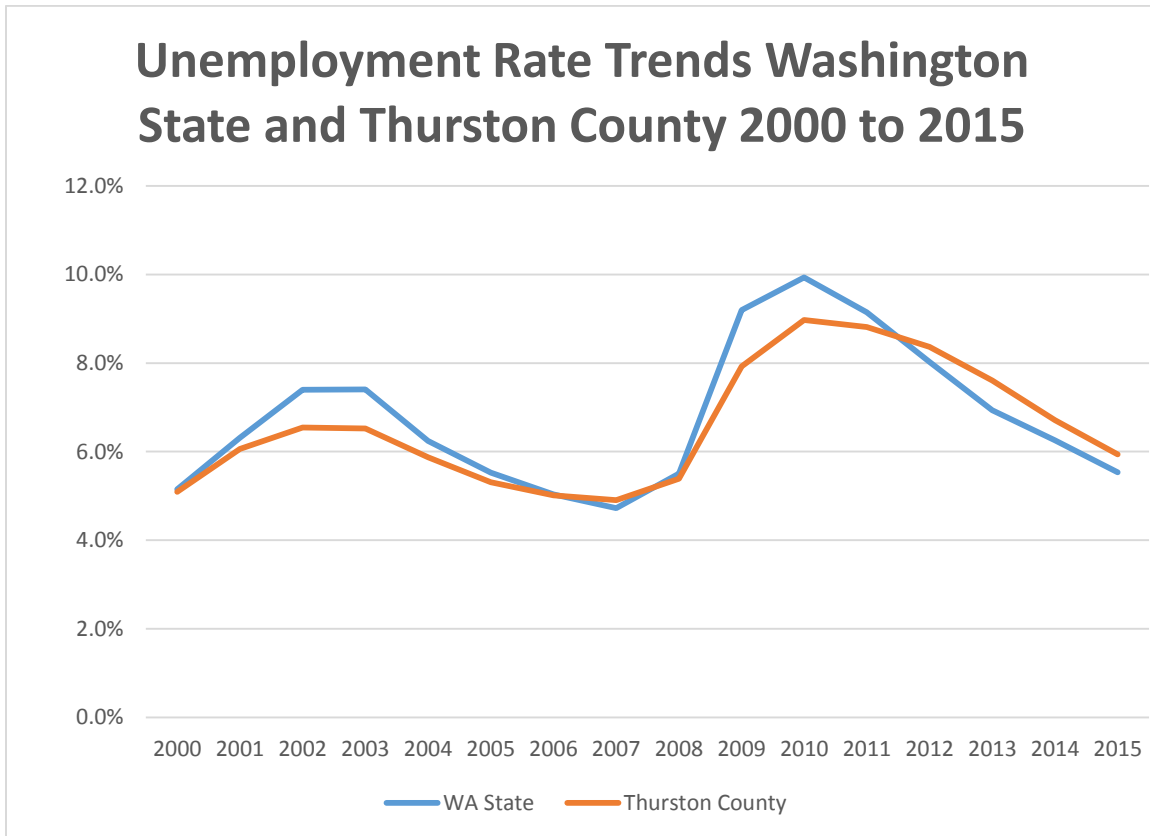
The largest non-government employers are shown in Table II-2. The figures show that employment in the area is dominated by institutions and retailers.

Table II-3
Thurston County
Largest Non-Government Employers - 2014

	No. of Employees
Providence St. Peter Hospital	1,600
Walmart Supercenter (3 locations)	1,023
South Sound Community College	780
Xerox	650
Capitol Medical Center	600
Macy's	600
Nisqually Red Wing Casino	600
Lucky Eagle Casino	600
Weyerhaeuser Company (3 locations)	565
YMCA (2 locations)	551
Evergreen State College	550
Great Wolf Lodge	500
WA Employees Credit Union	499
Panorama	450
Costco (2 location)	420
B Marlen Ear Nose Throat Center	400
Titus Will Chevrolet Buick GMC Cadillac	400
Maple Lane School	320
Cabela's	300
Twinstar Credit	300
Home Depot	295

Source: Thurston Economic Development Commission

Thurston County's economy is somewhat stable, comparable to the State as a whole. As shown in Figure II-2, the county unemployment rate has been higher than the rate for the State over the last four years, but was lower than the rate for the State in ten of the previous eleven years. The current rate is 5.9 percent, compared to the rate of 5.5 percent for the State as a whole.

Figure II-2

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

Size characteristics of businesses in Thurston County as measured by the percentage of businesses with 4 or fewer employers is summarized in Table II-4. As shown 56% of all businesses have four or fewer employees.

Nonagricultural wage and salary employment is projected to increase at an average annual rate of 1.5 percent between 2014 and 2040, as shown in Table II-5. The fastest growing sectors in Thurston County are projected to be construction, information, and services. Employment in Olympia is projected to grow at a slightly slower rate of 1.3% per year over the period. The fastest growing sectors in Olympia are projected to be construction, services and retail.

Table II-4
Business Size Statistics Thurston County

	Establishments	Establishments with 1-4 Employees	% of Total Establishments
Agriculture, forestry, fishing and hunting	53	35	66%
Mining	5	3	60%
Utilities	11	7	64%
Construction	676	488	72%
Manufacturing	170	87	51%
Wholesale trade	202	108	53%
Retail trade	776	321	41%
Transportation and warehousing	125	76	61%
Information	89	40	45%
Finance and insurance	333	194	58%
Real estate and rental and leasing	316	252	80%
Professional and technical services	627	440	70%
Management of companies and enterprises	19	11	58%
Administrative and waste services	300	199	66%
Educational services	82	40	49%
Health care and social assistance	792	388	49%
Arts, entertainment, and recreation	88	42	48%
Accommodation and food services	542	167	31%
Other services, except public administration	618	372	60%
Industries not Classified	16	16	100%
Total	5,840	3,286	56%
Source: US Census, County Business Patterns, Property Counselors			

Table II-5
Thurston County and Olympia
Total Non-Agriculture Covered Employment Projections

Olympia				
	Total Employment			
	2014	2040	Change 2014- 2040	Average Annual Change
Resources	115	115	-	0.0%
Construction	1,260	3,405	2,145	3.9%
Manufacturing	870	885	15	0.1%
Transportation Com	530	695	165	1.0%
Wholesale Trade	755	830	75	0.4%
Retail Trade	6,560	8,740	2,180	1.1%
Information	710	930	220	1.0%
FIRE	3,695	4,605	910	0.9%
Services	9,890	15,865	5,975	1.8%
Government/Educati	28,955	38,880	9,925	1.1%
Total	53,340	74,950	21,610	1.3%
Thurston County				
	Total Employment			
	2014	2040	Change 2014- 2040	Average Annual Change
Resources	2,905	2,875	(30)	0.0%
Construction	6,195	13,000	6,805	2.9%
Manufacturing	3,240	3,630	390	0.4%
Transportation Com	3,160	4,185	1,025	1.1%
Wholesale Trade	3,680	4,280	600	0.6%
Retail Trade	15,010	21,505	6,495	1.4%
Information	1,270	2,050	780	1.9%
FIRE	9,825	13,210	3,385	1.1%
Services	26,820	43,985	17,165	1.9%
Government	61,825	90,990	29,165	1.5%
Total	133,930	199,710	65,780	1.5%

Source: Thurston Regional Planning Council (TRPC), 2012

The military is an important sector in Thurston County. Although there are no major facilities in the county, Joint Base Lewis and McCord (JBLM) to the north in Pierce County has a strong impact on residential and commercial demand. As shown in Table II-6, Thurston County houses 5,250 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-6
Resident Active Duty Military Personnel
2000 to 2011**

	2000	2010	2011	2012
Pierce	16,647	23,905	24,829	28,113
Kitsap	10,624	13,627	13,328	13,989
Island	6,208	6,471	6,186	6,451
Spokane	3,103	4,219	4,956	4,960
Thurston	1,979	4,241	4,452	5,250
King	1,977	2,688	2,861	2,861
Snohomish	4,662	5,110	5,213	5,245
Other	2,710	3,485	3,569	3,604
Washington State	47,910	63,746	65,394	70,473

Source: Office of Financial Management, Population Trends 2012.

POPULATION

Population within Thurston County has grown at the rate of 2.0 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. Seventy seven percent of the net change in population in the County between 1990 and 2010 was due to net migration as opposed to natural increases. Since 2010, the rate of in migration has slowed, but 63% of net growth has come from net migration. The County is an attractive destination for households looking to relocate.

**Table II-7
Population Growth Trends
Thurston and Adjacent Counties**

					Avg. Annual Growth
	1990	2000	2010	2015	1990 - 2015
State of Washington	4,866,663	5,894,121	6,724,540	7,061,410	1.5%
Thurston	161,238	207,355	252,264	267,410	2.0%
Grays Harbor	64,175	67,194	72,797	73,110	0.5%
Lewis	59,358	68,600	75,455	76,660	1.0%
Mason	38,341	49,405	60,699	62,200	2.0%
Pierce	586,203	700,820	795,225	830,120	1.4%
King	1,507,319	1,737,034	1,931,249	2,052,800	1.2%

Source: Washington State Office of Financial Management

Olympia is the largest of the three major cities in Thurston County, but the City and its surrounding urban growth area (UGA) have less population than Lacey and its UGA. The population in Olympia is projected to increase by 17,390 over the next 20 years. The City's Comprehensive Plan targets 25% of that increase to occur in Downtown Olympia.

**Table II-8
Population Growth Trends
Thurston County Cities**

Jurisdiction		US Census	Estimated	Forecast				
		2010	2015	2020	2025	2030	2035	2040
Bucoda	Total	560	565	575	675	890	1,065	1,215
Lacey	City	42,390	46,020	49,360	50,850	52,170	53,090	54,910
	UGA	33,170	34,210	39,250	44,140	49,350	54,630	59,290
	Total	75,560	80,230	88,610	94,990	101,520	107,720	114,200
Olympia	City	46,480	51,020	55,160	60,750	65,630	68,410	71,840
	UGA	11,840	11,920	12,690	13,280	14,310	15,990	16,770
	Total	58,320	62,940	67,850	74,030	79,940	84,400	88,610
Rainier	City	1,795	1,880	2,035	2,175	2,480	2,660	2,810
	UGA	110	110	110	135	360	485	640
	Total	1,905	1,990	2,145	2,310	2,840	3,145	3,450
Tenino	City	1,695	1,730	1,745	2,010	2,670	3,095	3,675
	UGA	15	15	15	25	80	90	110
	Total	1,710	1,745	1,760	2,035	2,750	3,185	3,785
Tumwater	City	17,370	19,100	22,930	25,800	28,440	30,100	32,550
	UGA	6,350	6,550	7,910	9,820	11,710	12,790	13,750
	Total	23,720	25,650	30,840	35,620	40,150	42,890	46,300
Yelm	City	6,850	8,170	12,570	16,990	19,910	21,980	25,070
	UGA	1,350	1,420	1,480	1,610	2,550	4,310	5,700
	Total	8,200	9,590	14,050	18,600	22,460	26,290	30,770
Grand Mound UGA	Total	1,345	1,285	1,465	1,630	1,775	1,885	1,990
Chehalis Reservation	Total	65	70	90	105	125	160	190
Nisqually Reservation	Total	575	605	985	1,035	1,070	1,120	1,230
Total Cities		117,140	128,480	144,380	159,240	172,190	180,390	192,070
Total UGAs		54,180	55,500	62,920	70,650	80,130	90,170	98,250
Total Reservations		640	670	1,070	1,140	1,200	1,280	1,420
Rural Unincorporated County		80,300	82,760	87,500	91,130	95,030	98,740	101,930
Thurston County Total		252,300	267,400	295,900	322,200	348,600	370,600	393,700
SOURCE	Thurston Regional Planning Council Small Area Population Estimates and Population and Employment Forecast Work Program, 2014.							

Several major population characteristics are compared for Thurston County and its major cities in Table II-9.

Household Size: Olympia has the lowest average household size of the cities in the county. There are relatively fewer families than in the latter communities.

Age: The median age in Olympia is higher than the median age in the surrounding cities, but lower than the County median. There are fewer school age children, but fewer seniors as well.

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 Olympia is lower than in the other two major cities, as well as the county as a whole.

Table II-9
Population Characteristics-Thurston County and Major Cities
American Community Survey 2010-2014

	Olympia	Lacey	Tumwater	Yelm	Thurston County
Avg HH Size 2010	2.2	2.4	2.3	3.0	2.5
Age					
Median	37.3	34.7	36.6	29.2	38.4
% 5 to 17	13.8%	17.8%	15.6%	26.7%	16.4%
% 65 and older	10.8%	15.1%	14.2%	6.4%	14.0%
Median HH Income	\$52,834	\$59,885	\$62,258	\$49,658	\$62,286
Ethnicity % White	89.2%	77.6%	88.9%	86.3%	82.4%
Education % with Bachelors Degree	11.9%	5.1%	8.9%	1.3%	7.0%
Source: US Census Bureau, American Community Survey.					

Source: TRPC Profile 2014

Median household income in Thurston County exceeds that of the State as a whole, and has grown at a slightly higher rate over the past 15 years. State government provides a relatively high wage contribution to the overall economy in the area. Income estimates for the period 1990 through 2015 for the County and the State are shown in Table II-10.

Table II-10
Median Household Income Growth

	Washington	Thurston County
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
2012	\$56,444	\$62,009
2013	\$57,284	\$63,408
2014 *	\$60,153	\$65,288
2015 **	\$62,108	\$66,993
Avg. Ann. Growth	2.3%	2.2%

* Preliminary estimate. ** Projection.

Source: Washington State Office of Financial Management Forecasting

Considering only the period 2008 to 2015, the median household income in Thurston County is estimated to have grown at only 1.0% per year, slightly above the rate of .9% per year for the State.

VISITOR INDUSTRY

The visitor industry in Thurston County is represented by a broad spectrum of businesses, activities and attractions. The make-up of the industry is shown in Table II-11.

Table II-11
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. On a per capita basis, however, Thurston County ranks 34 out of the 39 counties.

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

Museums and Historical Attractions

Parks Trails and Nature Preserves

Recreational Facilities including Marinas

Shops and Stores

Indoor Recreation and Entertainment

Farmers Market and Wineries

Various Performing Arts Organizations and Venues

Community Festivals and Events

Several of the attractions provide estimates of the total amount of visitation each year.

- The Olympia Farmers Market reports that they serve over 400,000 visitors each year over their 152 day season.
- The Olympia Hands on Children's Museum reported 298,797 visitors in 2015, of which 119,229 were from outside Thurston County.
- The Olympia Arts Alliance reported that in 2009, four performing arts organizations in Downtown Olympia (Washington Center for the Performing Arts, State Theater operated by Harlequin Productions, Capitol Theater operated by Olympia Film Society, and Capitol Playhouse (since replaced by Olympia Family Theater) attracted 167,000 patrons.

III. DOWNTOWN PROFILE

The characteristics of Downtown Olympia and the surrounding area provide an understanding of how the area currently performs and a starting point for identifying future opportunities.

LAND USE

Downtown Olympia is defined for the purposes of the Downtown Strategy as the area west Plum Street, north of 11th SW and 14th SW, west of Capitol Lake, and north to include the Port of Olympia property (see Figure III-1 on the following page). The area includes approximately 500 acres of land.

The area includes over seven million square feet of buildings as determined by a recent inventory by the City. The amount of building area is equally distributed among ground floor uses and upper floors.

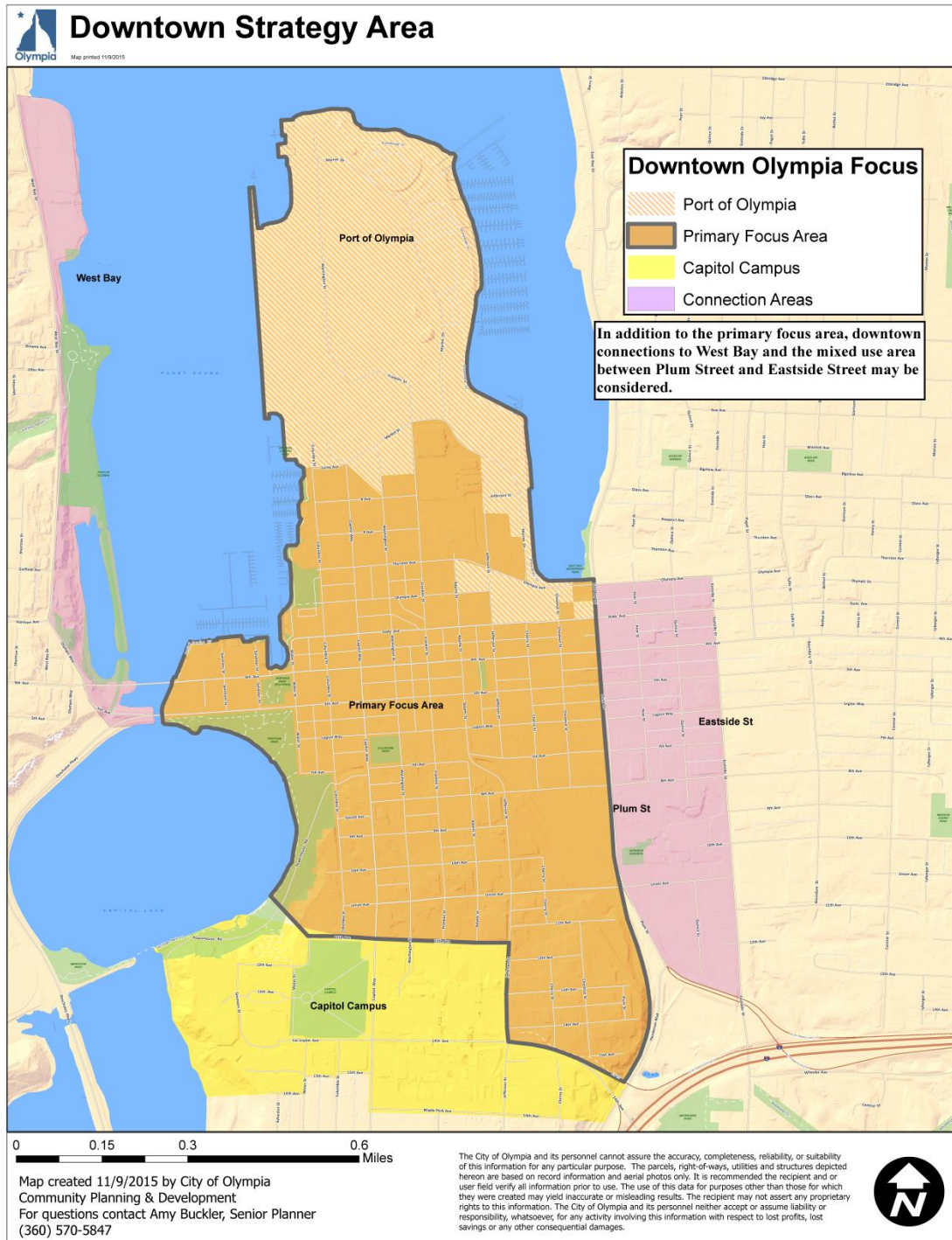
Table III-1
Land Use by Type-Commercial Core

	Ground Floor	Upper Floor	Total
Retail	910,619	179,738	1,090,357
Office	903,024	1,877,536	2,780,561
Arts/Culture	77,352	94,123	171,475
Lodging	79,897	186,647	266,544
Residential	511,478	810,079	1,321,557
Industrial	647,940	56,038	703,978
Religious	76,240	51,995	128,236
Blight	70,409	35,441	105,850
Vacant	213,806	236,743	450,549
Total	3,490,766	3,528,340	7,019,107

Source: City of Olympia, Economic Development and Land Use Inventory.

Office is the most prominent use, followed by residential and retail. Much of the retail space is located on the ground floor. Most of the residential and office space is on upper floors.

Figure III-1



POPULATION

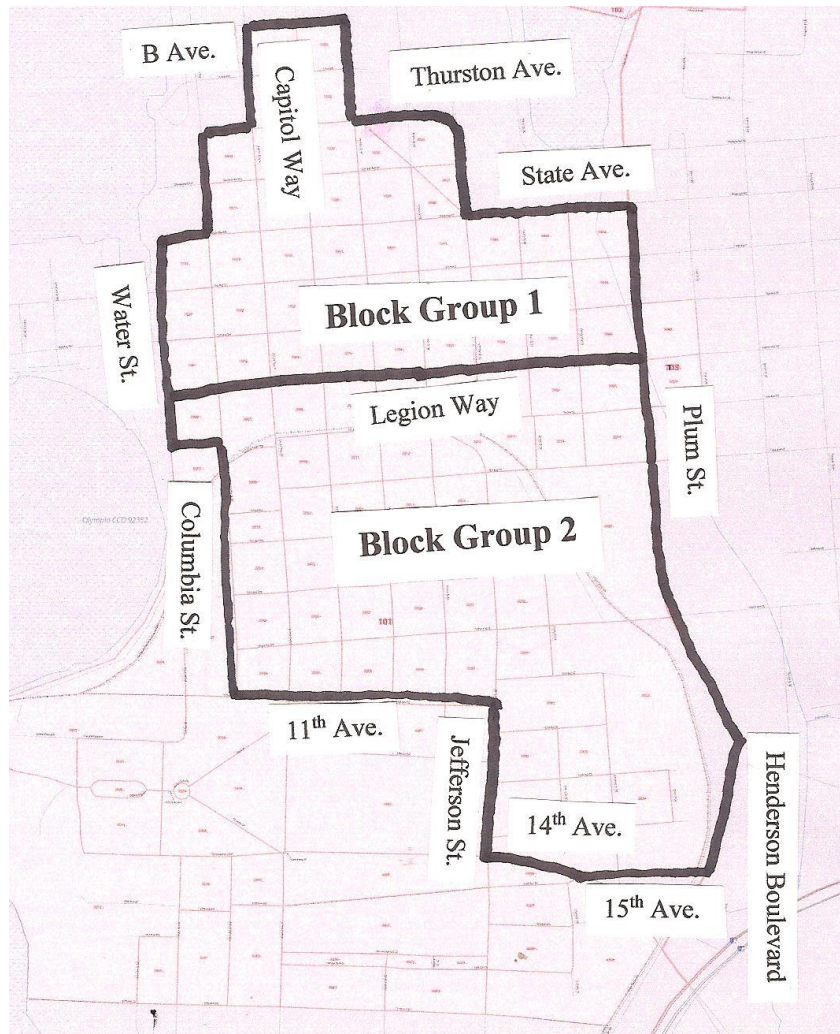
The Downtown area encompasses two census block groups as defined by the US Census Bureau. Block Group 1 of Census Tract 101 is defined as the area north of Legion, and Block Group 2 of Tract 101 is the area south of Legion. (See Figure III-2.) Population characteristics for the two block groups according to the 2010 census is summarized in Table III-2

Table III-2
Population Characteristics Downtown Block Groups
Census Tract 101

	Block Group 1	Block Group 2	Total
	(no. of Legion)	(so. of Legion)	
Population			
2000	667	809	1,476
2010	774	1,005	1,779
% Growth	16%	24%	21%
Characteristics 2010			
Median Age	57.1	32.6	
% Male	43.3%	56.1%	
Avg. HH size	1.18	1.42	
Median Income	\$14,319	\$31,994	

As shown the total population of downtown in 2010 was approximately 1,800, an increase of 21% over the previous decade. Block Group 2 has the greater population of the two, and grew at a faster rate over the decade. Block Group 1 has a significantly higher median age, lower household size and lower median income.

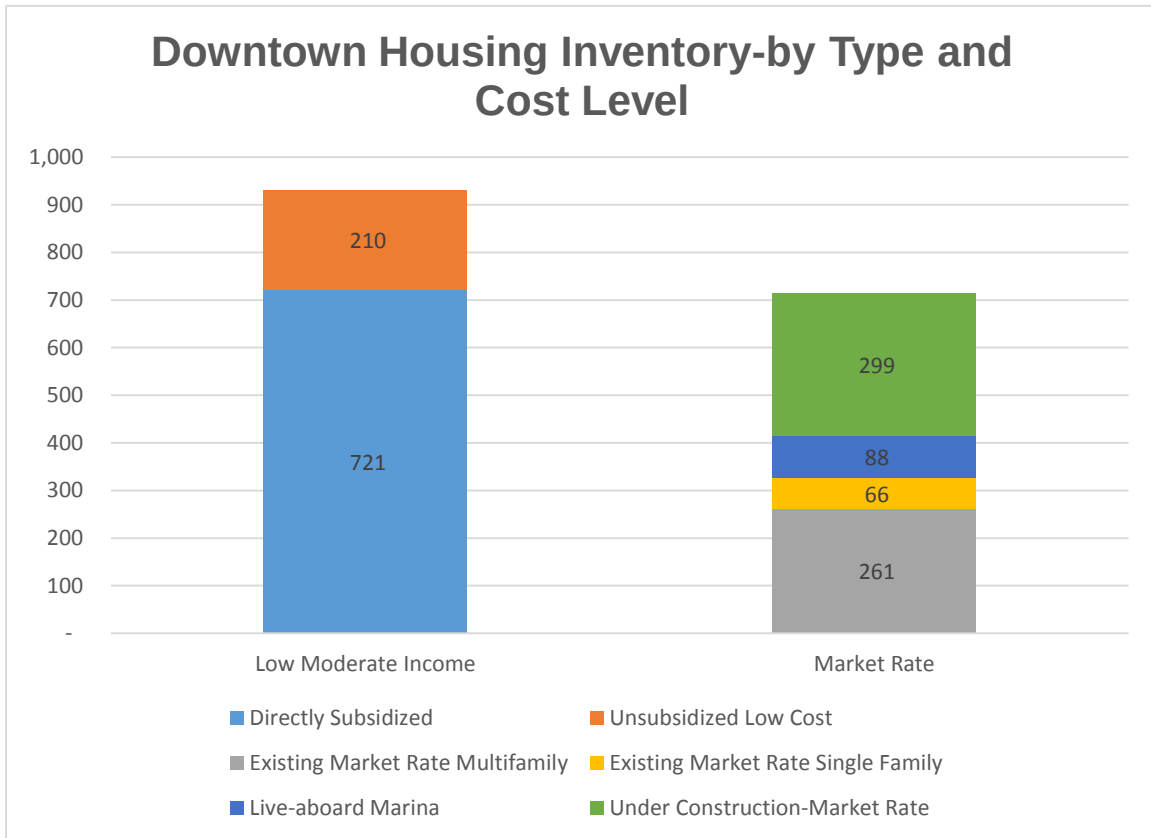
**Figure III-2
Downtown Block Groups 1 and 2 Census Tract 101**



HOUSING

There is a mix of subsidized and market rate housing in Downtown Olympia. Figure III-2 provides a summary of the number of units of units by type. Overall there are 931 units of low and moderate income units (both subsidized and low cost) and 714 market rate units. The latter number includes 299 units currently under construction. The number of units under construction represents almost 20% of the total units downtown. These units represent a significant shift in the balance between low and moderate income and market rate units.

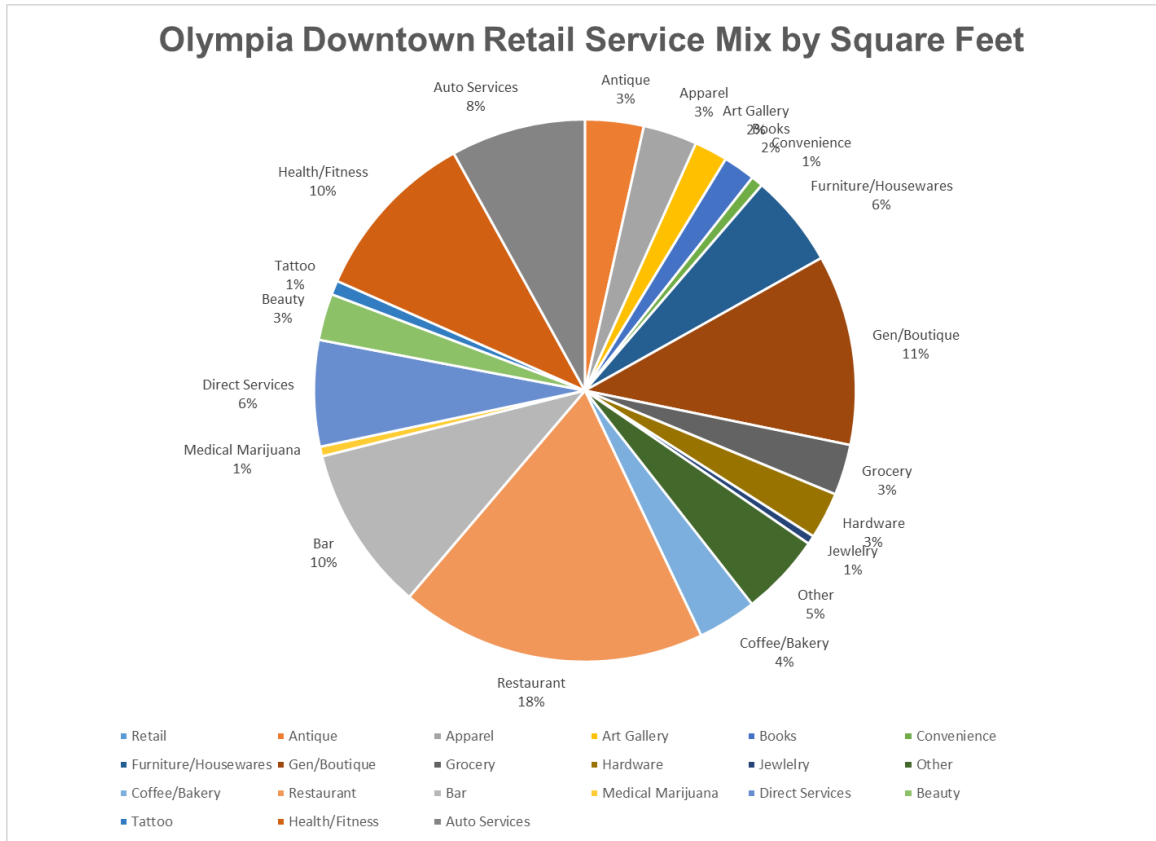
Figure III-2



BUSINESS MIX

The land use inventory also provides information on the mix of businesses by type. The distribution is summarized in Figure III-3. The largest single cluster in terms of square feet is restaurants. Including bars and coffee shops/bakeries, the food service cluster represents one-third of total retail space downtown. General retail and boutiques is the second largest single category. Together with furniture, apparel, art, antiques, books, and jewelry, specialty retail makes up almost 30% of total space. There is only one grocery store and no stand-alone drug store.

Figure III-3



TAXABLE SALES AND BUSINESS PERFORMANCE

Economic activity downtown 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 III-3 summarizes the levels of taxable retail sales for Downtown Olympia and the City as a whole in 2014. The figures were derived from City data. Sectors were combined as necessary to meet the non-disclosure requirement that data not be shown for categories with fewer than three businesses.

Table III-3
Downtown and Olympia Sales Tax Collections 2014

		Sales Tax Downtown 2014	Sales Tax Olympia 2014	Share
	Retail Trade			
441	Motor Vehicle and Parts Dealers	47,970	3,845,786	1.2%
442	Furniture and Home Furnishings Stores	23,834	274,614	8.7%
443	Electronics and Appliance Stores	4,871	279,663	1.7%
444	Building Material and Garden Equipment and Supplies Dealers	12,867	685,589	1.9%
445/447	Food and Beverage and Convenience Stores	93,515	640,466	14.6%
446	Health and Personal Care Stores	1,835	237,676	0.8%
448	Clothing and Clothing Accessories Stores	40,737	600,773	6.8%
451	Sporting Goods, Hobby, Musical Instrument, and Book Stores	43,545	446,065	9.8%
452	General Merchandise Stores	2	1,392,572	0.0%
453	Miscellaneous Store Retailers	131,937	513,649	25.7%
454	Nonstore Retailers	7,992	21,043	38.0%
	Subtotal Retail Trade	409,106	8,937,895	4.6%
	Selected Services			
711/712/7	Arts Entertainment and Recreation	11,418	51,292	22.3%
722	Food Services and Drinking Places	406,601	1,826,605	22.3%
811	Repair and Maintenance	46,900	310,013	15.1%
812	Personal and Laundry Services	14,848	52,047	28.5%
	Subtotal Selected Services	479,767	2,239,957	21.4%
	Total Retail Trade and Selected Services	888,873	11,177,852	8.0%
	Other Services	73,187	891,418	8.2%
	Other Sectors	328,842	1,546,930	21.3%
	Total	1,290,902	13,616,199	9.5%

Source: City of Olympia Finance Department

The largest sectors in Downtown are Food Services and Drinking Places, Miscellaneous Retail, and Food and Beverage combined with Convenience Stores. Table III-4 also shows Downtown sales as a share of city-wide sales. Downtown sales represented only 4.6% of city-wide retail trade and 21% of selected services. Downtown has the largest shares for Nonstore Retailers, Personal Services, Miscellaneous Retailers, Arts/Entertainment/Recreation, and Foods Services.

Business performance can also be measured as sales efficiency or sales per square foot of building area. Table III-4 summarizes sales efficiency by business sector.

**Table III-4
Downtown Business Sales Performance**

		Sales Downtown 2014	Taxable / Gross Sales	Gross Sales Downtown 2014	Downtown Sq. Ft.	Sales per Square Foot
Retail Trade						
441	Motor Vehicle and Parts Dealers	5,710,725	78.6%	7,266,762	-	
442	Furniture and Home Furnishings Stores	2,837,375	90.9%	3,122,270	60,531	\$52
443	Electronics and Appliance Stores	579,911	80.8%	717,981		
444	Building Material and Garden Equipment and Supplies Dealers	1,531,796	93.5%	1,638,534	30,423	\$54
445/447	Food and Beverage and Convenience Stores	11,132,764		46,653,547	40,712	\$1,146
446	Health and Personal Care Stores	218,487	29.3%	744,947		
448	Clothing and Clothing Accessories Stores	4,849,696	82.5%	5,880,154	40,741	\$144
451	Sporting Goods, Hobby, Musical Instrument, and Book Stores	5,183,960	85.3%	6,079,198	20,820	\$292
452	General Merchandise Stores	200	46.1%	433	-	
453	Miscellaneous Store Retailers	15,706,765	74.2%	21,178,388	236,705	\$89
454	Nonstore Retailers	951,374	51.6%	1,843,767	-	
Subtotal Retail Trade		48,703,054	54.6%	95,125,981	470,644	\$202
Selected Services						
711/712/713	Arts Entertainment and Recreation	1,359,252		1,468,903	112,649	\$13
722	Food Services and Drinking Places	48,404,898	96.7%	50,069,715	345,313	\$145
811	Repair and Maintenance	5,583,383	83.1%	6,721,266	87,703	\$77
812	Personal and Laundry Services	1,767,588	91.2%	1,938,347	39,496	\$49
Subtotal Selected Services		57,115,121		60,198,231	585,161	\$103
Total Retail Trade and Selected Services		105,818,175		155,324,213	1,055,806	\$147
Other Services		8,712,790				
Other Sectors		39,147,812				
Total		153,678,777				

Source: Property Counselors

The overall performance for retail trade and selected services is \$147 per square foot. This figure is lower than the \$200 average for shopping centers, it is higher than the \$100 average for older downtown areas. The figures for individual sectors vary greatly. In some cases the results may be due to inconsistencies between the building classifications and sales classifications.

PERCEPTIONS

The Thurston County Economic Development Council conducted a survey of downtown Olympia businesses as part of a business outreach program. 104 businesses completed the survey out of 465 targeted businesses, a response rate of 22.4%. The responding businesses represented a cross section of retail, office, food and entertainment, industrial and personal service businesses. The results were summarized in an Executive Summary that provides extensive information on business performance and business perceptions. The results are further summarized below.

- Businesses identified their primary markets as 35% local (within 10 mile radius), 50% regional, and 19% national or international.
- 69% of businesses indicated their business were either emerging or growing, 30% as growing and 5% as declining.

- 63% of businesses identified their sales as growing, 30% as stable, and 6% as declining.
- 15% of businesses own their buildings, while 85% lease.
- 30% of businesses plan to expand in the next three years.
- The aspects of Downtown that work well for businesses are: high visibility, foot traffic, and being part of the downtown community.
- The aspects of Downtown that do not work well are availability of parking, perception of safety and security, homelessness, open drug abuse and refuse, and overall cleanliness.
- The types of businesses or uses that respondents would like to see locate in downtown include another local grocer, pharmacy, small electronics, artisan/craft/and boutiques shops, service related businesses, and community swim pool.

IV. DEMAND FOR RETAIL

Downtown 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 Olympia. The selected services are those that are typically provided in a retail environment. As shown, total taxable retail sales in these sectors grew from \$1.10 billion in 2004 to \$1.24 billion in 2014, an annual average growth rate of 1.2 percent, well below the rate of inflation for the period of approximately 2.4%. Retail trade grew at .8% percent while the selected services grew at 3.4 percent. Automobiles, Food Services, General Merchandise, and Building Materials were the largest sectors. The fastest growing sectors were E-commerce, Arts and Entertainment, Drug Stores and Convenience Stores.

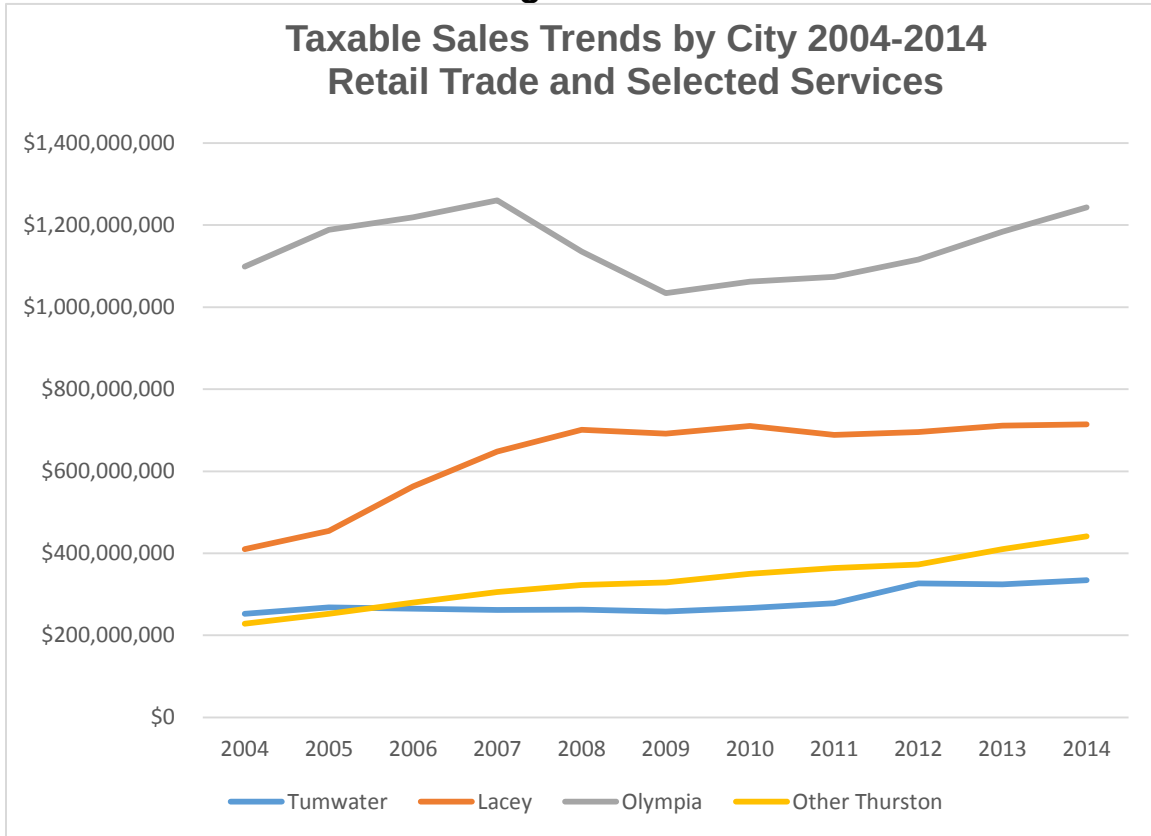
Retail trends differed in other cities in the county. Trends in total retail trade and selected services are shown for the major cities and the remainder of the county in Figure IV-1. As shown Olympia lost retail sales over the period 2007 to 2009, but has shown steady growth since then.

Table IV-1
Taxable Retail Sales Trends
Olympia

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Avg. Ann. Gr.
Industry												
Motor Vehicles & Parts	\$334,184,019	\$351,476,749	\$343,756,030	\$337,567,272	\$267,236,782	\$235,697,520	\$256,684,894	\$271,478,593	\$304,323,954	\$328,701,967	\$371,910,815	1.1%
Furniture & Home Furnishing	24,507,600	35,541,361	39,634,525	41,574,055	36,928,897	34,637,345	35,319,884	33,549,589	35,533,426	35,362,334	36,095,927	3.9%
Electronics & Appliances	72,595,249	79,495,578	77,268,493	80,839,803	88,431,808	63,004,500	55,312,327	60,604,858	57,069,519	69,749,924	61,019,061	-1.7%
Building Materials, Garden Equip & Supplies	134,626,184	136,740,045	134,345,199	125,336,208	95,588,126	80,555,134	80,054,154	77,577,382	80,903,031	84,419,192	86,216,885	-4.4%
Food & Beverage Stores	49,729,231	51,032,810	52,621,210	52,573,980	52,299,345	53,927,317	59,428,780	56,715,141	56,746,798	58,964,927	65,054,962	2.7%
Drug/health Stores	18,462,403	19,693,125	18,678,117	20,335,353	19,794,341	23,550,523	25,227,709	24,981,988	26,122,721	26,384,421	28,794,965	4.5%
Gas Stations & Convenience Stores W/pumps	10,489,160	13,450,035	15,281,715	15,432,881	13,987,134	13,657,175	14,874,798	15,492,849	15,977,718	16,371,473	15,880,531	4.2%
Apparel & Accessories	56,019,262	54,394,280	59,454,023	73,893,464	66,225,379	61,087,123	65,258,919	64,494,892	69,484,897	73,969,832	73,292,699	2.7%
Sporting Goods, Toys, Book & Music Stores	52,124,313	52,084,761	52,957,677	57,408,988	56,084,270	50,847,703	55,184,196	54,782,175	53,199,949	51,750,058	54,718,098	0.5%
General Merchandise Stores	95,335,628	99,887,852	104,870,816	101,577,020	100,166,570	107,196,316	106,160,408	103,599,669	95,814,649	95,979,775	96,104,047	0.1%
E-commerce & Mail Order	5,968,855	8,347,477	8,350,875	10,691,458	12,217,820	14,669,997	17,550,716	18,756,713	22,019,348	24,402,269	25,491,014	15.6%
Miscellaneous Retailers	68,887,486	89,875,466	94,161,179	98,387,790	101,011,089	90,976,305	87,884,265	86,620,307	82,764,128	88,433,325	83,462,168	1.9%
Total Retail Trade	922,929,390	992,019,539	1,001,379,859	1,015,618,272	909,971,561	829,806,958	858,941,052	868,654,156	899,960,138	954,489,497	998,041,172	0.8%
Arts, Entertainment & Recreation	6,712,626	6,739,644	6,973,363	8,380,497	10,431,736	9,050,194	8,859,202	9,270,156	8,445,722	12,131,130	13,331,271	7.1%
Accommodations	14,320,785	15,085,717	16,828,804	18,250,629	16,843,492	14,919,207	14,355,135	14,180,212	15,014,124	14,939,151	16,917,118	1.7%
Food Services	113,868,343	117,703,669	122,747,291	135,480,673	135,960,117	131,888,951	132,950,136	133,095,535	142,989,862	153,138,492	164,381,733	3.7%
Repair & Maintenance	33,670,197	49,674,623	62,905,197	74,714,380	53,339,225	39,984,952	38,959,651	39,942,428	39,856,991	39,588,668	40,745,346	1.9%
Personal Services	7,045,847	7,401,964	8,116,412	8,166,885	8,683,118	8,555,331	8,170,301	8,622,753	9,573,721	9,463,095	9,864,785	3.4%
Subtotal Selected Services	175,617,798	196,605,617	217,571,067	244,993,064	225,257,688	204,398,635	203,294,425	205,111,084	215,880,420	229,260,536	245,240,253	3.4%
Total Retail Trade and Selected Services	1,098,547,188	1,188,625,156	1,218,950,926	1,260,611,336	1,135,229,249	1,034,205,593	1,062,235,475	1,073,765,240	1,115,840,558	1,183,750,033	1,243,281,425	1.2%

Source: Washington State Department of Revenue
Property Counselors

Figure IV-1



Source: Washington State Department of Revenue
Property Counselors

EXISTING DEVELOPMENT

Retail development has become a highly segmented product, based on types of goods and geographic features of market areas. Table IV-2 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.

REGIONAL RETAIL

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 Lacey 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 a Hobby Lobby and Tractor Supply in a former K-Mart store.

Table IV-2
Types of Shopping Centers

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

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

Table IV-3
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 Marshall'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 ten grocery stores in Olympia.

Safeway	3215 Harrison 4280 Martin Way
Bayview Thriftway	516 4 th Avenue W.
Ralph's Thriftway	1908 4 th Avenue E.
Trader Joe's	1530 Black Lake
Grocery Outlet	2100 Harrison NW
Haggen	1313 Cooper Point Rd. 3520 Pacific Ave.
Olympia Food Coop	921 Rogers St. NW 3111 Pacific Ave. SE.

There are other grocery chains with stores in the region: QFC in Lacey, Albertsons in Tumwater, Fred Meyer in Tumwater and Lacey, and Walmart in Tumwater, Lacey, and Yelm.

There are two stand-alone drugstores in Olympia: Walgreens and Rite-Aid, both on Cooper Point Road. There are also pharmacy departments in many of the grocery stores and medical centers.

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. The Capitol Theater in downtown Olympia includes a single screen and is run by the Olympia Film Society. Based on the national average of .13 screens per 1,000 population, Thurston County could support a total of 33 screens. The existing 39 screens exceed this number.

There are three major performance venues in Downtown Olympia, the 1,000 seat Washington Performing Arts Center, and the State Theater with the Harlequin Players, and the Olympia Family Theater. The three provide live theater, music, and dance performances. Several downtown bars offer live music and entertainment as well.

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 400,000 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-4 summarizes current asking rents for selected properties in Olympia. The highest rents are in newer buildings, with some exceeding \$20 per square foot. The highest rents shown are in a proposed building such as 340 SE Cleveland or in West Olympia. 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 asking rents for several established retail buildings typically fall in the range of \$15 to \$20 per square foot. There are many buildings with rents below these levels, particularly in Downtown Olympia. Such rents provide opportunities for new businesses to become established and grow over time.

Table IV-4
Selected Retail Rents in Thurston County

	Address	Total Sq. Ft.	Available Sq. F	Asking Rent	Expenses*
112 State	112 State	4,400	4,400	\$12-15	Mod Gr.
116 Legion	116 Legion	Mixed Use	2,200	\$12	Fully Serv.
225 State St.	225 State Street	7,200	5,600	\$10.25	Mod Gr.
340 SE Cleveland (proposed)	340 SE Cleveland	13,032	13,032	\$18-22	NNN
500 Capitol Way S.	500 Capitol Way S.	7,089	1,900	\$19	NNN
521 Building	521 Capitol Way	10,800	10,800	\$16	NNN
825 Legion	825 Legion	6,229	6,229	\$14-15	Mod Gr.
826 Union	826 Union	6,200	1,120	\$20	NNN
Black Lake Village	2615 Capitol Mall	45,842	8,259	\$16	NNN
Capitol Square	2703 Capitol Mall	19,343	3,713	\$9.50	NNN
Capitol Theater	204 5th	14,796	1,057	\$12.50	NNN
Capitol Village shopping	400 Cooper Pt.	158,486	14,411	18	NNN
Carnegie Building	620 Franklin	10,000	10,000	\$18	NNN
Condos at Cooper Point	405 Cooper Pt.	7,887	2,628	\$18	NNN
Cooper Point Pavilion	1500 Cooper Pt.	90,600	14,958	\$18-24	NNN
Cooper Point Village 345 Building	345 Cooper Pt.	6,992	1,300	\$24	NNN
Cooper Point Village Building 3	315 Cooper Pt.	6,992	1,139	\$24	NNN
Corner Shops	200 Division	14,624	4,507	\$13	NNN
Grocery Outlet	3100 Harrison	51,300	4,919	\$16	NNN
Johnson Center	3530 Martin Way	Mixed Use	2,225	\$12	Mod Gr.
JV Health Foods	3720 Pacific	3,832	1,700	\$16-20	NNN
Kenwood Plaza	6790 Martin Way	12,000	9,380	\$18	NNN
Martin Way Plaza	2837 Martin Way	23,673	2,925	\$15	NNN
NAPA Building	1319 Fones Way	8,000	8,000	\$12	Fully Serv.
Olympia Press	109 State	27,000	23,533	\$6.98-25.50	NNN
Olympia Square	3315 Pacific	168,209	19,554	\$15-19	NNN
Parkwood Plaza	3330 Pacific	14,700	6,684	\$17	NNN
Sherwin Williams Plaza	3959 Martin Way	16,542	2,000	\$19	NNN
Stadium Plaza	3700 Martin Way	19,248	4,505	\$14.50	NNN
Swantown Boatworks	700 Marine	20,910	3,000	\$12	NNN
Toyota of Olympia	2225 Carriage	40,000	40,000	\$18	NNN
West Olympia Shopping Center	1001 Cooper Pt.	51,029	3,723	\$45	NNN
Westgate	2411 Harrison	10,931	1,200	\$16	NNN
Westside Mini Mall	2101 Harrison	13,683	4,569	\$13.82	NNN
* NNN-Tenant pays expenses. Modified Gross-Landlord pays taxes and insurance.					

* Rents are /sq. ft. / yr.

Source: Commercial Brokers Association, Property Counselors

POTENTIAL RETAIL DEMAND

Future retail opportunities reflect the convergence of consumer needs and retailer expectations. Opportunities will include growth in existing clusters and new businesses to fill existing gaps. Downtown is in the middle of a regional trade area comprising Thurston, Mason, Lewis and Grays Harbor counties, with a total trade area population of almost 500,000. As described earlier, there are existing retail centers that serve some of the needs of this regional trade area. Downtown Olympia has strength in several sectors that reflect the typical tenant mix of a Lifestyle retail center: furniture, apparel, food services and miscellaneous retail. Table IV-5 provides a summary of expansion expectations for retailers in various retail categories. These expectations are representative of the needs and requirements of major established retailers. They also provide a starting point for identifying retail opportunities in Downtown Olympia.

The information in the table represents the results of surveys by Chainlinks Retail Advisors for 1,700 retailers with 870,000 stores. The retailers shown expect to add 25,000 new stores in 2015. In many cases the retailers are looking for sites in traditional retail centers. In many cases they are interested in downtown sites or lifestyle centers. The final columns in the table indicate the percentage of retailers in each category that are interested in those locations. The categories that show the most interest in Downtown sites are apparel, automotive, cards/gifts, cellular, consignment, consumer electronics, drugstore, jewelry, office supply, and restaurants. The categories with the most interest in lifestyle centers are Apparel, beauty, cards/gifts, consumer electronics, crafts, department store, cinema, health, furniture, jewelry, miscellaneous retail, and restaurants. These sectors represent potential growth sectors for Downtown Olympia.

Growth in demand for retail in Downtown will come from three sources: growth in the regional market, increase in capture in selected segments, and additional spending by downtown residents.

Table IV-5
National Retailer and Restaurant Expansion Guide Spring 2015

	# of Retailers	Total Stores	2015 Growth	Avg Size (sq. ft.)	Consider Downtown Sites	Consider Lifestyle Sites
Apparel						
Active Sportswear	25	3,399	193	4,000	40%	60%
Childrens	10	3,751	184	5,000	50%	80%
Family	70	17,086	620	10,000	46%	51%
Men's	13	3,839	94	7,500	54%	15%
Shoes	53	18,233	451	6,500	45%	47%
Specialty	15	2,756	81	5,000	33%	53%
Women's	59	17,139	579	6,000	49%	51%
Automotive	56	49,489	1,340	6,000	14%	13%
Beauty Salons/Spas	56	23,956	825	2,500	45%	64%
Beauty Supplies	14	11,085	282	2,500	21%	79%
Beverages	8	870	81	10,000	38%	63%
Books	7	1,412	36	20,000	14%	43%
Cards/Gifts	21	12,094	616	5,000	43%	52%
Cellular	15	13,695	261	2,000	40%	80%
Consignment/Pawn/Thrift	4	2,450	35	2,500	50%	25%
Consumer Electronics	10	13,655	243	30,000	40%	20%
Convenience Store/Gas Station	42	76,942	991	4,000	12%	5%
Crafts/Hobbies/Toys	17	5,326	238	10,000	29%	59%
Department Store	26	11,660	294	100,000	35%	77%
Discounted/Dollar Store	40	41,986	973	50,000	15%	15%
Drugstore	10	21,132	542	12,000	60%	20%
Entertainment						
Cinema	17	3,380	84	50,000	29%	71%
Other	16	1,727	71	25,000	6%	44%
Financial Services	14	8,723	257	2,000	7%	14%
Health/Fitness/Nutrition	87	28,552	1,259	15,000	28%	52%
Home Related						
Furniture/Furnishings	60	14,228	556	20,000	23%	42%
Hardware	60	23,299	516	60,000	17%	17%
Jewelry	20	8,555	102	3,000	45%	45%
Miscellaneous Retail	100	71,067	1,857	5,000	28%	40%
Office Supplies	2	76	183	15,000	100%	0%
Pet/Farm	23	5,201	297	15,000	0%	0%
Restaurant						
Bakery/Bagels/Breakfast/Café/Donuts	4	4,630	140	3,000	25%	50%
Coffee/Tea	16	21,060	460	1,500	44%	31%
Fast Food	87	158,134	2,669	3,000	31%	43%
Food/Beverage Specialty	156	53,238	2,788	2,000	50%	58%
Family	188	39,405	2,218	4,000	32%	43%
With Liquor	182	32,004	1,506	6,000	30%	49%
Sporting Goods	32	5,495	179	20,000	13%	38%
Supermarket/Grocery/Hypermarket	104	35,357	841	50,000	18%	26%
TOTAL	1,739	866,086	24,942		32%	43%
Source: Chainlinks Retail Advisors, National Retailer and Restaurant Expansion Guide Spring 2015, Property Counselors.						

REGIONAL GROWTH

The population of Thurston County is projected to grow from 267,400 in 2015 to 370,600 in 2035, and increase of 38.6% over 20 years. If Downtown Olympia maintains its current share, its sales would grow by that rate as well.

INCREASED SHARES

With enhancements to the attractiveness of Downtown, resolution of perceptions regarding parking and safety, and a successful business attraction strategy, Downtown should be able to increase its share of business in target sectors, particularly those that seek a downtown or lifestyle center setting. Table IV-6 summarizes assumptions regarding potential increases in capture rates. The largest increases are assumed for furniture/home furnishings, Food and beverage, drug/health, apparel accessories, sporting goods/toys/book/music, miscellaneous retailers, arts and entertainment, food services, and personal services.

**Table IV-6
Potential Increase in Retail Capture**

	Current Capture %	DT Potential %
Retail		
Motor Vehicles & Parts	1.2%	1.2%
Furniture & Home Furnishing	8.7%	13.0%
Electronics & Appliances	1.7%	1.7%
Building Materials, Garden Equip & Supplies	1.9%	1.9%
Food & Beverage & Convenience Stores	14.6%	16.0%
Drug/health Stores	0.8%	4.0%
Apparel & Accessories	6.8%	10.2%
Sporting Goods, Toys, Book & Music Stores	9.8%	14.7%
General Merchandise Stores	0.0%	0.0%
Miscellaneous Retailers	25.7%	38.6%
Non-store Retailers	38.0%	47.5%
Selected Services		
Arts, Entertainment & Recreation	22.3%	33.5%
Food Services	22.3%	27.9%
Repair & Maintenance	15.1%	16.6%
Personal Services	28.5%	35.6%

Source: Property Counselors

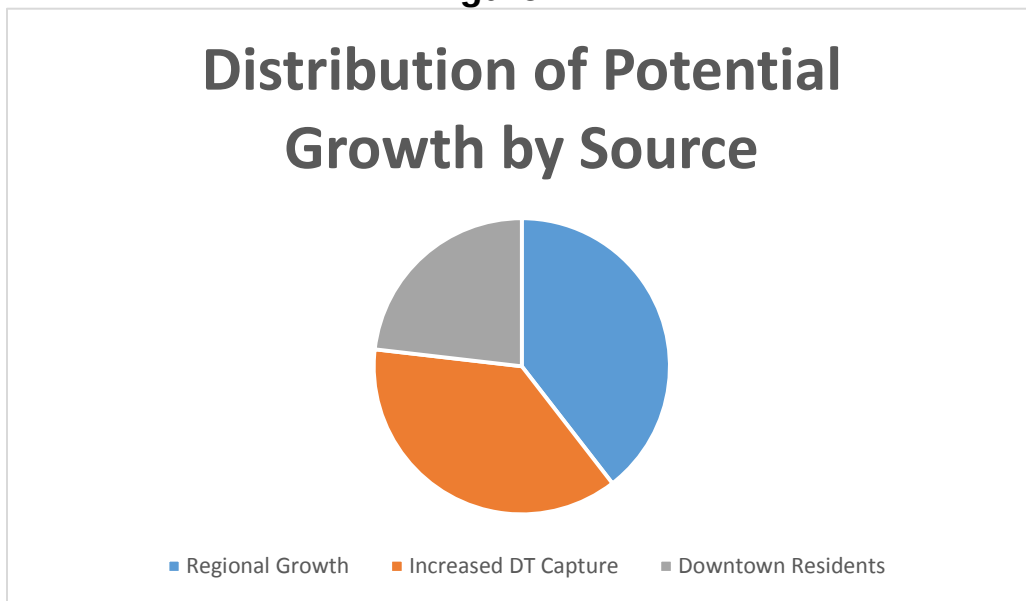
DOWNTOWN RESIDENTS

The population of Downtown is targeted to increase by approximately 5,000 over the next 20 years. These residents will make many of their frequent and convenience purchases in the immediate area. These purchases will support additional growth in retail and service businesses. The amount of this spending is estimated on a per capita basis according to sales figures derived on a state-wide basis with adjustments for some leakage to surrounding areas.

Food & Beverage Stores	\$1,648
Drug/health Stores	909
Gas Stations & Convenience Stores W/pumps	
Apparel & Accessories	749
Sporting Goods, Toys, Book & Music Stores	410
General Merchandise Stores	
E-commerce & Mail Order	
Miscellaneous Retailers	1,148
Arts, Entertainment & Recreation	205
Food Services	1,791
Repair & Maintenance	
Personal Services	170
Total	\$7,030

Table IV-7 presents the results of application of these factors. As shown, the total potential increase in sales is \$152 million annually by 2035, an increase of approximately 100% over the period. Capture of regional growth represents the largest share if this increase, followed closely by increased downtown capture, as summarized in Figure IV-2. The sectors with the largest potential increase are Food Services, Food and Beverage, Miscellaneous Retail, and Apparel and Accessories.

Figure IV-2



Source: Property Counselors

Increased sales of this magnitude would support an additional 650,000 square feet of retail space, an increase of approximately two-thirds over the current inventory.

Table IV-7
Projected Downtown Retail Demand

	2014 Gross Sales	Regional Growth	Increased DT Capture	Downtown Residents	Total Potential Increase	Potential SF @ \$200/SF*
Retail						
Motor Vehicles & Parts	\$7,266,762	\$2,804,970	-	-	\$2,804,970	14,025
Furniture & Home Furnishing	3,122,270	1,205,196	2,154,445	-	3,359,641	16,798
Electronics & Appliances	717,981	277,141	-	-	277,141	1,386
Building Materials, Garden Equip & Supplies	1,638,534	632,474	-	-	632,474	3,162
Food & Beverage & Convenience Stores	46,653,547	18,008,269	6,194,962	8,238,750	32,441,981	64,884
Drug/health Stores	744,947	287,550	4,315,979	4,545,000	9,148,529	45,743
Apparel & Accessories	5,880,154	2,269,740	4,109,483	3,745,000	10,124,223	50,621
Sporting Goods, Toys, Book & Music Stores	6,079,198	2,346,571	4,261,965	2,050,000	8,658,536	43,293
General Merchandise Stores	433	167	-	-	167	1
Miscellaneous Retailers	21,178,388	8,174,858	14,757,409	5,740,000	28,672,267	143,361
Non-store Retailers	1,843,767	711,694	640,708	-	1,352,402	
Subtotal Retail Trade	95,125,981	36,718,629	36,434,951	24,318,750	97,472,330	383,274
Selected Services						
Arts, Entertainment & Recreation	1,468,903	566,997	1,027,967	1,024,129	2,619,092	13,095
Food Services	50,069,715	19,326,910	17,583,218	8,956,290	45,866,417	229,332
Repair & Maintenance	6,721,266	2,594,409	906,083	-	3,500,492	17,502
Personal Services	1,938,347	748,202	666,047	849,286	2,263,534	11,318
Subtotal Selected Services	60,198,231	23,236,517	20,183,314	10,829,704	54,249,535	271,248
Total Retail and Selected Services	\$155,324,213	\$59,955,146	\$56,618,266	\$35,148,454	\$151,721,866	654,521
* Except Food and Beverage Stores estimated at \$500 per square foot.						

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 2014. The total office space estimate was derived by Thurston Regional Planning Council from Assessor data. As shown, State-occupied space at that time represented 51 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 – 2014
(square feet)

	Olympia	Lacey	Tumwater	Other	Total
State Leased	1,596,000	331,000	1,444,000	(5,000)	3,366,000
State Owned	2,947,000	326,000	534,000	43,000	3,850,000
Subtotal State	4,543,000	657,000	1,978,000	38,000	7,216,000
Non-State	3,007,000	2,183,000	1,190,000	591,000	6,971,000
Total	7,550,000	2,840,000	3,168,000	629,000	14,187,000

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 2014
(square feet)

	2000	2010	2014	Change 2000-10	Change 2010-14
State Leased	2,763,000	4,241,000	3,366,000	1,478,000	(875,000)
State Owned	3,152,000	4,087,000	3,850,000	935,000	(237,000)
Subtotal State	5,915,000	8,328,000	7,216,000	2,413,000	(1,112,000)
Non-State	5,558,000	5,520,000	6,971,000	(38,000)	1,451,000
Total	11,473,000	13,848,000	14,187,000	2,375,000	339,000

Source: State Facilities Report
Thurston Regional Planning Council
Property Counselors

As shown, the amount of State leased space declined dramatically between 2010 and 2014. Accordingly, the amount of Non-State space increased dramatically, but the amount of occupied space has not kept pace. The estimated office vacancy is approximately 10%, and the vacant space represents approximately eight to ten years absorption at historic rates.

EXISTING AND PLANNED OFFICE SPACE

EXISTING BUILDINGS

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

Table V-3
Downtown Olympia Office Buildings

	Address	Total Sq. Ft.	Available Sq. Ft.	Asking Rent	Expenses
825 Legion	825 Legion	6,229	6,229	\$19	Mod. Gr.
Market Place	724 Columbia	49,000	6,613	\$21-28	Full Serv.
Grange Building	924 Capitol	17,293	1,242	\$18-25	Full Serv.
Smythe Landing	1801 West Bay	23,557	7,441	\$23-25	Full Serv.
Percival Plaza	606 Columbia	70,000	11,434	\$22-24	Full Serv.
521 Union	521 Union	3,502	160	\$22.50	Full Serv.
324 West Bay	324 West Bay	15,929	728	\$22	Full Serv.
1115 West Bay	1115 West Bay	23,802	7,692	\$19.50-21.50	Full Serv.
1050 Capitol	1050 Capitol	800	440	\$21.13	Full Serv.
Boardwalk Building	525 Columbia	12,500	569	\$21	Full Serv.
IBM Building (formerl	410 11th SE	18,000	620	\$18.90	Mod. Gr.
Legion Square	402 Legion	16,856	2,000	\$14.50	Mod. Gr.
	404 Legion	16,704	5,000	\$18.50	Mod. Gr.
	406 Legion	16,704	2,000	\$17-18.50	Mod. Gr.
Evergreen Plaza	711 Capitol	87,000	16,490	\$15.75-17.50	Full Serv.
7th Avenue Building	319 7th	18,546	1,642	\$16	Full Serv.
Davis Williams	906 Columbia	70,000	18,756	\$16	Full Serv.
Mottman Building	101 Capitol	19,200	3,885	\$15.50	Full Serv.
825 Legion	825 Legion	6,229	6,229	\$14.50	Mod. Gr.
Adams Building	1310 Jefferson	23,715	3,000	\$14.50	Mod. Gr.
Republic Building	505 Union	32,000	14,380	\$14	Full Serv.
KMB Design	828 7th	2,600	2,600	\$13.82	Full Serv.
Capitol Theater	204 5th	14,796	482	\$11.83	Mod. Gr.
Market Center	111 Market	45,687	3,003	\$20	Full Serv.
WSECU	400 Union	5,942	110		
* Fully Services-Landlord pays expenses. Modified Gross-Landlord pays taxes and insurance.					

Source: Commercial Brokers Association
Property Counselors

The highest rents are in the Market Place, Grange Building, Smythe Landing, Percival Plaza, 521 Union, 324 West Bay, 1115 West Bay, 1050 Capitol, Boardwalk Building, and Market Center. Generally, these are the higher amenity buildings with water views. None of these buildings was built in the past ten years. The newest major office building in downtown Olympia is the Washington State Employees Credit Union building on Union Street, but this building is owner-occupied.

PLANNED BUILDINGS

There are very few new private office projects in the County. The State-owned 1063 Building is under construction on the capitol campus. Thurston County is considering possible relocation of its administrative buildings in West Olympia above Capitol Lake, with Downtown Olympia a possible location.

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 has no additional project or leases 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 Olympia and Thurston County. 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 in Olympia is projected to grow by 5,357 between 2014 and 2040. Office using employment in Thurston County is projected to grow by 16,748 between 2014 and 2040. This growth would support an additional 41,000 square feet each year in Olympia and 124,000 square feet in the county as a whole. At this rate it would require approximately eight years to fill the existing vacant office space county-wide. However, with conversion of some buildings to residential or other uses, and with the lack of any new Class A office space developed in Olympia over the past decade, there will be support for new development in Olympia sometime sooner than the eight year horizon.

Table V-4
Projected Office Absorption Based on Employment
Olympia and Thurston County

Olympia								
	Total Employment			Office Employment			Sq. Ft.	
	2014	2040	Change 2014-2040	Office Employment	Change 2014-2040	Avg. Ann. Change 2014-	Sq. ft.@ 200 /Employee	Avg. Ann. Change 2014-
Resources	115	115	-		-	-	-	-
Construction	1,260	3,405	2,145	10%	215	8	42,900	1,650
Manufacturing	870	885	15		-	-	-	-
Transportation Communications	530	695	165	75%	124	5	24,750	952
Wholesale Trade	755	830	75		-	-	-	-
Retail Trade	6,560	8,740	2,180		-	-	-	-
Information	710	930	220	75%	165	6	33,000	1,269
FIRE	3,695	4,605	910	100%	910	35	182,000	7,000
Services	9,890	15,865	5,975	66%	3,944	152	788,700	30,335
Government/Education/Tribal	28,955	38,880	9,925		-	-	-	-
Total	53,340	74,950	21,610		5,357	206	1,071,350	41,206
Thurston County								
	Total Employment			Office Employment			Sq. Ft.	
	2014	2040	Change 2014-2040	Office Employment as %	Change 2014-2040	Avg. Ann. Change 2014-2040	Sq. ft.@ 200 /Employee 2014-2040	Avg. Ann. Change 2014-2040
Resources	2,905	2,875	(30)		-	-	-	-
Construction	6,195	13,000	6,805	10%	681	25	136,100	5,041
Manufacturing	3,240	3,630	390		-	-	-	-
Transportation Communications	3,160	4,185	1,025	75%	769	28	153,750	5,694
Wholesale Trade	3,680	4,280	600		-	-	-	-
Retail Trade	15,010	21,505	6,495		-	-	-	-
Information	1,270	2,050	780	75%	585	22	117,000	4,333
FIRE	9,825	13,210	3,385	100%	3,385	125	677,000	25,074
Services	26,820	43,985	17,165	66%	11,329	420	2,265,780	83,918
Government	61,825	90,990	29,165		-	-	-	-
Total	133,930	199,710	65,780		16,748	620	3,349,630	124,060

Source: Thurston Regional Planning Council 2012, Property Counselors

Long-term, Downtown should be able to capture 50% or more of the new office development supportable within the city.

2015 to 2025	200,000 square feet	including 100,000 of backfill
2025 to 2035	<u>200,000 square feet</u>	
2015 to 2035	400,000 square feet	

In order to capture this potential demand, improvements will be necessary to sustain the position as the premier office location in the County, including enhancing the overall appearance, and addressing perceptions regarding parking and safety.

VI. DEMAND FOR RESIDENTIAL

Residential development is an important component of a balanced urban neighborhood. It is not only a potential use in Downtown 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 Olympia 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 2015.

Table VI-1
Changes in Housing Inventory-Thurston County

Housing Units					% of Total				
2000	SF	MF	Other	Total	2000	SF	MF	Other	Total
Tumwater	3,155	2,328	470	5,953	Tumwater	53%	39%	8%	100%
Lacey	8,336	3,890	934	13,160	Lacey	63%	30%	7%	100%
Olympia	11,089	7,797	852	19,738	Olympia	56%	40%	4%	100%
Other Cities	1,971	388	366	2,725	Other Cities	72%	14%	13%	100%
Unincorporated	33,017	2,936	9,123	45,076	Unincorporated	73%	7%	20%	100%
Thurston County Total	57,568	17,339	11,745	86,652	Thurston County Total	66%	20%	14%	100%
2010	SF	MF	Other	Total	2010	SF	MF	Other	Total
Tumwater	4,354	2,638	1,072	8,064	Tumwater	54%	33%	13%	100%
Lacey	12,690	4,957	846	18,493	Lacey	69%	27%	5%	100%
Olympia	12,894	8,439	753	22,086	Olympia	58%	38%	3%	100%
Other Cities	3,189	574	460	4,223	Other Cities	76%	14%	11%	100%
Unincorporated	41,302	3,452	10,562	55,316	Unincorporated	75%	6%	19%	100%
Thurston County Total	74,429	20,060	13,693	108,182	Thurston County Total	69%	19%	13%	100%
2015	SF	MF	Other	Total	2015	SF	MF	Other	Total
Tumwater	4,942	2,698	1,073	8,713	Tumwater	57%	31%	12%	100%
Lacey	13,948	4,964	855	19,767	Lacey	71%	25%	4%	100%
Olympia	13,733	9,813	737	24,283	Olympia	57%	40%	3%	100%
Other Cities	3,617	711	445	4,773	Other Cities	76%	15%	9%	100%
Unincorporated	42,737	3,427	10,704	56,868	Unincorporated	75%	6%	19%	100%
Thurston County Total	78,977	21,613	13,814	114,404	Thurston County Total	69%	19%	12%	100%
Change 2000 to 2010	SF	MF	Other	Total	Change 2000 to 2010	SF	MF	Other	Total
Tumwater	1,199	310	602	2,111	Tumwater	57%	15%	29%	100%
Lacey	4,354	1,067	(88)	5,333	Lacey	82%	20%	-2%	100%
Olympia	1,805	642	(99)	2,348	Olympia	77%	27%	-4%	100%
Other Cities	1,218	186	94	1,498	Other Cities	81%	12%	6%	100%
Unincorporated	8,285	516	1,439	10,240	Unincorporated	81%	5%	14%	100%
Thurston County Total	16,861	2,721	1,948	21,530	Thurston County Total	78%	13%	9%	100%
Change 2010 to 2015	SF	MF	Other	Total	Change 2010 to 2015	SF	MF	Other	Total
Tumwater	588	60	1	649	Tumwater	91%	9%	0%	100%
Lacey	1,258	7	9	1,274	Lacey	99%	1%	1%	100%
Olympia	839	1,374	(16)	2,197	Olympia	38%	63%	-1%	100%
Other Cities	428	137	(15)	550	Other Cities	78%	25%	-3%	100%
Unincorporated	1,435	(25)	142	1,552	Unincorporated	92%	-2%	9%	100%
Thurston County Total	4,548	1,553	121	6,222	Thurston County Total	73%	25%	2%	100%

Source: Washington Office of Financial Management, Property Counselors.

Single family residences make up 69 percent of the housing stock in the entire county in 2015. Multifamily makes up 19 percent of the total. Multifamily development is far more prevalent in Olympia, with multifamily representing 40% of total units in 2015. Over the past 15 years, 44% of the net increase in units in Olympia was in multifamily units.

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**

	Olympia	Olympia 2010 and Newer	Tumwater	Lacey	Thurston County
Vacancy Rate					
All	3.6%	3.4%	3.4%	3.0%	3.0%
Studio	2.2%	12.5%			2.2%
1 BR	4.0%	5.2%	2.9%	2.5%	3.3%
2 BR/1 Ba.	2.6%	2.2%	3.3%	3.1%	2.8%
2 BR/2Ba.	3.9%	2.4%	4.1%	4.0%	3.9%
3 BR/2 Ba.	4.1%	0.0%	3.4%	3.0%	3.6%
Average Monthly Rent					
All	\$944	\$1,256	\$974	\$875	\$933
Studio	719	1,066			692
1 BR	830	1,178	848	765	813
2 BR/1 Ba.	906	1,305	891	910	906
2 BR/2Ba.	1,092	1,304	1,075	999	1,069
3 BR/2 Ba.	1,120	1,321	1,243	1,192	1,170
Monthly Rent /sq. ft.					
All	\$1.10	\$1.40	\$1.11	\$1.09	\$1.10
Studio	1.78	2.14			1.66
1 BR	1.23	1.74	1.20	1.21	1.22
2 BR/1 Ba.	1.07	1.48	1.08	1.05	1.07
2 BR/2Ba.	1.05	1.20	1.07	0.99	1.04
3 BR/2 Ba.	0.94	1.07	1.02	1.00	0.97

	Sept 2011	Sept 2012	Sept 2013	Sept 2014	Sept 2015	5 Year Avg.
Vacancy Rate	7.2%	6.1%	4.3%	3.6%	3.6%	4.6%
Average Rent	\$838	\$837	\$865	\$910	\$944	\$872
% offering Incentives	52%	60%	18%	14%	15%	30%

Source: Dupre + Scott, Apartment Vacancy Report, September 2015

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. Olympia has a current vacancy rate (as of September 2015) of 3.6 percent, higher than the other cities, but lower than the 5.0 percent target rate for a typical market. The table also breaks out statistics for Olympia units built since 2010. The newer units have a slightly lower average vacancy

Olympia's average rents are lower than the average for the county as a whole. This can be partly attributed the older inventory in the city. Considering only units built since 2010, rents are much higher in Olympia.

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. The average rent per square foot for apartments built in Olympia since 2010 is \$1.40, with higher average rates for studios, one and two bedroom units.

The lower part of Table VI-2 summarizes vacancy and rental trends in Olympia over the past four years. Vacancy has dropped from 7.2% and average rents have increased at a rate of 3% per year.

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 since the recession years with six buildings completed since 2011. All are in Olympia.
- The highest rents are in Silverleaf, Affinity (senior housing), Villas at Kennedy, Woodlands, Redleaf, Pacific Place, Parkview, Woodlands, and Madison.
- The Highest 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

					Unit Size					Rent				
Name	Address	City	Year Built	# of Units	Studio	1 BR	2 BR	3 BR	Studio	1 BR	2 BR	3 BR	Features	
Abbey Road	9320 Windsor Ln	Lacey	2004	162		823-881	991-1,283			\$955-\$1,046	\$1,175		1,2,3,4,5	
Affinity	4701 7th SW	Olympia	2014	170	495	595	794-922		\$1,100-\$1,210	\$1,300-\$1,470	\$1,500-1,795		1,2,3,4 Senior	
Alpine Village	301 T St. SW	Tumwater			450	518-608	730	1000	\$625	\$675	\$840	\$1,050	3,4	
Breckenridge Heights	1923 Bittany	Tumwater	1994	250		800-910	1030	1145		\$750-\$870	\$900-\$1,030	\$1,050-\$1,000	1,2,3,4,5	
Capitol Heights	1221 Mottman	Tumwater	1990	115		801	976-1,021	1,221		\$845	\$975-\$1,030	\$1,050-\$1,100	1,3,4,5	
Capitol Steps	623 Eastside	Olympia	2005	26	558-627	694-781			\$835	\$860-895				
Copper Trail	701 Alta NW	Olympia	2015	238		703	832-972	1,101		\$799	\$949	\$1,087	1,2,3,4,5	
Country Club Villas	3625 Yelm Hwy	Olympia	2007	64		956	1,156			\$1,040-\$1,050	\$1,170-\$1,180		3,4	
Dakota Place	6205 Pacific	Olympia	2006	156		728	1,074			\$925-\$930	\$1,099		1,2,3,4	
Hearthstone	215 Pinehurst	Tumwater	2005/2007	133		681-788	919-960	1,084-1,101		\$925	\$1,220	\$1,235-\$1,385	2,3,4	
Heritage Park	1818 Evergreen Park	Olympia	1972	120	295-325	450-650	635-725	1,200	\$650-\$699	\$799-\$899	\$980-\$1,149	\$1,150-\$1,200	2	
Larc	3600 Forestbrook Wy.	Olympia	2014	141		535-762	724-774			\$782-\$798	\$913-\$947		2,3,4 Senior	
Madison	105 Newberry	Olympia	2007	192		723-826	1,022-1,180			\$1,030-\$1,113	\$1,122-\$1,368		1,2,3,4	
Pacific Place	748 Sutter Lane SE	Lacey	2009	59		771-1,026	1,177			\$1,120-\$1,320	\$1,465		2,3,4,5	
Parkview	4523 Briggs Dr.	Olympia	2012	72		788	1,083	1,243		\$1,025-\$1,255	\$1,225-\$1,255	\$1,365-\$1,405	4,5	
Polo Club	3425 Polo Club Lane	Olympia	2009	127			967	1,110			\$1,208-\$1,292	\$1,453	1,2,3,4,5	
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			
Rock Maple	3000 Cardinal Dr.	Olympia	2004	113		853	1,126			\$935-\$970	\$1,200		1,2,3,4	
Silverleaf	4520 Hendersopn	Olympia	2014	200	504-511	634-857			\$899-\$920	\$1,395-\$1,495			2,4	
Sommers Manor	4000 57th Trail	Olympia	2007	40			1,008				\$1,295		3,4,5	
Tabula Rasa	1978 Trosper Rd.	Tumwater	2008	117		802	1,102-1,154	1,298-1,411		\$1,050	\$1,275	\$1,400		
Tribeca	1700 Kempton SE	Olympia	2010	79		745	967-985	1,274		\$900-\$925	\$1,045-\$1,200	\$1,385-\$1,420	2,3,4,5	
Villas at Kennedy	1978 Trosper Rd.	Tumwater	2008	119		802-896	1,115-1,154	1411		\$969-\$1,419	\$1,770-\$2,140	\$2,279-\$2,479	1,2,3,4,5	
Woodlands I & 2	800 Yauger Way	Olympia	2012	224		875-903	1,180-1,194			\$1,039-\$1,145	\$1,179-\$1,299		1,2,3	
Yauger Park Villas	322 Lachman SW		2010	80			1,209-1,264				\$1,607-\$1,912		2,3,4	
6th Ave. Place	4410 6th Ave.	Lacey	2008	103		554-910	870-979	1,192-1,298		\$835-\$980	\$1,045-\$1,065	\$1,275-\$1,315	1,4,5	
8 Hundred West	800 Alta	Olympia	2015	101			979-1,022				\$1,165-\$1,695		1,3,4	

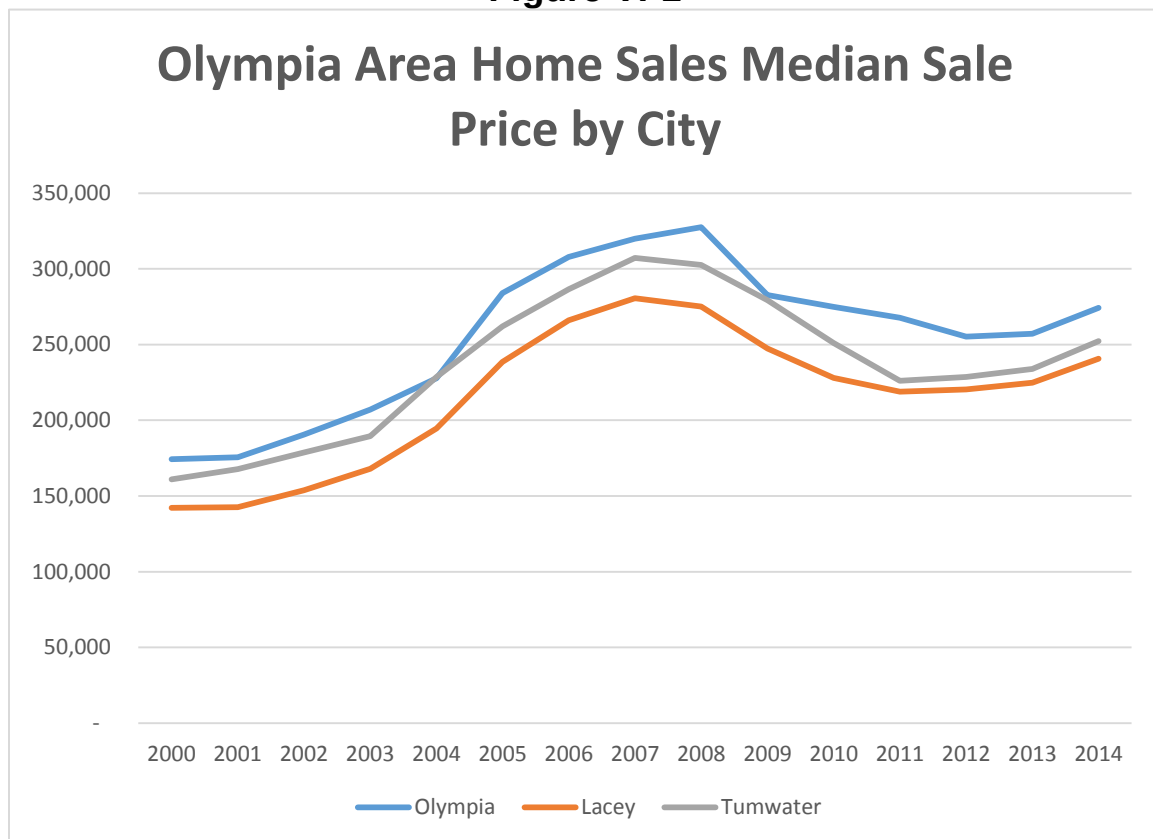
Source: ForRent.com, Property Counselors

CONDOMINIUM MARKET

Condominiums are multifamily residential units available for sale. Sales prices for all housing in Thurston County fell rapidly during the recession, but have regained some of the lost value since that time as shown in Figure VI-1. Average home values in Olympia vary by neighborhood as follows. South Capitol neighborhood immediately south of Downtown has the highest average value, according to Zillow.

South Capitol	\$332,400
Cain Road	\$314,400
Northwest	\$233,700
Northeast	\$225,600
South Westside	\$215,000
Eastside	\$207,900

Figure VI-1



Source: Thurston Regional Planning Council, Northwest Multiple Listing Service.

The average home values for condominiums/coops in Olympia are estimated by Zillow to be \$196,000 compared to \$254,000 for all homes. Condominium/coop values dropped from a peak of \$241,000 in 2007, to a low of \$175,000 in 2012, before returning to the current value. The average value for all homes dropped from a peak of \$262,000 in 2007 to a low of \$210,000 in 2007 before returning to the current value. On a percentage basis, condos dropped 27% on average, while homes dropped only 20%. Condominium coop values are currently lower relative to home prices than in either 2007 or 2012.

The asking price and unit characteristics of condominium units for sale in December 2015 are summarized in Table VI-4.

- Of the units shown, many are in projects built just prior to the recession. 1018 Capitol Way S. was built in 2010. Several new townhouse projects have been built in the past year in Lacey.
- Most of the units for sale are townhouse units. The most expensive flats are on East Bay Drive immediately west of downtown and offer water and mountain views.
- The most expensive units generally range in size from 1,500 to 2,000 square feet.
- On a per square foot basis, the highest priced units are just over \$200. However, many of the new townhouse units are for sale for approximately \$150 per square foot.

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. Further, developers are discouraged from condominium development by construction liability laws and the threat of homeowner association lawsuits.

Table VI-4
Thurston County
Selected Condominiums for Sale December 2015

Address	City	Year Built	Sq. Ft.	Bedrooms/ Baths	Type	Asking Price
700 Sherman St.	Olympia	1988	1,664	3/2	Flats	\$350,000
1018 Capitol Way S.	Olympia	2010	1,113	2/1.75	Flats	\$285,000
3415 Wagon Wheel	Olympia	2005	2,336	3/2.5	Townhouse	\$259,500
900 East Bay A405	Olympia	1988	1,482	2/1.75	Flats	\$252,500
920 East Bay D201	Olympia	1989	1,502	2/2	Flats	\$245,000
904 East Bay B207	Olympia	1979	1,482	2/1.75	Flats	\$234,900
1604 Craig Road	Olympia	2013	1,588	3/2.25	Townhouse	\$224,900
2740 10th Ct.	Olympia	2007	1,794	3/2.5	Townhouse	\$219,900
508 Bungalow	Olympia	2006	1,315	2/2.5	Townhouse	\$192,500
3542 Surrey	Olympia	2006	1,320	2/2.5	Townhouse	\$177,900
1710 Evergreen Park Lane	Olympia	1972	1,727	3/2.5	Townhouse	\$175,000
3355 Simmons Mill Ct	Olympia	2004	1,505	2/2.5	Townhouse	\$129,900
1801 Evergreen Ct. #18	Olympia	1971	1,344	3/2.5	Townhouse	\$125,000
1417 Evergreen Park Dr #104	Olympia	2008	996	2/1.75	Flats	\$125,000
3506 Pifer #13	Olympia	1962	952	2/1	Co-op	\$100,000
3506 Pifer #14	Olympia	1962	952	2/1	Co-op	\$99,000
1417 Evergreen Park Dr	Olympia	2008	996	2/1.75	Flats	\$95,000
2300 9th SW	Olympia	1974	896	2/1.5	Flats	\$87,500
4144 Cameron Ln. #22	Lacey		1,820	2/2.5	Townhouse	\$289,950
4150 Cameron Ln. #23	Lacey		1,664	3/2	Townhouse	\$284,950
3951 Jett Lane #56	Lacey		1,820	3/2.5	Flats	\$274,950
3947 Jett Ln. #57	Lacey		1,664	2/2.5	Flats	\$259,950
6637 Riviera Ct. SE	Lacey		1,629	2/2.5	Flats	\$249,000
7117 Spence	Lacey	2015	1,836	3/2.25	Townhouse	\$234,900
7105 Spence	Lacey	2015	1,836	3/2.25	Townhouse	\$231,900
7109 Spence	Lacey	2015	1,836	3/2.25	Townhouse	\$228,900
7115 Spence	Lacey	2015	1,836	3/2.25	Townhouse	\$224,900
7107 Spence	Lacey	2015	1,836	3/2.25	Townhouse	\$224,900
7340 33rd NE	Lacey	2008	2,200	3/2.25	Townhouse	\$217,900
6600 Rudell Rd.	Lacey	2008	1,342	2/2.5	Townhouse	\$209,900
2347 48th Ave.SW #B	Tumwater	1999	2,876	2/2.5	Townhouse	\$349,900
3445 Simmons Mill SW	Tumwater	2003	1,724	3/2	Flats	\$192,500
3694 Simmons Mill SW	Tumwater	2002	1,850	3/2.5	Townhouse	\$129,950
3350 Simmons Mill SW	Tumwater	2000	1,505	2/2.5	Townhouse	\$129,900
220 Israel Rd.	Tumwater	1987	900	2/1.75	Flats	\$80,000
1500 Lake Park Dr.	Tumwater	1975	1,292	2/1.5	Flats	\$75,900
Source: Windermere Real Estate, December, 2015.						

POTENTIAL RESIDENTIAL DEMAND

The city expects that approximately one-quarter of the projected increase in City population over the next 20 years will locate Downtown. This increase would represent 2,500 to 3,500 additional housing units depending on the average household size. At one end of the range, an average size of 2.0 persons per household is slightly below the average for the entire city in 2010. At the other end, an average size of 1.5 is slightly below the average for the area of Downtown south of Legion in 2010. The projected distribution of new units for townhouse, lowrise (2-3 stories), and midrise (4-6 stories) is shown in Table VI-5. The distribution is based on the likely household composition and income levels of new residents. As shown in the first columns of the table, the household distribution in 2010 was 24% family households with children under 18, 28% family households without children under 18, and 49% nonfamily households. The median income level for each segment is derived from census data as well. The distribution by unit type for each household segment is based on the following:

Family households with children under 18 are more likely to choose a townhouse.

Family households without children, and with higher incomes are more likely to choose a midrise unit.

Non-family households, with moderate incomes are more likely to choose a lowrise unit.

As shown in the table, the projected demand by unit type over the twenty year period is:

Townhouses	684 to 958 units
Lowrise (2-3 stories)	1,097 to 1,536 units
Midrise (4-5stories)	<u>719 to 1,006 units</u>
Total	2,500 to 3,500 units

The townhouse units will likely be a mix of units for sale and for rent. The lowrise and midrise units will be predominately for rent at least in the foreseeable future. As rents rise, there will be more interest in condominiums. Developers will be more inclined to respond to that interest if laws are changed to limit liability for construction defects.

**Table VI-5
Projected Downtown Housing Growth
2015 to 2035**

Smaller Average Household Size							
	Households 2010	% of Total	Med. Inc.	Townhouse	Lowrise	Midrise	Total
Family Households w/ Childen under 18	4,908	23.6%	\$76,467	496	248	83	827
Family Households w/o Childen under 18	5,764	27.8%	\$83,271	292	97	583	972
Non-Family Households	10,089	48.6%	\$35,438	170	1,191	340	1,701
Total	20,761	100.0%		958	1,536	1,006	3,500
Larger Average Household Size							
	Households 2010	% of Total	Med. Inc.	Townhouse	Lowrise	Midrise	Total
Family Households w/ Childen under 18	4,908	23.6%	\$76,467	355	177	59	591
Family Households w/o Childen under 18	5,764	27.8%	\$83,271	208	69	416	694
Non-Family Households	10,089	48.6%	\$35,438	121	850	243	1,215
Total	20,761	100.0%		684	1,097	719	2,500

Source: Property Counselors

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

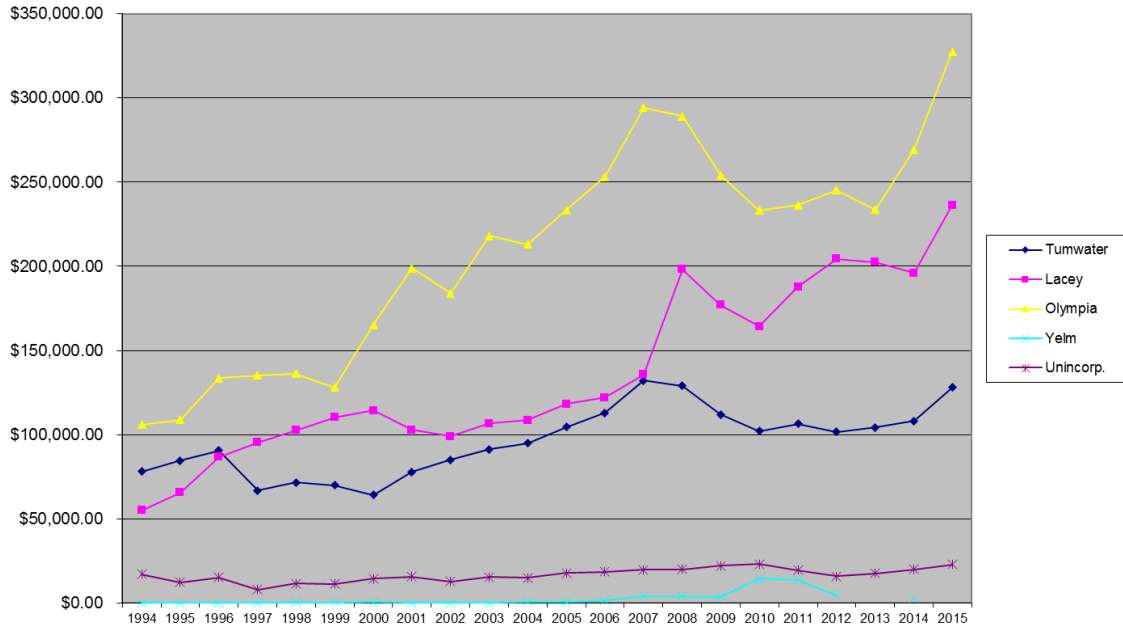
The lodging market in Thurston County has been somewhat stable in the past year. As summarized in Table VII-1, average occupancy was unchanged at 60%, a level below the target rate to attract new entrants to the market. At the same time, the average room rate increased at a rate of 3.2%, a rate above the rate of inflation.

Table VII-1
Thurston County Hotel Market Performance

	2013	2014	% Change
Room Occupancy	60%	60%	0.0%
Average Room Rate	\$95	\$98	3.2%
Revenue per Available Room	\$58	\$59	2.1%

Source: Kidder Mathews Real Estate Market Review

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, but have recovered strongly since then. Olympia captures the largest share of lodging activity, followed by Lacey.

Figure VII-1**Distribution of State Shared Hotel Tax by Jurisdiction
Thurston County 1994-2015**

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 similar area market share at 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 non-discounted 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 \$99 for lodging and \$69 for food. The per diem rate for lodging approximately equal to the average daily rate shown in Table VII-1, reflecting the impact of government travel on the local lodging market.

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 2,000 guestrooms in the Olympia market area, with 36 percent in Lacey, 34% percent in Olympia, and 26% in Tumwater.

Table VII-2
Summary of Thurston County Hotel Inventory

	Location	City	Rooms	Avg Room Rate	Meeting Space *	Food Service
Governor Hotel	621 Capitol	Olympia	119	121.00	150	Restaurant
Doubletree	415 Capitol Way N.	Olympia	102	149.00	120	
Quality Inn	1211 Quince	Olympia	63	79.00	100	
Ramada	4520 Martin Way	Olympia	125	121.00	100	
Red Lion	2300 Evergreen Boule	Olympia	190	99.00	480	Restaurant
Town Place Suites	900 Capitol Way	Olympia	71	159.00	45	
Subtotal			670			
Best Western Plus	8326 Quinault	Lacey	82	\$130.00	80	
Candlewood Suites	4440 3rd Ave. SE	Lacey	91	129.00	40	
Comfort Inn Lacey	4700 Park Center NE	Lacey	69	99.00		
Holiday Inn Express	4460 3rd Ave. SE	Lacey	81	121.00	40	
Days Inn	8200 Quinault DR. NE	Lacey	124	65.00	40	
La Quinta Inn & Suites	4704 Park Center Ave	Lacey	89	94.00		
Quality Inn & Suites	120 College Way	Lacey	77	80.00		
Super 8	111 College Way	Lacey	100	55.00		
Subtotal			713			
Best Western	5188 Capitol Bouleva	Tumwater	89	114.00	40	
Comfort Inn & Conference	1620 74th SW	Tumwater	58	98.00	200	
Extended Stay of America	1675 Mottman	Tumwater	107	85.00		
Guesthouse Inn and Suites	1600 74th SW	Tumwater	59	90.00		
Motel 6	400 Lee St.	Tumwater	119	49.00		
La Quinta	4650 Capitol Way	Tumwater	80	95.00		
Subtotal			512			
Prairie Hotel	700 Prairie Lane	Yelm	67	99.00	100	
Total			1,962			
* Capacity of largest room with banquet seating.						

Source: Thurston County Visitor and Convention Bureau, Property Counselors

Of the 21 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 Towne Place Suites opened in Downtown Olympia in January 2016 after a major renovation. The Tumwater La Quinta opened in 2015. A Hampton Inn and Suites is

scheduled to open with 126 rooms at 4301 Martin Way in Olympia in June 2016. A 118 room Hilton Garden Inn is under construction on Henderson Boulevard in Olympia. A Marriott Courtyard is proposed for an adjacent site.

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.

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 2.3% between 1994 and 2015, a very challenging period for the industry. Future growth is assumed at 2.0% to 3.0%. The City's current share of county-wide room revenue was 46% in 2015 down from 51%% in 2003. Olympia should be able to maintain that share and even increase it somewhat based on likely enhancements to Downtown. In the high growth projection, that share is projected to grow to 50%, still below its historical high. The Downtown's share of Olympia 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 area over the next 20 years is projected to range from 138 to 311. A portion of the new 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 Downtown as the center of the local lodging and entertainment sector.

**Table VII-3
Projected Hotel Demand
2015 to 2035**

Baseline Projection				
		2015	2025	2035
Real Growth Rate				
2015-2025	2.0%			
2025 to 2035	2.0%			
City Share		45.0%	45.0%	45.0%
Downtown Share		45%	45%	45%
Thurston County				
Projected Tax		715,025	871,612	1,062,490
Projected Room Revenue		35,751,259	43,580,585	53,124,490
Olympia		16,088,067	19,611,263	23,906,021
Downtown		7,239,630	8,825,069	10,757,709
Avg Room Rev.		\$25,500	\$25,500	\$25,500
Supportable Rooms		284	346	422
Increase			62	76
High Projection				
		2015	2025	2035
Real Growth Rate				
2011-2021	3.0%			
2021 to 2031	3.0%			
City Share		50.0%	50.0%	50.0%
Downtown Share		55%	55%	55%
Thurston County				
Projected Tax		715,025	960,934	1,291,415
Projected Room Revenue		35,751,259	48,046,703	64,570,751
Olympia		17,875,630	24,023,351	32,285,375
Downtown		9,831,596	13,212,843	17,756,956
Avg Room Rev.		\$25,500	\$25,500	\$25,500
Supportable Rooms		386	518	696
Increase			133	178

Source: Property Counselors

The projected demand can be summarized as follows:

	Base Case	High Case
2015 to 2025	62 rooms	133 rooms
2025 to 2035	76 rooms	178 rooms
2015 to 2035	138 rooms	311 rooms

In order to capture demand at the high end of the range, Downtown will need to maintain its identity as the premier lodging venue in the county. Upgrades to the streetscape, growth in the food service and entertainment sectors, and overall growth and development in Downtown will contribute to this result.