

WOODLAND DISTRICT STRATEGIC PLAN

MARKET ANALYSIS

PREPARED FOR:

**CITY OF LACEY
THURSTON REGIONAL PLANNING COUNCIL AND
AECOM**

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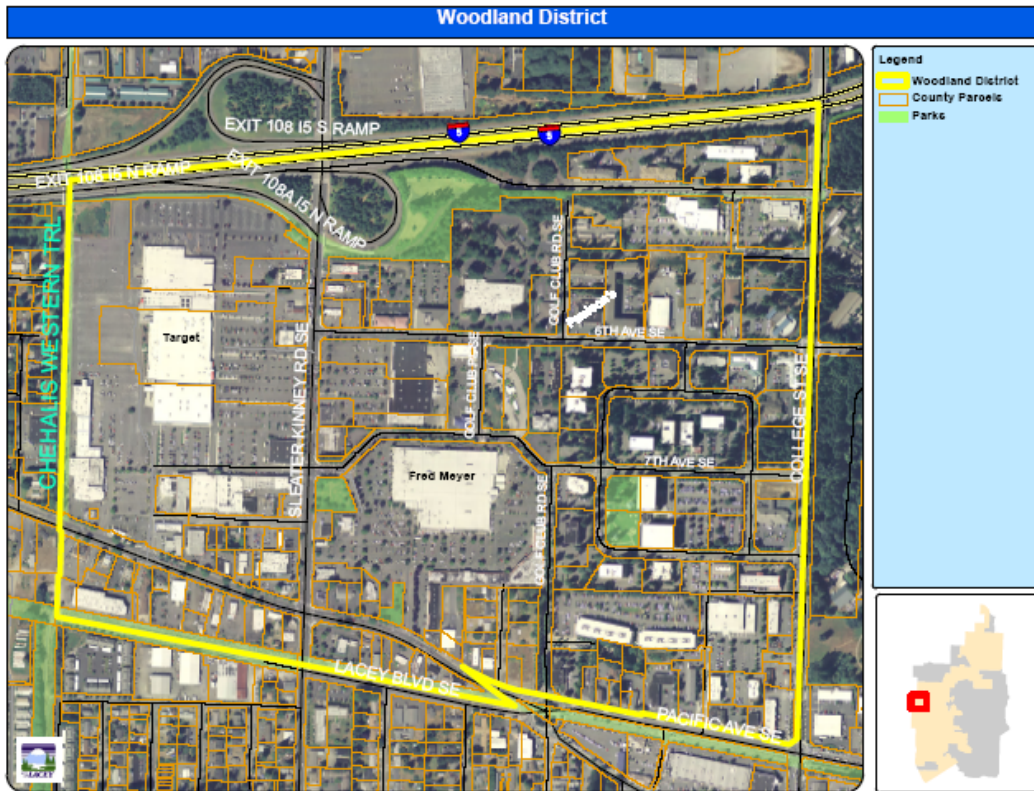
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I. INTRODUCTION AND SUMMARY

INTRODUCTION

The Woodland District in Lacey is one of the major commercial centers in the area. It includes the South Sound Center, one of the largest retail complexes in Thurston County as well as a major office concentration, and is adjacent to St. Martin's University and City of Lacey facilities. The District is linked to the rest of the region by the I-5 freeway, major arterials, and an established trail network. The South Sound Center has adapted over time shifting from an enclosed regional mall to an outside-oriented power center. The office center grew rapidly with the expansion and geographic dispersal of State office functions. The City adopted a plan for the area in 2000 that identified a vision of a vibrant mixed use district of residential, office, service uses and parks connected by paths and walkways.

**Figure I-1
Woodland District Study Area Boundaries**



In recent years there have been progress and challenges in meeting that vision. While there has been mixed use development in the area, there have also been increased vacancies in commercial buildings as the State has retracted and consolidated its operations. These conditions provide a need to stimulate desirable development in the area, but also an opportunity to redevelop key properties to achieve the vision. Thurston Regional Planning Council (TRPC) and the City of Lacey are working together to prepare a strategic plan for the Woodland District. The goal of the plan is to identify economic opportunities, physical improvements and collective actions that can speed the transformation of the Woodland District. A market study of the potential demand for new development is the first step in identifying economic opportunities.

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

- I. Introduction and Summary
- II. Economic and Demographic Overview
- III. District Profile
- IV. Demand for Retail
- V. Demand for Office
- VI. Demand for Residential
- VII. Demand for Lodging

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

SUMMARY

ECONOMIC AND DEMOGRAPHIC OVERVIEW

The State of Washington is the largest employer in Thurston County with 24% of total wage and salary employment. State employment has declined since its peak in 2008. Lacey's share of State employment declined from 16% in 2003 to 13% in 2008 and further this year. Much of that decline has occurred in buildings in the Woodland District. Lacey attracts military personnel and their families from the growing Joint Base Lewis McCord (JBLM) in adjacent Pierce County.

Lacey is the second largest and fastest growing of the three major cities (Lacey, Olympia, and Tumwater) in the county. The average household size in Lacey is higher than in the other two cities; the median age is lower; and the median income is lower.

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

DISTRICT PROFILE

The Woodland District is 207 acres in size with 159 dwelling units and 2.3 million square feet of commercial buildings. It is home to approximately 350 businesses with over 4,800 total employees. The business mix is noteworthy for three sectors: government (with 23% of total employment), general merchandise (19%) food services (12%), and health care and social assistance (11%). Employment represents approximately 20% of that for the City as a whole. Hawks Prairie has captured a major share of city-wide retail development in recent years.

In addition to the shopping center and state offices, major activity generators are Saint Martin's University, Panorama City, and the South Puget Sound Community College which recently purchased a site in the District for a satellite campus.

The area is served by several high volume arterials, and many District businesses are auto-oriented. They serve a combination of local users (within the City) and regional users (Thurston County and South Puget Sound).

Interviews with business owners conducted by the Thurston Economic Development Council (EDC) indicate that businesses are stable or growing, and that the major positives are its central location, access to I-5, adequate parking, and strong anchor retail tenants. The major negatives are limited visibility of some sites, congested intersections, one way streets, and vagrants/loitering. The major challenges are the general economy and the reduction in State office employment.

DEMAND FOR RETAIL

Lacey taxable sales grew at an average annual rate of 7.7% per year between 2004 and 2010. Sales in retail trade and selected services grew by 50% in Lacey over the period and declined or remained constant in Olympia and Tumwater. Generally, the County as a whole and all three major cities captured sales that exceeded estimated spending by residents. Lacey is particularly strong as an attractor for Sporting Goods and General Merchandise, reflecting the presence of several national general merchandise stores as well as destination outdoor retailer Cabela's. Lacey does experience leakage in motor vehicle sales, gas stations and convenience stores, apparel and accessories, and personal services.

Lacey has two strong regional retail concentrations with big box stores in the Hawks Prairie area as well as Woodland. Woodland is well served by traditional neighborhood scale retail businesses offering groceries and health/drug items.

The District should be able to continue to capture a share of city-wide retail demand, and an increase in pedestrian-oriented retail as the area transforms.

DEMAND FOR OFFICE

State-occupied office space represented 46% of total office space in Lacey in 2008, with a decline since that year. With reductions in State employment and leases up for renewal in several buildings, the state moved to consolidate its occupancies to buildings outside Lacey.

The number of office-using employees in the City of Lacey is projected to grow by 6,700 over a 23 year period. The District currently provides 60% of office space developed in the City over the past 15 years in the City. With the projected growth in office-using employment and historic capture rates, the current vacancies in the district represent 9 to 13 years of projected office absorption.

DEMAND FOR RESIDENTIAL

Lacey has historically provided a lower share of housing units in multifamily than the other two major cities. Multifamily development in Lacey peaked in 2005/2007 along with housing development in general. Lacey apartments currently report a low vacancy rate of 4.8%, but average rents are lower than for the County as a whole. Newer buildings in the County and Lacey are generally two to three stories with carports or under-building parking. Prevailing rents are at levels that can support development of this type. Sixth Avenue Place apartments were completed in the Woodland District in 2007. While lease-up of the building was slow, it is currently fully occupied although. Current rents are somewhat lower than for other newer apartments in the County. This experience indicates that that the District can support quality multifamily development. Condominium sales in the County have begun to increase and prices have stabilized, but it's unlikely that condominiums will represent a major segment of the multifamily activity in the foreseeable future.

Thurston Regional Planning Council (TRPC) sponsored a housing market analysis for key focus areas in the County, including the District. Projected county-wide demand over the period 2010 to 2030 is 12,421 units, 10,212 of which are multifamily units. The Headwaters/Woodland District (an area larger than the Woodland District itself) is projected to capture 17% of the total, equal to 2,055 units. The District share was assumed as the same share as current dwelling units in the focus areas. With an increase in the District share as a result of District improvements, the District could capture as many as 2,733 units of the County total. While the housing projections for other focus areas assume new investment as well, the upper end of the range would reflect increased relative desirability of the District.

The housing demand projections were based on current Thurston Regional Planning Council (TRPC) housing forecasts. Those forecasts are being updated, and the increased population is likely to be 15% to 20% lower than in the current forecasts for 2030.

Discounting the housing demand projections by these factors yields the following estimates of demand for the next 20 years:

Townhouse	185 to 264 dwelling units
Low-rise (1 to 2 stories)	370 to 423 dwelling units
Mid-rise (3 to 6 stories)	185 to 370 dwelling units
High-rise (9 or more stories)	<u>0 dwelling units</u>
Total	740 to 1,056 dwelling units

DEMAND FOR LODGING

The lodging industry has suffered major shocks over the past decade. Occupancy rates dropped dramatically after 2008 and have only now recovered, while average daily room rates are still at 2006 levels. Lacey’s share of hotel room revenue activity in the County has grown from 23% in 2007 to 33% in 2011.

There are approximately 1,800 guest rooms in Thurston County, with 39% of those in Lacey. Of the 18 major hotels in the County, only two are full service hotels, and only eight have significant meeting facilities. The Holiday Inn Express and Candlewood Suites are located in the District and are two of the newer properties in the County.

The historical real growth rate for the hotel room revenues was 2.5% per year between 1997 and 2011, a very challenging period. With real growth of 3.0% to 3.5% per year, and a constant or increased capture rate, the number of supportable hotel rooms could increase in a range of 114 to 309. The baseline projections reflect a lower capture rate than the Hawks Prairie area because of its proximity to JBLM. In order to capture demand at the higher end of the range, the District will need to establish itself as a preferred location because of a broader range of visitor services and an attractive setting. The area could take advantage of its proximity to the Worthington Center on St. Martin’s campus to attract additional group business.

SUMMARY OF POTENTIAL DEMAND

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

**Table I-1
Summary of Projected Demand**

Base Case	2010-2020	2020-2030	2010-2030
Residential Units			
Townhouse	83	102	185
Low rise (1 to 2 stories)	166	203	370
Mid Rise (3 to 6 stories)	83	102	185
High Rise (9 or more stories)	-	-	-
	<u>333</u>	<u>407</u>	<u>740</u>
Retail Square Feet	100,000	124,000	224,000
Office Square Feet	162,000	198,000	360,000
Hotel Rooms	50	64	114
Increased Share			
	2010-2020	2020-2030	2010-2030
Residential Units			
Townhouse	119	145	264
Low rise (1 to 2 stories)	190	232	422
Mid Rise (3 to 6 stories)	166	203	370
High Rise (9 or more stories)	-	-	-
	<u>475</u>	<u>581</u>	<u>1,056</u>
Retail Square Feet	178,500	212,500	391,000
Office Square Feet	229,500	280,500	510,000
Hotel Rooms	130	179	309

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

- Establishment of a positive identity.
- Improvements to traffic flow.
- Improvements to streetscape.
- Improvements to walkability.

II. ECONOMIC AND DEMOGRAPHIC OVERVIEW

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

- Employment
- Population
- Population Characteristics
- Visitor Activity

EMPLOYMENT

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

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

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

Source: Washington State Employment Security Department

The largest employers are shown in Table II-2. The figures show that employment in the area is dominated by institutions and retailers. Affiliated Computer Services, St Martin’s University and Cabela’s are located in Lacey, as well as Walmart, Safeway and Target stores.

**Table II-2
Thurston County
Top Ten Employers - 2011**

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

Source: Thurston Regional Planning Council

The share of State employment located in Lacey decreased from 16% in 2003 to 13% in 2008. Over that period, Tumwater’s share has increased from 26% to 33%. Lacey’s share of State employment has dropped further since 2008.

**Table II-3
State Employment Distribution Trends**

Employment

	1994	1998	2003¹	2008	Growth
Lacey and UGA	2,620	2,570	3,550	3,150	530
Olympia and UGA	12,300	14,260	12,040	12,210	(90)
Tumwater and UGA	4,120	3,720	6,030	7,970	3,850
Other Thurston county	790	1,200	1,210	1,210	420
Total	19,830	21,750	22,830	24,540	4,710

Percent of Total

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

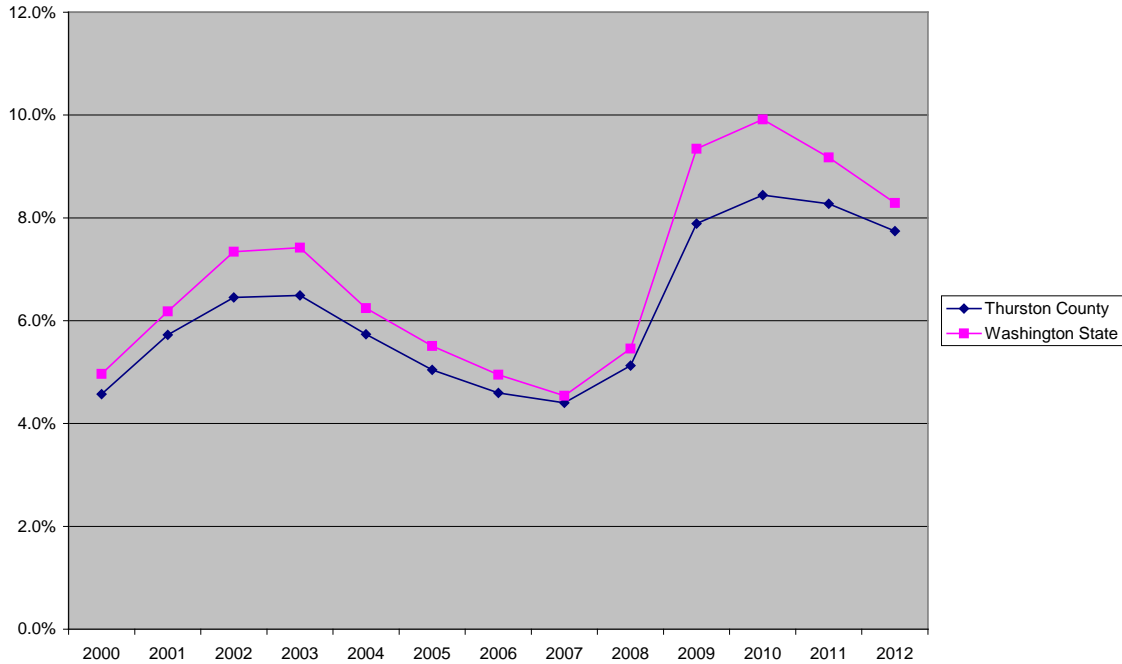
¹2003 employment numbers allocated to 2005 locations.

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

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

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

Unemployment Rate Thurston County and Washington State



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

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

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

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

Source: Thurston Regional Planning Council, 2012

The military is an important sector in Thurston County. Although there are no major facilities in the county, Joint Base Lewis and McCord (JBLM) to the north in Pierce County has a strong impact on residential and commercial demand. As shown in Table II-5, Thurston County houses 3,556 active duty military personnel with many of them living in Lacey and eastern Thurston County. 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:

- 65% of active duty personnel responding to the survey have children.
- 72% of active duty personnel or spouses responding to the survey live off-base.
- 19-28% of respondents indicated that they live off base for the amenities, fenced back yards, and schools.
- 70% of respondents plan to remain in the region for their next deployment.

- 45% of off-base respondents transitioning out of military in next five years would like to remain in the region.

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

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

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

Source: Office of Financial Management, Population Trends 2011.

POPULATION

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

**Table II-6
Population Growth Trends
Thurston and Adjacent Counties**

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

Source: Washington State Office of Financial Management

Lacey is the second largest of the cities in Thurston County, but its surrounding urban growth area (UGA) is the largest of the cities as shown in Table II-7. It should be noted that the population projections are being updated by TRPC, and projected growth rates are likely to be lower than the rates in the prior projections.

**Table II-7
Population Growth Trends
Thurston County Cities**

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

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

POPULATION CHARACTERISTICS

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

Household Size: Lacey has an average household size equal to that for the county as a whole, but higher than that for the other major cities. There are more families in Lacey, at least partly due to JBLM.

Age: The median age in Lacey is much lower than the County median and the other two major cities. Again, this reflects more families in the city.

Population Growth: Lacey grew faster than the County as a whole and the other two major cities over the last two decades, but slower than Yelm.

Ethnicity: There is somewhat less ethnic diversity in the city than in the remainder of the county.

Income: The median income in Lacey is lower than for the county as a whole.

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

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

Source: TRPC Profile 2011

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

Table II-9**Median Household Income Growth**

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

* Preliminary estimate. ** Projection.

Source: Washington State Office of Financial Management Forecasting

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

COMMERCIAL AND INDUSTRIAL DEVELOPMENT

Commercial and industrial development in the County is spread among the three largest cities, smaller cities and unincorporated areas. Table II-10 summarizes the distribution by geographic area and building type. Office space is the largest single category of space. Olympia has the largest concentration of such space. Industrial space is the next largest category with Lacey and Tumwater holding the largest shares. Retail is the next largest category with Olympia holding the largest share, followed closely by Lacey.

**Table II-10
Commercial and Industrial Space Inventory 2010**

	Government					Total
	Office Owned	Private Office	Retail	Service	Industrial	
Lacey and UGA	505,000	2,250,000	4,050,000	284,000	5,821,000	12,910,000
Olympia and UGA	2,357,000	5,110,000	4,874,000	494,000	1,973,000	14,808,000
Tumwater and UGA	1,015,000	2,075,000	1,177,000	237,000	4,905,000	9,409,000
Yelm and UGA	30,000	221,000	655,000	123,000	471,000	1,500,000
Other	180,000	105,000	544,000	683,000	1,022,000	2,534,000
Total County	4,087,000	9,761,000	11,300,000	1,821,000	14,192,000	41,161,000

Source: Thurston Regional Planning Commission, *The Profile 2011*

The amount of commercial and industrial space in Lacey developed over the past fifteen years can be derived from building permit data. Table II-11 shows the breakout of new space designated broadly by geographic area. Central Lacey is defined broadly as the study area and property south to 20th SE and east to Ruddell Road. Hawks Prairie is defined broadly as the area extending east and west of Marvin Road on both sides of I-5. As shown in the table, much of the newer retail development has occurred in Hawks Prairie, while newer office space has been built in central Lacey.

**Table II-11
New Commercial and Industrial Space in Lacey 1997 to 2012**

	Local	Mfg./	Retail	Services	Trans/Comm/	Total
	Govt	Wholesale		FIRE	Utilities	
Hawks Prairie	15,820	4,545,325	1,147,770	608,111	-	6,317,026
Central Lacey	223,750	17,176	263,678	1,720,266	2,288	2,227,158
Other	187,294	42,190	317,917	486,296	-	1,033,697
Total	426,864	4,604,691	1,729,365	2,814,673	2,288	9,577,881

Source: TRPC Building Permit Data, Property Counselors

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-12.

Table II-12
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 offers a wide variety of natural, cultural and historical attractions including:

Museums and Historical Attractions

Parks Trails and Nature Preserves

Recreational Facilities

Shops and Stores

Parks

Indoor Recreation and Entertainment

Farmers Market and Wineries

Various Performing Arts Organizations and Venues

Community Festivals and Events

Several regional trails pass through Lacey; Lacey hosts a regional sports facility; and the Cabela's store attracts customers from throughout the region.

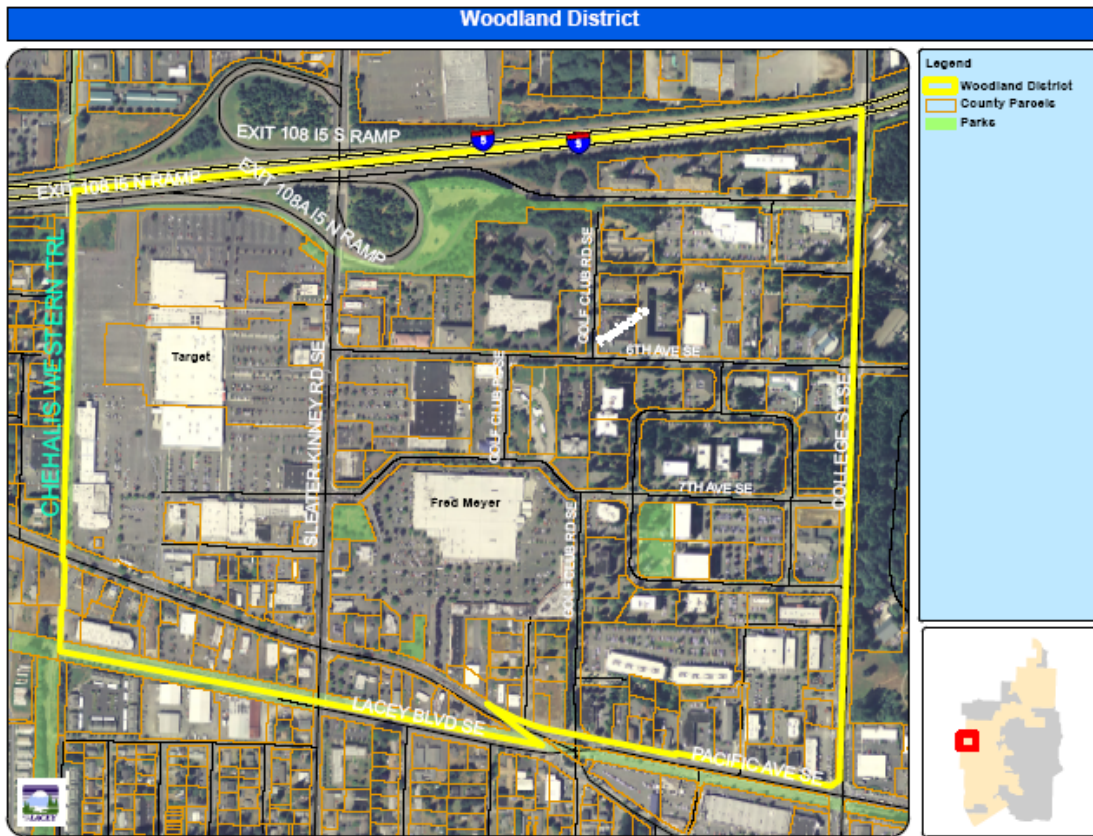
III. DISTRICT PROFILE

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

LAND USE

The study area extends from I-5 on the north to Lacey and Pacific Avenues on the south, and from the Chehalis Western Trail on the west to College Street on the east, as shown in Figure III-1.

**Figure III-1
Woodland District Study Area Boundaries**



The properties in the District total 207 acres in land area. The breakout of these parcels by land use is summarized in Table III-1. The predominate land use is commercial with 85% of the land area as retail or office uses. There are 2.3 million square feet of commercial with approximately 45% of that in retail use, and 55% in office use. There are 159 housing units with 101 of those in a mixed use building on 6th Avenue.

**Table III-1
Land Use by Type-Woodland District**

	Land Area	Dwelling Units			Commercial Sq. Ft.
		Single	Multi	Total	
Manufacturing	4.06	-	-	-	42,335
TCU	0.79	-	-	-	1,549
Retail	110.37	-	-	-	992,838
FIRE Services	64.90	1	1	2	1,209,021
Government	3.45	-	-	-	8,826
Mixed Use	1.94	-	101	101	8,900
Single Family	6.75	11	18	33	-
Multifamily	0.83	-	23	23	-
Parks Open Space	8.50	-	-	-	-
Undeveloped	5.67	-	-	-	-
Total	207.26	12	143	159	2,263,469

Source: Thurston County Assessor, Property Counselors.

BUSINESS MIX

The number of businesses and employment is summarized in Table III-2. The businesses were identified by type in a list provided by the State Department of Revenue through TRPC. The list was cross-checked by a business list from the Polk Directory. The employment estimates were derived in four ways:

- The Thurston Economic Development Council (EDC) recently completed a survey of 80 businesses in the Woodland District. Survey respondents provided employment figures for their businesses
- Employment at the large retailers was estimated at 2 employees per 1000 square feet.
- Employment in other businesses was estimated as the average employment for businesses in the County in each category according to Department of Employment Security.
- State employment estimates were provided by building and department by TRPC.

As shown, there are approximately 350 businesses in the District with an estimated employment of 4,800. The sectors with the most businesses are health care/social services, personal services, professional/scientific/technical, finance and insurance, and limited service restaurants. In terms of total employment government is the largest sector, although State has declined by approximately 300 with relocation to other areas in the past year.

**Table III-2
District Businesses and Employment**

NAICS	Business Type	Businesses	Employment
236	Building Construction	4	12
238	Special Trade Contractors	6	30
311	Food Manufacturing	2	12
323	Printing and Related Services	1	9
324	Petroleum and Coal Products	1	7
339	Miscellaneous Manufacturing	4	12
423	Wholesale Durable Goods	4	20
424	Wholesale Non durable Goods	1	5
441	Motor Vehicle & Parts	10	190
442	Furniture & Home Furnishings	5	25
443	Electronics and Appliance	5	20
445	Food and Beverage	2	8
446	Health & Personal Care	11	44
447	Gasoline Station	5	35
448	Clothing & Accessories	8	32
451	Sporting Goods, Hobby, Book, Music	9	36
452	General Merchandise	5	905
453	Miscellaneous Store Retailers	23	92
454	Non Store Retailers	1	5
488	Transportation support	1	4
511	Publishing Industry	1	4
515	Broadcasting	1	4
517	Telecommunications	2	8
518	Data Processing & Hosting	1	2
522	Credit Intermediation	18	162
524	Insurance Carriers	7	14
531	Real Estate	5	65
532	Rental & Leasing	3	12
541	Professional Scientific & Technical	36	216
561	Administration and support	19	190
611	Education	3	12
621	Ambulatory Health Care	43	516
622	Hospitals	1	12
624	Social Assistance	8	16
711	Performing Arts, Spectator Sports	1	6
713	Amusement, Gambling & Recreation	2	12
721	Accommodations	2	56
722	Restaurants, Food Services & Drinking	36	576
811	Repair and Maintenance	14	70
812	Personal Services	39	195
813	Religious, Civic & Professional Organizations	2	8
920	Public Administration	1	1,099
		353	4,758

Source: Washington Department of Revenue, Property Counselors

The second largest sector in the District is General Merchandise. Fred Meyer, Target, Sears, Kohl's, and Marshal's are major retailers located in the district. The next largest

segment is eating and drinking, with most major national quick serve franchises in the area, as well as local quick serve, national and local full service restaurants.

District employment can also be expressed as a share of City-wide employment. The comparison isn't totally accurate because the most recent estimates for City-wide employment are from 2003, but the figures are illustrative of the role of the District in the City economy. District employment in the retail and services categories exceeds 25%. This share has undoubtedly declined since 2003 with the extensive commercial development in the Hawks Prairie area.

**Table III-3
District Employment as % of City Employment**

	Woodlands	Lacey UGA 2003	Woodlands as %
Resources		376	0.0%
Construction	42	1,309	3.2%
Manufacturing	40	679	5.9%
Communications Transportation Utilities	22	853	2.6%
Wholesale	25	603	4.1%
Retail	1,392	4,949	28.1%
Finance Insurance Real Estate	253	1,896	13.3%
Services	1,885	6,939	27.2%
Government	1,099	6,796	16.2%
Total	4,758	24,400	19.5%

Source: TRPC, Property Counselors

TAXABLE SALES AND BUSINESS PERFORMANCE

Economic activity in the District 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. Taxable sales for the District are being compiled by the City of Lacey Finance Department. They are not available at this time, but will be incorporated in this report in the future.

TRAFFIC VOLUMES

The District is bordered by several of the busier arterials in the City. Traffic volumes are an important factor for retail and service businesses relying on vehicular traffic. Traffic volumes for selected arterial are summarized in Table III-4.

**Table III-4
Traffic Volumes Selected Arterials-2010**

Arterial	Location	Average Daily Weekday Traffic
Sleater-Kinney	North of 7 th	17,579
College	South of 3 rd	33,275
Pacific	East of Sleater-Kinney	23,669
Lacey	East of Golf Club	6,817
6th	East of Golf Club	14,938

Source: City of Lacey

ACTIVITY GENERATORS

In addition to the commercial businesses and the State offices, there are three new or nearby uses that represent a particular source of demand for all businesses.

South Puget Sound Community College recently purchased the eight acre Rowesix property on 6th Avenue in the Woodland District for a satellite campus. The property includes 98,000 square feet of buildings. Long-term the college will develop a permanent campus on property it owns in Hawks Prairie, but this site will meet interim needs.

St. Martin’s University is located immediately east of the District across College Street. St. Martin’s has on-campus enrollment of 1,250 in addition to satellite programs elsewhere in the region. Students are generally required to live on-campus until they are juniors or 21 years of age. Approximately 50% of students reside on campus. The University is on a semester basis with the Fall Semester running from August through December and the Winter Semester running from January through May. The University also operates the Worthington Center which hosts a variety of educational and community meetings and events.

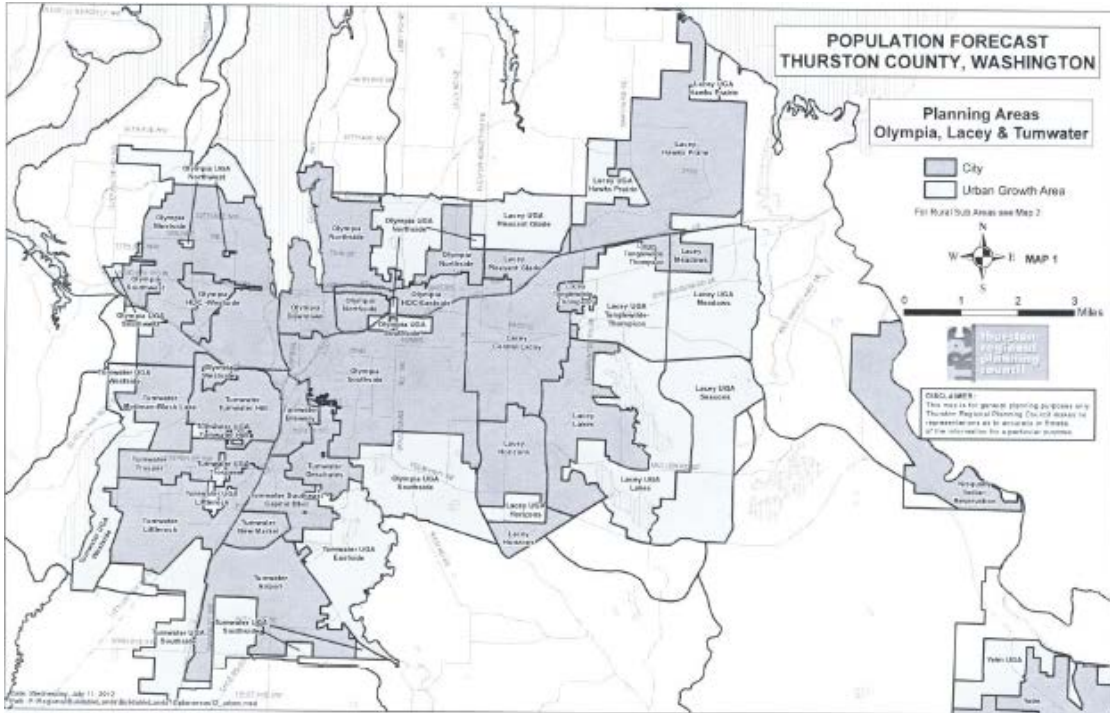
Panorama City is a continuing care retirement community located on 140 acres at 14th and Sleater-Kinney Road. There are 850 homes with a population of 1,250. The property borders the Chehalis Western Trail that connects to the Woodland District.

TRADE AREA SERVED

The EDC survey asked business owners which geographic areas they served. 45% identified their markets as local and 50% identified their markets as regional. The largest retailers have multiple stores in the South Sound area. Smaller retailers that are more

specialized may serve a broader market. Generally, the Woodland area businesses will serve a market area that is limited by the commercial concentration at Hawks Prairie to the east and Olympia Westside to the west. The Woodland trade area can be specified by planning area as shown in Figure III-2. Table III-6 shows population projections for planning areas prepared in 2007. Actual population in most areas exceeds previous projections for 2010, but the figures provide a rough estimate of the trade area population. As shown the Woodland trade area has a population of approximately 50,000, with estimated growth of 25% over the next 20 years.

**Figure III-3
Olympia Lacey and Tumwater Planning Areas**



**Table III-6
Woodland Trade Area Population**

	2007 Forecasts					
	2006	2010	2015	2020	2025	2030
Woodland Trade Area						
Central Lacey	10,910	11,100	11,190	11,510	11,650	11,620
Pleasant Glade-City	850	920	1,050	1,110	1,260	1,370
Pleasant Glade-UGA	1,180	1,480	2,680	3,810	4,820	5,500
Horizons-City	8,420	10,610	11,790	12,700	13,120	13,370
Horizons-UGA	1,620	1,600	1,640	1,650	1,670	1,700
Lakes-City	9,200	9,360	9,610	9,830	10,020	10,130
Lakes-UGA	6,710	6,770	7,300	7,760	8,350	8,890
Total	38,890	41,840	45,260	48,370	50,890	52,580

Source: TRPC

PERCEPTIONS

The EDC interviews with business owners indicated that they were generally optimistic about their status and outlook. They also offered their perceptions of the positive and negative attributes of the District in general and their own location in particular.

Positives

- The location is very central.
- Access to I-5 is very good.
- Adequate parking is available.
- Fred Meyer and South Sound Center are strong attractions.
- Bus service is good.

Negatives

- Business visibility is limited (particularly for several bank locations).
- One way streets are problematic.
- Several intersections are congested.
- Vagrants and loitering are undesirable.
- Regulation of signage is overly restrictive.

The major challenges for the area are general economic conditions and the reduction of State office employment.

IV. DEMAND FOR RETAIL

The District 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 Lacey. As shown, total taxable retail sales in these sectors grew from \$410 million in 2004 to \$688 million in 2011, an annual average growth rate of 7.7 percent, well below the rate of inflation for the period of approximately 2.0%. Retail trade grew at 7.9% percent while the selected services grew at 3.0 percent. General Merchandise, Building Materials, and Food Services were the largest sectors. The fastest growing sectors were General Merchandise, Building Materials, Apparel/Accessories and Electronics/Appliances. The City benefited from the new retail development that occurred in the Hawks Prairie area.

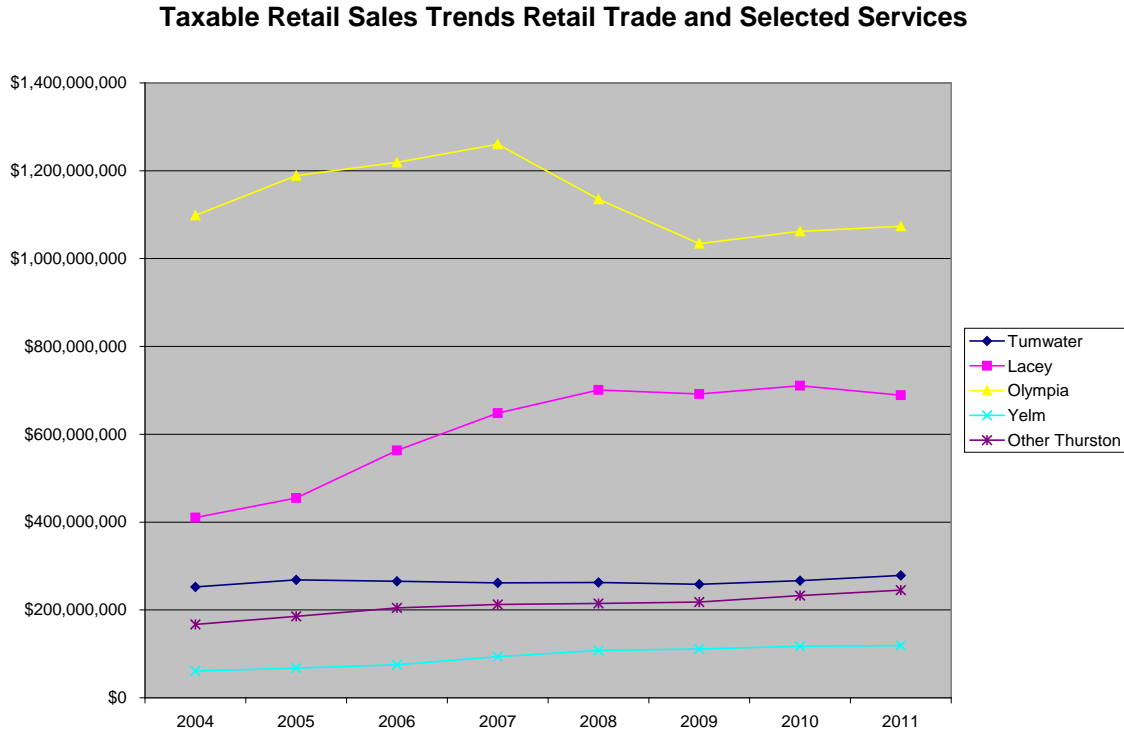
Retail trends differed in other cities in the county. Trends in total retail trade and selected services are shown for the major cities and the remainder of the county in Figure IV-1. As shown Olympia lost retail sales over the period, while the other areas experienced little or no growth.

Table IV-1
Taxable Retail Sales Trends
Lacey

Industry	2004	2005	2006	2007	2008	2009	2010	2011	Avg. Ann. Gr.
Motor Vehicles & Parts	\$37,925,315	\$47,972,526	\$50,263,802	\$52,227,654	\$50,212,239	\$38,476,645	\$40,641,251	\$36,901,980	-0.4%
Furniture & Home Furnishing	21,995,959	22,870,852	27,692,139	27,656,902	21,030,164	15,789,243	16,137,362	16,458,450	-4.1%
Electronics & Appliances	8,243,224	10,309,494	19,274,840	28,406,577	30,987,826	34,825,884	33,061,677	31,883,980	21.3%
Building Materials, Garden Equip	10,224,515	15,199,686	37,670,023	44,952,365	53,315,218	51,829,534	54,158,710	52,775,353	26.4%
Food & Beverage Stores	30,695,985	28,699,495	30,488,538	33,186,913	34,756,787	34,082,066	35,435,374	32,533,432	0.8%
Drug/health Stores	5,628,881	6,360,829	10,225,950	11,203,075	7,939,692	8,345,527	8,723,883	10,096,135	8.7%
Gas Stations & Convenience	4,582,031	5,132,650	5,388,344	7,052,253	7,615,076	7,388,336	6,601,802	7,110,794	6.5%
Apparel & Accessories	4,718,756	4,905,359	5,269,283	11,790,884	19,139,647	19,199,621	20,344,331	20,071,083	23.0%
Sporting Goods, Toys, Book &	10,675,215	10,748,662	16,933,528	35,103,447	72,419,650	74,864,876	79,427,341	77,412,027	32.7%
General Merchandise Stores	156,304,307	167,545,482	205,581,226	229,296,108	223,649,610	226,638,432	229,070,462	212,733,366	4.5%
E-commerce & Mail Order	1,061,915	1,491,815	1,690,996	2,219,120	2,990,135	3,745,444	4,594,388	5,292,670	25.8%
Miscellaneous Retailers	34,289,062	40,762,813	48,725,935	52,272,041	53,942,438	49,631,886	53,180,346	51,418,903	6.0%
Subtotal Retail Trade	\$326,345,165	\$361,999,663	\$459,204,604	\$535,367,339	\$577,998,482	\$564,817,494	\$581,376,927	\$554,688,173	7.9%
Selected Services									
Arts, Entertainment & Recreation	\$4,419,705	\$4,296,010	\$4,786,994	\$5,329,124	\$8,158,455	\$8,150,711	\$8,541,620	\$9,683,607	11.9%
Accommodations	4,286,633	4,543,078	4,846,599	5,717,524	7,233,217	7,726,110	7,477,339	8,351,348	10.0%
Food Services	57,463,544	64,442,352	73,267,000	77,756,219	82,752,764	85,115,040	86,696,606	89,746,036	6.6%
Repair & Maintenance	14,493,543	15,607,660	16,875,646	19,023,907	19,751,162	21,048,956	21,801,140	21,520,973	5.8%
Personal Services	3,319,197	3,971,589	4,253,412	4,712,454	4,814,136	4,870,973	4,844,157	4,854,709	5.6%
Subtotal Selected Services	\$83,982,622	\$92,860,689	\$104,029,651	\$112,539,228	\$122,709,734	\$126,911,790	\$129,360,862	\$134,156,673	6.9%
Total Retail Trade and Selected Services	\$410,327,787	\$454,860,352	\$563,234,255	\$647,906,567	\$700,708,216	\$691,729,284	\$710,737,789	\$688,844,846	7.7%

Source: Washington State Department of Revenue
Property Counselors

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



Source: Washington State Department of Revenue
Property Counselors

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

Table IV-2 Retail Leakage Analysis - 2010

	Tumwater	Lacey	Olympia	Yelm	Other Thurston	Total Thurston
Retail Trade						
Motor Vehicles & Parts	\$20,939,000	\$35,456,000	(\$259,225,000)	(\$79,000)	\$233,876,000	\$30,968,000
Furniture & Home Furnishing	1,351,000	(6,218,000)	(24,297,000)	(1,957,000)	29,845,000	(1,276,000)
Electronics & Appliances	1,014,000	(15,307,000)	(48,494,000)	1,709,000	65,494,000	4,416,000
Building Materials, Garden Equip & Supplies	(22,593,000)	(27,550,000)	(51,468,000)	(7,260,000)	60,607,000	(48,262,000)
Food & Beverage Stores	(13,804,000)	(45,356,000)	(134,769,000)	(25,211,000)	188,146,000	(30,994,000)
Drug/health Stores	8,451,000	(2,340,000)	(50,676,000)	(5,236,000)	85,990,000	36,189,000
Gas Stations & Convenience Stores W/pumps	(51,153,000)	17,248,000	(34,043,000)	(10,149,000)	68,043,000	(10,054,000)
Apparel & Accessories	8,773,000	3,996,000	(49,629,000)	3,343,000	93,377,000	59,859,000
Sporting Goods, Toys, Book & Music Stores	2,512,000	(74,018,000)	(46,443,000)	1,653,000	46,987,000	(69,309,000)
General Merchandise Stores	(179,721,000)	(298,590,000)	(68,194,000)	(62,323,000)	410,024,000	(198,805,000)
E-commerce & Mail Order	3,342,000	8,720,000	(45,010,000)	(4,071,000)	64,915,000	27,895,000
Miscellaneous Retailers	2,644,000	(25,541,000)	(71,712,000)	1,921,000	95,596,000	2,909,000
Total Retail Trade	(218,244,000)	(429,499,000)	(883,961,000)	(107,660,000)	1,442,900,000	(196,464,000)
Selected Services						
Arts, Entertainment & Recreation	(4,670,000)	(3,109,000)	(2,001,000)	(536,000)	19,925,000	9,609,000
Food Services	(15,864,000)	(30,076,000)	(69,333,000)	(9,661,000)	176,745,000	51,811,000
Repair & Maintenance	(4,408,000)	(7,025,000)	(26,832,000)	(1,063,000)	39,017,000	(310,000)
Personal Services	(716,000)	1,003,000	(2,617,000)	(807,000)	17,901,000	14,764,000
Total Selected Services	(25,658,000)	(39,207,000)	(100,783,000)	(12,067,000)	253,589,000	75,874,000
Total Retail Trade and Selected Services	(\$243,903,000)	(\$468,706,000)	(\$984,744,000)	(\$119,727,000)	\$1,696,490,000	(\$120,590,000)

Source: Washington State Department of Revenue
Property Counselors

Thurston County as a whole is a net attractor of retail sales. Each city is a net attractor as well, capturing spending from residents of the unincorporated areas. Lacey is particularly strong as an attractor for Sporting Goods and General Merchandise. This reflects the presence of several national general merchandise stores as well as Cabela's. Lacey experiences leakage in several sectors:

- Motor Vehicles and Parts
- Gas Stations and Convenience Stores
- Apparel and Accessories
- E-commerce and Mail Order
- Personal Services

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

EXISTING DEVELOPMENT

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

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

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

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

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

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

Martin Way in Olympia north of the study area offers a Lowe's Home Improvement Center and at one time a Super K. Martin Village on Martin Way in Lacey offers a Top Food grocery, Shopko general merchandise, and a sixteen screen Regal cinema. It previously included a large home improvement center.

**Table IV-3
Types of Shopping Centers**

<p>Neighborhood Shopping Center</p> <p>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</p>	<p>Lifestyle Center</p> <p>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</p>
<p>Community Shopping Center</p> <p>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</p>	<p>Off-Price Center</p> <p>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</p>
<p>Regional Shopping Center</p> <p>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</p>	<p>Specialty Center</p> <p>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</p>
<p>Super-Regional Shopping Center</p> <p>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</p>	<p>Outlet Center</p> <p>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</p>
<p>Strip Retail Center</p> <p>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</p>	<p>Power Center</p> <p>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</p>

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

**Table IV-4
Regional Shopping Centers in Thurston County**

Name	Location	Sq. Ft.	Year Built	Total Stores	Anchors	Other Major Tenants
Westfield Capital Mall	West Olympia	770,000	1978	120	Macy's	American Eagle
			2006 expansion		JC Penney	Bed Bath and Beyond
					Century Cinema	Best Buy
					TJ Maxx (future)	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	39	Target	Applebee's
			2003		Sears	Carl's Jr.
					Kohl's	Famous Footwear
					Marshal's	Hallmark
					PetSmart	Merle Norman
						Radio Shack
						Red Wing
						Rite Aid
						Skippers
						Taco Bell
						Verizon

Source: Property Counselors

NEIGHBORHOOD SCALE RETAIL

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

Safeway	6200 Pacific 1243 Marvin Rd 4280 Martin Way 4700 Yelm Rd.
Top Foods	5600 Martin Way
QFC	4775 Whitman Lane
Winco	7540 Martin Way
Grocery Outlet	8221 Martin Way
Fred Meyer	700 Sleater-Kinney
Target	665 Sleater-Kinney
Walmart	1401 Galaxy Dr.

An Albertsons store on Pacific was recently designated for closure. The Safeway, Top Foods, QFC, and Winco stores are typical neighborhood scale grocery stores with approximately 50,000 of floor area. Fred Meyer, Target and Walmart are general merchandise stores with large grocery departments. These stores serve trade areas much greater in size than a traditional grocery store.

There are several drugstore/pharmacies in Lacey:

Rite-Aid	691 Sleater-Kinney 8230 Martin Way
Walgreens	4540 Lacey Blvd. 8333 Martin Way
Walmart	1401 Galaxy Dr.

All of the grocery stores in the area have pharmacy departments.

The Woodland District currently includes three neighborhood retail anchors: grocers Fred Meyer and Target, and Drugstores Rite-Aid and Walgreens (just outside study area).

CINEMA/ENTERTAINMENT

Thurston County is currently served by three major multiscreen theaters, the 16 screen Regal Cinema on Martin Way, the 14 screen Century Cinema at Capital Mall and the eight screen Yelm Cinemas at Prairie Park. Based on the national average of .13 screens per 1,000 population, Thurston County could support a total of 33 screens. The existing 38 screens exceed this number. Lacey Cinema was an eight screen theater on Martin Way north of the study area that closed in 2005.

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

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

RETAIL RENTAL RATES

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

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

**Table IV-5
Selected Retail Rents in Thurston County**

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

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

Source: Commercial Brokers Association, Property Counselors

The Woodland District rents are generally at the lower end of the range. Table IV-6 summarizes asking prices for several retail spaces in the District. South Sound Center is the largest retail center in the District. It has a current vacancy rate of 14%, excluding Sears and Target properties which are owned rather than leased. Asking rents for the vacant space are low at \$7 to \$10 per square foot. The other two large centers are Lacey Market Square anchored by Fred Meyer and Lacey Town Square anchored by Walgreens. Both have rents that are in the middle of the range for retail in the County. 1102 College is a recently renovated building to be anchored by Starbucks. It has the highest rents in the District at \$18 per square foot.

**Table IV-6
Selected Retail Rents in Woodland District**

	Address	Available Sq. Ft.	Total Sq. Ft.	Asking Rent /Sq. Ft.*
South Sound Center	653 Sleater-Kinney	51,491	362,108	\$7 to \$12
Lacey Market Square	700 Sleater-Kinney	24,347	276,900	\$15
Lacey Town Square	4520 Lacey	6,566	58,000	\$14
1102 College		6,532	14,112	\$18
South Sound Pavilion	909 Sleater-Kinney	5,250	19,573	\$12
4331 Lacey		4,679	8,171	\$12
44 Building	4444 Lacey	4,416	11,225	\$16
4219 SE 6th		4,296	7,100	\$17

Source: Loopnet, Property Counselors

POTENTIAL RETAIL DEMAND

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

REGIONAL COMPARISON RETAIL

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

LOCAL SERVING RETAIL

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

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

72 square feet per household total supportable retail

40 square feet per household supportable retail in neighborhood retail centers

15 square feet per household supportable retail within walking distance

Based on these factors, the population growth in the Woodland trade area identified in Table III-6 of 11,000 households over the next 20 years would support 440,000 square feet of additional neighborhood scale retail development. Additional residential Development within the District will support pedestrian-oriented retail development. The projected multifamily residential demand of 925 to 1,250 units would support 14,000 to 18,000 square feet of retail development. This figure is relatively small compared to the demand related to the larger trade area.

The office workers in the local area are already a source of retail activity, particularly at lunch time. The loss of State workers in the District has affected local retailers.

With this as background, the long-term retail demand potential for the District is projected using capture rates for Lacey relative to the county as a whole, and the District relative to the City. These projections will require the District sales data that is not available at this time. In the absence of that data, it's possible to make preliminary estimates based on extrapolation of historic absorption rates.

Based on the building permit data in Table II-11, the historical rate of retail development in Lacey has been 115,000 square feet per year over the past 15 years. Since not all of the permitted space has been absorbed, the estimated absorption rate can be discounted to 92,000 square feet per year. Central Lacey represented 15% of the absorption over the period. Considering the total current inventory of retail space in the District from Table III-1, and the current inventory in the entire city from Table II-10, the District's share of retail space is 25%. Using these figures to bracket a range of capture, and the historical absorption rate, future absorption in the District can be estimated at 14,000 to 23,000 square feet per year. These rates can be further discounted by 15% to 20% to reflect the likely lower forecast population growth with TRPC updates. Over a twenty year planning horizon the demand for new retail in the district over the next 20 years would be:

	Base Case	High Case
2010 to 2020	100,000 square feet	178,500 square feet
2020 to 2030	124,000 square feet	212,500 square feet
2010 to 2030	224,000 square feet	391,000 square feet

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

- Establishment of Identity as More than Collection of Shopping Centers
- Extension of Activity Farther into Evening through Encouragement of Residential
- Improvements to Traffic Flow
- Improvements to Pedestrian Accessibility
- Establishment of Distinctive Attractions.

Generally, the District will increase its retail activity by establishing itself, at least east of Sleater-Kinney as a pedestrian-oriented residential and employment center.

V. DEMAND FOR OFFICE

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

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

HISTORICAL OFFICE MARKET ACTIVITY

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

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

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

Source: State Facilities Report
Thurston Regional Planning
Property Counselors

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

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

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

Source: TRPC, Property Counselors

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

State occupied space represents 46% of the total office space inventory in Lacey. Approximately 60% of that is in leased buildings. Remaining State-leased buildings in the Woodland District include:

4565 7 th Ave. SE	158 employees	Services for Blind, Gambling Commission, Revenue, DSHS
640 Woodland Square	338 employees	Employment Security
637 Woodland Square	53 employees	Corrections
645 Woodland Square	14 employees	Licensing
649 Woodland Square	98 employees	Early Learning
4450/4500 10 th Ave. SE	408 employees	DSHS
4522 Pacific Ave. SE	28 employees	Corrections
721 College	2 employees	South Puget Sound Community College

EXISTING AND PLANNED OFFICE SPACE

EXISTING BUILDINGS

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

**Table V-3
Selected Major Office Buildings**

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

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

Source: Commercial Brokers Association
Property Counselors

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

Buildings in the Woodland District are generally in the lower end of the rent range. Several buildings in the District with space available for lease are shown in Table V-3.

**Table V-3
Woodland District Available Office Space**

	Address	Available Sq. Ft.	Total Sq. Ft.	Asking Rent /Sq. Ft.*
605 Woodland Square	605 Woodland Sq.	69,683	69,683	\$14
676 Woodland Square	676 Woodland Sq.	76,143	76,143	\$15
649 Woodland Square	649 Woodland Sq.	25,749	25,749	\$15
Sixth and Woodland	670 Woodland Sq.	35,187	60,000	\$18
Bell Towne Center	4200 6th Ave. SE	12,347	51,226	\$14
Woodview Plaza	4405 7th Ave SE	10,034	25,554	\$17-\$18
Sixth Ave. Center	4317 6th Ave. SE	4,655	25,000	\$15.50
Bell Center	4160 6th Ave. SE	2,065	16,724	\$17-\$18
Sixth Ave. Center #1	4313 6th Ave. SE	1,684	2,855	\$15.50
Marston Center	677 Woodland Sq.	340	10,700	\$14
Total		237,887	363,634	

The first three buildings were entirely vacated by the State. Those vacancies contribute to the average vacancy of 65% for the buildings shown. This vacancy puts downward pressure on rents. The market is further depressed by the fact that many of the previously State-occupied building are part of a portfolio that is in foreclosure. The uncertainty related to these properties is slowing the recovery of the office market. On the positive side, South Puget Sound Community College purchased the Rowsix complex for a satellite campus. This purchase removed 97,000 square feet of vacant space from the inventory.

PLANNED BUILDINGS

There are very few new private office projects in the County. Project under way include the 224,000 square foot West Capital Office Park in West Olympia, Olympia Orthopedic medical facility near Capital Mall, and small projects in the Hawks Prairie area. The State of Washington has no plans for new construction or major leases.

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 State departments.
- 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 Lacey. Office using sectors include communications, finance, insurance and real estate, and services. Office-using employment can be estimated as certain percentages of total employment in each sector. Office-using employment is projected to grow by 6,682 between 2003 and 2030.

**Table V-4
Projected Lacey Office Absorption Based on Employment**

	Total Employment		Office Employment				Sq. Ft.	
	2003	2030	Change 2003- 2030	Office Employment as %	Avg. Ann.		Avg. Ann. Change 2003- 2030	
					Change 2003- 2030	Sq. ft. @ 200 /Employee 2003-2030		
Resources	376	411	35		-	-	-	-
Construction	1,309	2,277	968	10%	97	4	19,360	717
Manufacturing	679	909	230		-	-	-	-
Transportation Comm	853	1,812	959	75%	719	27	143,850	5,328
Wholesale Trade	603	1,659	1,056		-	-	-	-
Retail Trade	4,949	7,733	2,784		-	-	-	-
FIRE	1,896	3,556	1,660	100%	1,660	61	332,000	12,296
Services	6,939	13,312	6,373	66%	4,206	156	841,236	31,157
Government	6,796	10,447	3,651		-	-	-	-
Total	24,400	42,116	17,716		6,682	247	1,336,446	49,498

Source: Thurston Regional Planning Council 2006, Property Counselors

Central Lacey currently provides approximately 60% of recently developed office space in the City. Its current share of all office space is 45%. Using the projected City-wide absorption projections and a range of 45% to 60% capture for the Woodland District, the potential demand in the District is estimated. These estimates are further reduced by 15% to 20% to reflect the likelihood that the TRPC employment forecasts will be lowered when the current update is complete. The resulting estimates are as follows:

	Base Case	High Case
2010 to 2020	162,000 square feet	229,500 square feet
2020 to 2030	198,000 square feet	280,500 square feet
2010 to 2030	360,000 square feet	510,000 square feet

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

Even at these absorption rates, the current vacancy in the buildings shown in Table V-3 would not be absorbed for 9 to 13 years.

VI. DEMAND FOR RESIDENTIAL

Residential development is an increasingly common use in commercial districts. It is not only a potential use in the Woodland District 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 Lacey is only one segment of the overall housing inventory in the City. Table VI-1 summarizes the make-up of the housing inventory in the City and County as of the year 2010.

**Table VI-1
Changes in Housing Inventory-Thurston County**

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

Source: Washington Office of Financial Management, Property Counselors.

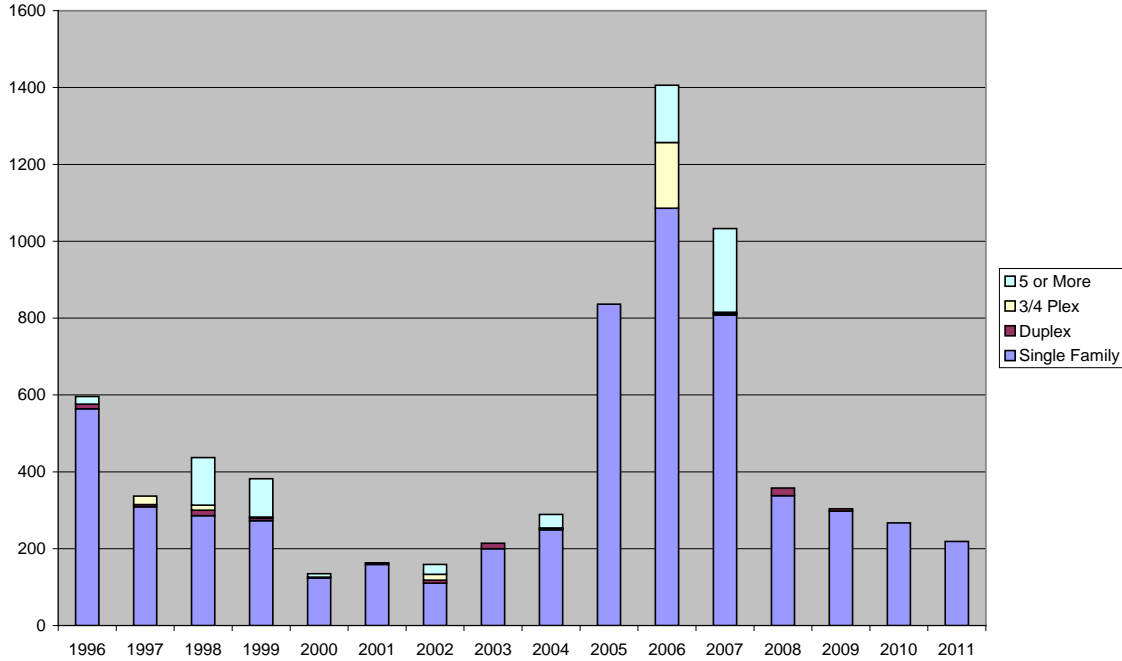
Single family residences make up 69 percent of the housing stock in the entire county in 2010. Multifamily makes up 19 percent of the total. Multifamily development is more prevalent in Lacey, with multifamily representing 27% of total units in 2010. Over the past ten years, only 19% of the net increase in units in Lacey was in multifamily units. The amount of multifamily development activity in the area has been slow in recent years.

The number of residential building permits has slowed dramatically since 2005/2007, reflecting in part, the slow population growth since that time. The only permits for new units in structures with five units or more were issued in 2006 and 2007, as shown in Figure VI-1.

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

Figure VI-1 Lacey Building Permits Dwelling Units

City of Lacey Permitted Units by Type



Source: US Census Bureau

RENTAL MARKET

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

MARKET AREA STATISTICS

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

**Table VI-2
Thurston County
Apartment Statistics**

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

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

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

The upper part of Table VI-2 summarizes vacancy and rental rate trends for the County as a whole and the three major cities, over the past five years. Lacey has a current vacancy rate (as of March 2012) of 4.8 percent, lower than the average for the County and other cities.

Lacey's average rent is slightly below that for the County as a whole. With the low vacancy rate, there should be upward pressure on rents.

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

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

EXISTING APARTMENTS

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

- Apartment development has recovered somewhat over the past year with three buildings completed in 2011 or 2012. All are in Olympia. But newer buildings have been built in all three of the cities over the past 6 years.
- The highest rents are in Madison, Pacific, Parkview and Woodland, all in Olympia. Abbey Road and 6th Avenue Place in Lacey achieved rents at the lower end of the range for the buildings shown.
- The rents expressed on a per square foot basis are \$1.25 to 1.43 for studios; \$.93 to 1.30 for one bedroom units; .81 to \$1.19 for two bedrooms; and \$.91 to \$1.13 for two bedrooms.

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

**Table VI-3
Selected Thurston County Apartments
Built Since 2005**

Name	Address	City	Year Built	# of Units	Unit Size			Rent					
					Studio	1 BR	2 BR	3 BR	Studio	1 BR	2 BR	3 BR	
Abbey Road	9320 Windsor Ln	Lacey	2005	102		823-881	991-1,053				\$880-\$985	\$1,020-1,155	
Capitol Steps	623 Eastside	Olympia	2005	26	627	694-778				\$835	\$860-895		
Country Club Villas	3625 Yelm Hwy	Olympia	2007	64		956	1,156				\$885	\$1,035	
Hearthstone	215 Pinehurst	Tumwater	2005/2007	102		681-788	1,084-1,101	1,084-1,101			\$835-\$885	\$968-\$1,050	\$1,175-\$1,205
Madison	105 Newberry	Olympia	2007	190		773-883	991-1,180				\$890-\$1,055	\$1,025-\$1,295	
Pacific Place	6514 Pacific	Olympia	2009	59		771-1,026	990-1,177				\$980-\$1,250	\$1,190-\$1,405	
Parkview	4523 Briggs Dr.	Olympia	2012	72		765	1,035	1,230			\$950-\$995	\$1,195-\$1,235	\$1,325-\$1,395
Red Leaf	1330 Fones Rd.	Olympia	2011	56		1,345-1,467	1,842				\$1,249-\$1,399	\$1,495	
Regency	1521 McDaniel	Lacey	2005	66		956	1,100-1,160					\$920-\$940	
Sommers Manor	4000 57th Trail	Olympia	2007	40			1,008					\$995	
Tabula Rasa	1978 Trosper Rd.	Tumwater	2008	117		802	1,102-1,154	1,298-1,411			\$1,050	\$1,275	\$1,400
Woodlands	800 Yauger Way	Olympia	2011	284	678	875-903	1,186-1,194			\$843	\$975-\$1,030	\$1,175-\$1,303	
6th Ave. Place	4410 6th Ave.	Lacey	2007	103		613-909	870-979	1,192-1,298			\$790-\$900	\$950-\$975	\$1,125-\$1,175

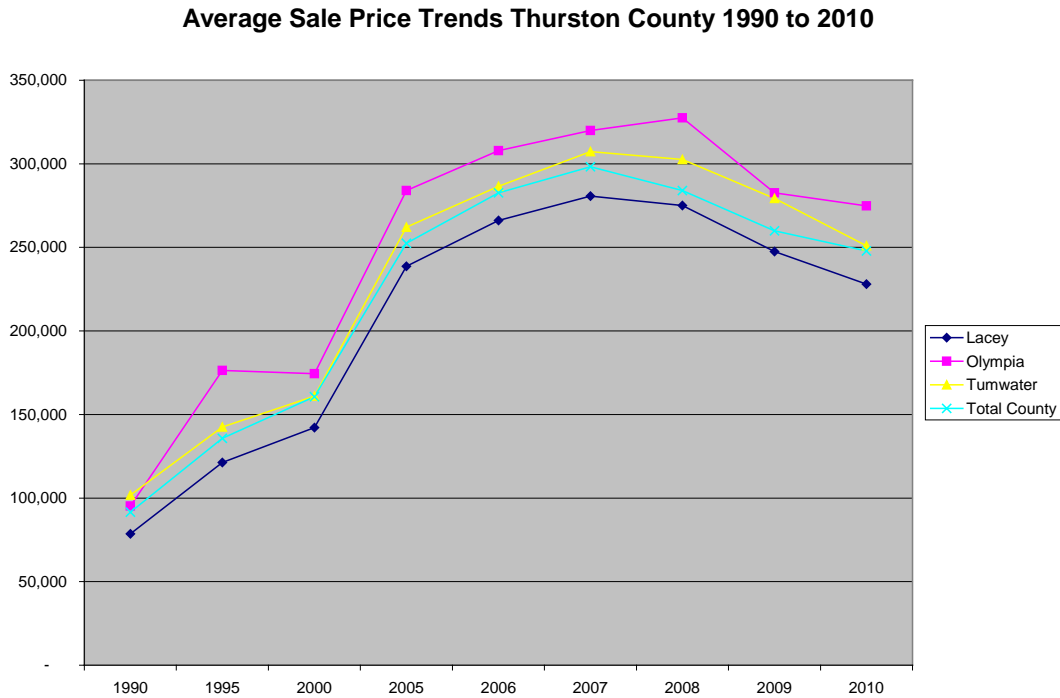
Source: ForRent.com, Property Counselors

Sixth Avenue Place is located in the Woodland District. Completed in 2007, approximately one-half the units were vacant as recently as two years ago. The building is currently 95% to 100% occupied. Tenants include military personnel, St. Martin's students, and workers from throughout the area.

CONDOMINIUM MARKET

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

Figure VI-2
Single Family Sales Price Trends Thurston County



**Table VI-4
Thurston County
Condominium Sales Trends**

All Sales by Year

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

April 2011 thru March 2012 Sales by City

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

Source: Condo.com
Property Counselors

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

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

**Table VI-5
Thurston County
Selected Condominium Sales Prices**

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

Source: Thurston County Assessor's Office, Property Counselors

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

Sales prices for units in the two Lacey projects are at the low end of the price range with most of the units selling for under \$100 per square foot. There are no condominiums in the study area.

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

POTENTIAL RESIDENTIAL DEMAND

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

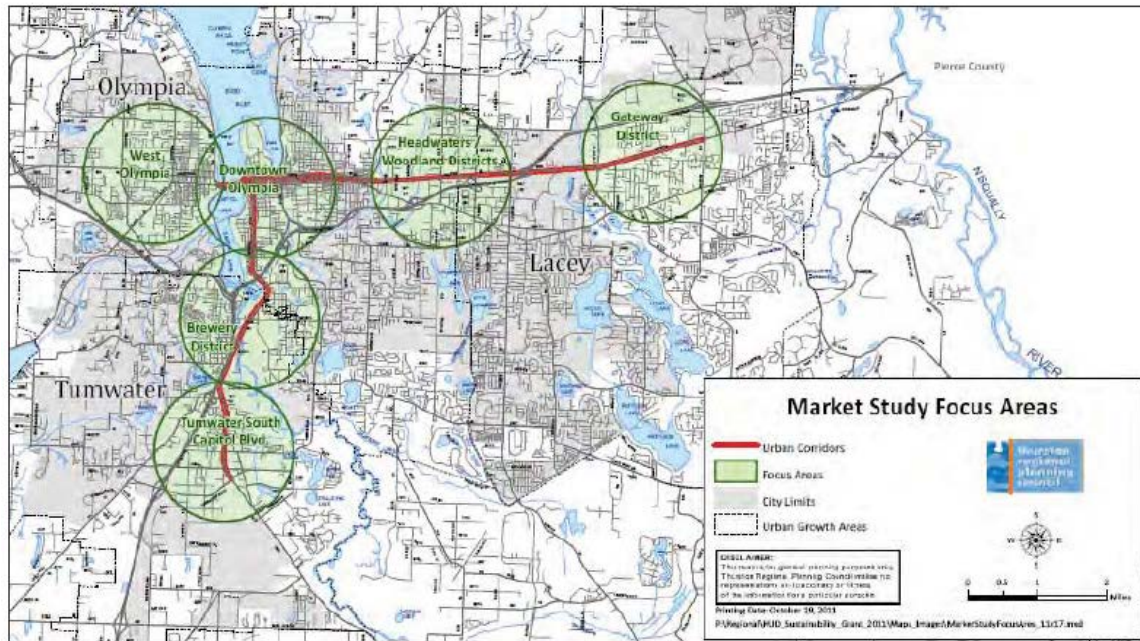
Thurston Regional Planning Council sponsored a housing market analysis as part of the Sustainable Thurston project. The study conducted by New Home Trends and published in 2011 projected housing demand in six urban focus areas as well as smaller towns in the County. Headwaters/Woodland was one of the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

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

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

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

**Figure VI-3
Housing Market Study Focus Areas**



Source: TRPC

**Table VI-6
Projected Housing Growth Thurston Focus Areas**

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

Source: New Home Trends 2011.

As shown in the table, the number of dwelling units in the area is projected to grow by 12,000 beyond the existing 24,000 units over the next two decades. The Headwaters/Woodland District considered is larger than the study area, extending one

mile to the north. It is projected to capture 2,055 of the additional units, compared to 1,319 for the Gateway area that includes Hawks Prairie. The breakdown of units by type is shown under the base case in Table VI-7. As shown, the area is projected to capture 17% of total growth for all focus areas. Single-family development is projected to capture 10% of the total. The 90% multi-family share is projected to be split 25% townhomes, 50% low-rise and 25% mid-rise. The low-rise, mid-rise and high-rise units were defined in the market study in terms of units per acre, but the figures in the table are expressed as equivalent height.

**Table VI-7
Projected Housing Growth Headwaters/Woodland District**

	Growth			
	2010-2020	2021-2030	2010-2030	
Base Case				
Share of Activity Centers Total	17%			
Mix by Unit Type				
Single Family (% of Total Units)	10%	92	113	206
Townhouse (% of Multifamily)	25%	208	254	462
Low rise - 1 to 2 stories (% of Multifamily)	50%	416	509	925
Mid Rise - 3 to 6 stories (% of Multifamily)	25%	208	254	462
High Rise - 9 or more stories (% of Multifamily)	0%	-	-	-
		925	1,130	2,055
High Case				
Share of Activity Centers Total	20%			
Mix by Unit Type				
Single Family (% of Total Units)	10%	112	137	248
Townhouse (% of Multifamily)	25%	279	342	621
Low rise - 1 to 2 stories (% of Multifamily)	40%	447	547	994
Mid Rise - 3 to 6 stories (% of Multifamily)	35%	391	478	869
High Rise - 9 or more stories (% of Multifamily)	0%	-	-	-
		1,230	1,503	2,733

Source: New Home Trends, Property Counselors

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

The potential housing demand will be split between the study area and the remainder of the Headwaters/Woodland District. The study area should capture more than its proportionate share of demand based on land area. Further the housing demand projections were based on current Thurston Regional Planning Council (TRPC) forecasts.

Those forecasts are being updated, and the increased population is likely to be 15% to 20% lower than in the current forecasts for 2030. Assuming such a discount and a capture of 50%, the resulting projected number of multifamily units can be summarized as follows:

	Base Case	High Case
2010 to 2020	334 MF units	475 MF units
2020 to 2030	407 MF units	581 MF units
2010 to 2030	740 MF units	1,056 MF units

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

Improvements to attractiveness.

Improvement to walkability.

Additional public amenities like parks and community facilities.

VII. DEMAND FOR LODGING

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

- Regional Market Performance
- Existing Hotels
- Potential Lodging Demand

REGIONAL MARKET PERFORMANCE

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

Performance at the city level can be derived from hotel/motel tax data. A tax of 2% of room revenues is collected by the State (as part of the retail sales tax) and distributed to cities and counties. A 2% special tax is also imposed by local cities and the County. Tax revenues are proportional to room revenues. Changes in tax collections for individual cities and the County are shown in Figure VII-1. Revenues in all jurisdictions declined with the general economy in 2008. Revenues are no longer declining and are showing strong growth in Lacey and the County as a whole. Olympia captures the largest share of lodging activity, followed by Lacey. Lacey has experienced the greatest increase in tax collections over recent years, benefitting from the development of several new properties.

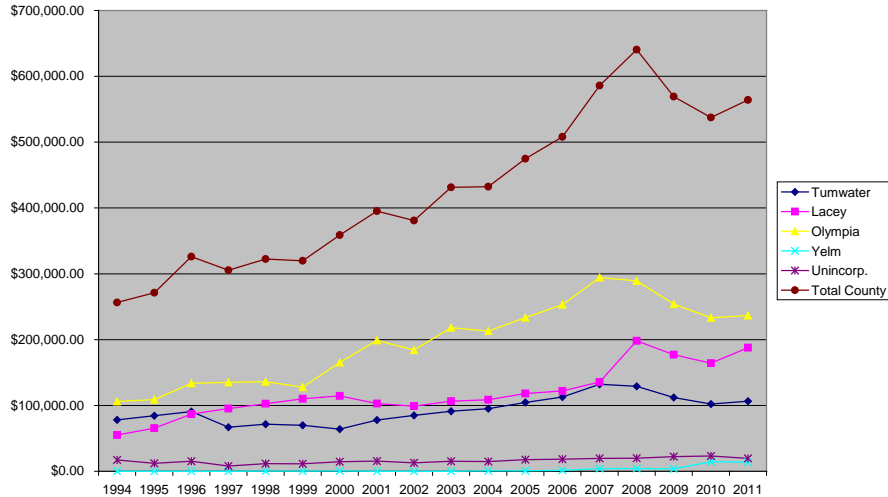
**Table VII-1
Olympia and Southwest Washington
Hotel Market Performance
1997-2011**

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

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

Figure VII-1

Distribution of State Shared Hotel Tax by Jurisdiction
Thurston County



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 similar market shares 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 full rack-rates and staying for longer periods. In general, this market segment chooses its lodging facilities based on room rate structure, quality, and amenities, location, and the availability of restaurants and other support services.

The group meetings market is comprised of associations, conventions, and business meetings which utilize blocks of guestrooms in addition to banquet and meeting rooms and is comprised of associations, conventions, trade shows, small business meetings, family retreats, and weddings. Group demand is generally offered discounted rates, depending upon the group size and the season during which they are accommodated. Discounted group rates are also limited primarily to the shoulder seasons, due to the

stronger occupancies experienced by the hotels in the competitive supply during the summer months. The development of the group segment is critical, however, in assuring a facility's long-term success, since group business tends to be heaviest in spring and fall, while it tends to be displaced during the summer months for higher rated leisure demand.

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

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

EXISTING HOTELS

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

**Table VII-2
Summary of Thurston County Hotel Inventory**

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

* Capacity of largest room with banquet seating.

Source: Thurston County Visitor and Convention Bureau, Property Counselors

Of the 19 hotels shown, only two are full-service hotels. In addition, only eight have significant amounts of meeting space.

The Best Western Plus hotel in the Hawks Prairie area is the newest hotel in the county. The Holiday Inn Express and Candlewood Suites are in the study area and opened in 2007 and 2006 respectively.

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

A 90 room La Quinta Inn has been announced for a site on the east side of Capitol Boulevard north of the study area in Tumwater. A Hilton Garden Inn has been announced for a site on The Henderson Boulevard round-about in Olympia. That project could be followed by an extended stay property next door. A Hampton Inn and suites under construction in DuPont would also compete with hotels in Lacey.

Potential Lodging Demand

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

Real growth in hotel performance reflects growth in room nights and growth in ADR above inflation. The historical real growth rate was 2.5% between 1997 and 2011, a very challenging period for the industry. Future growth is assumed at 3.0% to 3.5%. The City's current share of county-wide room revenue was 33%, up from 23% in 2007. Lacey should be able to maintain that share and even increase it somewhat based on its freeway visibility and proximity to JBLM. In the high growth projection, that share is projected to grow to 36%. The study area's share of Lacey hotel activity should hold steady or grow.

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 114 to 309. The baseline projections reflect a lower capture rate than the Hawks Prairie area because of the latter's proximity to JBLM. In order to capture demand at the high end of the range, the District will need to establish itself as a preferred location because of a broader range of visitor services, and an attractive setting. The area could take advantage of its proximity to the Worthington Center on St. Martin's campus to attract additional group business.

**Table VI-7
Projected Hotel Demand
2011 to 2031**

Baseline Projection			
	2011	2021	2031
Real Growth Rate			
2011-2021	2.5%		
2021 to 2031	2.5%		
City Share	33.3%	33.3%	33.3%
Woodlands Share	33%	33%	33%
Thurston County			
Projected Tax	564,157	722,169	924,437
Projected Room Revenue	28,207,859	36,108,444	46,221,861
Lacey	9,393,217	12,024,112	15,391,880
Woodlands	3,127,941	4,004,029	5,125,496
Avg Room Rev.	\$17,500	\$17,500	\$17,500
Supportable Rooms	179	229	293
Increase		50	64
High Projection			
	2011	2021	2031
Real Growth Rate			
2011-2021	3.5%		
2021 to 2031	3.5%		
City Share	33.3%	35.0%	36.0%
Capitol Boulevard Share	50%	50%	50%
Thurston County			
Projected Tax	564,157	795,799	1,122,554
Projected Room Revenue	28,207,859	39,789,970	56,127,683
Lacey	9,393,217	13,926,490	20,205,966
Woodlands	4,696,608	6,963,245	10,102,983
Avg Room Rev.	17500	17500	17500
Supportable Rooms	268	398	577
Increase		130	179

Source: Property Counselors

The projected demand can be summarized as follows:

	Base Case	High Case
2011 to 2021	50 rooms	130 rooms
2021 to 2031	64 rooms	179 rooms
2011 to 2031	114 rooms	309 rooms