

## Attachment II - Economic Analysis of Hayward Grocery Store Market

As with all for-profit enterprises, grocery stores need to be profitable to stay in business. In the grocery marketplace, stores are often evaluated on a specific dollar amount of sales per square foot to support continue operating. As a result, site selectors for stores often examine the existing marketplace and compare that to the trade areas demographics to decide if a store is feasible in any given location. A trade area is a geographic region that a store, restaurant or business draws from. Its size depends on both the variety of goods and services available and other stores that exist already in the area. This region does not follow jurisdictional boundaries. The analysis below provides a simplified example of how these site selectors examine potential new grocery store viability in the Hayward trade area.

### Calculation of Grocery Viability

According to the Food Marketing Institute (FMI), which collects data annually from research reports and supermarket trade publications, grocery stores need an average sales per square foot of **\$618** per year in order financially support their store.

The total square footage of grocery stores located in or serving Hayward is approximately **573,248** square feet. This number does not include any of the Supercenters because they offer other goods beyond food items. Using this number, a total of an estimated **\$354.3 Million** in sales of grocery items is needed to support our current grocery stores. The formula breakdown is as follows:

$$\$618 \text{ in sales per sq.ft} \times 573,248 \text{ total grocery store total sq.ft.} = \$354,267,000 \text{ in Sales}$$

### Average Spending of Household Income on Grocery

According to the FMI and the USDA, in 2018 Americans spent on average **5.2%** of household income on groceries. The percentage of household income that is spent on food was determined by the FMI and does not include income spent on restaurants, cafes, etc. The Median Income for the City of Hayward is **\$71,262** (2018). On average, a Hayward household spends **\$3,705.62** annually on groceries. The formula breakdown is as follows:

$$\$71,262.00 \text{ (median income)} \times 5.2\% \text{ (Percent of income on groceries)} = \$3,705.62 \text{ (Total spent yearly)}$$

In 2018, there were **48,477** households in the City of Hayward. Using the average total spent yearly of **\$3,705.62** per household, Hayward households spend **\$179.6 Million** on groceries each year. The formula breakdown is as follows:

$$48,477 \text{ Households} \times \$3,705.62 \text{ Yearly spend on groceries} = \$179,637,000 \text{ spent by the community}$$

### What Does this All Mean?

If we assume that households only shop at Conventional Market brands, then based on the total spent by the community on grocery (**\$179,637,000**) and the cost per square foot of **\$618**, then Hayward would only be able to support **290,674** square feet of grocery space, which is significantly less than the total grocery currently found in Hayward (573,248 sq.ft.). The formula breakdown is as follows:

$$\$179,637,000 / \$618 \text{ per sq. ft.} = 290,674 \text{ square feet of viable grocery space}$$

Some site selectors might consider the area is over saturated with stores and new conventional stores would not necessarily be viable.

However, the makeup of the grocery industry in Hayward is quite diverse and features many Ethnic Specialty stores beyond the Conventional markets. These specialty stores not only provide essential fresh food options to the residents of Hayward, but also pull in customers from the East Bay and Bay Area region. This increased customer pool allows for the many ethnic grocers in Hayward to remain viable as they serve the diverse population of the Bay Area. This analysis is consistent with the recent opening of specialty markets in the last three years. These include 88 Manor Market on Mission and Island Pacific Market and Seafood City on Hesperian.