

Council Economic Development Committee

Regular Meeting

June 4, 2018



Approval of May 7, 2018
Regular Meeting Minutes

Hayward Corridors

Retail Growth Strategy

Midpoint Deliverable



A Retail Real Estate Consulting Firm

Presentation
June 2018

Mike Berne
MJB Consulting

Purpose

- Retail growth strategy for three corridors
 - Identifying parcels viable for retail / mixed-use
 - To inform zoning and land use policy
 - Framing and selling the opportunity
 - To draw the attention of prospective tenants



Scope of Work (Phase I)

- Guided and self-guided driving tours
- Evaluation of retail mixes and development sites
- Assessment of existing competition
- Review of resident demographics
- Information on other demand sources
- Interpretation of "sales-leakage" data

Deliverable (Phase I)

- Summary of initial findings
 - "Trade area" boundaries
 - Consumer profile
 - Tenanting potential
- *Not the final product...*

Definitions and Concepts

■ Retail

- Tenants that welcome customers on a walk-in basis
 - Shops
 - Services
 - Cafes
 - Restaurants
 - Entertainment venues



Definitions and Concepts

- Trade area
 - Geographic area from which most of a retailer's customers are drawn
 - *Not* necessarily co-terminus with municipal boundaries



Definitions and Concepts

- Trade area
 - Implies either a local or a regional draw
 - Local: caters to daily or weekly needs
 - Grocery, drug, etc.
 - Regional: pulls from further afield as a destination
 - Fashion, entertainment, etc.



Definitions and Concepts

- Sales leakage
 - Difference between...
 - Expenditures by residents living in the trade area ("demand")
 - Sales of retailers operating in the trade area ("supply")

	Demand	Supply	Gap	Existing Capture Rate
Motor Vehicle and Parts Dealers	\$125.9M	\$174.5M	-\$48.7M	139%
Furniture and Home Furnishings	\$23.0M	\$1.4M	\$21.7M	6%
Electronics and Appliances	\$23.4M	\$9.1M	\$14.3M	39%
Building Materials, Garden Equipment and Supply	\$36.3M	\$8.4M	\$27.8M	23%
Grocery Stores	\$87.0M	\$32.8M	\$54.1M	38%

Definitions and Concepts



- Sales leakage
 - Interpreted in light of...
 - Overall state of the category
 - Existing locations and preferences of market leaders

Definitions and Concepts

- Tenanting potential
 - Focus on larger national and regional chains
 - Capable of underwriting redevelopment



Definitions and Concepts

- Tenanting potential
 - Retailer preferences
 - Meeting site requirements
 - Tapping underserved submarkets
 - Avoiding cannibalization
 - Gravitating to co-tenancy and critical mass



Definitions and Concepts

- Tenanting potential
 - Qualifications
 - *Preliminary* guidance
 - Based on *existing* conditions and trends



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Mission Boulevard

- Localized draw
 - No freeway access
 - Current anchors
 - Existing competition



Mission Boulevard

- Trade area boundaries encompass...
 - CSUEB campus
 - Hayward Hills
 - South Hayward BART



Mission Boulevard

- Trade area demographics
 - 51,000 residents
 - 11% population growth since 2010
 - 30% with B.A. degree or higher
 - 33% employed in management/business/financial or professions
 - \$71,000 median household income
 - 36% earn \$100K or more
 - 21% earn \$150K or more
 - 57% owner-occupied
 - \$468,000 median home value
 - 18% valued at \$750K or more
 - Above-average on spending indexes



Mission Boulevard

- CSUEB community
 - 1,800 full-time employees
 - 15,500 students
 - 13,000 undergrads, mostly full-time, 18 to 24
 - (Estimated) 25% to 30% live either on or near campus
 - Mobile, with more than 90% having cars
 - Seek value, with 75%+ receiving financial aid...
 - ... but will spend on "affordable luxuries"
 - Limited competition on / near campus



Mission Boulevard

Ethnicity	Trade Area Residents	CSUEB Student Body
Latino	38%	19%
Asian	26%	30%
Black	10%	7%

Mission Boulevard

- Tenanting potential
 - Daily and weekly needs of adjoining neighborhoods and the CSUEB community
 - 45,000 sq ft of grocery
 - Value-oriented and/or ethnic
 - (Another) large-format drug
 - Discount variety
 - Food and beverage
 - Including "fast casual"



Southwest

- Regional draw
 - I-880 freeway access
 - Co-tenancy and critical mass



Southwest

- Trade area boundaries encompass...
 - Large swath of neighboring Union City



Southwest

- Trade area demographics
 - 164,000 residents
 - 6,000 persons per square mile
 - 8% population growth since 2010
 - 35% with B.A. degree or higher
 - 39% employed in management/business/financial or professions
 - \$84,000 median household income
 - 43% earn \$100K or more
 - 23% earn \$150K or more
 - 66% owner-occupied
 - \$533,000 median home value
 - 14% valued at \$750K or more



Southwest



- Trade area demographics
 - Ethnically diverse
 - 47% Asian
 - 27% Latino
 - Family-oriented
 - 46% of households have one or more children
 - 3.41 average household size

Southwest



- Employment cluster
 - 43,000 workers (in the trade area)
 - 37% in manufacturing or wholesale
 - Lunch, caffeine and errands
 - Existing competition

Southwest



- Tenanting potential
 - Medium-box vacancies at Union Landing
 - "First dibs" on interested tenants
 - High redevelopment costs
 - Freeway interchange will *not* be moving...
 - Calls for flexible zoning

Southwest

- Tenanting potential
 - Regional draw
 - Off-price / cheap-chic fashion
 - (Select) category killers
 - Furniture / home
 - Entertainment venues
 - Daily and weekly needs



Tennyson Road

- Localized draw
 - Current anchors and mix



Tennyson Road

- Trade area demographics
 - 22,000 residents
 - 14,500 persons per square mile
 - Higher than Boston, Philadelphia or Chicago
 - 7% population growth since 2010
 - \$58,000 median household income
 - 25% earn \$100K or more
 - 11% earn \$150K or more
 - 54% owner-occupied
 - \$384,000 median home value



Tennyson Road



- Trade area demographics
 - Ethnically diverse
 - 48% Latino
 - 23% Asian (and growing)
 - Family-oriented
 - 47% of households have one or more children
 - 3.64 average household size

Tennyson Road

- Tenanting potential
 - Trade area population insufficient
 - Ranks *below* Mission Boulevard as a retail location
 - Lot sizes and depths constrained



Tennyson Road



- Tenanting potential
 - Discount variety
 - Quick-service eateries (with drive-thru)
- Will remain mostly *as is...*
 - Smaller floor-plates in older strip malls
 - Independently-owned, entrepreneur-driven small businesses
 - Above-average turnover yet steady tenant demand

Next Steps

- Final product (and presentation)
 - Content of midpoint deliverable
 - Guidance on how corridors are likely to evolve
 - How the City should plan and prepare
 - Identification of specific sites and nodes where retail would be viable
 - What kind and in what physical form?
 - Strategies for changing perceptions within tenant and leasing communities

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Future Meeting Topics

Adjourn