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Memorandum

To:	Micah Hinkle and Sally Porfido, City of Hayward
From:	Mike Berne, MJB Consulting
Re:	Midpoint Deliverable – Retail Growth Strategy
Date:	May 23, 2018

In late 2017, the City of Hayward's Economic Development Division retained Berkeley, CA-based MJB Consulting (MJB) to devise a retail growth strategy for three separate commercial corridors in Hayward (see map below): 1) Mission Boulevard, from Downtown to the Union City border; 2) Industrial Parkway SW / Whipple Road, in the vicinity of I-880; and 3) Tennyson Road, from I-880 to Mission Boulevard.

Specifically, MJB was charged with identifying parcels and stretches along these corridors that remain viable for retail or mixed-use development, so as to inform zoning and land use policy. MJB was also asked to gather data and fashion arguments that could be used to more effectively frame and sell such opportunities to prospective tenants and the leasing community in general.

The first phase of MJB's scope-of-work consisted of extensive field work and data gathering. Specifically, it included the following, for each of the three corridors:

* Guided and self-guided driving tours
* Evaluation of current retail mixes and development sites
* Assessment of existing competition in adjacent communities
* Retrieval and review of reports on resident demographics
* Gathering of available information on other demand sources
* Calculation and analysis of sales-leakage data

The purpose of the midpoint deliverable is merely to summarize our findings from this initial phase. For each of the corridors, we will first describe how we defined the trade area, then profile its residential population as well as other relevant submarkets, and finally, offer some preliminary guidance on the kinds of retailers that could realistically be enticed to locate there.

This is *not*, however, the final report, which is scheduled for a future presentation and will include both the content in this memorandum as well as the following: 1) identification of specific sites and nodes that are viable for retail, and if so, for what kind and in what physical form; and 2) strategies for raising the profile and changing the perceptions of the individual corridors within the tenant and leasing communities.

Finally, as we realize that some in our audience might have had limited exposure to and experience with the retail industry in the past, we have started this memorandum with a "Definitions and Concepts" section (#I) before proceeding to our discussions of the three individual corridors (#2, #3 and #4), and we have also added a glossary of terms in the Appendix.

I. Definitions and Concepts

"<u>Retail</u>" for the purposes of this assignment, shall be understood to encompass commercial tenants that welcome customers on a walk-in basis. This includes, then, traditional shops and services as well as cafes, restaurants and for-profit entertainment venues.

A "<u>trade area</u>" refers to the geographic area from which the overwhelming majority (say, 70%) of a given corridor's customers are drawn. Importantly, its borders are defined by shopping habits, *not* political jurisdictions. As a result, a trade area can range across several municipalities.

A trade area provides geographic definition to a given corridor's "<u>draw,</u>" that is, the distances from and the purposes for which it is able attract customers. Roughly speaking, a draw can be either *local*, catering primarily to the daily or weekly needs of nearby residents (e.g. grocery, drug, etc.) or *regional*, pulling from further afield as a destination (e.g. fashion, entertainment, etc.).

For most market analysts and many retailers, a trade area typically takes the form of a circle with a given radius from a central location (e.g. a three-mile radius), or a polygon with the edges corresponding to a particular "drive time" in any direction from that location (e.g. a five-minute drive).

We at MJB Consulting feel, however, that such approaches are insufficiently nuanced, and so we demarcate the borders of our trade areas on the basis of a constellation of factors, including visibility and access, physical and psychological barriers, anchor retailers and uses as well as the location and draw of nearby competitors.

Once the borders of a trade area have been established, a series of reports can be ordered from a national data-mining outfit like ESRI, providing demographic and spending data on the residents living therein. This population can also be segmented by "psychographics," that is, by qualitative characteristics like lifestyles, sensibilities and aspirations (as opposed to quantitative ones such as age and income).

Such reports also include data on "sales leakage." This refers to the difference between the expenditures of trade area residents in particular retail categories, versus the sales of trade area merchants in those same categories. If the former exceeds the latter, sales (and sales-tax revenue) are said to have "leaked" beyond the trade area – and could conceivably be "recaptured." If the reverse, the trade area is "importing" sales from and effectively acting as a destination for consumers who live beyond it.

It is important to keep in mind that all of this information refers to *residents* who live within the boundaries of the given trade area, and does not account for the demographics, psychographics or expenditures of other consumers who might spend money there but who reside elsewhere, like, for example, workers or students who commute in.

Furthermore, sales-leakage data only provides a starting point for assessing retail potential, and must be interpreted in light of other variables. The ability of a trade area to attract new operators and "recapture" leaked sales in a particular category depends also on the overall trajectory of that category as well as the existing locations and site preferences of its market leaders.

For example, certain categories, like office supplies, might be in the process of contraction and/or transition, with neither large chains nor small-scale entrepreneurs looking to open new locations even in submarkets with apparent leakage. In others, such as books, there has been a marked increase in independently-owned stores even as the well-known brands have remained more cautious.

As we proceed, however, to the task of assessing the tenanting potential of specific corridors and sites, we will be focusing primarily on their appeal to the large national and regional chains ("market leaders") since they are the ones with the kind of creditworthiness that can help to underwrite the costs of redevelopment, as well as the capital to afford the higher rents typically associated with new or renovated space.

In most cases, these tenants already operate locations in the East Bay and will be evaluating Hayward's opportunities with an eye towards tapping underserved submarkets as well as avoiding cannibalization of existing stores. They will also insist on sites and spaces that meet their specific requirements with regards to size and configuration, parking, visibility, access, etc.

In addition, retailers in certain categories concern themselves with the existing "co-tenancy," that is, the *other* retailers that sit in close proximity, as the cross-traffic and visibility generated by such neighbors leads to additional sales beyond what would have been possible in a stand-alone location. Clothing stores, for instance, want to be near other fashion-oriented businesses that attract a similar customer.

In these cases, retailers seek locations that have achieved "critical mass" in their respective categories, that is, they want to be where consumers *already* gravitate in large numbers to buy the kinds of goods that they sell. The fast-food purveyor, for example, yearns for a spot in the mall food court, where it would have visibility to all of the shoppers who are looking for something to eat.

All of this means that even if a given trade area is leaking sales in a particular category, it still might not be able to land a retailer in that category, because the large chains capable of catalyzing redevelopment believe that their existing stores already cover the submarket or that other nearby locations would more closely align with what they need in terms of real estate, co-tenancy, etc.

In other words, such decisions are not always straightforward nor do they take place in a vacuum. Rather, they are both multi-determined and contextual. For example, a given location might meet the population and income thresholds required by a specific retailer, but if another site offers the potential of drawing from on an even larger and/or more affluent trade area, then it will likely be the one that attracts that tenant.

In devising the tenanting strategies that follow for each of the corridors, we have considered all of these variables, running the market-leading retailers through a proprietary filtering process designed to pinpoint the ones most likely to consider the opportunity. Owing to space constraints, we have not detailed our thinking here, but we will be discussing the nuances of site location more fully in the final report.

One final qualification, though: our assessment of tenanting potential necessarily rests on *existing* conditions, both in the retail industry, within particular categories and for specific retailers. The one certainty going forward is that these conditions *will* change: indeed, they are likely to do so well within the time horizon of this planning exercise. References to individual brands, then, become less meaningful beyond the near term.

That said, while this midpoint deliverable is largely focused on capturing and explaining current market dynamics, the final report will also be looking more intently inside the proverbial "crystal ball," offering guidance on how these corridors might evolve in the longer run and proposing recommendations for how the City should plan and prepare for the different directions that they could take.

II. Mission Boulevard

a. Trade Area Boundaries

Mission Boulevard is a major north-south arterial road traversing multiple communities along the inner East Bay, effectively starting at Lake Merritt in Oakland (as International Boulevard) and continuing south to Warm Springs in Fremont. The relevant stretch for the purposes of this study, from Downtown Hayward south to the Union City border, boasts high traffic counts ranging from 26,000 to 43,000 cars per day.

This stretch lacks, however, the sort of freeway access needed for a regional draw, and as a result, the retail mix, tends to be more localized in its appeal. Except maybe for Kmart and Eco Thrift, its anchor stores – Food Source, Chavez Supermarket, Dollar Tree, etc. – are probably not pulling from much beyond the neighborhoods immediately abutting its length.

The trade area boundaries for Mission Boulevard, then – corresponding to the polygon in the image below – speak to the locally-oriented, grocery-anchored competitors that currently exist in Downtown Hayward (to the northeast), along Jackson Street / SR 92 (to the northwest), on Hesperian Boulevard (to the west), at Union Landing (to the southwest) and on Decoto Road (to the south).

Note that the trade area does extend far into the Hayward Hills, encompassing the Cal State University-East Bay campus as well as high-value subdivisions along Hayward Boulevard. For residents of the latter, Mission Boulevard might seem quite removed, yet it is still closer by drive time than the nearest competitor in the other direction, the Safeway-anchored 580 Marketplace shopping center in Castro Valley.

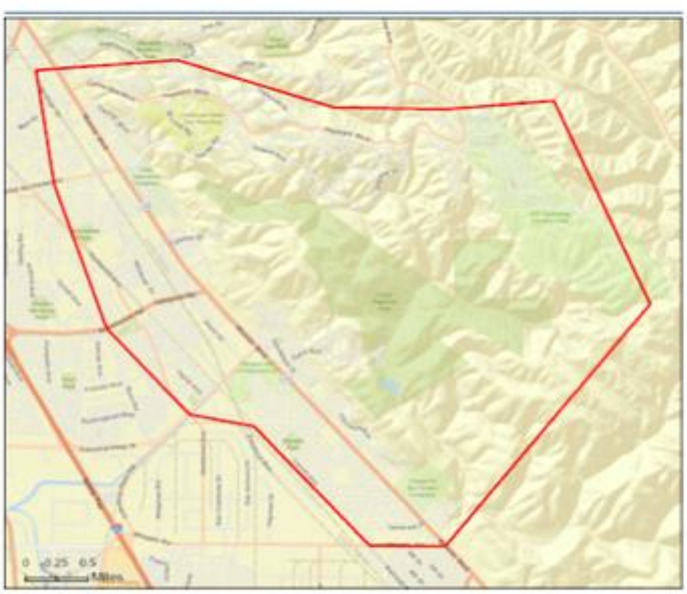

Image 1. Mission Boulevard Trade Area (ESRI, MJB Consulting).

b. Demographic Profile

The aforementioned retail anchors along Mission Boulevard point to a customer base dominated by lower-income households. The demographics of the residents actually living in the trade area, however, suggest a different narrative that could potentially appeal to a broader range of prospective tenants. ESRI data show the following:

* 51,000 residents -- at a population density of 4,100 people per square mile (higher than the 3,500 for Hayward as a whole)

* 11.1% population growth since 2010

* 30% of 25+ residents with a B.A. degree or more -- not including most Cal State University, East Bay undergraduates (aged 18 to 24)

* 33% of 16+ residents working in well-paid managerial / business / financial or professional occupations

* $71,000 median household income, including 36% (5,600 households) which earn $100,000 or more, and 21% (3,600 households) at $150,000 or more

* 57% owner-occupancy

* $468,000 median home value, including 18% (1,500 homes) valued at $750,000 or more

Furthermore, the population of this trade area is projected by ESRI to grow by another 7.2% in the next five years, to 55,000 in 2022. Perhaps even more importantly, prospective tenants can actually *see* the growth in the form of new residential development along Mission Boulevard and in the Hills, which can have a disproportionate impact on their decision-making.

In terms of consumer spending, the current trade area indexes well above the U.S. average in various retail categories, including apparel (23% higher), household furnishings (17% higher), grocery (18%), personal care (21%), dining (20%) and entertainment / recreation (17%), as based on data from the Bureau of Labor Statistics' Consumer Expenditure Survey as well as projections from ESRI.

Mission Boulevard is also the closest commercial corridor to **Cal State University, East Bay** (CSUEB), with its 15,500 students. Of these, an estimated 4,200 students live either on campus or in nearby apartment complexes (e.g. City View) and are already counted as residents of the trade area, while the other 11,300 – and the CSU East Bay employees – commute from elsewhere in the Bay Area and represent additional demand.

A common misperception is that students do not spend money because they do not have it to spend. Indeed, roughly 75% of CSUEB's enrollees receive some form of financial aid. That said, evidence from college-town settings across the country suggests that at the very least these consumers are both willing and able to pay for affordable luxuries in certain categories like, for example, food and beverage.

The CSUEB campus itself offers only the retail basics -- a college bookstore, a convenience store, a Starbucks Coffee, a Jamba Juice, a food court, etc. -- and the immediate neighborhood is woefully lacking in alternatives. Strategically, however, the City might need to consider the impact that any new offerings along Mission Boulevard could have on its efforts to reposition Downtown as more of a destination for students.

Finally, both the CSUEB community and the residential trade area are extraordinarily diverse: Latinos account for 38% of the latter and 19% of the former, while Asians represent 19% and 30%, respectively. This suggests opportunities for the retail mix along Mission Boulevard to fill particular ethnic niches, though in order to get more specific, such data would need to be further segmented by country of origin or descent.

c. Tenanting Strategy

Based on this demographic profile, the sales-leakage data, the nearby competition as well as our understanding of the tenant's perspective and knowledge of specific market leaders, we offer the following *preliminary* guidance on the additional retail that would be realistic for Mission Boulevard, given existing conditions and current trends. (Note that the specific prospects referenced here have *not* yet been fully vetted.)

* **Grocery**. With $54.1 million in sales leakage and assuming a "capture rate" of 70%, there is the potential for $28.1 million in additional grocery sales along Mission Boulevard, translating to roughly 45,000 square feet of space (above what currently exists), with value-oriented and/or ethnic concepts – like, say, Smart & Final Extra!, Foods Co or H-Mart -- the ones most likely to be interested at this point.

Some have hoped that, especially with the proximity to CSUEB and the Hayward Hills, a Trader Joe's or a Sprouts might be a possibility. These grocers, however, are primarily interested in educational attainment, and would be assessing this trade area within the context of others that far exceed it in the number of residents with B.A. degrees or more.

*** Drug**. Even with the relatively new CVS at Harder Road, there is still the potential for $23.1 million in additional drug store sales along Mission Boulevard, more than enough to justify another large-format chain. An average Walgreens, for example, grosses roughly $7.4 million.

*** Discount-variety**. Even with the existing Kmart and the two Dollar Tree locations, there is still the potential for additional sales of $6.1 million in this category along Mission Boulevard. An average 99 Cent Only store, for example, grosses roughly $5.5 million.

*** Food and beverage**. There is still the potential for $5.4 million in additional restaurant sales along Mission Boulevard, not including the spending of students and employees who commute to the CSUEB campus (and who are not counted as part of the trade area). This might take the form of new quick-service and family restaurants as well as ethnic offerings.

In addition, there is an opportunity for the sort of "fast-casual" eateries – with counter service but higher-quality food and décor -- that have become popular among students and commonplace in college-town settings, like Chipotle and Blaze Pizza. This trend overlaps with a growing number of food and beverage concepts that target diverse mixed-income submarkets, like Loco'l, Everytable and Tierra Mia Coffee.

In sum, Mission Boulevard is, with few exceptions, not a likely location for larger-format destination retailers that require and/or demand the kind of regional draw facilitated by a nearby freeway interchange, like, for instance, a Best Buy or a Kohl's. It is more appropriately positioned, rather, to serve the basic day-to-day needs of the adjoining neighborhoods and the underserved CSUEB campus, in such categories as grocery, drug, food and beverage, etc.

III. Industrial Parkway SW / Whipple Road ("Southwest")

a. Trade Area Boundaries

Industrial Parkway SW / Whipple Road – hereafter to be referred to simply as "Southwest" – refers to the collection of possible development sites just within the boundaries of Hayward at its far southwestern corner.

The polygon for Southwest – shown in the image below – shows trade area boundaries that do not correspond with the municipal ones. This conforms with the behavior of the typical consumer: rarely does he or she consider political jurisdictions (or even know where they begin or end) when deciding which stores and restaurants to patronize.

Southwest offers, then, a rare opportunity for Hayward: because of the close proximity to the I-880 freeway interchange at Whipple Road as well as the regional draw of the massive Union Landing shopping center, new retail on these parcels would be theoretically capable of pulling from deep within, and thereby poaching sales-tax revenue from, the nearby municipalities of Union City and Newark.

The borders of the trade area have been chosen to reflect this potential pull, extending roughly halfway to the nearest competitors with a similarly regional draw: Fremont's Fremont Hub (at Fremont Boulevard and Mowry Avenue) and Newark's NewPark Mall (at I-880 and Mowry Avenue), as well as Hayward's own Southland Mall (at I-880 and Winton Avenue) to the northwest.

Image 2. Southwest Trade Area (ESRI, MJB Consulting).

b. Demographic Profile

As a result of this wider draw, Southwest's trade area encompasses a considerably larger and demographically stronger population than Mission Boulevard's. ESRI data show the following:

* 164,000 residents -- at a population density of 6,000 people per square mile, similar to most Midwestern cities

* 7.9% population growth since 2010

* 35% of 25+ residents with a B.A. degree or more

* 39% of 16+ residents working in well-paid managerial / business / financial or professional occupations

* $84,000 median household income, including 43% (20,300 households) which earn $100,000 or more and 23% (10,800 households) at $150,000 or more

* 66% owner-occupancy

* $533,400 median home value, including 14% (4,400 homes) valued at $750,000 or more

Furthermore, the population of this trade area is projected by ESRI to grow by another 5.7% in the next five years, to 172,400 in 2022.

Southwest's trade area is extraordinarily diverse. Asians predominate, accounting for some 47% of the residential base – partly a reflection of their growth in Union City, where they now constitute the majority – while Latinos comprise another 27%. It is also family-oriented. Nearly 46% of its households include one or more children, and the average household size is 3.41.

In addition to trade area residents, Southwest sits at the heart of an **employment cluster** with some 43,200 workers, supplementing consumer demand on the weekdays. Not surprisingly, given the presence of large industrial zones to the east, west and northwest, this contingent has a blue-collar hue, with 37% working in either manufacturing or wholesale trade.

It is worth noting, however, that workers typically do not spend as much money, or in as many categories as residents, with a higher share of their expenditures going towards lunch, caffeine and errands (e.g. bank deposit, haircut, dental appointment, etc.). Furthermore, many such offerings can already be found either at Union Landing, in the immediate vicinity thereof or along Industrial Parkway West.

c. Tenanting Strategy

The retail potential for Southwest is driven not just by the automobile access and trade area demographics but also by "critical mass" and "co-tenancy." That is, with anchors that include Wal-Mart, Target, Lowe's, Home Depot, Best Buy and Century 25, and with more than one million square feet of retail space in total, the agglomeration exerts a strong pull on other prospective tenants.

That said, Union Landing itself is currently contending with several medium-box vacancies, including the floor-plates previously occupied by Sports Authority and Babies R Us. Indeed, the rise of e-commerce has disproportionately impacted the kinds of retailers – most notably, the "category killers" -- that typically fill such spaces, which might lead some to doubt the viability of adding more square footage to the submarket.

These trends might generate some cause for concern in the near term. And while there are many such retailers still thriving and expanding today, they are more likely to gravitate first to any available spaces within Union Landing itself, and only begin to consider alternatives – and justify redevelopment -- on the other side of the freeway if and when those are back-filled.

Desirable real estate *is* desirable real estate, however. The freeway interchange is not moving. The kinds of retail tenants may change – say, from goods to entertainment, or from pure selling space to hybrid showroom/warehouse – and the zoning should anticipate and allow such flexibility, but Southwest's suitability as a location for whatever emerges will most likely *not*.

One last point. Given that they currently sit in an industrial zone, the development sites in Southwest might well require considerable investment – for, say, environmental cleanup, new infrastructure, land assembly, etc. -- if they are to be transitioned to retail use. The resulting costs could greatly impact what kinds of projects – and retailers – would be realistic.

With this in mind, we offer the following *preliminary* guidance on the additional retail that would be realistic for the submarket as a whole:

* **Off-price / cheap-chic fashions**. Even with its regional draw, Southwest currently leaks 86% of its clothing sales ($95.7 million) beyond the trade area, and it is also lacking a number of the fast-growing value-oriented apparel retailers that typically gravitate to such co-tenancy, including, for instance, medium-box chains like T.J. Maxx, Ross Dress For Less, Gap's Old Navy banner and Forever 21's "F21 Red" format.

* **Category killers**. Again, many of these chains have been undermined in recent years by the rise of e-commerce, but some continue to enjoy sales growth and open new stores, like, for instance, Hobby Lobby, the national big-box purveyor of crafts and fabrics (which would compete with, and steal market share from the Michael's at Union Landing) and Big 5 Sporting Goods.

* **Furniture / home stores**. Retailers in this category prefer to cluster, and additional ones might be drawn to the presence of La-Z-Boy Furniture Galleries, ANA Furniture as well as the Macy's Furniture Outlet further east along Whipple Road. Possibilities would include other mid-priced offerings, like, for instance, HomeGoods Bassett Furniture and Ashley HomeStore.

* **Day-to-day needs**. While Southwest is able to command a regional draw, this does not mean that it cannot also leverage a local one. Indeed, inasmuch as it can offer even greater convenience to consumers as a "one-stop shop" for a wide range of goods and services, it becomes even more attractive as a location for retailers that primarily sell everyday essentials.

There is more than enough sales leakage, for example, to support a drug store as well as a discount-variety retailer, and while the capture rate for grocery is already quite high, Southwest's enviable location and co-tenancy could draw the interest of a new market entrant – like, say, an H-Mart – that would be capable of taking market share from competitors on the Union City side while not cannibalizing its own sales.

* **Entertainment venues.** Already a draw with Century 25 Theatres and iFLY Indoor Skydiving, and given the high percentage of households with children in its trade area, Southwest would likely prove appealing to other large-scale entertainment venues with a family or youth orientation like, for instance, Dave & Buster's, Legoland Discovery Center or Ctrl V (a virtual-reality arcade).

In sum, Southwest, able to pull from a wider trade area by dint of its freeway access and existing co-tenancy, holds appeal to retailers that require more of a regional draw. And while available floor-plates at Union Landing and ongoing disruption in the industry give reason for caution, it is – assuming appropriately flexible zoning – likely to remain a desirable location for such tenants in the future.

IV. Tennyson Road

a. Trade Area Boundaries

The primary retail stretch of Tennyson Road, extending roughly from Pompano Avenue to the Union Pacific Railroad tracks, boasts relatively high traffic counts ranging from 29,000 to 36,000 cars per day, due largely to its function as one of the main east-west arterial roads in Hayward as well as its freeway access to and from I-880.

Except, however, for a modest cluster of apparel boutiques anchored by a dd's discounts, the retail mix along Tennyson – also featuring Chavez Supermarket, Walgreens and O'Reilly Auto Parts – seems largely geared towards the more basic needs of the residential neighborhoods immediately adjacent to it.

The trade area boundaries, then – corresponding to the polygon in the image below – have been drawn in recognition of the locally-oriented, grocery-anchored competition that currently exists along Mission Boulevard (to the northeast), along Jackson Street / SR 92 (to the northwest), on Hesperian Boulevard (to the west), at Union Landing (to the southwest) and on Decoto Road (to the south).

Image 3. Tennyson Trade Area (ESRI, MJB Consulting).

b. Demographic Profile

Tennyson Road's trade area might be rather small in both size and population, and its income profile relatively modest, but it does offer one unique selling point in its exceptionally high population density, with the corridor surrounded by residential fabric in all directions. ESRI data shows the following:

* 22,000 residents – at a population density of 14,500 people per square mile (more than four times that of Hayward's, and higher even than Boston's, Chicago's and Philadelphia's)

* 6.7% population growth since 2010

* $58,000 median household income, including 25% (1,500 households) which earn $100,000 or more and 11% (700 households) at $150,000 or more

* 54% owner-occupancy

* $384,000 median home value

Furthermore, the population of this trade area is projected by ESRI to grow by another 5.2% in the next five years, to 23,000 in 2022.

Finally, Tennyson Road's trade area is very diverse. Latinos predominate, accounting for some 48% of the residential base, while Asians comprise another 23% (and growing). It is also family-oriented. Nearly 47% of its households include one or more children, and the average household size is 3.64.

c. Tenanting Potential

Its high density notwithstanding, the modest size and population of Tennyson Road's trade area – just 1 ½ square miles and 22,000 people -- limits its appeal to the kinds of larger-format anchors that can kickstart redevelopment, as the sales potential is in most cases not sufficient to support the types of stores that these retailers would typically open.

A related complication with Tennyson Road is that its trade area overlaps with – and its retail mix is similar to -- Mission Boulevard's. In assessing, then, the opportunities to attract different kinds of businesses, one must be careful *not* to be "double-count." The consumer will buy a particular item at one store (in one corridor), and not the other. And that type of store will only exist or open in a single location, not both.

While the case is by no means clear-cut, Tennyson Road probably ranks *below* Mission Boulevard as a retail location in the minds of most prospective tenants, by virtue of the latter's greater prominence as an arterial thoroughfare that spans multiple jurisdictions as well as its larger development sites. In other words, the retailer targeting the trade area overlap would be more likely opt for Mission Boulevard.

Finally, even if additional larger-format anchors were interested in locating along Tennyson Road, they would be very difficult to accommodate, given the constraints on lot size and depth that result from the closely abutting residential uses as well as the challenges and costs of assembling multiple properties within such a fine-grained urban fabric.

With this in mind, we offer the following *preliminary* guidance on the additional retail that would be realistic for the submarket as a whole:

* **Discount-variety**. There is the potential for $4.3 million in "other general merchandise sales" along Tennyson Road, and yet discount-variety retailers remain conspicuously absent.

* **Quick-service food**. With the high traffic counts and I-880 freeway access as well as the presence of Cesar Chavez Middle School and the Eden Youth and Family Center, other fast-food brands might be intrigued by the possibility to join KFC and Jack In The Box along the corridor.

Going forward, then, the retail inventory along Tennyson Road will likely remain as is, with a preponderance of smaller floor-plates in older strips, while the retail mix will continue to skew towards independently-owned, entrepreneur-driven small businesses geared primarily towards nearby residents. Spaces will experience above-average turnover, but demand among such tenants will likely stay constant, and the vacancy rate, low.

Appendix: Glossary of Terms

For the purposes of understanding tenanting potential, we have provided below a glossary of the terms-of-art used in the industry to refer to particular kinds of stores:

<u>Big box</u>: a retailer occupying a space of 60,000 square feet or more

<u>Medium box</u>: a retailer occupying a space between 15,000 and 60,000 square feet

<u>Small box</u>: a retailer occupying a space between 6,000 and 15,000 square feet

<u>Supercenter</u>: a big-box store combining general merchandise with a full-service grocery; examples include Wal-Mart and Target

<u>Warehouse club</u>: a big-box store selling general merchandise in bulk, for members only; examples include Costco and Sam's Club

<u>Category killer</u>: a medium-box store that offers a broad selection in one particular category, with relatively low prices; examples include Best Buy, Bed Bath & Beyond, Michaels and Barnes & Noble

<u>Off-price fashion retailer</u>: a medium-box store that offers department store brands at discount prices; examples include T.J. Maxx, Ross Dress For Less and DSW Shoe Warehouse

<u>Cheap-chic retailer</u>: stores that sells trendy fashions at low prices; examples include Forever 21

Discount-variety retailer: a small-box store selling general merchandise at very low prices; includes dollar stores; examples include 99 Cent Only Stores and Dollar Tree

Quick-service restaurant: an eatery in which customers order their food at a counter and/or a drive-thru window; examples include Taco Bell and Subway

Fast-casual restaurant: a quick-service eatery with higher-quality ingredients, a more upmarket atmosphere and slightly elevated price points; examples include Chipotle and Panera Bread

Sit-down restaurant: an eatery with table service; examples include Applebee's and BJ's

Family restaurant: a sit-down restaurant that features a basic and affordable menu, with options for kids, and that does not contain a bar; examples include Black Bear Diner and Mel's Diner