

RETAIL MARKET STUDY
Kaw Landing

Lawrence, Kansas

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Prepared by

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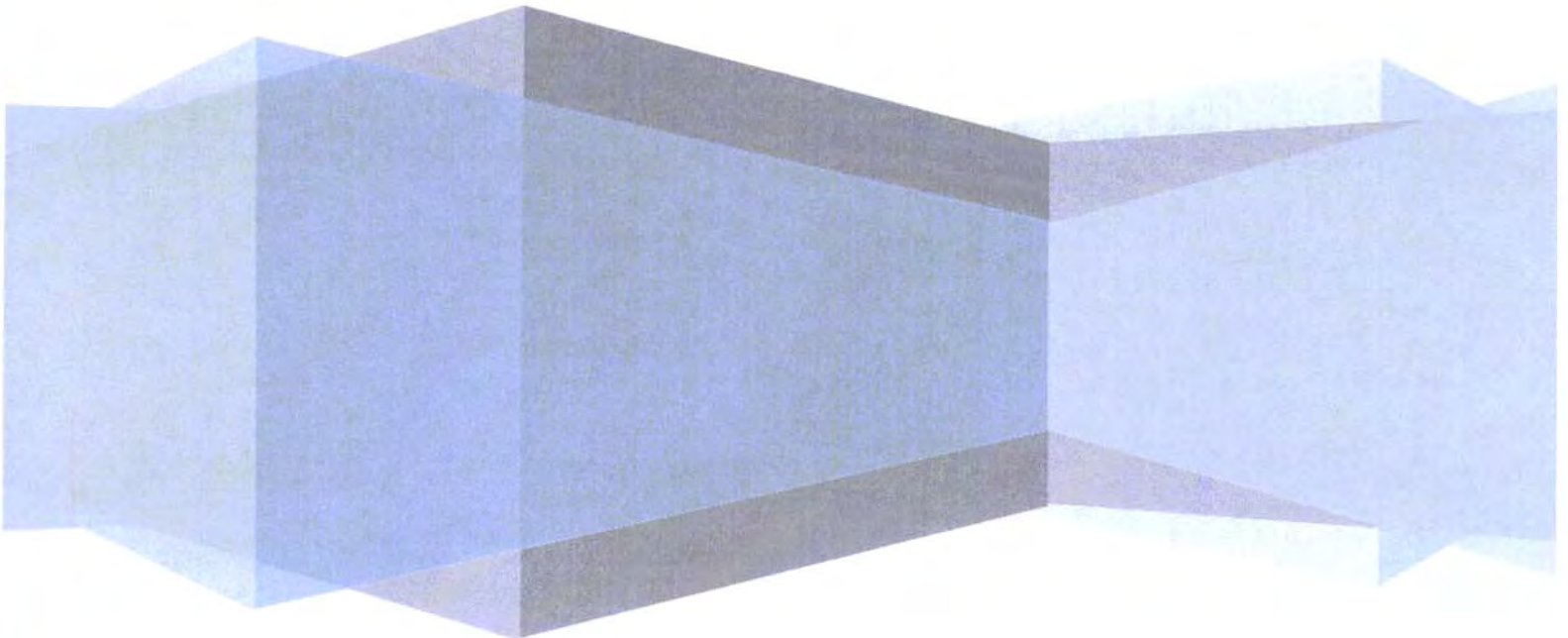


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The purpose of this retail market analysis is to provide an independent review and projection of demand for new commercial development in Lawrence, Kansas. More specifically, this analysis has been prepared to assess retail uses and demand on the northwest corner of North Second Street (U.S. Highways 40/59) at Elm and Locust Streets known as the Kaw Landing.

Kaw Landing is an 18 acre commercial redevelopment in North Lawrence immediately adjacent (0.3 mile) to Downtown Lawrence offering a total of 222,800 square feet of net leasable space. This retail market study has been prepared in accordance with City of Lawrence Land Development Code Sec. 20-1107. The following factors and conditions were examined:

- Recent and projected population, income and employment trends for Lawrence
- Retail sales data, pull factors and related trends in Lawrence and Douglas County
- Review of citywide retail occupancy and vacancy rates as well as in North and Downtown Lawrence.

This retail market study is presented in four sections:

- I. Executive Summary
- II. Historic and Current Retail Market Conditions
- III. Downtown and North Lawrence Retail Markets and Site Assessment
- IV. Projected Commercial Demand Analysis and Conclusion

I. EXECUTIVE SUMMARY

There is an average annual demand for approximately 122,311 square feet (under Horizon 2020 low population growth scenario) to 223,958 square feet of retail development (under Horizon 2020 middle population growth scenario) in the Lawrence market. Downtown Lawrence and North Lawrence districts will successfully accommodate a fair share of Lawrence's projected retail demand.

Horizon 2020 encourages redevelopment of existing commercial areas with an emphasis on Downtown Lawrence and existing commercial gateways such as Kaw Landing. Kaw Landing retail development will encompass a net increase of 217,377 square feet. The existing development contains 5,423 square feet for a total of 222,800. The major planned uses include a new movie theatre and hotel overlooking the Kansas River that together represent 52 percent of the proposed development. The other dining, retail and office uses are discussed in the body of this retail market study.

In addition to meeting the city's retail demand, Lawrence and Douglas County's sales leakage evidenced by the City of Lawrence "pull factor" decline to 1.02 in 2010 and Douglas County's 2010 "pull factor" of 0.86 indicates that additional retail space targeted to overcome the county's leakage is warranted. Given the amount of commercial development and entertainment sales and related activity in Downtown Lawrence and Lawrence's declining pull factor, Kaw Landing and Downtown Lawrence provide a unique position to overcome the current city and countywide retail sales leakage.

These absorption projections are based on the following findings and conclusions:

1. Lawrence has absorbed approximately 374,000 square feet of retail commercial development annually since 2000.
2. Despite the amount of development since 2000, the Kansas Department of Revenue reports that Douglas County's "pull factor" continues to reflect sales leakage, and Lawrence's "pull factor" has declined by 9.7 percent in the past decade. This decline indicates that the Lawrence retail market is not satisfying the needs of the city's growing population (See Table B – "Lawrence and Douglas County Retail Pull Factor 2000 – 2010"). Douglas County's "pull factor" has declined by 7.5 percent since 2000. Therefore, there is the potential for Lawrence to capture greater retail sales with a retail center because of its unique setting will attract residents from outside of Lawrence and will contribute to Lawrence reversing the city's "pull factor" decline from the past decade.
3. The amount of commercial development planned in the original Horizon 2020 which influenced the amount of land zoned for commercial uses reflected a smaller population than Lawrence and Douglas County have realized.

4. Lawrence's retail demand is underserved as evidenced by the city' low vacancy rate of 7.0 percent. Lawrence is significantly below Kansas City metropolitan area (14.1 percent) and national (10.0 percent) retail vacancy rates.

The proposed redevelopment is expected to enhance the viability of Downtown Lawrence for a combination of the following reasons:

- The Kaw Landing site is 3/10th of a mile from Downtown Lawrence offering easy access and less than a five minute walk. The distance from Kaw Landing to Downtown Lawrence, immediately across the street from the Lawrence Visitor Information Center, is the equivalent distance from Seventh to Ninth Street in Downtown Lawrence.
- Downtown Lawrence has increasingly become a one-of-a-kind specialty retail and entertainment district destination; and
- The proposed redevelopment will serve visitors to Downtown Lawrence as well as residents of Lawrence and Douglas County, and Douglas County employees who reside in neighboring Leavenworth and Jefferson Counties.

II. HISTORIC and CURRENT RETAIL MARKET CONDITIONS

This section of the study describes the prevailing conditions and factors that influence the retail market in Lawrence – retail sales, population, employment, income and retail occupancy and vacancy rates.

Recent Retail Sales Trends

The most accurate reflection of the Lawrence retail market condition can be seen in retail sales, population and retail square footage growth. Since 2000, retail sales tax collections in the City of Lawrence have grown at a faster rate than both city population growth of 0.9 percent. After adjusting for inflation, retail sales have increased 3.3 percent since 2000, less than population growth. This lower percentage is also reflected in the decline in the city's retail pull factor from 1.13 in 2000 to 1.02 in 2010.

Lawrence has added an average of 374,504 square feet of new retail space from 2000 through 2010. During this period, retail sales increased 3.3 percent. (See Table A - "Lawrence Retail Development and Sales 2000 - 2010"). The following table summarizes the growth in these key indicators since 2000. Slow growth in retail sales tax collections since 2000 reflecting the city's declining retail pull factor.

Table A
Lawrence Retail Development and Sales 2000 – 2010

Year	Retail Square Feet	City Retail Sales Tax Collections	Adjusted Retail Sales Tax Collections – 2000 \$ @
2000	5,375,530	\$10,348,071	\$10,348,071
2005	6,479,100	\$11,841,727	
2006	7,581,660	\$12,260,437	
2007	Est. 8,100,000	\$12,453,791	
2008	Est. 8,500,000	\$12,898,143	
2009	Est. 8,800,000	\$13,677,542	
2010	9,120,567	\$13,531,722	\$10,686,072
2000 – 2010 Total Change	3,745,037	\$3,183,651	\$338,001
2000 – 2010: Average / Year	374,504	\$318,365	\$33,800
Percent Change 2000 – 2010	69.7%	30.8%	3.3%

@ = U.S. Bureau of Labor Statistics inflation calculator through 2010 adjusted to 2000.

Source: U.S. Census; Lawrence/Douglas County Planning Department; City of Lawrence Finance Department; Grubb Ellis/Winbury Group.

Despite population and retail development growth, Lawrence has declined in attracting the city's fair share of retail demand. Lawrence's retail sales data and "pull factor" reflect the fact that the Lawrence retail market has declined from historic sales expenditures levels. A "pull factor" is a measure of the market share captured in a community by all of the retail businesses and is used to compare the magnitude of sales activity to the level of business activity on a per capita basis. A pull factor above 1.00 indicates that the community is attracting business while one that is below 1.00 indicates that the community is losing retail sales to other places.

Lawrence's pull factor in 2010 was 1.02, according to Kansas Department of Revenue (See Table B – "Lawrence and Douglas County Retail Pull Factors 2000 – 2010"). This reflects a decline of 9.7 percent in the past decade for Lawrence. Douglas County has also declined by 7.5 percent over the past decade. As a result of these trends, **there remains potential for both Lawrence and Douglas County to recapture retail sales leakage.**

Table B
Lawrence and Douglas County Retail Pull Factors 2000 – 2010

Year	City of Lawrence Pull Factor	Douglas County Pull Factor
2000	1.13	0.93
2001	1.18	0.93
2002	1.13	0.92
2003	1.08	0.93
2004	1.11	0.96
2005	1.11	0.99
2006	1.12	0.97
2007	1.02	0.87
2008	0.99	0.85
2009	0.99	0.85
2010	1.02	0.86
2000 – 2010: Total Change	(0.11)	(0.07)
Percent Change	(9.7%)	(7.5%)

Source: Kansas Department of Revenue.

It is also significant is the fact that Douglas County remains below 1.00, declining to its lowest level, 0.85 in 2009, from a peak of 0.99 in 2005, indicating retail sales dollars are increasingly leaving Douglas County.

The city's pull factor is lower than eight Kansas cities nearest to Lawrence in population. (See Table C – "Major Kansas Cities Retail Pull Factor 2007 - 2010".) Lawrence's 1.02 pull factor is 8th among the 10 medium sized cities in Kansas with population between 30,000 and 120,000 persons and unchanged over the three years.

Because Lawrence is the employment center for Douglas County, is located at the convergence of all major roads in Douglas County and houses nearly 80 percent of the county's population, the city and county have the potential to grow their retail base and recapture this retail sales leakage.

Table C
Major Kansas Cities Retail Pull Factors 2007 - 2010

2010 Ranking by City	Retail Pull Factor 2007	Retail Pull Factor 2010	Percent Change 2007 - 2010
1. Lenexa	1.58	1.55	(1.9%)
2. Salina	1.48	1.44	(2.8%)
3. Topeka	1.47	1.47	No Change
4. Hutchinson	1.35	1.40	3.6%
5. Manhattan	1.28	1.36	5.9%
6. Leawood	1.26	1.31	3.8%
7. Olathe	1.28	1.24	(3.2%)
8. Lawrence	1.02	1.02	No Change
9. Shawnee	1.04	0.98	(5.8%)
10. Leavenworth	0.70	0.84	6.3%

Source: Kansas Department of Revenue.

The fact that Lawrence and Douglas County retail pull factors have declined over the past decade further indicates an inadequate selection of goods within the city to satisfy all consumers. The larger and more convenient the selection of goods that Lawrence can offer and attracting non-residents through unique shopping and dining options, the more likely Lawrence and Douglas County's retail sales leakage can recover from this trend and be overcome.

Lawrence and Douglas County's potential to increase their declining pull factors can be attributed to a range of factors from Kaw Landing influencing the local retail market:

1. The site is located immediately adjacent to Downtown Lawrence and across the street from the Lawrence Visitor Information Center.
2. The site is on the primary artery connecting Lawrence to Leavenworth County. Many Lawrence residents employed in Wyandotte and Leavenworth Counties use North 2nd Street (U.S. Highway 59) to commute to Leavenworth or Wyandotte Counties.
3. Douglas County attracts workers from outside Douglas County according to 2000 U.S. Census data (See Table D – Douglas County Work Force Place of Residency”).

Lawrence and Douglas County have the ability to increase sales from adjacent counties because of Douglas County's employment opportunities. More than 7,000 persons commute into Douglas County for employment. Jefferson and Shawnee Counties provide the largest number of workers. Over 1,500 of Douglas County's workers are from Leavenworth and Wyandotte Counties entering Lawrence from the northeast portion of the city.

Table D
Douglas County Work Force Place of Residency 2000

County of Residence	Number of Douglas County Workers	Percent of Labor Force
Douglas County	41,186	84.0%
<u>Non-Douglas County:</u>	<u>7,845</u>	<u>16.0%</u>
Jefferson County	1,640	3.3%
Shawnee County	1,317	2.7%
Wyandotte County	796	1.6%
Leavenworth County	785	1.6%
All Other Counties	3,307	6.8%
Total Work Force	49,031	100%

Source: 2000 U.S. Census.

The City of Lawrence updated the city's retail market data base in October 2010. Square footage figures for 2005 were estimated based on data collected by the local commercial real estate firm of Colliers (Table E – "Lawrence Commercial Square Feet 2000 - 2010"). The following table presents the average annual amount of new commercial development added to the city's inventory.

Table E
Lawrence Commercial Square Feet 2000 - 2010

Year	Total Retail Square Feet	Annual Change in Square Feet
2000	5,375,530	48,500
2001	5,424,030	67,893
2002	5,491,923	179,441
2003	5,671,364	36,950
2004	5,708,314	770,786
2005	6,479,110	1,102,560
2010	9,120,567	N / A
2000 – 2010 Annual Average Change		374,504 square feet

Source: City of Lawrence Finance Department; U.S. Census; Colliers.

Note: City of Lawrence includes all commercial uses located within retail centers.

Projected Population

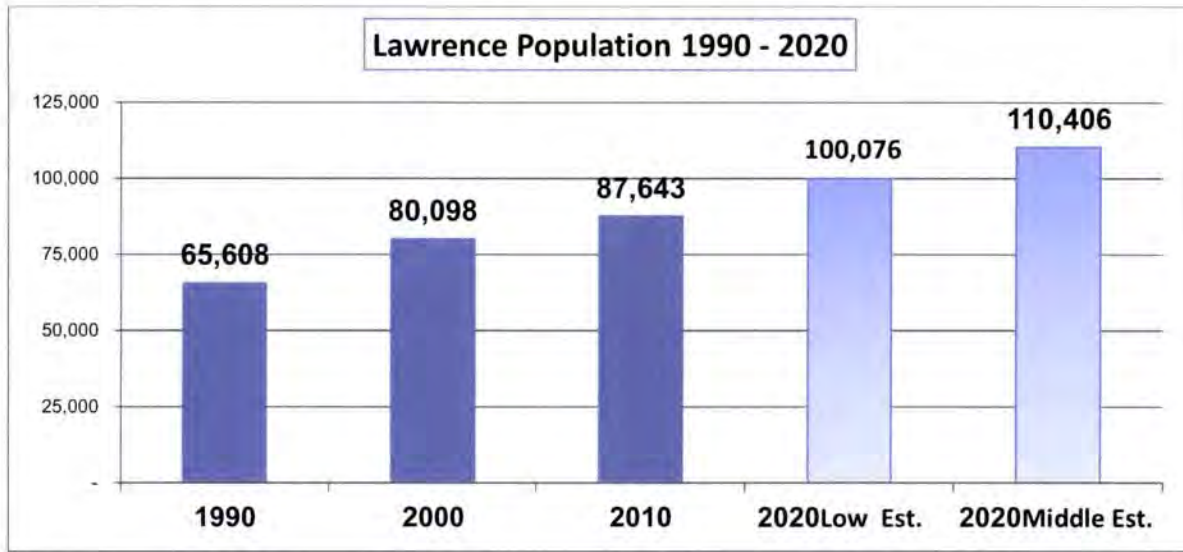
Population growth is one of the key factors influencing retail demand. In the past decade, Lawrence has added an average of 1,143 new residents. The most recent population figure reported by the U.S. Census Bureau in 2010 set the city's population at 87,643.

The most recent version of Horizon 2020 projects the city's population to increase to approximately 100,076 to 110,406 (the plan's low and middle population scenarios) by 2020 contributing to an on-going demand for additions to the city's retail supply. New "green field" retail construction is predominantly planned in northwest Lawrence. Because of limited land availability, new retail development in Downtown Lawrence is driven by redevelopment as planned at Kaw Landing.

Table F
Lawrence Population 1990 - 2020

Year	Actual / Estimated Population	
1990	65,608	
2000	80,098	
2010	87,643	
1990 – 2010 Total	19,035 persons	
Annual Average Change	952 persons	
Horizon 2020 Projection	Low:	Middle:
Estimated 2020 Population	100,076	110,406
2010 – 2020 Total Change	12,433	22,763
Annual Average Change	1,243	2,276

Source: Lawrence/Douglas County Planning Department Horizon 2020; U.S. Census.



Source: Lawrence/Douglas County Planning Department Horizon 2020; U.S. Census.

From 1990 to 2000, that section of Lawrence in the central portion of the city, the area where Kaw Landing is located within the Lawrence 66044 ZIP Code experienced a 3.7 percent increase in population growth. The area of Lawrence contained 36 percent of the city's population in 2000. (Census data by ZIP code for 2010 has not published yet.)

Table G
Lawrence Population by ZIP Code Area 1990 – 2000

ZIP Code: Area of Lawrence	66044 Central/ North	66046 Southern	66047 Southwest	66049 Northwest	TOTAL
1990	30,021	16,345	9,194	12,615	68,608
2000	31,131	19,981	15,122	20,338	86,572
Net Change	1,110	3,636	5,928	7,723	17,964
Percent Change	3.7%	22.2%	64.5%	61.2%	27.0%
2000 Percent of Total Population	36%	23%	17%	23%	100%

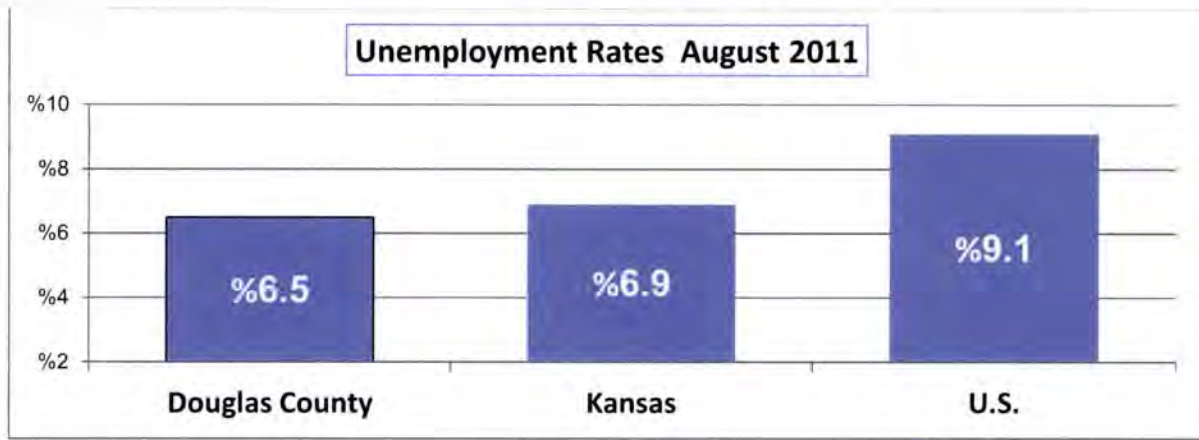
Note: City limits and ZIP code boundary do not match.

Source: U.S. Census.

C. Douglas County Employment

Employment growth in Douglas County is concentrated in Lawrence and further contributes to the growth in local sales tax collections and retail demand. The number of jobs in Douglas County increased by 2,600 jobs from 47,600 in July 2010 to 50,200 in August 2011 according to the most recent data published by the Kansas Department of Labor. Despite the recent

economic recession, Douglas County's unemployment rate in August 2011 was 6.5%, lower than Kansas' 6.9% unemployment rate and significantly lower than the U.S. unemployment rate.



Source: Kansas Department of Labor; U.S. Department of Labor.

Douglas County Per Capita Income

In addition to population growth, the amount of retail space in a community is a direct function of the amount of disposable income. In 2009, Douglas County had a per capita income of \$32,070 according to the U.S. Department of Commerce Bureau of Economic Analysis. It is widely acknowledged that countywide income levels are weighted lower due to the influence in Douglas County of the number of college students factored into per capita income calculations. Douglas County's per capita income is 82 percent of the statewide average. Nevertheless, since 2000, Douglas County's per capita income has increased by 3.9% after adjusting for inflation. (See Table H - "Douglas County Per Capita Income 2000 – 2009 (in 2009 consumer price index inflation adjusted dollars).")

**Table H
Douglas County per Capita Income 2000 – 2009**

Year	Douglas County Per Capita
2000	\$24,747
2009 Actual	\$32,070
2000 Inflation Adjusted to 2009	\$30,831
2000 – 2009 Percent Change	22.8%
2000 – 2009 Inflation Adjusted Change	3.9%

Source: U.S. Department of Commerce Bureau of Economic Analysis; U.S. Department of Labor CPI.

III. DOWNTOWN AND NORTH LAWRENCE RETAIL MARKET'S OVERVIEW

The retail districts for Kaw Landing include Downtown and North Lawrence. The two Lawrence retail submarkets contain approximately 2,172,215 square feet which includes the existing 5,423 square feet at the existing businesses on the Kaw Landing parcel. The Downtown and North Lawrence districts represent 23.8 percent of the total Lawrence retail market although the area has approximately 36 percent of the city's 2000 population.

A key indicator of the current condition of a retail market and influence on retail demand are retail vacancy rates. In 2010, the average retail vacancy rate for the nation's 50 largest major metropolitan areas was 10.0 percent according to Integra Realty Resources, Inc. Viewpoint 2011. The metropolitan Kansas City area retail vacancy rate was 14.1 percent. In 2010, the City of Lawrence 2010 Retail Market Report indicated a city-wide retail vacancy rate of 7.0 percent, lower than the Kansas City metropolitan area and the nation. Together, Downtown Lawrence and North Lawrence district's represent 23.9 percent of the city's total commercial square footage. (See Table J - "Lawrence Square Feet by District 2010").

Table J
Lawrence Square Feet by District 2010

District	Total Square Feet	Total Vacant	Vacancy Rate	Percent of Lawrence Total Retail
Downtown Lawrence	1,857,339	139,305	7.5%	20.4%
North Lawrence	314,876	86,484	27.5%	3.5%
All other Lawrence	6,948,352	416,406	6.0%	76.2%
TOTAL	9,120,567	642,195	7.0%	100%

Source: City of Lawrence Planning Department 2010 Retail Market Report.

Kaw Landing Site Description

The Kaw Landing site on North Second Street offers direct access for pedestrians and by automobile and bicycle from Downtown Lawrence. The site also offers excellent visibility and is suited for expanded retail and commercial development because:

- It is located on and has direct access to U.S. Highways 40/59 is visible to all travelers between the Kansas Turnpike (I-70) and Downtown Lawrence;
- The site offers excellent visibility and access to passing automobiles;
- The site is easily accessible for pedestrians from Massachusetts Street; and
- It will provide for the entertainment and serve as an attractive outdoor venue and attraction for Lawrence and Douglas County.

The site is immediately adjacent to the former Union Pacific Depot that serves as the Lawrence Visitor Information Center. The center is open seven days a week and attracts an

average of 1,000 persons monthly distributing information to visitors about Lawrence. The depot is also available for rent and serves as a public meeting facility and is routinely used for wedding rehearsal dinners and receptions hosting more than 100 special events annually.

Upon redevelopment, the 18 acre Kaw Landing site will provide a raised walkway and patios extending 1,800 feet along the bank of the Kansas River. This walkway will make the commercial development unique to Lawrence and Northeast Kansas attracting visitors to the community and will serve as an attractive, one-of-a-kind setting for dining, shopping and passive outdoor recreation.

Proposed Commercial Uses

Kaw Landing proposes to add a net increase of 217,377 square feet. The existing commercial portion of the site is zoned CS, Commercial Strip District, allowing for a mix of retail, office and related commercial uses. Contractual commitments about the major use for the movie theatre and hotel company have yet to be made. The existing Johnny's Restaurant on the site will be removed and will expand and locate into a new building with an outdoor deck overlooking the Kansas River.

The following graph illustrates the major use categories followed by Table K that presents the estimated square footage for 24 specific retail uses.

**Table K and Graph
Major Uses Proposed at Kaw Landing
(By Estimated Square Feet)**

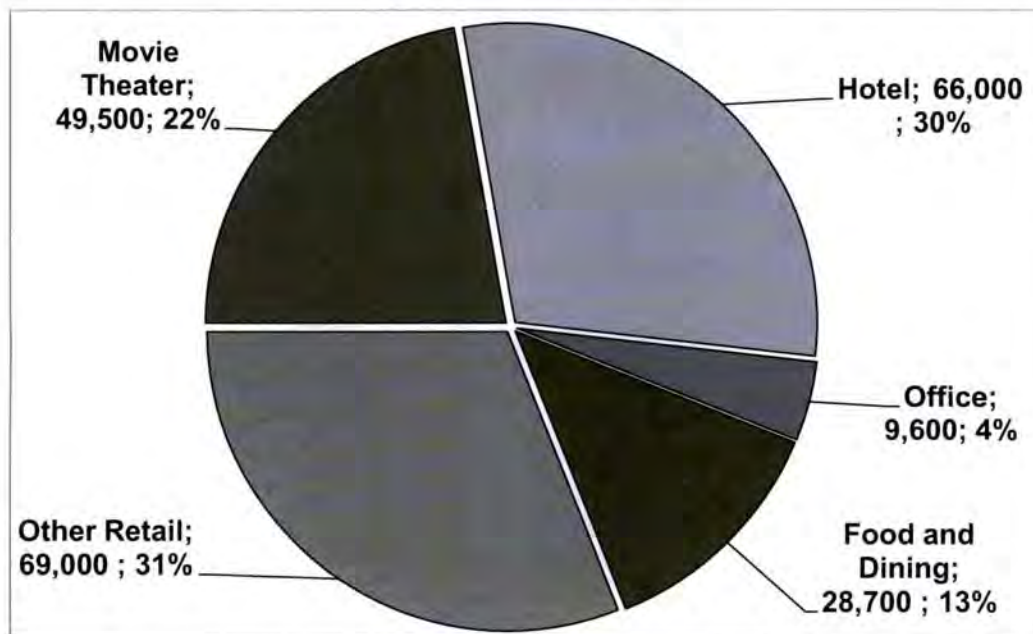


Table K
Proposed Uses by Major Category and Square Footage

Major Planned Use	Estimated Square Feet	Sub-Total
Movie Theater (1)	49,500	49,500
Hotel (1)	66,000	66,000
Other Retail (16):		
Sporting Goods	27,000	
Home Accessories	7,500	
Soft Goods/Apparel Store(s)	5,800	
Beauty Health	4,000	
Home Store	3,700	
Women's Specialty	3,000	
Bicycle Shop	2,400	
Tanning Salon	2,400	
Bakery	2,400	
Health Food/Vitamin Store	2,400	
Electronics	2,400	
Art Gallery	1,200	
Specialty food	1,200	
Ice Cream	1,200	
Flower Shop	1,200	
Stationary Shop	1,200	69,000
Food Services and Dining (6):		
Micro-Brewery	8,000	
Johnny's (expansion)	6,700	
Restaurant #2	8,000	
Smoothies/Salads/Wraps	2,400	
Sandwich Shop	2,400	
Coffee Shop	1,200	28,700
Office (4): Real Estate, Financial Services, Insurance Brokerage, Architect	9,600	9,600
Total Square Feet	222,800	222,800

Potential Impact on Downtown Lawrence

The proposed commercial uses have other locations in other of Lawrence's commercial districts including Downtown Lawrence. A review of the number of like retail establishments in these categories and the number and percent located in Downtown Lawrence has been assessed in Table L – "Lawrence Commercial Inventory Comparisons." There are 334 existing Lawrence retail establishments offering similar products and services as the proposed uses at Kaw Landing. The proposed uses within the Kaw Landing and their numeric comparison to Downtown Lawrence are presented in the following Table L.

Table L
Lawrence Commercial Inventory Comparisons

Commercial by Use	Lawrence Total 2010	Downtown Lawrence 2011	Downtown Lawrence Percent of City	Lawrence Percent Outside of Downtown Lawrence	Kaw Landing Planned
Retail	395	114	29%	71%	17
Food Services	250	82	33%	67%	6
Hotel	16	3	19%	81%	1
Vacant / Other	N / A	35	N / A	N / A	4
TOTAL	661	234	N / A	N / A	28

Note: Figures do not include 94 non-retail, non-food services in Downtown Lawrence or the citywide total.

Source: City of Lawrence Planning and Development Services "Analysis of Lawrence's Downtown Commercial Space" Memorandum, May 18, 2011; U.S. Census Bureau.

The net addition of approximately 22 to 24 commercial establishments will represent approximately 8 to 9 percent of the number of commercial establishments in Downtown Lawrence. The redevelopment reflects the specialty retail, entertainment and dining uses that prevail in Downtown Lawrence. Often, these proposed uses locate in unique, destination and/or entertainment oriented settings that patronize Downtown Lawrence rather than neighborhood centers.

Projected Impact on Retail Vacancy Rate

Kaw Landing will increase the city-wide vacancy rate in the unlikely event that the proposed project was fully constructed and not fully occupied. However, the two largest tenants of the project are intended to be constructed to satisfy specific tenants (the 49,500 square foot movie theatre and the 66,000 square foot hotel) and will not be constructed unless and/or until the each tenant and/or owner-occupant is contractually committed to Kaw Landing. Because of the size and importance of these users, the balance of the center will not be built until or unless a pre-leasing commitment is secured for one or both of these tenants.

Furthermore, Johnny's Restaurant will relocate within the new development upon completion of its new building. Therefore, there is no possibility that the proposed development would be completely unoccupied.

Upon occupancy of Kaw Landing, the city-wide vacancy rate will decline by 0.1 percent to 6.9 percent. If the proposed development is only 50 percent occupied, an unlikely scenario as described above, the city-wide vacancy rate would increase by 1.0 percent in the scenario that center is only half occupied. (See Table M - "Proposed Development Impact on Lawrence Vacancy Rate.")

Table M
Proposed Development Impact on Lawrence Vacancy Rate

Project Occupancy Assumption	City of Lawrence			With Proposed Kaw Landing Project		City-wide Vacancy Rate
	Total Square Feet	Total Occupied Square Feet	Total Vacant Square Feet	Project Occupied Square Feet	Project Vacant Square Feet	
Total 2011	9,120,567	8,478,372	642,195	N / A	N / A	7.0%
<u>Kaw Landing</u> (net) 100% Occupied	9,337,944	8,695,749	642,195	217,377	0	6.9%
50% Occupied	9,337,944	8,587,061	750,884	108,689	108,689	8.0%
0% Occupied	9,337,944	8,478,372	859,572	0	217,377	9.2%

Source: City of Lawrence 2010 Retail Market Study.

Discussion of the Existing and Maintaining a Commercial Inventory

In most growing cities with a similar or larger population than Lawrence, it is common planning practice and reflects good economic development policy to have an inventory of sites that provides for a choice of commercial development options, including accommodating redevelopment. It serves a community's economic interest to maintain an inventory of residential, office, industrial and retail sites to stimulate and attract new private investment. Offering competitive sites also prevents inflating real estate asking prices that occurs where and when there is a shortage of or constraint of development opportunities.

Historically, Lawrence has maintained an inventory of approved commercial space that exceeds development activity. There is an inventory or more than 600,000 square feet approved but not constructed commercial development in 2010. Despite this figure, the amount and pace of new construction is likely to decline in the future given the more stringent financing standards imposed on real estate development as a result of the national recession. Three of the projects in Lawrence where a sizable amount of approved commercial but not constructed space exists and their relevance to Kaw Landing are analyzed as follows:

- **Bauer Farm** - The Bauer Farm project is expected to accommodate a major national tenant to serve residents of the western portion of the city. It is common for a major national retail anchor to attract a range of small, ancillary tenants commercially compatible with a national anchor.
- **Mercato** - The 359,640 square feet of commercial development plans to include a home improvement center. This use competes with one of the proposed uses at Kaw Landing. The size of the Lawrence and Douglas County retail markets may not be sufficient to absorb both of these competing uses in the short term. However, as stated above, by

Lawrence offering alternative sites, the city benefits from attracting the strongest, most economically feasible business.

- Fairfield Farms - There are 200,000 square feet of commercial space approved at Fairfield Farms located on East 23rd Street at O'Connell Road in East Lawrence. The planned development is located within the East Lawrence retail sub-market and is intended to serve the retail needs of East Lawrence residents. Therefore, the project will not compete with the new East or West Lawrence commercial businesses.

In conclusion, local and national financial institutions, offering new entertainment venues in the community, the rate of population and employment growth and retail market conditions will significantly influence the amount of new commercial development in Lawrence. Maintaining a choice of development options endures that the city will attract the most viable businesses.

IV. PROJECTED RETAIL DEMAND ANALYSIS AND CONCLUSION

The Lawrence retail trade area includes all of Douglas County since Lawrence is the major employment center for Douglas County. Downtown Lawrence's trade area routinely attracts shoppers and diners from beyond Douglas County. Therefore, in evaluating the retail market in Lawrence, all of Douglas County's population must be considered.

Based on this analysis, there is a demand for approximately 1.2 million to as much as 2.2 million square feet of commercial retail through 2020. A five year projection period is used reflecting the phasing of the proposed Kaw Landing redevelopment and the initial phase will not reach the market before 2012 (See Table O – "Projected Capture Rate for Kaw Landing Development").

This retail demand projection averages two alternative population scenarios (Table M – "Lawrence Retail Commercial Demand Analysis"). The two alternative scenarios and the methodology used for this analysis are based on the city's prevailing square feet per capita and projected as follows:

Demand Alternative A: Horizon 2020 Low Population Growth Projection:

This scenario relies on is the city low population growth projection found in the Horizon 2020 Plan, or an annual average of 1,243 new residents over the next decade. (See Table F – "Lawrence Population 1990 – 2020").

Demand Alternative B: Horizon 2020 Middle Population Growth Projection:

This scenario relies on is the city middle population growth projection found in the Horizon 2020 Plan, or an annual average of 2,276 new residents over the next decade.

However, Kaw Landing will also generate demand from beyond Douglas County as an entertainment venue with hotel accommodations and by being a unique setting over and above attracting existing and future local residents.

This projected commercial demand is less than the average amount of development that has been absorbed since 2000. To the extent that Lawrence and Douglas County seek to "grow" their pull factors by capturing sales leakage from Leavenworth County residents employed in Douglas County, additional retail square feet is warranted.

Table N
Lawrence Commercial Demand Analysis

Demand Factor	Persons / Square Feet
2010 Lawrence Population (a) 2010 Commercial Square Feet (b) = Square Feet per Capita	87,643 persons 9,120,567 square feet 98.4 sq. feet per capita
Alternative A: Horizon 2020 Low Population Growth @ 1,243 average annual population growth (See Table F) <u>Average Annual Commercial Demand</u> 10 Year Total Demand: 2011 – 2020 Annual Average Demand	98.4 sq. ft. x 1,243 persons/year = <u>122,311 square feet</u> 1,223,112 square feet 122,311 square feet/year
Alternative B: Horizon 2020 Middle Population Growth @ 2,276 projected average annual population increase (See Table F) <u>Average Annual Commercial Demand</u> 10 Year Total Demand: 2011 – 2020 Annual Average Demand	98.4 sq. ft. x 2,276 persons/year = <u>223,958 square feet</u> 2,239,585 square feet 223,958 square feet/year
Kaw Landing Capture Rate: With 217,377 square feet by 2015:	26.7 – 35.5 percent total square feet of demand

(a) Source: U.S. Census.

(b) Source is the City of Lawrence Retail Market Report 2010.

Based on these demand projections, Kaw Landing could capture from 16.7 to 35.5 percent of the citywide demand through 2015. (See Table O – “Projected Capture Rate for Expanded Kaw Landing Development”.) However, more than one-half of the proposed commercial uses (the movie theater and the hotel) are driven by other economic and demographic factors beyond population growth. These two uses will have minimal effect on retail demand required to satisfy only Lawrence's population growth.

Horizon 2020 encourages redevelopment of existing commercial areas with an emphasis on Downtown Lawrence and existing commercial gateways. The proposed Kaw Landing responds to this adopted strategy.

Table O
Projected Capture Rate for Kaw Landing Development

Year	Alt. A: Minimum Est. Demand (Square Feet)	Alt. B: Maximum Est. Demand (Square Feet)	Existing Kaw Landing Site (5,423 Square Feet)	Kaw Landing Project (net 217,377 Square Feet)	Kaw Landing Market Share of Demand
2011	122,311	223,958	N / A	0	N / A
2012	244,622	447,916	N / A		
2013	366,933	570,227	N / A		
2014	489,244	692,538	N / A		
2015	611,555	814,849	N / A	217,377	26.7 – 35.5 percent

Conclusion

In conclusion, there is sufficient commercial demand for new square feet for Downtown Lawrence to absorb net increase of 217,377 square feet. This finding and conclusion is based on the following:

- The proposed development enjoys a unique riverfront location.
- The site is located directly adjacent to and linked to Downtown Lawrence.
- The potential exists for Lawrence and Douglas County to support increased retail in Downtown by capturing Lawrence and Douglas County sales leakage.
- Visitors, shoppers and retail sales from nearby counties will be attracted to the riverfront site for arts, lodging, entertainment and dining.

This retail market study has been prepared exclusively in consideration of Kaw Landing redevelopment in Lawrence, Kansas. It may be used for deliberation by City of Lawrence officials in consideration of this proposed project. Otherwise, any use or reproduction of the material in this report without the expressed consent of RICHARD CAPLAN & ASSOCIATES is prohibited.

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