

---

# U District Retail Saturation Study

Prepared for the U District Partnership  
**by Land Econ Group**  
February 2019

# Overview

---

- A. Purpose of the Retail Study
- B. How the Study was Conducted
- C. Influencing Factors and Demographics
- D. Retail Demand Forecast
- E. Conclusions



## B) How the Study was Conducted

---

- Analysis was performed by Land Econ Group. In addition to quantitative work, interviews were conducted on-site with local businesses, residents and property owners.
- **Land Econ Group was selected based on their unique qualifications and work history, which includes but is not limited to;**
  - Nordstrom Headquarters Retention in Downtown Seattle,
  - Downtown Strategy next to University of Nebraska,
  - Market Analysis for Campus Housing for University of California Davis,
  - Economic Impact Assessment for University of Santa Clara,
  - University of North Texas Dallas Campus Economic Impact,
  - University of California San Diego Retail Development Strategy,
  - Vancouver BC Chinatown Economic Revitalization Plan,
  - Retail Strategy for Central Portland,
  - Market and Financial Analysis for 50 sites in the Seattle area including the U District for King County Department of Transportation.

# Background of Land Econ Group Team

---

- **Bill Lee, Senior Partner, and Tanya Chiranakhon, Managing Partner, of Land Econ Group, a land planning and development economics consulting firm.**
- Bill Lee has over four decades of land planning economics and economic development consulting. He specializes in services to local government agencies, land planning/urban design firms, property owners, real estate developers, transportation agencies, and universities. He received his BS degree from Stanford University, with a major in economics and a minor in mathematics, and his MBA degree from Columbia University, where he also attended the Graduate School of City Planning.
- Tanya Chiranakhon conducts research and analysis for a variety of economic and real estate development projects across the U.S. and Asia. Her expertise includes market studies, development programming, feasibility analysis, fiscal assessment and economic impact assessments. She received a BA in Architecture from the University of California Berkeley. She holds a Master's in Urban Planning from Harvard University, where she concentrated in real estate and urban development.

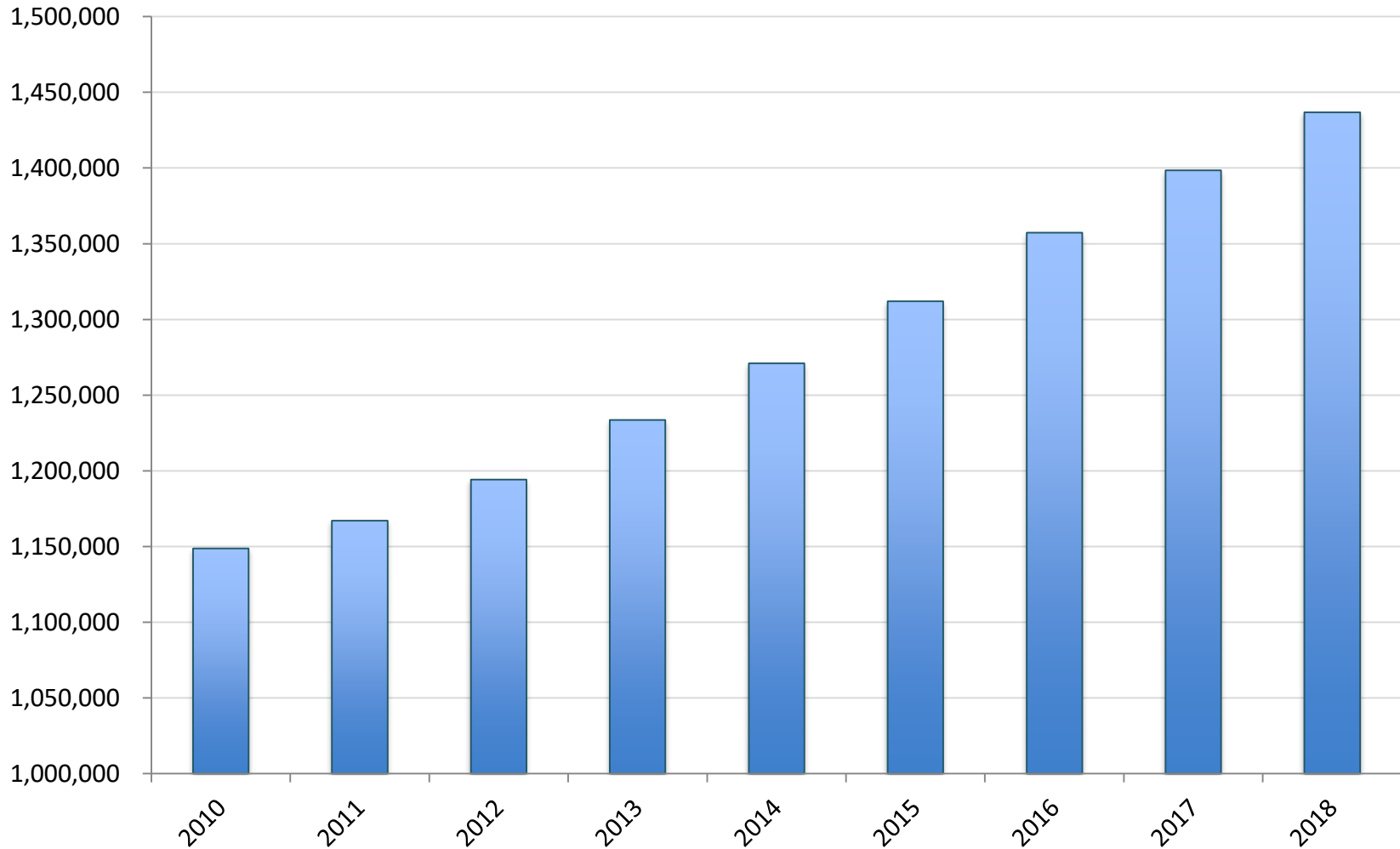
# C) Influencing Factors and Demographics

---

## Key Factors Influencing of U District Retail

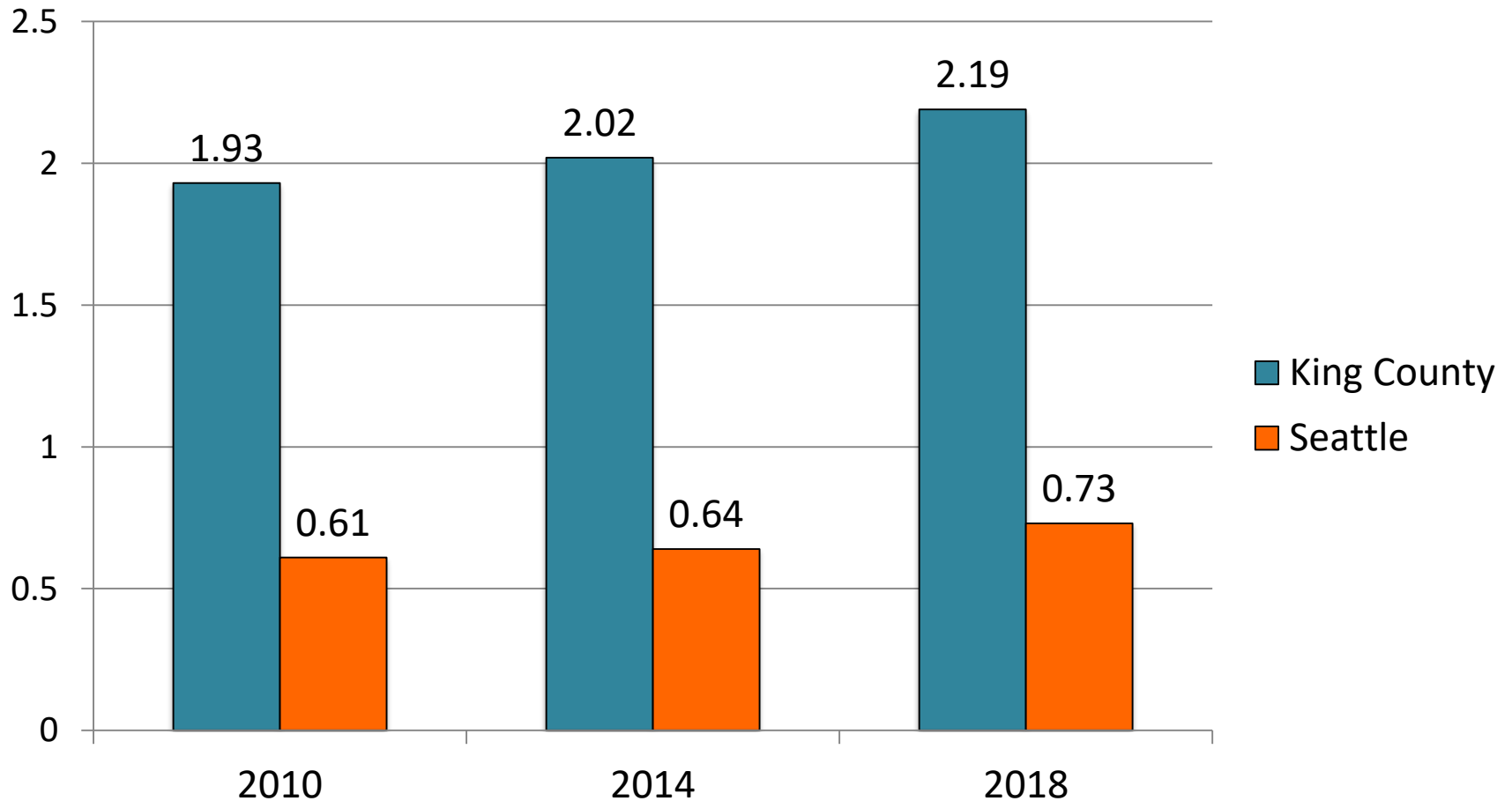
- Economic expansion driving growth in the Seattle metro area
- Growth of the University Washington campus population
- LRT extension and U District station projected for completion in 2021
- Local real estate development driven by University expansion, Seattle economic growth, LRT completion and rezone.
- LRT linkage to Downtown Seattle and Northgate Shopping Center will influence retail and entertainment spending patterns
- LRT station construction and other redevelopment removing retail space
- E-commerce continues to erode demand for brick-and-mortar stores
- Federal immigration and trade policy may reduce interest from foreign students

# King County Employment Growth Steady



# Rapid Population Growth in King County & Seattle

(Millions of People)





# Employment & Population Growth Detail

Employment	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change 2013-18	
										Number	Percentage
<b>King County</b>	777,148,683	777,167,065	777,194,254	777,233,683	777,270,918	777,312,067	777,357,203	777,398,509	777,436,721	203,038	16.5%
One Year Increase		18,382	27,189	39,429	37,235	41,149	45,136	41,306	38,212	40,608	
Percentage Increase		1.6%	2.3%	3.3%	3.0%	3.2%	3.4%	3.0%	2.7%	1.9%	

Population	2010	2011	2012	2013	2014	2015	2016	2017	2018	Change 2013-18	
										Number	Percentage
<b>State of Washington</b>	6,724,540	6,767,900	6,817,770	6,882,400	6,968,170	7,061,410	7,183,700	7,310,300	7,427,570	545,170	7.9%
One Year Increase		43,360	49,870	64,630	85,770	93,240	122,290	126,600	117,270	109,034	
Percentage Increase		0.6%	0.7%	0.9%	1.2%	1.3%	1.7%	1.8%	1.6%	1.5%	
<b>King County</b>	1,931,249	1,942,600	1,957,000	1,981,900	2,017,250	2,052,800	2,105,100	2,153,700	2,190,200	208,300	10.5%
One Year Increase		11,351	14,400	24,900	35,350	35,550	52,300	48,600	36,500	41,660	
Percentage Increase		0.6%	0.7%	1.3%	1.8%	1.8%	2.5%	2.3%	1.7%	2.0%	
<b>City of Seattle</b>	608,660	612,100	616,500	626,600	640,500	662,400	686,800	713,700	730,400	103,800	16.6%
One Year Increase		3,440	4,400	10,100	13,900	21,900	24,400	26,900	16,700	20,760	
Percentage Increase		0.6%	0.7%	1.6%	2.2%	3.4%	3.7%	3.9%	2.3%	3.1%	

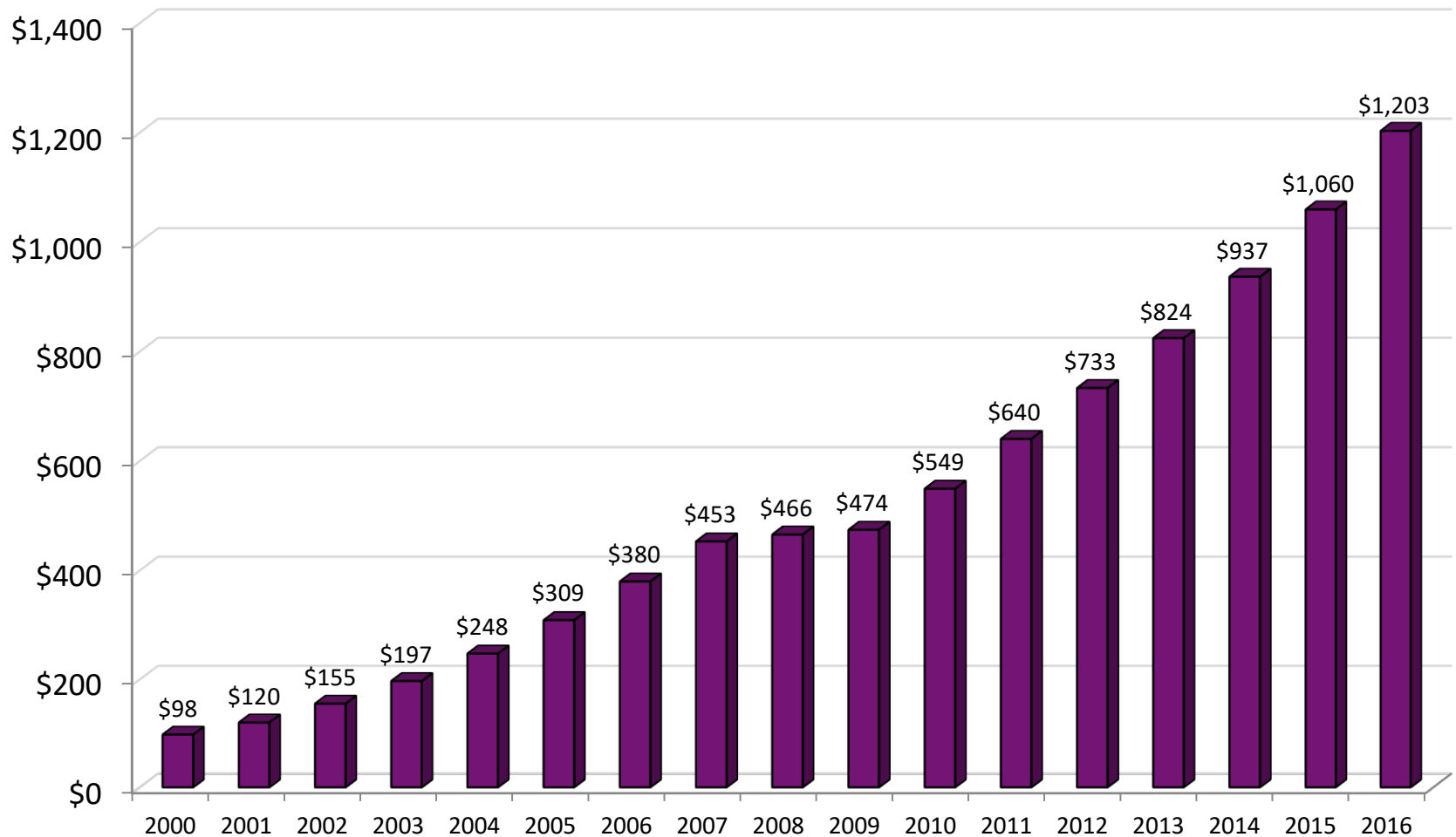
# Highlights of Five-Year Growth from 2013 to 2018

---

- State of Washington added 545,000 people or 109,000 per year
- King County added 203,000 jobs and 208,000 residents for an average of more than 40,000 per year for both jobs and residents
- Seattle added 104,000 residents or 20,800 per year on average
- UW population – students, faculty and staff increase of 10,900 or 2,180 per year

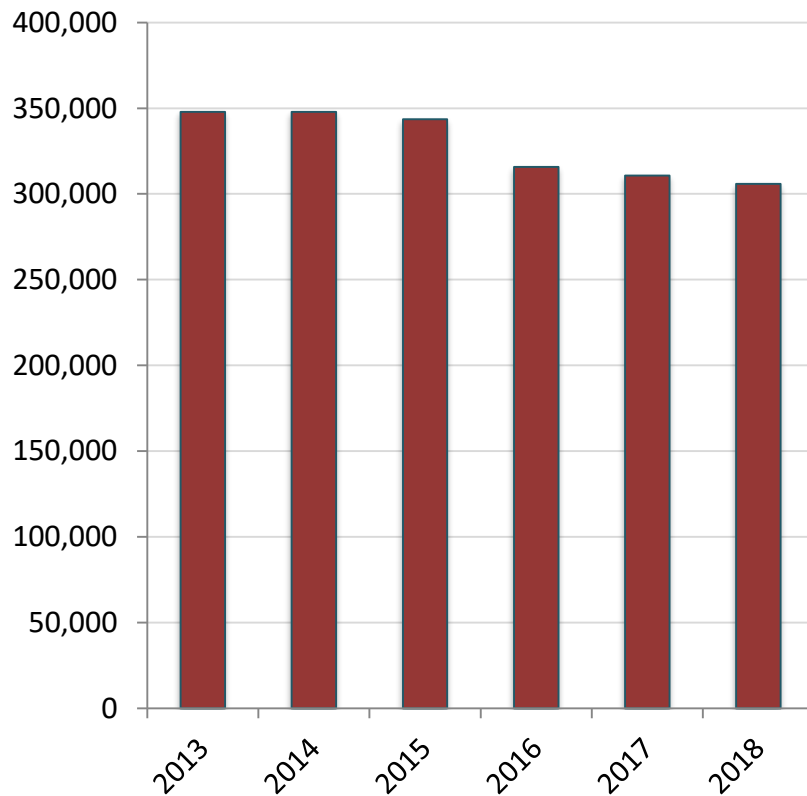
# Per Capita E-Commerce Sales in the U.S.

(US Census Bureau)



# U District Retail Supply and Rents

- Retail Space in SF



- Average Retail Rent/SF



# Trend in U District Retail Space and Rents

Quarter	InventoryBldgs	InventorySF	OccupancySF	Occupancy%	NNNRentOverall
2009Q4	64	350,355	346,855	99.0	\$19.01
2010Q4	64	350,355	347,555	99.2	\$17.89
2011Q4	64	350,355	345,345	98.6	-
2012Q4	64	350,355	346,675	98.9	\$17.02
2013Q4	63	347,849	340,695	97.9	\$15.62
2014Q4	63	347,849	345,159	99.2	\$15.62
2015Q4	61	343,500	343,000	99.9	\$15.62
2016Q4	60	315,738	306,181	97.0	\$24.00
2017Q4	59	310,671	301,242	97.0	\$24.03
2018Q4	57	305,945	302,785	99.0	\$26.17
QTD	57	305,945	302,785	99.0	\$26.17

# Light Rail Coming to U District

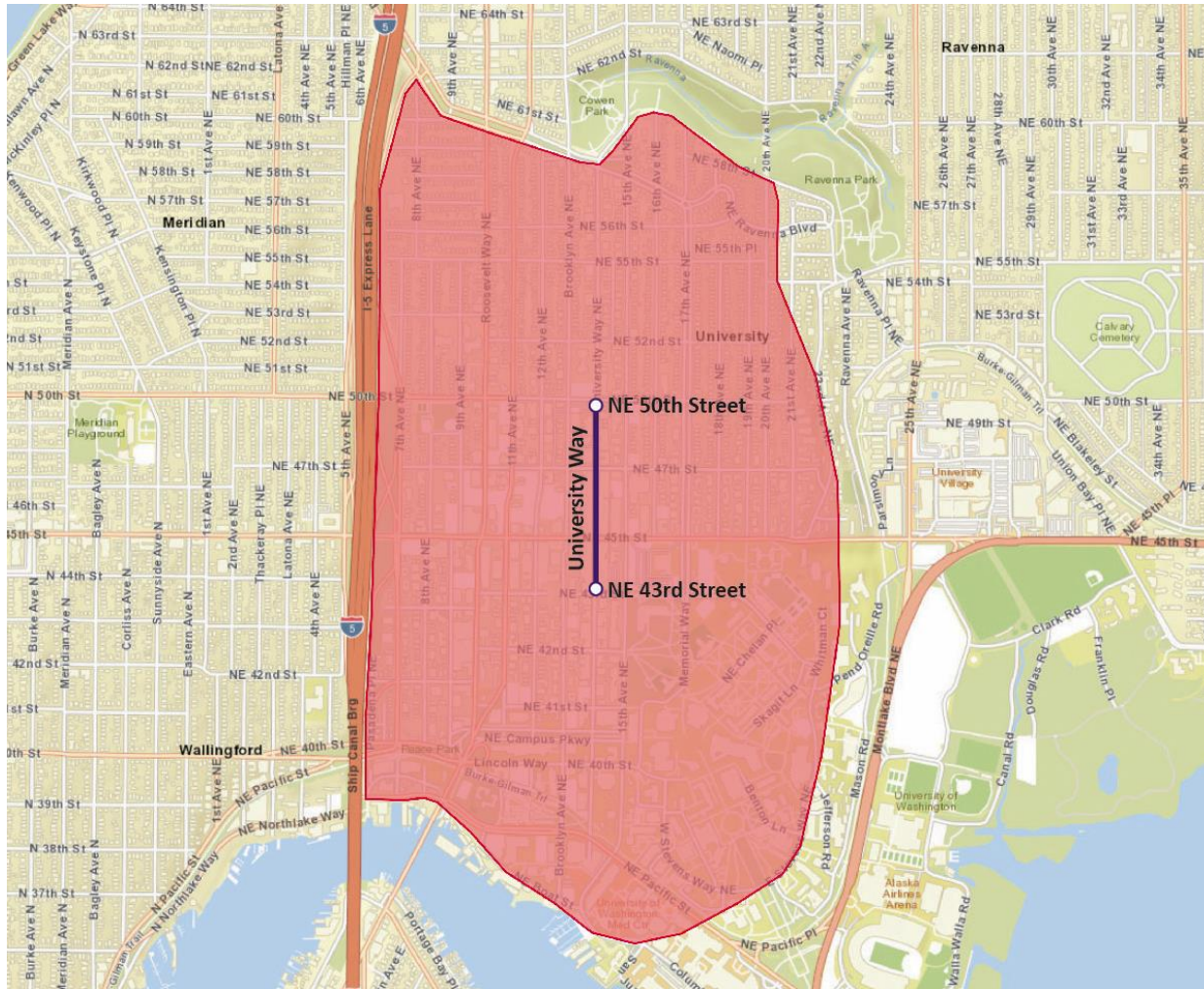
---

- Extension of 4.3 miles from Husky Stadium Station to Northgate Shopping Center
- New stations at U District, Roosevelt and Northgate
- Construction currently in progress
- Completion expected in 2021
- 12,000 daily boardings by 2030

# Estimated Total and Per Capita Retail Store Sales in King County & Washington in 2017

Retail Store Sector	King County		Washington	
	Total	Per Capita	Total	Per Capita
Motor Vehicles & Parts	\$5,077,327,828	\$2,355	\$17,187,794,990	\$2,321
Furniture & Home Furnishings	\$1,158,189,949	\$537	\$2,604,435,741	\$352
Electronic & Appliance Stores	\$1,808,710,087	\$839	\$3,785,558,927	\$511
Building Materials, Garden Equip & Supplies	\$1,870,703,797	\$868	\$6,910,053,841	\$933
Food & Beverage Stores*	\$5,242,850,656	\$2,432	\$15,915,797,872	\$2,149
Drug/Health Stores*	\$2,718,133,463	\$1,261	\$7,377,551,440	\$996
Gas Stations & Convenience Stores w/ Pumps	\$405,379,816	\$188	\$1,719,094,101	\$232
Apparel & Accessories	\$2,079,179,660	\$964	\$4,406,036,120	\$595
Sporting Goods, Hobby, Musical Instrument & Book Stores	\$930,612,322	\$432	\$2,528,167,833	\$341
General Merchandise Stores	\$3,121,560,177	\$1,448	\$11,485,466,076	\$1,551
Restaurants & Food Service Establishments	\$6,223,971,360	\$2,887	\$14,216,214,485	\$1,920
Miscellaneous Retailers	\$2,331,519,838	\$1,081	\$6,082,735,395	\$821
<b>Total Retail Store Sales</b>	<b>\$32,968,138,953</b>	<b>\$15,291</b>	<b>\$94,218,906,821</b>	<b>\$12,722</b>
Population	2,156,000		7,406,000	

# U District Primary Market Area

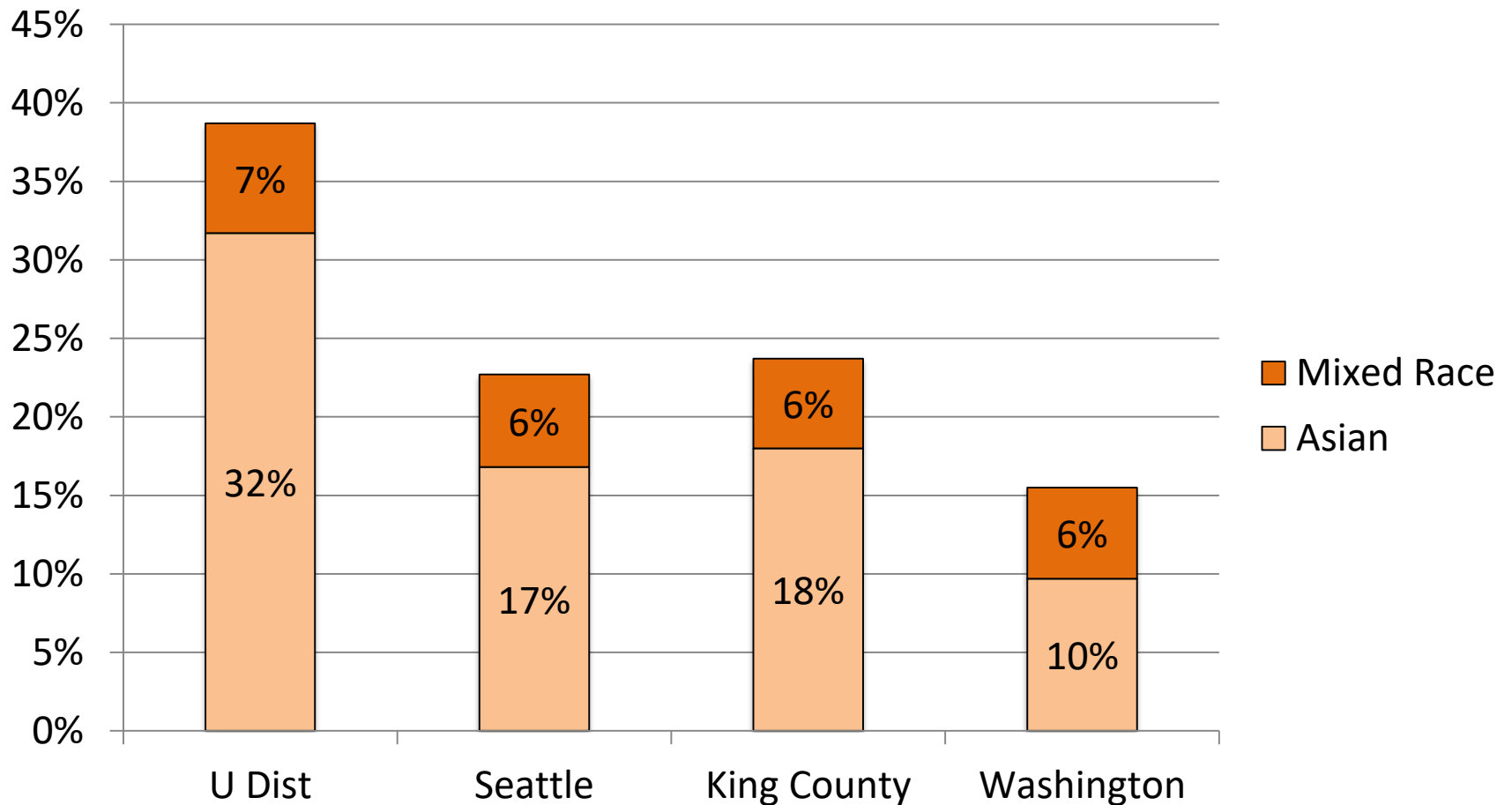




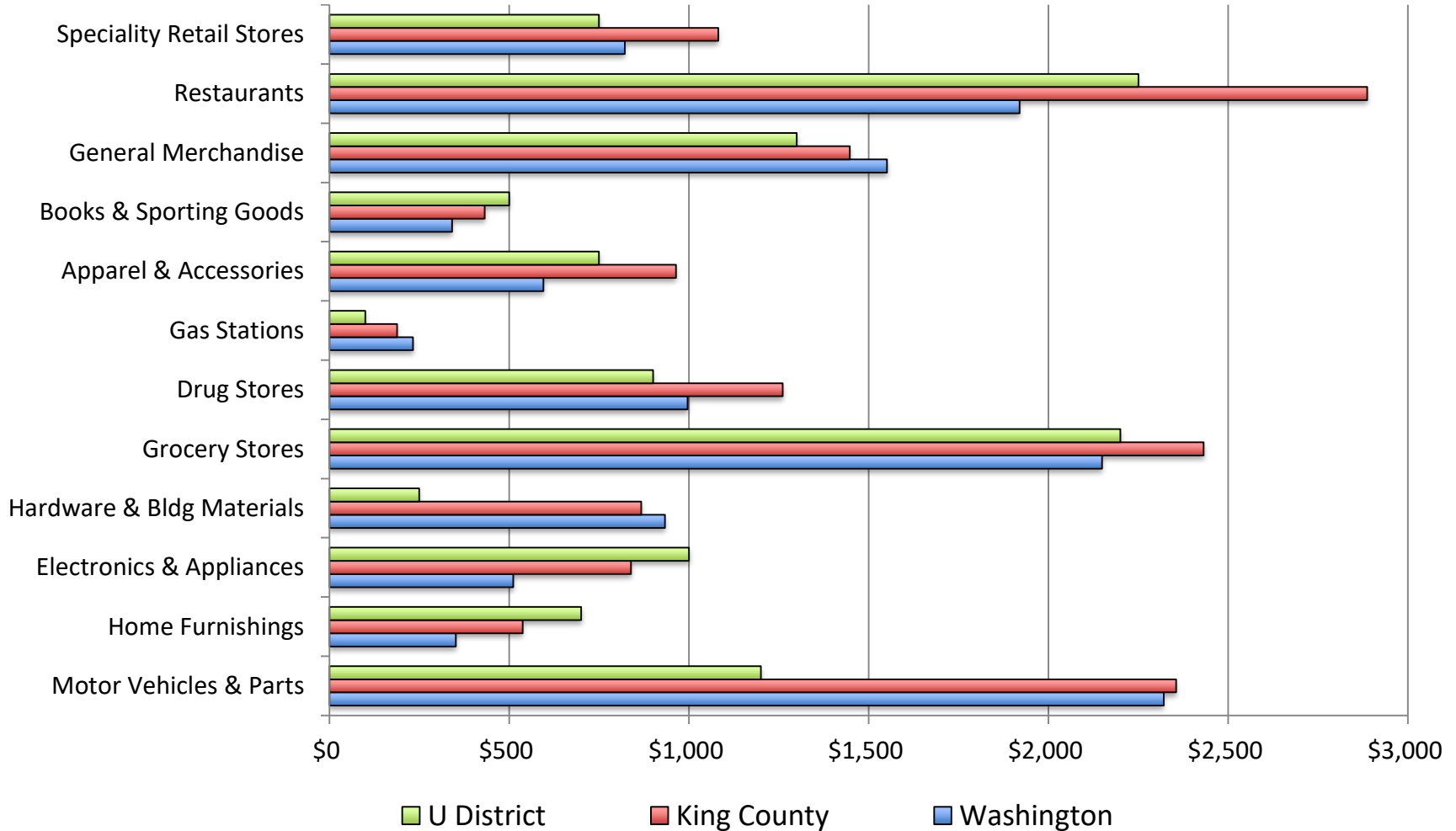
# Comparison of Key Demographic Characteristics

	U District Market Area	City of Seattle	King County	State of Washington
<b>Population in 2018</b>				
Total Population	31,194	710,295	2,199,247	7,452,102
Group Quarters Population	11,568	28,449	40,513	148,701
Percent in Group Quarters	37.1%	4.0%	1.8%	2.0%
Daytime Population (Workers & Residents)	28,444	868,803	2,369,376	7,374,399
<b>Average Household Size</b>	2.00	2.06	2.42	2.54
<b>Per Capita Income</b>	\$21,674	\$52,686	\$47,839	\$36,796
<b>Median Age</b>	22.6	37.3	38.3	38.4
<b>Over 15 &amp; Never Married</b>	82.3%	45.4%	35.1%	31.5%
<b>Population Distribution by Race/Ethnicity</b>				
White Alone	56.0%	64.9%	63.7%	73.6%
Black Alone	2.7%	9.0%	6.6%	4.1%
Asian Alone	31.7%	16.8%	18.0%	9.7%
Two or More Races	7.0%	5.9%	5.7%	5.8%
Hispanic Origin	5.7%	7.4%	9.8%	14.1%
<b>Average Consumer Per Capita Spending by ESRI Estimates</b>				
Apparel & Services	\$778	\$1,456	\$1,278	\$969
Entertainment & Recreation	\$1,018	\$2,010	\$1,812	\$1,423
Food at Home	\$1,694	\$3,192	\$2,823	\$2,220
Food Away from Home	\$1,316	\$2,342	\$2,051	\$1,569
Furnishings & Equipment	\$684	\$1,313	\$1,187	\$926
Personal Care Products & Services	\$268	\$535	\$479	\$369
Vehicle Maintenance & Repairs	\$359	\$664	\$599	\$476

# Comparison of Asian Population Concentration

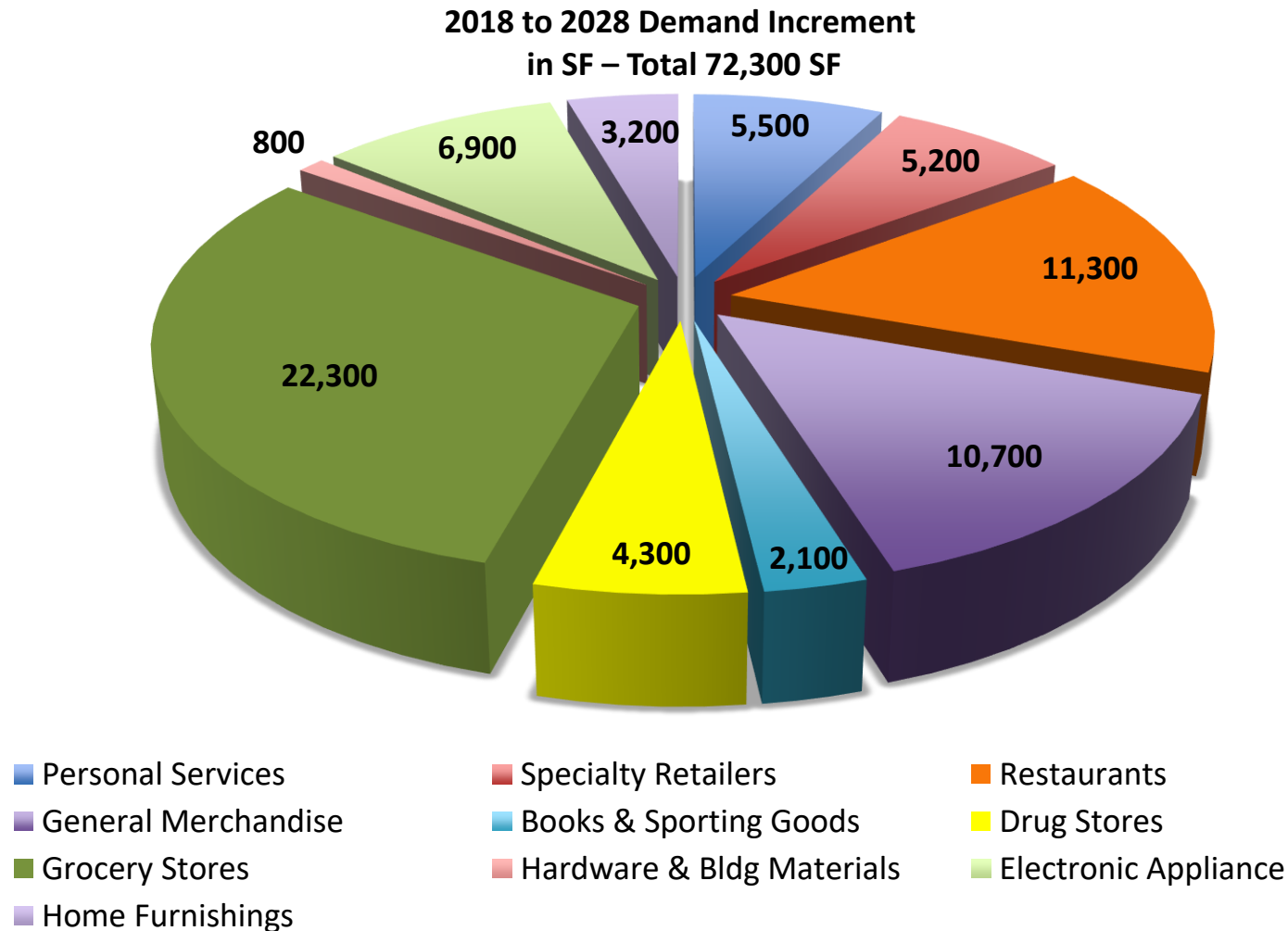


# Comparison of Estimated Per Capita Retail Store Sales: U District, King County & Washington



# D) Retail Demand Forecast

## Projected Retail Demand Growth in U District



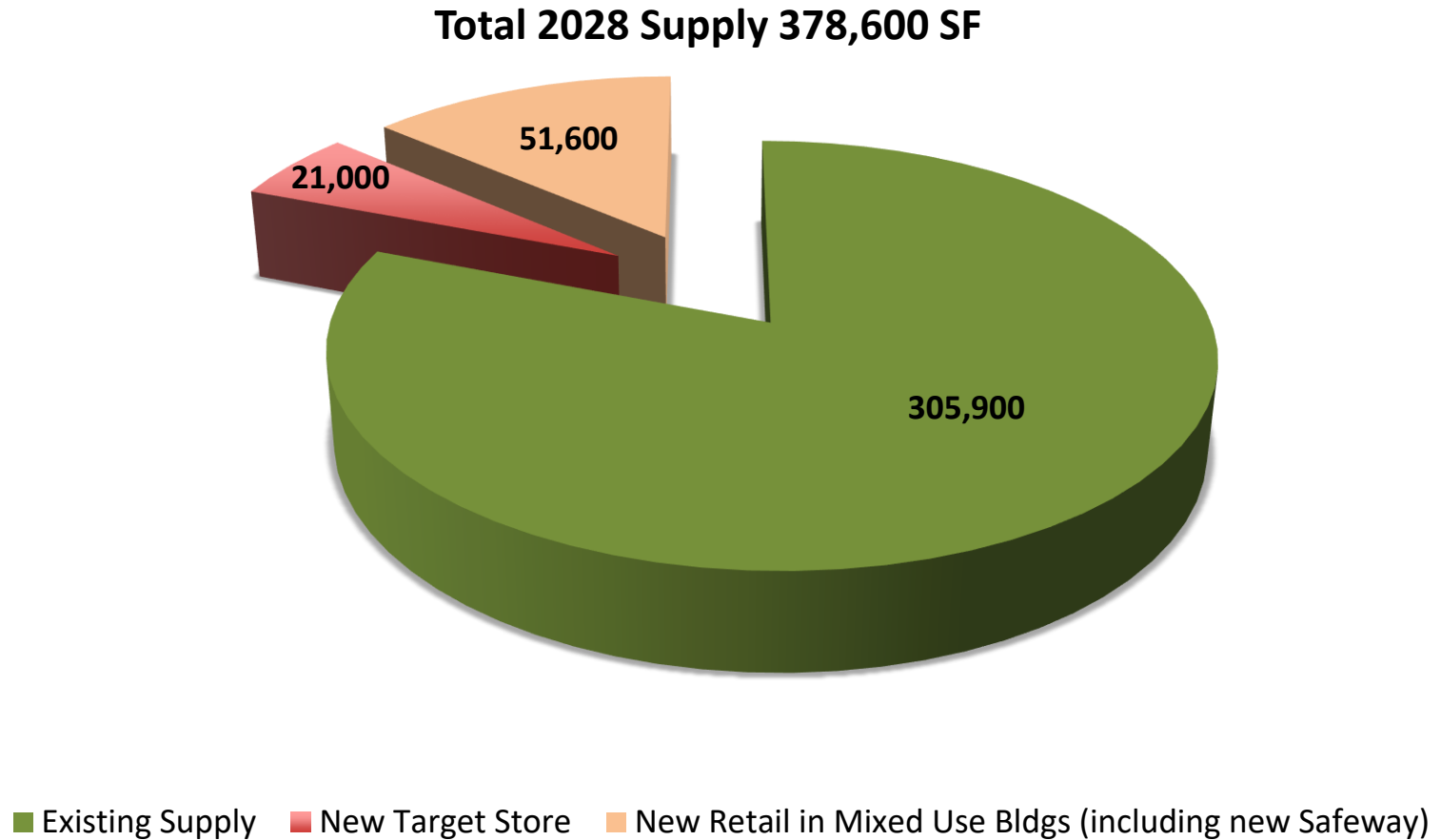
# Model of Projected Growth in U District

## Retail Demand : 2018-28

Retail Store Sector	Estimated Per Capita	U District Demand in Sales		Annual Sales Per SF	U District Demand in SF		Est Net Local Capture		Est Local Supportable SF		Demand Growth 2018-28	
		2018	2028		2018	2028	2018	2028	2018	2028	SF	Percentage
Motor Vehicles & Parts	\$1,200	\$37,432,800	\$44,743,514	NA	NA	NA	NA	NA	NA	NA	NA	NA
Furniture & Home Furnishings	\$700	\$21,835,800	\$26,100,383	\$400	64,590	65,251	30%	30%	16,377	19,575	3,198	20%
Electronic & Appliance Stores	\$1,000	\$31,194,000	\$37,286,262	\$800	38,993	46,608	60%	65%	23,396	30,295	6,900	29%
Hardware & Building Materials	\$250	\$7,798,500	\$9,321,566	\$400	19,496	23,304	20%	20%	3,899	4,661	762	20%
Food & Beverage Stores*	\$2,200	\$68,626,800	\$82,029,777	\$725	94,658	113,145	90%	95%	55,192	67,487	12,295	26%
Drug/Health Stores*	\$900	\$28,074,600	\$33,557,636	\$1,080	25,995	31,072	85%	85%	22,096	26,411	4,315	20%
Gas Stations	\$100	\$3,119,400	\$3,728,626	NA	NA	NA	NA	NA	NA	NA	NA	NA
Apparel & Accessories	\$750	\$23,395,500	\$27,964,697	\$500	46,791	55,929	30%	25%	14,037	13,982	(55)	0%
Books & Sporting Goods	\$500	\$15,597,000	\$18,643,131	\$500	31,194	37,286	35%	35%	10,918	13,050	2,132	20%
General Merchandise Stores	\$1,300	\$40,552,200	\$48,472,141	\$450	90,116	107,716	30%	35%	27,035	37,701	10,666	39%
Restaurants	\$2,250	\$70,186,500	\$83,894,090	\$1,100	63,806	76,267	85%	86%	54,235	65,590	11,355	21%
Miscellaneous Retailers	\$750	\$23,395,500	\$27,964,697	\$700	33,422	39,950	62%	65%	20,722	25,967	5,245	25%
Personal Services	\$200	\$6,238,800	\$7,457,252	\$200	31,194	37,286	90%	90%	28,075	33,558	5,483	20%
<b>Total Retail Stores Demand</b>	<b>\$11,900</b>	<b>\$371,208,600</b>	<b>\$443,706,519</b>		<b>30,254</b>	<b>33,814</b>			<b>105,981</b>	<b>127,277</b>	<b>21,297</b>	<b>24%</b>
Population		1,194	1,286								5,092	20%
Supply of Retail Space												
Existing (CoStar)									5,945	5,945		
New Target Store										1,000		
Other Development Pipeline Projects within Five Years										1,621		
<b>Total</b>									<b>7,566</b>	<b>7,566</b>		

# Projected U District Retail Space Supply in 2028

---



## **E) Analysis Conclusions:**

### **Demand Growing and Supply Decreasing**

---

- Strong growth of Seattle regional economy provides the framework for retail demand increase
- UW population – students, faculty and staff increase
- LRT station construction and property redevelopment decreased retail space by over the past several years
- Retail rents have increased by 50% due to strong demand growth and decreases in retail space
- The rezoning in association with the LRT arrival have made high-rise residential the highest economic use with ground floor retail becoming a secondary use
- Long time (often eclectic) retail stores are under rent pressure due to rising land values from rezoning
- U District retail demand is projected to increase from the current 306,000 SF to 378,000 SF in ten years, a gain of 72,000 SF

# Analysis Conclusions:

## Impact of LRT and Projected Market Growth

---

(Page 2)

- Completion of the LRT station will focus pedestrian flow and convenience retail & food service around the station entrances
- The LRT connection to Northgate Shopping Center will divert some comparison shopping (primarily apparel & accessories) from the U District
- Well over a dozen projects are in the development pipeline proposing to add 2,200 residential units and 86,000 SF of retail space
- Primary trade area population is projected to grow by 6,100 in ten years
- Nearly 40% of the trade area population is Asian or mixed race resulting in many Asian-influenced food service establishments



# Analysis Conclusions: Growing Wealth of Student Families Changing Retail Demand

---

(Page 3)

- With strong Seattle area economic growth powered by Microsoft and Amazon, UW student families are more affluent than those of 30 or 40 years ago
- Student incomes are low when compared to the mainstream population – however:
- **Student retail spending reflects not only personal income but also family support plus loans and grants**
- Foreign students attending UW are also wealthier largely because of the rapid GDP growth in China and other Asian countries
- New Federal attitudes and policies may encourage future overseas students to choose alternatives over the US like Australia, Canada and the UK
- **The retail on the Avenue has not fully reflected the changing wealth of its customer base**
- With extensive new development in the pipeline, transition to new retail serving this more affluent market is taking place

# Analysis Conclusions: New Supply to Meet Demand and Location Implications

---

(Page 4)

- LEG's projected 24% increase in retail space demand is to satisfy both current excess demand and the population and traffic growth expected over the next ten years
- The largest components of this 72,000 SF of demand growth are for grocery stores (22,000 SF), restaurants (11,000 SF) and general merchandise stores (11,000 SF)
- The new Target Store, Safeway expansion and the retail portions of mixed-use projects will likely satisfy this demand
- The retailers providing lower price point and high turnover items (convenience items, fast food and takeout food) will have the greatest market propensity to locate near the LRT station entrances to serve the high rates of pedestrian flow

# Analysis Conclusions: New Supply to Meet Demand and Location Implications

---

(Page 5)

- The more upscale retailers will likely locate within two or three blocks of the LRT station entrances and these would likely include one or two new sit down restaurants that are currently lacking in the district with the establishments serving a more affluent clientele tending toward the north end
- The long-time eclectic retailers that have thrived on low rents may be pushed to the periphery of the district or to back streets or second floor locations
- The changing retail economics of the district and the financing requirements of new development will likely lead to a greater percentage of new national chain stores and a lower percentage of individually owned and operated stores resulting in some change in district character

---

This study was commissioned by the  
U District Partnership.

---



*Building community through service, leadership, and advocacy.*

An electronic copy of the study and more information  
about Seattle's U District can be found through the  
U District Partnership Business Resource Center  
([udistrictpartnership.org/biz-center](http://udistrictpartnership.org/biz-center)).