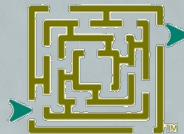


SUNNYVALE TOWN CENTER MARKET ASSESSMENT

PREPARED FOR: CITY OF SUNNYVALE
PREPARED BY: KEYSER MARSTON ASSOCIATES
DECEMBER 10, 2015



ABOUT KEYSER MARSTON ASSOCIATES

- Founded in 1973
- Offices: SF, LA and San Diego
- Diverse real estate and financial firm with focus on public sector and institutional clients
- 30+ years of experience
 - Public private partnerships
 - Bay Area and Silicon Valley projects
- Services:
 - Developer selection / negotiation
 - Feasibility analysis
 - Fiscal and economic impacts
 - Affordable housing

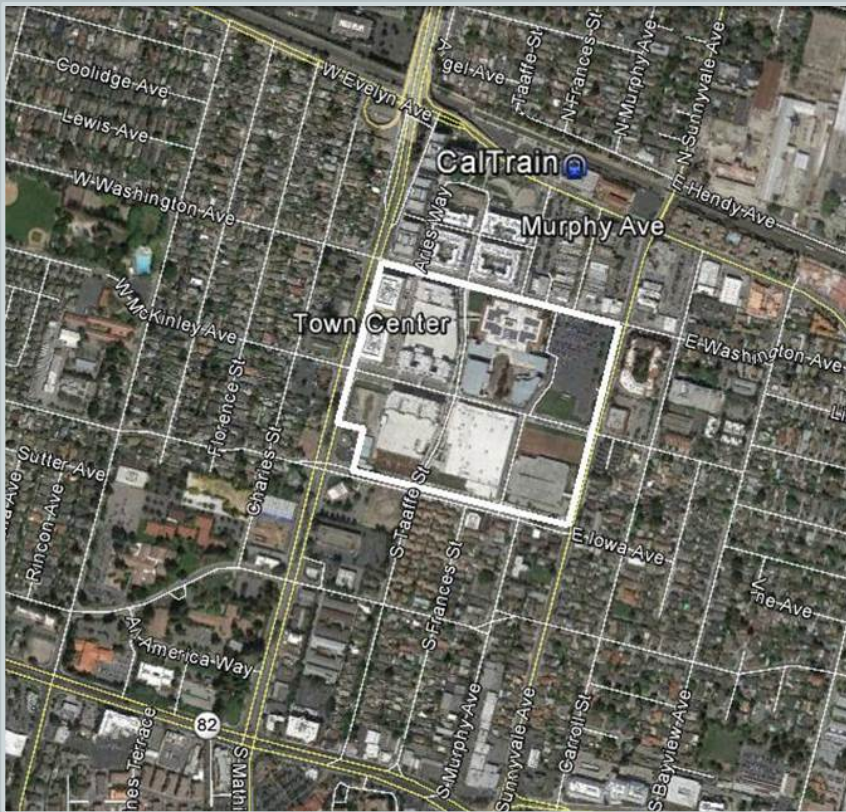


PRESENTATION OVERVIEW

1. Introduction
2. Shopping Districts Comparison
3. Market Analysis Summary
4. Program Recommendations

SUNNYVALE TOWN CENTER

Site Aerial



Source: Google Maps

ENTITLEMENTS	ESTIMATED SQ. FT.
Anchor Retail	358,000
<i>Target (Existing)</i>	<i>181,000</i>
<i>Macy's (Existing)</i>	<i>177,000</i>
Remaining Retail	642,000
<i>Restaurants</i>	<i>90,000</i>
<i>Cinema</i>	<i>60,000</i>
<i>Fitness Center (2nd Fl.)</i>	<i>40,000</i>
<i>Outdoor Uses</i>	<i>12,000</i>
<i>Other/Undefined</i>	<i>440,000</i>
Total Allowable Retail	~1 million

Source: Town Center Conditions of Approval (COA) 2008

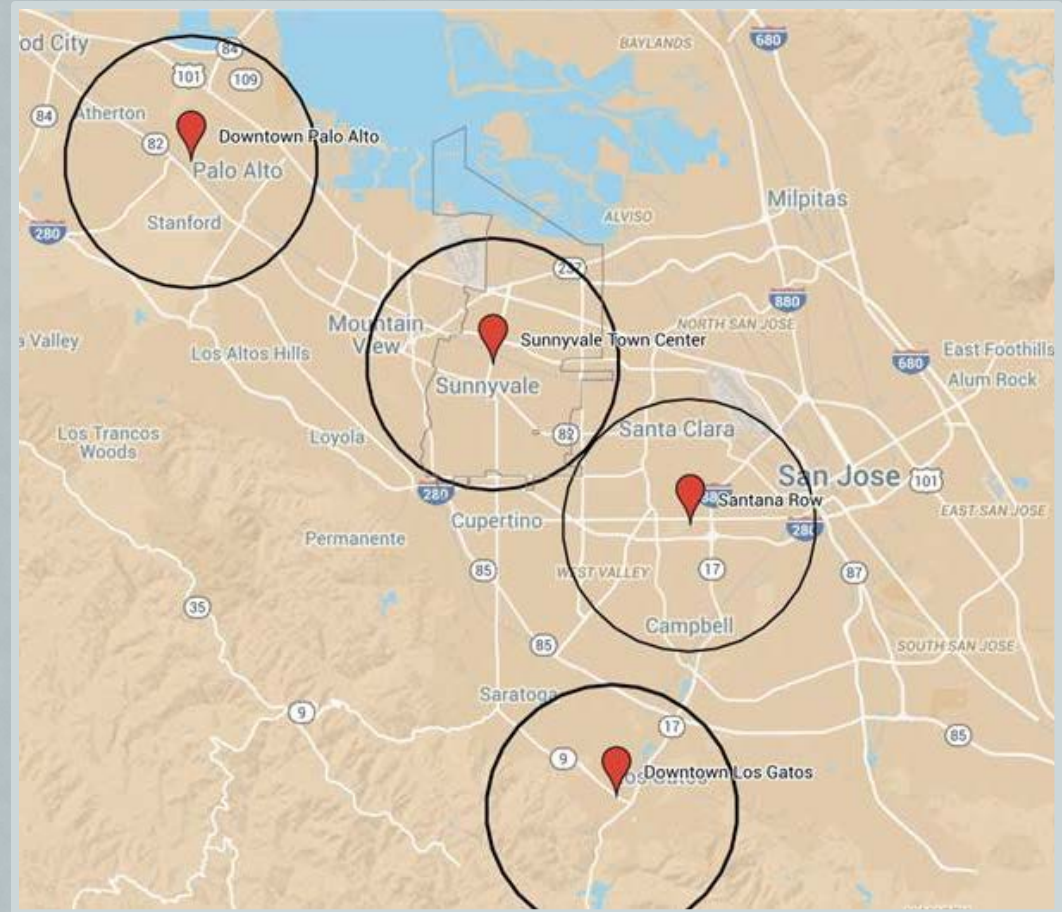
TOWN CENTER STRENGTHS

- Significant market opportunity for Town Center
 - Strong trade area
 - Major site assemblage
 - Retail entitlements in place
 - Walkable, transit-oriented community
 - Existing Sales (Over \$100 M)
 - Murphy Avenue
 - Ability to create different kind of district

SHOPPING DISTRICTS COMPARISON

3 Mile Radius from

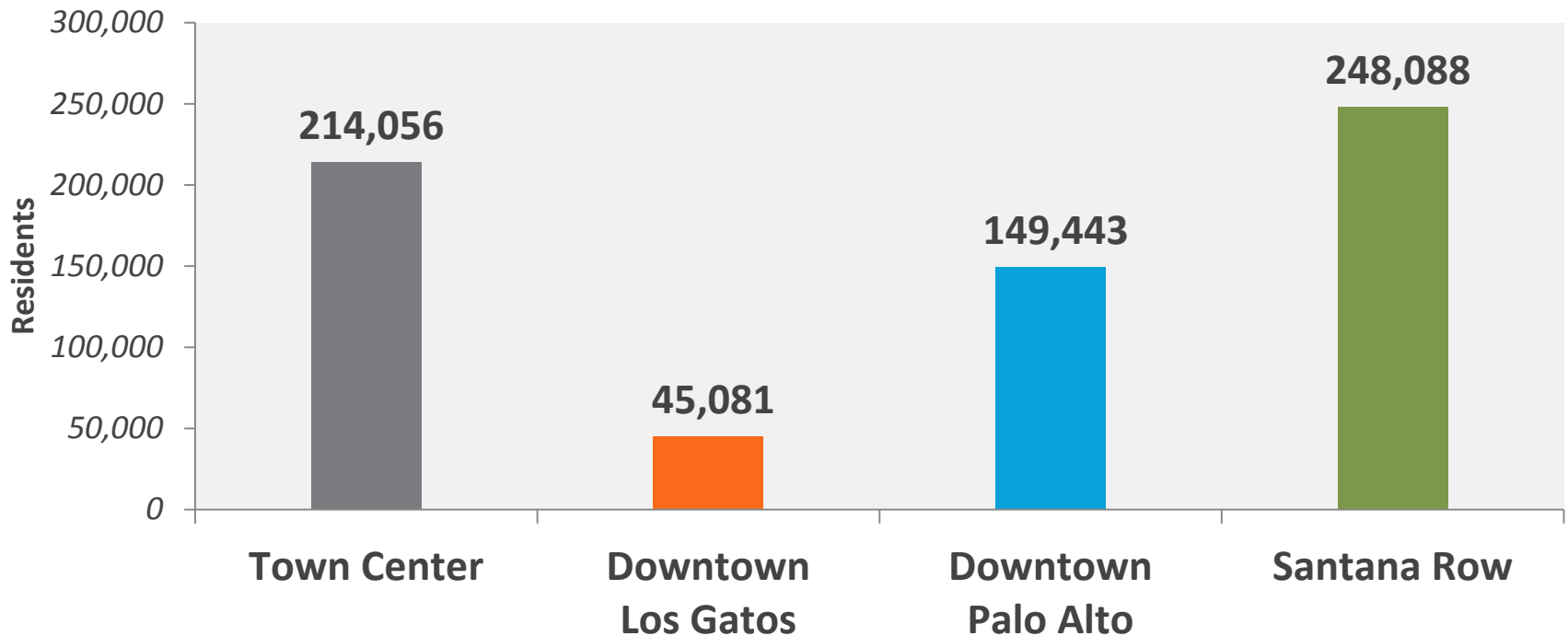
- 1. Downtown Palo Alto*
- 2. Sunnyvale Town Center*
- 3. Santana Row*
- 4. Downtown Los Gatos*



Source: Google Maps

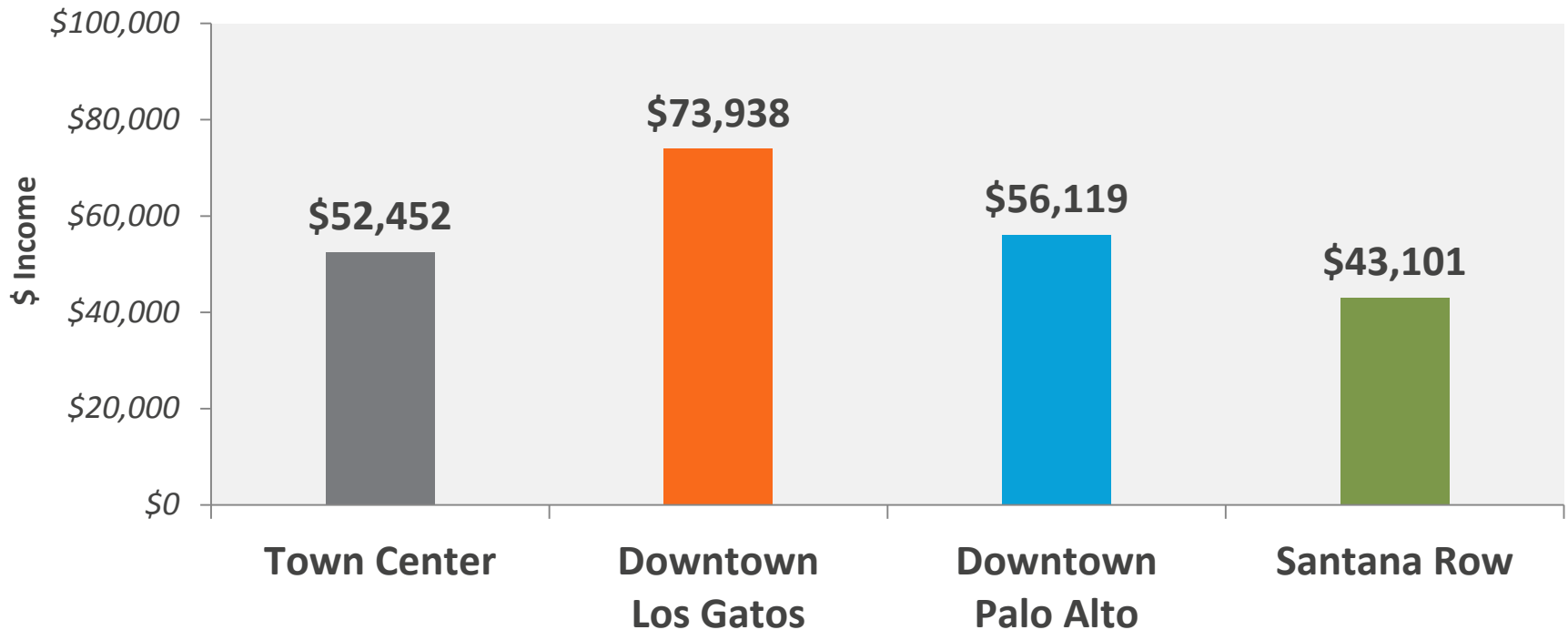
POPULATION DENSITY

**2015 Population (3 mile radius)
Town Center and Selected Shopping Districts**



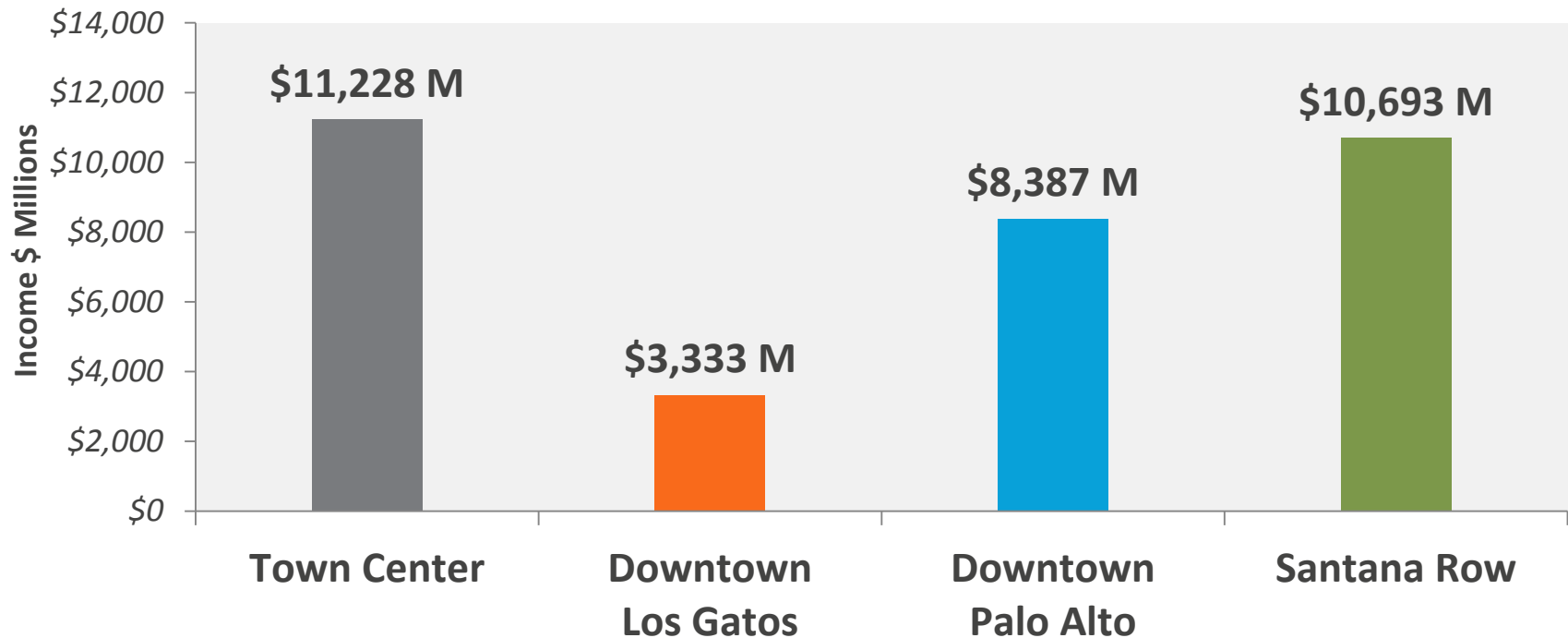
PER CAPITA INCOME

**2015 Per Capita Income of Residents (3 mile radius)
Town Center and Selected Shopping Districts**



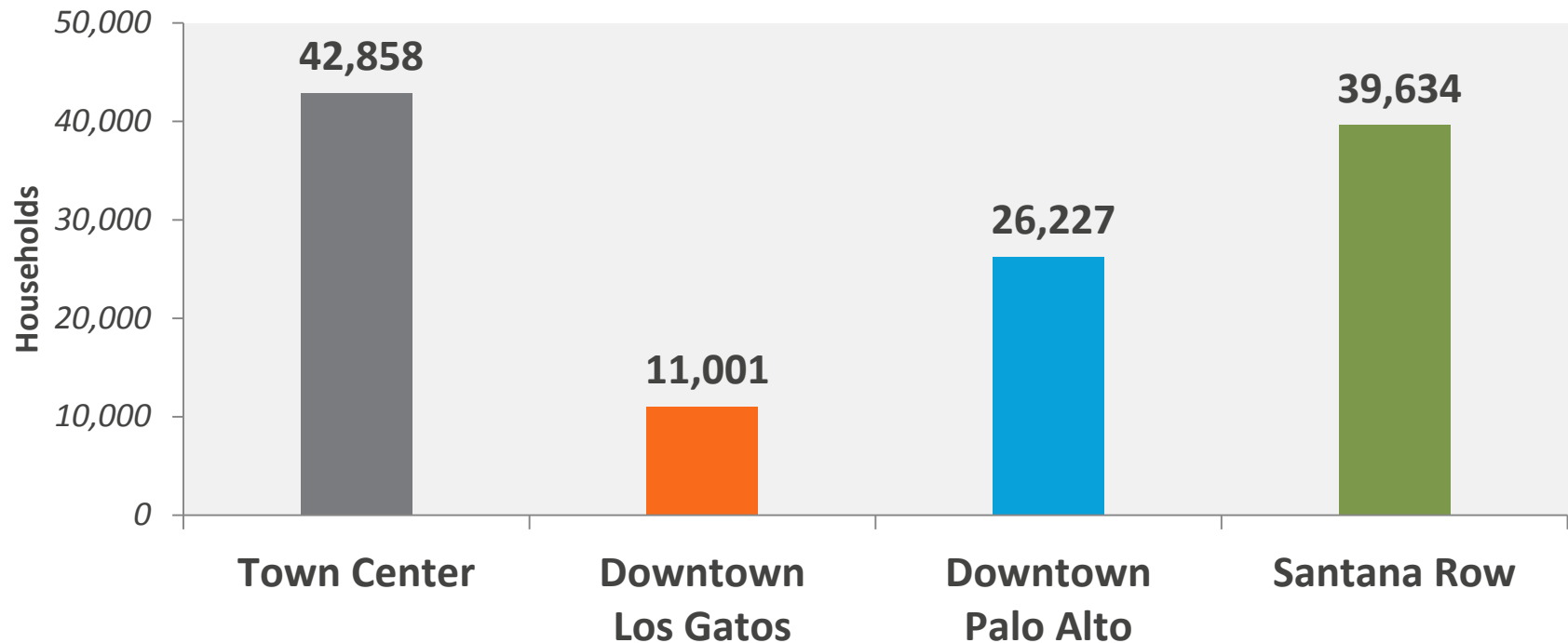
AGGREGATE INCOME

**2015 Aggregate Income of Residents (3 mile radius)
Town Center and Selected Shopping Districts**



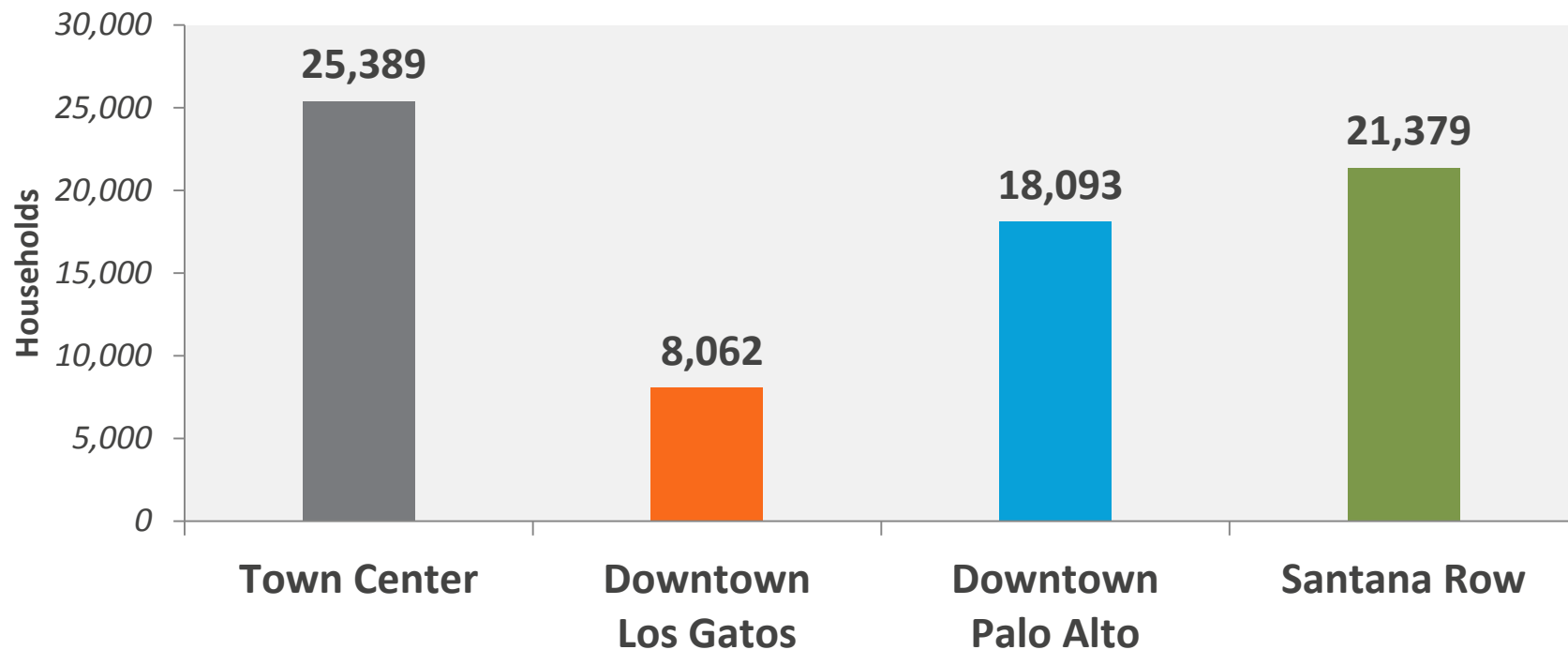
HOUSEHOLDS BY INCOME

**2015 Households Earning > \$100,000 (3 mile radius)
Town Center and Selected Shopping Districts**



HOUSEHOLDS BY INCOME

**2015 Households Earning > \$150,000 (3 mile radius)
Town Center and Selected Shopping Districts**

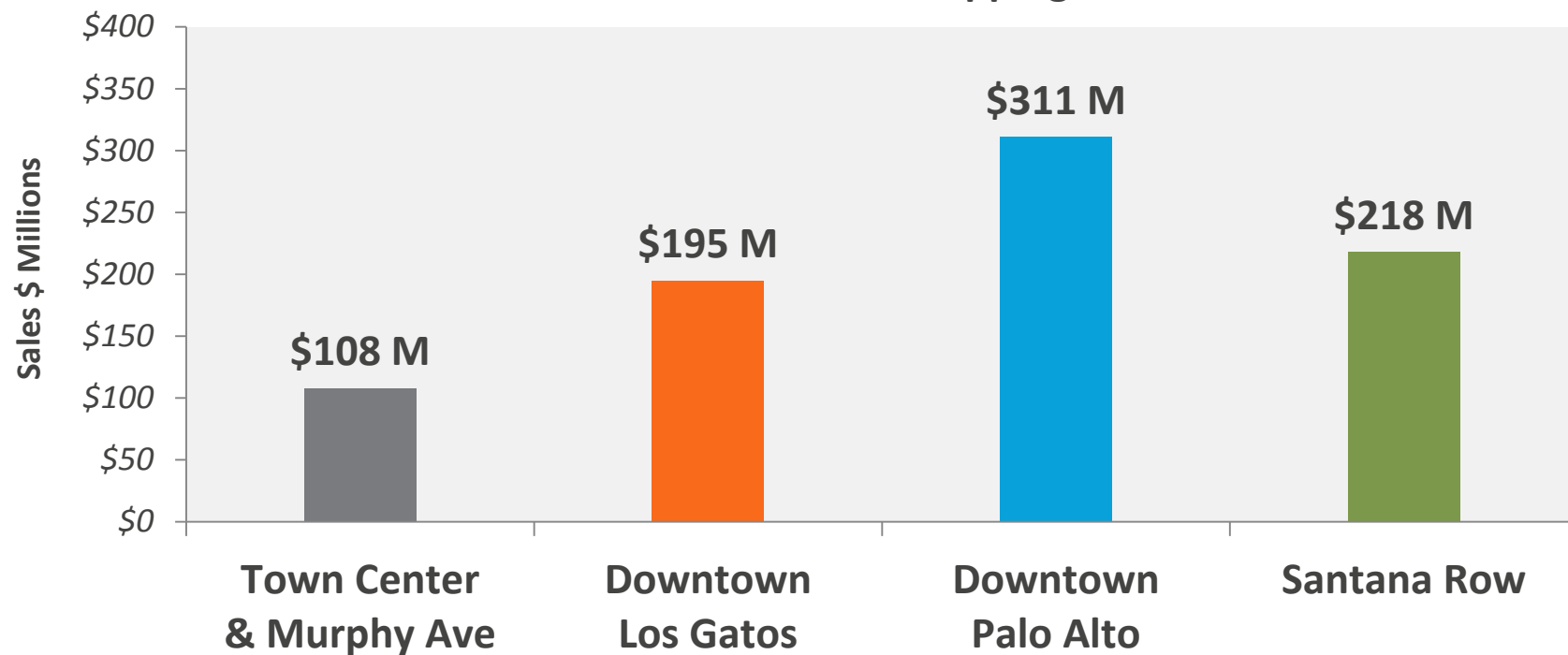


DEMOGRAPHICS / SALES COMPARISON

DEMOGRAPHICS, 3 MILE RADIUS	TOWN CENTER	DOWNTOWN LOS GATOS	DOWNTOWN PALO ALTO	SANTANA ROW
Population	214,056	45,081	149,443	248,088
Households	83,767	18,441	52,723	97,399
Per Cap Income	\$52,452	\$73,938	\$56,119	\$43,101
Aggregate Income (\$millions)	\$11,228	\$3,333	\$8,387	\$10,693
Average HH Income	\$134,035	\$180,750	\$159,070	\$109,783
Households Earning > \$100k	42,858	11,001	26,227	39,634
Households Earning > \$150k	25,389	8,062	18,093	21,379
Workforce Population (1 mile)	20,243	9,759	32,915	28,646
Taxable Sales (\$millions)	\$108	\$195	\$311	\$218

TAXABLE SALES

2014 Taxable Retail Sales
Town Center and Selected Shopping Districts



SUCCESSFUL SHOPPING DISTRICTS

	DOWNTOWN PALO ALTO	DOWNTOWN LOS GATOS	SANTANA ROW
Dist. to Stanford	0.3 mi		
Dist. to Valley Fair		7 mi	0.3 mi
Taxable Sales (est.)	\$311 M	\$195 M	\$218 M
Retail Space (est.)	600,000	514,000	584,000
<i>Representative Tenants</i>			
Apparel	J.CREW  ANTHROPOLOGIE 		
Furniture / Home Decor	west elm  RESTORATION HARDWARE 		
Electronics / Other Specialty	  		

Source: HdL Companies, City of Palo Alto, City of Los Gatos, Simeon Properties

TECHNICAL APPROACH

- Groupings
 - Comparison Retail
 - Food & Beverage
 - Neighborhood Retail – Grocery, Drug Store
 - Theater / Entertainment



TECHNICAL APPROACH

For each of the groupings:

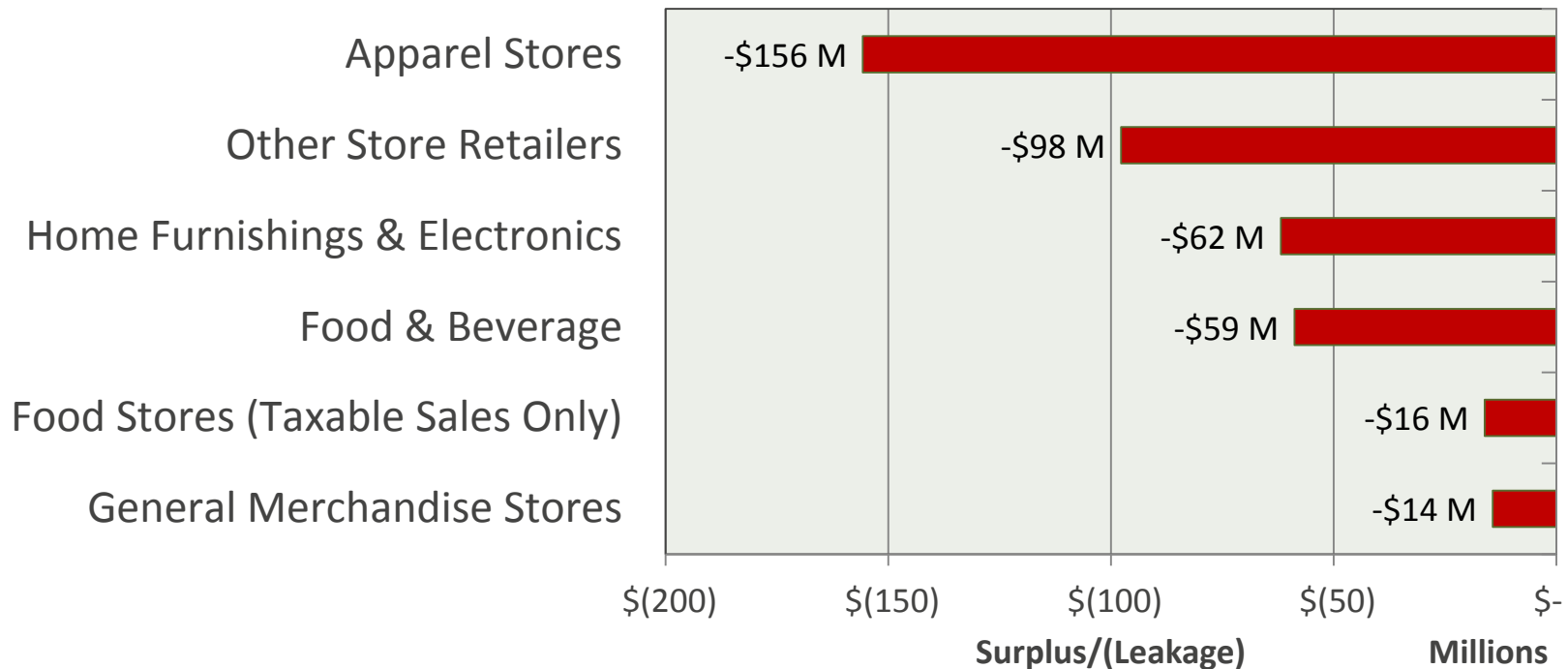
- Review baseline conditions
- Existing sales
- Assess competition
- Define trade area
- Estimate trade area expenditure potential
- Estimate capture rate for Town Center
- Determine supportable square feet of space

TECHNICAL CONSIDERATIONS

- Data derived from both public and confidential sources
- Analysis builds up to total square footage with recommendation for each grouping
- Recommendation based on net new potential sales
 - No sales transfer from existing businesses

CITYWIDE LEAKAGE ANALYSIS

Retail Leakage By Category – City of Sunnyvale (2013)

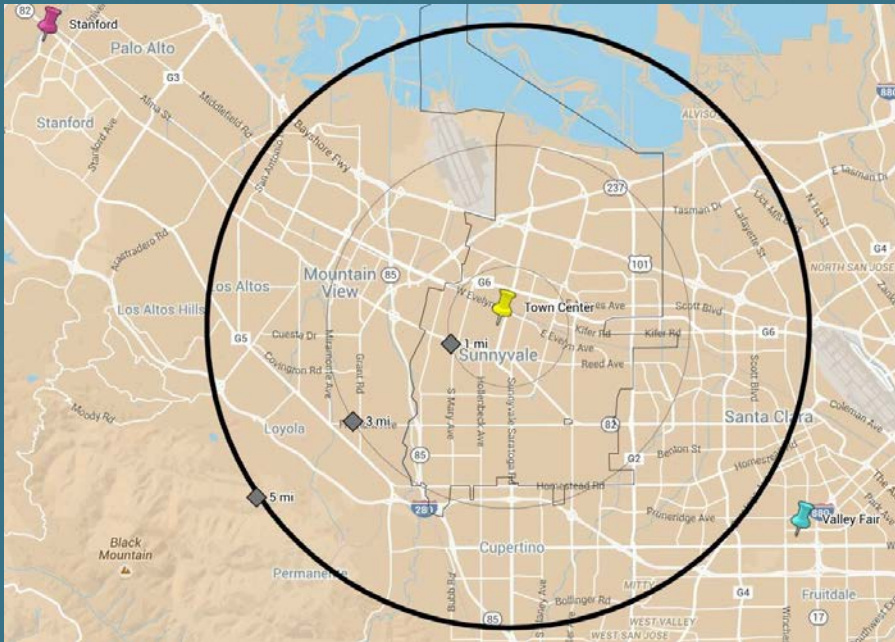


Source: State Board of Equalization 2013, American Community Survey 2013

- Total Comparison Retail Expenditure Leakage = \$330M
 - Includes GM, Apparel, Home, & Other (GAFO)

COMPARISON RETAIL TRADE AREA

TRADE AREA – 5 MILE RADIUS



Source: Google Maps

TRADE AREA DEMOGRAPHICS

	2015	2020
Population	445,383	472,240
Households	170,172	180,764
Income Per Capita	\$53,095	\$56,080
Aggregate Income	\$23.6 B	\$26.5 B
% of Income Spent on Comparison Goods (GAFO)	12.5%	12.5%
Resident Exp. Potential	\$3.0 B	\$3.3 B

Source: ESRI 2015, U.S. Consumer Expenditure Survey 2013

GAFO = General Merchandise, Apparel and Accessories, Furniture and Other Sales (comparison categories)

TOWN CENTER OPPORTUNITY

IN-LINE SHOPS: SUPPORTABLE SQUARE FEET

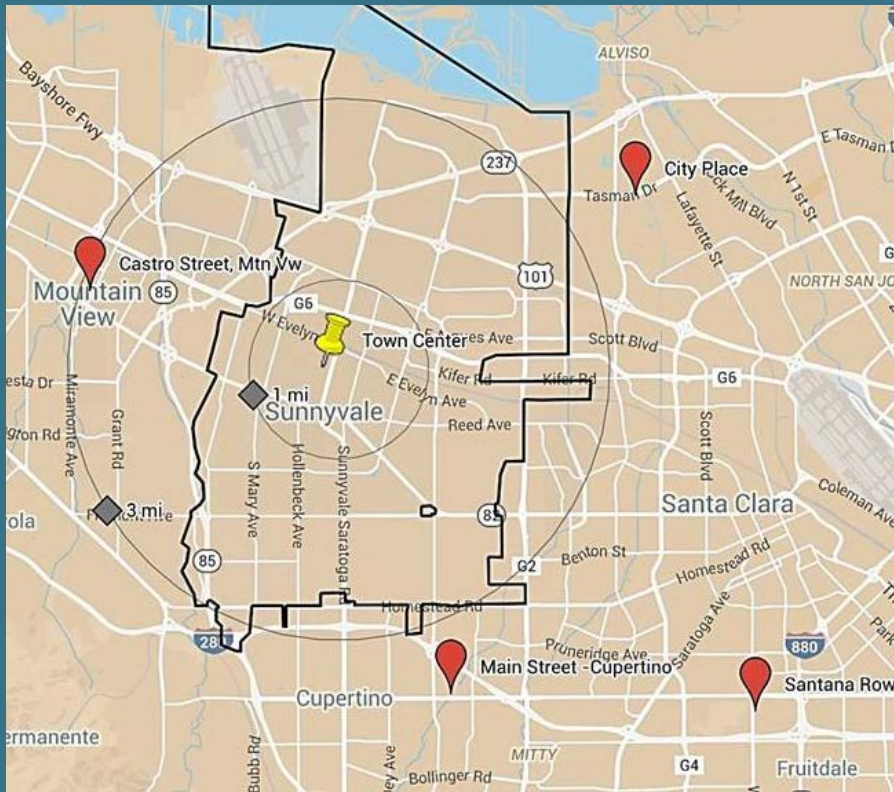
TA Expenditure Potential	\$3.3 BN
Supportable Sq. Ft. (In-Line Shops)	155,000
In-Line Shops Potential Sales	\$138 M ¹
% of TA Expenditure Potential	3.5%
Estimated Retail Leakage (City of Sunnyvale)	\$330 M

¹ Includes 15% of sales from beyond the trade area.

Source: Claritas 2015. HdL 2015.

FOOD & BEVERAGE TRADE AREA

TRADE AREA – CITY OF SUNNYVALE



Source: Google Maps

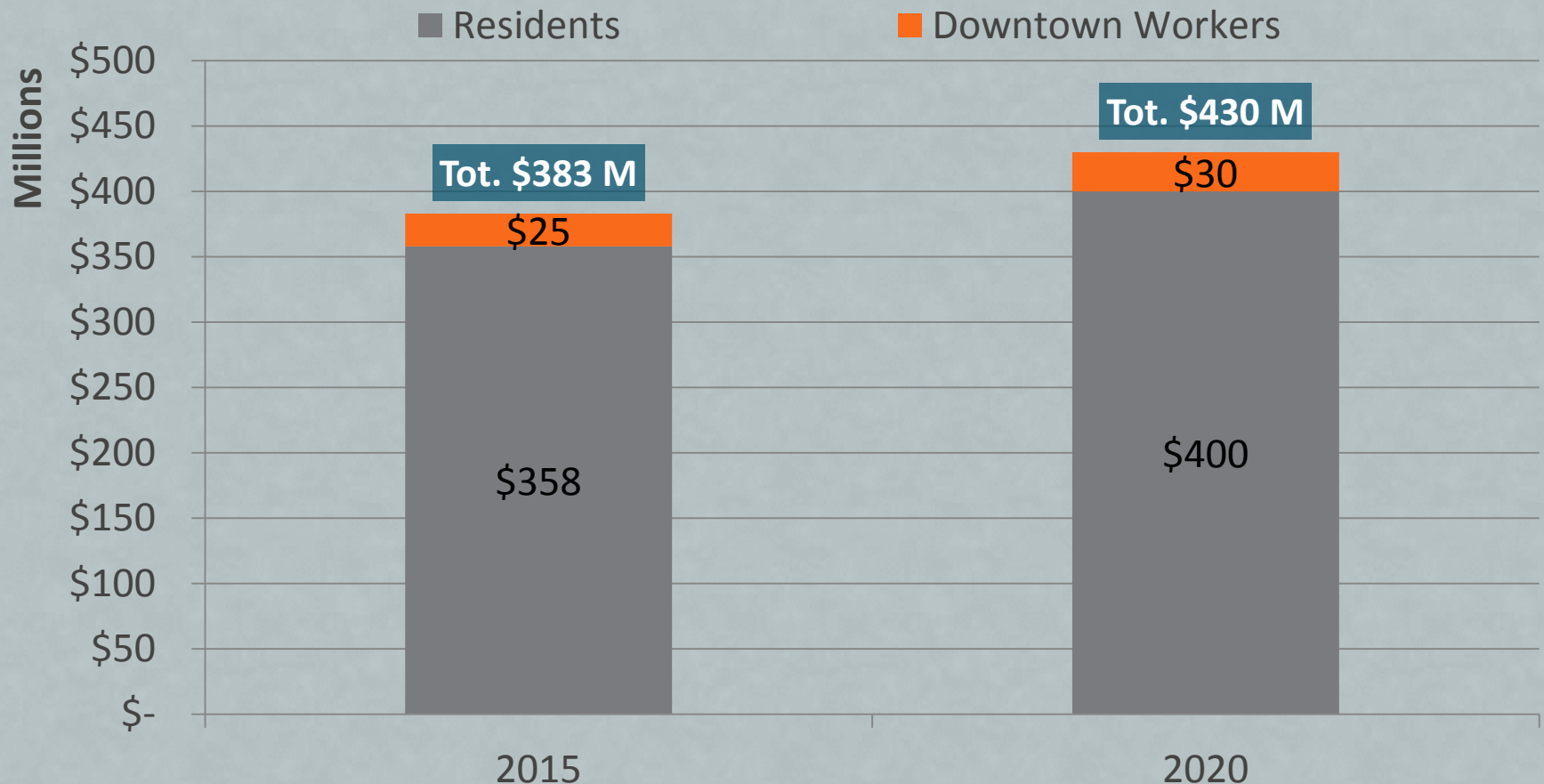
TRADE AREA DEMOGRAPHICS

	2015	2020
<i>Residents (City of Sunnyvale)</i>		
Population	147,735	156,220
Households	56,512	59,841
Income Per Capita	\$49,378	\$52,155
Aggregate Income	\$7.3 B	\$8.1 B
F&B Share	4.9%	4.9%
F&B Exp. Potential	\$358 M	\$400 M
<i>Downtown Workers (1 mile radius)</i>		
Workforce	20,243	22,350
Per Capita F&B Exp.	\$1,254	\$1,325
F&B Exp. Potential	\$25 M	\$30 M

Source: Claritas 2015, ICSC 2012

EXPENDITURE POTENTIAL

Trade Area Expenditure Potential – F&B



Source: Claritas 2015, ICSC 2012

TOWN CENTER OPPORTUNITY

FOOD & BEVERAGE: SUPPORTABLE SQUARE FEET

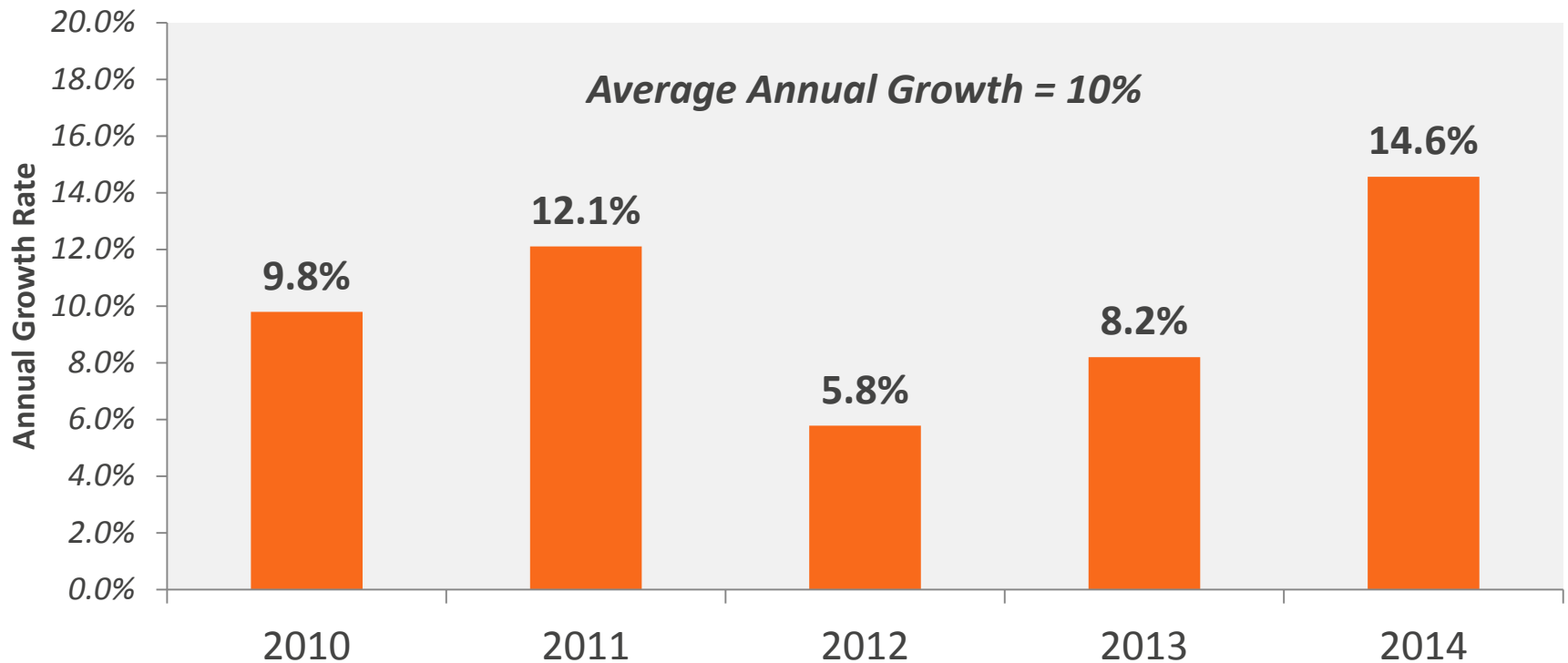
TA Expenditure Potential	\$430 M
Supportable Sq. Ft. (Town Center)	50,000
Town Center Sales Potential ¹	\$37 M
% of TA Expenditure Potential	7%
Estimated Retail Leakage (City of Sunnyvale)	\$59 M

Source: Claritas 2015, HdL 2015

¹ Includes 15% of sales from beyond the trade area.

MURPHY AVE. SALES TREND

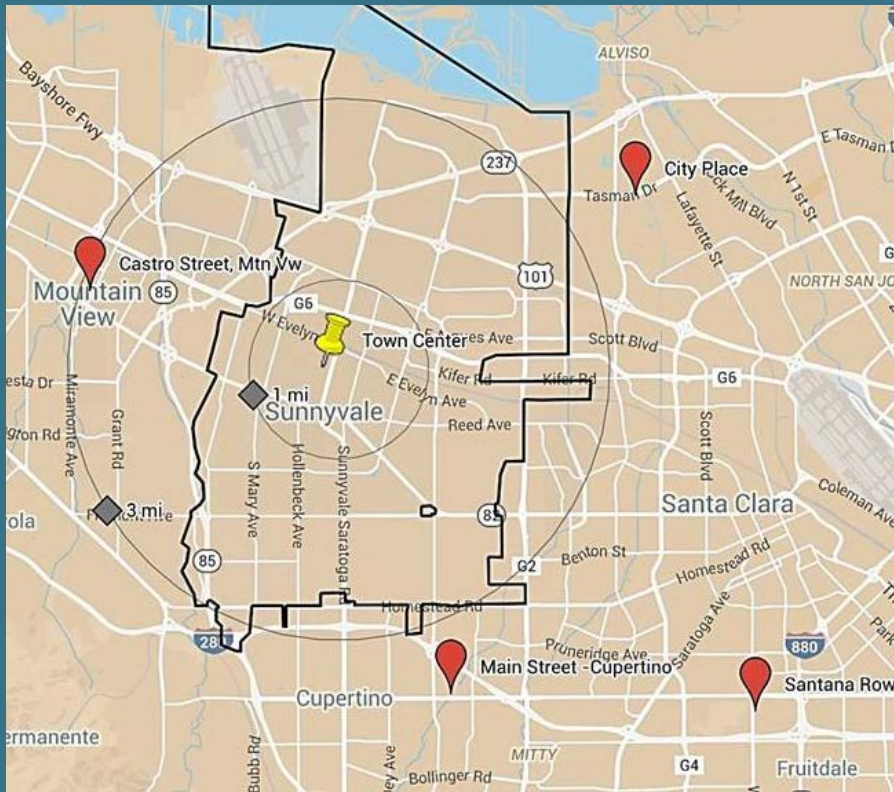
Annual Year-Over-Year Growth in Taxable Restaurant Sales Murphy Avenue 2010-2014



Source: HdL 2015

NEIGHBORHOOD TRADE AREA

TRADE AREA – CITY OF SUNNYVALE



Source: Google Maps

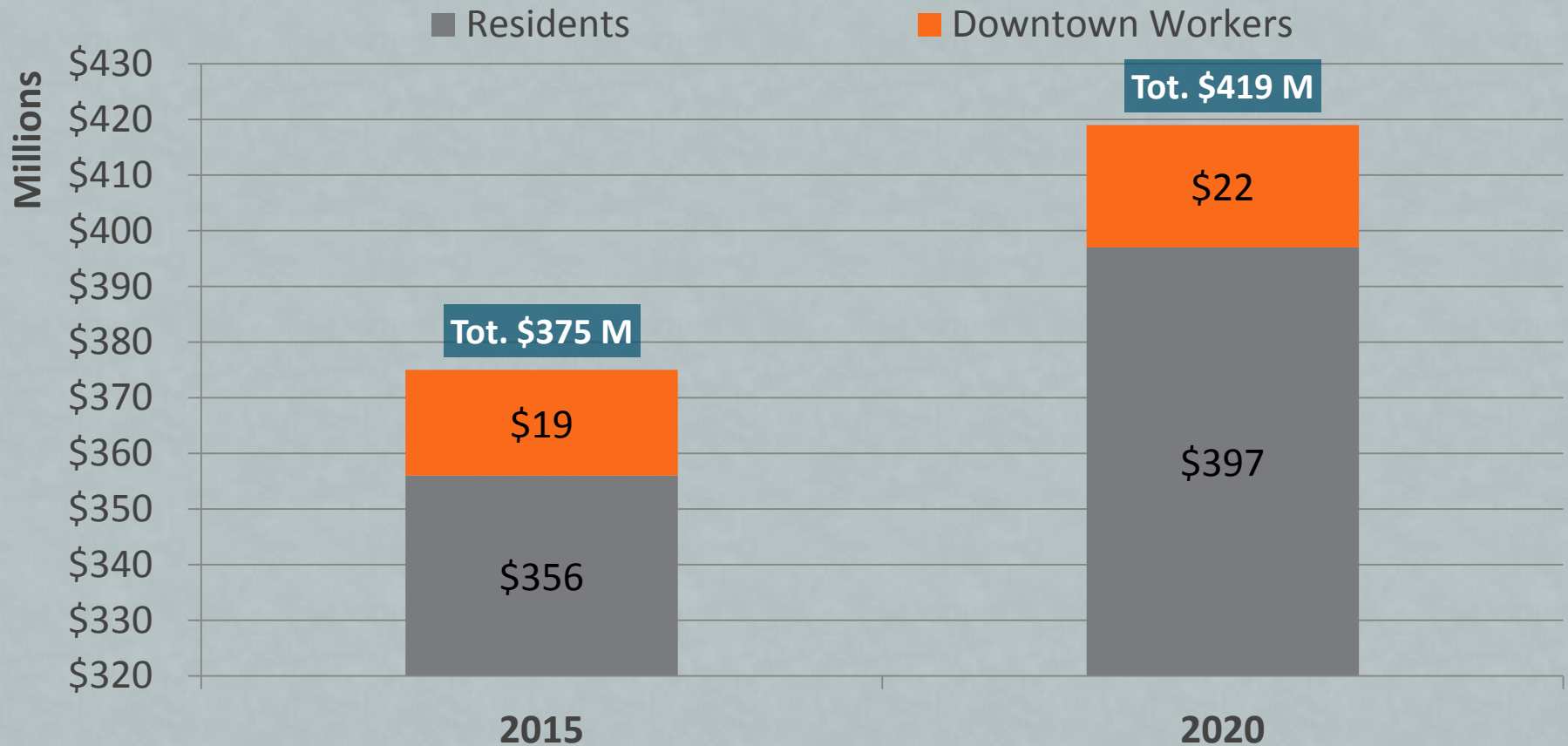
TRADE AREA DEMOGRAPHICS

	2015	2020
<i>Residents (City of Sunnyvale)</i>		
Population	147,735	156,220
Aggregate Income	\$7.3 B	\$8.1 B
Grocery Spending % of Income	4.9%	4.9%
Grocery Spending	\$356 M	\$397 M
<i>Downtown Workers (1 mi radius)</i>		
Workforce	20,243	22,350
Ann. Grocery Exp. Per Capita	\$929	\$1,026
Grocery Spend	\$19 M	\$22 M

Source: Claritas 2015, ICSC 2012

EXPENDITURE POTENTIAL

Trade Area Expenditure Potential – Grocery Stores



Source: Claritas 2015, ICSC 2012

TOWN CENTER OPPORTUNITY

GROCERY: SUPPORTABLE SQUARE FEET

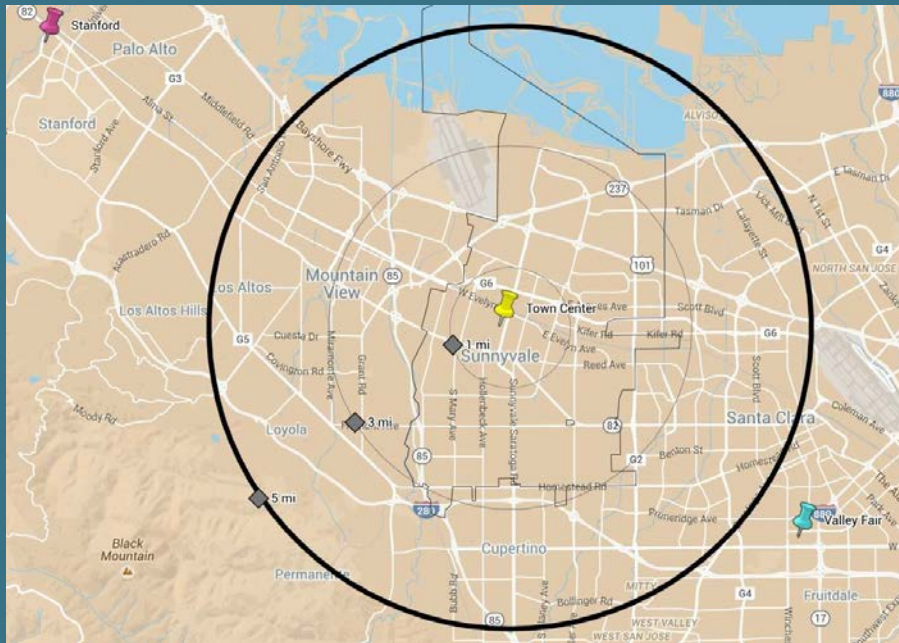
TA Expenditure Potential	\$419 M
Supportable Sq. Ft.	20,000
Town Center Sales Potential ¹	\$20 M
% of TA Expenditure Potential	5%

Source: Claritas 2015, HdL 2015

¹ Estimated to be \$6 M non-food (taxable), \$14 M food.

MOVIE THEATER TRADE AREA

TRADE AREA – 5 MILE RADIUS



Source: Google Maps

TRADE AREA DEMOGRAPHICS

	2015	2020
Population	445,383	472,240
Households	170,172	180,764
Income Per Capita	\$53,095	\$56,080
Aggregate Income	\$23.6 B	\$26.5 B
Existing Screens	43	
Potential Theater Demand (Screens) ¹	56	59

¹ Based on 8,000 residents per screen.

Source: ESRI 2015, National Association of Theater Operators 2014

TOWN CENTER OPPORTUNITY

MOVIE THEATER: SUPPORTABLE SCREENS

Potential Demand (Screens)	59
Existing Supply Serving Trade Area	43
Unmet Demand	16
Supportable at Town Center	10 – 16 screens
	50k – 60k sq ft.

Source: National Association of Theater Operators, local theater websites

OTHER ENTERTAINMENT USES

- Bowling alley
- Other interactive entertainment (arcades / billiards)
- Public market
- Live entertainment space
- Fitness center



*San Pedro Square, San Jose
25,000 sq. ft.
Food market hall, special events*



*Plank, Jack London Sq., Oakland
50,000 sq ft
Bowling, bocce ball, dining, outdoor beer garden*

MULTIPLE RECOMMENDED DISTRICTS

RETAIL DISTRICT	POTENTIAL TENANTS (ANCHORS IN BOLD)	
DEPARTMENT STORES	Target *	Macy's *
IN-LINE SHOPS	Apparel – Specialty Children – Toys, Apparel Furnishings / Home Décor Jewelry/Accessories	Shoes Confectionery Sporting Goods/ Active Wear Other Specialty Retailers
NEIGHBORHOOD RETAIL	Specialty Grocery Food / Market Hall	Drug Store/Ancillary
FOOD AND BEVERAGE **	Murphy Avenue * Desserts/ Ice Cream Healthy / Organic	Fast Casual – Burgers, Pizza Beer Garden / Wine Bar Bakery/ Café
THEATER / ENTERTAINMENT **	Movie Theater Bowling Alley/ Lounge	Fitness Center

** Existing Retailers*

*** May function on second floor with design enhancements*

PROGRAM RECOMMENDATIONS

RETAIL DISTRICTS		ESTIMATED SQ. FT.
Comparison Retail District		513,000
<i>Target</i>	<i>Existing store</i>	<i>181,000</i>
<i>Macy's</i>	<i>Existing store</i>	<i>177,000</i>
<i>In-Line Shops</i>		<i>155,000</i>
Food and Beverage District		50,000
Entertainment District		150,000
<i>Cinema</i>		<i>60,000</i>
<i>Fitness Center</i>		<i>40,000</i>
<i>Other Entertainment</i>		<i>50,000</i>
Neighborhood Retail District		50,000 - 70,000
<i>Specialty Grocery</i>		<i>20,000 – 40,000</i>
<i>Drug Store, Other Ancillary</i>		<i>30,000</i>
Total		763,000 – 783,000

PHASE ONE STRATEGY - NOW

- Immediately execute
- Message to community and retailers
- Set stage for Phase Two to follow
- Phase One Components including:
 - Theater
 - Grocery
 - Existing Built Space (McKinley)
 - Connection to Murphy Ave
 - Public Spaces
 - Signage
 - Parking Strategy
 - Completion of Residential

COMMENTS AND QUESTIONS



Eastdil 2015