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December 13, 2007

Ms. Sidnie L. Olson, AICP
Principal Planner
Community Development Department
City of Eureka
531 K Street
Eureka, CA 95501-1146

Re: Response to Economic Research Associates' October 17, 2007 Peer Review of the *Eureka Balloon Track Retail Development Economic Impact and Urban Decay Analysis* done by CB Richard Ellis in November 2006

Dear Ms. Olson:

CBRE Consulting has reviewed the peer review prepared by Economics Research Associates (ERA) of our November 2006 Urban Decay Analysis conducted for the Marina Center retail center, proposed for the site of the Eureka Balloon Track. This peer review is dated October 17, 2007. Pursuant to our review, we identified comments relevant to six substantive areas that we believe warrant a response or further clarification. These comments generally match the subject headings used by ERA in their peer review, while others reflect content areas referenced by ERA without separate headings. These six comment areas are as follows:

- Supply Side Conditions
- Land/Building Values
- Demand Side Conditions (e.g., Gravity Model)
- Retail Sales Leakage Documentation
- Population Data Sources
- Mitigation Measures

The peer review comments pertain to the study completed by CBRE Consulting in November 2006. The data analyzed in the report reflect data available prior to the report publication date. Responding to ERA's comments directly in the report would result in an internally inconsistent document, with data spanning a longer time period than typical in a report of this nature. Therefore, CBRE Consulting has prepared this letter response to the peer review rather than to modify the existing report and risk confusing the reader with different time references. Accordingly, the following sections of this letter pertain to the six comment areas identified above, and include the presentation of supporting research where relevant and available. All cited exhibits are included in the Appendix.

Supply Side Conditions

The peer review recommended the study inclusion of a survey of market area retail space to provide a more complete understanding of existing vacancy rates in the market. Exhibit 1 presents such a current inventory of retail space in Humboldt County, reflecting market

conditions as of November 2007. The data are from CoStar, a provider of commercial real estate information in the United States and United Kingdom.

In total there are over 5.1 million square feet of retail inventory identified in Humboldt County, with 121,590 square feet vacant. This results in a market vacancy rate of 2.4 percent, which is very low. In many markets a vacancy rate of 5.0 percent is desirable to facilitate movement and expansion of existing retailers. The largest space vacant is a 15,000-square-foot space at the Bayshore Mall in Eureka. This space was an Old Navy clothing store and has been vacant for one year, although a temporary tenant is currently in the space. Bayshore Mall has the largest amount of space available at any one center, with several vacant spaces totaling 50,000 square feet. Bayshore Mall is the largest shopping center in Humboldt County with almost 700,000 square feet of leasable space; its vacancy rate is 7.0 percent. There are only four other retail vacancies greater than 5,000 square feet in Humboldt County. Exhibit 1 has details on those spaces.

This survey of retail space in the market area indicates a very tight retail market. Although a few spaces have been vacant for over a year, most vacancies are filled quickly. Additionally, there are currently very few large retail vacancies. These conditions bode well for the ability of the retail market to absorb the new space from the proposed Marina Center.

Land/Building Values

The peer review also recommended that data on land values be collected to provide perspective on the possible redevelopment of retail properties in the unexpected event such properties become vacant and new retail tenants are not successfully recruited. This eventuality was not analyzed and researched in the urban decay study because the findings did not suggest that such chronic vacancies would occur.

Exhibit 2 displays data from CoStar on Humboldt County building sales in 2006 and 2007. Unfortunately, CoStar does not have historical data or any sales of undeveloped land recorded. The findings are summarized as follows:

- Retail space has recently been sold for an average of $172 per square foot. Sales have ranged in Eureka from a storefront retail space in the Henderson Center that sold for $89 per square foot to a convenience store near Historic Old Town that sold for $257 per square foot. In Arcata, a neighborhood shopping center sold for $95 per square foot while a storefront retail space sold for $263 per square foot.

- Two hotels were sold in 2006, a Clarion Resort in Eureka and a Comfort Inn in Arcata. The Clarion Resort, which has 63 rooms, sold for $3.5 million, or $62 per square foot of land. The Comfort Inn, which has 57 rooms, sold for $3.9 million, or $52 per square foot of land.

- Two industrial spaces were sold in 2007, a warehouse in Fortuna and a 6,636-square-foot industrial space in Eureka. The average price per square foot of building area was $85.

- In June 2007 a medical office space in Eureka sold for $158 per square foot. One other office space sale occurred in 2007, a building in Garberville that sold for $82 per square foot. Medical office space generally carries a premium over traditional office space.
- A 28-unit apartment building in Eureka was sold for $1.95 million, or $98 per square foot of building area. The price per unit was $69,600.

This sample of building sales shows that retail spaces sell for the highest average sales per square foot of building space, followed by office space. Although these data cannot indicate how land values have changed over time, it does give a range of prices for different types of development in Humboldt County. Presumably if a retail space closed because of sales impacts from the proposed Marina Center, and if no other retail tenant was interested in the space, depending on the zoning the land could potentially be redeveloped for another use. However, as stated previously, this eventuality is not anticipated to occur as resulting from retail development of Marina Center.

Demand Side Conditions (e.g., Gravity Model)

In the peer review ERA goes to some length suggesting that the use of a gravity model could enhance the findings relative to the impact of the Home Depot-anchored shopping center on the existing retail market. They further cite that "Gravity models have a distinguished and respected track record in retailing and can be considered as a supplement to the information presented in the CBRE report."[1] It is notable that ERA suggested that this level of analysis supplement, rather than ***supplant*** the existing analysis in the report.

As cited by ERA, gravity models are sometimes used to model market demand dynamics for retail stores, where they essentially consider that people who live closer to a retail center are more likely to patronize the center than ones who live farther away. This is then counterbalanced by the recognition that the size of a center, or its critical mass, can offset the disadvantages of distance. In developing such models, an attempt is typically made to factor in many other variables influencing shopping choices, such as psychological impacts associated with man-made or natural geographical barriers, commuting patterns, the impacts associated with local demand generators such as recreational facilities and employment centers, and many others.

In the Marina Center urban decay study, CBRE Consulting defined Humboldt County as the primary market area. This area is so large, and competing retail nodes so sparse, that no secondary market area was defined. This suggests that for the primary market area, most resident shopping needs are met in Eureka. This market dynamic suggests little merit in developing a customized gravity model to supplement the existing analysis. With so few competitive shopping opportunities, the market has a natural tendency to support the Eureka retail base, and the subtleties of a retail gravity model are unlikely to significantly change or enhance the study findings.

[1] Letter to Ms. Sidnie Olsen, ERA, October 17, 2007, page 4.

Moreover, retail gravity models are perhaps not as highly regarded as ERA suggests. In his book Retail Impact Assessment: A guide to best practice, John England, Ph.D., Chartered Town Planner in the United Kingdom, summarizes research findings conducted by others regarding the problems inherent in the use and application of retail gravity models. These research findings were published in academic journals or trade books during the 1972 to 1985 time span; thus, criticisms levied against retail gravity models have a long history. Dr. England received his Ph.D. for research on retail impact assessment and is highly regarded as an expert on this topic. Paraphrased, Dr. England indicates that the main problems of the retail gravity model are as follows:[2]

- A lack of a theoretical base, as the model attempts to generalize about individual behavior from aggregate empirical data, thus not accounting for psychological and physical/transportation barriers to consumer activity;
- As a static model, it does not recognize that shopping behavior is not static;
- Choosing the variables used to measure attraction or deterrence;
- Selecting geographic units of analysis;
- Calibrating the model, e.g., finding the appropriate values for the parameters; and
- The prediction of the future sizes of retail centers, population expenditures, etc.

Given these cited difficulties, CBRE Consulting believes that the effort of developing a gravity model is unlikely to significantly enhance the findings documented in the Marina Center urban decay study.

Retail Leakage Model Documentation

In the peer review, ERA indicated that more detailed documentation of the structure of the Retail Leakage Model used to estimate demand and compare demand to sales would be helpful, along with information about the underlying data used to inform the model. ERA particularly indicated that information about the strength of the statistical relationships inherent in the model, such as R^2 (R-squared) values, would be helpful in establishing the model's robustness for the purposes of the urban decay determination.

As cited in the urban decay report and recognized by ERA, CBRE Consulting's Retail Leakage Model is regression-based. The model uses regression output to determine retail spending patterns based on income levels. The regression output is used to estimate what residents in a market area most likely spend on retail goods based on their income relative to a greater area (i.e., income in a city compared to the county). The base data used to assess retail spending by income is from the U.S. Department of Labor Consumer Expenditures Survey, which is conducted annually. The estimated expenditures are then compared to actual sales to estimate leakage or attraction by retail category. The actual sales included in the Retail Leakage Model typically reflect data reported by the State of California Board of Equalization, which collects and summarizes taxable sales quarterly and annually for California cities and counties.

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[2] Retail Impact Assessment: A guide to best practice, by John England, published by Routledge Taylor & Francis Group, 2000, page 67.

CBRE Consulting recently modified the Retail Leakage Model to a household basis. However, the version of the model used for the Marina Center project was based on an earlier per capita approach. This approach was recently updated to reflect the most current U.S. Department of Labor Consumer Expenditure Survey (CES) for each of the 4 major U.S. regions, and especially the U.S. Western Region. A full copy of the most recent CES can be found on the Internet, at: http://www.bls.gov/cex/2006/CrossTabs/regbyinc/xregnw.PDF. The version of the model included in the Marina Center report was based upon an earlier version of the CES.

Regression analysis measures the extent to which one factor (the dependent variable) varies with changes in another (the independent variable). In this case, expenditures are "regressed," by type, as a function of income so the model can estimate expenditures. The underlying assumption in the regression model is that retail spending does not increase or decrease proportionately with income changes. Rather, there is a certain threshold at which comparison goods expenditures will begin to increase as income begins to level off. For example, as a household earns a higher income, there is a threshold for grocery purchases whereby a household will eat in restaurants more often. Consumption patterns change with income level as lower income households tend to spend a greater proportion of their expenditures on basic necessities (i.e., convenience goods) and less on luxuries or comparison goods than upper-income households. As a result, expenditures on luxury items generally increase in greater proportion to income than do expenditures on basic goods.

A portion of the CES data used in the current formulation of the model for the Western Region is shown in Exhibit 3, broken down into convenience, comparison, and auto-related categories. Retail expenditures increase with income but the increase is less than proportional. Households in the lower income categories spend a higher average percent of their income on retail expenditures (by drawing on savings, food stamps, borrowing, etc.) than people in the highest categories.

To demonstrate the relationship between consumption patterns and income, each variable must be "normalized"; that is, set to a common measure. In this case, all figures are normalized relative to the mean in that variable. Exhibit 4 presents income and expenditures relative to the mean for each category (excluding the lowest income group). For example, the mean income for the second lowest income category is $7,905, or 19.2% of the mean; while the mean income in the highest category is more than three times the mean, at 311.4%.

The relationship between income and spending for each type of good was determined by running a regression with income (as percent of mean income) as the independent variable, and spending (as a percent of mean spending) as the dependant variable. Taking the example of grocery expenditures, consumption was found to be determined by the line:

$$Y = 0.689224 + 0.310776\,(X)$$

(intercept) (slope)

where:

Y = consumption of food relative to the mean consumption

X = income relative to the mean income

The CES findings indicate that as income increases, so do expenditures for groceries. However, compared to dining out expenditures, the increase in grocery expenditure is more gradual, indicating that as income increases, grocery expenditures increase proportionately much less compared to the luxury expense of dining out.

Estimated spending is calculated using the above formula. For example, if income in a city is 20% greater than the average for the greater market area, one would expect food consumption to be 0.689224 + 0.310776*1.2 = 1.0622, or about 6.2% greater than the norm. If one assumes the greater market area per capita sales to be the norm, then food consumption by residents in the city would be 6.2 % more than this figure. Thus, potential per capita sales would be determined by the formula:

Potential Per Capita Sales (city) = Per Capita Sales (larger market area) * Income Algorithm

where:

the Income Algorithm is the regression output for each retail category.

Exhibit 5 presents a summary of the regression output for selected retail categories for the Western Region of the U.S. This exhibit indicates that the R^2 is greater than 0.88 for each retail category. This indicates that the derived regression variables can account for at least 88% of the variance in expenditure values. A 100% R^2 value would indicate that the regression variables can be used to predict a trend value exactly. It must be noted that there is no standard threshold to establish the relative goodness of an R^2 value because it depends on the type and method of analysis. For example, in the Retail Leakage Model, the R^2 is measured as a percentage of the variance of the original/untransformed series, in which case an 88% or greater R^2 value is deemed a very good fit.

Once the consumption equations are identified by the Retail Leakage Model, the derived regression variables for specific consumer goods are then aligned with the State of California Board of Equalization retail store categories. For most stores there is a dominant type of consumer good sold. The regression variables for such consumer goods can be directly matched to the respective store types. Accordingly, the regression variables for food at home (see category definitions in Exhibit 5) are used for Food Stores, food away from home variables for Eating and Drinking Places, apparel & services variables for Apparel stores, furniture and appliance variables for Household Furnishing stores, floor covering/household textiles' variables for Building Materials Stores, vehicle purchases/expenses variables for Auto Dealers and Stores, and gasoline & motor oil variables for Gas Stations. However, for multi-item store categories of General Merchandise Stores and Other Retail Stores, the average of the comparison goods category (including apparel, household furnishings, entertainment equipment and 50% of the misc. expenditures categories) is used as a proxy. Exhibit 6 presents the regression output using the State of California Board of Equalization categories. This output goes into the Retail Leakage Model.

Population Data Sources

The ERA peer review asks if the most accurate population data sources were used for the urban decay analysis. Data published by the California State Department of Finance were used for population forecasts for Humboldt County. The Department of Finance does not provide forecasts below the county level; however, the market area for Marina Center was determined to be Humboldt County so smaller area forecasts were not necessary. The peer review especially questioned whether there were any better data available from the local council of governments, especially reflecting smaller geographies, such as transportation analysis zones (TAZ). The answer is no. The Humboldt County Association of Governments does not provide any local forecasts of population, let alone projections reflecting TAZs. Thus, the State of California Department of Finance was the most appropriate governmental source for population data for the Marina Center urban decay study.

Mitigation Measures

ERA cites a belief that the possibility exists for dislocation in the local retail market as a result of Home Depot's competitive influences. Accordingly, they indicate it might be helpful to "suggest some mitigation measures that the applicant could provide related to displacement rather than urban decay."[3] CBRE Consulting respectfully disagrees with this suggestion, given that the study was conducted in the context of an EIR, where the fundamental issue is the potential for the project to cause or contribute to urban decay, not displacement or the changed orientation of existing retailers. Because the study concluded that no urban decay would result pursuant to the development of Marina Center, a discussion of mitigation measures is not warranted.

Closing Comments

Thank you for providing us the opportunity to prepare this response to the ERA peer review. If you have any questions please do not hesitate to direct them to us. We can be reached at the direct phone for Amy Herman, at 415-733-5382.

Sincerely,

Amy L. Herman, AICP
Senior Managing Director

Pipi Diamond
Senior Consultant

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[3] ERA, page 5.

APPENDIX

Exhibit 1
Survey of Retail Space
Humboldt County
November 2007

Center Name	Address	City	Available Space	Total Building Area	Percent Vacant	Comments
Bayshore Mall	3300-3460 Broadway St	Eureka	50,000	681,875	7%	Vacant spaces range from 800 to 15,000 square feet. The largest space was an Old Navy store. It has been vacant for one year but currently has a temporary tenant.
Henderson Center	2816 F St	Eureka	9,151	9,151	100%	This space used to be a high end home furnishings store. It has been vacant for 15 months. The rent has been lowered and the leasing agent expects it to be rented within six weeks.
The Boardwalk Mall	3002-3022 Broadway St	Eureka	7,903	15,557	51%	This space was a toy store and has been vacant for 3 years. About half of the vacant time can be attributed to foundation problems with the building.
	423 F St	Eureka	6,800	10,000	68%	This used to be a Bank of America. About 2,500 square feet have been vacant for two years. The vacancy is partly due to lengthy tenant negotiations.
	2401 Broadway St	Eureka	6,100	6,100	100%	About 4,800 square feet are on the market to be leased, but the space has a temporary tenant.
Redwood Village	701-761 S Fortuna Blvd	Fortuna	6,000	126,094	5%	There are three spaces available ranging in size from 1,200 to 3,200 square feet.
	2902-2912 E St	Eureka	4,125	11,089	37%	
	1965-1985 Central Ave	Mckinleyville	4,100	10,416	39%	
	3500 F St	Eureka	3,900	3,900	100%	
	1033 G St	Arcata	3,200	3,200	100%	
	428 C St	Eureka	2,476	10,688	23%	
	530 F St	Eureka	2,422	2,422	100%	
	117 Wabash Ave	Eureka	2,200	2,200	100%	
	1587 Myrtle Ave	Eureka	2,051	2,051	100%	
	2858 E St	Eureka	1,832	1,832	100%	
	235 4th St	Eureka	1,767	7,464	24%	
	1718 4th St	Eureka	1,650	1,874	88%	
	3144-3220 Broadway St	Eureka	1,545	29,176	5%	
	685 11th St	Arcata	1,200	1,200	100%	
	1679 Myrtle Ave	Eureka	1,100	1,100	100%	
	1062 G St	Arcata	1,070	2,140	50%	
	330 Main St	Loleta	998	2,081	48%	
Fortuna Main Shopping Center	Us 101 @ NEC US 101 & Kenmar Rd	Fortuna	0	365,480	0%	
The Eureka Mall	800 W Harris St	Eureka	0	222,336	0%	
Mill Creek Marketplace	1500 Anna Sparks Way	Mckinleyville	0	200,000	0%	
	1006 W Wabash Ave	Eureka	0	121,911	0%	
	701-759 Fortuna Blvd	Fortuna	0	112,149	0%	
Valley West Center	5000 Valley West Blvd	Arcata	0	102,437	0%	
Mckinleyville Shopping Center	1503 City Center Rd	Mckinleyville	0	93,897	0%	
Humboldt Plaza	2430-2440 6th St	Eureka	0	89,877	0%	
	636 W Harris St	Eureka	0	82,490	0%	
Mall 101	2440 5th St	Eureka	0	82,000	0%	
Union Town Shopping Center	600 F St	Arcata	0	75,000	0%	
	4100 Broadway St	Eureka	0	66,880	0%	
	2525 4th St	Eureka	0	60,890	0%	
Burre Center	901-999 Myrtle Ave	Eureka	0	60,000	0%	
	4325 Broadway St	Eureka	0	55,552	0%	
	4320 Broadway St	Eureka	0	47,842	0%	
	2706 Myrtle Ave	Eureka	0	46,848	0%	
	1580 School Rd	Mckinleyville	0	39,566	0%	
SunnyBrae Shopping Center	30-700 Bayside Rd	Arcata	0	35,200	0%	
	2009-2065 Main St	Fortuna	0	35,101	0%	
	3430 Redwood Dr	Redway	0	32,911	0%	
Mid Towne Plaza	421-475 Fortuna Blvd	Fortuna	0	32,579	0%	
	811 I St	Arcata	0	29,920	0%	
	1265 Giuntoli Ln	Arcata	0	29,014	0%	
Cutten Plaza	4015 Walnut Dr	Eureka	0	25,493	0%	
	2748-2760 E St	Eureka	0	23,992	0%	
	3134 Jacobs Ave	Eureka	0	23,369	0%	
	401-435 I St	Arcata	0	22,828	0%	
	1065-1085 K St	Arcata	0	22,552	0%	
	2385 Myrtle Ave	Eureka	0	21,982	0%	
	3460 Broadway St	Eureka	0	21,450	0%	
	3950 Jacobs Ave	Eureka	0	21,278	0%	
	140 Fortuna Blvd	Fortuna	0	20,599	0%	

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Humboldt County
November 2007

Center Name	Address	City	Available Space	Total Building Area	Percent Vacant	Comments
	6700 N Us-101	Eureka	0	19,908	0%	
	510 3rd St	Eureka	0	19,581	0%	
	785 Bayside Rd	Arcata	0	18,024	0%	
	2165 Central Ave	Mckinleyville	0	17,890	0%	
	1900 Central Ave	Mckinleyville	0	17,797	0%	
Sunny Brae Shopping Centre	900-1169 Old Arcata Rd	Arcata	0	17,538	0%	
	4075 Broadway St	Eureka	0	17,395	0%	
	2660 Jacobs Ave	Eureka	0	16,883	0%	
	25 B St	Eureka	0	16,792	0%	
	747 13th St	Arcata	0	16,667	0%	
	101 Hwy	Garberville	0	16,650	0%	
	502 Broadway St	Eureka	0	16,578	0%	
	625 Commercial St	Eureka	0	16,519	0%	
	627 7th St	Arcata	0	16,427	0%	
	3220 Jacobs Ave	Eureka	0	15,993	0%	
	1433 Broadway St	Eureka	0	15,911	0%	
	195 Fortuna Blvd	Fortuna	0	15,859	0%	
Bella Vista Plaza	1225 Central Ave	Mckinleyville	0	15,388	0%	
	1433 11th St	Arcata	0	15,224	0%	
	90 5th St	Eureka	0	14,963	0%	
	1685 Sutter Rd	Mckinleyville	0	14,869	0%	
	1065 S Fortuna Blvd	Fortuna	0	14,820	0%	
	900-908 Fortuna Blvd	Fortuna	0	14,784	0%	
Westwood Village	Alliance @ Alliance & Stromberg Ave.	Arcata	0	14,600	0%	
Myrtletown Shopping Center	1648-1696 Myrtle Ave	Eureka	0	14,586	0%	
	2210 Central Ave	Mckinleyville	0	14,567	0%	
	953 G St	Arcata	0	14,361	0%	
	2846 Jacobs Ave	Eureka	0	13,692	0%	
	2029 Broadway St	Eureka	0	13,608	0%	
	2416 Broadway St	Eureka	0	13,432	0%	
Westwood Shopping Center	100 Westwood Ctr	Arcata	0	13,383	0%	
	697 8th St	Arcata	0	13,200	0%	
	1734-1738 Central Ave	Mckinleyville	0	13,165	0%	
	4020 Walnut Dr	Eureka	0	12,886	0%	
	275 Fortuna Blvd	Fortuna	0	12,672	0%	
	424 Main St	Ferndale	0	12,670	0%	
	2810 Jacobs Ave	Eureka	0	12,246	0%	
	1700 Alamar Way	Fortuna	0	12,101	0%	
	521-535 4th St	Eureka	0	11,627	0%	
	3956 Jacobs Ave	Eureka	0	11,126	0%	
	2800 Hubbard Ln	Eureka	0	11,043	0%	
Central Villa Shopping Center	1720-1730 Central Ave	Mckinleyville	0	11,025	0%	
	812 W Wabash Ave	Eureka	0	11,004	0%	
	1725-1729 Tomlinson St	Eureka	0	10,911	0%	
	929 Broadway St	Eureka	0	10,234	0%	
	508 Myrtle Ave	Eureka	0	10,174	0%	
	940 Broadway St	Eureka	0	10,148	0%	
	1406-1422 5th St	Eureka	0	9,885	0%	
	2002 2nd St	Eureka	0	9,662	0%	
	39063 Highway 299	Willow Creek	0	9,500	0%	
	1640 Central Ave	Mckinleyville	0	9,482	0%	
	165 Fortuna Blvd	Fortuna	0	9,345	0%	
	2440 Broadway St	Eureka	0	9,312	0%	
	4 4th St	Eureka	0	9,253	0%	
	1063 G St	Arcata	0	9,093	0%	
	1225 Giuntoli Ln	Arcata	0	9,026	0%	
	1031 Broadway St	Eureka	0	8,904	0%	
	1300 Central Ave	Mckinleyville	0	8,887	0%	
	3408 Jacobs Ave	Eureka	0	8,872	0%	
	1610-1620 Highland Ave	Eureka	0	8,715	0%	
	1626 Broadway St	Eureka	0	8,600	0%	
	615 3rd St	Eureka	0	8,507	0%	
	900 Buttermilk Ln	Arcata	0	8,430	0%	
	2110-2116 4th St	Eureka	0	8,256	0%	
	505 Broadway St	Eureka	0	8,229	0%	
	2664 Myrtle Ave	Eureka	0	8,062	0%	
	842 W 14th St	Eureka	0	8,009	0%	
	3240 Broadway St	Eureka	0	7,890	0%	
	2844-2850 F St	Eureka	0	7,775	0%	
	1590 Nursery Rd	Mckinleyville	0	7,726	0%	
	2725 Myrtle Ave	Eureka	0	7,613	0%	

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Survey of Retail Space
Humboldt County
November 2007

Center Name	Address	City	Available Space	Total Building Area	Percent Vacant	Comments
	89 4th St	Eureka	0	7,528	0%	
	1105 6th St	Eureka	0	7,406	0%	
	3324 Jacobs Ave	Eureka	0	7,330	0%	
	3600 Broadway St	Eureka	0	7,207	0%	
	1001 4th St	Eureka	0	7,128	0%	
	1550 Heartwood Dr	Mckinleyville	0	7,104	0%	
	341 Harris St	Eureka	0	7,051	0%	
	125 W 5th St	Eureka	0	7,040	0%	
	3348 Jacobs Ave	Eureka	0	7,040	0%	
	1903-1905 Heindon Rd	Arcata	0	7,029	0%	
	2308 Central Ave	Mckinleyville	0	6,922	0%	
	2736 Jacobs Ave	Eureka	0	6,895	0%	
	1621 Broadway St	Eureka	0	6,768	0%	
	1901 Central Ave	Mckinleyville	0	6,672	0%	
	1565-1567 City Center Rd	Mckinleyville	0	6,662	0%	
	510 Harris St	Eureka	0	6,659	0%	
	1309 11th St	Arcata	0	6,628	0%	
	125-131 U St	Eureka	0	6,597	0%	
	1693 Central Ave	Mckinleyville	0	6,580	0%	
	1607-1649 Central Ave	Mckinleyville	0	6,567	0%	
	737 G St	Arcata	0	6,557	0%	
	402 Harris St	Eureka	0	6,548	0%	
	131 X St	Eureka	0	6,474	0%	
	617 Summer St	Eureka	0	6,404	0%	
	2151 Central Ave	Mckinleyville	0	6,350	0%	
	916 Broadway St	Eureka	0	6,286	0%	
	1305 10th St	Arcata	0	6,216	0%	
	2000 Central Ave	Mckinleyville	0	5,990	0%	
	4135 Broadway St	Eureka	0	5,981	0%	
	1650 Central Ave	Mckinleyville	0	5,973	0%	
	260 Fortuna Blvd	Fortuna	0	5,939	0%	
	2255 Myrtle Ave	Eureka	0	5,914	0%	
	3525 Janes Rd	Arcata	0	5,910	0%	
	1551 Giuntoli Ln	Arcata	0	5,901	0%	
	651 Indianola Cutoff	Eureka	0	5,868	0%	
	525 Commercial St	Eureka	0	5,856	0%	
	337 F St	Eureka	0	5,833	0%	
	2720 Central Ave	Mckinleyville	0	5,779	0%	
	909 Main St	Fortuna	0	5,762	0%	
	906 Redwood Dr	Garberville	0	5,760	0%	
	2021 5th St	Eureka	0	5,639	0%	
	2715 Myrtle Ave	Eureka	0	5,612	0%	
	627 Summer St	Eureka	0	5,609	0%	
	228 3rd St	Eureka	0	5,600	0%	
	1795 Central Ave	Mckinleyville	0	5,532	0%	
	25-35 3rd St	Eureka	0	5,490	0%	
	1944 Central Ave	Mckinleyville	0	5,490	0%	
	722 W. Washington St	Eureka	0	5,461	0%	
	1049 Samoa Blvd	Arcata	0	5,434	0%	
	1605 Short St	Eureka	0	5,434	0%	
	3696 Jacobs Ave	Eureka	0	5,412	0%	
	1912 Broadway St	Eureka	0	5,401	0%	
	70 4th St	Eureka	0	5,390	0%	
	106 T St	Eureka	0	5,299	0%	
	480 G St	Arcata	0	5,293	0%	
	455-475 I St	Arcata	0	5,283	0%	
	1928-1940 Central Ave	Mckinleyville	0	5,238	0%	
	1585 School Rd	Mckinleyville	0	5,214	0%	
	1235 Bayshore Way	Eureka	0	5,206	0%	
	1605 Central Ave	Mckinleyville	0	5,194	0%	
	359 G St	Arcata	0	5,184	0%	
	2801 Central Ave	Mckinleyville	0	5,181	0%	
	194 Wildwood St	Rio Dell	0	5,160	0%	
	1620 Koster St	Eureka	0	5,126	0%	
	200 Lower Mad River Rd	Ruth	0	5,000	0%	
	2930 Broadway St	Eureka	0	4,977	0%	
	123-139 5th St	Eureka	0	4,972	0%	
	1208 5th St	Eureka	0	4,752	0%	
	781 Samoa Blvd	Arcata	0	4,748	0%	
	6840 Benbow Dr	Garberville	0	4,700	0%	
	719 Fortuna Blvd	Fortuna	0	4,583	0%	

Exhibit 1
Survey of Retail Space
Humboldt County
November 2007

Center Name	Address	City	Available Space	Total Building Area	Percent Vacant	Comments
	250 W 5th St	Eureka	0	4,550	0%	
	318 Harris St	Eureka	0	4,528	0%	
	524 Henderson St	Eureka	0	4,500	0%	
	3943 Walnut Dr	Cutten	0	4,500	0%	
	1550 Alamar Way	Fortuna	0	4,401	0%	
	212 X St	Eureka	0	4,376	0%	
	685 F St	Arcata	0	4,361	0%	
	2212 2nd St	Eureka	0	4,321	0%	
	863 8th St	Arcata	0	4,321	0%	
	1340 10th St	Arcata	0	4,319	0%	
	1905 5th St	Eureka	0	4,269	0%	
	2335 4th St	Eureka	0	4,268	0%	
	1990 11th St	Arcata	0	4,239	0%	
	1607 5th St	Eureka	0	4,188	0%	
	2120 4th St	Eureka	0	4,089	0%	
	1828 Central Ave	Mckinleyville	0	4,080	0%	
	1906 Heindon Rd	Arcata	0	4,042	0%	
	1701 Giuntoli Ln	Arcata	0	4,011	0%	
	856 10th St	Arcata	0	4,000	0%	
	207 Seventh St	Eureka	0	4,000	0%	
	2095 Central Ave	Mckinleyville	0	3,962	0%	
	3450 Broadway St	Eureka	0	3,955	0%	
	2510 Broadway St	Eureka	0	3,916	0%	
	4477 Broadway St	Eureka	0	3,879	0%	
	1179-1183 Central Ave	Mckinleyville	0	3,831	0%	
	1441 Broadway St	Eureka	0	3,811	0%	
	1735 4th St	Eureka	0	3,791	0%	
	509 Commercial St	Eureka	0	3,776	0%	
	1902 2nd St	Eureka	0	3,764	0%	
	513 K St	Arcata	0	3,749	0%	
	3502 Broadway St	Eureka	0	3,737	0%	
	2810 E St	Eureka	0	3,729	0%	
	2500 Myrtle Ave	Eureka	0	3,704	0%	
	497 I St	Arcata	0	3,675	0%	
	2935 F St	Eureka	0	3,674	0%	
	1601 Broadway St	Eureka	0	3,670	0%	
	2136 3rd St	Eureka	0	3,648	0%	
	11 3rd St	Eureka	0	3,635	0%	
	420-430 Harris St	Eureka	0	3,627	0%	
	2192 Central Ave	Mckinleyville	0	3,624	0%	
	604 F St	Eureka	0	3,603	0%	
	131-133 Fortuna Blvd	Fortuna	0	3,586	0%	
	215 7th St	Eureka	0	3,584	0%	
	1660 Central Ave	Mckinleyville	0	3,569	0%	
	1131 Broadway St	Eureka	0	3,498	0%	
	1777 Alamar Way	Fortuna	0	3,476	0%	
	2023 Central Ave	Mckinleyville	0	3,442	0%	
	3384 Janes Rd	Arcata	0	3,431	0%	
	2125 4th St	Eureka	0	3,365	0%	
	2550 Broadway St	Eureka	0	3,342	0%	
	1296 11th St	Arcata	0	3,337	0%	
	980 5th St	Arcata	0	3,329	0%	
	3543 Broadway St	Eureka	0	3,323	0%	
	1156 Main St	Fortuna	0	3,299	0%	
	2306 2nd St	Eureka	0	3,236	0%	
	1450 Broadway St	Eureka	0	3,200	0%	
	1751 Central Ave	Mckinleyville	0	3,187	0%	
	1703 Giuntoli Ln	Arcata	0	3,170	0%	
	2005-2011 Central Ave	Mckinleyville	0	3,158	0%	
	400 G St	Arcata	0	3,140	0%	
	4433 Broadway St	Eureka	0	3,131	0%	
	435 O St	Eureka	0	3,128	0%	
	2480 6th St	Eureka	0	3,124	0%	
	1552 City Center Rd	Mckinleyville	0	3,079	0%	
	665 Samoa Blvd	Arcata	0	3,051	0%	
	401-411 Harris St	Eureka	0	3,043	0%	
	251 Fortuna Blvd	Fortuna	0	3,042	0%	
	560 K St	Arcata	0	3,042	0%	
	711 Summer St	Eureka	0	3,009	0%	
	1264 Giuntoli Ln	Arcata	0	2,963	0%	
	1041 F St	Arcata	0	2,930	0%	

Exhibit 1
Survey of Retail Space
Humboldt County
November 2007

Center Name	Address	City	Available Space	Total Building Area	Percent Vacant	Comments
	1007 Broadway St	Eureka	0	2,914	0%	
	605 Broadway St	Eureka	0	2,895	0%	
	2222 Myrtle Ave	Eureka	0	2,865	0%	
	437 G St	Arcata	0	2,852	0%	
	1310 5th St	Eureka	0	2,839	0%	
	818 Broadway St	Eureka	0	2,838	0%	
	1206 Main St	Fortuna	0	2,813	0%	
	4465 Broadway St	Eureka	0	2,775	0%	
	823 Broadway St	Eureka	0	2,770	0%	
	1 W 7th St	Eureka	0	2,754	0%	
	2013-2019 Central Ave	Mckinleyville	0	2,743	0%	
	2145 Central Ave	Mckinleyville	0	2,701	0%	
	1605 Giuntoli Ln	Arcata	0	2,692	0%	
	1631 Sutter Rd	Mckinleyville	0	2,692	0%	
	417 S St	Eureka	0	2,691	0%	
	1791 Riverwalk Dr	Fortuna	0	2,689	0%	
	1809 Truesdale St	Eureka	0	2,676	0%	
	304 N St	Eureka	0	2,659	0%	
	4175 Broadway St	Eureka	0	2,647	0%	
	427 H St	Arcata	0	2,620	0%	
	301-309 Harris St	Eureka	0	2,600	0%	
	1300 Giuntoli Ln	Arcata	0	2,581	0%	
	363 Trinity St	Trinidad	0	2,565	0%	
	2112 2nd St	Eureka	0	2,553	0%	
	1707 Allard Ave	Eureka	0	2,543	0%	
	3943 Walnut Dr	Eureka	0	2,534	0%	
	1459 Broadway St	Eureka	0	2,523	0%	
	1010 Broadway St	Eureka	0	2,519	0%	
	2103 3rd St	Eureka	0	2,497	0%	
	529 Broadway St	Eureka	0	2,494	0%	
	761 Fortuna Blvd	Fortuna	0	2,491	0%	
	939 Broadway St	Eureka	0	2,451	0%	
	3650 Broadway St	Eureka	0	2,451	0%	
	2213 3rd St	Eureka	0	2,400	0%	
	899 Main St	Fortuna	0	2,383	0%	
	427 V St	Eureka	0	2,378	0%	
	1740 4th St	Eureka	0	2,376	0%	
	889 9th St	Arcata	0	2,376	0%	
	2332 2nd St	Eureka	0	2,353	0%	
	679 S Fortuna Blvd	Fortuna	0	2,350	0%	
	4901 Valley West Blvd	Arcata	0	2,347	0%	
	891 K St	Arcata	0	2,328	0%	
	1436 2nd St	Eureka	0	2,309	0%	
	1835 4th St	Eureka	0	2,308	0%	
	1360 Main St	Fortuna	0	2,308	0%	
	432 Fortuna Blvd	Fortuna	0	2,285	0%	
	1802 5th St	Eureka	0	2,282	0%	
	369 8th St	Eureka	0	2,280	0%	
	1675 Giuntoli Ln	Arcata	0	2,239	0%	
	514 W 14th St	Eureka	0	2,228	0%	
	1122 Broadway St	Eureka	0	2,224	0%	
	4900 Valley West Blvd W	Arcata	0	2,219	0%	
	3988 Walnut Dr	Eureka	0	2,212	0%	
	1827 3rd St	Eureka	0	2,202	0%	
	3505 Broadway St	Eureka	0	2,200	0%	
	910 Fortuna Blvd	Fortuna	0	2,187	0%	
	2655 Myrtle Ave	Eureka	0	2,175	0%	
	1631 Central Ave	Mckinleyville	0	2,152	0%	
	625 K St	Arcata	0	2,151	0%	
	1901 Heindon Rd	Arcata	0	2,132	0%	
Burre Center	946 West Ave	Eureka	0	2,131	0%	
	1116 11th St	Arcata	0	2,101	0%	
	801 K St	Arcata	0	2,097	0%	
	495 J St	Arcata	0	2,082	0%	
	1642 Holly Dr	Mckinleyville	0	2,072	0%	
	1924 2nd St	Eureka	0	2,044	0%	
	1595 Myrtle Ave	Eureka	0	2,040	0%	
	256 Fortuna Blvd	Fortuna	0	2,038	0%	
	1709 5th St	Eureka	0	2,018	0%	
	111 Harris St	Eureka	0	2,011	0%	
	1080 F St	Arcata	0	2,002	0%	

Exhibit 1
Survey of Retail Space
Humboldt County
November 2007

Center Name	Address	City	Available Space	Total Building Area	Percent Vacant	Comments
	2600 Harris St	Eureka	0	2,002	0%	
	2846 Broadway St	Eureka	0	1,989	0%	
	3954 Jacobs Ave	Eureka	0	1,986	0%	
	427 Harris St	Eureka	0	1,936	0%	
	210 V St	Eureka	0	1,928	0%	
	1605 Myrtle Ave	Eureka	0	1,914	0%	
	305 O St	Eureka	0	1,909	0%	
	332 Harris St	Eureka	0	1,890	0%	
	875 Main St	Fortuna	0	1,886	0%	
	1610 Old Arcata Rd	Arcata	0	1,880	0%	
	1331 Broadway St	Eureka	0	1,877	0%	
	3 3rd St	Eureka	0	1,865	0%	
	2620 Jacobs Ave	Eureka	0	1,842	0%	
	1875 Riverwalk Dr	Fortuna	0	1,842	0%	
	1724 Broadway St	Eureka	0	1,807	0%	
	508 I St	Eureka	0	1,800	0%	
	Witheld	Arcata	0	1,785	0%	
	1645 Heartwood Dr	Mckinleyville	0	1,784	0%	
	2623 Harris St	Eureka	0	1,782	0%	
	1606 Central Ave	Mckinleyville	0	1,750	0%	
	175 Fortuna Blvd	Fortuna	0	1,712	0%	
	2500 Broadway St	Eureka	0	1,687	0%	
The Boardwalk Mall	3050 Broadway St	Eureka	0	1,672	0%	
	2137 3rd St	Eureka	0	1,670	0%	
	3710 Broadway St	Eureka	0	1,628	0%	
	4200 Broadway St	Eureka	0	1,598	0%	
	615 F St	Eureka	0	1,598	0%	
	3346 Jacobs Ave	Eureka	0	1,579	0%	
	1817 2nd St	Eureka	0	1,534	0%	
	307 N St	Eureka	0	1,532	0%	
	615-625 11th St	Arcata	0	1,509	0%	
	1801 Broadway St	Eureka	0	1,503	0%	
	1602 Old Arcata Rd	Arcata	0	1,502	0%	
	39123 Highway 299	Willow Creek	0	1,500	0%	
	1125 4th St	Eureka	0	1,498	0%	
	1834 Central Ave	Mckinleyville	0	1,494	0%	
	2300 Myrtle Ave	Eureka	0	1,488	0%	
	1835 2nd St	Eureka	0	1,483	0%	
	306 Harris St	Eureka	0	1,483	0%	
	1232 5th St	Eureka	0	1,481	0%	
	3700 Broadway St	Eureka	0	1,473	0%	
	2502 Alliance Rd	Arcata	0	1,454	0%	
	925 Fortuna Blvd	Fortuna	0	1,424	0%	
	1906 4th St	Eureka	0	1,409	0%	
	950 Fortuna Blvd	Fortuna	0	1,393	0%	
	1701 Central Ave	Mckinleyville	0	1,387	0%	
	1924 Central Ave	Mckinleyville	0	1,362	0%	
	3103 K St	Eureka	0	1,362	0%	
	1723 Broadway St	Eureka	0	1,356	0%	
	135 Harris St	Eureka	0	1,349	0%	
	1594 Reasor Rd	Mckinleyville	0	1,333	0%	
	321 X St	Eureka	0	1,331	0%	
	2235 3rd St	Eureka	0	1,320	0%	
	3360 Jacobs Ave	Eureka	0	1,313	0%	
	2200 4th St	Eureka	0	1,300	0%	
	1836 Central Ave	Mckinleyville	0	1,276	0%	
	202 T St	Eureka	0	1,272	0%	
	679 Fortuna Blvd	Fortuna	0	1,222	0%	
	1884 Central Ave	Mckinleyville	0	1,218	0%	
	1803-1805 Central Ave	Mckinleyville	0	1,211	0%	
	2288 Central Ave	Mckinleyville	0	1,204	0%	
	1807 Central Ave	Mckinleyville	0	1,202	0%	
	421 J St	Arcata	0	1,200	0%	
	420 N St	Eureka	0	1,200	0%	
	2111 4th St	Eureka	0	1,193	0%	
Burre Center	1019 Myrtle Ave	Eureka	0	1,180	0%	
	1935 5th St	Eureka	0	1,163	0%	
	390 Fortuna Blvd	Fortuna	0	1,132	0%	
	1620 Broadway St	Eureka	0	1,121	0%	
	3080 Broadway St	Eureka	0	1,115	0%	
	1917 5th St	Eureka	0	1,100	0%	

Exhibit 1
Survey of Retail Space
Humboldt County
November 2007

Center Name	Address	City	Available Space	Total Building Area	Percent Vacant	Comments
	3102 Pine St	Eureka	0	1,092	0%	
	331 Harris St	Eureka	0	1,080	0%	
	1667 Main St	Fortuna	0	1,070	0%	
	1040 Myrtle Ave	Eureka	0	1,063	0%	
	311 Harris St	Eureka	0	1,058	0%	
	1021 Murray Rd	Mckinleyville	0	1,050	0%	
	3197 Alliance Rd	Arcata	0	1,032	0%	
	1824 5th St	Eureka	0	1,022	0%	
	901 Samoa Blvd	Arcata	0	1,004	0%	
	77 Briceland Thorn Rd	Redway	0	1,000	0%	
	1695 Myrtle Ave	Eureka	0	976	0%	
	2740 Broadway St	Eureka	0	974	0%	
	2249 Myrtle Ave	Eureka	0	970	0%	
	1594 Myrtle Ave	Eureka	0	966	0%	
	5025 Valley West Blvd W	Arcata	0	940	0%	
	200 Fortuna Blvd	Fortuna	0	930	0%	
	1122 K St	Arcata	0	920	0%	
	1411 Broadway St	Eureka	0	903	0%	
	898 Main St	Fortuna	0	902	0%	
	2710 Broadway St	Eureka	0	865	0%	
	138 W 7th St	Eureka	0	859	0%	
	1811 Central Ave	Mckinleyville	0	840	0%	
	2228 4th St	Eureka	0	812	0%	
	103 W St	Eureka	0	812	0%	
	2205 Alliance Rd	Arcata	0	780	0%	
	413 5th St	Eureka	0	750	0%	
	2822 G St	Eureka	0	660	0%	
	325 Harris St	Eureka	0	651	0%	
	1711 4th St	Eureka	0	645	0%	
	1016 West Ave	Eureka	0	644	0%	
	1209 Broadway St	Eureka	0	643	0%	
	480 I St	Arcata	0	572	0%	
	350 I St	Arcata	0	523	0%	
	2698 Central Ave	Mckinleyville	0	516	0%	
	2742 Broadway St	Eureka	0	459	0%	
	414 Harris St	Eureka	0	447	0%	
	2782 Central Ave	Mckinleyville	0	433	0%	
	2336 4th St	Eureka	0	424	0%	
	1976 5th St	Eureka	0	326	0%	
	61 4th St	Eureka	0	300	0%	
	71 4th St	Eureka	0	300	0%	
	1836 5th St	Eureka	0	299	0%	
	4950 Valley West Blvd W	Arcata	0	297	0%	
	809 Main St	Fortuna	0	255	0%	
	1108 Broadway St	Eureka	0	247	0%	
	430 N St	Eureka	0	245	0%	
	1225 Broadway St	Eureka	0	242	0%	
	3101 Montgomery St	Eureka	0	107	0%	
	3973 Walnut Dr	Eureka	0	41	0%	
Total			**121,590**	**5,153,125**	**2.4%**	

Sources: CoStar; and CBRE Consulting.

Exhibit 2
Building Sales
Humboldt County
2006 and 2007

Name	Address	City	Property Type	Price	Sale Date	Building Sq. Ft.	Price Per Building Sq. Ft.	Land Sq. Ft.	Price Per Land Sq. Ft.
Valley West Center	5000 Valley West Blvd	Arcata	Neighborhood Shopping Center	$9,775,000	Feb-07	102,437	$95	N/A	N/A
N/A	1033 G St	Arcata	Storefront Retail/Office	$840,000	Jul-07	3,200	$263	N/A	N/A
N/A	524 Henderson St	Eureka	Storefront Retail/Office	$400,000	Jul-07	4,500	$89	N/A	N/A
N/A	2200 4th St	Eureka	Convenience Store	$334,000	May-07	1,300	$257	N/A	N/A
N/A	3102 Pine St	Eureka	Retail	$170,000	Jun-07	1,092	$156	3,484	$49
Averages for Retail Building Sales				**$2,303,800**		**22,506**	**$172**		
Comfort Inn Arcata	4701 Valley West Blvd	Arcata	Hotel	$3,900,000	Mar-06	N/A	N/A	74,923	$52
Clarion Resort	2223 4th St	Eureka	Hotel	$3,500,000	Apr-06	N/A	N/A	56,170	$62
Averages for Hotel Sales				**$3,700,000**				**65,547**	**$57**
N/A	1739 Tomlinson St	Eureka	Industrial	$550,000	Aug-07	6,636	$83	N/A	N/A
N/A	640 7th St	Fortuna	Industrial Warehouse	$350,000	Nov-07	4,000	$88	N/A	N/A
Averages for Industrial Sales				**$450,000**		**5,318**	**$85**		
N/A	2822 Harris St	Eureka	Medical Office	$425,000	Jun-07	2,696	$158	N/A	N/A
N/A	351 Sprowel	Garberville	Office	$305,000	Sep-07	3,700	$82	N/A	N/A
Averages for Office Sales				**$365,000**		**3,198**	**$120**		
N/A	230 Wabash Ave	Eureka	28-Unit Apartment Building	$1,950,000	Feb-07	19,800	$98	29,882	$65

Sources: CoStar; and CBRE Consulting.

Exhibit 3: Consumer Expenditure by Household Income - Base Data
2004-05 Consumer Expenditure Survey - WESTERN REGION

	Total Reporting	Less than $5000	$5,000-$9,999	$10,000-$14,999	$15,000-$19,999	$20,000-$29,999	$30,000-$39,999	$40,000-$49,999	$50,000-$69,999	$70,000 and over	Avg. (All Cnsmrs)	Avg. (Except <$5K)
Number of consumer units (000's)	25,872	970	1,347	1,714	1,708	2,901	3,033	2,503	4,023	7,673	25,872	24,902
Income before taxes	$60,730	$446	$7,905	$12,517	$17,380	$24,905	$34,506	$44,603	$59,109	$128,063	$36,604	$41,124
Average No. in consumer unit:												
Persons	2.6	1.6	1.6	1.7	2.1	2.2	2.5	2.8	2.8	3.2	2.3	
Earners	1.4	0.6	0.5	0.5	0.8	1.0	1.3	1.4	1.7	2.0	1.1	
Total Expenditures	$50,305	$19,765	$17,540	$22,636	$25,673	$30,723	$36,532	$43,071	$52,310	$85,401	$37,072	$39,236
Shelter	10,480	5,041	4,604	5,689	6,180	7,364	7,990	9,158	10,700	16,706	8,159	$8,549
Insurance, Education & Other Non-Retail	16,288	5,368	3,884	5,649	6,843	7,917	9,563	12,786	16,071	31,358	11,049	$11,759
Utilities, fuels, and public services	2,795	1,236	1,318	1,602	1,854	2,209	2,438	2,770	3,041	3,969	2,271	$2,400
Net Retail Spending	$20,742	$8,120	$7,734	$9,696	$10,796	$13,233	$16,541	$18,357	$22,498	$33,368	$15,594	$16,528
Convenience Goods												
Food Stores (1)	3,580	2,047	1,782	2,375	2,433	2,789	3,208	3,578	3,814	4,841	2,985	$3,103
Eating and Drinking Places (2)	2,701	1,248	973	1,089	1,267	1,605	2,059	2,306	2,916	4,467	1,992	$2,085
Packaged Liquor Stores	517	288	273	179	218	261	364	477	623	828	390	$403
Tobacco Products & Supplies	239	161	192	197	239	205	315	244	282	224	229	$237
Miscellaneous (3)	455	153	120	263	212	263	351	380	580	721	338	$361
Housekeeping Supplies (4)	618	297	228	352	496	393	561	543	677	895	494	$518
Drug Stores (5)	1,071	532	459	763	772	775	847	1,140	1,042	1,558	876	$920
Total Convenience Goods	$9,181	$4,726	$4,027	$5,218	$5,637	$6,291	$7,705	$8,668	$9,934	$13,534	$7,304	$7,626
Comparison Goods												
Apparel (6)	1,954	705	1,012	882	940	1,305	1,549	1,392	1,993	3,260	1,449	$1,542
Household Furnishing (7)	942	194	198	324	419	432	634	725	824	1,863	624	$677
Building Materials (8)	1,089	452	265	387	517	551	984	912	1,069	1,916	784	$825
Miscellaneous (3)	455	153	120	263	212	263	351	380	580	721	338	$361
Entertainment Equipment (9)	887	341	321	425	487	603	727	783	956	1,417	673	$715
Total Comparison Goods	$5,327	$1,845	$1,916	$2,281	$2,575	$3,154	$4,245	$4,192	$5,422	$9,177	$3,867	$4,120
Auto Related												
Auto Dealers and Auto Supply (10)	4,268	754	1,125	1,282	1,524	2,387	2,904	3,533	4,858	7,722	2,899	$3,167
Service Stations (11)	1,966	796	667	916	1,061	1,402	1,687	1,964	2,284	2,936	1,524	$1,615

Notes:
(1) Includes 'Food at Home' expenditures, per CES.
(2) Includes 'Food away from Home' expenditures, per CES.
(3) It is assumed that 50% of misc. expenditure is on Convenience and 50% on Comparison
(4) Includes laundry and cleaning supplies, other household products, and postage and stationery expenditure per CES.
(5) Includes Personal Care products and service, and Drugs expenditures per CES.
(6) Includes 'Apparel and services' expenditures per CES.
(7) Includes furniture and major and small appliances expenditures per CES
(8) Includes floor coverings, household textiles, and misc. household equipment expenditures per CES.
(9) Includes TV's, radios, and sound equipment expenditures per CES.
(10) Includes Vehicle Purchases expenditures per CES.
(11) Includes Gasoline and Motor Oil expenditures per CES>

Sources: US Department of Labor 2004-05 Consumer Expenditure Survey for the Western Region; and CBRE Consulting.

Exhibit 4: Retail Expenditure Relative to 'Excluded' Mean
2004-05 Consumer Expenditure Survey - WESTERN REGION

	$5,000 - $9,999	$10,000- $14,999	$15,000- $19,999	$20,000- $29,999	$30,000- $39,999	$40,000- $49,999	$50,000- $69,999	$70,000 and over	Avg. (Except <$5K)
Income before taxes	19.2%	30.4%	42.3%	60.6%	83.9%	108.5%	143.7%	311.4%	100.0%
Convenience Goods									
Food Stores (1)	57.4%	76.6%	78.4%	89.9%	103.4%	115.3%	122.9%	156.0%	100.0%
Eating and Drinking Places (2)	46.7%	52.2%	60.8%	77.0%	98.7%	110.6%	139.8%	214.2%	100.0%
Packaged Liquor Stores	67.8%	44.4%	54.1%	64.8%	90.4%	118.4%	154.6%	205.5%	100.0%
Drug Stores (3)	49.9%	83.0%	84.0%	84.3%	92.1%	124.0%	113.3%	169.4%	100.0%
Comparison Goods									
Apparel	65.6%	57.2%	61.0%	84.7%	100.5%	90.3%	129.3%	211.5%	100.0%
Household Furnishing (4)	29.2%	47.8%	61.9%	63.8%	93.6%	107.0%	121.6%	275.0%	100.0%
Building Materials (5)	32.1%	46.9%	62.7%	66.8%	119.3%	110.5%	129.6%	232.2%	100.0%
Entertainment Equipment (6)	44.9%	59.5%	68.1%	84.4%	101.7%	109.5%	133.7%	198.2%	100.0%
Auto Related									
Auto Dealers and Auto Supply (7)	35.5%	40.5%	48.1%	75.4%	91.7%	111.6%	153.4%	243.8%	100.0%
Service Stations (8)	41.3%	56.7%	65.7%	86.8%	104.5%	121.6%	141.5%	181.8%	100.0%
Totals									
Convenience Goods	52.8%	68.4%	73.9%	82.5%	101.0%	113.7%	130.3%	177.5%	100.0%
Comparison Goods	46.5%	55.4%	62.5%	76.5%	103.0%	101.7%	131.6%	222.7%	100.0%

Notes:
(1) Food at Home
(2) Food away from Home
(3) Personal Care products and service, and Drugs
(4) Includes furniture and major and small appliances
(5) Includes floor coverings, household textiles, and misc. household equipment
(6) Includes TV's, radios, and sound equipment
(7) Includes Vehicle Purchases
(8) Gasoline and Motor Oil

Sources: US Department of Labor 2004-05 Consumer Expenditure Survey for the Western Region; and CBRE Consulting.

Exhibit 5: Regression Analysis: Income Variable & Outputs
2004-05 Consumer Expenditure Survey - WESTERN REGION

Regression Input	Pre Tax Income	Grocery	Dining	Liquor	Drugs	Apparel	Household Furnishings	Building Materials	Entertainment Equipments	Auto Dealers	Service Stations	Convenience Goods	Comparison Goods
$5,000-$9,999	19.2%	57.4%	46.7%	67.8%	49.9%	65.6%	29.2%	32.1%	44.9%	35.5%	41.3%	52.8%	46.5%
$10,000-$14,999	30.4%	76.6%	52.2%	44.4%	83.0%	57.2%	47.8%	46.9%	59.5%	40.5%	56.7%	68.4%	55.4%
$15,000-$19,999	42.3%	78.4%	60.8%	54.1%	84.0%	61.0%	61.9%	62.7%	68.1%	48.1%	65.7%	73.9%	62.5%
$20,000-$29,999	60.6%	89.9%	77.0%	64.8%	84.3%	84.7%	63.8%	66.8%	84.4%	75.4%	86.8%	82.5%	76.5%
$30,000-$39,999	83.9%	103.4%	98.7%	90.4%	92.1%	100.5%	93.6%	119.3%	101.7%	91.7%	104.5%	101.0%	103.0%
$40,000-$49,999	108.5%	115.3%	110.6%	118.4%	124.0%	90.3%	107.0%	110.5%	109.5%	111.6%	121.6%	113.7%	101.7%
$50,000-$69,999	143.7%	122.9%	139.8%	154.6%	113.3%	129.3%	121.6%	129.6%	133.7%	153.4%	141.5%	130.3%	131.6%
$70,000 and over	311.4%	156.0%	214.2%	205.5%	169.4%	211.5%	275.0%	232.2%	198.2%	243.8%	181.8%	177.5%	222.7%

Regression Output	Intercept	Slope	R Squared	Standard Error	Intercept Std. Error	X Variable Std. Error
Convenience Goods						
Food Stores	0.689224	0.310776	0.892058	0.110942	0.059045	0.044134
Eating and Drinking Places	0.417553	0.582447	0.976874	0.091968	0.048947	0.036586
Packaged Liquor Stores	0.437937	0.562063	0.906366	0.185396	0.098670	0.073752
Drug Stores	0.646021	0.353979	0.885789	0.130442	0.069423	0.051891
Comparison Goods						
Apparel	0.471984	0.528016	0.970894	0.093822	0.049933	0.037323
Household Furnishing	0.191504	0.808496	0.990724	0.080284	0.042728	0.031938
Building Materials	0.340642	0.659358	0.955238	0.146477	0.077957	0.058270
Entertainment Equipment	0.493257	0.506743	0.964794	0.099341	0.052871	0.039519
Auto Related						
Auto Dealers and Auto Supply	0.267450	0.732550	0.976098	0.117641	0.062610	0.046799
Service Stations	0.533551	0.466449	0.883013	0.174237	0.092731	0.069313
Totals						
Convenience Goods	0.588473	0.411527	0.945715	0.101183	0.053851	0.040252
Comparison Goods	0.401585	0.598415	0.988650	0.065800	0.035020	0.026176

Sources: US Department of Labor 2004-05 Consumer Expenditure Survey for the Western Region; and CBRE Consulting.

Exhibit 6: Summary of Regression Variables by Store Types
2004-05 Consumer Expenditure Survey - WESTERN REGION

Board of Equalization Store Category	2004-05 Regression Variables Intercept	Slope
Apparel stores	0.4719837	0.5280163
General merchandise stores	0.4015853	0.5984147
Drug stores	0.6460213	0.3539787
Food stores	0.6892244	0.3107756
Packaged liquor stores	0.4379371	0.5620629
Eating and drinking places	0.4175533	0.5824467
Home furnishings/appliance	0.1915045	0.8084955
Bldg. matrl./farm implements	0.3406417	0.6593583
Auto dealers and auto supply	0.2674498	0.7325502
Service station	0.5335509	0.4664491
Other retail stores	0.4015853	0.5984147

Notes:

Income Algorithm= (intercept) + (slope)*(Income in Market Area Relative to Control Area)

Income Algorithm*Control Area Sales=Market Area Spending

Sources: US Department of Labor 2004-05 Consumer Expenditure Survey for the Western Region; and CBRE Consulting.