SOUTHEAST BEND MARKET ANALYSIS - CONCLUSION:

The following market analysis was provided by the author to two "specialty grocery" chains and two commercial property developers with major grocer connections. As neither property owner or Realtor, the author did not pursue contacts beyond determining "near term" interest as it would relate to infrastructure plan priorities. The author's cover letter to these parties assured that their names and responses, beyond as generalized here, would not be revealed. The response has been very modest, possibly due to the uncertain timeline for market development.

Exhibit 30. Factors Influencing the Location of Retail Uses

Source: ECONorthwest compiled generic determinants from a range of sources for illustrative purposes only.

Retail Types	Population Factors	Locational Factors
Mid-Small Grocery Store (10,000 to 40,000 sq. ft.)	6,000 to 8,000 people per store	Clustered near other retail uses; High Visibility and Access
Supermarket (50,000 to 100,000 sq. ft)	10,000 people within 8 to 10-minute drive	Formulated for suburban shopping centers
Coffee Shop	15,000 to 20,000 people per store	Convenient access for pedestrians and drivers
Movie Theater	8,000 to 9,000 people per screen	Located at least 4 to 5 miles from another theater (film zone)

Retail businesses in the Southeast Expansion Area will rely upon customers from existing neighborhoods and future residents of the area. While retail is unlikely to lead development of the area, it will play an important supportive role to housing in the initial phases of development. That is, retail provides demanded services, products, and amenities that residents demand close to their homes.

The author of this report takes exception with the above table regarding the population required for a viable major grocer. It seems a bit low in today's bar code, leased shelf space, JIT, and online driven grocery retail environment. There are specialty brands that function well at 35,000 to 45,000 sq. ft but these are usually the "late arrival" in a market since they wait for the household demographics to become well established.

A major grocer would be the more likely early grocery entrant in this area. With only two "major grocers" active in the Northwest – Kroger/Fred Meyer/QFC and Safeway/Albertson - attracting either brand will be difficult before build-out and suggestions of further southeast UGB expansion. Due to the market impact of the outdated pre-merger Safeway/Albertson stores a location in this expansion area as planned would significantly interfere with drawing area of existing and planned stores of these majors.

While the consumer demographics of this area are now and will continue to be strong, the number of household will likely need to approach the build-out projections for this plan area before a grocer stakes a claim. What could drive an early grocery entrant for one of the two locations in this expansion area is the "out of primary market" customer volume that the schools, parks, and arterial traffic provide. This will be the primary location sales point, but probably not until residential build-out approaches and further southeast UGB expansion discussion has begun.

Market Analysis

Many would be eager to suggest that Bend, Oregon, is over retailed in general as well as in the grocery sector in particular. A traditional “high level” trade area analysis would confirm this, but such an analysis is largely based on the “gravitational pull” of inventory and strait line distances separating competitors. A ground level analysis for Bend would consider the lack of connectivity in its street system which becomes overwhelming in the Southeastern neighborhoods, and the subject area in particular. Such an analysis could suggest the contrary for groceries and convenience retail/service.

City wide context

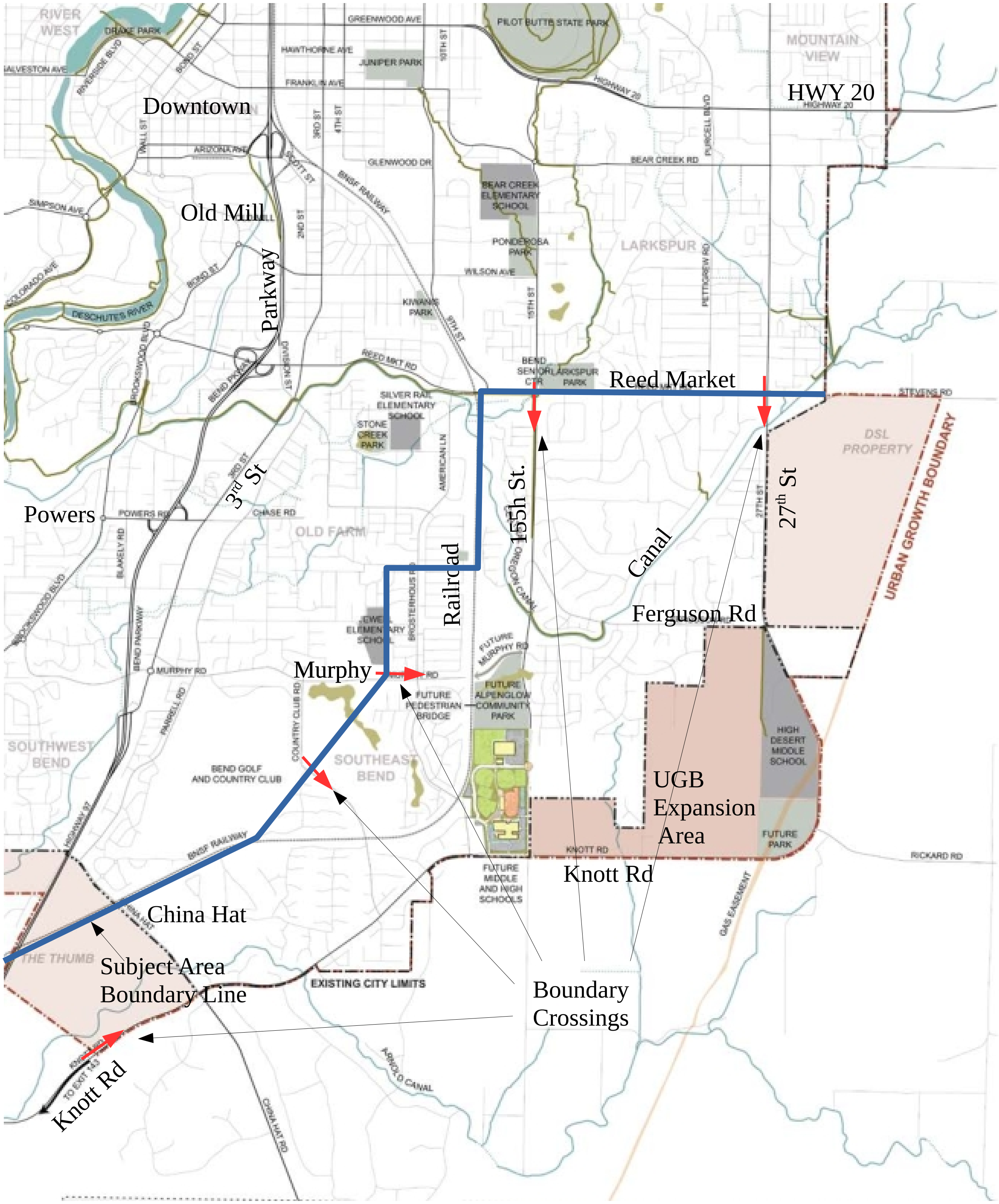
There are major features of the street system and natural geography that have to be considered before the Bend market can be understood. The initial immovable object that dictated Bend’s growth is the Deschutes River which has only six crossings, four of which are within the one mile Central/Old Mill business district that defines Old Bend. The second immovable object is the BNSF railway, which also bisects Bend in a north/south direction, with seven at-grade crossings in its nine mile path. The newest immovable object is the Hwy. 97 Parkway which also bisects the City in a north-south direction with nine grade separated crossings. Since all three of these circulation barriers are north-south bisectors located within an average mile and a half of each other, market analysis travel distances for Bend must consider both the indirect travel path as well as the congestion found on the six connectors that effectively provide east-west connections.

Southeast Bend

Considering the southeast quadrant of Bend, south of Reed Market and east of 3rd Street, there are only three north-south access points – 3 rd St.,15 th St., and 27 th St. - and four east-west access points – Reed Market, Powers, Murphy, and Knott. Of these, Powers extends only one blocks east of 3rd Sreet and Murphy currently only extends to the BNSF railroad. Beyond access limitations, retail locations has been historically restricted to 3 rd. St., the western boundary of this area.

Subject Area

Bounded by Reed Market and Knott, 15 th St. and 27 th St., the subject area is a “food desert” due to a combination of historic access and retail restrictions. This will change in 2021 when Murphy will over-cross the BNSF rails to 15 th St. The Murphy access to this area, along with schools, parks, and residential expansion, will make the two retail commercial sites designated in the UGB expansion plan a unique opportunity. While access to the area will allow expanded housing , this increased housing will add to the congestion at the few “boundary crossing” points and cause subject area residents to look locally for grocery options, especially for the small shopping cart, convenience, and prepared food trips. With one and a half miles of congested traffic to the nearest grocery, coffee shop, restaurant, or personal services, these households will make local retail their first choice.


Downtown
Old Mill
Parkway
HWY 20
Reed Market
Powers
3rd St
155h St.
27th St
Canal
Railroad
Ferguson Rd
Murphy
UGB
Expansion
Area
Knott Rd
China Hat
Subject Area
Boundary Line
Boundary
Crossings
Knott Rd
RIVER WEST
MOUNTAIN VIEW
PILOT BUTTE STATE PARK
JUNIPER PARK
LARKSPUR
BEAR CREEK ELEMENTARY SCHOOL
PONDEROSA PARK
KIWANIS PARK
SILVER RAIL ELEMENTARY SCHOOL
STONE CREEK PARK
OLD FARM
SOUTHEAST BEND
SOUTHWEST BEND
BEND GOLF AND COUNTRY CLUB
DSL PROPERTY
URBAN GROWTH BOUNDARY
HIGH DESERT MIDDLE SCHOOL
FUTURE PARK
FUTURE ALPENGLOW COMMUNITY PARK
FUTURE PEDESTRIAN BRIDGE
FUTURE MIDDLE AND HIGH SCHOOLS
EXISTING CITY LIMITS
THE THUMB
DESCHUTES RIVER
BNSF RAILWAY
ARNOLD CANAL
GAS EASEMENT
RICKARD RD
STEVENS RD
BEAR CREEK RD
WILSON AVE
CHASE RD
POWERS RD
MURPHY RD
KNOTT RD
CHINA HAT RD

Market Demographics

With the exception of Bend's west side which was controlled by forest resource companies until the 1970's, the early expansion of this city beyond its "mill town" origin was a patchwork of farms and logged forest converted to large lot subdivisions with little concern for connectivity or compatibility. Since the 1980's the developable parcels left between these earlier large lot residential developments have been infilled with a smaller lot format yielding a varied demographic scene.

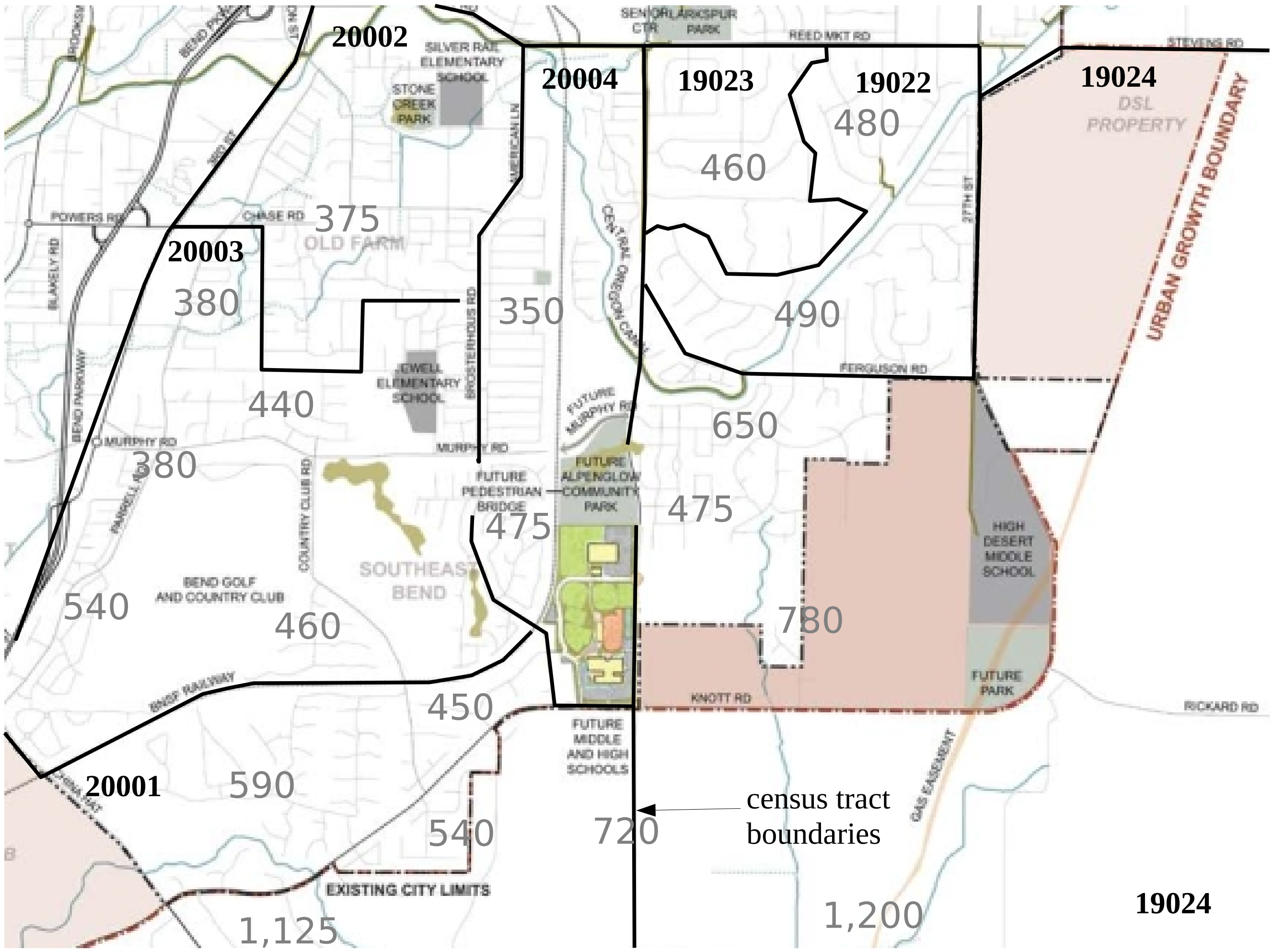
The "elbow room" that existing large lot and hobby farm residences provide continues to drive appreciation and improvements by older and affluent buyers and owners. Standard lot size developments filling in around these earlier developments attract young families, and now higher density town-home and apartment developments are finishing the mix with young singles. The Census demographics below and home prices shown on the adjacent map indicate how these changes are expressed to this point in the Southeast.

		Bend	Southeast*	19022	19023	19024	20001	2003	2004
Total Population		90,025	9,916	1,825	1,003	1,262	1,151	2,514	2,161
Households									
	Total	37,296	3,996	695	385	470	524	1061	861
	Owner Occupied	21,398	3,119	617	325	422	465	728	562
	Free and clear	28.5%	33%	39%	23%	32%	37%	33%	29%
Age	<20	23.8%	22%	21%	21%	23%	14%	22%	26%
	20-44	35.7%	30%	23%	27%	22%	25%	33%	40%
	45-64	24.9%	32%	34%	38%	39%	45%	26%	22%
	> 65	15.5%	17%	21%	14%	16%	17%	19%	13%
Hsld. Socio-Economic									
	Married	52.3%	59%	59%	58%	66%	72%	58%	51%
	College Graduate	39.3%	34%	30%	27%	56%	47%	25%	33.00%
	Average Income	$85,000	$85,436	$95,204	$84,402	$125,329	$122,280	$58,262	$67,302
	Median Income	$63,511	$65,733	$75,444	$79,062	$88,542	$79,252	$48,009	$53,097
	Income >$35,000	61%	80%	82%	89%	92%	92%	68%	75%
	Income >$99,000	26%	24%	35%	26%	39%	37%	9%	17%
	2+ vehicles	62%	69%	81%	77%	90%	76%	55%	58%

* Weighted average %

Census tracts 19022, 19024, 20001, and portions of 20003, and 20004 are considered as primary market for retail sites in the subject area based on a combination of proximity and connectivity considerations. The estimated household figures on the following page are based on units per acre given developments now in the planning process, existing homes and projected zoning designations.

The upper income and age element of this market area will remain strong due to the golf course, large lot, and hobby farm properties that will be prized even more while new density developments draw the area demographics toward the Bend average and the population to 10,000 plus over the next 20 to 25 years. This combination of a strong physical market boundary, residents with substantial disposable income, residents who value time saving convenience, high traffic access, and substantial employment and recreation population makes this a uniquely strong market area.



Current Home Values (**$000**) – based on sample of assessed market value by "subdivision" or zoning

<u>Estimated market – households</u>		Existing		+ UGB& infill		+ Future UGB*	
Primary:	@ 8.5 homes per acre			46a	850	50a.	425
	@ 5.2 homes per acre	80a	1,650	180a	930	250a.	1,300
	@ 1.75 homes per acre	820a	1,430			735a	480
	@ 1 home per 7.25 acres					425a.	60
	@ 1 home per 10 acre	700a	70				
	@ 1 home per 20 acres					500a	25
	1,500 acres*		15				
Total Primary: Existing + UGB + Future)			3,165		4,945		6,830
Secondary:	380 acres @ 5.2 homes per acre		1,970				
	735 acres @ 1.75 homes per acre		1,280				
	300 acres @ 1 home per 7.25 acres		75				
			3,325		3,325		3,325
TOTAL			6,490		8,270		10,155

*Future UGB expansion potential was assigned to acreage (see crosshatched area on last map) usage based on apparent topography, compatibility, and "fire safe" criteria

Grocery and Convenience Retail Conditions

With the exclusion of the typical outdated strip mall merchants found along South Third Street, non-grocery convenience retail is limited to Walmart and Fred Meyer. The grocery draw for Fred Meyer is enhanced by it's non-grocery and gas departments but non-grocery selections are limited. Walmart provides it's usual non-grocery selection and has recently added a modest grocery section.

While South Third Street has fast-food and local restaurants, from Third Street eastward and Reed Market Road southward a neighborhood restaurant can not be found

<u>Safeway/Albertson</u>
The strongest Safeway on the east side of Bend, 1980's model at 65,000 sf, is shown with a crosshatched primary market on the adjacent map. It is located on Hwy 20 at 27th St. and shown to start loosing drawing power to Fred Meyer at Reed Market Road. But, given the traffic conditions on Reed Market Road compared to the current conditions on 27th Street, that store's draw probably continues well past the illustrated southern limit. This southern limit will be impacted heavily, though, by the completion of the Murphy extension to 15th street in 2021.

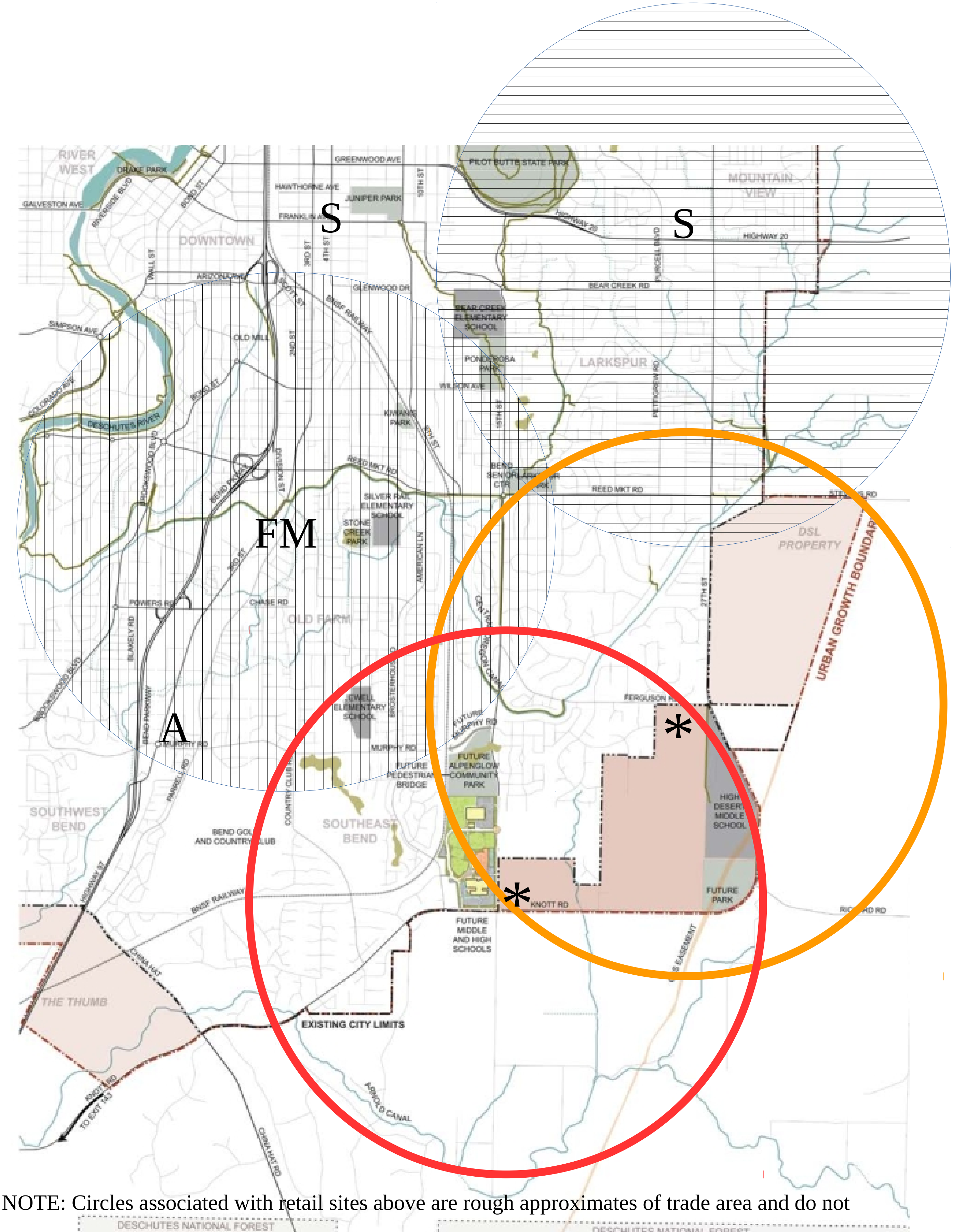
The other Safeway/Albertson stores are on Third St. at Franklin and at Murphy. Both stores are from the 1970's at 45,000 sf. and 40,000 sf. respectively. During the recent post-merger divestiture the Murphy store was sold to another brand but was recently returned to Albertson and seems operate primarily as a neighborhood convenience store. The property on which the Murphy store is located is sufficiently undeveloped for expansion of the store but the addition of a grocery section to the Walmart across the street and the proximity of the Fred Meyer store make expansion on this site unlikely.

<u>Fred Meyer/Kroger</u>
The Fred Meyer store was perfectly located when built to draw from most of the town, given the anticipated Parkway and access to a poorly served expanding west Bend. Located on Third St. just south of Reed Market the location was ideal with two primary collector streets intersecting nearby. Bend's growth has been both a blessing and a curse for this location since the congestion found on these two primary collectors has increased and then magnified by the access and egress from the Parkway. Though the Murphy extension to 15th Street makes this store more accessible from the southeast, the congestion issues diminish the impact.

<u>Specialty Groceries</u>
Newport Market has been a Bend institution as a specialty grocery for a very long time, but this store is constrained by both size, access, and traffic congestion. What once was a citywide specialty draw is now a neighborhood grocer.

Whole Foods filled the need for natural and specialty products on the east side of Bend for quite some time. Located next to the Safeway on Hwy 20 referred to above it shares the same limits on customer drawing area.

Market of Choice is an Oregon based company with a strong natural and specialty foods draw supplemented by a high traffic and visibility location and attractive promotion program. Located on Colorado Street at a well designed intersection with the Parkway it enjoys easy access from north and south, with Colorado Street being a primary access route to and from the west. It is a new entrant to the Bend grocery market and appears to have a strong following.



NOTE: Circles associated with retail sites above are rough approximates of trade area and do not represent the site's true primary market when adjusted for issues of connectivity and travel time

UGB Designated Commercial General Sites

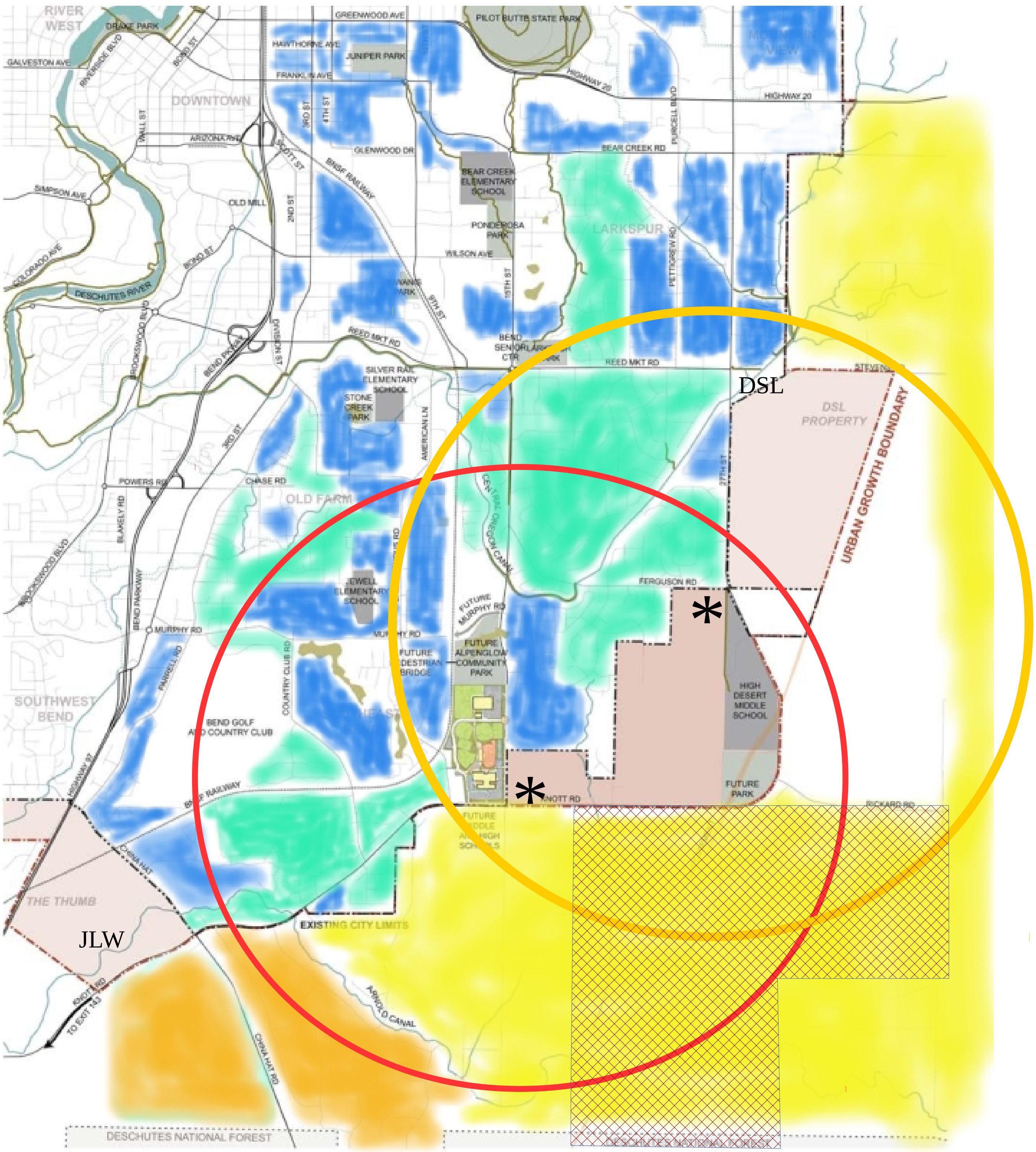
The Southeast Expansion Area is a part of a recent addition to Bend's urban growth boundary and as such it encompasses some developed residential land and a substantial portion of undeveloped land. Several undeveloped sites have been designated for general commercial use in this recent boundary expansion, two in the "subject area" and two in nearby expansion areas. The two nearby sites are shown on the map as "DSL" and "JLW" and both have advantages and disadvantages.

The DSL expansion area represented on the map is approximately half of the 600 acre parcel that the owner prefers to sell as one parcel. The portion currently zoned as part of the expansion contains a retail site at the intersection of Reed Market Road and 27th Street, with the remainder of the land divided somewhat evenly between residential and commercial/industrial use. As explained already, the visibility to traffic on these streets is substantial, but the customer drawing area is limited by the proximity and access to the Safeway on Hwy 20 and by the limited growth potential to the east. East of this property where available market expansion might be found, if annexed into the City in the future, land ownership is dominated by five to twenty acre parcels which would develop slowly.

The JLW property again has access from primary collectors but lacks adequate access to the residential population to the west due to railroad and Parkway bridging that isn't at this time even on the drawing boards. Combine this with a drawing radius that is severely limited on the south by National Forest, this sight must wait for infrastructure.

The two retail sites in the subject area - Southeast Expansion Area - share east-west access from Knott Road and Murphy Road or Ferguson, and north-south access from 15th Street or 27th Street. They also share the primary market area previously enumerated as well as significant potential market growth represented by four large parcels to the south (shown as crosshatched) which are easier than numerous small parcels to annex into the City at some future point.

The current planning for the area will provide not only the household market enumerated previously but also 2,200 commercial employees that constitute lunch trade as well as "on the way home" shoppers. With thirty acre parks at both east and west boundaries of the area and extensive multi-use trails within and connecting to the area, there will be a significant draw for hungry and thirsty customers from outside the area who will enjoy park, pedestrian, and biking opportunities.



The new high school that opens in 2021, and middle school that will open later, will bring the Southeast Expansion Area into the everyday travel pattern of an additional 800 to 1,200 households (school traffic analysis is on back page). The 15th Street retail location will be the primary beneficiary of this awareness, but it is up to the retailer's marketing strategy on either site whether or not this traffic is seen as a plus or a minus.

Current Residential Density

4-7 per acre	2-4 per acre	1-5 acre lot	5+ acre parcel

ANTICIPATED TRIP GENERATION (BDC 4.7.400.C2)

Per BDC requirements, Table 3 provides the estimated trip generation for the three planned schools based on the average ITE trip rates.

Table 3. BSD Site Trip Generation

School	Size (students)	Daily Trips	Weekday AM Peak Hour			Weekday Afternoon Peak Hour			Weekday PM Peak Hour		
			Total	In	Out	Total	In	Out	Total	In	Out
High School	1,600	2,736	688	468	220	464	153	311	208	98	110
TDM Reduction (25%)		684	172	117	55	116	38	78	52	25	27
Total High School		2,052	516	351	165	348	115	233	156	73	83
Middle School	800	1,296	431	238	194	240	108	132	128	63	65
Tamarack High School	25	43	11	7	4	7	2	5	3	1	2
Tamarack Middle School	25	41	14	8	6	8	4	4	4	2	2
TDM Reduction (25%) for Middle School and Tamarack		346	114	63	51	64	29	35	34	17	17
Total Middle School and Tamarack		1,034	342	190	153	191	85	106	101	49	52
Campus Total	***2,450***	***3,086***	***858***	***541***	***318***	***539***	***200***	***339***	***257***	***122***	***135***