

DRAFT

**CLOVIS-HERNDON SHOPPING
CENTER
ECONOMIC IMPACT ANALYSIS:
CLOVIS, CALIFORNIA**

Prepared for:

CITY OF CLOVIS

SEPTEMBER 2008

September 24, 2008

www.cbre.com/consulting

Mr. Ryan Burnett
Associate Planner
Planning Division
City of Clovis
1033 Fifth Street
Clovis, CA 93612

Re: Clovis-Herndon Shopping Center Economic Impact and Urban Decay Analysis - DRAFT

Dear Mr. Burnett:

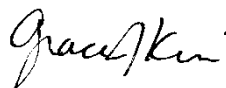
CBRE Consulting Inc. ("CBRE Consulting") is pleased to submit this updated economic impact analysis report for the planned Clovis-Herndon Shopping Center in the City of Clovis, California. The report discusses the proposed Clovis-Herndon Shopping Center's anticipated sales, the likely impact of these sales on existing retailers, cumulative impacts of other selected planned developments in and outside of the market area, and the extent to which the Center may or may not contribute to urban decay.

It has been a pleasure working with you on this project. Please let us know if you have any questions or additional needs.

Sincerely,



Amy L. Herman, ACIP
Senior Managing Director



Grace J. Kim
Director



Kate Barry
Analyst

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I. EXECUTIVE SUMMARY

INTRODUCTION

The purpose of this study is to update the July 2006 economic impact analysis report for the proposed Clovis-Herndon Shopping Center ("the Center") located in the City of Clovis, California. As economic and retail market conditions have changed considerably during the past two years, this study seeks to update and supplement the previous report. CBRE Consulting conducted research and analysis necessary to update the quantitative analysis included in the June 2006 study assessing the urban decay potential of the Clovis-Herndon Shopping Center. In addition, CBRE Consulting expanded the analysis to additionally look at properties beyond the defined boundaries of the market area (the market area is defined as the City of Clovis and its Sphere of Influence), effectively expanding the analysis to also consider the impact on retail properties that might lose customers because of changed shopping patterns in response to the development of the Clovis-Herndon Shopping Center. This expanded analysis, which has been broadened to include Northeast Fresno, includes existing properties as well as planned projects deemed competitive with the Clovis-Herndon Shopping Center.

Development plans for Clovis-Herndon Shopping Center include constructing 491,904 square feet of retail space, in addition to an existing base of 33,546 square feet of commercial businesses on the 50 +/- acre development site.

The Center is planned to include a Wal-Mart Supercenter as the anchor tenant. Other anchor tenants are planned. As of the date of this analysis not all tenants have been identified for the Center. However, tenant types were identified for prospective store spaces to facilitate the analysis. These tenant types primarily include stores selling apparel, home furnishings and appliances, hardware, pet supplies, and office supplies as well as restaurants.

The completion of the Center's construction is expected in 2010 with full operations assumed in 2011. This study probes the potential impacts of the Center on existing retailers in the market area and beyond, especially those offering goods similar to those expected to be sold at the Center. This study also estimates the extent to which the Center may or may not contribute to urban decay.

While the contents of this study reflect an update from the previous study, the impacts identified in the current study are different from the prior study. Many factors account for these differences, including changing market conditions, the passage of time, and refinements in CBRE Consulting's study approach and methodology.

SUMMARY OF FINDINGS

Center Sales

CBRE Consulting estimates that stabilized Center sales will total \$151.1 million in 2011 dollars, comprised of:

- \$38.0 million in food sales;
- \$34.8 million in general merchandise sales;
- \$22.4 million in apparel sales;
- \$18.0 million in home furnishings and appliances;
- \$9.9 million in eating and drinking places;

- \$3.5 million in building materials;
- \$2.7 million in service stations; and
- \$21.7 million in “other retail” stores sales.

Of these Clovis-Herndon Shopping Center sales, approximately 80 percent, or \$120.8 million, is estimated to be generated by market area residents. The remaining 20 percent of sales generated at the Center are expected to comprise residual demand, originating from unspecified locations outside the market area. Stabilized sales are not expected to occur the first year of store operations, but rather the second or third year, which is typical of new retail operations. In order to be conservative, the analysis assumes stabilized sales are achieved in 2011. Accordingly, all dollar figures unless otherwise noted are presented in 2011 dollars.

Impacts on Existing Market Area Retailers

For the purposes of this analysis, the City of Clovis and its Sphere of Influence (“Clovis SOI”) was identified as the Center’s market area. CBRE Consulting conducted analysis to determine the extent to which the Center’s retail sales would impact existing retailers in Clovis.

The analysis indicates that the Clovis-Herndon Shopping Center could divert a maximum of \$33.4 million in sales from existing market area retailers once stabilized sales are achieved. Table 1, following, details the potential sales diversion, which includes \$12.8 million in apparel, \$10.1 million in general merchandise, \$9.6 million in food stores, \$0.8 million in home furnishings and appliances, and \$0.2 million in “other retail” stores. No other retail categories are anticipated to incur negative economic impacts attributable to the Center.

**Table 1
Clovis-Herndon Shopping Center
Retail Sales Impacts Upon Stabilization
2011 Dollars, in Millions**

Retail Category	Center Sales	Potential Sales Diversions For Market Area Retailers
Apparel	\$22.4	\$12.8
General Merchandise	34.8	10.1
Food Stores	38.0	9.6
Eating and Drinking	9.9	0
Home Furnishings & Appliances	18.0	0.8
Building Materials	3.5	0
Service Stations	2.7	0
“Other Retail” Stores	21.7	0.2
Total¹	\$151.1	\$33.4

(1) Figures may not total due to rounding.
Source: Exhibits 8 and 17.

The retail space implications of these sales diversions is equivalent to 41,400 square feet of apparel space, 43,000 square feet of general merchandise space, and 22,300 square feet of grocery store space, totaling 106,700 square feet. However, this amount could be reduced considerably when accounting for (1) the 3 +/- percent sales variation retailers should expect given historic fluctuations characteristic of the retail industry, (2) anticipated population demand in the years immediately following the opening of the Center, (3) the likelihood that the proposed Wal-Mart Supercenter will cannibalize sales from the existing Wal-Mart store in Clovis, and (4) the

ability of individual retailers to fend off competition by repositioning or other implementing other strategies.

When taking into consideration identified cumulative projects within and bordering the market area, the total potential sales impacts increase to \$158.1 million, representing sales diversions ranging from 0.0 to 43.6 percent among the major retail categories. The retail categories that may potentially face long-term sales diversion include apparel, eating and drinking places, and “other retail” stores, and to a lesser extent, general merchandise and food stores. Overall, the analysis indicates that the cumulative projects could divert 12.7 percent of the total 2011 retail sales base from existing market area retailers once stabilized sales are achieved. However, the potential sales diversions would be less when accounting for the same aforementioned considerations relevant to the Center alone, as stated above, combined with the likelihood that many of these planned projects are not likely to be completed by 2011.

Sales Impacts on Retailers Outside the Market Area

CBRE Consulting also analyzed the potential sales impacts to existing retailers in northeast Fresno – beyond the defined boundaries of the market area – that may result due to the development of Clovis-Herndon Shopping Center. Northeast Fresno was defined as the area east of Highway 41 and north of Highway 180, which includes properties located within two to three miles from the market area boundaries to the west and southeast. This distance is comparable to the maximum distance of the defined market area boundary from the Center site.

In order to assess the potential sales impacts to existing stores in northeast Fresno, CBRE Consulting analyzed the population base within a 3-mile trade area of six supermarkets that were identified as being close enough to Clovis to conceivably depend partially on Clovis’ population to support sales and might therefore share overlapping trade areas with the Clovis-Herndon Shopping Center. This 3-mile trade area was selected as appropriate because it corresponds with industry standards regarding grocery store-anchored neighborhood shopping centers. The results indicated minimal impacts due to the effects of new demand growth in the years prior to and following the opening of the Center that would largely or fully offset potential sales losses. Population growth in the Fresno portion of the 3-mile trade area between 2008 and 2013 for each store is anticipated to be sufficient enough to more than offset any potential losses in the customer base for five out of the six grocery stores. For the one Save Mart store that was found to be potentially at risk of loss in its customer base, the loss was minimal, representing 2.1 percent of the store’s 3-mile population base in 2008. It is reasonable to expect that a retail store would be able to withstand a modest 2.1 percent decline in their customer/sales base given historic trends in retailing documented in this study. Based on these findings, CBRE Consulting concluded that no existing northeast Fresno retailers are likely to face sales losses so great that it would put these stores at risk of closure.

Urban Decay Determination

CBRE Consulting's conclusion regarding the potential for urban decay is based on consideration of market area conditions, findings regarding diverted sales, and re-tenanting potential, as summarized below:

- **Current Market Conditions.** CBRE Consulting's retail market research indicates that the retail market in the market area is currently in a cyclical downturn, with low demand and relatively high vacancy rates estimated to be above 10 percent market-wide. Although the retail market has significant potential for growth, it is challenged in the short-term by uncertainty in the national economy and local housing market.
- **Diverted Sales.** The proposed Clovis-Herndon Shopping Center and the other cumulative projects will have impacts that could lead to a reduction in sales, and possible store closures for underperforming stores, particularly in the apparel, eating and drinking, and "other retail" stores categories, and to a lesser degree, among general merchandise and food stores. CBRE Consulting believes that while most stores will be able to weather the temporary decreases in sales activity, some marginally performing stores are likely to close. Whether impacts are large enough to cause any potentially impacted spaces to remain vacant for extended time periods depends on many factors, including the nature and location of the space, economic conditions and the pace of recovery in the housing market, and the timing of the cumulative projects.
- **Re-tenanting Potential.** Vacancies that may occur have the potential to be successfully re-tenanted within a reasonable timeframe. However, the re-tenanting of older and/or obsolete space in Clovis has been and may continue to be problematical. Ultimately, re-leasing activity can be beneficial for a market area by expanding opportunities for strong retailers and providing opportunities for retailers new to the market, as well as improving and upgrading the physical condition of the area. However, if the current economic weakness were to extend beyond 2011, leading to slower increases in population, then retail demand may be weaker and vacant retail space may take longer to absorb.

In conclusion, while it is expected that the Clovis-Herndon Shopping Center and identified cumulative projects could result in diverted sales and that some closures of market area stores may occur, these events are not expected to lead to physical deterioration so prevalent and substantial that it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Based on these findings, CBRE Consulting concludes that the development of Clovis-Herndon Shopping Center and the identified cumulative projects will not contribute to urban decay.

II. INTRODUCTION

STUDY BACKGROUND

Paynter Realty & Investments, Inc. is seeking to build an addition to an existing retail shopping center in Clovis, California. The addition is planned for 44 +/- acres, resulting in a total 50 +/- acres of retail development. The proposed Clovis-Herndon Shopping Center ("the Center") is located at the northeast corner of Clovis and Herndon avenues, west of Sunnyside and south of State Route 168. The proposed plans include constructing 491,904 square feet of retail space, in addition to the existing approximately 29,022 square feet of commercial businesses.

The bulk of the addition, 491,904 square feet, is anticipated to complete construction in 2010, with the first full year of operations in 2011. The Center is planned to include a 228,754-square-foot Wal-Mart Supercenter as the anchor tenant. Another anchor tenant space is available totaling 88,400 square feet, anticipated for an apparel retailer, such as Kohl's. Many additional tenant spaces are anticipated for the Center, ranging in size from 5,600 square feet to 30,300 square feet. Specific tenants have not yet been identified for the majority of these spaces. In order to allocate the unidentified retail tenant sales to specific retail categories, CBRE Consulting referred to the prior economic impact study for Clovis-Herndon Shopping Center.¹

The City of Clovis commissioned this updated economic impact study for inclusion in a supplement or revised environmental impact report for the Center. The purpose of the updated study is as follows:

- 1) to probe potential impacts of the Center on existing market area retailers as well as the potential impacts to retailers in northeast Fresno beyond the defined boundaries of the market area that may also be affected by the Center's opening;
- 2) to develop an estimate of the extent to which the opening of the Center may or may not contribute to urban decay; and
- 3) to estimate cumulative impacts of other competitive retail projects in and in close proximity to the market area;

This report documents CBRE Consulting's research and analysis of the aforementioned issues.

STUDY TASKS

CBRE Consulting performed several steps during the course of this assignment. In brief, these steps included the following:

- Identified major competitive retailers in the market area and beyond;
- Conducted fieldwork to evaluate existing market conditions;
- Estimated the planned Center's sales;
- Defined the Center's market area;
- Estimated market area taxable retail sales;
- Conducted retail sales leakage analysis for the Center's market area;
- Estimated the share of the Center's sales to be generated by the market area versus sales generated by non-market area residents;

¹ *Clovis-Herndon Shopping Center Economic Impact and Urban Decay Analysis, July, 14, 2006, CBRE Consulting.*

- Estimated the amount of sales that will be generated by new population added to the market area by the point in time when the Center is developed;
- Estimated the maximum Center impacts on existing market area retailers;
- Assessed the competitiveness of existing stores in and beyond the market area and likely impacts;
- Identified planned retail projects in and beyond the market area;
- Assessed the cumulative impacts of planned retail projects in the market area and beyond;
- Assessed the potential impacts of planned retail projects in northeast Fresno; and
- Assessed the extent to which opening of the Center may or may not contribute to urban decay.

The findings pertaining to these tasks are reviewed and fully documented in this report, with detailed analytical findings presented in the exhibits in Appendix A.

STUDY RESOURCES

Many resources were relied upon for this study. The City of Clovis and Claritas, Inc. provided population estimates and projections, and the State of California Board of Equalization provided taxable sales data. Demographic resources prepared by Claritas, Inc., a national provider of demographic and economic data, were relied upon for mean household income trend data. The California Department of Finance, Demographic Research Unit was a further source for population figures.

Business-specific data identifying retailers in the market area and beyond were obtained from Claritas, Inc., and other sources. Retailer 10-K forms on file with the Securities and Exchange Commission were also relied upon for individual retailer performance indicators. Retail Maxim's *Perspectives on Retail Real Estate and Finance, July 2008* was also used to determine appropriate sales per square foot data for specific retail categories. Finally, local commercial real estate brokers provided insight and information.

REPORT ORGANIZATION

This report includes eight chapters, as follows:

- I. Executive Summary
- II. Introduction
- III. Projected Sales
- IV. Market Area Definition
- V. Retail Sales Leakage Analysis
- VI. Sales Impacts
- VII. Sales Impacts Beyond the Market Area
- VIII. Cumulative Impacts
- IX. Urban Decay Determination

All the exhibits referenced in the report are included in the Appendix. This report is subject to the appended Assumptions and General Limiting Conditions.

III. PROJECTED SALES

A description of the proposed Clovis-Herndon Shopping Center, as well as CBRE Consulting's estimates of the retail sales generated by the Center, are presented below, including sales by retail category. This estimate is necessary to facilitate the analysis of the Center's economic impacts.

CLOVIS-HERNDON SHOPPING CENTER DESCRIPTION

The Center comprises a planned addition of 491,904 square feet of retail space to an existing center totaling 33,546 square feet of commercial businesses. This new space will be developed on 44 +/- acres of a total 50 +/- acre development site.

While not all of the specific retail tenants have been identified for the Center, a Wal-Mart Supercenter is the proposed anchor tenant. Targeted retail sales categories have been identified for the remaining shopping center space. Where specific retailers were not identified representative retailers were selected to facilitate the analysis, such as Kohl's for the 88,400-square-foot apparel anchor. The prospective tenants or tenant types are identified in Table 2, below.

Table 2
Proposed Clovis-Herndon Shopping Center
Type of Retail and Associated Square Feet

Retailer	Retail Space (Sq. Ft.)	Percent Distribution
Wal-Mart Supercenter	228,754	46.5
Apparel Store (such as Kohl's)	88,400	18.0
Apparel Store (such as Ross Dress for Less)	30,300	6.2
Home Furnishings and Appliances Store	28,000	5.7
Sit Down Restaurants	20,200	4.1
Hardware Store	15,300	3.1
Apparel Store (such as Old Navy)	14,800	3.0
Petco	13,900	2.8
Specialty Retail Stores	13,050	2.7
Office Supply Store	10,800	2.2
Fast Food Franchises	7,800	1.6
Shoe Store	7,500	1.5
Home Furnishings Store	7,500	1.5
Apparel Store	5,600	1.1
Total	491,904	100.0%

Source: CBRE Consulting.

The majority of the retail space, approximately 64.5 percent, will be dedicated to large anchor tenants, including the Wal-Mart Supercenter and a major apparel retailer, such as Kohl's. Mini anchor tenants with around 30,000 square feet each are anticipated to include another apparel store (such as Ross Dress for Less) and a home furnishings and appliance store. The balance of the space will include many additional retailers, such as more apparel, pet supplies, office supplies, and home furnishings as well as sit down and fast food restaurants.

PROJECTED CLOVIS-HERNDON SHOPPING CENTER SALES

Approach

In order to determine the annual sales performance of the proposed Center, CBRE Consulting developed assumptions based on information available in either individual store 10-K reports filed with the Securities and Exchange Commission or Retail MAXIM's *Perspectives on Retail Real Estate and Finance, July 2008*. The 10-K reports typically include total store square footage and total sales; spreading the sales across the square footage results in national average sales per square foot performance. The Retail MAXIM publication provides average sales per square foot figures for many national retailers and aggregates the data by specific retail categories. While not all retailers for the Center have been identified, targeted retail categories for all the spaces are proposed. For these, CBRE Consulting prepared sales estimates based on representative retailer information provided by the Retail MAXIM publication. In most cases, this includes the average reported for the retail category.

This analysis assumes that the Center will be completed in 2010, with the first full year of sales in 2011. Stabilized sales are not expected to occur the first year of store operations, but rather the second or third year, which is typical of new retail operations. However, for the sake of simplicity, the analysis conservatively assumes stabilized sales are achieved in 2011.

Retailers have experienced sales declines nationally in recent quarters due to declining consumer confidence and the weak economy. Therefore, CBRE Consulting believed it would be most conservative to assume retailers' sales per square foot figures would remain flat through 2011. CBRE Consulting also examined confidential stores sales data for major Clovis retailers and compared the stores' sales with national averages. While sales performance among individual retailers varies, many retailers in Clovis are performing below national averages. For example, in some cases store sales in Clovis are down by up to 30% compared to the national average for the retail chain. Additionally, according to the City of Clovis, sales tax receipts have been declining in recent quarters. Between the first quarters of 2007 and 2008, the most recent quarterly data available to the City of Clovis at the time of the study, sales tax net cash receipts (which includes revenues from both retail stores and non-retail businesses) declined 7.7 percent in the City of Clovis. Based on the understanding that retailers in Clovis are performing lower than national averages, the estimated store sales figures for Clovis-Herndon Shopping Center in 2011 were reduced by 10 percent. CBRE Consulting used the resulting sales per square foot figures to estimate annual sales based on the total square feet for each retailer or targeted retail category.

Projected Sales

CBRE Consulting's estimate of store and Center sales are documented in Exhibits 1 and 2. Exhibit 1 derives the sales per square foot estimate for the Wal-Mart Supercenter, while Exhibit 2 reports this sales estimate and derives the sales estimates for all other Center stores. The results presented in Exhibit 1 indicate a Wal-Mart Supercenter store sales estimate in of \$423 per square foot in 2007. As presented in Exhibit 2, this results in a total store sales estimate of \$87.1 million after a 10 percent sales adjustment is made to reflect lower anticipated sales among Clovis retailers. The sales at the balance of the Center are anticipated to bring total Center sales to \$151.1 million in 2011.

Projected Sales by Category

Retail Sales Categories. The new sales generated by the Center will be spread across many store merchandising categories due to the range of retailers anticipated. It is optimal to allocate the Center's sales into appropriate retail categories to determine the potential impact on those specific categories. The sales data source for this study is the State of California Board of Equalization ("BOE"), which reports taxable sales by retail category for cities and counties. To maximize the use of these data it is important to use the BOE's defined retail sales categories for analytical purposes. Accordingly, CBRE Consulting's analysis is benchmarked to these categories and the sales reported by the BOE (with some adjustments, as noted in the following chapter). These categories, as typically reported for cities,² include the following:

- Apparel Stores
- General Merchandise Stores
- Food Stores
- Eating and Drinking Places
- Home Furnishings and Appliances
- Building Materials
- Auto Dealers and Auto Supplies
- Service Stations
- Other Retail Stores³

In general, the BOE records a retailer's sales in only one sales category; however, a more detailed breakdown of sales is optimal for the Wal-Mart Supercenter and the apparel stores for analytical purposes. The BOE will record the Wal-Mart Supercenter's sales in the general merchandise category. For the purpose of this study, however, the impact of the proposed Wal-Mart Supercenter is more appropriately analyzed across categories since the store will compete with retailers in the apparel, food stores, home furnishings and appliances, and other retail store categories as well.

Distributed Sales. The Wal-Mart stores sales categories include: grocery; health and beauty aids; health and wellness; apparel, shoes and jewelry; home; entertainment, electronics and toys; and seasonal and hardlines. Wal-Mart's 10-K report provided the Wal-Mart stores percent of sales by Wal-Mart sales categories, including 41 percent for grocery. Exhibit 3 matches the Wal-Mart stores sales categories from Wal-Mart's 10-K to the appropriate BOE categories described above. If the type of good was believed to span more than one BOE category, CBRE Consulting apportioned the percentage of sales based upon examination of merchandising at representative Wal-Mart stores and professional judgment.

Using the 41 percent grocery sales assumption for all Wal-Mart stores, Exhibit 4 estimates grocery sales for Supercenters. Exhibit 5 allocates Supercenters' sales across five retail categories based on Wal-Mart's distribution of sales published in its 10-K. The grocery percentage of sales was estimated in Exhibit 4. Other Wal-Mart sales categories percentages of sales were estimated based on a proportional adjustment.

The Clovis Wal-Mart Supercenter's sales were allocated to categories based on Exhibit 5. An adjustment was applied to the sales allocations to account for the planned snack bar and Tire and

² More refined categories are reported for counties and are available upon special request for cities. For the purpose of this study the more refined categories were not deemed necessary.

³ Other retail stores include a wide range of retailers, such as pet supplies, office supplies, garden stores, sporting goods, jewelry, florists, and gifts.

Lube Express at the Clovis Wal-Mart Supercenter. The Supercenter’s \$87.1 million in projected sales are anticipated to be distributed between the retail categories of food stores (\$38.0 million), general merchandise (\$21.6 million), other retail (\$10.0 million) apparel stores (\$9.3 million), home furnishings and appliances (\$4.6 million), service stations (\$2.7 million), and eating and drinking places (\$0.8 million).

In addition, many of the planned apparel stores will be competitive with more than existing apparel stores. This additional competition will especially include general merchandise stores that sell a considerable amount of apparel, of which Clovis has many (e.g., Sears, Mervyn’s, Target, and Gottschalk’s), as well as other stores like home furnishings and appliances and the more generalized “other retail” stores category maintained by the BOE. Exhibits 6 and 7 depict the distribution of the major anticipated representative apparel stores into their constituent sales categories based upon information publicly provided by the stores in their 10-K’s filed with the Securities and Exchange Commission. For the sales that are initially retained in the apparel category, these exhibits redistribute them jointly between the apparel and general merchandise category, recognizing that apparel sales are highly competitive with large general merchandise retailers. CBRE Consulting reviewed U.S. Census Bureau Economic Census publications⁴ to determine the appropriateness of this split. Examination of this publication for the Fresno Metropolitan Statistical Area indicated the average of apparel category product sales at General Merchandise stores. The result was generally in the 50 percent range, hence this adjustment factor was applied to the anticipated Center apparel stores.

Exhibit 8 attributes sales to the appropriate categories and sums the total sales of the Center by BOE retail category. The results are summarized in Table 3, below.

Table 3
Estimated Clovis-Herndon Shopping Center Sales by Retail Category ¹
2011 Dollars, in Millions

Retail Category	Estimated Retail Sales
Apparel	\$22.4
General Merchandise	\$34.8
Food Stores	\$38.0
Eating and Drinking Places	\$9.9
Home Furnishings and Appliances	\$18.0
Building Materials	\$3.5
Service Stations	\$2.7
“Other Retail” Stores	<u>\$21.7</u>
Total²	\$151.1

(1) Based on California Board of Equalization retail categories.

(2) Figures may not total due to rounding.

Source: Exhibit 8.

The following text discusses the anticipated origin of these sales relative to a defined market area for the Center, including the proportion of the Center’s sales assumed to be generated from within and beyond the market area boundaries. This is a prelude to subsequent analysis examining the

⁴ U.S. Census Bureau, Economic Census 2002, Sector 44: Retail Trade: Subject Series – Product Lines: Product Lines by Kind of Business: 2002, Release Date 10/27/05.

potential for any of these sales to occur to the detriment of existing retailers in the market area and northeast Fresno and the potential to result in urban decay pursuant to any resulting vacated retail spaces.

IV. MARKET AREA DEFINITION

This chapter identifies the Center's anticipated market area, which is the area from which the majority of shoppers will originate. It also discusses the proportion of Center sales assumed to be generated from within the market area.

APPROACH

CBRE Consulting defined a market area for Clovis-Herndon Shopping Center for the purpose of analyzing the prospective economic impacts. A market area is the geographic area from which the majority of a retail shopping center's demand is anticipated to originate. Several tasks were completed to identify the market area, including mapping the location of the Center relative to major competitive retail shopping locations and consideration of distance as a defining parameter for retail market areas.

The study's approach to defining the market area for the Center is somewhat conservative given the Center's location along a major thoroughfare (Highway 168). While it is anticipated that the bulk of the Center's shoppers will reside in the market area, the Center will also benefit from additional demand from travelers from outside the area.

DEFINING MARKET AREAS

There are no rigid rules regarding the definition of retail market areas, also sometimes called trade areas. Every project has a different market area, depending upon the nature of the project's retailers, the location of competitive retail venues, and a wide array of other factors. In open economies, such as exemplified by Clovis and most urbanized California communities, there will always be inflows and outflows of retail dollars, such that no geography can be defined to include 100 percent of all consumers. There will always be sales incurred by consumers traveling to or through a community from elsewhere, often from geographically dispersed locations. Materials published by major industry organizations support this statement, as well as the basis of the market area defined for the Clovis-Herndon Shopping Center.

In its Shopping Center Development Handbook, Third Edition, the Urban Land Institute (ULI), states the following:

"A site generally has a primary and a secondary trade area, and it might have a tertiary area. The primary trade area should generally supply 70 to 80 percent of the sales generated by the site. These boundaries are set by geographical and psychological obstacles."⁵

ULI is a nonprofit research and education organization representing the entire spectrum of land use and real estate development disciplines. Among real estate, retail, and economic development professionals, this organization is considered a preeminent educational forum. The cited publication is one of several publications in ULI's Development Handbook Series. This series of handbooks is designed to provide real estate professional with practical information on the development process across several land use types, including mixed-use, business and industrial park, multifamily housing, shopping centers, office, and resort. Each book provides advice and

⁵ Shopping Center Development Handbook, Third Edition, Urban Land Institute, 1999, page 44.

proven techniques, beginning with the developer's decision to undertake a project and progressing through all stages of development.

Information published by the International Council of Shopping Centers (ICSC), a trade association for the shopping center industry, also provides instructional information about market area definitions. In the recent publication Developing Successful Retail in Secondary & Rural Markets, the ICSC says:

"A trade area is the geographic market that you will be offering to potential retailers as a consumer market. Defining a retail trade area is an art and a science. In general, a trade area should reflect the geography from which 75-90 percent of retail sales are generated. Different stores can have different trade areas based on their individual drawing power and the competitive market context."⁶

As these citations from major industry resource publications indicate, there is consensus that a trade area is defined on the basis of where 70 to 90 percent of demand for a project will be derived. This range indicates that even while there is a general convergence between these well-regarded industry organizations, there is variability in the recommended guidelines. It is notable that while ULI indicates that there is a secondary and possibly tertiary trade area, no percentages are identified, indicating that these areas can be more amorphous than the primary market area. Clearly, as stated by the ICSC citation, market area definitions are both an art and a science, with no one-size fits all approach.

MARKET AREA DESCRIPTION AND BOUNDARIES

CBRE Consulting conducted research to develop an estimate of the market area for the Center, i.e., the area from which the majority of shoppers will originate. This was primarily accomplished by mapping existing and planned Wal-Mart stores and Wal-Mart Supercenters, under the assumption that the Supercenter as the anchor will be the primary draw to the Center.

In recent years there has been a strong proliferation of Wal-Mart Supercenters in Central California, and they are becoming a common addition to the retail mix. Thus, all things being equal, consumers are most likely to shop at the Supercenter in closest proximity to their home. Hence, based on the information available at the time the study was conducted regarding the location of existing and planned Wal-Mart Supercenters, the analysis conservatively assumed market areas for Wal-Mart Supercenters in this geography will not overlap.

The map results are presented in Exhibit 9, which indicates there are many existing Wal-Mart stores within the immediate region surrounding Clovis, as well as several planned Supercenters. The planned Supercenters closest to Clovis are in Fresno, with one south of Clovis on E Kings Canyon Road (planned expansion of existing Wal-Mart store), and two west of Clovis (one is a planned nearby relocation and expansion of an existing store on Shaw Avenue, the other is a new Supercenter store on Herndon Avenue close to Highway 99). While Wal-Mart has not made any formal announcements, it is also possible that the existing Wal-Mart store at Herndon and Ingram avenues may someday expand into a Supercenter store. The planned location of these three Fresno Supercenters, the presence of two other Wal-Mart discount stores in Fresno and Clovis, as

⁶ Developing Successful Retail in Secondary & Rural Markets, International Council of Shopping Centers in cooperation with National Association of Counties, 2007, page 7.

well as the River Park shopping district in North Fresno that has several retailers with similar merchandise selection as Wal-Mart (e.g., Sam's Club, Target) suggest that the planned Clovis Supercenter will draw few shoppers from Fresno.

While there is already a Wal-Mart store in Clovis, this store is not a Supercenter. Hence Clovis residents seeking to augment their Wal-Mart purchases with the expanded, discount food items available at a Supercenter will prefer the new Clovis Supercenter versus the existing Wal-Mart store. Additionally, Clovis retail sales data indicates that across all retail sales categories, Clovis residents account for approximately 80 percent of retail sales in Clovis (see Chapter V, Retail Sales Leakage Analysis).⁷ This percentage varies by retail category, including some categories where Clovis resident sales are effectively leaving the City, most likely to neighboring Fresno. However, in all retail sales categories, Clovis residents effectively generate the majority of demand for retail. These findings, coupled with the Fresno store location data, leads CBRE Consulting to conclude that the market area for the planned Supercenter and associated Center retailers will comprise the City of Clovis and its Sphere of Influence ("Clovis SOI"). Clovis' Sphere of Influence was believed to be appropriate to include in the market area as it borders the City of Clovis and residents within the Sphere, having limited retail opportunities in their own neighborhoods, are likely to spend the majority of their retail dollars in the City of Clovis.

The Clovis SOI as the defined market area is further supported by general consensus from local sources that due to rising gas prices and a weakening economy, households are generally driving less and are shopping at retail destinations in closer proximity to their homes and workplaces. Additional support for this market area definition was provided during public hearings during the Center's prior EIR certification process, where several Clovis residents stated on the record their preference to shop locally, indicating that relative to consumer preferences, geopolitical boundaries can indeed be a factor in market area definition.

While Clovis is the market area, some sales will still originate from outside this area, as demonstrated by the finding that Clovis residents do not account for all local sales. Consequently, the analysis assumes there is residual demand originating from outside this market area. While the share of residual demand (also known as retail sales attraction in Chapter V) varies by retail category, the analysis assumes an average of 20 percent of sales will be residual demand, originating from residents in various undetermined locations outside Clovis.

MARKET AREA SALES CONTRIBUTION

It is estimated that a portion of the Center's sales will be generated from consumers who reside outside of the market area. CBRE Consulting believes this demand will include households from northeast Fresno, commuters and travelers along Highway 168, daytime workers who do not live in Clovis, and households north and east of Clovis beyond the City's Sphere of Influence.

The estimated division of sales between the market area (80 percent) and residual demand (20 percent) to the stabilized Center sales estimate of \$151.1 million indicate that a total of \$120.8 million in Center sales are estimated to be generated from within the Center's market area. The remaining \$30.2 million will come from consumers residing in other geographic areas.

⁷ The 80 percent figure is rounded for analytical purposes.

V. RETAIL SALES LEAKAGE ANALYSIS

This chapter analyzes the retail sales leakage and attraction profile of Clovis, meaning the extent to which Clovis captures resident spending on retail goods as well as sales generated by residents from outside Clovis. This provides a characterization of the sales performance of the local retail base. CBRE Consulting conducts this analysis as a building block to analysis identifying the extent to which the Center may or may not divert sales away from existing area retailers.

METHODOLOGY

Approach

CBRE Consulting has developed a statistical regression-based model that estimates retail spending potential for a market area based upon population, income, and consumer spending patterns. For the purpose of this study, the market area is the geographic area from which the majority of Center demand is anticipated to originate.

Generally referred to as a “Retail Sales Leakage Analysis,” or similar nomenclature by real estate-based economic consulting firms comparable to CBRE Consulting, the model determines the extent to which a market area is or is not capturing its sales potential based upon reported taxable sales data. In California, these data are generally published by BOE or provided by municipal tax consultants. Retail categories in which spending is not fully captured are called “leakage” categories, while categories in which more sales are captured than are generated by residents are called “attraction” categories. Generally, attraction categories signal particular strengths of a retail market, while leakage categories signal particular weaknesses.

Several data points are included in CBRE Consulting’s Retail Sales Leakage Analysis. These include per capita figures and aggregate figures. Per capita figures are presented for the sales achieved by retail category for a study control area and the market area under study, as well as an estimate of spending by retail category generated from within the market area. Only the per capita spending figures (as a proxy for all area spending) in the Retail Sales Leakage Analysis are the result of detailed methodological calculations.⁸ All other per capita figures simply reflect actual area sales divided by estimated population, with some disclosed adjustments for taxable versus nontaxable sales.

The purpose of including a control area is to compare the market area to a geographic area with similar characteristics, so as to be representative of, or “control,” the spending patterns of the study area.⁹ The use of the control area accounts for characteristics unique to individual markets that might artificially inflate or deflate the calculated area spending pattern. Therefore, a control area is chosen carefully, with the goal being the selection of an area within which there is a relative balance between the inflow and outflow of retail spending. The CBRE Consulting Retail Sales Leakage Analysis uses the control area sales by retail category as a dominant variable in the regression analysis, to impute the study area spending potential by category.

In addition to being benchmarked to a control area, the market area per capita spending figures are benchmarked to the Consumer Expenditures Survey, a publicly available data resource published periodically by the United States Department of Labor, Bureau of Labor Statistics. This

⁸ The calculations for determining these spending estimates are not presented in this report. However, the remaining discussion in this section generally discusses their theoretical basis.

⁹ For the purposes of this study, the control area has been defined as Fresno County. See Exhibit 11.

resource provides regional- and income-based estimates regarding spending patterns of households throughout the United States. The data presented in the Consumer Expenditures Survey are for different income brackets, reflecting different expenditure patterns by household income. The regression basis of CBRE Consulting's Retail Sales Leakage Analysis takes these varying household income expenditure patterns into account, especially when there are income disparities between the control area and the study area. CBRE Consulting's Retail Sales Leakage Analysis is conducted for all retail sales in an area, including taxable and nontaxable.

Population Estimates

CBRE Consulting relied on the City of Clovis Finance Department for population estimates and projections through 2013 for the market area leakage analysis. Historical population figures for the City of Clovis were provided by the California State Department of Finance. To estimate the current population base within the City's Sphere of Influence (SOI), CBRE Consulting relied on data provided by Claritas, Inc.

Population estimates and projections for the City of Clovis and its SOI are presented in Exhibit 10 and Appendix B. The housing boom in the Central Valley during the early- to mid-2000s led to strong population growth between 2000 and 2006, when the population in the City of Clovis and its SOI grew at a robust rate of 4.7 percent annually. Weakening economic conditions and the slowing housing market has slowed population growth during the past two years. The annual population growth rate is expected to rise at a more modest rate, averaging about 2.1 percent annually between 2006 and 2010, and by 2.5 percent annually from 2010 to 2013. This is still a relatively fast pace of growth compared to other metropolitan areas in California. Overall, the City of Clovis and its SOI population is expected to grow from 104,201 in 2008 to 110,562 by 2011, when the Center is fully operational.

The City is anticipating a large portion of the expected population growth to occur from projects in the north and east of the City. This includes the Harlan Ranch project, a 390-acre (net) development that will include approximately 1,350 homes at buildout that is located at Shepherd and DeWolf avenues, bounded by Highway 168 to the southeast.

The City of Clovis has also been proactive in designating areas and land uses for future growth, as demonstrated by its Loma Vista (formerly Southeast Urban Center) Specific Plan and Northwest Urban Center Specific Plan. Both of these specific plans are based on sustainability and smart growth principles. The Loma Vista Specific Plan encompasses over 3,300 acres on the southeastern edge of the City, and includes plans for up to 30,000 residents over the next 20 years. The Northwest Urban Center Specific Plan is still in the early draft stages, but includes approximately 2,500 acres within the City's Sphere of Influence, roughly bounded by Willow Avenue to the west, the Sunnyside Avenue alignment to the east, Shepherd Avenue to the south, and Copper Avenue to the north. A third Urban Center has also been designated for the area to the far northeast of Clovis, but the formal planning process for that center has not yet begun. Depending on the rate at which these urban center specific plans are implemented, future population growth could be stronger than what is currently projected.

Income Estimates

The average household income for the City of Clovis in 2007 was estimated as \$69,255, about 15 to 20 percent higher than the Fresno County average of \$58,572. Income estimates were provided by Claritas, a national provider of demographic and economic data.

FINDINGS

A Retail Sales Leakage Analysis was prepared for the market area, the City of Clovis and its Sphere of Influence. The Retail Sales Leakage Analysis examines the City's sales performance relative to its own population base in order to assess the degree to which the City is serving the retail needs of its resident population. The Retail Sales Leakage Analysis was conducted using annualized 2007 sales data.¹⁰ The per capita expenditure trends from 2007 were assumed to be equivalent to the per capita expenditure trends for 2011, with adjustments for interim population growth. As Clovis retailers have experienced sales declines in recent quarters, CBRE conservatively assumes that Clovis' retail sales base will stay flat through 2011, the first full year of Center operations.

In 2007, the market area had overall attraction in retail sales, with 23.8 percent of sales estimated to originate from outside Clovis (see Exhibit 11).¹¹ While the overall pattern was one of attraction, it was the result of strong attraction in some retail categories counter-balanced by strong leakage in other categories. The categories with the strongest attraction, as a percent of sales, were as follows:

- auto dealers and supplies with 56.2 percent;
- general merchandise with 47.0 percent;
- food stores with 21.0 percent; and
- eating and drinking places, with 12.4 percent.

This pattern of retail strength is countered by demonstrated weakness in other categories, categorized by leakage. These leakage categories, and their respective shares of lost resident sales dollars, include the categories listed below. These categories identify opportunities for new retailing to meet the needs of market area residents.

- home furnishings and appliances with 56.5 percent leakage;
- service stations with 32.8 percent leakage;
- "other retail" stores (which includes a wide array of retailers), with 17.0 percent leakage; and
- apparel stores with 10.8 percent leakage.

In total, the market area is leaking \$86.7 million in retail sales dollars. The leakage analysis results indicate that a portion of Clovis residents travel outside Clovis for retail purchases in apparel, home furnishings, service stations, and "other retail" stores.

¹⁰ As of August 2008, only the first two quarters of retail sales for 2007 are available from the State Board of Equalization. In order to estimate retail sales for the full year, CBRE Consulting annualized the 2007 sales by comparing sales in the first half of the year as a ratio of full year sales from 2003 to 2006. The average ratio for these years was applied to the first half of 2007 data to estimate retail sales for 2007. Refer to Appendix C and D.

¹¹ For study purposes, this 23.8 percent figure is analytically rounded to 20 percent.

VI. SALES IMPACTS

The following analysis examines the extent to which the proposed Center would attract new sales to the market area and/or divert sales from existing retailers. If some sales are diverted, the maximum level of impact on existing market area retailers is identified.

APPROACH

CBRE Consulting has developed an analytic approach that conservatively estimates the maximum impact of retailers such as those proposed for the Center on existing retailers. For this analysis, the approach assumes that if the Center is adding sales to a category in an amount greater than any market area leakage in the category, **then at worst**, the amount of Center sales in that category in excess of any leakage will be diverted away from existing market area retailers. In other words, the negative economic impacts of the Center's sales will be spread proportionally among all the like retailers in the market area.

CLOVIS-HERNDON SHOPPING CENTER DEMAND

Based on the characterization of the retail base, net demand for the Center will primarily come from two sources: new household growth and recaptured leakage.

Total New Demand

As shown in Exhibit 10, a net population gain of 9,155 is projected for the market area between 2007 and 2011. Exhibit 12 shows the market area per capita spending estimates by category in 2011. CBRE Consulting estimated the aggregate new demand for sales by category that will be created by this net population addition to the market area. The new population is projected to generate \$107.8 million in new retail demand spread across the nine BOE retail categories.

Clovis-Herndon Shopping Center Capture Rates

CBRE Consulting developed assumptions regarding the percentage of new population demand for sales by relevant category that the Center could reasonably expect to capture out of total new population spending within the market area. As shown in Exhibit 13, capture rate estimates for new demand at the Center are based on the ratio of Clovis-Herndon Shopping Center projected sales as a proportion of total sales in the market area, including the Center's sales. This is a conservative approach to determining capture rates since it assumes that the Center's sales will be a net addition to the market area, and that sales will not occur to the detriment of existing stores. The resulting capture rates range between 2.1 percent to 53.0 percent, depending on the retail category.

Market Area Capture Rates

Residents of the market area do not conduct all of their shopping within the market area. Recognizing that other shopping opportunities exist outside the market area, CBRE Consulting developed assumptions regarding the percentage of new household demand for each sales category that the Center's market area could reasonably expect to capture. The market area capture rates, as shown in Exhibit 14, were developed by CBRE Consulting based on the existence of other market area shopping opportunities, the planned location of future households, and the

degree of likelihood that residents will make purchases by retail category within the market area versus outside the market area.

It is assumed that the market area will capture a high share of new demand ranging from 75 to 95 percent depending on the retail category. Given retail options, most households will choose to shop in stores relatively close to their residence. However, a portion of retail purchases are made outside the market area (while at work, on vacation, in transit, through catalogues and the Internet, etc.).

New Population Demand

Taking into account the capture rates detailed above, Exhibit 14 documents the new population demand assumed to be captured by the Center. The Center will capture \$9.5 million dollars in new demand generated by the market area between 2007 and 2011. The spending generated by new residents will, in part, account for the new supply of retail stores at the Center.

Recaptured Leakage

The retail sales analysis results outlined above have implications regarding the market's ability to support Clovis-Herndon Shopping Center pursuant to retail demand that is forecasted for the market area. Another source of demand is recaptured sales leakage from resident demand that is currently being met outside the market area, in part because the current supply of retail stores is not sufficient to support demand for retail goods. Exhibit 15 estimates the maximum potential leakage that may be recaptured by the Center.

CBRE Consulting conservatively estimates that the rates for recapturing leakage are the same as those rates used to estimate the proportion of captured demand from population growth. It is reasonable to assume that these rates are similar, because in each instance, the Center is evaluated on its potential to attract sales based on location and type of goods sold, relative to its competitors. The findings suggest that the Center has the potential to capture a total of \$17.8 million in sales by attracting sales from market area residents who currently shop outside of the market area (see Exhibit 15).

POTENTIAL SALES IMPACTS

Exhibit 16 presents the Center's sales within the entire market area and then estimates the offsetting effects to the potential sales impacts of new household growth in the area and the recapture of sales leakage from outside the area. Of the \$120.8 million in the Center's sales projected to be generated from within the entire market area, \$9.5 million is projected to be captured by household growth and \$17.8 million is projected to be recaptured by consumers who shopped outside of the market area prior to the opening of the Center.

The remaining intermediary potential sales impacts total \$93.6 million. As shown in Exhibit 17, the balance of new demand from population growth available for other retailers in the market area totals \$76.0 million (see derivation in Exhibit 14). Applying the available demand to each of the categories of intermediary potential sales impacts results in potential sales diversions of \$33.4 million, as shown in Table 4, following.

Table 4
Clovis-Herndon Shopping Center Maximum Sales Diversions
Clovis SOI (Market Area)
2011 Dollars, in Millions

Retail Category	Maximum Sales Diverted From Market Area Retailers
Apparel	\$12.8
General Merchandise	10.1
Food Stores	9.6
Home Furnishings & Appliances	0.8
Other Retail	<u>0.2</u>
Total	\$33.4

Source: Exhibit 17.

All sales impacts from eating and drinking, building materials, and service stations are absorbed into the market household growth, recaptured leakage, and remaining available demand. The unresolved impacts are within the apparel, general merchandise, food stores, home furnishings and appliances, and “other retail” categories, and represent retail sales that may be diverted from other retailers due to the success of the Center.

The estimated \$33.4 million in potential sales impacts are lower compared to the previous study completed in July 2006, which estimated sales diversions ranging from \$56.6 to \$80.8 million. The primary reason for the lower impacts is due to a change in the methodology from the previous study in calculating the Center’s demand and impacts on existing retailers. Specifically, the previous study did not account for new population demand that would be generated for existing stores (in addition to the Center). This was deemed to be overly conservative. The previous study also assumed that all of the sales leakage would be captured by the Center. To be conservative, this study assumes that only a portion of leakage will be captured by the Center, as well as by other planned (i.e. cumulative) projects.

Potentially Impacted Retail Categories

This analysis suggests that the apparel, general merchandise, food stores, home furnishings and appliances, and “other retail” categories could be potentially impacted by the development of the Center. The \$12.8 million in impacts to the apparel category equate to 33.4 percent of the projected apparel sales base in 2011. The impacts of \$10.1 million in general merchandise and \$9.6 million in food stores comprise 2.6 percent and 3.1 percent of the projected sales base in 2011, respectively, while impacts of \$0.8 million in home furnishings and appliances and \$0.2 million in “other retail” comprise 4.8 percent and 0.1 percent of the 2011 sales base, respectively (see Table 5). With the exception of apparel, these figures indicate a relatively low to moderate level of sales impact to existing retailers in the retail categories affected by the Clovis-Herndon Shopping Center development.

Table 5
Maximum Diverted Sales as a percent of Market Area Sales
2011 Dollars

Retail Category	Diverted Sales as a Percent of Market Area Sales
Apparel	33.4%
Home Furnishings & Appliances	4.8%
Food Stores	3.1%
General Merchandise	2.6%
Other Retail	0.1%
Average – All Retail Categories	2.7%

Source: Exhibit 17.

These figures are conservative and are presented as an analytical benchmark. They are considered conservative for several reasons. Foremost, they assume the maximum diversion away from existing retailers upon stabilization of the Center. Thus, the analysis does not take into account the following:

- (1) Any prospective market corrections or enhancements following the introduction of the Center to the marketplace, including competitive retailer repositioning;
- (2) The potential real growth in income among the market area’s population, resulting in an increase in per capita spending; and
- (3) Population growth in the market area following introduction of the Center.

In addition, it is important to note that this analysis assumes the sales from the Center will achieve full stabilization in 2011. To be conservative, CBRE Consulting used the year 2011 because it comprises the first full year of operations of the Center. In reality, most stores take two to three years to achieve full sales projections or longer, so the extent to which unabsorbed sales impact competitive retailers is dependent on the Center achieve stabilized sales. The longer it takes for the Center to stabilize sales, the less impact there will be on local retailers due to the effects of new demand.

While the \$33.4 million in potential sales diversions could have implications for any existing market area apparel, general merchandise, food, and home furnishings stores, CBRE Consulting believes the identified impacts in the general merchandise, food stores, and other retail will be modest because they represent a relatively small share of the total sales base. Sales impacts will likely be distributed among general merchandise, food stores, and other retail stores throughout the market area.

Further, CBRE Consulting believes that new population growth in the years immediately after 2011 will partly offset sales to soften the impacts on existing retailers, likely reducing the number of stores at risk of potential closure. For example, if population growth in the Clovis SOI averages 2.6 percent annually during 2011 and 2015, CBRE Consulting estimates the market area will generate \$80.7 million (in 2011 dollars) in demand for apparel, general merchandise, food stores, home furnishings, and “other retail” stores, contributing to additional demand for stores planned at Clovis-Herndon Shopping Center, as shown in Table 6.¹²

¹² The 2.6 percent population projection is based on the projected average annual growth rate for Clovis from 2005 to 2013. See Exhibit 10. Demand estimates were derived using per capita spending estimates in Exhibit 12.

Table 6
Additional Demand from Population Growth, 2011 – 2015,
2011 Dollars, in Millions

Retail Category	Market Area
Apparel	\$5.0
General Merchandise	24.3
Food Stores	28.6
Home Furnishings & Appliances	4.3
“Other Retail” Stores	18.5
Subtotal	\$80.7
Eating and Drinking	13.7
Building Materials	17.2
Auto Dealers & Supplies	16.6
Service Stations	12.5
Total	\$140.7

Source: CBRE Consulting.

These findings indicate that spending potential for stores at Clovis-Herndon Shopping Center will continue to increase beyond 2011 and lessen the sales impacts in the years subsequent to the Center’s opening. CBRE Consulting estimates the sales diversions in general merchandise, food, home furnishings, and “other retail” stores could be fully offset by 2015 or earlier. On the other hand, demand in the apparel category will fall short, offsetting less than 50 percent of the anticipated sales diversions by 2015. However, it should be noted that apparel impacts have the potential to also affect general merchandise retailers that carry apparel goods (e.g., Target, Wal-Mart, Sears).¹³ According to the US Economic Census (2002), apparel sales comprise about 25 percent of sales among general merchandise stores (see Appendix E). Thus, the potential sales impacts in the apparel category are likely to be less than estimated since impacts will be spread amongst both apparel and general merchandise retailers.

Retail Space Implications

Comparing the new population demand figures with the estimated sales diversions identifies the retail sales categories most at long-term risk from the Center’s development. This comparison is provided in Table 7.

This comparative analysis indicates that the apparel retail sector appears more at risk than others by the development of the Center. The general merchandise, food stores, home furnishings, and “other retail” categories have lower impacts. Demand from population growth within these four sectors is estimated to fully offset these sales impacts no more than two years after the Center’s first full year of operations in 2011. In all likelihood, the stores in these categories can withstand temporary sales declines until replaced by new population demand.

¹³ The California Board of Equalization categories all department store sales, such as Target, Wal-Mart and Gottschalks, as general merchandise sales, although these stores also have considerable apparel sales.

Table 7
Clovis-Herndon Shopping Center Maximum Diversions Compared to Growth in Demand
2011 Dollars, in Millions

Retail Category	Estimated Center Diversions in 2011	Demand from New Population Growth, 2011-2015	Estimated Length of Time Required to Offset Diversions¹
Apparel	\$12.8	\$5.0	4 yrs +
General Merchandise	10.1	24.3	1-2 yrs
Food Stores	9.6	28.6	1-2 yrs
Home Furnishings & Appliances	0.8	4.3	1 yr
Other Retail	<u>0.2</u>	<u>18.5</u>	<u>1 yr</u>
Total	\$33.4	\$80.7	Varies

(1) Based on level of demand averaged over the four-year period.
 Sources: Exhibit 17; and CBRE Consulting.

On the other hand, apparel stores may struggle, with a potential 33.4 percent loss in sales (as cited in Table 5). New population growth from 2011 to 2015 will not be enough to fully offset the potential sales diversions caused by the Center in the apparel category. If stores cannot sustain a loss for this length of time, then some stores may be at risk of closure. However, as discussed previously, these sales diversions will spread amongst both the apparel and general merchandise categories. This is likely to lessen the impacts within the category as the general merchandise base in Clovis is significantly larger than the apparel base.

The square footage equivalent of the sales diversions in the apparel, general merchandise, and food stores categories are as follows¹⁴:

- Apparel, 41,400 square feet (at \$308 per square foot)¹⁵;
- General Merchandise, 43,000 square feet (at \$236 per square foot)¹⁶; and
- Food Stores, 22,300 square feet (at \$432 per square foot).¹⁷

These findings suggest that at worst, stores totaling 106,700 square feet within the market area are at risk of closing due to the sales impacts of the Center. This is more fully discussed below, by retail category. This finding is worst case because the impacts are most likely to be spread among many stores, rather than just one or a few stores. Some stores will be able to withstand a sales loss for a short period of time, until such sales are replaced by new demand, while others may not.

¹⁴ Retail space implications for home furnishings and appliances and "other retail" stores are assumed to be nominal, given the small sales base of home furnishings and appliances stores in Clovis and the relatively modest level of impacts estimated for "other retail" stores.

¹⁵ Retail Maxim's Perspectives on Retail Real Estate and Finance, July 2008, was used to determine the sales per square foot estimate. A sales average of \$342 in 2007 dollars for "Apparel-Specialty," "Shoes," and "Off-Pricers," was lowered by 10 percent to \$308 in 2011 dollars based on the current weakness in the economy and the understanding that Clovis retailers are underperforming national averages.

¹⁶ Retail Maxim's Perspectives on Retail Real Estate and Finance, July 2008, was used to determine the average sales per square foot estimate. A sales average of \$262 in 2007 for "Departments Stores" and "Discounters" was lowered by 10 percent to \$236 in 2011 dollars.

¹⁷ Retail Maxim's Perspectives on Retail Real Estate and Finance, July 2008, was used to determine the sales per square foot estimate. A sales average of \$480 in 2007 for "Supermarkets" was lowered by 10 percent to \$432 in 2011 dollars.

STORE IMPACTS FOR POTENTIALLY IMPACTED RETAIL CATEGORIES

CBRE Consulting visited the Clovis and northeast Fresno¹⁸ retail markets in August 2008 to visually assess market performance, to determine market niches, and to qualitatively assess the degree to which stores might incur lost sales due to the addition of the Center. Exhibits 18 and 19 map the location of competitive general merchandise, apparel, discount, and food stores throughout the market area and in Fresno.

This chapter and the prior chapter concluded the apparel, general merchandise, food stores, home furnishings and appliances, and “other retail” categories could be potentially impacted due to sales from the stores at Clovis-Herndon Shopping Center. There are few home furnishings and appliances stores in Clovis, representing only 1.0 percent of the total retail sales base in 2007. Therefore, sales impacts within the home furnishings category were assumed to be relatively limited and were not discussed in further detail. Additionally, estimated sales diversions to “other retail” stores, which encompass a wide variety of retailers, are minor and were not discussed in greater detail. The following discussion focuses on identifying market area retail competitors for the Center among the three retail categories analytically identified as most at risk: apparel, general merchandise, and food stores. Potential sales impacts for existing retailers outside the market area boundaries in northeast Fresno are discussed separately in the following Chapter VII, Sales Impacts Beyond the Market Area.

Apparel Stores

Clovis can be characterized as having a relatively small base of apparel stores, as evidenced by estimated leakage of \$4.6 million in apparel stores in 2007. Most of these existing apparel stores are located in the Sierra Vista Mall, where the selection of apparel stores range from department stores with large apparel departments (technically general merchandise stores) to smaller boutique stores. There are also several apparel stores along Shaw Avenue, including Ross, Marshall’s and Old Navy. However, the majority of general merchandise and apparel stores are located at Sierra Vista Mall, which suggests that the majority of diverted apparel sales will likely occur at the expense of stores located at Sierra Vista Mall.

From a market perspective, it would be favorable if the brunt of the apparel store impacts occurred at Sierra Vista Mall, as the Mall is the retail centerpiece of Clovis and is performing better since its recent expansion, which added a new 16-screen theater and 90,000 square feet of new retail space. According to a Shaw Avenue Vacancy Study published by the Clovis Community Development Agency in January 2008, the mall’s vacancy rate was 3 percent at the time of the study, which was mostly due to new building space from the mall expansion that had not yet leased. However, this vacancy does not appear to include the 23,000 square-foot standalone building formerly occupied by the movie theater that was vacant as of August 2008. According to local brokers, the new space at the Mall is garnering much more interest than other availabilities in the surrounding area. Brokers also noted the new, freestanding space is doing better than the older enclosed space within the Mall.

If Sierra Vista Mall bears the brunt of the apparel store impacts, with some stores closing, CBRE Consulting believes Mall management will respond well with successful re-tenanting of the

¹⁸ The area of analysis outside the market area boundaries included retailer competitors in northeast Fresno, or more specifically, the area east of Highway 41 and north of Highway 180. This area included retail competitors in northeast Fresno located within approximately two to three miles from the market area boundaries.

vacated spaces (see Chapter IX, Urban Decay Determination for discussion regarding retail re-tenanting). Much of this re-tenanting could occur by stores representative of retail categories other than apparel, but the Mall will have strong motivation to ensure these spaces do not remain vacant. This could provide an opportunity for the Mall to expand its base of retailers unique to the Clovis market, ultimately enhancing rather than hurting the Mall's market position.

General Merchandise Stores

The Clovis general merchandise market is dominated by four retailers or aggregations of retailers. These include Wal-Mart, Costco, the Clovis Commons Target, and the department stores located at Sierra Vista Mall (i.e., Gottschalk's, Mervyn's, Sears, and Target). In addition, Clovis has a K-Mart store and other discount-oriented general merchandisers (such as Dollar Tree and Big Lots). General merchandise impacts were estimated to be \$10.1 million. However, the impacts could be larger than estimated when accounting for the \$12.8 million in estimated apparel sales impacts, a portion of which is likely to affect general merchandise stores carrying apparel goods.

CBRE Consulting believes that a good portion of the sales impacts is likely to be felt by Wal-Mart itself, with sales from its existing Clovis store diverted to the new store at the planned Center, as shoppers living closer to the new store will shift their shopping patterns. The result will be lower sales performance at the existing Wal-Mart store, which Wal-Mart thus far does not anticipate closing, and fewer other general merchandise stores experiencing sales impacts.

As Wal-Mart adds stores, it can sometimes cannibalize sales at its nearby stores. This phenomenon has been experienced when Wal-Mart has added several stores in a market area. Locating several Wal-Mart Supercenters or Discount Stores in the same market area is a strategy that is recognized as helping alleviate potential overcrowding, assure cleanliness, offer adequate stock on hand, and serve as a convenience for customers. However, it can result in reduced sales expectations at existing stores. The company itself noted in its Annual Report, "As we continue to add new stores in the United States, we do so with an understanding that additional stores may take sales away from existing units."¹⁹ This sales cannibalization by Wal-Mart in other market areas has been documented in a number of news articles, as follows:

- Citing Wal-Mart sources, a columnist in the San Francisco Chronicle noted that sales at two existing San Francisco Bay Area Wal-Mart Discount Stores declined 23 and 32 percent immediately following the opening of a new Wal-Mart Discount Store in a neighboring city.²⁰
- According to an article in the Wall Street Journal, Wal-Mart Stores, Inc. indicated that in Benton, Arkansas, Wal-Mart was operating three stores but opened two new stores in 2005. Following the opening, "same store sales at each of the established stores were down an average 7.4 percent by September."²¹
- According to an article from SmartMoney.com, when a new store opens in the same market area, "[the] impact on existing stores is heaviest in the first month of a new store's existence, when cannibalization cuts business by 10% to 13% at the older store, though the hit shrinks to an 8% drop by the end of the first year after a new store opens."²²

¹⁹ Wal-Mart 2008 Annual Report.

²⁰ "Sometimes, Wal-Mart Can Be a Good Thing;" Chip Johnson; San Francisco Chronicle; www.sfgate.com; September 19, 2005.

²¹ "Wal-Mart Sticks with Fast Pace of Expansion Despite Toll on Sales;" Kris Hudson; Wall Street Journal; www.wsj.com; April 13, 2006.

²² Big Bargains at Wal-Mart;" Will Swartz; www.SmartMoney.com; February 15, 2005.

Based on the precedence set in other market areas, CBRE Consulting believes it is highly possible that the existing Wal-Mart store in Clovis will experience sales cannibalization in the first few years of the Supercenter's operations. For example, if one-fourth the general merchandise sales impact is experienced by Wal-Mart, or \$2.5 million, this would leave the equivalent of sales impacts totaling \$7.6 million, equivalent to about 32,200 square feet of general merchandise store space (assuming general merchandise store sales of \$236 per square foot in 2011). The \$7.6 million of sales impacts is a relatively modest amount that will be reduced to zero within two years based upon the demand estimates in Table 6. This one-fourth estimate seems reasonable given Wal-Mart's apparent perception that the Clovis market can support another Wal-Mart store and the strong likelihood that some residents will change their shopping pattern from one store to the other based upon locational preferences.

In addition to the existing Wal-Mart store, retailers at Clovis Commons, such as the Target store, could also be affected by the Center's opening. However, without access to actual sales figures for the competing retailers and comparing these to national and regional sales figures, it is difficult to establish the relative performance of the existing competitive stores in the market area and identify which stores(s) might be most at risk of temporarily diverted sales or closure. In the current economy, many general merchandise retailers including Sears, Kmart, Mervyn's and Gottschalks have reported declining sales and financial troubles. Although it is possible that one or more stores may close, many of Clovis' general merchandise stores are major anchor retailers located in well-established retail locations, experienced with the cyclical nature of the retail business, and well-positioned to withstand competitive circumstances. Many of these retailers have withstood competition from the entry of other large format stores into the market area, including the Clovis Commons shopping center that was built a few years ago. On the other hand, risks may be greater to non-major stores that lack access to capital, the resources to engage in heavy advertising, and/or the ability to reposition themselves in the market.

While a relatively modest level of impacts was identified in the general merchandise category, if apparel and general merchandise sales diversions were to be combined, the potential impacts would be greater. There is a strong amount of attraction in general merchandise stores experienced by Clovis retailers and there is potential for this attraction to increase as Clovis' general merchandise retail base expands. However, evidence of weakness among major general merchandise retailers in the current economy, combined with apparel impacts that will likely affect some general merchandise retailers, suggests that marginally performing general merchandise stores could be at risk for lost sales or closure following the development of Clovis-Herndon Shopping Center.

Food Stores

With impacts estimated at \$9.6 million, or 3.1 percent of the sales base in 2011, food store impacts are relatively modest. The sales impact is equivalent to approximately 22,300 square feet of retail space, or roughly half the square footage of a traditional supermarket.

There has been some consolidation in the supermarket industry in recent years. Several grocery stores in the Clovis area have closed during the past few years, suggesting that the market may have been over-saturated. These closures include an Albertson's store at Fowler/Shaw, a Vons store at Shaw/Minnewawa, and a Save Mart store at Herndon/Clovis (although this closure involved the store relocating down the street to Herndon/Fowler). Additionally, Save Mart closed a store in northeast Fresno on Cedar and Herndon avenues (technically outside the market area

about one mile from Clovis). For various reasons, all of these former supermarket spaces have remained vacant for well over one year and account for a considerable share of the retail vacancy in the market.

If food store impacts of \$9.6 million in 2011 were to be spread or redistributed proportionally among existing stores within the market area, no existing stores would likely be at risk of closure due to the projected Wal-Mart Supercenter food store sales, as most food stores would likely be able to withstand a temporary 3.1 percent decrease in sales. Additionally, the \$9.6 million in sales impacts will be fully offset within two years based upon future population demand (see Table 7).

If, alternatively, there are sales diversions among a narrower selection of existing store(s), it is difficult to identify the grocery store(s) that may be most at risk in the absence of information about individual store performance. CBRE Consulting conducted fieldwork and visited all the major grocery stores in Clovis and northeast Fresno. The stores provide a range of services, with some more full-service than others. Most stores appeared of high quality, located in high quality centers, although several are located in centers of less than excellent quality (focusing on appearance and upkeep, such as the Grocery Outlet store and the Save Mart on Bullard Avenue). There are stores with a discount orientation similar to Wal-Mart (Food Maxx, Grocery Outlet, WinCo Foods, Food 4 Less (NE Fresno) and Foods Co (NE Fresno)), stores providing high quality, specialized food products (Trader Joe's), stores with an ethnic orientation (R-N Market (NE Fresno) and Joy Manila Oriental Market), and more traditional grocery stores (Save Mart and Von's).²³ Exhibit 18 shows the location of major and independent grocery stores in Clovis and northeast Fresno.

CBRE Consulting believes stores most at risk from the grocery sales at the planned Wal-Mart Supercenter are likely to include the following:

- Older stores with an obsolete format;
- Stores in close proximity to the planned Supercenter; and
- Discount food stores competitive with Wal-Mart.

Based on the above factors, CBRE Consulting believes the Save Mart at Crossroads Center at Bullard and Minnewawa avenues could be potentially at risk of lost sales due to food sales at the planned Wal-Mart Supercenter. The Save Mart store at Crossroads Center is a smaller store with an obsolete format that is located about 1.5 miles southwest of the planned Center.

Other supermarkets that are located in relatively close proximity to the planned Supercenter include a Save Mart and a Trader Joe's at Nees/Willow and a Vons and a Save Mart at Herndon/Fowler. However, these stores are well-positioned relative to the future pattern of population growth in Clovis. This is exemplified by Save Mart's decision to relocate a store on Herndon Avenue to a location closer to Clovis' northeastern growth node. These stores, therefore, may be somewhat insulated from negative impacts exerted by the Wal-Mart store.

According to local brokers, Save Mart and "value centers," including food warehouse stores, are doing fairly well in the current economy. Save Mart dominates the food store industry in the Fresno-Clovis area, with approximately 65 percent market share, according to one broker's estimate. The fact that Clovis' Food Maxx and WinCo Food stores are located about one mile

²³ See Chapter VII, Sales Impacts Beyond the Market Area, for discussion of potential food store impacts in northeast Fresno.

from each other suggests that there is enough demand to support both these stores. The WinCo Foods store in Clovis in particular appears to have high shopper volume and likely benefits from being located in the same retail center as Costco.

While it is difficult to say which stores would be most at risk without individual store performance data, CBRE Consulting believes that the most likely scenario if the stores cannot withstand the prospective sales diversion, if such diversion occurs, is for an older, already low-performing store to bear the brunt of the sales diversions and potentially close.

Potential for Store Closures

Projected sales diversions resulting from the development of Clovis-Herndon Shopping Center represent a relatively small portion, or 2.7 percent of the total retail sales base (in 2011) in the market area. The potential sales that could be diverted away from existing stores (except for apparel) are estimated to be relatively moderate, ranging from 0.1 percent in “other retail” to 4.8 percent in home furnishings and appliances, as shown in Table 8 below. On the other hand, apparel sales impacts are estimated at 33.4 percent, which is largely due to a relatively low sales base and the fact that department store sales are classified as general merchandise sales, although these stores also have considerable apparel sales.

Any potential sales diversions are likely to be distributed among retailers offering similar products and selection within the market area. However, stores with a strongly defined specialty or niche, offering services or levels of service not available at the stores in Clovis-Herndon Shopping Center, are not as susceptible to negative impacts from the Center, and thus are at less risk of sales diversion or closure. If such sales diversion occurs, its magnitude and duration will depend upon many factors, such as their market niche, hours of operation, market strength, store and management quality, and location relative to the Center.

Table 8
Clovis-Herndon Shopping Center Summary of Impacts
Clovis SOI (Market Area)
2011 Dollars, in Millions

Retail Category	Diverted Sales	Diverted Sales as a Percent of Sales Base	Diverted Sales Above Typical Market Variation
Apparel	\$12.8	33.4%	30.4%
General Merchandise	10.1	2.6%	0.0%
Food Stores	9.6	3.1%	0.1%
Home Furnishings & Appliances	0.8	4.8%	1.8%
Other Retail	0.2	0.1%	0.0%
Total	\$33.4	2.7%	

Source: Exhibit 17.

Of all these impacts, CBRE Consulting considers that only impacts to the retail categories above a 3 percent threshold to pose a potential risk to the existing retail base. This 3 percent figure is representative of industry trends, particularly during recessionary periods, as documented by Retail MAXIM’s “Perspectives on Retail Real Estate and Finance,” September-August 2006. This publication tracked retail sales by store type on a per square foot basis for three time periods: 1995-1999 (Late Boom), 2000-2003 (Recovery), and 2003-2005 (Transition). CBRE Consulting also calculated the percent change in retail sales from the latest July 2008 publication for 2006-

2007. As detailed in Appendix F, retail is a dynamic industry with periodic fluctuations in sales performance, which are common and vary considerably by sector. Sales declines of up to 5 and 6 percent on an annual basis were common during recessionary periods (the Retail MAXIM Recovery period), while sales increases averaging 3 to 5 percent were common for prosperous periods (the Retail MAXIM Late Boom period). For example, teen brand stores had an average annual sales increase of 2.8 percent between 1995 and 1999, followed by a 2.9 percent annual sales decline between 2000 and 2003, then rebounded with a 4.1 percent annual sales increase between 2003 and 2005, and declined again most recently by 2.1 percent during 2006 to 2007.

Using the 3 percent threshold as a baseline, the lower percentage sales impacts in the general merchandise, food, and "other retail" stores categories are within the range of sales variation retailers should expect given the dynamic nature of the retail industry, with new retailers constantly entering the market and older retailers leaving, and annual fluctuations in the economy. Thus, the categories with impacts that are about 3 percent or less than the retail sales base are not expected to be materially affected by the development of the Center. However, after adjusting for the 3 percent sales variation, the Center could have a 30.4 percent impact in apparel and a 1.8 percent impact in home furnishings and appliances, as shown in Table 8.

As mentioned, there are relatively few apparel and home furnishings stores in the market area, which contributes to the higher potential sales impacts as a percentage of the sales base. If any existing apparel or home furnishings retailers in the market area are currently struggling or experiencing poor sales, they may be more vulnerable and thus may not be able to withstand sales declines due to the opening of the Center. It is possible that one or more existing competitors may close as a result. However, as indicated earlier, without access to confidential individual store sales data, it is difficult to identify which store(s) might be most at risk of closing if this outcome is realized. Given the relatively high level of anticipated impacts in apparel, CBRE Consulting believes that it is likely that some apparel or apparel-related retailers will experience sales declines, with store closures possible among poorly performing stores.

Other Offsetting Factors. While the Clovis-Herndon Shopping Center will likely recapture sales from existing Wal-Mart, apparel, general merchandise and food stores in the market area, it is possible that the sales performance at the planned Wal-Mart Supercenter and other stores will be lower than the estimate used to project the store's sales performance in 2011. This would lower the store impacts in the market area.

Additionally, individual retailers faced with competitive pressures will often take steps to reposition their offerings in response to the new competition using strategies such as changing their product mixes, emphasizing customer service, and improving promotions to exploit niches that are not being met by the new stores. To the extent that these stores can adapt to the changing dynamics of the retail industry, they may fare well despite increasing competition in the marketplace.

Also, as discussed previously in this chapter, if projected population growth beyond 2011 is taken into consideration, retail demand in the market area would increase considerably. As shown in Table 6, total retail demand generated by new household growth from 2011 to 2015 in the retail categories estimated to have potential sales impacts is estimated at \$80.7 million. Although existing stores may experience some sales impacts from the introduction of Clovis-Herndon Shopping Center, new demand is likely to offset all of the sales diversions in the home furnishings and "other retail" categories within one year after the Center's first full year of operations in 2011, and within two years in the general merchandise and food stores categories. On the other hand, in

the apparel category, new demand of \$5.0 million during 2011-2015 will not be enough to fully offset the anticipated \$12.8 million in impacts. However, as discussed, existing retailers with a strong niche and/or offering levels of services not available at the Center, as well as retailers that are able to successfully reposition their stores in response to increasing competition, would be at less at risk of lost sales or closure following the opening of the Center.

VII. SALES IMPACTS BEYOND THE MARKET AREA

This chapter discusses potential sales impacts to existing retailers in northeast Fresno – beyond the defined boundaries of the market area – that may result due to the development of Clovis-Herndon Shopping Center and associated changes in consumer shopping patterns.

RETAILERS IN NORTHEAST FRESNO

In August 2008, CBRE Consulting identified and visited select retail properties in northeast Fresno. Retailers in northeast Fresno, which is located adjacent to and in relatively close proximity to the market area, would be the most susceptible to potential sales diversions resulting from the development of Clovis-Herndon Shopping Center. The diversions to these retailers would be attributable to changed consumer shopping patterns, with some shoppers at northeast Fresno retailers shifting their spending instead to the Clovis-Herndon Shopping Center. For the purposes of this study, northeast Fresno is defined as the area east of Highway 41 and north of Highway 180, which includes properties located within two to three miles from the market area boundaries. This distance is comparable to the maximum distance of the defined market area boundary from the Center site. The River Park shopping district, which is located just west of Highway 41, was not included in the analysis because of the unlikelihood that this regional center would compete with retailers at Clovis-Herndon Shopping Center, and because of River Park's location a few miles from Clovis on the other side of Highway 41. Refer to Exhibits 18 and 19, which map the locations of competitive food, general merchandise, apparel, and discount stores throughout Clovis and Fresno.

Exhibit 18 shows the location of major supermarkets and independent/ethnic grocery stores. As shown, there are eight major grocery stores (four Save Marts, one Food 4 Less, two Vons stores, and one Foods Co) and 5 independent/ethnic grocery stores (Bentley's Fine Foods, R-N Market, Save A Lot, Golden Bowl, and Country Cousin Market) in northeast Fresno.

As shown in Exhibit 19, the largest concentration of general merchandise stores in northeast Fresno is located at Fashion Fair Mall (Macy's, JC Penney, Gottschalks) on Shaw Avenue. Other major retailers in northeast Fresno include a Target at Shields/N 1st Street, a Ross store at Shaw/N 1st Street, and a Macy's Furniture at Shaw/Cedar. Additionally, there are seven discount stores located throughout northeast Fresno, including Dollar Tree, 99 Cents Only, and DD's Discounts.

POTENTIAL SALES IMPACTS

As discussed in Chapter VI, Sales Impacts, the development of the Clovis-Herndon Shopping Center is likely to divert some sales from existing retailers. While the sales diversions are anticipated to primarily affect retailers located within the market area boundaries, the proximity of Clovis to retailers in northeast Fresno has the potential to impact stores outside of, but not immediately adjacent to, the City of Clovis. The development of new retail opportunities in any given market has the potential to shift consumer shopping patterns. Households that currently shop at northeast Fresno stores could shift their retail spending to stores at Clovis-Herndon Shopping Center, putting these stores at risk of lost sales or closure.

Food Stores

Northeast Fresno Supermarkets with Overlapping Trade Areas. In order to assess the potential sales impacts to existing grocery stores in northeast Fresno, CBRE Consulting analyzed the population base within a 3-mile trade area of six supermarkets, as follows²⁴:

- Save Mart (Champlain/Perrin)
- Vons (Shepherd/Cedar)
- Food 4 Less (Shepherd/Chestnut)
- Save Mart (Bullard/N 1st)
- Save Mart (Ashlan/Cedar)
- Foods Co (Shields/N 1st)

These six stores were identified as being close enough to Clovis to potentially depend partly on Clovis' population to support store sales and might therefore share overlapping trade areas with the Clovis-Herndon Shopping Center. The stores omitted from this analysis included independent/ethnic grocery stores, such as Bentley's Fine Foods and R-N Market, which serve niche markets and therefore deemed unlikely to compete for food sales with discount food stores such as a Wal-Mart Supercenter. The Vons and Save Mart at Nees/N 1st Street were also omitted because the stores' trade areas were unlikely to extend into Clovis due to the prevalence of other Save Mart and Vons stores in the immediate area in northeast Fresno and Clovis.

Findings. For each of the six stores identified, CBRE Consulting estimated the population base within a 3-mile radius, including the portion of the 3-mile population residing in the Clovis SOI.²⁵ This is primarily based on the standards created by the International Council of Shopping Centers (ICSC), which estimates that the primary trade area for a grocery-anchored neighborhood center is about 3 miles.²⁶ A map of these stores and their 3-mile radii is shown in Exhibit 20. The portion of the population in the 3-mile rings within the Clovis SOI ranges between 1.2 and 18.5 percent, depending on the store, as shown in Exhibit 21 and summarized in Table 9, on the following page. If each store were to lose 50 percent of its trade area population in Clovis due to the opening of the Center, the stores could lose between 0.6 to 9.3 percent of their trade area consumer base. The 50 percent assumption is used for illustrative purposes, as the actual number of Clovis residents currently shopping at the six grocery stores is unknown. In reality, it is likely that these grocery stores in northeast Fresno have a much smaller market share in Clovis, due to the proximity of other existing grocery stores in Clovis that are much closer to the Clovis population residing within the 3-mile rings, especially stores in the same chain. As shown in Table 9, the potential consumer base at risk, both as a percent of the store's trade area consumer base and in terms of absolute numbers, is highest for the Food 4 Less at Shepherd/Chestnut and the Save Mart store on Ashlan/Cedar.

The above discussion is based on the potential outcome if the Center were to be built and operational in 2008. In reality, the Center will not achieve its first full year of operations until 2011. Population gains during this interim period will create additional demand for grocery stores throughout the region, helping to offset potential sales diversions stemming from the loss of sales

²⁴ Population estimates and projections were provided by Claritas, Inc.

²⁵ For the purposes of analysis, the trade area for each store conservatively defined as the area within a 3-mile radius of the store. In reality trade areas vary depending on the store's strength, location, and proximity of competing stores.

²⁶ "ICSC's Dictionary of Shopping Center Terms," International Council of Shopping Centers, New York, 2005, page 101.

from Clovis residents. By the time the Center opens in 2011, any potential loss of Clovis customers is likely to be fully offset by new population growth in Fresno for all stores with the exception of the Food 4 Less on Shepherd/Chestnut and the Save Mart store at Ashlan/Cedar (see Exhibit 22). However, continued population gains in the years following the opening of the Center will help cushion any impacts resulting from the decline in these stores' customer bases. As shown in Exhibit 22 and summarized in Table 9, population gains by 2013 are estimated to completely offset any potential lost customers for the Food 4 Less store. While population gains in Fresno by 2013 will only offset 70 percent of the potential customer losses for the Save Mart store, the remaining loss is minimal, representing just 2.1 percent of the 2008 3-mile population base.²⁷ It is reasonable to expect that the Save Mart store will be able to withstand a modest 2.1 percent decline in their customer/sales base pursuant to the historic trends in retailing discussed earlier in Chapter VI, Sales Impacts. This circumstance may actually present an opportunity for the Save Mart store to re-evaluate its products, services, and store appointments, and reposition itself into a more competitive store in the marketplace.

**Table 9
Trade Area Population of Selected Supermarkets in Northeast Fresno
2008 - 2013**

Store	3-Mile Radius Population 2008	Portion of Population in Clovis	Potential Consumer Base at Risk (50% of Clovis)	Total Potential Consumer Base at Risk	New Pop. Gain in Fresno 2008-2013
Save Mart (Champlain/Perrin)	90,200	7.5%	3.7%	3,375	11,902
Vons (Shepherd/Cedar)	101,100	10.6%	5.3%	5,339	12,880
Food 4 Less (Shepherd/Chestnut)	108,400	18.5%	9.3%	10,050	14,227
Save Mart (Bullard/N 1 st)	149,500	6.9%	3.4%	5,143	8,203
Save Mart (Ashlan/Cedar)	178,200	13.1%	6.5%	11,636	7,931
Foods Co (Shields/N 1 st)	185,400	1.2%	0.6%	1,087	8,477

Sources: Exhibits 21 and 22; and CBRE Consulting.

It should be noted that there are limitations to the above analysis, as the exact trade areas of the grocery stores are not known. In addition, the analysis does not factor in other potential planned projects that have the potential to divert sales from existing grocery stores. As of August 2008, no grocery stores were under construction in northeast Fresno. CBRE Consulting has identified a number of planned projects in northeast Fresno, one or more of which may include a grocery store component (see Chapter VIII, Cumulative Impacts for additional detail on these projects); however, given the status of these projects, it is presently too speculative to draw conclusions on their potential impacts.

Conclusion. The above analysis indicates that the Save Mart store on Ashlan/Cedar would be the northeast Fresno grocery store most likely at risk of sales diversions attributable to the Clovis-Herndon Shopping Center since a higher portion of this store's trade area population falls within the Clovis SOI, and because it will take more time for future population growth to offset potential customer losses. However, the potential loss of customers is minimal, representing just 2.1 percent

²⁷ The 2.1 percent loss was estimated by subtracting the total potential consumer base at risk from the new population gain in Fresno 2008-2013, then determining the amount as a share of the 2008 3-mile population base. Impacts would be even lower if the analysis were to take into account potential future demand growth from the portion of the 3-mile population residing in Clovis. However, to be conservative, CBRE Consulting assessed future demand growth only from the portion of the 3-mile population within Fresno.

of the trade area population base in 2008. For the other five grocery stores identified, new population growth in the years prior to and following the opening of the Center will easily offset potential customer losses.

The Wal-Mart Supercenter, which focuses on discount food items, may compete more heavily with other discount food warehouse stores, of which there are two in northeast Fresno: Foods Co at Shields Ave/N 1st Street and Food 4 Less at Shepherd/Chestnut. However, CBRE Consulting believes the opening of the Center will have minimal impact on these stores. The Foods Co is more than five miles away from the Center site in Central Fresno and a very small portion of the 3-mile trade area is comprised of Clovis residents. It is therefore very unlikely to be affected by the opening of the Wal-Mart Supercenter at Clovis-Herndon Shopping Center. This conclusion is supported by the grocery store analysis that indicates population gains in Fresno during 2008-2013 will abundantly offset the potential loss of less than 1.0 percent of the Foods Co's 3-mile population base. The relative proximity of the Food 4 Less store, which is located about 3 miles from the Center but in close proximity to the Clovis' jurisdictional boundaries, indicates that it could potentially be impacted from increased competition due to the opening of the Center. CBRE Consulting estimates that the opening of the Center could illustratively result in the loss of approximately 10,000 Clovis residents from Food 4 Less' 3-mile trade area, or 9.3 percent of its consumer base. However, future population growth in Fresno will comfortably offset that loss; during the five-year period from 2008-2013, the portion of the 3-mile radius in Fresno will increase by more than 14,000 new residents.

General Merchandise and Apparel Stores

The above findings for food stores, which indicate that the Center's opening would have minimal impacts to existing grocery stores in northeast Fresno, would also apply to the other retail categories and bear similar results. This is because the demographic trends that pertain to the food store analysis would equally pertain to any other retail sector. Any of these stores could potentially lose market share if their trade areas overlap with Clovis. However, CBRE Consulting believes the following: that with the possible exception of the Target and Ross stores, other identified general merchandise stores are unlikely to compete with the stores at Clovis-Herndon Shopping Center; and as indicated with the grocery store analysis above, demand growth in the next three to five years has the potential to offset potential changes in consumer shopping patterns among existing stores that may share overlapping trade areas with Clovis-Herndon Shopping Center.

With regard to general merchandise and apparel stores in northeast Fresno, the strongest concentration is located about five miles from the Center site at Fashion Fair Mall, which is reportedly doing well according to Fresno economic development officials. The stores in the Mall have relatively limited overlap in terms of type of retail stores and product selection compared with the planned retail at Clovis-Herndon Shopping Center and therefore these two centers would not likely compete with each other. Existing discount stores in northeast Fresno such as Dollar Tree and 99 Cents Only are also unlikely to compete with the stores planned at the Center, as these stores are focused primarily on discount items and often lack consistent merchandise selection.

Other general merchandise and apparel retailers in northeast Fresno that could potentially compete with Clovis-Herndon Shopping Center include the Ross store on Shaw Avenue and the Target store on Shields Avenue/N 1st Street. However, both of these retailers already have an existing store in Clovis, and any potential sales diversions are more likely to impact the stores in Clovis, both of which are located in much closer proximity to the proposed Center. However, if the

Ross and Target stores in northeast Fresno were to lose market share due to the opening of Clovis-Herndon Shopping Center, it is likely that new demand growth in the years prior to and following the opening of the Center will either largely or fully offset this loss, as indicated by the population figures in the grocery store analysis.

Summary

Ultimately, many factors will determine whether existing retail stores in northeast Fresno would be at risk of potential sales diversion or closure. These factors include, but are not limited to, store management and quality, market strength, levels of service, ability to respond to changing market conditions, and location relative to the Center. Overall, CBRE Consulting believes that impacts to northeast Fresno retailers will be limited. Potential sales diversions are more likely to occur among the many existing retail stores in the market area that are located in closest proximity to the proposed Center. If any existing stores lose market share due to overlapping trade areas with the proposed Center, it is expected that new demand growth in the years prior to and following the opening of the Center will largely or fully offset potential sales losses. This finding was supported by examining population data for the 3-mile trade areas for six grocery stores in northeast Fresno. Population growth in the Fresno portion of the stores' 3-mile trade areas between 2008 and 2013 is anticipated to be sufficient enough to more than offset any potential losses in the customer base for five out of six grocery stores. For the one Save Mart store that was found to be potentially at risk of loss in its customer base, the loss was minimal, representing 2.1 percent of the store's 3-mile population base in 2008. Based on these findings, CBRE Consulting concludes that no existing northeast Fresno retailers are likely to face a loss in its customer base so great that it would put these stores at risk of closure.

VIII. CUMULATIVE IMPACTS

This chapter analyzes the Center in the context of other currently planned retail projects in and adjacent to the market area. CBRE Consulting contacted city officials and real estate brokers to identify planned, approved, or under construction retail projects that are likely to compete with Clovis-Herndon Shopping Center. The cumulative projects that have been assessed for impacts include major retail developments in and bordering the market area that are reasonably foreseeable to be open and fully operational by 2011.

IDENTIFIED PROJECTS

CBRE Consulting identified major planned or under construction retail projects in or bordering the market area. There were six projects identified in the market area and three bordering the market area in northeast Fresno. Available details for the market area projects included in the cumulative impacts analysis are identified in Exhibit 23 and summarized as follows:

- **Von's Center Addition – Tractor Supply (Clovis).** A pad building occupied by Tractor Supply Company, an agriculture-related retailer, is planned at the existing Von's Center on the southwest corner of Herndon and Fowler avenues. The store will be 135,026 square feet including an 18,865-square-foot garden area. This proposed addition is under plan check with the City of Clovis and has an expected completion date of 2009.
- **Herndon and Ash Center (Clovis).** This 47,400-square-foot center is currently under construction on the northwest corner of Herndon and Ash avenues. Tenants for the center are unknown. The center is expected to be complete in 2008.
- **Fresh and Easy Anchored Center (Clovis).** Located at the southwest corner of Shaw and Fowler avenues, the site plan has been approved for a 13,975-square-foot Fresh and Easy store and 20,229 square feet of additional retail space. The project has an expected completion date of 2009.
- **Tollhouse and Sunnyside Center (Clovis).** Currently under construction, this 16,165-square-foot center is located on the southeast corner of Tollhouse Road and Sunnyside Avenue. The tenants are unknown at this time. This center is expected to be complete in 2008.
- **Fresh and Easy Store (Clovis).** Tenant improvements are underway for Fresh and Easy, which plans to open a store in an existing 14,486-square-foot building located at the southeast corner of Shaw and Willow avenues. The store is estimated to open in 2008.
- **Fresh and Easy Store (Clovis).** Thomason Development is developing a 13,969-square-foot Fresh and Easy store at the northwest corner of Herndon and Fowler avenues. Completion of the building is expected in 2008.
- **Herndon and Willow Center (Fresno).** Proposed 161,355-square-foot community retail center to be located at the northwest corner of Willow and E. Herndon avenues. This center will include 12 buildings and is estimated to begin construction in the second quarter of 2009. Winco Foods is the likely anchor tenant.
- **Campus Pointe Shopping Center (Fresno).** Developer Kashian Enterprises is planning a public/private mixed-use development situated on 45 acres of the Cal State Fresno University at the northeast corner of Chestnut and Shaw avenues. The development will

include a hotel, a 14-screen theater, multifamily and senior housing, and approximately 150,750 square feet of retail space.

- **The Shops at Herndon and Willow (Fresno).** Phase I of this 76,000-square-foot project is currently under construction at the southwest corner of Willow and Herndon Avenues. This center includes a Walgreens anchor and two outparcel buildings of approximately 15,000 square feet each. The center is expected to be complete in 2008.

Two other projects in Clovis are still in the preliminary planning stages and are therefore not included in the impacts analysis. This includes approximately 13.3 acres of commercial development set aside for the Harlan Ranch development in northeast Clovis that could support a neighborhood shopping center. However, as of August 2008, no formal application had yet been submitted. Additionally, in Southeast Clovis, the Loma Vista Specific Plan includes a neighborhood commercial center at Shaw and Leonard avenues that could include up to 315,000 square feet of retail space. These two projects are unlikely to be completed before 2011.

CUMULATIVE SALES IMPACTS

Total Cumulative Project Sales

CBRE Consulting estimated sales for the planned market area retail developments in Exhibit 24. Sales were estimated using 2007 average sales per square foot data from the Retail MAXIM publication for the appropriate retailers or retail categories (e.g., "Neighborhood Center"). As with the Center's sales estimates, the sales estimates for the cumulative projects were kept flat through 2011 and lowered by 10 percent to reflect slowing economic growth and the understanding that Clovis retailers are underperforming national averages. The results in Exhibit 24 indicate that by 2011, these planned projects totaling 649,355 square feet of retail space are anticipated to generate an additional \$228.7 million in retail sales.

However, not all these sales are anticipated to be competitive with the Center, as the cumulative projects will have varying market areas. CBRE Consulting developed market area sales assumptions based on project size, description, and location. Depending on the project, the identified cumulative projects will generate between 50 to 100 percent of sales from the market area. The remaining sales will come from consumers residing outside of Clovis.

Exhibit 25 estimates sales by retail category for the identified planned retail projects in the market area. For analytical purposes, the sales are distributed as follows:

- \$29.0 million in general merchandise;
- \$16.6 million in food stores;
- \$23.9 million in eating and drinking places;
- \$5.9 million in building materials; and
- \$71.4 million in "other retail" stores.

In all, the nine cumulative projects will generate sales of \$146.8 million by market area residents. The remaining sales are expected to comprise residual demand, originating from undefined areas outside Clovis.

Estimated Sales Impacts

Sales impacts from the cumulative projects were assessed using the same methodology as for Clovis-Herndon Shopping Center. The cumulative sales impact results indicate that at worst, assuming development of all identified projects (including Clovis-Herndon Shopping Center), \$158.1 million in sales could be diverted away from existing market area retailers, as shown in Exhibit 26. Exhibit 27 and Table 10 show the level of the sales impacts as a percent of the sales base, with the highest percentage (among the retail categories with estimated sales diversions) in “other retail” stores (43.6 percent), apparel (33.4 percent), and eating and drinking places (17.6 percent). If Clovis increases its attraction due to the critical mass effect of a larger retail base, then this figure will be reduced.

Table 10
Clovis-Herndon Shopping Center Summary of Impacts
Clovis SOI (Market Area)
2011 Dollars, in Millions

Retail Category	Diverted Sales	Diverted Sales as a Percent of Sales Base	Diverted Sales Above Typical Market Variation
Apparel	\$12.8	33.4%	30.4%
General Merchandise	39.1	10.1%	7.1%
Food Stores	26.2	8.5%	5.5%
Eating and Drinking	23.4	17.6%	14.6%
“Other Retail” Stores	<u>56.6</u>	<u>43.6%</u>	40.6%
Total	\$158.1	12.7%	

Source: Exhibit 28.

The estimated sales diversions in the five identified retail categories are all above the 3 percent sales variation retailers should expect given the dynamic nature of the retail industry. After adjusting for the 3 percent variability, the retail categories range in impact from 5.5 percent in food stores to 40.6 percent in “other retail” stores, as shown in Table 10.

Using sales per square foot figures from Retail Maxim and presented earlier for the Center’s sales impacts indicates the following maximum amount of retail square footage equivalent to the sales diversions due to the cumulative projects (including the proposed Clovis Herndon Center):

- The apparel sales diversion of \$12.8 million is equivalent to support for 41,400 square feet of space. New population growth in the years immediately following the Center’s opening will offset close to 40 percent of the sales diversion by 2015. Additionally, the potential sales impacts are likely to be somewhat less than estimated since a portion of these impacts will be absorbed by general merchandise retailers.
- The general merchandise impact of \$39.1 million is equivalent to support for 165,900 square feet of space. However, CBRE Consulting estimates that \$2.5 million of this impact is likely to be diverted from the existing Wal-Mart store and another \$24.3 million to be replaced by new demand by 2015, which would lessen the overall sales diversions by nearly 70 percent. Some of the apparel impacts, however, are likely to affect general merchandise retailers.
- The food stores impact of \$26.2 million is equivalent to support for 60,700 square feet of space. This square footage is equivalent to one large supermarket. However, all of the

sales diversions are likely to be offset by new demand by 2015, or within four years after the Center's first full year of operation.

- The eating and drinking sales diversion of \$23.4 million is equivalent to support for 60,500 square feet of space.²⁸ Roughly 60 percent of these sales diversions is anticipated to be replaced by new demand by 2015.
- The "other retail" stores sales impact of \$56.6 million is equivalent to support for 160,400 square feet.²⁹ One-third of these sales diversions is estimated to be replaced by new demand by 2015.

Offsetting Factors. The findings indicate that if all the retail square footage in the cumulative projects list is built and occupied by 2011, there will likely be sales diversions, particularly in apparel, eating and drinking places, and "other retail" stores. However, as stated earlier, these figures are highly conservative, and are presented as an analytical benchmark. There are many factors contributing to this conservatism, including the unlikelihood that the full magnitude of the negative impacts will be experienced by just one or several stores in the market area. Therefore, the impacts could be more realistically spread among a wider number of stores. If this occurs, then some store sales declines may not be severe enough to trigger store closure, reducing the magnitude of impacted square footage.

In addition, the identified planned retail projects are not necessarily competitive with Clovis-Herndon Shopping Center in terms of retail tenant mix and/or market area. Many of the planned developments are relatively small projects that will be supported by highly localized market areas and therefore may have limited overlap with the Center's market area. Only a portion of the sales from the planned developments are likely to be competitive with the Center or existing defined market area retailers. Except for the Shops at Herndon and Willow project (where Winco Foods is a likely tenant), the majority of identified cumulative projects are unlikely to compete directly with Clovis-Herndon Shopping Center.

Furthermore, the estimated impacts assume the maximum diversion away from existing retailers upon stabilization of the Center and other cumulative projects. Thus, they do not take into account any prospective market corrections or enhancements following the introduction of these projects into the marketplace, including competitive retailer repositioning. They also do not account for increases in consumer expenditures pursuant to real income growth, or demand generated by new market area population growth. If new population demand in the years immediately following the Center's opening were to be factored in, the impacted square footage figure would be reduced considerably.

The extent to which these potential store closures become problematical for the market area's retail market depends upon the strength of that market. This strength, and the resulting likelihood of the potential vacancies causing a decline in that market, is discussed in Chapter IX, Urban Decay Determination.

²⁸ Retail Maxim's Perspectives on Retail Real Estate and Finance, July 2008, was used to determine the sales per square foot estimate. A sales average of \$430 in 2007 dollars for "Restaurants" was lowered by 10 percent to \$387 in 2011 dollars.

²⁹ Retail Maxim's Perspectives on Retail Real Estate and Finance, July 2008, was used to determine the sales per square foot estimate. A sales average of \$392 in 2007 dollars for "Neighborhood Center" was lowered by 10 percent to \$353 in 2011 dollars.

MAJOR RETAIL PROJECTS IN NORTHEAST AND SOUTHEAST FRESNO AND POTENTIAL IMPACTS

CBRE Consulting also obtained information regarding retail projects under construction or planned in northeast Fresno. These projects are located within relatively close proximity to Clovis and therefore have the potential to impact retail market conditions in Clovis. Exhibit 28 presents major retail projects (20,000 square feet or greater) under construction or planned in northeast Fresno. The projects are presented for discussion purposes only and are not included in the above cumulative impacts analysis.

As of August 2008, one retail project (The Village at Granite Park) was under construction at Cedar and Hampton avenues. The retail component of this project is 81,500 square feet. No other projects are under construction; however, CBRE Consulting has identified nine retail projects in the planning stages totaling close to one million square feet of retail space. While this could be potentially significant, given current market conditions, it is possible that some of these projects will be postponed or scaled back. Local brokers stated that retail projects are moving forward slowly in today's market, and that projects are very unlikely to break ground without significant pre-leasing. With the retail vacancy rate above 10 percent in Fresno as of mid-year 2008 according to local real estate brokers, CBRE Consulting believes that only a portion of these planned projects are likely to be completed by 2011.

In addition to the retail projects identified above, two major potential regional projects in Southeast Fresno merit mentioning, although they are outside the area of study and are very unlikely to be completed before 2011. Kashion Enterprises, the developers of River Park, is planning a regional shopping center similar to River Park at Clovis and Tulare avenues in the Fancher Creek development that could ultimately hold more than one million square feet of retail space. According to local sources, Target is likely to be one of the big box occupants, and the start of construction is likely two years out at minimum. Two miles east of Fancher Creek, a second regional retail center could be developed in the Southeast Growth Area along DeWolf Avenue between Highway 180 and Butler Avenue. The Southeast Growth Area is expected to add 120,000 new residents by 2050. There is some concern among city officials and the real estate community that this center would be located too close to Fancher Creek. Currently, plans for this project are too speculative to discuss in detail. Overall, while a considerable amount of retail space could be potentially built along with new residential development in Southeast Fresno, it is still uncertain what the exact nature of this retail, timing, and/or phasing of these two projects will be. Both projects are relatively far from the site (approximately six to eight miles away) and are unlikely to compete directly with Clovis-Herndon Shopping Center. However, if built, these projects could potentially compete with retailers in Clovis, particularly on the south side of Clovis and along Shaw Avenue, as well as draw many shoppers from southeast Clovis.

IX. URBAN DECAY DETERMINATION

The purpose of this chapter is to assess the degree to which development of the Center will or will not contribute to urban decay. This includes impacts associated with the cumulative impacts of the Center and other planned market area retail developments. Urban decay could theoretically result from development of the Center and other known market area planned retail developments due to closure of other stores resulting from negative economic impacts. This chapter discusses the definition of urban decay, the study's approach to determining urban decay potential, retailer demand in the market area, and CBRE Consulting's urban decay determination.

STUDY DEFINITION OF URBAN DECAY

For the purpose of this analysis, urban decay is defined as, among other characteristics, visible symptoms of physical deterioration that invite vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and long term vacancies. This physical deterioration to properties or structures is so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, and the health, safety, and welfare of the surrounding community. The manifestations of urban decay include such visible conditions as plywood-boarded doors and windows, parked trucks and long term unauthorized use of the properties and parking lots, extensive gang and other graffiti and offensive words painted on buildings, dumping of refuse on site, overturned dumpsters, broken parking barriers, broken glass littering the site, dead trees and shrubbery together with weeds, lack of building maintenance, homeless encampments, and unsightly and dilapidated fencing.

APPROACH TO DETERMINING URBAN DECAY POTENTIAL

CBRE Consulting engaged in several tasks to assess the probability of urban decay ensuing from development of Clovis-Herndon Shopping Center and the other cumulative projects. These tasks involved assessing the potential for closed store spaces in Clovis and the surrounding areas in northeast Fresno, if any, to remain vacant for a prolonged period of time such that they contribute to the multitude of causes that could eventually lead to urban decay.

CBRE Consulting contacted local experts to determine the health of the Clovis and northeast Fresno retail markets and the likelihood of lengthy vacancies occurring, should any stores close due to sales diversions caused by the Center or any of the cumulative projects. CBRE Consulting relied on a number of different sources including local real estate brokers, planning and economic development officials, and Costar. All of the brokers contacted have extensive experience working with tenants and landlords in Fresno/Clovis, and represent a mix of independent commercial brokerage houses. CBRE Consulting conducted telephone interviews during which these commercial real estate brokers provided historical information and anecdotal evidence facilitating CBRE Consulting's assessment of the Fresno/Clovis retail market.

RETAIL MARKET OVERVIEW, POTENTIAL STORE CLOSURE AND RETAILER DEMAND

Market Characterization

Clovis' retail market inventory totals approximately 2.6 million square feet of leasable retail space (excluding Sierra Vista Mall), according to CB Richard Ellis, which tracks retail properties over 10,000 square feet. The Clovis retail market is dominated by retailers along Shaw Avenue between Highway 168 and Armstrong avenues, who comprise the majority of the city's retail base. This

stretch of Shaw Avenue centers around the Sierra Vista Mall and consists of power, neighborhood, and community centers anchored by high-volume retailers and grocery stores. As housing development has pushed north and eastward, retail options have been expanding on the north side of town primarily along Herndon Avenue, which supports several retail centers. Clovis Commons, a new power center anchored by Target, TJ Maxx and Best Buy, was completed about two years ago at Willow and Herndon avenues.

Shaw Avenue Retail Corridor

Retail properties along Shaw Avenue appear to be in good physical condition, though several centers show signs of aging. Much of the older space along Shaw Avenue is functionally obsolete, poorly configured, features small anchor spaces, or is subject to multiple ownership, which makes property redevelopment or revitalization difficult. The City of Clovis and the Chamber of Commerce have encouraged refurbishment of aging centers, as demonstrated by the Sierra Vista Mall's recent expansion, which included a new outdoor, lifestyle-oriented wing, anchored by a 16-screen stadium-seating theater.

The City of Clovis is aware of the challenges that exist for Shaw Avenue, having formulated a Shaw Avenue Corridor Action Plan (SACAP) in May 2002. As stated in this document:

“Numerous buildings along the corridor are vacant, underutilized, or poorly maintained. Many of the larger vacant buildings remain so without motivation for the property owner to fill the space. Deed restrictions and remaining lease terms are found in many of the vacant properties. Property owners are either unable to attract similar tenants to these buildings due to deed restrictions and/or are being paid by a former tenant for leased space they no longer occupy. This gives the corridor a feeling of economic blight and urban decay.”³⁰

The SACAP continues to include action items, including:

- Review of Shaw Avenue Visual Component
- Revisit Shaw Avenue Specific Plan
- Revisit Redevelopment Project Area
- Establish Shaw Avenue as a Destination
- Review Creation of a Business Association
- Review Traffic Movement Along Corridor

While the current volume of vacancies along Shaw Avenue suggests SACAP success has been limited, the City's Economic Development Strategy, adopted September 13, 2004, states that since the SACAP was adopted, “implementation has proceeded and many improvements and new development has occurred.”³¹ Yet, given their tenure, the challenges and issues for Shaw Avenue will exist with or without the Clovis-Herndon Shopping Center. These challenges are not unique to Clovis, as exemplified by a Seminar being offered October 10, 2007 in Cerritos, California by the California Redevelopment Association, titled “Transforming Obsolete Strip Development into Community Assets,” which poses the question “what to do about that auto-dominated, look-alike declining strip development found in communities all over the State?”

³⁰ City of Clovis, Shaw Avenue Corridor Action Plan (SACAP), Prepared by Community and Economic Development Department, May 20, 2002, page 3.

³¹ Economic Development Strategy, City of Clovis, Adopted September 13, 2004, page 36.

While the SACAP makes reference to a feel of economic blight and urban decay, the existing commercial centers do not bear the typical characteristics of property in decay. While some of the centers appear older and outdated, none were observed to have visible signs of neglect, abandonment, or poor maintenance. For example, there is no apparent graffiti, loitering is not evident, the parking lots are free of trash, and cars are not parked with for sale signs, all typical signs of declining property. Further, the City of Clovis has strong controls to ward against urban decay, with key provisions in the Municipal Code, including Section 5.18.02, Unlawful property nuisance; Section 5.18.04, Responsibility for property maintenance; and Section 5.18.15, City abatement, the latter of which provides very strong controls pursuant to the following language:

"If the nuisance is not abated as ordered within the abatement period, the City Manager may cause the same to be abated by city employees or private contract. The City Manager and the City Manager's agents and representatives are hereby expressly authorized to enter upon said property for such purposes. The costs, including incidental expenses, of abating the nuisance shall be billed to the owner and shall become due and payable thirty (30) days thereafter."³²

Thus, not only is urban decay not prevalent among the existing vacancies along Shaw Avenue, but strong municipal controls are in place to ensure that urban decay does not occur. Moreover, just because these properties were vacated by retailers does not mean they must be refilled by like retail tenants. As is the case in many communities with older, obsolete retail strips, many of these older, second generation spaces may be more appropriate for service or non-retail uses, such as the Celebration Church that occupies former retail space on Shaw Avenue. In addition, two new hotels are nearing completion in Clovis at the west end of Shaw Avenue. Together, these hotels will add approximately 200 rooms. The attraction of hotel guests and their associated spending will help provide a near term boost to Shaw Avenue retailers. In the longer term, planned development in the southeastern area of the City such as the Loma Vista Specific Plan will also help support Shaw Avenue retail opportunities, as Shaw Avenue will be the largest major retail concentration proximate to this residential node.

Retail Demand and Vacancy

The housing boom in the Central Valley during the early- to mid-2000s led to several million square feet of newly constructed retail space in Fresno/Clovis and numerous expansions from national brand tenants. However, weakening economic conditions and the slowing housing market during the past two years have negatively affected retail demand. As a result, retail demand has slowed throughout Fresno County, and brokers acknowledge it is currently a tenant's market, with landlords offering generous lease incentives. National chains have announced cutbacks in expansions, many retailers are taking a wait-and-see approach, and tightening credit guidelines are preventing local businesses from expanding. Some retailers are struggling and closing underperforming stores. Retailers with ties to the residential market, such as home furnishings and home improvement stores, have been particularly affected.

According to the City of Clovis, sales tax receipts have been declining in recent quarters.³³ Between the first quarters of 2007 and 2008, the most recent quarterly data available at the time of the study, sales tax net cash receipts declined 7.7 percent in the City of Clovis. Within the retail

³² City of Clovis Municipal Code, Section 5.18.15.

³³ Sales tax includes revenues from retail stores as well as non-retail businesses.

stores categories, sales tax declines have been particularly notable in building materials, auto sales, furniture and appliances, and electronic equipment.

According to the *Fresno County Real Estate Forecast 2008*, "Power, Regional and Lifestyle centers remain the strongest sector of the market. Big box tenants remain the strongest of all user types in the market place."³⁴ Local brokers believe that "value centers" anchored by Wal-Mart and other discount retailers are doing relatively well in the current economy. However, market-wide, retail vacancy is up, particularly in strip and unanchored neighborhood centers.

Reflecting weaker market conditions, several local brokers estimated the retail vacancy rate in Clovis at "above 10 percent." They noted that the majority of this vacancy is along Shaw Avenue, where vacancy in Class B and lesser grade space was estimated at upwards of 20 percent. Occupancies and rents are "nearly healthy" in anchored centers, according to local sources. According to Terranomics, Clovis' retail vacancy rate was 8.8 percent at mid-year 2008, up from 5.5 percent at the end of 2007.³⁵ This figure would undoubtedly be higher if it were to include smaller neighborhood and strip centers. CB Richard Ellis, which tracks a larger retail inventory, reports that Clovis' retail vacancy rate was 12.7 percent as of mid-year 2008. Local real estate brokers also estimated the retail vacancy rate in the City of Fresno is similar to that of Clovis, around 10 to 12 percent. Major vacancies in Clovis include several anchor spaces along Shaw Avenue, including the former Alberston's and Walgreen's spaces in the Mountain View Center, the former Von's space in Village Square Center, and the 23,000-square-foot original movie theater building at Sierra Vista Mall. In addition, the former Save Mart space in the Trading Post shopping center at Herndon and Clovis avenues has been vacant for a few years since the store relocated down the street to Windmill Marketplace, located at Fowler and Herndon avenues. While all of these spaces have been vacant for well over one year, the reason that these spaces have not been reoccupied is not necessarily entirely the result of market weakness, as some are due to specific issues such as an obsolete format and/or multiple ownership of the property. Also, both the former Save Mart and Von's spaces have long-term leases in place and it is unlikely that these retailers would allow a grocer-oriented tenant to reoccupy the space, which is currently best suited for grocery tenants.

Local industry professionals described the Clovis/Fresno retail market as one that is challenged in the short-term by the uncertainty in the national economy and housing market. However, in the longer term, numerous planned housing developments, particularly in the areas north and east of Clovis and in Southeast Fresno, are expected to spur additional retail demand.

Re-Tenancing Potential

All local real estate brokers interviewed believed that the market could support the Clovis-Herndon Shopping Center and that Wal-Mart's expansion in the area would be positive for Clovis and for existing retailers. The Supercenter would anchor the Center and attract more retailers in and around the site, create opportunities for existing retailers, and attract more shoppers to Clovis. While the Center's opening could negatively impact existing stores, local sources believe the stores at potential risk of closure would be poorly performing stores that are not competitive, and therefore, vacancy and turnover would allow more competitive retailers to expand and/or relocate

³⁴ *Fresno County Real Estate Forecast 2008*, Fresno Economic Development Corporation.

³⁵ Retail vacancy data obtained from Terranomics' Central Valley Shopping Centers Report, Mid-Year 2008. Vacancy statistics include retail centers over 50,000 square feet, excluding malls. Terranomics reported statistics for 13 retail centers in Clovis totaling 1.9 million square feet of gross leasable area.

in Clovis, ultimately strengthening the retail market. It should also be noted that Wal-Mart has made no public plans to close its existing Clovis discount store on Shaw Avenue as a direct result of the proposed Supercenter at the Center. This not only demonstrates the strength of the market, but also the high performance of Wal-Mart's existing discount store.

If any existing retail operations close due to the introduction of the Center or cumulative projects, conversations with local brokers suggest that under normal market conditions, vacant retail space could be re-tenanted within a reasonable time period (approximately six months to a year depending on the space). However, currently, demand for retail space is weak and is dampening retail leasing activity, particularly in smaller shopping centers. Additionally, re-tenanting older and/or obsolete space has been and may continue to be problematical. If economic weakness were to extend beyond 2011, this could result in a longer time frame for re-tenanting to occur.

URBAN DECAY CONCLUSION

In developing a conclusion regarding the potential for the Clovis-Herndon Shopping Center to cause urban decay, CBRE Consulting relied on the definition presented earlier in this chapter, which focused on determining whether or not physical deterioration in the market area would likely result from the development of the Center. CBRE Consulting's conclusion is based on consideration of market area conditions, findings regarding diverted sales, and re-tenanting potential, as summarized below.

- **Current Market Conditions.** CBRE Consulting's retail market research indicates that the retail market in the market area is currently in a cyclical downturn, with low demand and relatively high vacancy rates estimated to be above 10 percent market-wide. Although the retail market has significant potential for growth, it is challenged in the short-term by uncertainty in the national economy and local housing market.
- **Diverted Sales.** The proposed Clovis-Herndon Shopping Center and the other cumulative projects will have impacts that could lead to a reduction in sales, and possible store closures for underperforming stores, particularly in the apparel, eating and drinking, and "other retail" stores categories, and to a lesser degree, among general merchandise and food stores. CBRE Consulting believes that while most stores will be able to weather the temporary decreases in sales activity, some marginally performing stores are likely to close. Whether impacts are large enough to cause any potentially impacted spaces to remain vacant for extended time periods depends on many factors, including the nature and location of the space, economic conditions and the pace of recovery in the housing market, and the timing of the cumulative projects.
- **Re-tenanting Potential.** Vacancies that may occur have the potential to be successfully re-tenanted within a reasonable timeframe. However, the re-tenanting of older and/or obsolete space in Clovis has been and may continue to be problematical. Ultimately, re-leasing activity can be beneficial for a market area by expanding opportunities for strong retailers and providing opportunities for retailers new to the market, as well as improving and upgrading the physical condition of the area. However, if the current economic weakness were to extend beyond 2011, leading to slower increases in population, then retail demand may be weaker and vacant retail space may take longer to absorb.

In conclusion, while it is expected that the Clovis-Herndon Shopping Center and identified cumulative projects could result in diverted sales and that some closures of market area stores may

occur, these events are not expected to lead to physical deterioration so prevalent and substantial that it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Based on these findings, CBRE Consulting concludes that the development of Clovis-Herndon Shopping Center and the identified cumulative projects will not contribute to urban decay.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

Please note that the fieldwork for this analysis was completed in August 2008. Accordingly, CBRE Consulting assumes no responsibility for market events pertinent to the City of Clovis or the Clovis-Herndon Shopping Center site occurring after that date.

CBRE Consulting has made extensive efforts to confirm the accuracy and timeliness of the information contained in this study. Such information was compiled from a variety of sources, including interviews with government officials, review of City and County documents, and other third parties deemed to be reliable. Although CBRE Consulting believes all information in this study is correct, it does not warrant the accuracy of such information and assumes no responsibility for inaccuracies in the information by third parties. We have no responsibility to update this report for events and circumstances occurring after the date of this report. Further, no guarantee is made as to the possible effect on development of present or future federal, state or local legislation, including any regarding environmental or ecological matters.

The accompanying projections and analyses are based on estimates and assumptions developed in connection with the study. In turn, these assumptions, and their relation to the projections, were developed using currently available economic data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize, and unanticipated events and circumstances may occur. Therefore, actual results achieved during the projection period will likely vary from the projections, and some of the variations may be material to the conclusions of the analysis.

Contractual obligations do not include access to or ownership transfer of any electronic data processing files, programs or models completed directly for or as by-products of this research effort, unless explicitly so agreed as part of the contract.

This report may not be used for any purpose other than that for which it is prepared. Neither all nor any part of the contents of this study shall be disseminated to the public through publication advertising media, public relations, news media, sales media, or any other public means of communication without prior written consent and approval of CBRE Consulting.

APPENDIX: EXHIBITS

**EXHIBIT 1
ESTIMATED SALES PER SQUARE FOOT
ALL WAL-MART STORES
2007**

Description	Amount (1)
All Wal-Mart Stores	
Net Sales, 2007 (2007\$s) (2)	\$239,529,000,000
Total Square Feet of Retail Stores, 2007	566,629,000
Average Sales Per Square Foot (2007\$s) (2)	\$423

Notes:

(1) Figures are rounded.

(2) Total Wal-Mart sales for fiscal year 2007 were \$374,526,000,000. However, only \$239,529,000,000 were attributable to retail stores, which includes supercenters, discount stores, and neighborhood stores.

Sources: United States Securities and Exchange Commission, Wal-Mart Stores, Inc. Fiscal Year ending January 31, 2008 Form 10-K; and CBRE Consulting.

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**EXHIBIT 2
ESTIMATE OF CLOVIS-HERNDON SHOPPING CENTER SALES
2007 AND 2011**

Retail Store or Category (1)	Estimated Square Feet	Average Sales Per Sq. Ft. 2007 (2)	Adjusted Store Sales 2011 (3)	Estimated Store Sales 2011 (4)
<u>RETAILER IDENTIFIED</u>				
Wal-Mart Supercenter (5)	228,754	\$423	\$381	\$87,086,648
Apparel (Such as Kohl's)	88,400	\$249	\$224	\$19,810,440
Apparel (Such as Ross Dress for Less)	30,300	\$301	\$271	\$8,208,270
Apparel (Such as Old Navy)	14,800	\$289	\$260	\$3,849,480
Petco	13,900	\$168	\$151	\$2,101,680
<u>RETAILER NOT IDENTIFIED</u>				
Home Furnishings and Appliances Store	28,000	\$252	\$227	\$6,350,400
Sit Down Restaurants	20,200	\$351	\$316	\$6,381,180
Hardware Store	15,300	\$254	\$229	\$3,497,580
Specialty Retail Stores	13,050	\$348	\$313	\$4,087,260
Office Supply Store	10,800	\$285	\$257	\$2,770,200
Fast Food Franchises	7,800	\$383	\$345	\$2,688,660
Shoe Store	7,500	\$153	\$138	\$1,032,750
Home Furnishings Store	7,500	\$213	\$192	\$1,437,750
Apparel Store	5,600	\$348	\$313	\$1,753,920
TOTAL	491,904			\$151,056,218

Notes:

(1) Clovis-Herndon Shopping Center retail type and square feet of anticipated retailers from the Clovis-Herndon Shopping Center Economic Impact and Urban Decay Analysis by CBRE Consulting, dated July 14, 2006.

(2) For Old Navy, Petco, and all unidentified retail, CBRE Consulting used Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2008, report of 2007 retail sales per square foot estimates by retail category. CBRE Consulting relied on the most recent 10-K Annual Report filed with the U.S. Securities and Exchanges Commission for all identified retailers, with the exception of Old Navy and Petco. In each case, an average sales per square foot was determined by dividing the total sales number for the given fiscal year by the total square footage operated by each retailer.

(3) Estimated Store Sales figures were lowered by 10% to reflect lower sales performance among Clovis retailers. CBRE Consulting also examined confidential store sales data for major Clovis retailers and compared the stores' sales with national averages. While sales performance among individual retailers varies, many retailers in Clovis are performing below the national average; in some cases store sales are down by up to 30% compared to the national average. Additionally, according to the City of Clovis, sales tax receipts have been declining in recent quarters. Between the first quarters of 2007 and 2008, the most recent quarterly data available at the time of the study, sales tax net cash receipts (includes revenues from retail stores and non-retail businesses) declined 7.7 percent in the City of Clovis.

(4) CBRE Consulting conservatively estimated 2011 sales using the assumption that sales will remain flat given the state of the current economy and general sales declines among retailers.

(5) The Wal-Mart Supercenter is expected to have 228,754 square feet. Sales per square foot is estimated in Exhibit 1.

Sources: Clovis-Herndon Shopping Center Economic Impact and Urban Decay Analysis by CBRE Consulting, dated July 14, 2006; Paynter Realty & Investments, Inc.; Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2008; United States Securities and Exchange Commission, Kohl's Corporation Fiscal Year Ended February 2, 2008, Form 10-K; United States Securities and Exchange Commission, Ross Stores Inc. Fiscal Year 2007 Form 10-K, dated April 1, 2008; and CBRE Consulting.

EXHIBIT 3
ESTIMATE OF ALL WAL-MART STORE SALES BY CALIFORNIA STATE BOARD OF EQUALIZATION (BOE) CATEGORY
2007

Wal-Mart Sales Categories	Percent of Sales (2)	BOE Sales Categories (1)				
		Apparel	General Merchandise (3)	Food Stores	Home Furnishings And Appliances	Other Retail
Grocery	41.0%	-	-	41.0%	-	-
Health and Beauty Aids	6.0%	-	6.0%	-	-	-
Health and Wellness	9.0%	-	9.0%	-	-	-
Apparel, Shoes, & Jewelry	12.0%	12.0%	-	-	-	-
Home	6.0%	-	-	-	6.0%	-
Entertainment, Electronics, & Toys	14.0%	-	7.0%	-	-	7.0%
Seasonal and Hardlines	12.0%	-	6.0%	-	-	6.0%
Total	100.0%	12.0%	28.0%	41.0%	6.0%	13.0%

Notes:

(1) Sales categories reported by the California State BOE. CBRE Consulting matched the Wal-Mart sales categories with the BOE categories. Sales categories irrelevant to Wal-Mart portion of this analysis (Eating and Drinking Places, Building Materials, Auto Dealers and Auto Supplies, and Service Stations) are not presented here. If the type of good was believed to span more than one BOE category, CBRE Consulting apportioned the percentage of sales based upon examination of merchandising at representative Wal-Mart stores and professional judgment.

(2) The percentages are based on distribution of sales published in Wal-Mart's 10-K filing ending January 31, 2008. Wal-Mart presents the percentage of sales for the all operating segments stores combined in its 10-K filing.

(3) When reporting data for cities, the BOE's General Merchandise category includes drug store sales.

Sources: United States Securities and Exchange Commission, Wal-Mart Stores, Inc. Fiscal Year Ended January 31, 2008, Form 10-K; California State Board of Equalization; and CBRE Consulting.

EXHIBIT 4
DERIVATION OF WAL-MART GROCERY SALES BY OPERATING SEGMENT
IN 2007 DOLLARS

Category							Amount
Total FY 2007-2008 Wal-Mart Sales (1)							\$239,529,000,000
Percent Grocery Sales (1)							41.0%
Grocery Sales							\$98,206,890,000
Wal-Mart Operating Segments (1)			Sales Per			Percent Grocery	Estimated
Type	Number of Stores	Total Square Feet	Sq. Ft. (2)	Total Sales	Store Sales		
Discount Store	971	104,561,000	\$423	\$44,229,303,000	19.0% (3)	\$8,403,567,570	
Neighborhood Market	132	5,552,000	\$423	\$2,348,496,000	80.0% (4)	\$1,878,796,800	
Supercenter	<u>2,447</u>	<u>456,516,000</u>	<u>\$423</u>	<u>\$193,106,268,000</u>	<u>45.5% (5)</u>	<u>\$87,924,525,630</u>	
Total/Average	3,550	566,629,000	\$423	\$239,684,067,000	41.0%	\$98,206,890,000	

Notes:

(1) Information related to annual Wal-Mart sales, distribution of sales, store counts, and square footage was taken from Wal-Mart Stores, Inc. 2007 Form 10-K on file with the U.S. Securities and Exchange Commission.

(2) See Exhibit 2.

(3) Discount Store percent grocery store sales estimate was derived using percentages of retail products lines from the U.S. Economic Census 2002 for General Merchandise Stores translated to BOE Categories; see Appendix E.

(4) Neighborhood Markets have pharmacies, garden centers, and photo centers in addition to groceries. CBRE Consulting estimates that 80 percent of sales at Wal-Mart Neighborhood Markets are food sales. This assumption is based on pharmaceuticals accounting for 9 percent of all Wal-Mart stores sales, photo processing for 1 percent and softgoods and domestics for 15 percent, or a total of 25 percent. These figures are from the Wal-Mart Stores, Inc. 2007 Form 10-K on file with the U.S. Securities and Exchange Commission. CBRE Consulting estimated that domestics account for 5 percent of softgoods and domestics.

(5) Supercenter grocery sales and percent grocery store sales were derived pursuant to the total grocery store sales estimate of \$98.2 billion less the opened Discount Store estimated sales of \$8.4 billion and Neighborhood Market estimated grocery sales of \$1.87 billion.

Sources: United States Securities and Exchange Commission, Wal-Mart Stores, Inc. Fiscal Year Ended January 31, 2008, Form 10-K; and CBRE Consulting.

EXHIBIT 5
ESIMATE OF WAL-MART SUPERCENTER SALES BY CALIFORNIA STATE BOARD OF EQUALIZATION (BOE) CATEGORY
2007

Wal-Mart Sales Categories	All Wal-Mart Stores Percent of Sales (2) [A & B]	Percent of Sales (3) [C = (A / B) * D]	BOE Sales Categories (1)				
			Apparel	General Merchandise (4)	Food Stores	Home Furnishings And Appliances	Other Retail
Grocery	41.0%	45.5%	-	-	45.5%	-	-
Health and Beauty Aids	6.0% [A]	5.5%	-	5.5%	-	-	-
Health and Wellness	9.0% [A]	8.3%	-	8.3%	-	-	-
Apparel, Shoes, & Jewelry	12.0% [A]	11.1%	11.1%	-	-	-	-
Home	6.0% [A]	5.5%	-	-	-	5.5%	-
Entertainment, Electronics, & Toys	14.0% [A]	12.9%	-	6.5%	-	-	6.5%
Seasonal and Hardlines	12.0% [A]	11.1%	-	5.5%	-	-	5.5%
Total	100.0%	100.0%	11.1%	25.8%	45.5%	5.5%	12.0%
Non-Grocery	59.0% [B]	54.5% [D]					

Notes:

(1) Sales categories reported by the California State BOE. CBRE Consulting matched the Wal-Mart sales categories with the BOE categories. Sales categories irrelevant to the Wal-Mart portion of this analysis (Eating and Drinking Places, Building Materials, Auto Dealers and Auto Supplies, and Service Stations) are not presented here. If the type of good was believed to span more than one BOE category, CBRE Consulting apportioned the percentage of sales based upon examination of merchandising at representative Wal-Mart stores and professional judgment.

(2) See Exhibit 3. Wal-Mart presents the percentage of sales for the all operating segments stores combined in its 10-K filing.

(3) Grocery percentage of sales estimated in Exhibit 5. Other Wal-Mart sales categories percentage of sales estimated based on a proportional adjustment.

(4) When reporting data for cities, the BOE's General Merchandise category includes drug store sales.

Source: CBRE Consulting.

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EXHIBIT 6
ESTIMATED DISTRIBUTION OF KOHL'S STORE SALES BY CALIFORNIA STATE BOARD OF EQUALIZATION (BOE) CATEGORY
2007

All Kohl's Stores (1)		Allocation of Kohl's Sales into State Board of Equalization Categories (2)			
Type of Goods	Percent of Sales	Apparel	General Merchandise	Home Furnishings and Appliances	Other Retail
Women's Apparel	32.6%	32.6%	-	-	-
Men's Apparel	18.8%	18.8%	-	-	-
Home	18.5%	-	-	18.5%	-
Children's Apparel	12.7%	12.7%	-	-	-
Accessories	9.3%	-	-	-	9.3%
Footwear	8.1%	8.1%	-	-	-
Subtotal	100.0%	72.2%	0.0%	18.5%	9.3%
Competitive Redistribution of Apparel Sales (3)	72.4%	36.1%	36.1%	-	-
Competitive Adjustment Total	100.0%	36.1%	36.1%	18.5%	9.3%

Notes:

(1) United States Securities and Exchange Commission, Kohl's Corp. Fiscal Year 2007 Form 10-K.

(2) Sales categories reported by State of California BOE. Matching of Kohl's sales categories to BOE categories is based upon CBRE Consulting's professional judgement. Sales categories irrelevant to this analysis are not presented here.

(3) Apparel sales in the City of Clovis are largely underrepresented in BOE sales data due to the presence of large retailers like Sears, Mervyn's, Target, and Gottschalk's at the Sierra Vista Mall, whose sales are all categorized as general merchandise sales, but with substantial apparel sales. In the interest of consistency, apparel stores at the Clovis-Herndon Shopping Center whose sales are competitive with these existing general merchandise retailers had their sales partially redistributed to the general merchandise category. This redistribution was based on a conservative allocation from the Fresno MSA Average of Apparel category products' sales at General Merchandise stores, per the Economic Census 2002 - Product Line Subject Series of Retail Trade for MSA. This redistribution resulted in a 50/50 split of currently designated apparel store sales between the Apparel and General Merchandise BOE categories.

Sources: United States Securities and Exchange Commission, Kohls Corp. Fiscal Year 2007 Form 10-K; California Board of Equalization; U.S. Census Bureau, Economic Census 2002, Sector 44: Retail Trade: Subject Series - Product Lines: Product Lines by Kind of Business: 2002, Release Date 10/27/05; and CBRE Consulting.

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EXHIBIT 7
ESTIMATED DISTRIBUTION OF ROSS STORE SALES BY CALIFORNIA STATE BOARD OF EQUALIZATION (BOE) CATEGORY
2007

All Ross Stores (1)		Allocation of Ross Sales into State Board of Equalization Categories (2)			
Type of Goods	Percent of Sales	Apparel	General Merchandise	Home Furnishings and Appliances	Other Retail
Ladies Apparel	32.0%	32.0%	-	-	-
Home Accents and Bed and Bath	23.0%	-	-	23.0%	-
Men's Apparel	15.0%	15.0%	-	-	-
Fine Jewelry, Accessories, Fragrances	11.0%	-	-	-	11.0%
Children's Apparel	10.0%	10.0%	-	-	-
Shoes	9.0%	9.0%	-	-	-
Subtotal	100.0%	66.0%	0.0%	23.0%	11.0%
Competitive Redistribution of Apparel Sales (3)	66.0%	33.0%	33.0%	-	-
Competitive Adjustment Total	100.0%	33.0%	33.0%	23.0%	11.0%

Notes:

(1) United States Securities and Exchange Commission, Ross Stores, Inc. Fiscal Year 2007, Form 10-K

(2) Sales categories reported by State of California BOE. Matching of Ross sales categories to BOE categories is based upon CBRE Consulting's professional judgement. Sales categories irrelevant to this analysis are not presented here.

(3) Apparel sales in the City of Clovis are largely underrepresented in BOE sales data due to the presence of large retailers like Sears, Mervyn's, Target, and Gottschalk's at the Sierra Vista Mall, whose sales are all categorized as general merchandise sales, but with substantial apparel sales. In the interest of consistency, apparel stores at the Clovis-Herndon Shopping Center whose sales are competitive with these existing general merchandise retailers had their sales partially redistributed to the general merchandise category. This redistribution was based on a conservative allocation from the Fresno MSA Average of Apparel category products' sales at General Merchandise stores, per the Economic Census 2002 - Product Line Subject Series of Retail Trade for MSA. This redistribution resulted in a 50/50 split of currently designated apparel store sales between the Apparel and General Merchandise BOE categories.

Sources: United States Securities and Exchange Commission, Ross Stores, Inc. Fiscal Year 2007 Form 10-K; California Board of Equalization; U.S. Census Bureau, Economic Census 2002, Sector 44: Retail Trade: Subject Series - Product Lines: Product Lines by Kind of Business: 2002, Release Date 10/27/05; and CBRE Consulting.

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**EXHIBIT 8
ESTIMATED WAL-MART AND OTHER STORE SALES BY CATEGORY
2011**

Retail Store or Category	Estimated Sales (1)	Sales Category							
		Apparel (2)	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Service Stations	Other Retail
Wal-Mart Supercenter (2)	\$87,086,648	\$9,256,143	\$21,597,666	\$38,042,625	\$811,033	\$4,628,071	-	\$2,723,623	\$10,027,488
Apparel (Such as Kohl's) (3)	\$19,810,440	\$7,151,569	\$7,151,569	-	-	\$3,664,931	-	-	\$1,842,371
Apparel (Such as Ross Dress for Less) (3)	\$8,208,270	\$2,708,729	\$2,708,729	-	-	\$1,887,902	-	-	\$902,910
Apparel (Such as Old Navy) (3)	\$3,849,480	\$1,924,740	\$1,924,740	-	-	-	-	-	-
Petco	\$2,101,680	-	-	-	-	-	-	-	\$2,101,680
Home Furnishings and Appliances Store	\$6,350,400	-	-	-	-	\$6,350,400	-	-	-
Sit Down Restaurants	\$6,381,180	-	-	-	\$6,381,180	-	-	-	-
Hardware Store	\$3,497,580	-	-	-	-	-	\$3,497,580	-	-
Specialty Retail Stores	\$4,087,260	-	-	-	-	-	-	-	\$4,087,260
Office Supply Store	\$2,770,200	-	-	-	-	-	-	-	\$2,770,200
Fast Food Franchises	\$2,688,660	-	-	-	\$2,688,660	-	-	-	-
Shoe Store (3)	\$1,032,750	\$516,375	\$516,375	-	-	-	-	-	-
Home Furnishings Store	\$1,437,750	-	-	-	-	\$1,437,750	-	-	-
Apparel Store (3)	\$1,753,920	\$876,960	\$876,960	-	-	-	-	-	-
Total (4)	\$151,056,218	\$22,434,515	\$34,776,039	\$38,042,625	\$9,880,873	\$17,969,054	\$3,497,580	\$2,723,623	\$21,731,909

Notes:

(1) Refer to Exhibit 2.

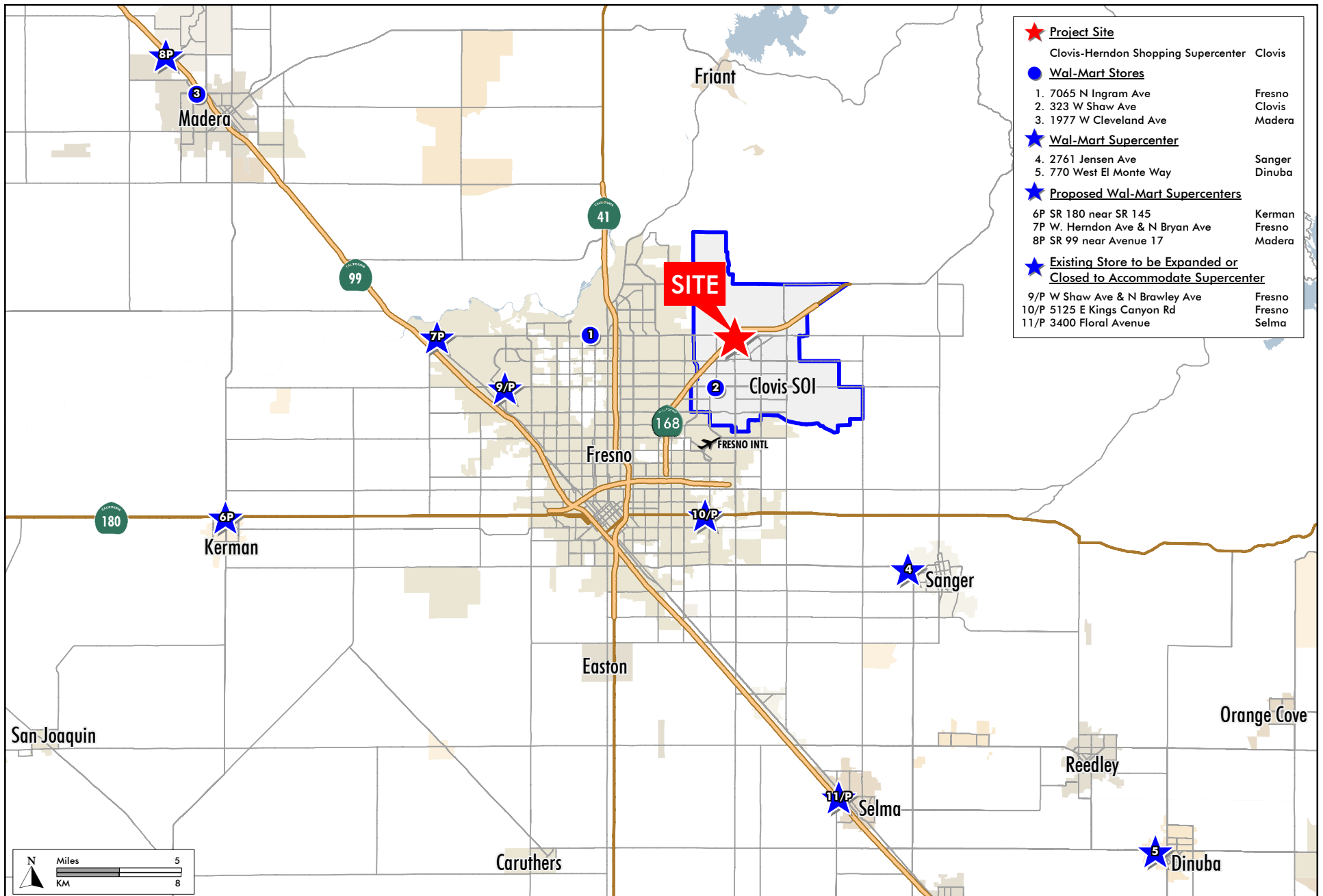
(2) Wal-Mart store sales allocated to categories based on Exhibit 5. Since the information in Exhibit 5 does not itemize potential sales allocations for eating and drinking places or service stations, CBRE Consulting made additional adjustments to the sales allocations to reflect the snack bar and Tire and Lube Express at the Clovis Wal-Mart Supercenter. CBRE Consulting took the 2,130 square feet anticipated for the snack bar as a share of the total Wal-Mart Supercenter square feet of 228,714 to estimate 0.9 percent of sales from the snack bar. Likewise, CBRE Consulting took the 7,153 square feet anticipated for the Tire and Lube Express as a share of the total Wal-Mart Supercenter square feet of 228,714 to estimate 3.1 percent of sales for the Tire and Lube Express. CBRE Consulting then applied the sales allocations from Exhibit 5 to the remaining 96 percent of sales. This new allocation resulted in a distribution of 11.1 percent to Apparel, 24.8 percent to General Merchandise, 43.7 percent to food stores, 5.3 percent to home furnishings and appliances, and 11.5 percent to other retail.

(3) Apparel sales in the City of Clovis are largely underrepresented in BOE sales data due to the presence of large retailers like Sears, Mervyn's, Target, and Gottschalk's at the Sierra Vista Mall, whose sales are all categorized as general merchandise sales, but with substantial apparel sales. In the interest of consistency, apparel stores at the Clovis-Herndon Shopping Center whose sales are competitive with these existing general merchandise retailers had their sales partially redistributed to the general merchandise category. This redistribution was based on a conservative allocation from the Fresno MSA Average of Apparel category products' sales at General Merchandise stores, per the Economic Census 2002 - Product Line Subject Series of Retail Trade for MSA. This redistribution resulted in a 50/50 split of currently designated apparel store sales between the Apparel and General Merchandise BOE categories.

(4) Figures may not total due to rounding.

Sources: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Census Bureau, Economic Census 2002, Sector 44: Retail Trade: Subject Series - Product Lines: Product Lines by Kind of Business: 2002, Release Date 10/27/05; and CBRE Consulting.

Exhibit 9: Project Site, Market Area and Surrounding Wal-Mart Stores



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**EXHIBIT 10
POPULATION ASSUMPTIONS
CITY OF CLOVIS AND SPHERE OF INFLUENCE (SOI)
2000 - 2013**

Area	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average Annual Growth Rate		
											'00-'05	'05-'10	'10-'13
City of Clovis (1)	68,468	85,789	89,740	91,836	94,278	95,757	97,849	100,639	103,429	106,229	4.61%	2.67%	2.78%
Sphere of Influence Increment (2)	6,658	8,765	9,260	9,571	9,923	9,923	9,923	9,923	9,923	9,923	5.65%	n/a	n/a
Total	75,126	94,554	99,000	101,407	104,201	105,680	107,772	110,562	113,352	116,152	4.71%	2.65%	2.53%

Notes:

(1) The City of Clovis Finance Department provided the current 2008 population as well as projections from their five-year forecast. Population data for 2000-2007 are provided by California State Department of Finance. Population projections for the City of Clovis also includes anticipated growth in its Sphere of Influence. It is presumed these areas will eventually be annexed to the City; therefore, the population projections for the City of Clovis includes all the anticipated growth in both the City of Clovis and its Sphere of Influence.

(2) The Clovis Sphere of Influence Increment population reflects the current population base within the City's Sphere of Influence. Data provided by Claritas. Average annual growth rates calculated from 2000 data and 2008 estimate were used to estimate the years in between and then benchmarked to the City of Clovis data (See Appendix B). Population projections for the SOI are reflected in the City of Clovis projection figures, see footnote 1.

Sources: City of Clovis Finance Department; California State Department of Finance; Claritas; and CBRE Consulting.

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**EXHIBIT 11
CLOVIS WAL-MART ECONOMIC IMPACT STUDY
RETAIL SALES SPENDING AND LEAKAGE ANALYSIS (1)
CITY OF CLOVIS AND SPHERE OF INFLUENCE (SOI)**

Type of Retailer	PER CAPITA (2)			TOTAL			
	Fresno County Avg. Sales (3)	Clovis Spending (4)	Clovis Sales (5)	Clovis Spending	Clovis Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores	\$366	\$422	\$377	\$42,794,000	\$38,181,214	(\$4,612,786)	(10.8%)
General Merchandise Stores (6)	\$1,848	\$2,033	\$3,839	\$206,145,000	\$389,308,000	\$183,163,000	47.0%
Food Stores (7)	\$2,283	\$2,393	\$3,029	\$242,714,000	\$307,165,529	\$64,451,529	21.0%
Eating and Drinking Places	\$1,044	\$1,146	\$1,308	\$116,185,000	\$132,631,249	\$16,446,249	12.4%
Home Furnishings and Appliances	\$317	\$361	\$157	\$36,604,000	\$15,913,395	(\$20,690,605)	(56.5%)
Building Materials (8)	\$1,295	\$1,439	\$1,576	\$145,919,000	\$159,806,820	\$13,887,820	8.7%
Auto Dealers and Auto Supplies	\$1,236	\$1,389	\$3,173	\$140,899,000	\$321,760,518	\$180,861,518	56.2%
Service Stations	\$973	\$1,048	\$704	\$106,229,000	\$71,425,237	(\$34,803,763)	(32.8%)
Other Retail Stores (9)	<u>\$1,403</u>	<u>\$1,544</u>	<u>\$1,281</u>	<u>\$156,528,000</u>	<u>\$129,935,561</u>	<u>(\$26,592,439)</u>	<u>(17.0%)</u>
Totals	\$10,764	\$11,775	\$15,444	\$1,194,017,000	\$1,566,127,522	\$372,110,522	23.8%

Notes:

- (1) All figures are expressed in constant 2007 dollars. See Appendices C and D for annualization.
- (2) Estimated 2007 population figure of 101,407 per Exhibit 10.
- (3) Control area defined as Fresno County. Population figure of 935,417 for Fresno County was calculated using interim growth rates based on 2005 and 2010 county population figures taken from Council of Fresno County Governments.
- (4) Analysis assumes average household incomes as reported by Claritas, Inc., a national provider of economic and demographic data. These incomes are \$58,572 for Fresno County and \$69,255 for the City of Clovis.
- (5) Taxable sales data are retail sales obtained from the Board of Equalization for the City of Clovis, as there are few taxable retail establishments located outside the of the City.
- (6) Includes general merchandise and drug stores. Drug stores are assumed to comprise 9.6 percent of total general merchandise sales based on CBRE Consulting's analysis of control area averages. Taxable transactions for drug stores have been adjusted by 0.33, to account for non-taxable sales.
- (7) Taxable transactions for grocery stores have been adjusted by 0.30 to account for non-taxable sales.
- (8) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.
- (9) Other retail stores includes packaged liquor stores, gifts, art goods and novelties, sporting goods, florists, photographic equipment and supplies, musical instruments, stationery and books, jewelry, office and school supplies, second-hand merchandise, farm and garden supply stores, mobile homes/trailers and campers, boat and motorcycle dealers, and miscellaneous other retail stores.

Sources: State Board of Equalization "Taxable Sales in California- 2006 and 2007"; Council of Fresno County Governments; Department of Finance; Claritas, Inc.; and CBRE Consulting.
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**EXHIBIT 12
AVERAGE PER CAPITA RETAIL SPENDING BY CATEGORY AND AGGREGATE NEW DEMAND
CITY OF CLOVIS AND SPHERE OF INFLUENCE (SOI)
2011 ESTIMATE**

Retail Category	Clovis SOI	
	Spending (1)	New Demand (2)
Apparel Stores	\$422	\$3,863,488
General Merchandise Stores	\$2,033	\$18,611,113
Food Stores	\$2,393	\$21,912,607
Eating and Drinking Places	\$1,146	\$10,489,381
Home Furnishings and Appliances	\$361	\$3,304,626
Building Materials	\$1,439	\$13,173,841
Auto Dealers and Auto Supplies	\$1,389	\$12,720,576
Service Stations	\$1,048	\$9,590,507
Other Retail Stores	\$1,544	\$14,131,603
Total	\$11,775	\$107,797,743

Notes:

(1) See Exhibit 11.

(2) Represents the total new demand generated by population added to the area between 2007 and 2011. A total population increase of 9,155 is projected for Clovis SOI between 2007 and 2011. See Exhibit 10 for demographic projections.

Sources: Exhibits 10 and 11; State of California Bureau of Labor Statistics, Taxable Sales in California 2006; and CBRE Consulting.

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EXHIBIT 13
ESTIMATE OF STORE SALES AND CAPTURE RATES BY CATEGORY (1)
CLOVIS-HERNDON SHOPPING CENTER
2011
IN 2011 DOLLARS

Retail Store or Category	Clovis-Herndon Shopping Center Estimated Total Sales (2) [A]	Market Area Estimated Total Sales (3) [B]	Total Market Area Sales Including Clovis-Herndon Shopping Center [C = A + B]	Clovis-Herndon Shopping Center Market Area Capture Rates (4) [D = A / C]
Apparel	\$22,434,515	\$38,181,214	\$60,615,729	37.0%
General Merchandise	\$34,776,039	\$389,308,000	\$424,084,039	8.2%
Food Stores	\$38,042,625	\$307,165,529	\$345,208,154	11.0%
Eating and Drinking Places	\$9,880,873	\$132,631,249	\$142,512,122	6.9%
Home Furnishings and Appliances	\$17,969,054	\$15,913,395	\$33,882,449	53.0%
Building Materials	\$3,497,580	\$159,806,820	\$163,304,400	2.1%
Service Stations	\$2,723,623	\$71,425,237	\$74,148,860	3.7%
Other Retail (5)	\$21,731,909	\$129,935,561	\$151,667,469	14.3%
Total Estimated Sales	\$151,056,218	\$1,244,367,004	\$1,395,423,222	10.8%

Notes:

(1) Retail categories to which no sales are allocated are not shown in this exhibit.

(2) See Exhibit 8.

(3) See Exhibit 11, excluding Auto Dealers and Supplies.

(4) Represents the assumed percentage of new demand that may be captured by the Clovis-Herndon Shopping Center within the market area. Capture rates were developed based on comparing the share of the Clovis-Herndon Shopping Center 2011 projected sales to the total retail sales in the market area and taking into consideration many factors, including other market area shopping opportunities, and population projections. It is likely that not all the Center's sales will be a net addition to the market area; however, this is a conservative approach to provide minimum conservative capture rate assumptions for the Clovis-Herndon Shopping Center.

Source: CBRE Consulting.

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**EXHIBIT 14
NEW DEMAND GENERATED BY POPULATION GROWTH BETWEEN 2007 AND 2011 IN RELEVANT RETAIL CATEGORIES
MARKET AREA CAPTURE RATES
IN 2011 DOLLARS**

Retail Category	Market Area					
	New Demand (1)	Market Area Stores Capture Rates (2)	Captured Market Area Sales [C = A * B]	Clovis-Herndon Shopping Center Capture Rates (3)	Demand Captured Clovis-Herndon Shopping Center [E = C * D]	Remaining Potential Market Area Demand From New Households (4)
	[A]	[B]		[D]		[F = C - E]
Apparel	\$3,863,488	90.0%	\$3,477,139	37.0%	\$1,286,926	\$2,190,214
General Merchandise	\$18,611,113	95.0%	\$17,680,557	8.2%	\$1,449,854	\$16,230,704
Food Stores	\$21,912,607	95.0%	\$20,816,977	11.0%	\$2,294,072	\$18,522,904
Eating and Drinking	\$10,489,381	80.0%	\$8,391,504	6.9%	\$581,813	\$7,809,692
Home Furnishings	\$3,304,626	80.0%	\$2,643,701	53.0%	\$1,402,047	\$1,241,653
Building Materials	\$13,173,841	90.0%	\$11,856,457	2.1%	\$253,936	\$11,602,521
Service Stations	\$9,590,507	75.0%	\$7,192,881	3.7%	\$264,208	\$6,928,673
Other Retail	\$14,131,603	95.0%	\$13,425,023	14.3%	\$1,923,625	\$11,501,398
Totals (5)	\$95,077,167		\$85,484,239		\$9,456,481	\$76,027,759

Notes:

(1) See Exhibit 12.

(2) Represents the percentage of new demand that may be captured by all stores within the market area. Capture rates were developed by analyzing population projections and the levels of attraction while taking into consideration the range and depth of retail in the market area and creating allowances for purchases made on the internet, from catalogs, and away from home.

(3) See Exhibit 13.

(4) Comprises demand available for capture by other market area retailers besides the stores at the proposed Clovis-Herndon Shopping Center.

(5) Figures may not total due to rounding.

Source: CBRE Consulting

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EXHIBIT 15
MAXIMUM POTENTIAL RECAPTURED LEAKAGE IN RELEVANT RETAIL CATEGORIES
CLOVIS-HERNDON SHOPPING CENTER
2011, IN 2011 DOLLARS

Retail Category	Clovis SOI		
	Clovis SOI Spending Leakage (1)	Clovis-Herndon Shopping Center Capture Rate (2)	Maximum Potential Clovis-Herndon Shopping Center Recaptured Leakage (3)
Apparel	(\$4,612,786)	37.0%	(\$1,707,241)
General Merchandise	\$183,163,000	8.2%	\$0
Food Stores	\$64,451,529	11.0%	\$0
Eating and Drinking	\$16,446,249	6.9%	\$0
Home Furnishings	(\$20,690,605)	53.0%	(\$10,972,955)
Building Materials	\$13,887,820	2.1%	\$0
Service Stations	(\$34,803,763)	3.7%	(\$1,278,406)
Other Retail	(\$26,592,439)	14.3%	(\$3,810,339)
Total (4)	\$191,249,004		(\$17,768,941)

Notes:

- (1) See Exhibit 11 for leakage figures.
- (2) Capture rates were developed based on consideration of many factors, including other market area shopping opportunities and the planned location of future households. The capture rates match the Clovis-Herndon Shopping Center capture rates for new demand in Exhibit 14.
- (3) Comprises leakage available for recapture by existing retailers or other new retailers in the market area.
- (4) Figures may not total due to rounding.

Source: CBRE Consulting.

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EXHIBIT 16
POTENTIAL SALES IMPACTS IN RELEVANT RETAIL CATEGORIES
CLOVIS-HERNDON SHOPPING CENTER
2011, IN 2011 DOLLARS

Retail Category	Clovis-Herndon Shopping Center Total Sales (1) [A]	Clovis-Herndon Shopping Center Sales From Market Area (2) [B = % of A]	Sales Captured By Household Growth (3) [C]	Potential Recaptured Leakage (4) [D]	Remaining Potential Sales Impacts [E = B - C - D]
Apparel	\$22,434,515	\$17,947,612	\$1,286,926	\$1,707,241	\$14,953,446
General Merchandise	\$34,776,039	\$27,820,831	\$1,449,854	\$0	\$26,370,977
Food Stores	\$38,042,625	\$30,434,100	\$2,294,072	\$0	\$28,140,027
Eating and Drinking	\$9,880,873	\$7,904,698	\$581,813	\$0	\$7,322,886
Home Furnishings	\$17,969,054	\$14,375,243	\$1,402,047	\$10,972,955	\$2,000,240
Building Materials	\$3,497,580	\$2,798,064	\$253,936	\$0	\$2,544,128
Service Stations	\$2,723,623	\$2,178,898	\$264,208	\$1,278,406	\$636,285
Other Retail	\$21,731,909	\$17,385,527	\$1,923,625	\$3,810,339	\$11,651,563
Totals	\$151,056,218	\$120,844,974	\$9,456,481	\$17,768,941	\$93,619,553

Notes:

(1) See Exhibit 8.

(2) CBRE Consulting estimates that 20 percent of sales at Clovis-Herndon Shopping Center will be attributed to consumers residing outside of the primary market area.

(3) See Exhibit 14.

(4) See Exhibit 15.

Source: CBRE Consulting.

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**EXHIBIT 17
POTENTIAL SALES DIVERSIONS IN RELEVANT RETAIL CATEGORIES
CLOVIS-HERNDON SHOPPING CENTER
2011, IN 2011 DOLLARS**

Retail Category	Clovis-Herndon Shopping Center Potential Sales Impacts (1)	Balance of New Demand for Other Market Area Retailers (2)	Potential Sales Diversions (3)	2011 Sales Base (4)	% of Sales Diverted from Existing Retailers	% of Sales Diverted Above Typical Market Variation (5)
	[A]	[B]	[C = A - B]	[D]	[E = C / D]	[F = E - .03]
Apparel	\$14,953,446	\$2,190,214	\$12,763,233	\$38,181,214	33.4%	30.4%
General Merchandise	\$26,370,977	\$16,230,704	\$10,140,274	\$389,308,000	2.6%	0.0%
Food Stores	\$28,140,027	\$18,522,904	\$9,617,123	\$307,165,529	3.1%	0.1%
Eating and Drinking	\$7,322,886	\$7,809,692	\$0	\$132,631,249	0.0%	0.0%
Home Furnishings	\$2,000,240	\$1,241,653	\$758,587	\$15,913,395	4.8%	1.8%
Building Materials	\$2,544,128	\$11,602,521	\$0	\$159,806,820	0.0%	0.0%
Service Stations	\$636,285	\$6,928,673	\$0	\$71,425,237	0.0%	0.0%
Other Retail	\$11,651,563	\$11,501,398	\$150,165	\$129,935,561	0.1%	0.0%
Totals	\$93,619,553	\$76,027,759	\$33,429,381	\$1,244,367,004	2.7%	

Notes:

(1) See Exhibit 16.

(2) See Exhibit 14.

(3) If demand available for other market area retailers is greater than the intermediary potential sales diversions (i.e., if Column B is greater than Column A), then there are no potential sales diversions (i.e., Column C is zero).

(4) See Exhibit 11, excluding Auto Dealers and Auto Supplies

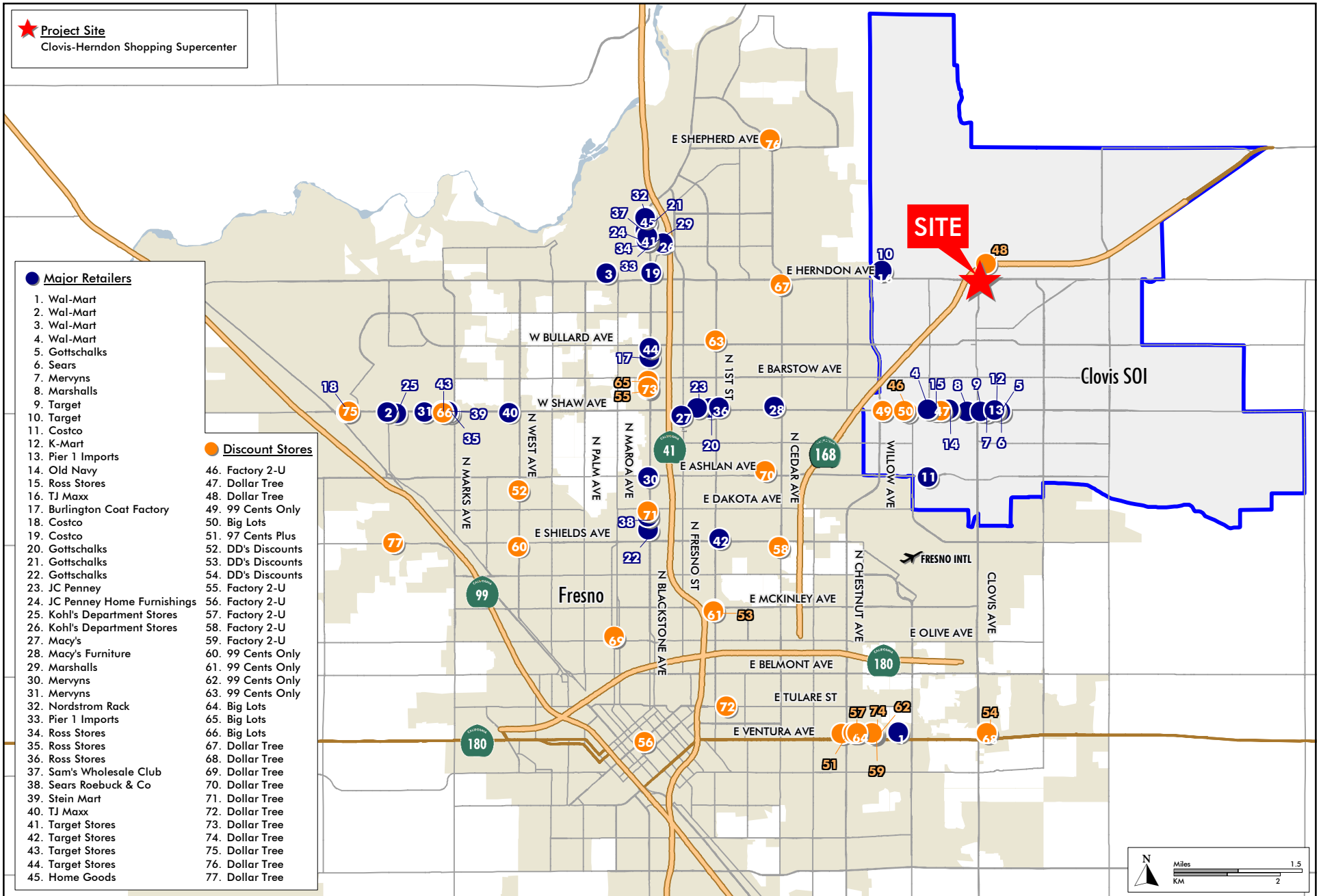
(5) Based on the assumption that a sales fluctuation of 3.0 percent is a typical market condition, the percent diversion has been reduced by 3.0 percentage points to arrive at an estimated diversion above the typical market variation.

Source: CBRE Consulting.

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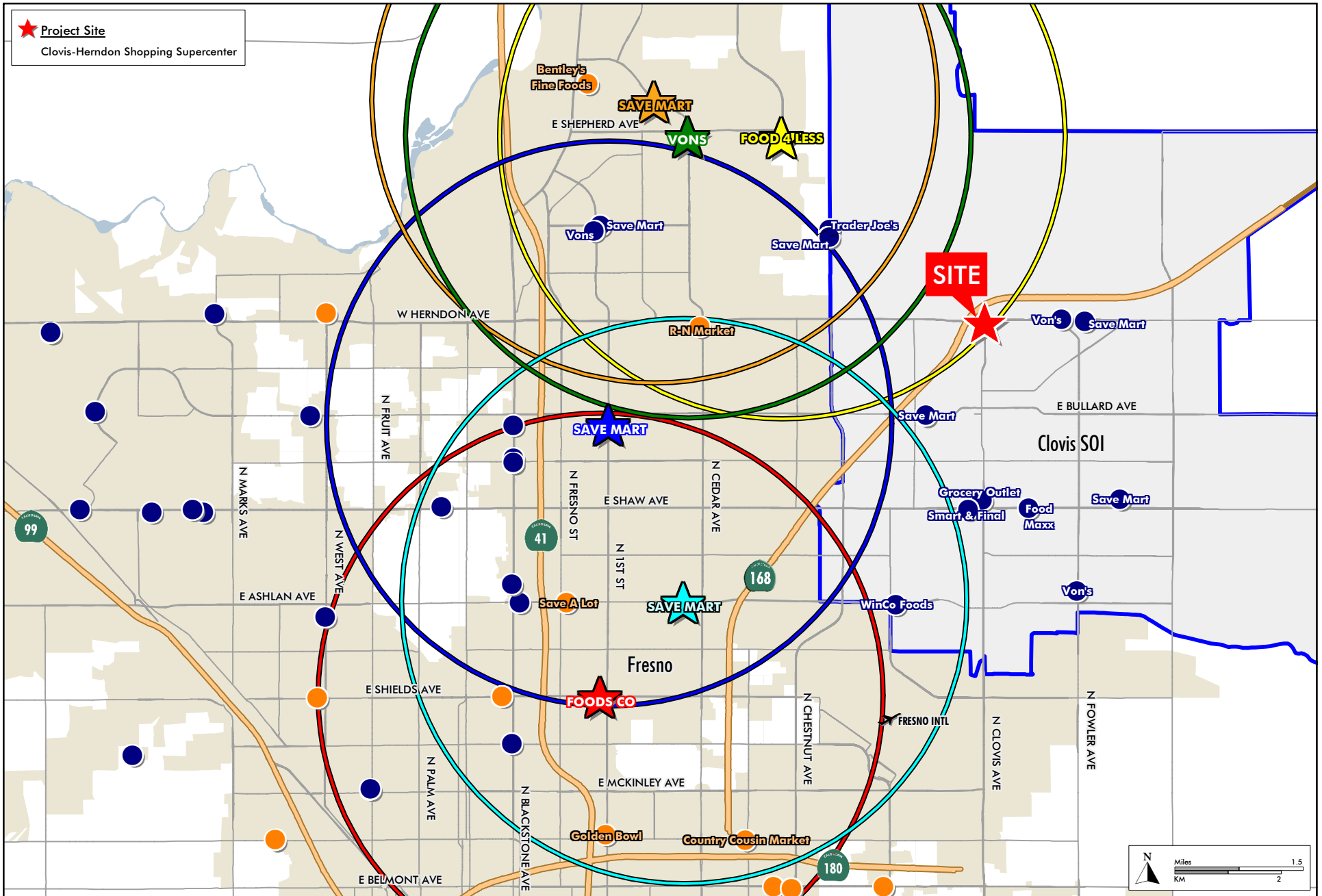
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Exhibit 19: Select General Merchandise, Apparel and Discount Stores in Clovis and Fresno



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Exhibit 20: Select Grocery Stores in Northeast Fresno and 3-mile Trade Area



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EXHIBIT 21
TRADE AREA POPULATION OF SELECTED SUPERMARKETS IN NORTHEAST FRESNO (1)
2008 - 2013

Store	3-Mile Radius Population, 2008			Percent in Clovis SOI	3-Mile Radius Population, 2013		
	Fresno	Clovis SOI	Total		Fresno	Clovis SOI	Total
Save Mart (Champlain/Perrin)	83,496	6,750	90,246	7.5%	95,398	9,165	104,563
Vons (Shepherd/Cedar)	90,385	10,677	101,062	10.6%	103,265	14,123	117,388
Food 4 Less (Shepherd/Chestnut)	88,267	20,100	108,367	18.5%	102,494	25,516	128,010
Save Mart (Bullard/N 1st)	139,252	10,285	149,537	6.9%	147,455	11,505	158,960
Save Mart (Ashlan/Cedar)	154,902	23,271	178,173	13.1%	162,833	25,734	188,567
Foods Co (Shields/N 1st)	183,236	2,174	185,410	1.2%	191,713	2,335	194,048

Notes:

(1) For the purposes of analysis, the trade area for each store is defined as the area within a 3-mile radius of the store. Population estimates and projections provided by Claritas, Inc.

Sources: Claritas, Inc; and CBRE Consulting.

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EXHIBIT 22
OFFSETTING EFFECTS OF POPULATION GROWTH IN NORTHEAST FRESNO
2008 - 2013

Store	3-Mile Population, 2008		Potential Consumer Base at Risk (1)		Population Gain 2008-2013	
	Total	% in Clovis SOI	Percent	Total	Fresno	Clovis SOI
Save Mart (Champlain/Perrin)	90,246	7.5%	3.7%	3,375	11,902	2,415
Vons (Shepherd/Cedar)	101,062	10.6%	5.3%	5,339	12,880	3,446
Food 4 Less (Shepherd/Chestnut)	108,367	18.5%	9.3%	10,050	14,227	5,416
Save Mart (Bullard/N 1st)	149,537	6.9%	3.4%	5,143	8,203	1,220
Save Mart (Ashlan/Cedar)	178,173	13.1%	6.5%	11,636	7,931	2,463
Foods Co (Shields/N 1st)	185,410	1.2%	0.6%	1,087	8,477	161

Notes:

(1) Reflects the potential loss in the store's trade area population should the store lose 50 percent of the trade area population from Clovis SOI.

Sources: Claritas, Inc; and CBRE

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**EXHIBIT 23
SURVEY OF OTHER POTENTIAL MAJOR RETAIL DEVELOPMENT ACTIVITY (1)
MARKET AREA AND BORDERING THE MARKET AREA
AUGUST 2008**

Area/Project	Location	New Square Feet	Status/Information
<u>Market Area (Clovis)</u>			
Von's Center Addition - Tractor Supply Co.	SWC Herndon and Fowler Aves.	135,026	Amendment to add pad building, tenant will be Tractor Supply Co., an agriculture related store, 116,161-square-foot building with an 18,865-square-foot garden area. Under plan check. Expected completion in 2009.
Herndon and Ash Center	NWC of Herndon and Ash Aves.	47,400	Under construction, tenants are unknown. Expected completion in 2008.
Fresh and Easy Anchored Center	SWC Shaw and Fowler	34,204	Site plan has been approved. Space will include a 13,975-square-foot Fresh and Easy. Expected completion in 2009.
Tollhouse and Sunnyside Center	SEC Tollhouse Rd. and Sunnyside Ave.	16,165	Under construction, commercial space. Tenants unknown. Expected completion in 2008.
Fresh and Easy Store	SEC of Shaw and Willow Aves.	14,486	Fresh and Easy is reoccupying an existing building formerly occupied by a liquor store. The building is currently undergoing tenant improvements. The new permit for Fresh and Easy was issued July 2008. The store is expected to open in 2008.
Thomason Development	NWC Herndon and Fowler Aves.	13,969	Under construction, includes a Fresh and Easy. Expected completion in 2008.
<u>Bordering the Market Area</u>			
Herndon and Willow Center	NWC Willow Ave. and E Herndon Ave.	161,355	This proposed project is a community retail center comprised of 12 buildings that is planned to begin construction in the second quarter of 2009. Estimated completion in 2010. Winco Foods is the likely anchor tenant.
Campus Pointe Shopping Center	NEC Chestnut and Shaw Aves.	150,750	Campus Pointe is a proposed mixed-used, public/private project that will be located on approximately 45 acres of Cal State Fresno University land east of Chestnut Avenue and West of State Route 168. The development will include a hotel, a 14-screen theater, multi-family and senior housing, and approximately 150,750 square feet of retail space.
The Shops at Herndon and Willow	SWC Herndon and Willow Aves.	76,000	Under construction. Phase I including Walgreens anchor and two outparcel buildings of approximately 15,000 square feet are currently under construction. Expected completion in 2008.
Total		649,355	

Note:

(1) CBRE Consulting included projects with 10,000 square feet for the City of Clovis and 20,000 square feet for Fresno projects. Smaller sized projects were not deemed competitive with the Clovis-Herndon Shopping Center.

Sources: City of Clovis Planning Department; City of Fresno Planning Department; Costar; CBRE Fresno; Prime Commercial; Grubb & Ellis; Retail California; and CBRE Consulting.

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EXHIBIT 24
SALES ESTIMATES FOR MAJOR PLANNED RETAIL DEVELOPMENTS
MARKET AREA AND BORDERING THE MARKET AREA
2011, IN 2011 DOLLARS

Name or Type	Average Sales Per Sq. Foot 2007 (1)	Adjusted Sales per Sq. Ft. 2011 (2)	Estimated Square Feet (3)	Estimated Store Sales 2011 (4)	Market Area Share of Sales (5)
	[A]	[B = A*.9%]	[C]	[D=B*C]	[E = D * %]
<u>Market Area (Clovis)</u>					
Von's Center Addition - Tractor Supply Co.	\$304	\$274	135,026	\$36,943,114	\$29,554,491
Herndon and Ash	\$392	\$353	47,400	\$16,722,720	\$16,722,720
Fresh and Easy Anchored Center					
Fresh and Easy	\$524	\$472	13,975	\$6,590,610	\$6,590,610
Neighborhood Center Retail	\$392	\$353	20,229	\$7,136,791	\$7,136,791
Subtotal			34,204	\$13,727,401	\$13,727,401
Tollhouse and Sunnyside	\$392	\$353	16,165	\$5,703,012	\$5,703,012
Fresh and Easy Store	\$524	\$472	14,486	\$6,831,598	\$3,415,799
Thomason Development - Fresh and Easy	\$524	\$472	13,969	\$6,587,780	\$6,587,780
<u>Bordering the Market Area</u>					
The Shops at Herndon and Willow	\$392	\$353	161,355	\$56,926,044	\$28,463,022
Campus Pointe Shopping Center	\$392	\$353	150,750	\$53,184,600	\$26,592,300
Herndon and Willow Center					
Walgreens	\$812	\$731	14,000	\$10,231,200	\$5,115,600
Neighborhood Center Retail	\$392	\$353	62,000	\$21,873,600	\$10,936,800
Subtotal			76,000	\$32,104,800	\$16,052,400
Total			649,355	\$228,731,069	\$146,818,925

Notes:

- (1) CBRE Consulting relied on Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2008 average sales per square foot.
(2) Estimated Store Sales figures were lowered by 10% to reflect lower sales performance among Clovis retailers. CBRE Consulting also examined confidential store sales data for major Clovis retailers and compared the stores' sales with national averages. While sales performance among individual retailers varies, many retailers in Clovis are performing below the national average; in some cases store sales are down by up to 30% compared to the national average. Additionally, according to the City of Clovis, sales tax receipts have been declining in recent quarters. Between the first quarters of 2007 and 2008, the most recent quarterly data available at the time of the study, sales tax net cash receipts (includes revenues from retail stores and non-retail businesses) declined 7.7 percent in the City of Clovis.
(3) See Exhibit 23, "Survey of Other Potential Major Retail Development Activity." Square footage was estimated for centers with known retailers and unknown breakdown of square footage.
(4) CBRE Consulting conservatively estimated 2011 sales using the assumption that sales will remain flat given the state of the current economy and general sales declines among retailers.
(5) CBRE Consulting assumed each development's share of sales based on industry guidelines for defining shopping center market areas, and the project size, description, and location. Market share ranges between 50 percent and 100 percent.

Sources: U.S. Bureau of Labor Statistics, Consumer Price Index for the State of California; Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2008; and CBRE Consulting.

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EXHIBIT 25
CATEGORIZATION OF MAJOR PLANNED RETAIL DEVELOPMENT SALES
MARKET AREA AND BORDERING THE MARKET AREA
2011, IN 2011 DOLLARS

	Estimated Market Area Sales 2011 (2)	Sales Category (1)						
		Apparel	General Merchandise	Food Stores	Eating And Drinking Places	Home Furnishings and Appliances	Building Materials	Other Retail
<u>Market Area</u>								
Von's Center Addition - Tractor Supply Co.	\$29,554,491	\$0	\$0	\$0	\$0	\$0	\$5,910,898	\$23,643,593
Herndon and Ash	\$16,722,720	\$0	\$4,180,680	\$0	\$4,180,680	\$0	\$0	\$8,361,360
Fresh and Easy Anchored Center								
Fresh and Easy	\$6,590,610	\$0	\$0	\$6,590,610	\$0	\$0	\$0	\$0
Neighborhood center	\$7,136,791	\$0	\$1,784,198	\$0	\$1,784,198	\$0	\$0	\$3,568,396
Subtotal	\$13,727,401							
Tollhouse and Sunnyside	\$5,703,012	\$0	\$1,425,753	\$0	\$1,425,753	\$0	\$0	\$2,851,506
Fresh and Easy Store	\$3,415,799	\$0	\$0	\$3,415,799	\$0	\$0	\$0	\$0
Thomason Development - Fresh and Easy	\$6,587,780	\$0	\$0	\$6,587,780	\$0	\$0	\$0	\$0
<u>Bordering the Market Area</u>								
Campus Pointe Shopping Center	\$26,592,300	\$0	\$6,648,075	\$0	\$6,648,075	\$0	\$0	\$13,296,150
Herndon and Willow Center								
Walgreens	\$5,115,600	\$0	\$5,115,600	\$0	\$0	\$0	\$0	\$0
Neighborhood Center Retail	\$10,936,800	\$0	\$2,734,200	\$0	\$2,734,200	\$0	\$0	\$5,468,400
Subtotal	\$16,052,400							
The Shops at Herndon and Willow	\$28,463,022	\$0	\$7,115,756	\$0	\$7,115,756	\$0	\$0	\$14,231,511
Total	\$146,818,925	\$0	\$29,004,261	\$16,594,189	\$23,888,661	\$0	\$5,910,898	\$71,420,915

Notes:

- (1) Sales categories reported by State of California BOE. Sales categories irrelevant to this analysis are not presented here.
(2) Estimated sales figures are from Exhibit 24, "Sales Estimates for Major Planned Retail Developments," Column E.

Source: CBRE Consulting.

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**EXHIBIT 26
POTENTIAL RETAIL SALES IMPACTS FROM CUMULATIVE PROJECTS
CLOVIS-HERNDON SHOPPING CENTER
2011, IN 2011 DOLLARS**

Retail Category	Sales From Clovis-Herndon Shopping Center Market Area (1)	Other Cumulative Projects Market Area Sales (2)	Total Cumulative Market Area Sales	Demand Captured by Population Growth (3)	Potential Recaptured Leakage		Impacts from Cumulative Projects (6)
	[A]	[B]	[C = A + B]	[D]	Total Recaptured Leakage (4)	Remaining Recaptured Leakage (5)	
Apparel	\$17,947,612	\$0	\$17,947,612	\$3,477,139	\$1,707,241	\$0	\$12,763,233
General Merchandise	\$27,820,831	\$29,004,261	\$56,825,092	\$17,680,557	\$0	\$0	\$39,144,535
Food Stores	\$30,434,100	\$16,594,189	\$47,028,289	\$20,816,977	\$0	\$0	\$26,211,312
Eating and Drinking	\$7,904,698	\$23,888,661	\$31,793,360	\$8,391,504	\$0	\$0	\$23,401,855
Home Furnishings	\$14,375,243	\$0	\$14,375,243	\$2,643,701	\$10,972,955	\$2,396,850	\$0
Building Materials	\$2,798,064	\$5,910,898	\$8,708,962	\$11,856,457	\$0	\$0	\$0
Service Stations	\$2,178,898	\$0	\$2,178,898	\$7,192,881	\$1,278,406	\$6,968,107	\$0
Other Retail	\$17,385,527	\$71,420,915	\$88,806,442	\$13,425,023	\$3,810,339	\$14,955,700	\$56,615,380
Totals	\$120,844,974	\$146,818,925	\$267,663,899	\$85,484,239	\$17,768,941	\$24,320,657	\$158,136,315

Notes:

- (1) See Exhibit 8 for baseline sales from the Clovis-Herndon Shopping Center. CBRE Consulting estimates that 80 percent of sales at the center will be attributed to consumers residing inside of the market area. This estimate is based on industry guidelines for defining shopping center market areas, the location of the shopping center, and its proximity to major highways.
- (2) See Exhibit 25 for baseline sales from the other cumulative projects. For the other cumulative projects the sales from within the market area is estimated to range between 50 percent and 100 percent based on assumptions developed by CBRE Consulting.
- (3) Represents sales captured by population growth in the Clovis-Herndon Shopping Center market area. See Exhibit 15 for the sales captured by population growth in the market area. The figures per category include all new demand projected in Exhibit 14.
- (4) See Exhibit 15 for potential recaptured leakage estimates. Between Clovis-Herndon Shopping Center and other cumulative stores in the market area, there are \$22.4 million in potential recaptured leakage. However, sales cannot be recaptured in retail categories that are currently attraction categories. These categories therefore have \$0 in potential recaptured leakage.
- (5) Remaining recaptured leakage was estimated by multiplying the market area spending estimated in Exhibit 11 with the market area capture rates in Exhibit 14, then subtracting the sales estimates in Exhibit 11 and the Center's total recaptured leakage.
- (6) Includes proposed Clovis-Herndon Shopping Center. If demand captured by population growth and recaptured leakage is equal to or greater than market area sales the anticipated impact is \$0.

Source: CBRE Consulting.

EXHIBIT 27
CUMULATIVE PROJECT IMPACTS AS PERCENTAGE OF 2011 MARKET AREA SALES BASE
2011, IN 2011 DOLLARS

Retail Category	Sales From Existing Retailers (1) [A]	Potential Cumulative Project Impacts (2) [B]	Cumulative Project Impacts On Sales Base [C = B / A]	% of Sales Diverted Above Typical Market Variation (3) [D = C - .03]
Apparel	\$38,181,214	\$12,763,233	33.4%	30.4%
General Merchandise	\$389,308,000	\$39,144,535	10.1%	7.1%
Food Stores	\$307,165,529	\$26,211,312	8.5%	5.5%
Eating and Drinking	\$132,631,249	\$23,401,855	17.6%	14.6%
Home Furnishings	\$15,913,395	\$0	0.0%	0.0%
Building Materials	\$159,806,820	\$0	0.0%	0.0%
Service Stations	\$71,425,237	\$0	0.0%	0.0%
Other Retail	\$129,935,561	\$56,615,380	43.6%	40.6%
Totals	\$1,244,367,004	\$158,136,315	12.7%	--

Notes:

(1) See Exhibit 11, excluding Auto Dealers and Auto Supplies.

(2) See Exhibit 26.

(3) Based on the assumption that a sales fluctuation of 3.0 percent is a typical market condition, the percent diversion has been reduced by 3.0 percentage points to arrive at an estimated diversion above the typical market variation.

Source: CBRE Consulting.

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**EXHIBIT 28
SURVEY OF OTHER POTENTIAL MAJOR RETAIL DEVELOPMENT ACTIVITY (1)
OUTSIDE THE MARKET AREA IN NORTHEAST FRESNO
AUGUST 2008**

Area/Project	Location	New Square Feet	Status/Information
<u>Outside the Market Area Under Construction</u>			
The Village at Granite Park	North Cedar and Hampton Aves.	81,500	Under construction. This recreational center represents a private/public partnership for the creation of a unique zoning designation. The development will feature an array of theme park attractions, restaurants, retail, and a climbing gym in addition to medical and office space. The total gross leaseable area is approximately 244,000 square feet. Expected completion in 2010.
<u>Outside the Market Area Proposed</u>			
Fresno 40	N Fresno St. and Friant Ave.	209,650	This proposed project is planned for up to 209,650 square feet of retail space, in addition to 278,200 square feet of office space and 24 residential units. 40 acres comprise Phase I, with corporate offices across the street and high exposure to Highway 41. Estimated completion in 2013.
Shepherd and Willow Center	NWC Shepherd & Willow Aves.	177,800	The proposed shopping center will feature 2nd floor space that may include office, studio, or residential uses. The retail component is over 50% leased.
Unnamed Center	SEC Shields and Fowler Aves.	120,510	This proposed retail center will feature a food warehouse, drugstore, and restaurants on a 16-acre parcel.
The Ranch at Copper River	NWC Copper and Maple Rd.	120,000	Part of the proposed 700-acre Copper River Ranch master-planned community surrounded by the Copper River Golf Course and many active subdivisions.
Santa Barbara Plaza	NWC First and Herndon Ave.	107,118	A proposed high-end, mixed-use specialty center anchored by Starbucks and four sit-down restaurants.
Piazza Verona Shopping Center	NEC Chestnut and Nees Ave.	96,000	The proposed Piazza Verona Shopping Center will feature over 96,000 square feet of upscale retail shop space and free standing pads. It will incorporate open plazas and walkways, colonnaded frontage, and water fountains.
Copper River Plaza	NEC Copper and Maple Rd.	50,000	The proposed Copper River Plaza will feature 140,000 square feet of mixed use retail (50,000 square feet of retail anchored by Rite-Aid) and high-profile offices overlooking the Copper River Country Club.
River Park (expansion)	N Fresno St. & Nees Ave.	47,500	A proposed open-air, upscale design will complement the surrounding high income multi-floor office complexes. This center offers high-end amenities, freeway access, and street signage visibility. There are 130,500 sq. ft. designated for office and 47,500 sq. ft. designated for retail.
Fresno-Clovis Business Park	NEC Clovis St. and Herndon Ave.	37,400	The proposed retail component of the office park features over 30,000 square feet of retail space in a cluster of 4 buildings with an additional 6,500 sq. ft. in a stand-alone pad, and one more 1,600-square-foot, end-cap space neighboring a Yukon Jack's restaurant.
Total New Retail Square Feet		1,047,478	

Notes:

(1) CBRE Consulting included projects greater than 20,000 square feet for Fresno projects. Smaller sized projects were not deemed competitive with the Clovis-Herndon Shopping Center.

Sources: City of Clovis Planning Department; City of Fresno Planning Department; Costar; CBRE Fresno; Prime Commercial; Grubb & Ellis; Retail California; and CBRE Consulting.

**APPENDIX B
CALCULATION OF CLOVIS SPHERE OF INFLUENCE (SOI) DEMOGRAPHICS**

	City of Clovis Claritas Data (1)	City of Clovis Data (2)	Ratio of Claritas Portion to City Data	SOI Claritas Data	SOI City of Clovis Data
	[A]	[B]	[C = B / A]	D	[E = D * C]
<u>Population</u>					
2000	68,468	68,468	100.0%	6,658	6,658
2001	71,219	70,456	98.9%	6,994	6,919
2002	74,080	73,161	98.8%	7,348	7,257
2003	77,057	76,624	99.4%	7,719	7,676
2004	80,153	81,099	101.2%	8,109	8,205
2005	83,373	85,789	102.9%	8,519	8,765
2006	86,723	89,740	103.5%	8,949	9,260
2007	90,208	91,836	101.8%	9,401	9,571
2008	93,832	94,278	100.5%	9,876	9,923

Notes:

(1) The average annual growth rate is calculated from the Claritas data for 2000, 2008, and 2013 to estimate the years in between.

(2) City of Clovis Finance Department provided the current 2008 population as well as projections from their five year forecast. Population data for 2000 through 2007 provided by California State Department of Finance.

Sources: City of Clovis Department of Finance; Claritas Inc., "2008 Projections"; and CBRE Consulting.
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APPENDIX C
2007 ANNUALIZED RETAIL SALES (1)
CITY OF CLOVIS
2006 AND 2007 DOLLARS (IN 000'S)

Year	1st Quarter	2nd Quarter	1st Half of the Year Subtotal	3rd Quarter	4th Quarter	Total Year Sales	1st half Percentage of Total Year
2003	\$216,299	\$236,552	\$452,851	\$239,804	\$259,209	\$951,864	47.6%
2004	\$244,401	\$264,545	\$508,946	\$268,332	\$288,502	\$1,065,780	47.8%
2005	\$253,673	\$289,869	\$543,542	\$301,341	\$323,912	\$1,168,795	46.5%
2006	\$291,790	\$323,084	\$614,874	\$323,926	\$331,689	\$1,270,489	48.4%
2007	\$304,241	\$308,008	\$612,249	N/A	N/A	\$1,287,389	47.6% (2)

2007				
	1st Quarter	2nd Quarter	1st Half of the Year Subtotal	Estimated Total Sales (3)
Apparel Stores	\$9,115	\$9,043	\$18,158	\$38,181
General Merchandise Stores	\$77,693	\$77,147	\$154,840	\$325,585
Food Stores	\$20,333	\$23,491	\$43,824	\$92,150
Eating and Drinking Places	\$30,973	\$32,103	\$63,076	\$132,631
Home Furnishings and Appliances	\$4,015	\$3,553	\$7,568	\$15,913
Building Materials	\$38,974	\$37,026	\$76,000	\$159,807
Auto Dealers and Auto Supply	\$76,941	\$76,080	\$153,021	\$321,761
Service Stations	\$15,692	\$18,276	\$33,968	\$71,425
Other Retail	\$30,505	\$31,289	\$61,794	\$129,936
Total	\$304,241	\$308,008	\$612,249	\$1,287,389

Notes:

(1) As of August 2008, only the first two quarters of retail sales for 2007 are available from the State Board of Equalization. CBRE Consulting annualized the 2007 sales by calculating the percentage of sales from the first half of the year compared to total year for years 2003 to 2006. Then used the average of these percentages and applied the percentage to the available 2007 data.

(2) Average percentage of years 2003-2006.

(3) The sales for the first half of 2007 are divided by 47.6 percent, the average percentage of the first half of the year to the total, to estimate the total year sales.

Sources: State Board of Equalization "Taxable Sales in California- 2006 and 2007"; and CBRE Consulting.

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APPENDIX D
2007 ANNUALIZED RETAIL SALES (1)
FRESNO COUNTY
2006 AND 2007 DOLLARS (IN 000'S)

Year	1st Quarter	2nd Quarter	1st Half of the Year Subtotal	3rd Quarter	4th Quarter	Total Year Sales	1st half Percentage of Total Year
2003	\$1,595,230	\$1,771,073	\$3,366,303	\$1,824,006	\$1,858,187	\$7,048,496	47.8%
2004	\$1,765,364	\$1,940,499	\$3,705,863	\$1,969,969	\$2,054,986	\$7,730,818	47.9%
2005	\$1,881,632	\$2,149,592	\$4,031,224	\$2,250,941	\$2,274,721	\$8,556,886	47.1%
2006	\$2,072,902	\$2,324,913	\$4,397,815	\$2,353,600	\$2,307,387	\$9,058,802	48.5%
2007	\$2,130,684	\$2,271,222	\$4,401,906	N/A	N/A	\$9,201,611	47.8% (2)

2007					
	1st Quarter	2nd Quarter	1st Half of the Year Subtotal	Estimated Total Sales	
Clothing & Accessories Stores	\$71,189	\$70,549	\$141,738	\$296,285	
Shoes	\$11,588	\$10,329	\$21,917	\$45,815	
Apparel Stores	\$82,777	\$80,878	\$163,655	\$342,099	
Other General Merchandise	\$312,548	\$312,256	\$624,804	\$1,306,071	
Drug Stores	\$32,362	\$34,293	\$66,655	\$139,334	
General Merchandise Stores	\$344,910	\$346,549	\$691,459	\$1,445,405	
Food Stores	\$141,743	\$164,793	\$306,536	\$640,774	
Eating and Drinking Places	\$230,723	\$236,489	\$467,212	\$976,646	
Household and Home Furnishings	\$59,436	\$53,533	\$112,969	\$236,147	
Household Appliance Dealers	\$15,161	\$13,774	\$28,935	\$60,485	
Home Furnishings and Appliances	\$74,597	\$67,307	\$141,904	\$296,632	
Building Materials	\$207,742	\$220,727	\$428,469	\$895,659	
Farm and Garden Supply Stores	\$59,446	\$91,519	\$150,965	\$315,573	
Building Materials	\$267,188	\$312,246	\$579,434	\$1,211,231	
Automotive Group	\$485,547	\$502,866	\$988,413	\$2,066,149	
Service Stations	\$192,026	\$243,478	\$435,504	\$910,364	
Gifts, Art Goods, and Novelties	\$6,504	\$7,390	\$13,894	\$29,044	
Sporting Goods	\$17,760	\$18,839	\$36,599	\$76,505	
Florists	\$6,875	\$6,406	\$13,281	\$27,762	
Photographic Equipment and Supplies	\$1,315	\$1,724	\$3,039	\$6,353	
Musical Instruments and Music Stores	\$6,115	\$5,973	\$12,088	\$25,268	
Stationery and Books	\$24,396	\$16,810	\$41,206	\$86,136	
Jewelry	\$13,092	\$13,874	\$26,966	\$56,369	
Office, Store, and School Supplies	\$68,887	\$65,400	\$134,287	\$280,709	
Packaged Liquor Stores	\$17,843	\$20,956	\$38,799	\$81,104	
Second-Hand Merchandise	\$5,128	\$4,516	\$9,644	\$20,160	
Fuel and Ice Dealers	\$3,776	\$2,856	\$6,632	\$13,863	
Miscellaneous Retail	\$139,482	\$151,872	\$291,354	\$609,038	
Other Retail Stores	\$311,173	\$316,616	\$627,789	\$1,312,311	
Total	\$2,130,684	\$2,271,222	\$4,401,906	\$9,201,611	

Notes:

- (1) As of August 2008, only the first two quarters of retail sales for 2007 are available from the State Board of Equalization. CBRE Consulting annualized the 2007 sales by calculating the percentage of sales from the first half of the year compared to total year for years 2003 to 2006. Then used the average of these percentages and applied the percentage to the available 2007 data.
- (2) Average percentage of years 2003-2006.
- (3) The sales for the first half of 2007 are divided by 47.8 percent, the average percentage of the first half of the year to the total, to estimate the total years sales.

Sources: State Board of Equalization "Taxable Sales in California- 2006 and 2007"; and CBRE Consulting.

APPENDIX E
TRANSLATION OF U.S. ECONOMIC CENSUS RETAIL SALES CATEGORIES TO BOE CATEGORIES
KINDS OF BUSINESSES BY BROAD PRODUCT LINE
GENERAL MERCHANDISE STORES
2002 DOLLARS (\$000'S)

US Census Sales Category	Retail Sales (in 000's)	BOE Category	Percent of Total	Category Percentage
Children's wear, including boys' (sizes 2 to 7 & 8 to 20), girls' (sizes 4 to 6x & 7 to 14), & infants' & toddlers' clothing & accessories	\$19,496,298	Apparel	4.45%	} 24.90%
Footwear, including accessories	\$10,205,733	Apparel	2.33%	
Jewelry, including watches, watch attachments, novelty jewelry etc	\$7,818,804	Apparel	1.78%	
Men's wear Women's, juniors', & misses' wear	\$24,881,238 \$46,770,091	Apparel Apparel	5.67% 10.67%	
Automotive fuels	\$130,831	Auto Dealers and Auto Supplies	0.03%	} 1.61%
Automotive lubricants, including oil, greases, etc	\$1,109,606	Auto Dealers and Auto Supplies	0.25%	
Automotive tires, tubes, batteries, parts accessories	\$5,834,640	Auto Dealers and Auto Supplies	1.33%	
Dimensional lumber & other building/structural materials & supplies, including heating stoves & prefabricated fireplaces, spas, hot tubs & saunas, stock kitchen & bathroom cabinets to be installed	\$84,712	Building Materials	0.02%	} 4.64%
Hardware, tools, & plumbing & electrical supplies, including ceiling fans & light fixtures	\$8,996,682	Building Materials	2.05%	
Lawn, garden, & farm equipment & supplies, cut flowers; plants & shrubs; fertilizers; animal feed, other than for pets, etc	\$9,423,200	Building Materials	2.15%	
Paint and Sundries	\$1,859,594	Building Materials	0.42%	
Wallpaper & other flexible wallcoverings	\$186	Building Materials	0.00%	
Meals, unpackaged snacks, sandwiches, ice cream & yogurt, baker items & non-alcoholic beverages generally served for immediate consumption.		Eating & Drinking Places	0.00%	

Continued...

APPENDIX E (CONTINUED)
TRANSLATION OF U.S. ECONOMIC CENSUS RETAIL SALES CATEGORIES TO BOE CATEGORIES
KINDS OF BUSINESSES BY BROAD PRODUCT LINE
GENERAL MERCHANDISE STORES
2002 DOLLARS (\$000'S)

US Census Sales Category	Retail Sales (in 000's)	BOE Category	Percent of Total	Category Percentage
Groceries & other food items for human consumption off the premises, including bottles, canned, or packaged soft drinks; candy; gum; packaged snacks; etc.	\$80,007,499	Food Stores	18.25%	} 18.96%
Packaged Liquor, wine & beer	\$3,136,009	Food Stores	0.72%	
Drugs, health aids, beauty aids, including cosmetics	\$53,481,662	General Merchandise	12.20%	} 17.09%
Paper & related products, including paper towels, toilet tissue, wraps, bags, foils, etc.	\$9,517,305	General Merchandise	2.17%	
Soaps, detergents and household cleaners	\$11,921,033	General Merchandise	2.72%	
Curtains, draperies, blinds, slipcovers, bed & table coverings	\$12,402,090	Home Furnishings & Appliances	2.83%	} 14.47%
Flooring and floor coverings	\$845,853	Home Furnishings & Appliances	0.19%	
Furniture, sleep equipment & outdoor/patio furniture	\$8,035,151	Home Furnishings & Appliances	1.83%	
Kitchen & home furn, incl cookware, cooking access, dinnerware, glassware, giftware, decorative access & lighting, clocks, mirrors, closet & bathroom access, outdoor charcoal grills, planters, etc	\$14,403,319	Home Furnishings & Appliances	3.29%	
Major household appl incl vacuum cleaners, sewing machines, refrigerators, freezers, dehumidifiers, room air-conditioners, dishwashers, ranges, microwaves, washers & dryers, outdoor gas grills, etc.	\$10,641,300	Home Furnishings & Appliances	2.43%	
Small electric appliances, including mixers, blenders, can openers, toasters, coffee makers, fry pans & personal care appliances, such as hair dryers, curling irons, shavers, etc.	\$5,725,410	Home Furnishings & Appliances	1.31%	
Televisions, video records, video cameras, video tapes, DVDs, etc including electronic game/dvd combination devices, parts and accessories	\$11,412,022	Home Furnishings & Appliances	2.60%	

Continued...

APPENDIX E (CONTINUED)
TRANSLATION OF U.S. ECONOMIC CENSUS RETAIL SALES CATEGORIES TO BOE CATEGORIES
KINDS OF BUSINESSES BY BROAD PRODUCT LINE
GENERAL MERCHANDISE STORES
2002 DOLLARS (\$000'S)

US Census Sales Category	Retail Sales (in 000's)	BOE Category	Percent of Total	Category Percentage
All other merchandise	\$17,408,161	Other Retail	3.97%	} 18.32%
All other merchandise	\$3,882,957	Other Retail	0.89%	
Audio equipment, musical instruments, radios, stereos, compact discs, records, tapes, audio tape books, sheet music, accessories	\$9,815,273	Other Retail	2.24%	
Books	\$2,613,668	Other Retail	0.60%	
Cigars, cigarettes, tobacco, & smoker's accessories, excluding sales from vending machines operated by others	\$7,107,737	Other Retail	1.62%	
Computer hardware, software, & supplies, including computer game software	\$3,856,557	Other Retail	0.88%	
Household fuels, including oil, LP gas, wood, coal	\$66,316	Other Retail	0.02%	
Optical goods, including eyeglasses, contact lenses, sunglasses, etc	\$1,816,227	Other Retail	0.41%	
Pets, pet foods & pet supplies	\$6,067,104	Other Retail	1.38%	
Photographic equipment & supplies	\$2,323,042	Other Retail	0.53%	
Sewing, knitting materials & supplies, needlework goods, including fabrics, patterns, sewing supplies, notions, yarns, laces, trimmings, needlework kits, etc.	\$2,253,502	Other Retail	0.51%	
Sporting goods, including saddlery, boats, personal watercraft, snowmobiles, al-terrain vehicles (ATVs), golf cars, & other motorized sport vehicles, bicycles, parts & accessories, etc	\$9,114,181	Other Retail	2.08%	
Toys, hobby goods, & games, including stuffed animals, video & electronic games, electronic game devices & wheel goods, except bicycles	\$13,985,515	Other Retail	3.19%	
	\$438,450,508		100.00%	

Sources: U.S. Census Bureau, "2002
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APPENDIX F
U.S. SALES GROWTH/DECLINE (PER SQUARE FOOT) FOR MAJOR RETAIL CATEGORIES
1995-2007

Sector	Annualized			
	1995 - 1999	2000 - 2003	2003 - 2005	2006 - 2007
Shopping Center-Based	0.30%	-2.10%	-0.20%	-0.60%
Shopping Center-Anchors	-0.50%	-4.60%	0.60%	1.40%
Shopping Center Inline Soft Goods	0.00%	-0.90%	1.60%	-0.20%
Shopping Center Inline Hard Goods	1.10%	-1.70%	-2.70%	-2.60%
Inline Shopping Center Shops	0.20%	0.30%	2.50%	N/A
Accessories	-0.30%	6.70%	6.10%	0.60%
Lingerie, Handbags, Glasses	2.10%	9.40%	6.70%	N/A
Jewelry	-2.00%	4.50%	5.50%	0.30%
Health, Beauty, & Aids/Personal-Home	-0.70%	-5.60%	-0.50%	-2.60%
Apparel-Specialty	0.60%	-2.50%	1.70%	-1.40%
Kids	-1.40%	-6.70%	5.60%	-0.30%
Lifestyle-Brands	1.60%	-3.50%	0.00%	-2.90%
New Brands	0.90%	-2.00%	-0.90%	-8.20%
Old Brands	2.30%	-5.00%	1.00%	3.50%
Teen	2.80%	-2.90%	4.10%	-2.10%
New Brands	2.20%	-1.90%	1.80%	-4.20%
Old Brands	3.70%	-4.60%	7.80%	-0.50%
Women's Apparel	2.30%	1.10%	0.90%	-4.30%
Shopping Center-Based Apparel	1.30%	0.00%	0.40%	-3.40%
Strip Center Apparel	4.80%	5.00%	2.70%	-8.00%
Apparel-Men's	-3.40%	-1.50%	0.50%	0.10%
Shopping Center-Based	-2.80%	-0.60%	-2.90%	4.50%
Strip Center (Off-Price)	-4.00%	-2.60%	4.40%	-4.70%
Shoes	2.60%	0.00%	-0.50%	-1.10%
Athletic Shoes	0.20%	0.60%	0.20%	0.80%
Family Shoes	5.50%	-0.40%	-0.90%	-2.30%
Department Stores	-0.50%	-4.60%	0.60%	1.40%
National Chains	-0.40%	-5.80%	3.10%	N/A
Regional Chains	-1.00%	-7.40%	-1.60%	N/A
Moderate-Price	2.50%	-4.50%	2.20%	N/A
Upscale	-0.50%	-0.70%	1.60%	N/A
Discounters	1.60%	2.50%	0.70%	0.40%
National Discount Chains	3.40%	-3.00%	3.10%	-0.70%
Regional Discount Chains	1.60%	13.30%	-1.30%	0.00%
Deep Discount/Dollar Stores	-1.10%	0.80%	-1.00%	2.70%
Supercenter	N/A	1.80%	-1.20%	7.20%

Continued...

APPENDIX F (CONTINUED)
U.S. SALES GROWTH/DECLINE (PER SQUARE FOOT) FOR MAJOR RETAIL CATEGORIES
1995-2007

Sector	Annualized			
	1995 - 1999	2000 - 2003	2003 - 2005	2006 - 2007
Off-Pricers	1.20%	-2.30%	0.30%	1.70%
Family/Women's Off-Price	2.60%	-1.80%	0.20%	3.60%
Men's Off-Price	-4.00%	-2.60%	4.40%	-4.70%
Supermarkets	1.00%	2.30%	2.60%	2.20%
Multiregional Supermarkets	1.50%	1.10%	2.70%	4.90%
US Multiregionals	1.80%	-0.10%	3.90%	8.60%
Foreign Multiregionals	1.40%	2.70%	4.00%	-2.50%
Leading U.S. Multiregionals	1.70%	1.40%	4.00%	N/A
Regional Supermarkets	0.40%	-0.60%	1.10%	1.30%
Niche Supermarkets				
Natural Foods/Specialty	2.10%	7.90%	6.50%	4.20%
High-End/High-Service Chains	1.60%	1.60%	5.30%	1.20%
Deep Discount/Value Grocers	0.40%	7.50%	3.20%	1.30%
Warehouse Clubs	4.60%	2.50%	5.40%	2.40%
Home Décor/Domestics	-0.40%	4.30%	-1.80%	-4.60%
Shopping Center-Lifestyle Centers Home	0.40%	8.50%	-1.10%	-4.10%
Superstores-Home Décor	2.80%	3.30%	-2.40%	-6.50%
Furniture	6.30%	-2.60%	1.90%	5.30%
Top Tier Furniture	9.10%	-5.10%	2.90%	0.80%
Retail Chains Furniture	2.30%	2.10%	0.10%	28.70%
Home Improvement (DIY)	2.70%	-4.10%	1.30%	-6.90%
Top Tier	3.00%	-4.10%	2.30%	-6.90%
Junk Credits	0.40%	0.60%	-2.10%	N/A
Electronics	-1.40%	-1.10%	1.80%	-3.50%
National/Superstores	1.00%	2.70%	3.80%	-3.40%
Regional Chains	-4.30%	-7.00%	-1.90%	-3.60%
Office Supplies	0.30%	-0.80%	0.90%	-4.90%
Pet Supplies	-2.80%	7.30%	2.20%	-1.30%
Sports	2.60%	-1.20%	-1.50%	-4.60%
Superstores	3.60%	-0.10%	-1.60%	-5.40%
Shopping Center-Based/Specialty	-0.80%	-5.50%	-1.40%	-1.20%
Toys	-1.30%	-2.20%	-0.90%	-2.90%
Auto (DIY)	-2.90%	1.00%	-0.60%	-1.70%
Entertainment	-1.40%	-1.50%	-5.80%	-0.30%
Book Superstores	0.00%	-3.40%	1.60%	0.20%
Music Superstores	-2.10%	-2.60%	-0.50%	1.20%
Video Stores	-1.50%	8.60%	-2.40%	9.40%
Video Gaming	-1.50%	-1.80%	-10.40%	-2.80%
Theaters	1.90%	5.00%	-0.80%	2.80%

Continued...

APPENDIX F (CONTINUED)
U.S. SALES GROWTH/DECLINE (PER SQUARE FOOT) FOR MAJOR RETAIL CATEGORIES
1995-2007

Sector	Annualized			
	1995 - 1999	2000 - 2003	2003 - 2005	2006 - 2007
Catalog & Closeout	4.90%	-4.90%	-6.90%	-4.30%
Catalog Stores	7.10%	-6.60%	-7.90%	-4.80%
Closeout Stores	-3.40%	3.20%	-2.30%	-2.00%
Gifts, Hobbies, Fabrics	-2.50%	-6.50%	0.90%	0.60%
Fabrics	-3.60%	-7.60%	-0.70%	-1.50%
Gifts, Hobbies	2.70%	5.10%	1.20%	-4.00%
Drug Stores	2.30%	2.40%	0.60%	8.10%
National Drug Store Chains	4.90%	2.80%	1.30%	2.90%
Regional Drug Store Chains	-0.20%	1.90%	-0.30%	7.30%
Restaurants	1.40%	1.80%	0.90%	-1.20%
Casual Dining	0.80%	4.50%	3.40%	0.40%
Family Dining	0.30%	5.80%	-1.00%	-4.00%
Specialty Restaurants	4.10%	-0.20%	-0.60%	-3.80%
Fast Food Chains	-1.00%	-1.30%	2.40%	2.60%

Notes:

(1) Retail MAXIM 2006 created annualized percentage changes corresponding to three discrete time periods: the Late Boom Period (1995-1999), the Recovery Period (2000-2003), and the Transition Period (2003-2005). Data for 2006-2007 were added from Retail MAXIM 2008.

Sources: Retail MAXIM's "Perspectives on Retail Real Estate and Finance," September-August 2006; and Retail MAXIM's "Perspectives on Retail Real Estate and Finance," July 2008.

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