

# KIRKLAND DOWNTOWN STRATEGIC PLAN

## Market Analysis Summary: Part I

Note: Additional "Part II" material will be provided at the August 23, 2007 DAC Meeting.

### 1.0 INVENTORY OF RETAIL AND OFFICE SPACE

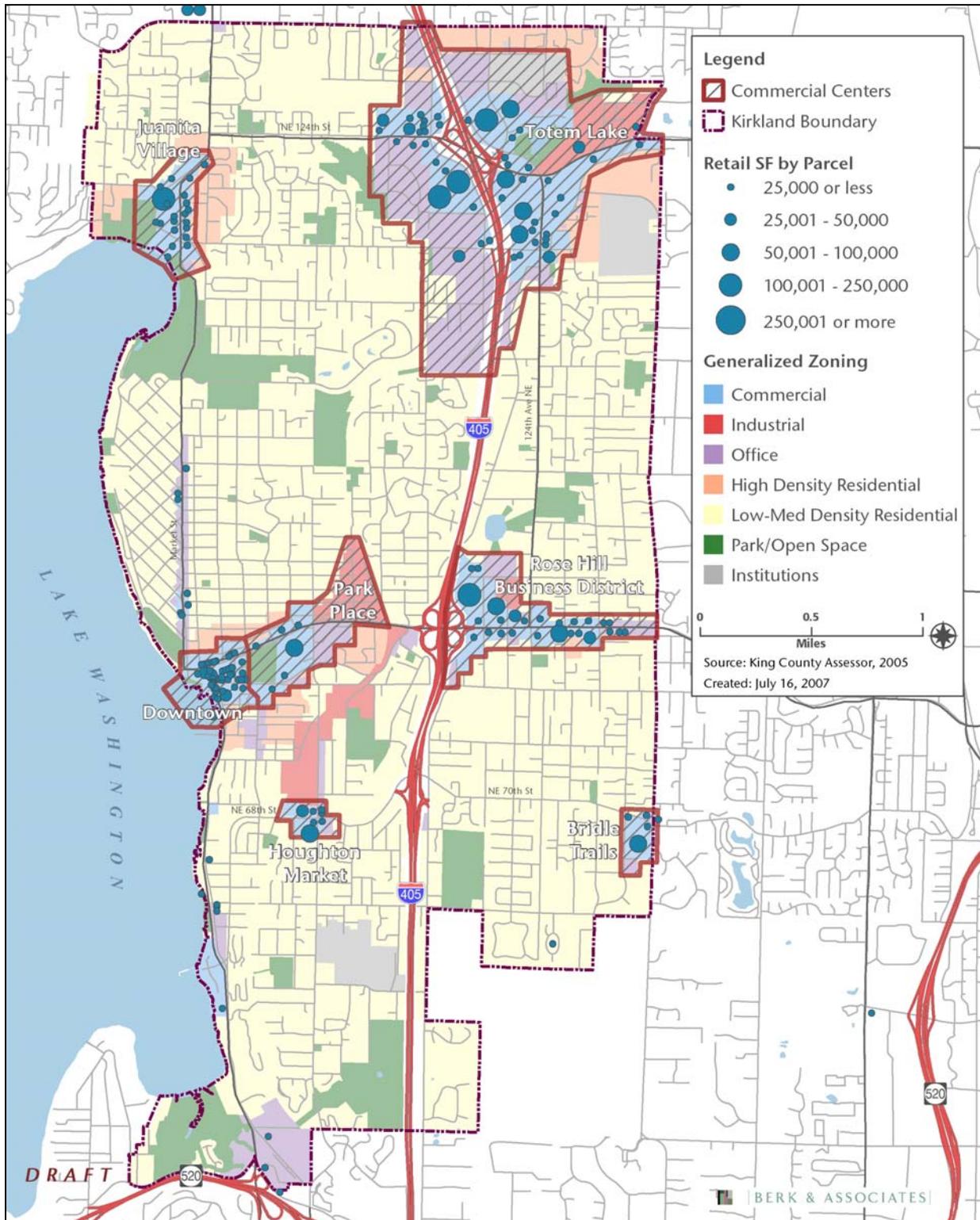
#### Exhibit 1 Retail and Office Square Footage in Kirkland, 2005

Retail Area	Retail Space		Office Space	
	Gross SF	% of Total	Gross SF	% of Total
Downtown	365,915	13%	133,922	3%
Park Place	117,834	4%	609,870	12%
Rose Hill Business District	462,779	17%	123,952	2%
Totem Lake	1,264,456	46%	1,555,902	31%
Juanita Village	251,796	9%	109,195	2%
Houghton Market	106,867	4%	86,278	2%
Bridle Trails	99,782	4%	2,854	0%
Other	67,126	2%	2,385,902	48%
<b>Total Downtown/Park Place</b>	<b>483,749</b>	<b>18%</b>	<b>743,792</b>	<b>15%</b>
<b>Total all Areas</b>	<b>2,736,554</b>	<b>100%</b>	<b>5,007,875</b>	<b>100%</b>

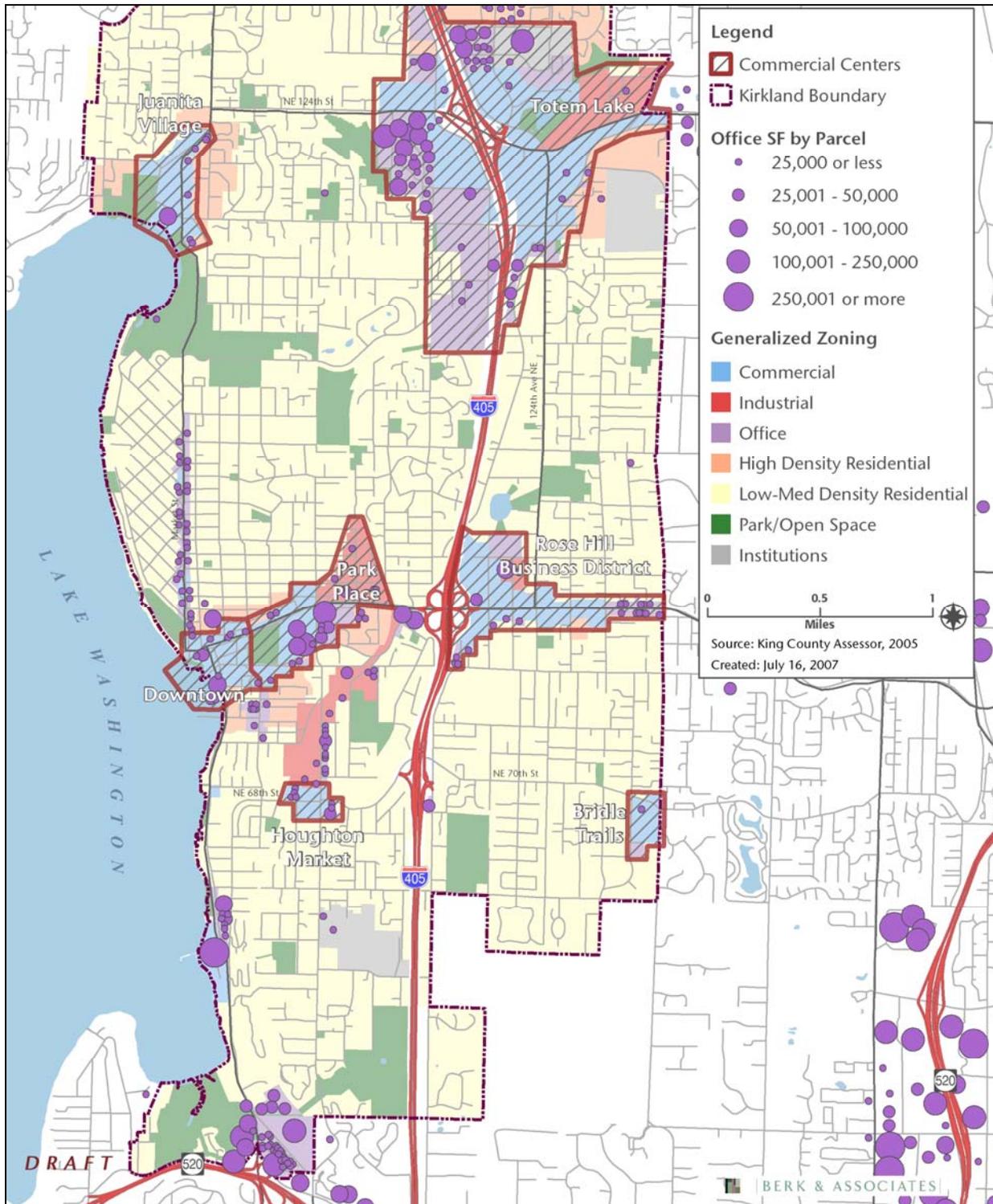
Source: King County Assessors Office, 2005

- Downtown Kirkland has over 350K SF of retail space (about 13% of the City's inventory) and Park Place adds an additional 100K SF.
- For office space, Park Place has a larger share of inventory (about 600K SF) with Downtown adding another 130K SF.
- Most of the retail and office space in Downtown Kirkland is found in smaller scale buildings.
- The largest concentration of retail space in Kirkland is in the Totem Lake area and the majority of office space is located in Totem Lake, Carillon Point, and at the 520 interchange.
- An additional 45K SF of office and 81K SF of retail space has been permitted in the Downtown area.

### Exhibit 2 Kirkland Commercial Centers, Retail Square Footage, and Zoning



### Exhibit 3 Kirkland Commercial Centers, Office Square Footage, and Zoning



## 2.0 BUSINESS LICENSE DATA

### Exhibit 4

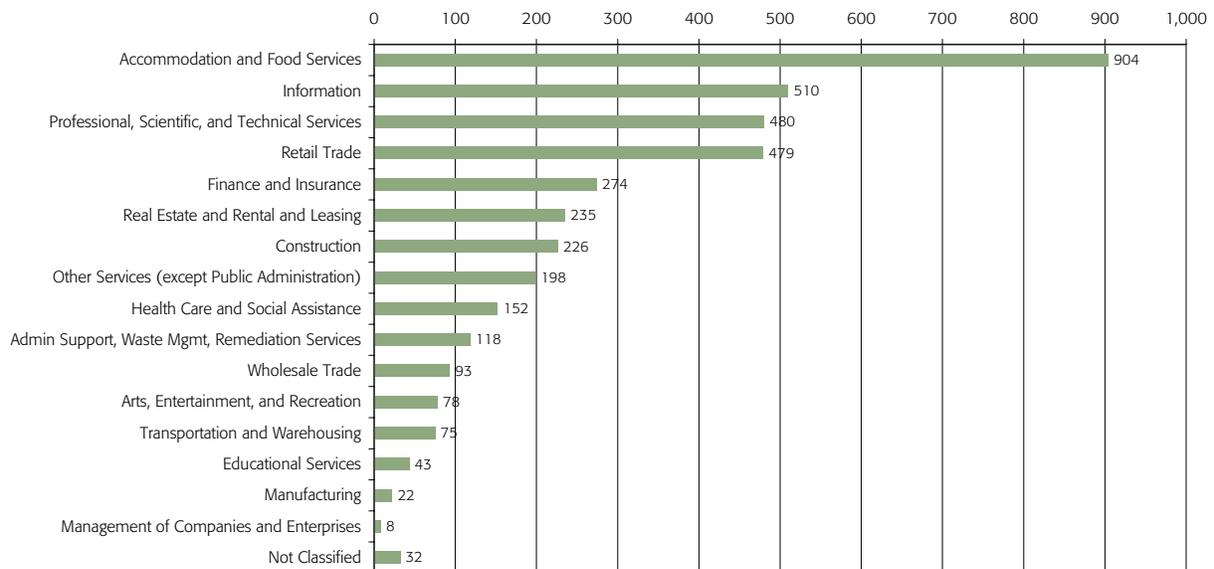
#### Employment and Count of Downtown Kirkland Businesses by Industry, 2007

2-Digit NAICS Code	Industry Description	Number of Businesses	Total Employees	% of Total Employment	Avg Employees per Business
72	Accommodation and Food Services	61	904	23%	15
51	Information	13	510	13%	39
54	Professional, Scientific, and Technical Services	103	480	12%	5
44-45	Retail Trade	96	479	12%	5
52	Finance and Insurance	50	274	7%	5
53	Real Estate and Rental and Leasing	38	235	6%	6
23	Construction	25	226	6%	9
81	Other Services (except Public Administration)	88	198	5%	2
62	Health Care and Social Assistance	52	152	4%	3
56	Admin Support, Waste Mgmt, Remediation Services	24	118	3%	5
42	Wholesale Trade	10	93	2%	9
71	Arts, Entertainment, and Recreation	14	78	2%	6
48-49	Transportation and Warehousing	4	75	2%	19
61	Educational Services	6	43	1%	7
31-33	Manufacturing	6	22	1%	4
55	Management of Companies and Enterprises	5	8	0%	2
00	Not Classified	19	32	1%	2
<b>Total all Industries</b>		<b>614</b>	<b>3,927</b>	<b>100%</b>	<b>6</b>

Source: City of Kirkland Business License Database, 2007

### Exhibit 5

#### Total Employment of Downtown Kirkland Businesses by Industry, 2007



Source: City of Kirkland Business License Database, 2007

**Exhibit 6**  
**Downtown/Park Place Business Counts and Total Employment**  
**by Business Size, 2007**

<b>Size of Business (# of Employees)</b>	<b>Number of Businesses</b>	<b>% of All Businesses</b>	<b>Total Employees</b>	<b>% of Total Employment</b>
5 or less	483	79%	975	25%
6-10	55	9%	421	11%
11-25	45	7%	752	19%
26-50	15	2%	508	13%
51-100	12	2%	802	20%
100 or more	4	1%	469	12%
<b>Total</b>	<b>614</b>	<b>100%</b>	<b>3,927</b>	<b>100%</b>

Source: City of Kirkland Business License Database, 2007

- 41% of employees in Downtown/Park Place are in the services industries (NAICS codes 51-56); 23% are in food services; and 17% are in Retail.
- **Exhibit 6** shows that 88% of Downtown/Park Place businesses are small businesses with ten or fewer employees.
- The larger businesses are primarily found in the Information Services and Full-Service Restaurant categories.

**Additional Materials to be Presented at August 23 DAC Meeting**

- Summary statistics on Downtown Kirkland retail and office space rents and vacancy rates.
- Taxable retail sales data
- Additional business license data – more detail on NAICS sub-categories

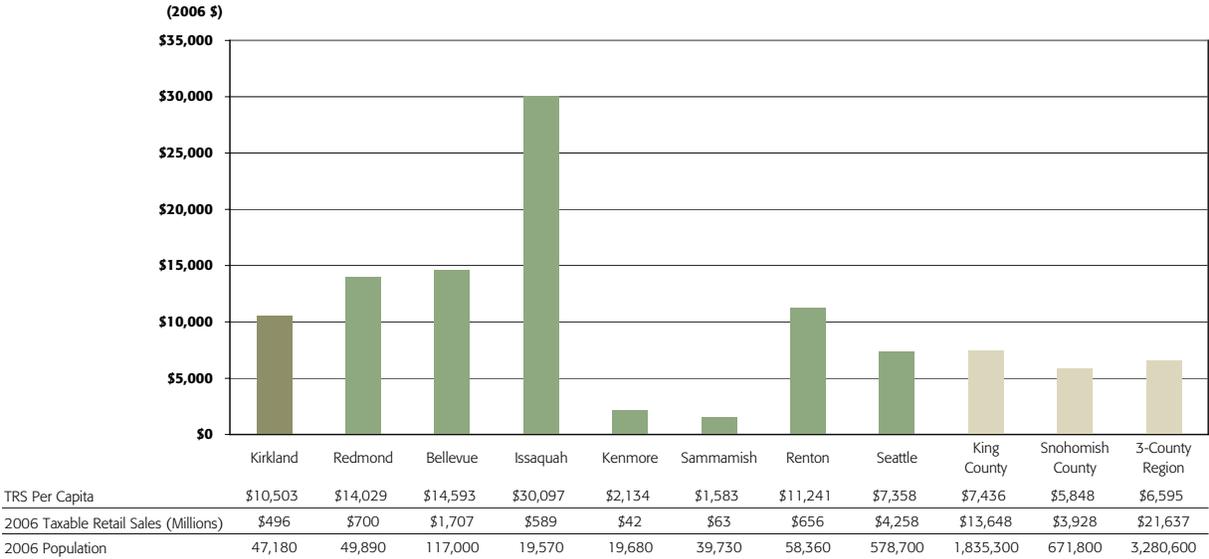
# KIRKLAND DOWNTOWN STRATEGIC PLAN

## Market Analysis Summary: Part II

Note: This is a continuation of the Part I market analysis materials sent out by email on Tuesday, August 21.

### 3.0 TAXABLE RETAIL SALES

**Exhibit 7  
Taxable Retail Sales Per Capita, 2006 (All Retail)**

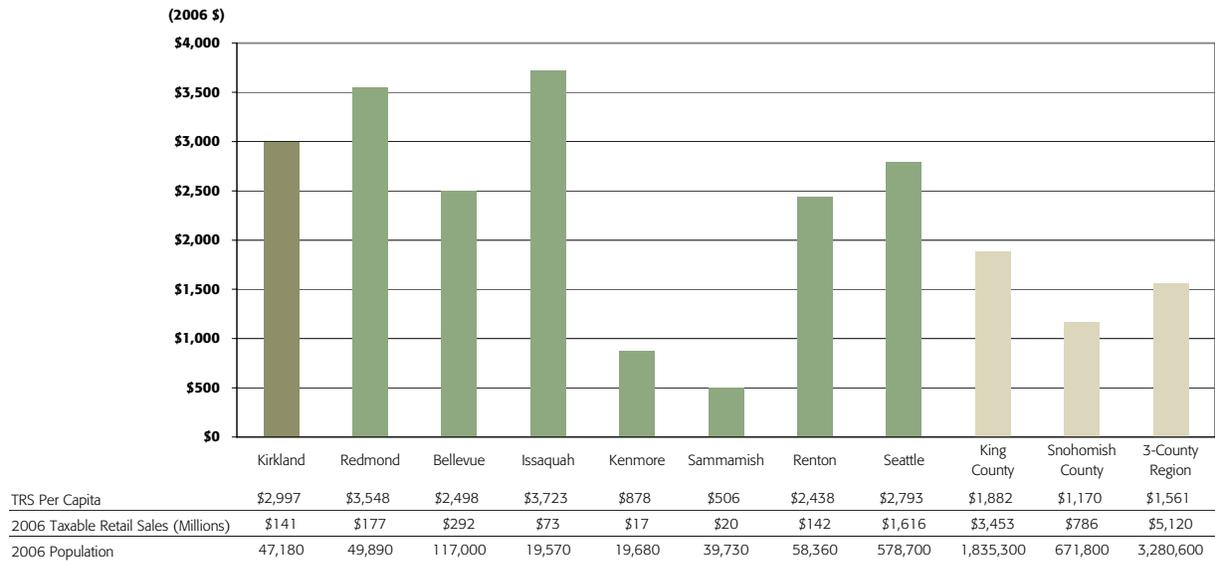


Source: Washington Department of Revenue, 2007

Note: This chart only includes TRS from retail businesses (NAICS categories 44 and 45). Auto related sales are excluded from this chart.

- Kirkland has relatively strong taxable retail sales (TRS) per capita (\$10,503), which is slightly higher than Seattle’s rate, similar to Renton, and slightly lower than neighboring Redmond and Bellevue.

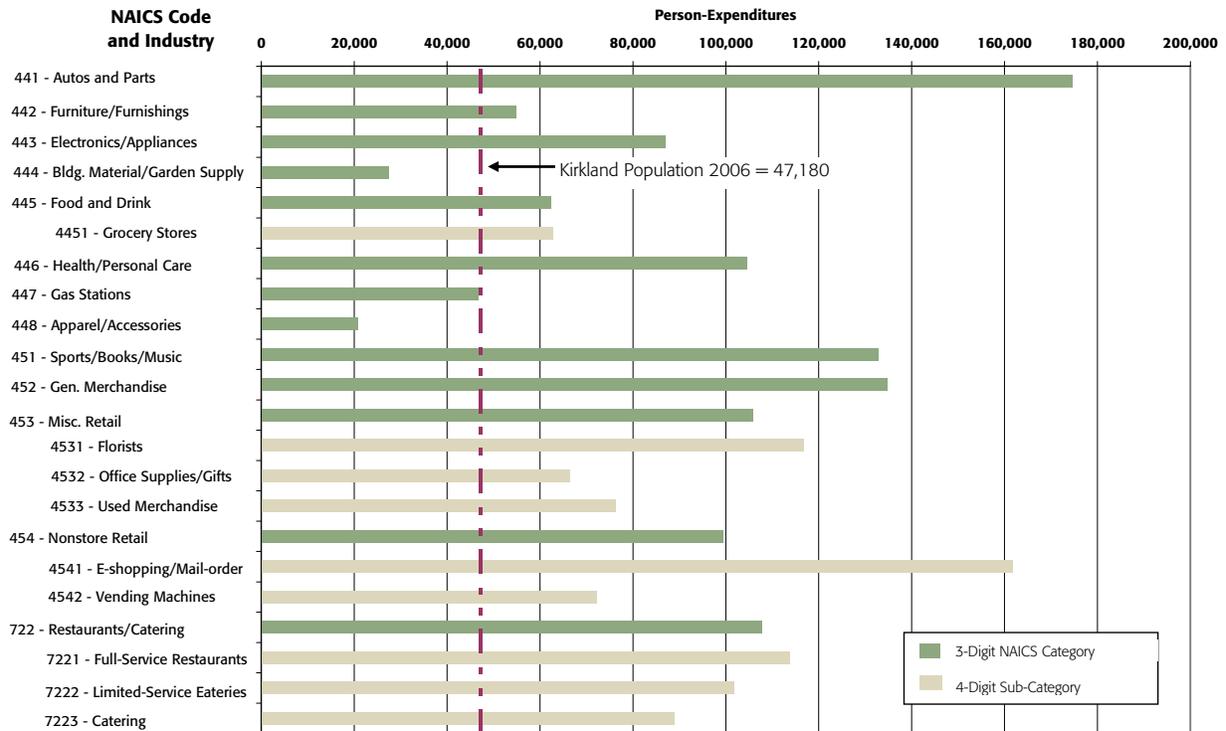
**Exhibit 8**  
**Taxable Retail Sales per Capita, 2006 (Restaurants)**



Source: Washington Department of Revenue, 2007

- Kirkland's relative TRS per capita is higher in the restaurants category – only being exceeded by Redmond and Issaquah.

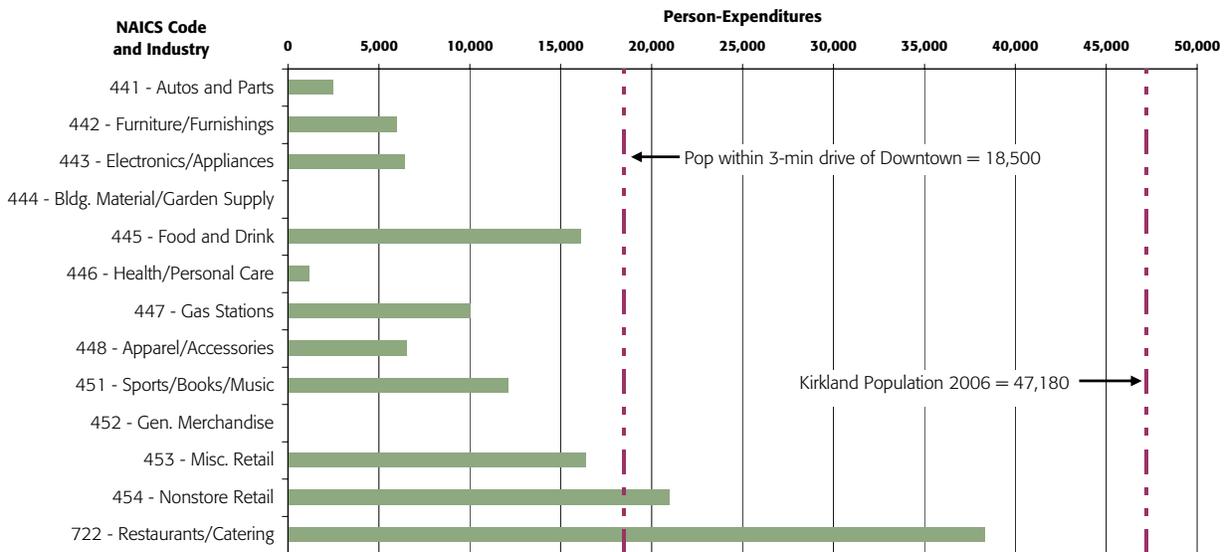
### Exhibit 9 Kirkland Person-Expenditures by Industry, 2006



Source: Washington Department of Revenue, 2007

- Person-expenditures are calculated by taking the total TRS in a retail category and dividing it by the annual per capita average spending in the same category statewide. For example, if a city has \$100,000 of TRS in the groceries category and the statewide TRS per capita average spending on groceries is \$1,000, the city would have 100 person-expenditures ( $\$100,000/\$1,000=100$ ). Person-expenditures are a useful way to measure the relative strength of different retail sectors in a city.
- Kirkland has very strong Autos, Sports/Books/Music, General Merchandise, and E-shopping/Mail-order sales. The person-expenditures in these categories are much higher than the City's existing population, so it is likely that shoppers from outside the City are being attracted to the City for these types of shopping opportunities.
- The weakest retail categories are Building Materials/Garden Supply and Apparel/Accessories.

**Exhibit 10**  
**Kirkland Downtown/Park Place Person-Expenditures by Industry, 2006**



Source: City of Kirkland Department of Finance and Administration, 2007

- The strongest category in the Downtown/Park Place business area is Restaurants, with over 38,000 person-expenditures.
- Nonstore Retail is also relatively strong, which could potentially be due to strong e-commerce sales in the area.

## 4.0 OFFICE AND RETAIL RENTS AND VACANCY

### Exhibit 11 Summary of Eastside Office Market, 4<sup>th</sup> Quarter 2006

Market Area	Inventory		Total Vacancy	Lease Rates (Full Service \$/sf)		
	Buildings	Sq. Ft.		Class A	Class B	Class C
Bellvue CBD	47	5,541,020	4.75%	\$25.00-\$38.50	\$20.00-\$26.50	\$21.00
I-405 Corridor	104	2,987,593	12.75%	\$21.50-\$29.00	\$20.00-\$29.00	\$20.50-\$24.50
SR-520 Corridor	106	2,525,403	13.33%	\$21.00-\$29.00	\$21.00-\$25.00	\$16.50-\$18.50
I-90 Corridor	88	5,904,051	5.24%	\$21.50-\$33.00	\$24.00-\$28.01	\$18.00
Bel-Red Rd Corridor	88	1,351,287	9.16%	\$27.50	\$18.00-\$24.00	\$17.00-\$24.00
Kirkland	30	1,170,918	8.18%	\$27.00-\$36.00	\$28.00	\$18.75-\$21.00
Redmond	58	4,003,278	5.28%	\$26.00-\$28.00	\$19.00-\$24.00	
Bothell	46	2,658,433	20.00%	\$20.00-\$29.00	\$21.00-\$23.00	
<b>Total Eastside</b>	<b>567</b>	<b>26,141,983</b>	<b>8.62%</b>	<b>\$21.00-\$38.50</b>	<b>\$18.00-\$29.00</b>	<b>\$16.50-\$24.50</b>

Source: Central Puget Sound Real Estate Research Report, Spring 2007

- The overall Kirkland office market currently has an 8% vacancy rate and average lease rates on the high end of the Eastside market (only exceeded by the Bellevue CBD).

**Exhibit 12**  
**Summary of Downtown Office Space for Lease, August 2007**

Name	Address	Building SF	Available Space (SF)	Vacancy	Avg Asking Rent	Year Built/Renovated
Lakeview Plaza	747 - 787 6th St S	194,825	194,825	100%	\$28.85	2008
Kirkland Ave Office Park Ph II	811 Kirkland Ave	36,000	8,700	24%	\$25.50	1999
Marina Park Building	25 Central Way	32,204	2,525	8%	\$27.00	1996
Kirkwood Building	200 - 218 Kirkland Ave	16,851	7,939	47%	\$0.00	1996
Kirkland Lake Building	105 Central Way	30,000	1,503	5%	\$28.00	1990
570 Kirkland Way Plaza	570 Kirkland Way	13,440	5,685	42%	\$32.00	1990
Continental Plaza	550 Kirkland Way	101,786	29,099	29%	\$24.50	1990
1313 Market	1313 Market St	8,037	4,282	53%	\$31.00	1990
1201 Office Park	1205 Market St	5,385	1,382	26%	\$24.00	1989
Homeport Building	135 Lake St S	31,065	2,888	9%	\$29.50	1987
Choice Office Building	1715 Market St	20,785	2,205	11%	\$28.00	1986
Progressive Building	720 8th Ave	4,000	1,000	25%	\$25.50	1984
McDonald Insurance	235 6th St S	17,000	3,000	18%	\$20.00	1974
Strauss Building	121 Lake St S	2,857	0	0%	\$0.00	1950
<b>Total (excluding Lakeview Plaza)</b>		<b>319,410</b>	<b>70,208</b>	<b>22%</b>		

Source: Hallmark Realty, 2007

**Exhibit 13**  
**Summary of Downtown Retail Space for Lease, August 2007**

Name	Address	Building SF	Available Space (SF)	Vacancy	Avg Asking Rent	Year Built/Renovated
The Boulevard	375 Kirkland Ave	8,442	1,572	19%	\$37.00	2006
Hossman Building	268 Central Way	16,000	2,058	13%	\$27.00	2000
WM Building	103 Lake St S	17,505	1,160	7%	\$38.00	1985
Lake Street Mall	15 Lake St	12,834	1,600	12%	\$20.00	1980
Olympic Building	200 - 204 Central Way	7,163	980	14%	\$23.00	1964
Lake Street Mall	15-16 Lake St	12,834	2,900	23%	\$20-\$30	1980
<b>Total</b>		<b>74,778</b>	<b>10,270</b>	<b>14%</b>		

Source: Hallmark Realty, 2007

- Variety of types of space available – some with lower rents closer to \$20 per SF and some with very high rents in the high \$30s. The lower rents tend to be in older buildings with owners who want stable tenants.
- Shorter two to three year leases are not uncommon as some owners prepare for the possibility of redevelopment.

## 5.0 ADDITIONAL BUSINESS LICENSE DATA DETAIL

### Exhibit 14 Employment and Count of Downtown Kirkland Retail Businesses, 2007

6-Digit NAICS Code	Industry Description	Number of Businesses	Total Employees	% of Total Employment	Notes
443120	Computer and Software Stores	4	148	31%	133 jobs in FileNet
452910	Warehouse Clubs and Supercenters	1	61	13%	QFC
453998	All Other Miscellaneous Store Retailers	21	57	12%	
4481XX	Clothing Stores (all categories)	10	31	6%	
453920	Art Dealers	11	20	4%	
454111	Electronic Shopping	4	19	4%	
453220	Gift, Novelty, and Souvenir Stores	5	18	4%	
447190	Other Gasoline Stations	1	15	3%	
451120	Hobby, Toy, and Game Stores	2	13	3%	
454390	Other Direct Selling Establishments	7	9	2%	
448310	Jewelry Stores	3	9	2%	
442110	Furniture Stores	3	8	2%	
<b>Total All Retail Businesses</b>		<b>98</b>	<b>479</b>	<b>100%</b>	

Source: City of Kirkland Business License Database, 2007

Note: Retail categories with fewer than 8 employees excluded from list.

### Exhibit 15 Employment and Count of Downtown Kirkland Food Service Businesses, 2007

6-Digit NAICS Code	Industry Description	Number of Businesses	Total Employees	% of Total Employment
722110	Full-Service Restaurants	34	530	59%
722211	Limited-Service Restaurants	11	222	25%
722213	Snack and Nonalcoholic Beverage Bars	9	106	12%
722410	Drinking Places (Alcoholic Beverages)	3	30	3%
722310	Food Service Contractors	2	9	1%
722212	Cafeterias	1	4	0%
722330	Mobile Food Services	1	3	0%
<b>Total All Food Service Businesses</b>		<b>61</b>	<b>904</b>	<b>100%</b>

Source: City of Kirkland Business License Database, 2007

**Exhibit 16**  
**Employment and Count of Downtown Kirkland Service Businesses, 2007**

<b>6-Digit NAICS Code</b>	<b>Industry Description</b>	<b>Number of Businesses</b>	<b>Total Employees</b>	<b>% of Total Employment</b>
531210	Offices of Real Estate Agents and Brokers	14	119	8%
515210	Cable and Other Subscription Programming	1	115	8%
511210	Software Publishers	1	101	7%
531390	Other Activities Related to Real Estate	10	78	5%
541620	Environmental Consulting Services	2	66	5%
561499	All Other Business Support Services	9	64	4%
541110	Offices of Lawyers	20	64	4%
541511	Custom Computer Programming Services	7	63	4%
524210	Insurance Agencies and Brokerages	10	53	4%
541611	Administrative Mgmt. and General Mgmt. Consulting	11	48	3%
541330	Engineering Services	8	43	3%
522292	Real Estate Credit	4	40	3%
522120	Savings Institutions	6	39	3%
522110	Commercial Banking	5	36	3%
519120	Libraries and Archives	1	33	2%
541219	Other Accounting Services	2	32	2%
522310	Mortgage and Nonmortgage Loan Brokers	6	31	2%
541612	Human Resources and Executive Search Consulting	4	30	2%
541310	Architectural Services	8	28	2%
512131	Motion Picture Theaters (except Drive-Ins)	1	25	2%
518210	Data Processing, Hosting, and Related Services	2	22	2%
541613	Marketing Consulting Services	5	21	1%
541890	Other Services Related to Advertising	1	20	1%
522320	Financial Transactions Processing Activities	2	15	1%
522390	Other Activities Related to Credit Intermediation	3	14	1%
524127	Direct Title Insurance Carriers	2	13	1%
561510	Travel Agencies	1	13	1%
541618	Other Management Consulting Services	3	11	1%
561730	Landscaping Services	3	10	1%
517110	Wired Telecommunications Carriers	2	10	1%
523999	Miscellaneous Financial Investment Activities	3	10	1%
<b>Total All Service Businesses</b>		<b>231</b>	<b>1,437</b>	<b>100%</b>

Source: City of Kirkland Business License Database, 2007

Note: Service categories with fewer than 10 employees excluded from list. 188 Google employees in the Information sector (2-Digit NAICS code 51) did not have an accurate 6-Digit NAICS code in the database and are not included in this table.

## 6.0 POSSIBLE NEXT STEPS

- Downtown TRS comparisons to the rest of the City
- Home-based business analysis
- TRS per square foot analysis
- Analysis of business turnover (openings and closings) using business license data. Comparison between Downtown and other areas of the City.