

**ROCKLIN COMMONS
ECONOMIC IMPACT ANALYSIS
ROCKLIN, CALIFORNIA**

Prepared for:

ROCKLIN COMMONS, LLC

DECEMBER 2008

December 30, 2008

Mr. Mark Perlberger
HalBear Enterprises
2100 Northrop Avenue, # 500
Sacramento, California 95825

Re: Rocklin Commons Shopping Center Economic Impact and Urban Decay Analysis

Dear Mr. Perlberger:

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

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

Sincerely,



Elliot R. Stein
Senior Managing Director



Pipi Ray Diamond
Senior Consultant



Kate M. Barry
Analyst

Enclosure

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I. EXECUTIVE SUMMARY

INTRODUCTION

The purpose of this study is to assess the economic impact of the proposed Rocklin Commons Shopping Center (“the Center”) located in the City of Rocklin, California. The proposed Center is planned to include 415,000 square feet of retail space.

The Center is planned to include two anchors: a 159,170-square-foot Target and a 92,596-square-foot Kohl’s store. Other types of retailers planned are a grocery store of up to 60,000 square feet, restaurant space totaling 30,000 square feet, and a 28,000-square-foot home furnishings retailer. As of the date of this analysis not all tenants have been identified for the Center.

The Center is anticipated to complete construction of the anchor stores in late 2011. The second phase will be completed in 2013. This study probes the potential impacts of the Center on existing primary market area, secondary market area, and City of Roseville retailers, specifically 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 in relevant areas.

SUMMARY OF FINDINGS

Center Sales

CBRE Consulting estimates that stabilized Center sales will total \$151.1 million in 2013 dollars, comprised of:

- \$39.9 million in apparel sales;
- \$37.2 million in food store sales;
- \$21.5 million in “other retail stores” sales;
- \$20.8 million in home furnishings and appliances;
- \$16.3 million in general merchandise sales; and
- \$15.4 million in eating and drinking places.

Of these Rocklin Commons Center sales, approximately 95 percent, or \$143.5 million, is estimated to be generated by primary (Rocklin and Loomis) and secondary market area (Auburn and portions of unincorporated Placer County) residents. The remaining 5 percent of sales generated at the Center are expected to comprise tertiary demand, originating from unspecified locations outside the primary and secondary 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 2013. Accordingly, all dollar figures unless otherwise noted are presented in 2013 dollars.

Impacts on Existing Retailers

For the purposes of this analysis, the City of Rocklin and the Town of Loomis were identified as the Center’s primary market area. A secondary market area was defined as the City of Auburn, the unincorporated area of North Auburn and unincorporated parts of Placer County along the Interstate 80 corridor and in the neighborhood of Granite Bay. The City of Roseville was

excluded from the market area because it is already served by a plethora of regional retail including two Target stores, two Wal-Marts, a Kohl’s and several other major apparel stores such as TJ Maxx. Therefore, it is unlikely that residents of Roseville will travel to Rocklin Commons when they have the same or similar stores nearby. CBRE Consulting conducted analysis to determine the extent to which the Center’s retail sales would impact existing retailers in the primary market area.

Assuming that the new primary and secondary market area sales of Rocklin Commons occurred at the proportional expense of existing primary market area retailers, then existing retailers would experience a maximum annual impact of \$21.4 million in sales upon stabilization of the Rocklin Commons in 2013 dollars. Table 1 below, details the potential sales diversion, which includes \$10.5 million in apparel sales, \$8.5 million in home furnishings and appliances sales, and \$2.4 million in food store sales. Because there is currently significant leakage in the general merchandise, eating and drinking places, and “other retail stores” categories, (i.e., residents of the primary market area spend money in those categories outside of Rocklin and Loomis), those categories will have no diverted sales. The total diverted impact, 2.5 percent of total sales, supportable square feet, and number of years for new retail demand to mitigate the diverted sales are broken down by retail category as follows:

**Table 1
Rocklin Commons
Summary of Impacts on Primary Market Area Retailers
2013**

Retail Category	Diverted Sales (In Millions)	Percent of Sales	Supportable Square Feet	Years to Mitigate
Apparel	\$10.5	49.7%	35,300	7 years
General Merchandise	0.0	0.0	N/A	N/A
Food Stores	2.4	1.2	4,200	1 year
Eating and Drinking Places	0.0	0.0	N/A	N/A
Home Furnishings and Appliances	8.5	8.6	23,500	5 years
“Other Retail Stores”	<u>0.0</u>	<u>0.0</u>	<u>N/A</u>	N/A
Total	\$21.4	2.5%	63,000	

Sources: Exhibits 18, 19, and 31.

For food store sales there is 4,200 square feet of retail space at risk. However, some future demand for retail is likely to come from population growth. In fact, population growth is estimated to mitigate sales impacts on “other retail stores” sales within one year after the Center is built.

CBRE Consulting concludes that the only retail sectors at risk of sales diversion, and ultimate store closure, are apparel and home furnishings and appliances. For home furnishings and appliances, the amount of retail space at risk is 23,500 square feet. New population demand could take up to five years to offset the negative impacts in the home furnishings and appliances category. For apparel, the amount of retail space at risk is 35,300 square feet and new population demand is expected to take seven years to mitigate the potential impacts.

Cumulative Impacts

CBRE Consulting identified five other major planned retail projects in the primary market area: I-80 Center – Petrovich Development, Rocklin Crossings, Rocklin Marketplace, Granite Plaza, and The Village at Loomis. These five projects have the potential to generate retail sales totaling \$565.3 million, in addition to the \$151.1 million projected for the Center.

Assuming all the projects are built, including Rocklin Commons, the maximum annual impact to primary market area retailers is estimated at \$263.3 million in diverted sales, with the apparel category representing \$65.8 million, the home furnishings and appliances representing \$110.0 million, the food stores category representing \$45.8 million, and "other retail stores" representing \$41.7 million in diverted sales. Without the cumulative projects, there are no impacts on the "other retail stores" categories, but including the five projects creates a significant impact on "other retail stores." Because of significant retail leakage in the general merchandise category, there are no diverted sales impacts estimated.

Based upon analysis of the market area's retail base, and expectations regarding sales diversions, CBRE Consulting concludes that the following retail square footage in the market area is most at risk due to the cumulative projects of the Center and the five other planned projects:

- Apparel stores totaling 221,300 square feet;
- Food stores totaling 80,000 square feet;
- Home furnishings and appliances stores totaling 305,000 square feet; and
- "Other retail stores" totaling 116,500 square feet.

These figures are conservative, as they do not take into account factors such as prospective market corrections or enhancements following the introduction of the cumulative projects into the marketplace or the potential increase in consumer spending pursuant to real income growth. Also, given the large amount of potential retail development that is planned for Rocklin, it is possible that Rocklin could transition to a retail hub serving the secondary market area. In this case, Rocklin would become a city which attracts sales from non-residents, similar to the City of Roseville. There is also the prospect that the projected overbuilding in the market area may not occur to the extent reflected by the total of all five proposed projects as currently planned, because as some developers and lenders may decide to delay or cancel projects that do not have strong anchor tenants or are otherwise having difficulty preleasing space. This has already started to happen with the suspension of plans to develop Villages at Pavilion in Rocklin and Loomis Marketplace.

Urban Decay Determination

In recent years, the California Courts of Appeal have addressed the need to address the potential for "urban decay" in environmental documents for large retail projects. The leading case is *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, in which the court set aside two environmental impact reports for two proposed Wal-Mart projects that would have been located less than five miles from each other. This was the first court decision to use the new term "urban decay," as opposed to the similar term "blight," which is a concept from redevelopment law. The court quoted "experts [who] are now warning about land use decisions that cause a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake." (Id. at

p. 1204.) The court also discussed prior case law that addressed the potential for large retail projects to cause "physical deterioration of [a] downtown area" or "a general deterioration of [a] downtown area." (Id. at pp. 1206, 1207.) The Bakersfield court also described the circumstances in which the duty to address urban decay issues arise.

It is apparent from the case law discussed above that proposed new shopping centers do not trigger a conclusive presumption of urban decay. However, when there is evidence suggesting that the economic and social effects caused by the proposed shopping center ultimately could result in urban decay or deterioration, then the lead agency is obligated to assess this indirect impact. Many factors are relevant, including the size of the project, the type of retailers and their market areas and the proximity of other retail shopping opportunities. The lead agency cannot divest itself of its analytical and informational obligations by summarily dismissing the possibility of urban decay or deterioration as a "social or economic effect" of the project.

Against this background, CBRE Consulting assessed the probability of urban decay ensuing from development of the Center and the additional planned projects, with urban decay defined as physical deterioration that is so prevalent and substantial it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. If, for example, any market area stores close due to the Center, the analysis considers if they are likely to remain vacant for a prolonged period of time or be leased to other retailers within a reasonable marketing period. Under normal circumstances, it can take from a few months to a year or more to lease retail space depending on the size of the space. Larger spaces, such as former grocery stores, are more difficult to lease since fewer retailers require such a large space. However, during an economic downturn like the one the U.S. is currently going through, a slowdown in retail sales and fewer retailer expansions occur. As a result, the average length of time it takes to lease retail space is likely to increase.

URBAN DECAY CONCLUSION

CBRE Consulting's conclusion is based on consideration of current primary market area conditions, findings regarding diverted sales, and re-tenanting potential, as summarized below.

- **Current Market Conditions**—Overall, the primary market area's retail market has slowed down and vacancy has increased in the last couple of years. This condition has intensified during the last half of 2008 as a result of economic conditions and the financial crisis. The Blue Oak Town Center has been hit particularly hard with the pending closure of one of its anchor stores Mervyns as well as several smaller stores such as Office Depot and Shoe Pavilion. The older Interstate 80 corridor is also vulnerable to negative sales impacts. Retail brokers active in the primary market area believe that grocery stores in this area could be negatively impacted by the potential grocery store in Rocklin Commons especially if the type of grocery store is similar to Safeway and Raley's, but none of the brokers expected that impacts would lead to store closures. In between these two retail areas lies the Downtown area. The stores in the Downtown area are smaller independent stores, which would not directly compete with the types of stores that will go into Rocklin Commons. This area does currently have two large vacancies, the former Albertson's store and the former Grocery Outlet. The Albertson's store, in particular, has been vacant for several years and business is likely down at K-Mart, the other anchor store in the same center. Brokers indicated that vacant spaces would be retenanting, although not necessarily with traditional retail stores.

- **Diverted Sales**—The opening of Rocklin Commons is expected to result in diverted sales and some stores closures may occur. The two categories expected to have the greatest negative impacts are apparel and home furnishings and appliances. If all the projects in the pipeline are built, impacts are estimated to be more serious with an oversupply of retail space estimated in apparel, food stores, home furnishings and appliances, and “other retail stores.”. However, for reasons cited in Chapter 7 of this report, it is not expected that all of the projects in the pipeline will be built by 2013. Some projects that have already been on hold for a couple of years may be delayed further and others may not be developed at all. In fact, two previously proposed projects, Villages at Pavilion and Loomis Marketplace, are now on hold and may be cancelled altogether. Therefore, impacts will likely be smaller than estimated with less likelihood of store closures. It should be noted that while store closures are one factor that can potentially lead to urban decay, if property owners maintain their centers, and re-lease space to new tenants, such closures would not be expected to cause physical deterioration equating to urban decay.
- **Re-tenanting Potential**—Except for the large vacancies at the former Albertson’s store, former Grocery Outlet store, former Office Depot store, closing Shoe Pavilion, and closing Mervyns store, most of the vacancies in shopping centers are small spaces; these vacated retail spaces have the potential to be successfully re-tenanted since it is easier to find tenants for a smaller space. Such re-tenanting would benefit the market and expand local and regional shopping opportunities.

Times in Placer County are tougher now than they have been for many years, and may remain that way for some time to come. However, compared with many areas in the United States, western Placer County is likely to be comparatively resilient even in the face of an economic downturn worse than anything seen in several decades. In fact, CBRE Consulting believes that Rocklin Commons should help to bolster the local economy by providing construction jobs in the short run, sales tax that will help the City of Rocklin to maintain services, and permanent jobs that can contribute to the economic health of many area residents.

In conclusion, while it is expected that the Rocklin Commons project will result in some diverted sales and that some closures of primary 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. Given the characteristics of the market area, its population growth potential, and past and current experiences in the area, center owners with vacant spaces are likely to keep up maintenance of their properties in anticipation of retenanting the vacant spaces. Therefore, while the U.S. economic downturn and financial crisis raise many legitimate concerns about impacts on the local economy, CBRE Consulting concludes that vacancies resulting from the development of Rocklin Commons are unlikely to lead to urban decay.

II. INTRODUCTION

STUDY BACKGROUND

Rocklin Commons, LLC is seeking to develop Rocklin Commons, a 415,000-square-foot retail shopping center in Rocklin, California, anchored by a Target and a Kohl's store. Other, as yet unidentified, retailers are also planned for Rocklin Commons. The proposed Rocklin Commons Center ("the Center") is located at the northwest corner of Sierra College Boulevard and Interstate 80.

The Center is anticipated to complete construction of the anchor stores in late 2011. The second phase will be completed in 2013. For the purposes of this study, it is assumed that the first full year of operations will be 2013. This assumption is conservative since some of the space may not lease up until late 2013. Although not all of the tenants have been identified for the Center, it is planned to contain a 159,170-square-foot Target (including a 10,800 square foot garden center) and a 92,596-square-foot Kohl's store as the anchor tenants. Other types of retailers planned are a grocery store of up to 60,000 square feet, restaurant space totaling 30,000 square feet, and a 28,000-square-foot home furnishings retailer. Approximately 15 percent of the non-anchor space, or 24,484 square feet will have non-retail tenants such as a bank or office space (see Exhibit 1).

Rocklin Commons, LLC commissioned this economic impact study as a part of the environmental impact report for the Center. The purpose of the study is as follows:

- 1) to probe potential impacts of the Center on existing market area retailers;
- 2) to estimate cumulative impacts of other proposed retail projects in the primary market area; and
- 3) to develop an estimate of the extent to which the opening of the Center may or may not contribute to urban decay in the primary market area, secondary market area, and neighboring Roseville.

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:

- Defined the primary and secondary market areas;
- Identified major competitive retailers in the market areas;
- Conducted fieldwork to evaluate existing market conditions;
- Estimated the planned Center's sales;
- Collected and analyzed market area taxable retail sales;
- Conducted retail sales leakage analysis for the primary market area, secondary market area, and the City of Roseville;
- Estimated the share of the Center's sales to be generated by the primary and secondary market areas versus tertiary demand;
- Estimated the maximum Center impacts on existing primary market area retailers;
- Estimated the share of the Center's sales likely to be new to the primary market area;

- Assessed the competitiveness of existing primary market area stores and likely Center impacts;
- Identified planned retail projects in the primary and secondary market areas;
- Assessed the cumulative impacts of planned retail projects in the primary market area; and
- Assessed the extent to which opening of the Center may or may not contribute to urban decay in the primary market area, secondary market area, or in neighboring Roseville.

STUDY RESOURCES

Many resources were relied upon for this study, including the cities of Rocklin and Auburn, the Town of Loomis, and Placer County. Additional study resources included the Sacramento Area Council of Governments for population estimates and projections for the primary market area, and taxable sales data generated by the State of California Board of Equalization. Demographic resources prepared by Claritas, Inc., a national provider of demographic and economic data, were relied upon for mean household income trend data. Claritas also provided population estimates and projections for the unincorporated parts of the secondary market area.

Business-specific data identifying retailers in the market area and beyond were obtained from the Shopping Center Directory for the Western United States, Claritas, Inc., and other sources. Inflationary adjustments were made based upon the U.S. Department of Labor, Bureau of Labor Statistic's Consumer Price Index. Retailer 10-K's 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*** was also used to determine appropriate sales per square foot data for specific retail categories. Local commercial real estate brokers provided insight and information. Data used in this report was the most current available as of September 2008.

REPORT ORGANIZATION

This report includes seven chapters, as follows:

- I. Executive Summary
- II. Introduction
- III. Projected Sales and Market Area Definitions
- IV. Retail Sales Leakage Analysis
- V. Sales Impacts
- VI. Cumulative Impacts
- VII. 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 AND MARKET AREA DEFINITIONS

CBRE Consulting’s findings relative to the anticipated retail sales for the proposed Center are presented below. These include estimates of the total sales generated by the Center by type of retail. In addition, this chapter identifies the anticipated primary market area for the Center, i.e., the area from which the majority of retail demand is likely to originate. Also included are definitions of secondary and tertiary market demand.

ROCKLIN COMMONS DESCRIPTION

The Center comprises 415,000 square feet of retail space. This new space will be developed on a 40.86 acre site. While the project developer Rocklin Commons, LLC has not identified all of the specific retail tenants, it has identified a Target and Kohl’s store as the proposed anchor tenants. Targeted retail sales categories have been identified for much of the remaining shopping center space. The prospective tenants or tenant types are identified in Exhibit 1 in the Appendix and in Table 2, below.

Table 2
Proposed Rocklin Commons
Type of Retail and Associated Square Feet

Retailer	Retail Space (Sq. Ft.)	Percent Distribution
Target	159,170	38.4
Kohl’s	92,596	22.3
Grocery Store	60,000	14.5
Restaurants	30,000	7.2
Home Furnishings Store	28,000	6.7
Unknown Retail	20,750	5.0
Non-Retail (Banks/Office space)	<u>24,484</u>	<u>5.9</u>
Total	415,000	100.0%

Sources: Rocklin Commons, LLC, and CBRE Consulting.

The majority of the retail space, approximately 60.7 percent, will be dedicated to the two anchor tenants, a Target and a Kohl’s store. Other major tenants planned include a grocer of up to 60,000 square feet and a 28,000-square-foot home furnishings store. Restaurants are expected to comprise 30,000 square feet of the total space. Five percent of the total, or 20,750 square feet, will include many additional unknown retailers. Less than 25,000 square feet of space will be for non-retail service tenants such as banks and offices.

PROJECTED ROCKLIN COMMONS 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 most of 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. For the unknown retail space a generally accepted industry standard average sales per square foot was assumed.

Rocklin Commons, LLC anticipates that the Center will be completed in two phases. The two anchors and an additional 20,000 square feet will be finished in late 2011 with the balance completed in 2013. For the purposes of this study, it is assumed that the first full year of operations will be 2013. This assumption is conservative since some of the space may not lease up until late 2013. Thus, all sales estimates were projected to 2013 using actual inflation rates where relevant or a projected annual inflation rate of 3.0 percent, as appropriate. 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 Exhibit 2. Since Target and Kohl's are planned for the anchor spaces, sales per square foot estimates were taken from those companies' actual average sales results. The results presented indicate a Target store sales estimate in 2013, the first year of store operations, of \$353 per square foot. As presented in Exhibit 2, this results in a total Target sales estimate of \$56.3 million. The Kohl's store sales estimate in 2013 is \$297 per square foot resulting in \$27.5 million in total sales. Sales for the grocery store are estimated at \$34.4 million in 2013. The sales at the balance of the Center are anticipated to bring total Center sales to \$151.1 million in 2013.

Projected Sales by Category

The new sales generated by the Center will be spread across many store merchandising categories due to the range of retailers anticipated. It is necessary 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, include the following:¹

- Apparel Stores
- General Merchandise Stores
- Food Stores
- Eating and Drinking Places
- Home Furnishings and Appliances
- Building Materials
- Auto Dealers and Auto Supplies

¹ 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.

- Service Stations
- Other Retail Stores²

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 potential Target store for analytical purposes. The BOE will record the Target store’s sales in the general merchandise category. However, Target’s sales will also impact the apparel, food stores, home furnishings and appliances, and other retail stores categories as well. As a result, CBRE Consulting allocated the Target store sales to those categories based on assumptions detailed in Exhibit 3.³ The additional detail provided by this level of analysis enables better understanding of the types of retail sales to be generated by the Center, and their potential impact on specific retail categories.

Exhibit 4 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 Rocklin Commons Sales by Retail Category ¹
2013 Dollars, in millions

Retail Category	Estimated Retail Sales
Apparel	\$39.9
General Merchandise	\$16.3
Food Stores	\$37.2
Eating and Drinking Places	\$15.4
Home Furnishings and Appliances	\$20.8
Building Materials	\$0.0
Other Retail Stores	<u>\$21.5</u>
Total²	<u>\$151.1</u>

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

(2) Figures may not total due to rounding.

Source: Exhibit 4.

The following section discusses the anticipated origin of these sales relative to a defined primary market area for the Center. This is a prelude to subsequent analysis examining the potential for any of these sales to occur to the detriment of existing retailers in the primary market area and the potential, if any, to result in urban decay pursuant to any resulting vacated retail spaces.

NEW SALES TO THE MARKET AREA

To assess the prospective minimum share of the Center’s sales that would be new to the primary market area and the potential impacts on existing Rocklin retailers, CBRE Consulting defined and estimated the following:

- Primary market area;

² Other retail stores include a wide range of retailers, such as pet supplies, office supplies, garden stores, sporting goods, jewelry, florists, and gifts.

³ CBRE Consulting matched Target sales categories with BOE retail categories based upon published data generated by Target Corporation and the application of select assumptions based upon CBRE Consulting’s knowledge of Target merchandise categories.

- Secondary market area;
- Tertiary demand;
- Maximum share of the Center's sales likely to be initially diverted from existing primary market area retailers on a worst case basis; and,
- Impact of population growth and other factors on sales impacts.

Market Area Definitions

Primary Market Area Definition. CBRE Consulting conducted research to develop an estimate of the primary market area for the Center, i.e., the area from which the majority of shoppers will originate. This was primarily accomplished by mapping existing Target and Kohl's stores, as well as other major general merchandise and junior department store/apparel stores, under the assumption that the Target and Kohl's stores as the anchors will be the primary draw to the Center.

The map results are presented in Exhibit 5. The map indicates there are many existing Target stores within the immediate region surrounding Rocklin, though none in Rocklin or the adjacent town of Loomis. The Target stores closest to Rocklin are both in Roseville; one is located along Highway 65 and the other is located east of Interstate 80. There is also a Target store in Lincoln and another in the unincorporated area of North Auburn. Besides Target stores, there are several K-Mart and Wal-Mart stores. There is a K-Mart store in Rocklin as well as in North Auburn. Two Wal-Mart stores are located in Roseville, one along Highway 65 and the other east of Interstate 80. The City of Roseville also has a Costco and Sam's Club store.

There is only one Kohl's store in the immediate area. It is located in Roseville along Highway 65. However, there are several other large apparel/junior department stores in the area. There is a Gottschalks in the City of Auburn and a Ross Store in North Auburn. Ross also has two stores in Roseville and a store in Lincoln. There are two TJ Maxx stores, one in Roseville, and one in Lincoln. Mervyns, which filed for bankruptcy in July 2008 and is liquidating all inventory, has two stores in the area, one in Roseville and one in Rocklin. Kohl's and Forever 21, a clothing store, have acquired many of the closing Mervyns stores. However, they have reportedly decided not to take over the location in the Blue Oaks Town Center. Because of the prevalence of retail in Roseville, Rocklin Commons is not expected to generate significant sales from residents of Roseville. Therefore, Roseville was excluded from the primary market area. However, Roseville will be considered in terms of whether retailers there may experience negative sales impacts from the planned Center in Rocklin.

Loomis is located adjacent to Rocklin to the northeast. The Center's site is located near the border of Rocklin and Loomis and therefore will be convenient for Loomis and Rocklin residents. Loomis currently does not have any major general merchandise or apparel stores. The only major competitive stores in Rocklin are K-Mart and the soon-to-close Mervyns. Lincoln, although it is adjacent to Rocklin on the north, is 10 miles away from the Center. Lincoln has a Target, Ross, and TJ Maxx, but no Kohl's. However, most residents of Lincoln are unlikely to drive past the large concentration of retail located in Roseville on the Highway 65 corridor to shop at the Center.⁴ These findings lead CBRE Consulting to conclude that the primary market area for the planned Target and Kohl's and associated Center retailers will comprise the City of Rocklin and the Town of Loomis. CBRE Consulting's retail leakage analysis documented in the next chapter

⁴ Although residents of Lincoln's east side could take Sierra College Boulevard South to Interstate 80 to reach Rocklin Commons, the majority of that city's residents are more likely to use Highway 65 to access the retail centers in that corridor.

(see Retail Leakage Analysis) indicates that the sales in the primary market area capture 65.6 percent of primary market area resident spending.

Secondary Market Area Definition. CBRE Consulting conducted research to develop an estimate of the secondary market area for the Center, i.e., the area from which the largest balance of shoppers outside the primary market area will originate. While Rocklin and Loomis comprise the primary market area, some sales will still originate from outside this area, especially from areas nearby which lack major retail such as the Interstate 80 corridor to the northeast of Loomis, the City of Auburn, and the neighborhood of Granite Bay. Consequently, the analysis assumes there will be demand originating from a secondary market area.

CBRE Consulting identified a secondary market area for the proposed Rocklin Commons center defined as the City of Auburn, the unincorporated community of North Auburn, and a portion of the unincorporated areas of Placer County to the east and southeast of Rocklin and to the northeast of Loomis along the Interstate 80 corridor. This secondary market area definition reflects the existing nature and mix of retailing in the primary market area and the location of other major general merchandise and apparel/junior department store retailers in the region. CBRE Consulting identified all major general merchandise and apparel retailers in Placer County. The boundaries of the secondary market area, as depicted in Exhibit 5, are reflective of the area from which the proposed Rocklin Commons will most likely draw the largest balance of its customers.

CBRE Consulting assumed that residents of Lincoln, in addition to shopping in Lincoln, are likely to patronize retail centers along the Highway 65 corridor which provides numerous opportunities for shopping. Therefore, Lincoln was excluded from the secondary market area. Roseville was excluded from the secondary market area because it is already very well served by retail along the Highway 65 corridor as well as retail east of Interstate 80. Given the dearth of retail along the Interstate 80 corridor northeast of Loomis, and the Center's location as the first large retail center on Interstate 80 south of Auburn, Rocklin Commons is likely to attract residents from these unincorporated areas.

There are four major competitive general merchandise and large apparel retailers in the secondary market area. The City of Auburn has a Gottschalk's while the unincorporated area of North Auburn has a Target, K-Mart, and Ross Dress for Less store. All of the local shopping centers in Auburn and North Auburn are neighborhood or community oriented. Consequently, despite the presence of four competitive stores, Rocklin Commons, a regional shopping center, should draw customers from this area. The location of other major general merchandise and large apparel retailers may change as new development occurs within the secondary market area. These issues will be addressed in the cumulative impacts section.

CBRE Consulting estimates that primary and secondary market area residents will generate 95 percent of the Center's sales. Thus, residents coming from tertiary markets will generate the remaining 5 percent of sales or \$7.6 million of the total \$151.1 million in Center sales. This tertiary market is likely to come from travelers passing through Rocklin on Interstate 80.

The concept of a percentage share allocation of demand from a market area is consistent with general real estate market analysis principles, which recognize that regional retailers have primary, secondary, and often even tertiary market areas. It is also consistent with discussions CBRE Consulting had with retail brokerage professionals.

IV. RETAIL SALES LEAKAGE ANALYSIS

This chapter analyzes the retail sales leakage and attraction profile of the primary market area and the combined primary and secondary market areas. It measures the extent to which these areas capture resident spending on retail goods as well as sales generated by residents from outside the respective areas. This provides a characterization of the sales performance of the local retail base. CBRE Consulting conducts this analysis as a building block in its analysis identifying the extent to which the Center may or may not divert sales away from existing market area retailers.

METHODOLOGY

Approach

CBRE Consulting operates 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 market area 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 primary market area under study, as well as an estimate of spending by retail category generated from within the primary 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. 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.⁵ 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.

⁵ For the purposes of this study, the control area has been defined as the area covered by the Sacramento Area Council of Governments: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.

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 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 Sacramento Area Council of Governments (SACOG) population estimates and projections through 2035 for the primary market area leakage analysis. Figures reported by the SACOG are presented in Exhibit 6. The SACOG population figures were provided for 2000, 2005, and 2035. To generate estimates for the study years of 2006 and 2013 CBRE Consulting interpolated by using the appropriate interim year compound annual growth rates.⁶ The results indicate population estimates in the primary market area of 57,742 in 2006, growing to 62,209 in 2013, when the Center is fully operational. The primary market area population is projected to grow to 65,609 by 2018, five years after full operations of the Center begin.

While CBRE Consulting relied on SACOG population estimates and projections for Auburn, the one city located in the secondary market area, the secondary market area contains unincorporated areas for which population is not specifically tracked by SACOG. For estimation of the population of unincorporated areas that were included in the secondary market area definition, CBRE Consulting relied on data obtained from Claritas Inc., a national provider of demographic and economic data. The unincorporated population estimate was projected forward using the compound average population growth rate as calculated from Claritas projected population data. Exhibits 7 and 8 show the population estimates of the total unincorporated areas in Placer County, the unincorporated areas in the secondary market area, and the primary and secondary market areas combined.

Income Estimates

The primary market area average household income in 2006 was estimated as \$98,490, pursuant to Claritas. The secondary market area had an average household income in 2006 estimated at \$97,560. This compares to the control area's (counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba) average of \$70,582 in 2006, also estimated by Claritas.

Sales Estimates

BOE publishes taxable sales numbers for counties and major cities; its most recent full-year taxable sales numbers are from 2006. CBRE Consulting used BOE's numbers for cities located in the secondary market area as published in its publication, *Taxable Sales in California – 2006*. However, CBRE Consulting also included in its secondary market area portions of Placer County

⁶ Population estimates for 2006 were used in order to match the year of the California Board of Equalization's latest annual sales data.

that contain small cities and unincorporated areas for which BOE does not publish data.⁷ To that end, sales in these unincorporated portions of Placer County were estimated as part of the retail leakage analysis.

CBRE Consulting believes that the best approach to estimate sales in the unincorporated areas is to estimate unincorporated per capita sales figures in Placer County and multiply them by the secondary market area's unincorporated population. To derive an unincorporated per capita sales estimate, CBRE Consulting took the total sales of Placer County and deducted sales from major cities in the county, as presented in Exhibit 9. Exhibit 10 then takes 2006 unincorporated sales and divides by 2006 unincorporated population estimates (refer to Exhibits 7 and 8). The result represents a countywide unincorporated sales per capita estimate. Applying the countywide unincorporated sales per capita estimate to the 2006 secondary market area's unincorporated population yields an estimate for the unincorporated portions of Placer County that are included in the secondary market area.

Adjustment Required Due to Confidentiality

When BOE publicly reports data, it will not report data for a sales category if it does not meet certain disclosure requirements. For example, if there are only one or two stores in a category or if one retailer dominates the category sales in a single city, then the sales in that category will not be released. Instead, BOE generally combines those sales with the sales in the "Other Retail Sales" category. This is more prone to occur in retail markets where the number of retailers is small or one large retailer makes up most of the sales in a category. This issue arose for some categories in the cities of Auburn, Loomis, and Rocklin. Exhibit 9 details how CBRE Consulting made adjustments to avoid understating the non-disclosed retail categories and overstating the "other retail stores" category.

FINDINGS

Three leakage analyses were conducted to assess the state of the primary market area and secondary market area's retail climate. The first leakage analysis examines the primary market area's sales performance relative to its own population base in order to assess the degree to which the primary market area is serving the retail needs of its resident population. A second leakage analysis examines the sales performance of Rocklin Commons' secondary market area. Finally, the primary and secondary market area leakage analyses are combined to reflect the combined primary and secondary market area. A fourth leakage analysis was conducted to assess the retail climate in the City of Roseville.

The leakage analyses were conducted using 2006 sales data and extrapolated to 2013, reflecting the sales estimates for Rocklin Commons assuming the first full year of store operations in that year. The per capita expenditure trends from 2006 were assumed to be equivalent to the per capita expenditure trends for 2013, with adjustments for interim

⁷ Major cities are defined as those that appear in Table 5 in BOE's *Taxable Sales in California – 2006*. Table 5 presents the 272 largest California cities by taxable retail sales. For the purpose of this analysis, "unincorporated area" comprises all areas not listed in this BOE publication. In order to calculate sales in unincorporated areas, CBRE Consulting took total Placer County sales and deducted the reported cities' sales. If an incorporated city was not reported, it is not deducted and treated instead as an unincorporated area. As an exception, CBRE Consulting obtained from BOE taxable sales numbers for the Town of Loomis, which was not listed in BOE's Table 5. Loomis was added due to its location in the primary market area. CBRE Consulting requested this information as part of its background research in determining the primary market area.

population growth and inflation. The purpose of this adjustment was to maximize comparison with Rocklin Commons' anticipated net additional primary market area sales during its first full year of operations in 2013.

The leakage results for the primary market area, the secondary market area, the combined primary and secondary market area, and the City of Roseville are located in the Appendix (see Exhibits 11 and 12 for primary market area results, Exhibits 13 and 14 for secondary market area results, Exhibit 15 for the City of Roseville, and Exhibits 16 and 17 for combined primary and secondary market area results). For benchmark purposes, detailed results for all retail categories are presented in each market area.

The primary market area had overall leakage in retail sales of 34.4 percent or \$334.1 million in 2006. All of the retail categories, with the exception of home furnishings and appliances experienced leakage in sales. The categories with the most leakage, as a percent of sales, were as follows:

- general merchandise with 78.4 percent leakage;
- auto dealers and auto supplies with 65.7 percent leakage;
- building materials with 51.3 percent leakage;
- apparel stores with 50.8 percent; and
- eating and drinking places with 38.4 percent leakage.

The food stores category had only a small amount of retail sales leakage, approximately 5.3 percent. These leakage categories identify opportunities for new retailers to meet the needs of market area residents. This pattern of retail weakness is partially offset by demonstrated strength in the home furnishings and appliances category. This category has 49.8 percent in retail sales attraction. This attraction is likely due to the new R.C. Willey store, located at the Blue Oaks Town Center along the Highway 65 corridor. This large store, approximately 165,000-square-foot, likely attracts a significant number of shoppers from Lincoln and Roseville.

In addition, CBRE Consulting estimated the leakage/attraction of the secondary market area, in Exhibits 13 and 14. Consistent with the results of the primary market area leakage analysis discussed above, the secondary market area had overall sales leakage of 43.2 percent. Unlike the primary market area, however, there is sales leakage in every category. The combined sales leakage of those categories totaled an estimated \$444.5 million in 2006 dollars.

Exhibit 15 estimates the leakage/attraction of the City of Roseville. Overall the City of Roseville had attraction of \$2.2 billion in 2006. All categories in Roseville are estimated to attract sales from non-residents. The categories with the highest share of attraction are auto dealers and auto supplies (78.5 percent), apparel (68.5 percent), and general merchandise (65.5 percent). Given the high concentration of retail in Roseville, it is not surprising that it attracts retail sales dollars.

Finally, the results of the first two analyses are combined to reflect the total primary and secondary market area (see Exhibits 16 and 17). The combined primary and secondary market area has leakage in every category except home furnishings and appliances, overall sales leakage of 38.9 percent, and total leakage of \$778.6 million in 2006.

While the 2006 Retail Sales Leakage Analysis findings are informative, they do not reflect the situation that will prevail when the Center becomes operational. Thus, CBRE Consulting prepared a 2013 Retail Sales Leakage Analysis projection in Exhibits 12, 14, and 17.

CBRE Consulting surveyed the City of Rocklin, City of Auburn, Placer County, industry specialists, and news publications to identify retail projects new to the primary market area since 2006. The same sources were also queried regarding closed retail stores in the primary market area. There were no competitive projects newly opened in the Town of Loomis.⁸ In Rocklin, the Blue Oaks Town Center opened its first phase in 2006-07. The one store in this center that is most competitive with stores planned for Rocklin Commons is Mervyns. However, Mervyns is closing all its stores due to bankruptcy. Therefore, it was not necessary to adjust the primary market area sales base for recently opened or closed stores.

⁸ Since 2006 two large stores have opened in the secondary market area. A Best Buy and a Beverages & More store opened in a space previously occupied by a grocery store in North Auburn. These stores were not included in the analysis however because they are not in the primary market area.

V. SALES IMPACTS

The following analysis examines whether the Center would attract new sales to the primary market area or divert sales from existing retailers. If sales are diverted, the degree of impact on existing primary 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 primary market area and secondary market area leakage in the category, **then at worst**, the amount of Center sales in that category in excess of any leakage recapture will be diverted away from existing primary 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 primary market area.

Exhibit 18 documents the diverted sales estimate and methodology. The approach takes into account the following factors for the most relevant retail sales categories:

- Center sales by major category;
- Estimated Center sales by major category generated by primary and secondary market area residents versus tertiary demand;
- The primary market area as a percentage of the combined primary and secondary market area;
- Leakage, if any, occurring in the primary market area and secondary market area;
- The portion of leakage, if any, in the primary and secondary market area that might be absorbed by Center sales;
- The share of Center sales estimated, at maximum, to be diverted from existing primary market area retailers upon stabilization; and
- The minimum new sales achieved by the Center **not** diverted away from existing primary market area retailers.

This is a conservative approach in that it assumes there will be no net increase in primary market area sales after the Center achieves market stabilization. Such increases commonly happen as residents shift their shopping patterns or increase their expenditures based upon the enhanced availability of consumer goods. This is why CBRE Consulting considers the resulting existing retailer impacts **maximum estimates** upon stabilization, and the resulting new sales to the primary market area **minimum estimates**.

SALES IMPACTS ON EXISTING PRIMARY MARKET AREA RETAILERS

The sales impact results, derived in Exhibit 18 and summarized in Table 4 on the following page, indicate that, at worst, \$21.4 million in sales generated at the Center upon stabilization will be diverted away from existing primary market area retailers. Thus, the balance of new sales, or \$129.7 million, is the minimum estimate of Center sales new to the primary market area. These new sales will come from a combination of recaptured sales (in select categories) and new sales from primary market, secondary market, and tertiary market demand.

Table 4
Maximum Rocklin Commons Center Retailers Sales Impacts Upon Stabilization
Primary Market Area
2013 Dollars, in millions

Retail Category	Center Sales	Maximum Sales Diverted From Primary Market Area Retailers	Minimum New Sales to Primary Market Area
Apparel	\$39.9	\$10.5	\$29.4
General Merchandise	16.3	0.0	16.3
Food Stores	37.2	2.4	34.8
Eating and Drinking	15.4	0.0	15.4
Home Furnishings & Appliances	20.8	8.5	12.3
"Other Retail Stores"	<u>21.5</u>	<u>0.0</u>	<u>21.5</u>
Total	\$151.1	\$21.4	\$129.7

Sources: Exhibit 18.

These figures are conservative for several reasons. Foremost, they assume the maximum diversion away from existing retailers upon stabilization of the Center. Thus, they do not take into account any prospective market corrections or enhancements following the introduction of the Center to the marketplace, including competitive retailer repositioning. They also do not account for potential real growth in income among the market area's population, resulting in an increase in per capita spending. More importantly, they do not take into consideration population growth in the market area following introduction of the Center.

Absent any market adjustments, the maximum sales diverted from primary market area retailers represent 2.5 percent of the estimated total market area sales (see Exhibit 19). Three categories are estimated to have possible sales diversions: apparel stores, food stores, and home furnishings and appliances stores. There is estimated to be a possible \$10.5 million of sales diversions in the apparel category. Given the apparel sales base of only \$21.1 million this represents 49.7 percent of total apparel retail sales. Although this is a high share of total apparel sales, the resulting amount of potential square feet affected is less than 40,000. The home furnishings and appliances category is estimated to have a possible \$8.5 million in sales diversions which represents 8.6 percent of sales in that category. The food stores category is estimated to have a potential \$2.4 million in sales diversions which represents 1.2 percent of sales in that category. The maximum diverted sales as a percent of estimated market area sales by category is displayed in Table 5 on the following page.

Table 5
Maximum Diverted Sales as a Percent of
Primary Market Area Sales
2013 Dollars

Retail Category	Diverted Sales as a percent of Primary Market Area Sales
Apparel	49.7%
General Merchandise	0.0%
Food Stores	1.2%
Eating and Drinking Places	0.0%
Home Furnishings and Appliances	8.6%
Building Materials	0.0%
Other Retail	0.0%
Average – All Categories	2.5%

Source: Exhibit 19.

MITIGATING EFFECTS OF POPULATION GROWTH

In addition to the existing demand, additional demand will be generated by primary and secondary market area population growth in the years immediately following the Center’s first full year of operations. The new demand from anticipated population growth will further support new sales at the Center.

For example, between 2013 and 2018, the primary market area’s population is anticipated to grow by 3,400 and the combined primary and secondary market area is anticipated to grow by 6,170 (see Exhibits 20 and 21). Given the estimated per capita spending for the primary market area residents and for the combined primary and secondary market area residents, this new population is estimated to generate new spending potential by 2018, as summarized in Table 6. These figures indicate that by 2018, primary market area residents are estimated to generate an additional \$51.7 million in retail sales demand in the relevant categories. Combined primary and secondary market area residents are estimated to generate a \$186.3 million in retail sales demand.

Table 6
Retail Demand from Population Growth, 2013 – 2018,
2013 Dollars, in millions

Retail Category	Primary Market Area	Combined Primary and Secondary Market Area
Apparel	\$2.5	\$8.5
General Merchandise	\$9.9	\$35.8
Food Stores	\$12.1	\$43.7
Eating and Drinking Places	\$7.0	\$25.1
Home Furnishings and Appliances	\$2.6	\$9.8
Building Materials	\$7.4	\$26.6
Other Retail	\$10.2	\$36.8
Total	\$51.7	\$186.3

Source: Exhibit 21.

This demand from new population growth will play a significant role in mitigating the Center’s sales impacts.

IDENTIFICATION OF AT RISK RETAIL CATEGORIES

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 below, in Table 7.

**Table 7
Rocklin Commons Center Maximum Diversions Compared to Growth in Demand
Combined Primary and Secondary Market Area
2013 Dollars, in millions**

Retail Category	Estimated Center Diversions in 2013	Demand from New Population Growth, 2013-2018	Estimated Length of Time Required for Mitigation¹
Apparel	\$10.5	\$8.5	7 years
General Merchandise	\$0.0	\$35.8	N/A
Food Stores	\$2.4	\$43.7	1 year
Eating and Drinking	\$0.0	\$25.1	N/A
Home Furnishings & Appliances	\$8.5	\$9.8	5 years
Building Materials	<u>\$0.0</u>	<u>\$26.6</u>	<u>N/A</u>
Other Retail	<u>\$0.0</u>	<u>\$36.8</u>	<u>N/A</u>
Total	\$21.4	\$186.3	Varies

Notes:

(1) Based on level of demand averaged over the five-year period.

Sources: Exhibits 19 and 21; and CBRE Consulting.

This comparative analysis indicates that some market area retail sectors appear more at risk than others by the development of the Center. The sectors most at risk are apparel and home furnishings and appliances. The third retail sector with any impact is the food stores category. In all likelihood, the stores in the food stores category can withstand temporary sales declines until replaced by new population demand. However, some stores in the apparel and home furnishings sectors may struggle with an initial 49.7 and 8.6 percent diversion in sales respectively (as cited in Table 5). Based on general industry performance data, and sales performance data estimated elsewhere in this study, the square footage equivalent of the sales diversions in these three at risk categories are as follows:

- Apparel Stores, 35,300 square feet (at \$297 per square foot per Exhibit 2);
- Home Furnishings and Appliances, 23,500 square feet (at \$361 per square foot per Exhibit 2); and
- Food Stores, 4,200 square feet (at the \$573 per square foot per Exhibit 2).

These findings suggest that at worst, stores totaling these respective square footages 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.

The remaining sections of this chapter consider the extent to which these maximum sales impacts could affect existing primary market area, secondary market area, and City of Roseville stores competing in the above categories based on their store characteristics.

STORE IMPACTS FOR AT RISK RETAIL CATEGORIES

CBRE Consulting visited the primary and secondary market areas as well as the adjacent city of Roseville in August 2008 to visually assess retail 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. A follow-up site visit was conducted on November 25, 2008. CBRE Consulting identified competitive shopping centers based on their size and retail focus relative to Rocklin Commons. CBRE Consulting located existing competitive stores via store location information provided by InfoUSA. The major competitive shopping centers and stores will be discussed according to their category of sales. Shopping centers and selected store locations are mapped on Exhibit 24.

Competitive Shopping Centers

The primary market area contains several competitive shopping centers. There are other smaller, more neighborhood and community serving shopping centers in the primary market area. CBRE Consulting toured those shopping centers considered most competitive with the Rocklin Commons Center. Most neighborhood centers consist of a grocery store or drug store anchor and small local stores, such as nail salons and dry cleaners, that cater to the local population and offer convenience, goods and services. In contrast, the large big box and chain stores planned for the Center offer discount prices and draw comparison shoppers from a large market area. The major shopping centers or their anchor stores are identified in Exhibit 24 and described below, followed by a discussion by store type.

- **Rocklin Square Shopping Center** is a community-serving shopping center located at Interstate 80 and Rocklin Road in the City of Rocklin. It is located approximately 1.5 miles southwest of the proposed Center. The center opened in 1982 and has approximately 190,000 square feet of gross leaseable area. Major anchor tenants include a Safeway that was recently fully remodeled and Longs Drugs. The size, age, and orientation of this center indicate that it is not directly competitive with Rocklin Common's regional draw. However, because of its close proximity to the Rocklin Common's site, the Safeway store, in particular, may compete with a grocery store at Rocklin Commons. The extent of competitiveness will depend on the type and orientation of the grocery store at Rocklin Commons, which is unknown at this time. The extensive remodel effort at Safeway augurs well for its ability to compete with new grocery stores.
- **Loomis Town Center** is a neighborhood-serving shopping center located at Interstate 80 and Horseshoe Bar Road in the Town of Loomis. It is located approximately 1.5 miles northeast of the proposed Center. The center opened in 1996 and has approximately 70,000 square feet of gross leaseable area, most of which is taken up by a Raley's Supermarket. The size and orientation of this center indicate that it is not directly competitive with Rocklin Common's regional draw, but because of its close proximity to the Rocklin Common's site, the Raley's store, in particular, may compete with a grocery store at Rocklin Commons.

- **K-Mart Center** is a community-serving shopping center located along Pacific Street near Farron Street in the City of Rocklin. It opened in 1993 and has a total of 147,500 square feet. It is located approximately 2.7 miles southwest of the proposed Center. K-Mart is the anchor store. The other anchor, an Albertson's grocery store, closed in 2006 and is currently vacant.
- **Five Star Plaza** is a community-serving shopping center located at the intersection of Five Star Blvd and Destiny Drive in the City of Rocklin. It is located approximately 5.1 miles southeast of the Center. It opened in 1993. Total square footage is 153,000, and it has 43 stores. The anchor used to be a Wal-Mart store. The Wal-Mart moved to a new location in Roseville. The space was retented by three furniture stores.
- **Blue Oaks Town Center** is a regional shopping center located at the intersection of Blue Oaks Boulevard and Lonetree Boulevard in the City of Rocklin. It is located approximately 7.5 miles west of the proposed Center along the Highway 65 corridor. The center has a total of 528,000-square-feet. It opened in 2006 and is anchored by a 165,000 square foot RC Willey furniture store. Other tenants include Petco, Dress Barn, Stein Mart, Mervyns (closing), and Sportsman's Warehouse. An Office Depot store in this center closed in December 2008 and Shoe Pavilion has announced it will close as well.

The secondary market area does not contain any regional shopping centers. There are other smaller, more neighborhood and community serving shopping centers in the secondary market area. However, CBRE Consulting toured those shopping centers considered most competitive with the Rocklin Commons Center.

- **Rock Creek Plaza** is a community-serving shopping center located at 2505 Bell Road right off Highway 49 in the unincorporated area of North Auburn. It is located approximately 13.7 miles northeast of the proposed Center. The center opened in 1980 and has approximately 342,380 square feet of gross leaseable area. The anchor tenant is a 136,700-square-foot K-Mart store.
- **Auburn Town Center** is a community-serving shopping center located at Interstate 80 and Elm Avenue in the City of Auburn. It is located approximately 10.5 miles northeast of the proposed Center. The center opened in 1980 and has approximately 146,350 square feet of gross leaseable area. Major anchor tenants include Albertson's, Longs Drugs, and a 70,000-square-foot Gottschalks store.

Although some stores in the secondary market area may experience negative sales impacts due to stores at the Center, their distance (generally over 10 miles) from Rocklin Commons will help keep them viable as they are located closer to their core customers than the Center.

Downtown Shopping Districts

The primary market area contains two downtown shopping districts, one in the City of Rocklin and another in the Town of Loomis. Neither is competitive with the type of retail proposed at Rocklin Commons.

- **Rocklin's Downtown Area** is located along Pacific Street near the intersection with Rocklin Road. The Downtown Rocklin Plan⁹ examines the areas surrounding Pacific Street and

⁹ *Downtown Rocklin Plan Regulating Code Draft* by RBF Consulting/Urban Design Studio, February 10, 2006.

Rocklin Road. Although Pacific Street is considered the “main street” of Rocklin, there are many parcels of undeveloped land scattered along the corridor. These breaks in development make it more difficult to have a walkable shopping district. Typical existing businesses include independent restaurants and auto repair shops. The Downtown Rocklin Plan presents a vision for this area that has not yet been fully realized. As it exists now, Rocklin’s Downtown Area is not competitive with the type of development planned for Rocklin Commons. If the vision of the Downtown Rocklin Plan is implemented, and infill development makes this area a pedestrian-oriented shopping district, it is unlikely that the types of stores built will compete directly with big box and chain stores at Rocklin Commons. Stores in the Downtown Area are likely to be small and cater to residents from the nearby neighborhoods whereas Rocklin Commons will have large chain stores that will draw shoppers from a larger area.

- **Loomis Historic Shopping District.** The Loomis Town Center Master Plan¹⁰ defines the downtown core of Loomis as located along Taylor Road and Horseshoe Bar Road. Taylor Road is considered the “main street” of the Town of Loomis. Horseshoe Bar Road intersects with Taylor and also with Interstate 80. The Master Plan describes this downtown core area as a shopping district that is evolving into a specialty retail destination serving residents and tourists. This area is historic with many buildings that are architecturally significant. This district is compact and walkable with mainly one-story buildings. There are many small independent restaurants and coffee shops as well as chain stores such as Subway. This type of shopping district offers an experience that is not competitive with the big box and chain stores that are expected at Rocklin Commons. This shopping district is not likely to be negatively impacted by the new Center.

Apparel Stores

Overview. The primary and secondary market area does not contain very many major brand name apparel stores. In the primary market area the main apparel stores are Dress Barn and the soon-to-close Mervyns, both located at the Blue Oaks Town Center in Rocklin. Mervyns has a very similar format to Kohl’s with clothes for the entire family, but Dress Barn focuses on women’s career clothes. In the secondary market area the major apparel stores are Ross, located in North Auburn, and Gottschalk’s, located in Auburn. By contrast, the nearby City of Roseville has many major apparel stores.

Center Impacts. The adjusted leakage analysis indicates that in 2013 dollars, a maximum of \$10.5 million in sales may be diverted away from existing apparel stores in the primary market area, comprising 49.7 percent of estimated 2013 apparel stores sales of \$21.1 million (see Exhibit 19). This level of sales is equivalent to support for approximately 35,300 square feet of apparel store space. The extent to which this will negatively impact existing stores will depend upon their ability to sustain a downturn in sales. This downturn will diminish over time as new market area residents generate additional sales. The cumulative retail demand estimates due to population growth documented in Exhibit 21 indicate that it will take seven years to generate \$10.5 million in apparel stores sales from new growth following the assumed 2013 full year operation of the Center. There may be impacts to some existing retailers. If stores cannot withstand this downturn in sales, it is possible that a maximum of 35,300 square feet of existing apparel space is at risk of closing.

¹⁰ *Loomis Town Center Master Plan: Land Use Plan and Design Guidelines, an Element of the Loomis General Plan*, by Calthorpe Associates, adopted December 5, 1992.

General Merchandise

Overview. CBRE Consulting researched major general merchandise stores in the primary and secondary market area. The only major general merchandise store in the primary market area is the K-Mart in Rocklin. In the secondary market area, the only major general merchandise stores are a Target and a K-Mart located in North Auburn.

Center Impacts. The analysis indicates there are approximately \$142.4 million of primary market area sales leakage in the general merchandise category and \$140.9 million of secondary market area sales leakage (see Exhibits 12 and 14). New general merchandise sales generated by the Center, \$16.3 million, can be satisfied entirely by the existing leakage (see Exhibit 18). As a result, from a supply/demand perspective, the Center should not have a negative impact on existing primary market area general merchandise retailers.

Given that K-Mart is the only major general merchandise store in the primary market area, it would be the most likely to experience negative sales impacts, if any, from the new Center, and especially from a Target store because their product lines overlap. K-Mart is located in a center that has had a vacant second anchor store which used to be an Albertson's for several years. Despite this large and prolonged vacancy, the K-Mart store is still attracting customers, although during the second site visit on a Tuesday mid-afternoon in November, customer traffic was observed to be fairly low. This could be due to the lack of a second anchor in the shopping center and the overall struggle K-Mart has been having in the marketplace nationally. While there is no evidence of blight, the center is not being maintained as well as others in the market area. The leakage analysis shows that K-Mart is not currently serving all the demand for general merchandise products in the primary market area. In fact, there is more than enough demand in the general merchandise category to support the currently operating K-Mart store and the projected sales of a Target store at Rocklin Commons.

Food Stores

Overview. Grocery stores tend to attract shoppers from the immediate surrounding neighborhood; therefore, existing grocery stores located close to the Center's site are most likely to experience negative sales impacts. The major grocery stores located near the Center's site are the Raley's located in the Loomis Town Center in the Town of Loomis and the Safeway located in Rocklin Square Shopping Center in the City of Rocklin.

Center Impacts. The adjusted leakage analysis indicates that in 2013 dollars, a maximum of \$2.4 million in sales may be diverted away from existing food stores in the primary market area, comprising 1.2 percent of estimated 2013 food stores sales of \$209.1 million (see Exhibit 19). This level of sales is equivalent to support for approximately 4,200 square feet of food store space. The extent to which this will negatively impact existing stores will depend upon their ability to sustain a downturn in sales. This downturn will diminish over time as new market area residents generate additional sales. The cumulative retail demand estimates due to population growth documented in Exhibit 21 indicate that it will take less than one year to generate \$2.4 million in food stores sales from new growth following the assumed 2013 full year operation of the Center. There may be short term impacts to some existing retailers, although they are not expected to lead to store closures.

Eating and Drinking Places

The analysis indicates there are approximately \$48.6 million of primary market area sales leakage in the eating and drinking places category estimated in 2013 and \$46.6 million of secondary market area sales leakage in this category. New eating and drinking places sales generated by the Center, \$15.4 million, can be satisfied entirely by the existing leakage. As a result, the Center is not likely to have a negative impact on existing primary market area eating and drinking places (see Exhibits 18 and 19).

Home Furnishings & Appliances

Overview. The one major home furnishings store in the primary market area is the RC Willey store located in Rocklin's Blue Oaks Town Center. This is a 165,000 square foot store which sells furniture, flooring, electronics and appliances. RC Willey is located in the Highway 65 corridor. This corridor comprises the majority of the City of Roseville's regional retail centers as shown on Exhibit 24. There are many small home furnishings and appliances stores in the primary and secondary market areas, but very few large or chain stores.

Small local stores such as Nelthorpe & Sons Appliances in Loomis could experience negative sales impacts. However, Nelthorpe & Sons' location in the historic shopping district of Loomis suggests that its orientation is to local residents who want to buy appliances from a small local business. Clearly, significant competitors to local appliance stores already exist in the Highway 65 corridor. These types of small stores can differentiate themselves from big box stores with high levels of customer service, custom products, and a wide selection. Larger stores such as RC Willey are the main competitors to the types of home furnishings and appliance stores that will be at Rocklin Commons. Although some smaller home furnishings and appliance stores in the primary market area may experience negative sales impacts, the bulk of the impacts are likely to be on stores located on the Highway 65 corridor.

Center Impacts. The adjusted leakage analysis indicated that in 2013 dollars, a maximum of \$8.5 million in sales may be diverted away from existing home furnishings and appliances stores in the primary market area, comprising 8.6 percent of estimated 2013 home furnishings and appliances sales of \$98.7 million (see Exhibit 19). This level of sales is equivalent to support for approximately 23,500 square feet of home furnishings and appliances store space. The extent to which this will negatively impact existing stores will depend upon their ability to sustain a downturn in sales. This downturn will diminish over time as new market area residents generate additional sales. The cumulative retail demand estimates due to population growth documented in Exhibit 21 indicate that it will take five years to generate \$8.5 million in home furnishings and appliances sales from new growth following the assumed 2013 full year operation of the Center. If stores cannot withstand this downturn in sales, it is possible that a maximum of 23,500 square feet of existing home furnishings and appliances store space is at risk of closing.

"Other Retail Stores"

The analysis indicates there are approximately \$20.4 million of primary market area sales leakage in the "other retail stores" category estimated in 2013 and \$84.0 million of secondary market area sales leakage in the "other retail stores" category. New "other retail store" sales generated by the Center, \$21.5 million, can be satisfied entirely by the existing leakage. As a

result, the Center is not likely to have a negative impact on existing primary market area “other retail stores” (see Exhibits 18 and 19).

The findings from this chapter are summarized in the following Table 8.

Table 8
Proposed Rocklin Commons
Summary of Impacts¹
2013

Retail Category	Diverted Sales	Supportable Square Feet	Years to Mitigate
Apparel	\$10.5	35,300	7 years
General Merchandise	0.0	N/A	N/A
Food Stores	2.4	4,200	1 year
Eating and Drinking Places	0.0	N/A	N/A
Home Furnishings and Appliances	8.5	23,500	5 years
“Other Retail Stores”	<u>0.0</u>	<u>N/A</u>	N/A
Total	\$21.4	63,000	

Sources: Exhibits 18, 19, and 31.

Table 8 provides a summary of the diverted sales impact discussed in this chapter. Assuming Rocklin Commons’ new primary and secondary market area sales occurred at the proportional expense of existing primary market area retailers, then existing retailers would experience a maximum annual impact of \$21.4 million in sales upon stabilization of the Center in 2013 dollars. New population growth is anticipated to help recoup a portion of the lost store sales. In addition, it is reasonable to assume that some retailers could successfully reposition their stores and primary market area sales could increase overall due to the enhanced regionalism of the primary market area. This is a conservative approach in that it assumes there will be no net increase in combined primary and secondary market area sales after the Center achieves market stabilization. This is why CBRE Consulting considers the resulting existing retailer impacts maximum estimates upon stabilization.

IMPACTS ON RETAILERS IN THE CITY OF ROSEVILLE

Although Roseville was not included in the primary or secondary market areas for Rocklin Commons, retail located in Roseville near the border with Rocklin may be impacted by the new retail at Rocklin Commons. The City of Roseville has a very large concentration of retail near its border with Rocklin including several large regional malls and one superregional mall.

Competitive Shopping Centers

There are two main retail areas in Roseville that may compete with Rocklin Commons. East of Interstate 80 along Douglas Boulevard, Rocky Ridge Boulevard, and Lead Hill Boulevard, there are several centers along with large stand-alone stores such as Wal-Mart. The second area is along Highway 65 on Roseville Parkway, Galleria Boulevard, Pleasant Grove Boulevard, and Fairway Drive. These shopping centers or their anchor stores are identified in Exhibit 24 and described below.

- **Placer Center Plaza**, located on Douglas Boulevard east of Interstate 80, is a community-serving shopping center with approximately 137,000 square feet of gross leaseable area. It

is located approximately 5.9 miles southwest of the proposed Center. The center opened in 1983 and is anchored by a soon-to-close Mervyns.

- **Roseville Center** is a 262,000-square-foot community-serving shopping center located on Rocky Ridge Drive east of Interstate 80. It is located approximately 5.4 miles southwest of the proposed Center. The center opened in 1988 and is anchored by a 111,000-square-foot Target and a 60,000-square-foot Raley's grocery store.
- **Fairway Commons** is a community-serving shopping center located at Fairway Drive west of Interstate 80 and north of Highway 65. It is located approximately 6.4 miles west of the proposed Center. The center opened in 2004 and has approximately 179,000 square feet of gross leaseable area. The anchor store is a 135,000-square-foot Target.
- **Westfield Galleria** is a superregional shopping center located at Galleria Boulevard and Highway 65. It is located approximately 4.7 miles southwest of the proposed Center. The center opened in 2000 and has approximately 1.0 million square feet of gross leaseable area. The anchor stores are Macy's, Nordstrom, Sears, and JC Penney.
- **Stanford Ranch Crossing** is a regional power center located at Stanford Ranch Road and Highway 65. It is located approximately 4.8 miles southwest of the proposed Center. The center opened in 1996 and has approximately 373,000 square feet of gross leaseable area. The main stores include Staples, Sports Authority, Ross Dress for Less, and World Market.
- **Creekside Town Center** is a regional power center located at Galleria Boulevard and Highway 65. It is located approximately 4.8 miles southwest of the proposed Center. The center opened in 1999 and has approximately 570,000 square feet of gross leaseable area. The main stores include Marshalls, Bed Bath & Beyond, and Babies "R" Us.
- **Pleasant Grove Marketplace** is a regional power center located at Pleasant Grove Blvd and Highway 65. It is located approximately 5.9 miles southwest of the proposed Center. The center opened in 1993 and has approximately 402,000 square feet of gross leaseable area. The anchor stores are a Wal-Mart and a Sam's Club.
- **Highland Reserve Marketplace** is a community-serving shopping center located at Fairway Drive and Pleasant Grove Boulevard. It is located approximately 6.0 miles west of the proposed Center. The center opened in 2004 and has approximately 206,000 square feet of gross leaseable area. The anchor store is a Kohl's.
- **The Fountains** is a regional lifestyle center located at Roseville Parkway next to the Westfield Galleria. It is located approximately 4.9 miles southwest of the proposed Center. The center opened in 2008 and has approximately 391,000 square feet of gross leaseable area. The center has not finished leasing up yet. It will be anchored by a Whole Foods.
- **The Ridge at Creekside** is a regional power center with almost 700,000 square feet of leaseable space. It is located at Galleria Boulevard and Roseville Parkway, approximately 4.8 miles southwest of the proposed Center. The center is anchored by a Macy's Furniture store.

During the site visit to centers in Roseville, it was observed that most of the shopping centers had one or two small vacant spaces. The Fountains has some large vacancies because it just

recently opened and has not finished leasing up, but no other large vacant spaces were observed.

Roseville Retail Sales Leakage Analysis and Sales Impacts

A retail sales leakage analysis was completed for the City of Roseville using the most recent 2006 California Board of Equalization sales data. As shown in Exhibit 15, the City of Roseville attracts a very large proportion of its retail sales in all categories. In total, 58.3 percent of sales in Roseville are estimated to originate from outside the city. Given Rocklin's proximity to Roseville, and the retail sales leakage evident in Rocklin and Loomis, it is logical to assume that some of the sales attraction in Roseville comes from residents of Rocklin and Loomis. Roseville is probably also attracting residents from other areas including Lincoln to the north, portions of Sacramento County to the south and west, and portions of Placer County. Some of the sales leakage from Rocklin and Loomis may also be due to its residents traveling to Sacramento to do some of their comparison shopping.

In order to quantify potential impacts on Roseville retailers, Exhibit 22 was prepared to show a worse case example of the impact of leakage recapture on Roseville. Of course, for reasons cited above, not all of the leakage recaptured would be expected to come at the expense of Roseville retailers. Overall, the retail sales leakage estimated to be recaptured from Roseville represents only 2.1 percent of total estimated sales in Roseville in 2013. The sales impacts in all but one category range from 2.0 percent in the general merchandise category to 4.8 percent in the home furnishings category. The apparel category is the exception. Based on this worse case example, sales impacts in apparel are estimated at 10.3 percent of total retail sales in the apparel category. However, as explained later, it is expected that much of the negative sales impacts in Roseville will affect large chain stores that are not likely to close.

Displaying impacts in this manner is useful in interpreting findings. Historic fluctuations in retail sales nationally suggest that a 3+/- percent variation in sales is common. 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 and July 2008. These publications tracked retail sales by store type on a per square foot basis for four time periods: 1995-1999 (Late Boom), 2000-2003 (Recession), 2003-2005 (Transition), and 2006-2007 (Most Recent). As detailed in Exhibit 23, retail is a dynamic industry with periodic fluctuations in sales performance, which are common and vary significantly by sector. Sales declines of up to 5 and 6 percent on an annual basis were common during recessionary periods (the Retail MAXIM Recession 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, but rebounded with a 4.1 percent annual sales increase between 2003 and 2005.

Based on the Retail Maxim data, it is most relevant to evaluate the percentage impacts above the 3.0 percent threshold. Exhibit 22 shows that the percentage sales impacts in the general merchandise category is 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. The percentage sales impacts in home furnishings and appliances, eating and drinking places, food stores, and "other retail stores" are about 1 to 2 percent above typical variation. Clearly the most vulnerable categories

are those with estimated percentage sales impacts above 5 percent; apparel is the only category of this type.

The stores in Roseville most likely to experience negative sales impacts from the planned stores at Rocklin Commons are the two Target stores and the Kohl's since Rocklin Commons will offer these same stores. However, it is unlikely that any of these stores will close as a result of Rocklin Commons. When chain stores deliberately open new stores that are likely to divert sales from existing stores in the chain, this retail strategy is called sales cannibalization. This strategy is used in order to alleviate crowds at popular stores, assure cleanliness, offer adequate stock on hand, and serve as a convenience for customers. The retail strategy of sales cannibalization is well known and documented in many articles. For example, one article on Wal-Mart noted that Wall Street analysts consider the effects of sales cannibalization when they make sales estimates for the company.¹¹ The article also mentioned that Wal-Mart has acknowledged the effects of sales cannibalization. Another article written in 2003 notes that a Lowe's spokesperson stated that sales cannibalization has a 1 to 1.5 percent effect on total sales at Lowe's stores.¹² The same article mentions that in 2002, one in five existing Home Depot stores experienced cannibalization of sales from new stores. When chain stores plan their expansions they take into account possible sales declines at their existing stores and this does not necessarily lead to store closures. In conclusion, the development of Rocklin Commons is unlikely to be the cause of store closures in Roseville, and, therefore, unlikely to induce urban decay in Roseville.

¹¹ "Taking Aim at Wal-Mart: Under fire, the world's No.1 retailer tries to soothe its critics and update its strategy," by Curt Hazlett, RetailTraffic, February 2005.

¹² "Cannibalization feeds Home Depot growth," by Lisa R. Schoolcraft, Atlanta Business Chronicle, May 9, 2003.

VI. CUMULATIVE IMPACTS

This chapter analyzes the Center in the context of other currently planned retail projects in the primary market area. This includes five projects that are either currently approved (I-80 Center – Petrovich Development) or under review (Rocklin Crossings, Rocklin Marketplace, Granite Plaza, and The Village at Loomis). These represent the major developments that could impact the primary market area in a significant way via additional retail sales. Other, smaller retail developments of less than 40,000 square feet were excluded because they would not be competitive with a shopping center like Rocklin Commons, both in terms of size and tenant mix. Smaller shopping centers usually have a neighborhood orientation with restaurants and non-retail convenience stores such as dry cleaners and nail salons. Rocklin Commons, however, will be a regional center, i.e., it will attract customers that are more interested in comparison shopping than convenience. For convenience items, customers are likely to continue to shop at their local neighborhood centers. Also not included in this analysis were several developments which are at a very early stage of planning and were deemed to be too speculative to include in this cumulative impact analysis.

IDENTIFIED PROJECTS

Primary Market Area

CBRE Consulting identified major planned, approved or under construction retail projects in the primary market area. There were four projects of significance identified in the City of Rocklin and one in the Town of Loomis. These retail projects are presented in Exhibit 25. The reader should note that the primary market area is defined for the subject property Rocklin Commons and that the projects below may have somewhat different market areas depending on their location in Rocklin or Loomis and the location of their major competitors. CBRE Consulting does not define a separate market area for each project or store.

Available details for the five projects included in the cumulative impacts analysis are as follows:

- **I-80 Center – Petrovich Development:** Approved in August 2008, this 200,000-square-foot center will be located at Interstate 80 and Sierra College Boulevard. The center consists of a 138,000-square-foot home improvement warehouse anchor and 62,000 square feet of shops and pad space.
- **Rocklin Crossings:** Rocklin Crossings is currently under review with the City of Rocklin. The proposed 543,500-square-foot center is to be located at the southeast corner of Interstate 80 and Sierra College Boulevard. Prospective tenants include a 231,353-square-foot Wal-Mart Supercenter, a 141,038-square-foot Home Depot, 30,000 square feet allocated to an apparel retailer, 30,000 square feet to an electronics retailer, 25,000 square feet to a home furnishings retailer, 15,000 square feet to restaurant space, and the remaining space to be composed of shops and pads.
- **Rocklin Marketplace:** Rocklin Marketplace is a 300,000-square-foot shopping center planned at Highway 65 and Sunset Boulevard in the Highway 65 corridor. An application was filed with the City of Rocklin in October 2007. Tenants and anchors have not been identified, but it is anticipated that the project will consist of regional serving retail. There are three spaces 45,000 square feet each which could be combined for one big box retailer.

- **Granite Plaza (Granite Bay Ventures):** An application was filed with the City of Rocklin in mid-2007. The site is located in the same area as Rocklin Commons, near the intersection of Interstate 80 and Sierra College Boulevard. Possible tenants at this 170,000-square-foot center include a national theatre chain with 10 or more screens, restaurants, and shops. No specific tenants have been identified, but it is anticipated that the project will consist of regional serving retail.
- **The Village at Loomis:** The application for this mixed-use development, including 45,000-square-foot of retail, was submitted in June 2007 and the EIR is underway. This proposed mixed-use project is to be located between Day Avenue, Horseshoe Bar Road, Sun Knoll, and Interstate 80. The Village at Loomis is to be broken down into the following types of districts: 0.5-acre live-work district, 9.7-acre residential district, 45,000-square-foot retail district, 2.8-acre office district, 3.1-acre multi-family housing district, 18.6-acre single-family housing district, and an open space and parks district.

In addition to the above projects, there are two proposed projects that were recently placed on hold or cancelled. Loomis Marketplace was planned to be built at Interstate 80 and Horseshoe Road in Loomis. It would have had 230,000 square feet of retail space and 60,000 square feet of restaurant space. The second project currently on hold is Villages at Pavilion, a 61,000-square-foot proposed shopping center with no anchor located at Granite Drive near Sierra College Boulevard.

Secondary Market Area

Within the secondary market area, CBRE Consulting identified several retail projects in the planning stages and one under construction. Specific projects of note include: a Home Depot store currently under construction in the City of Auburn consisting of 129,295 square feet including a garden center; a proposed 93,600-square-foot commercial retail center in the City of Auburn called Auburn Creekside Center; a proposed 155,000-square-foot big box retail building in unincorporated North Auburn, this project was previously planned as a Costco; a 26,700-square-foot proposed expansion of a recently completed center, The Plaza, in unincorporated North Auburn; and an application has been submitted to the City of Auburn for a proposed 153,475-square-foot Costco including a 5,200-square-foot tire center.

The economics of retail development are such that the impacts of the proposed center will be greatest within the center's primary market area. Retailers in a primary market area compete primarily with other retailers of like kind within the primary market area. That is why the analysis focuses on the potential for diverted sales, if any, away from other primary market area retailers. Assessing potential impacts on existing retailers in the secondary market area would be problematic and speculative because the secondary market area is made up of several submarkets, each one of which has its own primary market area and, therefore, its own unique characteristics in terms of such factors as current market conditions, competition (existing and planned), market area population growth potential, etc. For these reasons, cumulative impacts resulting from secondary market area projects are not analyzed in this report.

SALES ESTIMATES FOR PLANNED RETAIL DEVELOPMENTS

CBRE Consulting estimated sales for the planned market area retail developments in Exhibit 26. As with the Center itself as well as Rocklin Crossings, sales were estimated using available 10-K's or the Retail MAXIM publication. For Rocklin Marketplace, Granite Plaza, and The Village at

Loomis projects, tenants or tenant types have not been identified for all of the planned space. For these allocations of space, CBRE Consulting assumed a generic sales performance estimate, and assigned the sales to an appropriate mix of categories. The generic sales performance estimate is derived from an average for retailers located in neighborhood centers. While at least one of these projects will likely enter the market in advance of the Center, their sales are forecasted to 2013 to assess the prospective impact of the Center in combination with these projects. The results in Exhibit 26 indicate that by 2013, these planned projects are anticipated to generate an additional \$565.3 million in retail sales potentially competitive with the Center.

Exhibit 27 identifies estimates of sales by retail category for the identified planned retail projects in the market area. For analytical purposes, the sales are distributed as follows:

- \$63.3 million in apparel;
- \$84.4 million in general merchandise;
- \$80.8 million in food stores;
- \$34.7 million in restaurants;
- \$124.3 million in home furnishings and appliances;
- \$77.1 million in building materials;
- \$100.7 million in other retail.

Of these new sales, 95 percent, or \$537.0 million are estimated to be generated by primary and secondary market area residents, per the previous market split assumptions. The remaining sales are expected to comprise tertiary market demand, originating from undefined areas outside the primary and secondary market areas (e.g. motorists traveling along Interstate 80 through Rocklin and other visitors to the Rocklin and Loomis area).

CUMULATIVE SALES IMPACTS

Approach

Utilizing the same methodology discussed in Chapter V, Sales Impacts, CBRE Consulting estimated the maximum 2013 impact of the planned retail developments on existing retailers in the primary market area in combination with the Center. This approach, presented in Exhibits 28 through 31, considered the following factors:

- New primary market area sales base which includes minimum new sales to the primary market area resulting from Rocklin Commons;
- New combined primary and secondary market area sales base which includes minimum new sales to the primary market area resulting from Rocklin Commons;
- The primary market area sales as a percentage of the combined primary and secondary market area sales;
- New sales in the primary market area from the five cumulative projects;
- The portion of new cumulative projects' sales that will come from the primary and secondary market area;
- Unabsorbed leakage in the primary market area and in the secondary market area;
- Maximum cumulative sales diversions generated by the Center and the planned projects; and
- Sales diversions as a percentage of estimated sales.

Exhibit 31 summarizes the diverted sales impacts resulting from development of the Center and all five primary market area cumulative projects.

Findings

The cumulative sales impact results indicate that, assuming development of all five projects, at worst, \$263.3 million in sales will be diverted away from existing primary market area retailers (see Exhibit 31). The diverted sales impact estimate is \$45.8 million on food stores, \$41.7 million on "other retail stores", \$65.8 million on apparel stores, and \$110.0 million on home furnishings and appliances stores. There are no diverted sales anticipated in the restaurants, general merchandise or building materials stores categories. The fact that there is estimated to be no diverted sales in the general merchandise category indicates that there is enough demand to support current sales at the Rocklin K-Mart and projected sales at Rocklin Commons without negative sales impacts to the Rocklin K-Mart or to the general merchandise retailers located in Roseville, Auburn, and Lincoln.

These findings indicate that if all of the retail square footage in Rocklin Commons and the five planned projects is built and occupied by 2013, there will likely be an oversupply of space in several categories. Development surges of this type are not uncommon. They occur during periods of: (a) strong population growth; (b) strength in market demand; and (c) retailer confidence in the desirability of a market area and its long term potential as a desirable place to do business. Such surges, often lead to one or more of the following: slower than anticipated absorption (leasing) of new space; lower initial sales volume; and a longer than anticipated period of time to reach stabilized sales.

In addition, in the face of projected overbuilding in a market area, some developers and lenders may decide to delay or cancel projects that do not have strong anchor tenants or are otherwise having difficulty preleasing space. CBRE Consulting studied the Rocklin/Roseville market two years ago¹³ for the proposed Rocklin Crossings. At the time the report was written one potential project in the pipeline had already begun construction, another project had been approved, three projects were considered likely to be developed, and four projects were very early in the planning stages. Of those nine projects, only two have been built, the one that had already begun construction and the one that had its approvals. Of the remaining seven projects little progress has been made. Only one of the remaining projects has been approved, and the other six are still in the application stages. This slow progress indicates that some developers have chosen to delay or put their projects on hold.

Findings by retail category are summarized below:

- **Food Stores.** The estimated \$45.8 million in diverted food store sales is equivalent to approximately 80,000 square feet of supportable space. The typical size of new full service grocery stores is about 50,000-60,000 square feet; therefore, the 80,000 square feet represent less than two standard-sized grocery stores at risk of closure. The primary market area is projected to require six years to generate this level of additional demand. Though impacts may be spread over a larger group of stores minimizing the potential closure of any one particular store, it appears that if all the cumulative projects are built, one to two grocery stores could be at risk for closure. This is a worst case scenario assuming that Rocklin Commons has a full-service 60,000-square-foot grocery

¹³ *Rocklin Crossings Economic Impact Analysis, Rocklin, CA, CBRE Consulting, December 2006*

store. In fact, the developer of Rocklin Commons states that the grocery space is more likely to be a smaller specialty foods store, such as Trader Joe's. In that case, impacts would be smaller than estimated.

- **Other Retail Stores.** The estimated \$41.7 million in diverted other retail store sales is equivalent to approximately 116,500 square feet of supportable space. The primary market area is projected to require six years to generate this level of additional demand. Thus, it appears approximately 116,500 square feet of other retail store space in the primary market area is at risk of closing unless the primary market area is able to transition to become an area that attracts more retail sales than its residents generate (e.g., like Roseville) or if the planned cumulative projects are not all built.
- **Apparel.** The estimated \$65.8 million in diverted apparel store sales is equivalent to approximately 221,300 square feet of supportable space. This is a very large oversupply of retail space. The primary market area is projected to require more than twenty years to generate this level of additional demand.¹⁴ However, this is the maximum potential impact; if some of the cumulative projects do not get built, impacts will be smaller. If all the projects are built, 221,300 square feet of apparel space is at risk for closure.
- **Home Furnishings and Appliances.** The estimated \$110.0 million in diverted home furnishings and appliances store sales is equivalent to approximately 305,000 square feet of supportable space. The primary market area is projected to require more than twenty years to generate this level of additional demand. If all of the planned cumulative projects are built there will be oversupply for many years in this category. Thus, it appears approximately 305,000 square feet of home furnishings and appliances store space in the primary market area is at risk of closing unless the primary market area is able to transition to become an area that attracts more retail sales than its residents generate (e.g., like Roseville).

These cumulative impact 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 Rocklin Commons shopping center and the five cumulative centers. Thus, they do not take into account any prospective market corrections or enhancements following the introduction of these centers into the marketplace, including competitive retailer repositioning. Also, it is unlikely 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. This is also a conservative analysis in that it assumes the stores achieve stabilized sales in year one. However, retail stores typically achieve stabilized sales after about two to three years. Therefore the initial impact is overstated.

The five cumulative projects total 1.3 million square feet of planned retail space. Given the large amount of potential retail development that is planned for Rocklin, and particularly the

¹⁴ The exact number of years is difficult to estimate. CBRE Consulting's demand estimates due to population growth only extend out as far as 2018. It is difficult to project beyond this period because of the uncertainties associated with forecasting population growth and changes in spending patterns so far into the future.

retail planned for the Interstate 80 corridor, it is possible that Rocklin could transition to a retail hub serving the secondary market area. In this case, Rocklin would become a city which attracts a significant amount of sales from non-residents, similar to the City of Roseville.

The extent to which the potential store closures discussed above become problematic for the primary market area's retail market depends upon the strength of that market. This strength, and the resulting likelihood of the potential vacancies causing urban decay, is discussed in the following chapter.

VII. URBAN DECAY DETERMINATION

The purpose of this chapter is to assess the degree to which development of the Center and the cumulative projects will or will not contribute to urban decay. This chapter discusses the definition of urban decay, the study's approach to determining urban decay potential, retailer demand in the primary and secondary market areas, and CBRE Consulting's urban decay determination.

STUDY DEFINITION OF URBAN DECAY

In recent years, the California Courts of Appeal have addressed the need to address the potential for "urban decay" in environmental documents for large retail projects. The leading case is *Bakersfield Citizens for Local Control v. City of Bakersfield* (2004) 124 Cal.App.4th 1184, in which the court set aside two environmental impact reports for two proposed Wal-Mart projects that would have been located less than five miles from each other. This was the first court decision to use the new term "urban decay," as opposed to the similar term "blight," which is a concept from redevelopment law. The court quoted "experts [who] are now warning about land use decisions that cause a chain reaction of store closures and long-term vacancies, ultimately destroying existing neighborhoods and leaving decaying shells in their wake." (Id. at p. 1204.) The court also discussed prior case law that addressed the potential for large retail projects to cause "physical deterioration of [a] downtown area" or "a general deterioration of [a] downtown area." (Id. at pp. 1206, 1207.) The Bakersfield court also described the circumstances in which the duty to address urban decay issues arise.

It is apparent from the case law discussed above that proposed new shopping centers do not trigger a conclusive presumption of urban decay. However, when there is evidence suggesting that the economic and social effects caused by the proposed shopping center ultimately could result in urban decay or deterioration, then the lead agency is obligated to assess this indirect impact. Many factors are relevant, including the size of the project, the type of retailers and their market areas and the proximity of other retail shopping opportunities. The lead agency cannot divest itself of its analytical and informational obligations by summarily dismissing the possibility of urban decay or deterioration as a "social or economic effect" of the project.

Against this background and for the purpose of this study, urban decay is defined as physical deterioration that is so prevalent and substantial it impairs the proper utilization of affected real estate or the health, safety, and welfare of the surrounding community. Physical deterioration includes, but is not limited to, abnormally high business vacancies, abandoned buildings and commercial sites, boarded doors and windows, parked trucks and long term unauthorized use of properties and parking lots, extensive gang or offensive graffiti painted on buildings, dumping of refuse or overturned dumpsters on properties, dead trees or shrubbery and uncontrolled weed growth or homeless encampments.

APPROACH TO DETERMINING URBAN DECAY POTENTIAL

CBRE Consulting engaged in several tasks to assess the probability of urban decay ensuing from development of the Center. These tasks revolved around assessing the potential for closed stores in the primary market area, secondary market area, and in the City of Roseville, if any, to remain vacant for a prolonged period of time or to be leased to other retailers within a reasonable marketing period. Under normal circumstances, it can take from a few months to a year or more to lease retail space depending on the size of the space. Larger spaces, such as

former grocery stores, are more difficult to lease since fewer retailers require such a large space. However, during an economic recession like the one the U.S. is currently going through, a slowdown in retail sales and fewer retailer expansions occur.

Daily news stories report falling retail sales nationally. Overall, October retail sales were down 4.1 percent from the same month a year ago.¹⁵ This was the fourth consecutive monthly drop. Recently, Home Depot reported a decline in quarterly sales of 8.3 percent for stores open at least one year, vs. a year earlier.¹⁶ Some major retailers, including Circuit City and Linen 'n Things, have closed stores and filed for bankruptcy while other chains have announced they are pulling back on expansion plans in the face of the current economic downturn. It is reasonable to expect that a decline in retail sales of the magnitude we are seeing will result in more store closures nationally. In the Rocklin market, retailers are no doubt being impacted in a similar way. Some retailers will be able to weather the decline in sales, while others will not. Regardless of whether Rocklin Commons develops, there are likely to be some store closures in the market area and, because of depressed economic conditions, the resulting vacancies will likely take longer to re-tenant (i.e. find replacement tenants) than would be the case under more normal conditions.

It will be the responsibility of retail property owners to work diligently to fill vacant spaces. It should be noted that when tenants vacate prior to lease expiration, they continue to be responsible for rent and their share of building operating expenses. We mention this because, especially for national tenants (like Starbucks), it is reasonable to expect that landlords will continue to receive income on many of their vacated spaces, which means they should have available the financial resources to continue to maintain their properties. In addition, city ordinances require property owners to maintain their properties so as not to create a nuisance by creating a health and safety problem. Enforcement of relevant municipal codes is one way the cities in the market area can help prevent physical deterioration due to any long-term closures of spaces in its shopping centers. One other possible outcome of retail store closures and prolonged vacancies is that existing property owners, or buyers, might decide to redevelop these centers with other uses, thereby preventing physical deterioration and the threat of urban decay.

Several sources with many years of experience in the market area were contacted regarding the health of the local retail market and the depth of prospective demand for retail space. The purpose of this research was to determine if sufficient retailer demand exists to absorb vacated space in the event existing retailers close due to any negative impacts of the Center and other identified planned projects.

RETAILER DEMAND IN THE PRIMARY MARKET AREA

CBRE Consulting conducted telephone interviews with several real estate brokers experienced in the Rocklin/Loomis/Roseville retail market. The real estate brokers represented a mix of independent and large commercial brokerage houses. All of the brokers contacted have experience working with tenants and landlords in the market area. In the course of the interviews, the real estate brokers shared their candid thoughts and some proprietary information with CBRE Consulting. Findings from these interviews are summarized below.

¹⁵ New York Times, "A Record Decline in October's Retail Sales," November 15, 2008.

¹⁶ New York Times, "Two Sides of Retailing Share Dismal Results," November 19, 2008.

Market Characterization

The real estate brokers contacted for this study all spoke hesitantly about the overall retail market. They indicated that the Rocklin market is performing better than other markets, but in general the market is slower than it was a year ago; retail rents are decreasing and demand is low. One large factor in the higher vacancy rates and the slow down in retail growth has been the struggling housing market. Overall it was stated that the unanchored shopping centers are being hit the hardest with vacancies. Anchored centers are having an easier time maintaining and attracting tenants. Opinions varied widely regarding retail vacancy, with estimates between 5 and 30 percent in 2008. The high end of this range could reflect the vacant space at new centers still in the process of leasing up. The majority of the brokers predicted that the vacancy rate will level off and then improve with the next 12-24 months now that rents have started to decrease.

The Rocklin/Loomis retail market is split primarily into two areas. The Stanford Ranch area is in the northwest section of the City of Rocklin along Highway 65. Many new housing developments have been built in this area. The majority of the stores and centers have been built within the last few years, including the Blue Oaks Town Center. Brokers believe that the Rocklin Commons development would not impact the retail in the Stanford Ranch area because much of its customer demand comes from residents of neighboring Roseville and areas of unincorporated Placer County.

The other major retail area in Rocklin is along Interstate 80 near Granite Drive and Sierra College Boulevard. The Granite Drive area is referred to as "Toy Row," an auto dealer-focused area with luxury brands such as Porsche, Land Rover, and a new Mercedes Benz dealership expected to be complete in the beginning of 2009. The Interstate 80 interchange at Sierra College Boulevard is currently being rebuilt by Caltrans and the City of Rocklin. This has peaked interest for development at the interchange. Near the site for Rocklin Commons at Interstate 80 and Sierra College Boulevard there are other proposed retail centers listed in the pipeline shown in Exhibit 25. Brokers indicated that with these potential new retail centers clustered together, a retail hub would be created. One broker said that because of the visibility of the location right next to Interstate 80, new centers built at Sierra College Boulevard could draw customers from 20-30 miles away.

Brokers stated that grocery stores in the Granite Drive area could be impacted by the sales from the grocery store portion of Rocklin Commons, but none of the brokers believe that the impacts would lead to store closures. The closest grocery stores to Rocklin Commons are the Safeway in the Rocklin Square Shopping Center and the Raley's Supermarket in the Loomis Town Center. These stores are the most likely to experience some sales impacts from the proposed grocery store at Rocklin Commons. A couple of the brokers voiced the opinion that impacts on the existing Safeway and Raley's will depend on the type of grocery store that locates at Rocklin Commons. For example if a similar format store, such as another conventional store, were to locate at Rocklin Commons, then they believe that this new store will likely impact the existing stores, but if a different format store, such as an upscale Whole Foods or a discount-oriented Pak 'n Save, were to go in, it would not likely impact the existing stores to the same degree. Other brokers expect that there will be little to no impact on the two closest grocery stores since those stores serve their respective areas well.

The opinions of brokers that neither of the two grocery stores in the area is likely to close is supported by the retail leakage analysis which shows more than enough demand to support the

currently operating grocery stores and the projected grocery sales at Rocklin Commons. As is often the case when new competition enters the market, the existing grocery stores will likely need to remodel and possibly reposition themselves to remain competitive.

In addition to Rocklin's two primary retail areas, there is also a third commercial area along Pacific Street. Part of this area, between Midas Avenue and Farron Street, is designated by the City of Rocklin as part of the Downtown Plan. This area is primarily residential and the businesses that are in this area are older and well established. Typical businesses are small independent restaurants and auto repair shops and are not considered to be competitive to Rocklin Commons. On Pacific Street near Farron Street is a shopping center with a K-Mart as an anchor. The other anchor space formerly occupied by Albertson's, is vacant. The leasing broker of the center was not sure what type of retailer would retenant the space, but said that a number of investors are interested. There are a couple of new retail buildings along Pacific Street near the K-Mart. One development consists of automotive services and restaurants and has one small vacancy. The other development is an automotive services complex. Another vacancy in this area is an 18,000-square-foot store that was previously occupied by Grocery Outlet.

There are two major retail corridors in the City of Roseville which lie near the border with the City of Rocklin. The newer retail area is located along Highway 65. In this area there are several shopping centers including a superregional mall, the Westfield Galleria. This corridor contains many new developments, including the Fountains, a lifestyle center with retailers such as Z Gallery and Whole Foods. Several brokers commented that the Highway 65 corridor is overbuilt, but that it is a strong retail market due to the local demographics.

The second major retail corridor in the City of Roseville is an older area on Douglas Boulevard east of Interstate 80. This area contains several older centers as well as small strip centers. This area has been affected by the growth of retail in Roseville along Highway 65. Some tenants and the new retailers generally would prefer to be in the newer centers along Highway 65. However, brokers indicated that local demand for retail from Kaiser Hospital and other nearby office space keeps vacancies low and they do not have trouble filling the spaces. Only a few small vacancies were observed in centers in this area during the site visit.

Re-Tenancing Potential

The real estate brokers collectively believe that if any existing retail operations close due to the introduction of the Center, then it would be possible to re-tenant the space. Several specifically stated that it depends on the housing market. The current environment of slowing retail growth, however, indicates that it may take longer to retenant space than it has in the past. In general, it is easier to retenant smaller spaces since there are many more types of business that can fit into a small space and fewer stores that truly need and can afford a large space. The one caution is that small stores often depend on anchors for customer traffic. If a shopping center has lost an anchor, it will be more difficult to re-tenant the small spaces until a new anchor moves in. Prior to 2008, the existing market area had not had any recent anchor store closures since several grocery stores closed in 2006. However, Mervyn's, which has a store at the Blue Oaks Town Center, has announced the closure of all its stores due to bankruptcy liquidation. Kohl's and Forever 21, a clothing store, have expressed interest in many Mervyn's locations, but they have thus far not claimed the store in Rocklin. A few smaller store closures at the Blue Oaks Town Center have occurred or been announced recently including the new Office Depot, which closed in December 2008 due to underperformance, and the Shoe Pavilion.

URBAN DECAY CONCLUSION

CBRE Consulting relied on the definition of urban decay presented earlier in this section, which focused on determining whether or not prevalent and substantial physical deterioration in the primary market area would likely result from the development of Rocklin Commons. CBRE Consulting's conclusion is based on consideration of current primary market area conditions, findings regarding diverted sales, and re-tenanting potential, as summarized below.

- **Current Market Conditions**—Overall, the primary market area's retail market has slowed down and vacancy has increased in the last couple of years. This condition has intensified during the last half of 2008 as a result of economic conditions and the financial crisis. The Blue Oak Town Center has been hit particularly hard with the pending closure of one of its anchor stores Mervyns as well as several smaller stores such as Office Depot and Shoe Pavilion. The older Interstate 80 corridor is also vulnerable to negative sales impacts. Retail brokers active in the primary market area believe that grocery stores in this area could be negatively impacted by the potential grocery store in Rocklin Commons especially if the type of grocery store is similar to Safeway and Raley's, but none of the brokers expected that impacts would lead to store closures. In between these two retail areas lies the Downtown area. The stores in the Downtown area are smaller independent stores, which would not directly compete with the types of stores that will go into Rocklin Commons. This area does currently have two large vacancies, the former Albertson's store and the former Grocery Outlet. The Albertson's store, in particular, has been vacant for several years and business is likely down at K-Mart, the other anchor store in the same center. Brokers indicated that vacant spaces would be retenanting, although not necessarily with traditional retail stores.
- **Diverted Sales**—The opening of Rocklin Commons is expected to result in diverted sales and some stores closures may occur. The two categories expected to have the greatest negative impacts are apparel and home furnishings and appliances. If all the projects in the pipeline are built, impacts are estimated to be more serious with an oversupply of retail space estimated in apparel, food stores, home furnishings and appliances, and "other retail stores." However, it is not expected that all of the projects in the pipeline will be built by 2013. Some projects that have already been on hold for a couple of years may be delayed further and others may not be developed at all. In fact, two previously proposed projects, Villages at Pavilion and Loomis Marketplace, are now on hold and may be cancelled altogether. Therefore, impacts will likely be smaller than estimated with less likelihood of store closures. It should be noted that while store closures are one factor that can potentially lead to urban decay, if property owners maintain their centers, and re-lease space to new tenants, such closures would not be expected to cause physical deterioration equating to urban decay.
- **Re-tenanting Potential**—Except for the large vacancies at the former Albertson's store, former Grocery Outlet store, former Office Depot store, closing Shoe Pavilion, and closing Mervyns store, most of the vacancies in shopping centers are small spaces; these vacated retail spaces have the potential to be successfully re-tenanting since it is easier to find tenants for a smaller space. Such re-tenanting would benefit the market and expand local and regional shopping opportunities.

Times in Placer County are tougher now than they have been for many years, and may remain that way for some time to come. However, compared with many areas in the United States,

western Placer County is likely to be comparatively resilient even in the face of an economic downturn worse than anything seen in several decades. In fact, CBRE Consulting believes that Rocklin Commons should help to bolster the local economy by providing construction jobs in the short run, sales tax that will help the City of Rocklin to maintain services, and permanent jobs that can contribute to the economic health of many area residents.

In conclusion, while it is expected that the Rocklin Commons project will result in some diverted sales and that some closures of primary 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. Given the characteristics of the market area, its population growth potential, and past and current experiences in the area, center owners with vacant spaces are likely to keep up maintenance of their properties in anticipation of retenanting the vacant spaces. Therefore, while the U.S. economic downturn and financial crisis raise many legitimate concerns about impacts on the local economy, CBRE Consulting concludes that vacancies resulting from the development of Rocklin Commons are unlikely to lead to urban decay.

The contents of this report are subject to the appended Assumptions and General Limiting Conditions.

ASSUMPTIONS AND GENERAL LIMITING CONDITIONS

CBRE Consulting, Inc. 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, Inc. 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, Inc.

APPENDIX: EXHIBITS

**EXHIBIT 1
DEVELOPMENT PROGRAM SUMMARY (1)
ROCKLIN COMMONS**

Retail Space	Estimated Square Feet
Anchor Tenants	
Target	159,170 (2)
Kohl's	92,596
Subtotal	251,766
Other Possible Tenants (3)	
Food Stores	60,000
Eating And Drinking Places	30,000
Home Furnishings and Appliances	28,000
Other Retail (4)	20,750
Non-Retail (5)	24,484
Subtotal	163,234
Total Development	415,000

Notes:

- (1) Based on information provided by Rocklin Commons, LLC.
 (2) Includes 10,800 square feet of garden center space.
 (3) Specific retail tenants have not been identified for the entire project; however, prospective types of tenants are identified for the majority of space based upon the applicant's marketing goals and efforts for the project.
 (4) California Board of Equalization category of Other Retail 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.
 (5) A portion of the retail space has been allocated for service tenants such as banks and offices, for which there are no retail sales.

Sources: Rocklin Commons, LLC; and CBRE Consulting.

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January 9, 2009

EXHIBIT 2
ESTIMATE OF ROCKLIN COMMONS SHOPPING CENTER SALES
2013

Retail Store or Category (1)	Estimated Square Feet	Average Sales Per Sq. Ft. 2007 (2)	Average Sales Per Sq. Ft. 2013 (3)	Estimated Store Sales 2013
<u>RETAILER IDENTIFIED</u>				
Target	159,170	\$296 (4)	\$353	\$56,256,962
Kohl's	92,596	\$249 (5)	\$297	\$27,530,552
<u>RETAILER NOT IDENTIFIED</u>				
Food Stores	60,000	\$480 (6)	\$573	\$34,388,706
Eating and Drinking Places	30,000	\$430 (7)	\$513	\$15,403,275
Home Furnishings and Appliances	28,000	\$302 (8)	\$361	\$10,096,906
Other Retail	20,750	\$300	\$358	\$7,432,976
Non-Retail	24,484	N/A	N/A	N/A
TOTAL	415,000			\$151,109,377

Notes:

(1) Refer to Exhibit 1.

(2) CBRE Consulting relied on Retail MAXIM's July 2008 report of 2007 retail sales per square foot estimates, which includes averages for different categories of retailers. For all unidentified retail, CBRE Consulting assumed the generally accepted industry standard average sales of \$300 per square foot in 2007 dollars.

(3) CBRE Consulting assumed an annual rate of 3.0 percent between 2007 and 2012.

(4) Sales per square foot for Target reported by the Target Corporation Annual Report 2007. Target sales estimate represents average sales per square foot for all Target stores for 2007.

(5) Kohl's sales estimate represents average sales per square foot for all Kohl's stores for 2007 as reported by the Kohl's Corporation Fiscal Year Ended February 2, 2008, Form 10-K.

(6) Average sales per square foot of the supermarket retail category, per Retail MAXIM.

(7) Average sales per square foot of the restaurant category, per Retail MAXIM.

(8) Average sales per square foot of the domestics category, per Retail MAXIM.

Sources: Rocklin Commons, LLC; Target Corporation Annual Report 2007; Kohl's Corporation Fiscal Year Ended February 2, 2008, Form 10-K; Retail MAXIM's "Perspectives on Retail Real Estate and Finance," July 2008; U.S. Department of Labor, Bureau of Labor and Statistics; and CBRE Consulting.

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EXHIBIT 3
ESTIMATED DISTRIBUTION OF ROCKLIN COMMONS SALES BY BOARD OF EQUALIZATION (BOE) CATEGORY

Type of Goods	Sales	Allocation of Rocklin Commons into State Board of Equalization Categories					
		Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Other Retail
Target (1)	100.0%	22.0%	29.0%	5.0%	0.0%	19.0%	25.0%
Kohl's	100.0%	100.0%	-	-	-	-	-
Food Stores	100.0%	-	-	100.0%	-	-	-
Eating and Drinking Places	100.0%	-	-	-	100.0%	-	-
Home Furnishings and Appliances	100.0%	-	-	-	-	100.0%	-
Other Retail	100.0%	-	-	-	-	-	100.0%
Non-Retail	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

(1) CBRE Consulting matched the Target sales categories with the BOE categories. Only those BOE sales categories relevant to this analysis are presented here. The allocation, except for food store sales, is based on the represented sales mix from Target Corporations 2007 Annual Report. In other studies of Target stores we have found the typical share of food stores sales at non-Supercenters is 5.0 percent.

Sources: United States Securities and Exchange Commission, Target Corporation Annual Report; California Board of Equalization; and CBRE Consulting.
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**EXHIBIT 4
ESTIMATED SALES BY RETAIL CATEGORY
ROCKLIN COMMONS
2013 DOLLARS**

Type of Retail	Rocklin Commons (1)		Sales Category						
	Total Square Feet	2013 Estimated Sales	Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Other Retail Stores
Target As % of estimated store sales	159,170	\$56,256,962	\$12,376,532 22.0%	\$16,314,519 29.0%	\$2,812,848 5.0%	\$0 0.0%	\$10,688,823 19.0%	\$0 0.0%	\$14,064,241 25.0%
Kohl's As % of estimated store sales	92,596	\$27,530,552	\$27,530,552 100.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Food Stores As % of estimated store sales	60,000	\$34,388,706	\$0 0.0%	\$0 0.0%	\$34,388,706 100.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Eating and Drinking Places As % of estimated store sales	30,000	\$15,403,275	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$15,403,275 100.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%
Home Furnishings and Appliances As % of estimated store sales	28,000	\$10,096,906	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$10,096,906 100.0%	\$0 0.0%	\$0 0.0%
Other Retail As % of estimated store sales	20,750	\$7,432,976	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$7,432,976 100.0%
Non-Retail As % of estimated store sales	24,484	N/A	N/A 0.0%	N/A 0.0%	N/A 0.0%	N/A 0.0%	N/A 0.0%	N/A 0.0%	N/A 0.0%
Total	415,000	\$151,109,377	\$39,907,084	\$16,314,519	\$37,201,554	\$15,403,275	\$20,785,729	\$0	\$21,497,217

Notes:

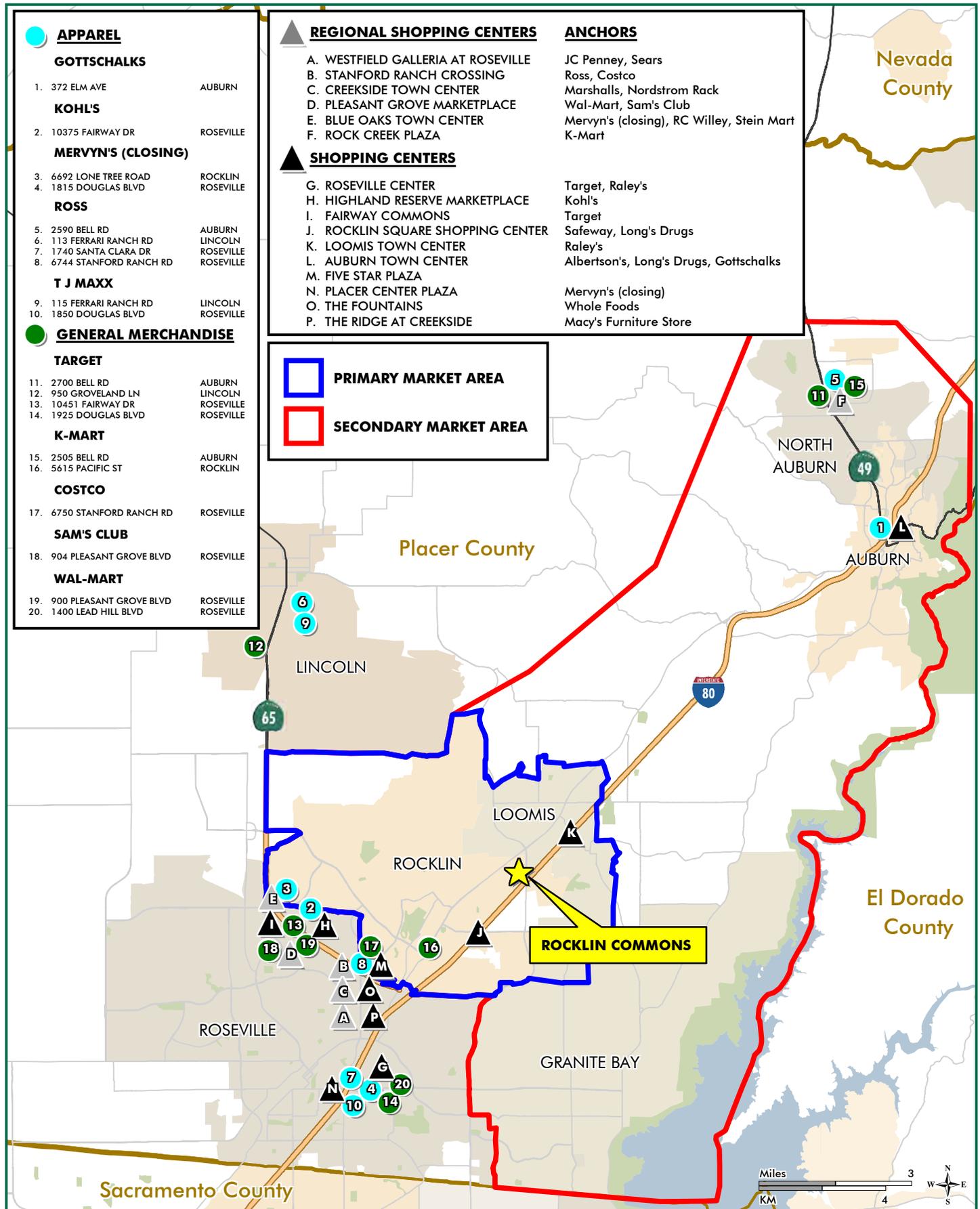
(1) Refer to Exhibit 2.

Sources: HalBear Enterprises; Retail Maxim's Perspectives on Retail Real Estate and Finance, July 2008; and CBRE Consulting.

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January 9, 2009

Exhibit 5: Primary and Secondary Market Areas, Competitive Centers and Retailers



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EXHIBIT 6
POPULATION ASSUMPTIONS
PRIMARY AND SECONDARY MARKET AREAS (1)
2000 - 2035 (2) (3)

	2000	2005	2006	2008	2013	2018	2035	Average Annual Growth Rate		
								'00-'05	'05-'13	'13-'18
City of Rocklin	36,330	50,251	50,789	51,882	54,717	57,708	69,155	6.7%	1.1%	1.1%
Town of Loomis	<u>6,260</u>	<u>6,910</u>	<u>6,953</u>	<u>7,103</u>	<u>7,491</u>	<u>7,901</u>	<u>8,336</u>	<u>2.0%</u>	<u>1.0%</u>	<u>1.1%</u>
Primary Market Area	42,590	57,161	57,742	58,984	62,209	65,609	77,491	6.1%	1.1%	1.1%
City of Auburn	12,462	13,942	13,942	14,242	14,891	15,537	17,985	2.3%	0.8%	0.9%
Unincorporated Area (3)	<u>47,113</u>	<u>47,511</u>	<u>47,591</u>	<u>47,750</u>	<u>49,787</u>	<u>51,911</u>	<u>59,545</u>	<u>0.2%</u>	<u>0.6%</u>	<u>0.8%</u>
Secondary Market Area	59,575	61,453	61,533	61,992	64,678	67,448	77,530	0.6%	0.6%	0.8%
Total Primary and Secondary Market Areas	102,165	118,614	119,275	120,976	126,887	133,057	155,021	3.0%	0.8%	1.0%

Notes:

- (1) The primary market area is defined as the city of Rocklin and the town of Loomis. See Exhibit 5 for map of the secondary market area
- (2) Population estimates for the primary market area and for the City of Auburn are provided by SACOG. SACOG estimates years 2000, 2005, and 2035. Intermediate years estimated by CBRE Consulting.
- (3) Population estimates for the unincorporated areas of secondary market estimated using Claritas. Claritas reports population for 2000, 2008, and 2013. Intermediate years estimated by CBRE Consulting. Future years (2014 - 2020) estimated using the growth rate for 2008-2013.

Sources: Sacramento Area Council of Governments (SACOG), "SACOG Projections for MTP 2035"; Claritas; and CBRE Consulting
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**EXHIBIT 7
DERIVATION OF POPULATION IN UNINCORPORATED AREAS OF PLACER COUNTY
2000 - 2035 (1)**

Year	Placer County Major Incorporated Areas (2)						Unincorporated [G=A-F]
	Placer County [A]	Auburn [B]	Loomis [C]	Rocklin [D]	Roseville [E]	Total [F=B+C+D+E]	
2000	248,700	12,462	6,260	36,330	79,921	134,973	113,727
2001	258,183	12,745	6,385	38,765	83,952	141,847	116,336
2002	268,028	13,034	6,512	41,363	88,187	149,097	118,931
2003	278,248	13,330	6,642	44,136	92,635	156,743	121,505
2004	288,858	13,633	6,775	47,094	97,307	164,809	124,049
2005	299,872	13,942	6,910	50,251	102,215	173,318	126,554
2006	306,374	14,061	6,953	50,789	104,014	175,817	130,557
2007	313,017	14,181	6,997	51,332	105,844	178,354	134,663
2008	319,804	14,302	7,041	51,882	107,707	180,930	138,873
2009	326,738	14,423	7,085	52,437	109,602	183,547	143,191
2010	333,823	14,546	7,129	52,998	111,531	186,204	147,618
2011	341,061	14,670	7,174	53,565	113,493	188,903	152,158
2012	348,456	14,795	7,219	54,138	115,490	191,643	156,813
2013	356,011	14,922	7,265	54,717	117,523	194,426	161,585
2014	363,730	15,049	7,310	55,303	119,591	197,252	166,478
2015	371,617	15,177	7,356	55,895	121,695	200,123	171,494
2016	379,675	15,306	7,402	56,493	123,836	203,038	176,637
2017	387,907	15,437	7,449	57,097	126,016	205,998	181,908
2018	396,318	15,568	7,495	57,708	128,233	209,005	187,312
2035	570,709	17,985	8,336	69,155	172,500	267,976	302,733
Avg. Annual Growth Rate 2000 to 2005	3.81%	2.27%	2.00%	6.70%	5.04%	5.13%	2.16%
Avg. Annual Growth Rate 2005 to 2035	2.17%	0.85%	0.63%	1.07%	1.76%	1.46%	2.95%

Notes:

(1) Relied on Sacramento Area Council of Governments (SACOG) data for relevant geographic areas to deduce unincorporated population. SACOG provides estimates for 2000, 2005, and 2035. Intermediate years were estimated by CBRE Consulting using the calculated average annual growth rates.

(2) Represents the major cities reported in the California State Board of Equalization "Taxable Sales in California, Sales & Use Tax, 2006, Forty-Sixth Annual Report" publication. The one exception is the Town of Loomis which is not one of the major cities reported, but is included because it is part of the primary market area.

Sources: Sacramento Area Council of Governments (SACOG), "SACOG Projections for MTP 2035"; and CBRE Consulting.

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**EXHIBIT 8
POPULATION OF PRIMARY AND SECONDARY MARKET AREA
PLACER COUNTY
2000 - 2035**

Year	Auburn [A]	Loomis [B]	Rocklin [C]	Unincorporated (1) [D]	Total PMA & SMA [E=A+B+C+D]
2000	12,462	6,260	36,330	47,113	102,165
2001	12,745	6,385	38,765	47,192	105,087
2002	13,034	6,512	41,363	47,272	108,182
2003	13,330	6,642	44,136	47,351	111,460
2004	13,633	6,775	47,094	47,431	114,933
2005	13,942	6,910	50,251	47,511	118,614
2006	14,061	6,953	50,789	47,591	119,394
2007	14,181	6,997	51,332	47,671	120,181
2008	14,302	7,041	51,882	47,750	120,974
2009	14,423	7,085	52,437	48,151	122,096
2010	14,546	7,129	52,998	48,555	123,228
2011	14,670	7,174	53,565	48,962	124,372
2012	14,795	7,219	54,138	49,373	125,526
2013	14,922	7,265	54,717	49,787	126,691
2014	15,049	7,310	55,303	50,163	127,825
2015	15,177	7,356	55,895	50,542	128,970
2016	15,306	7,402	56,493	50,924	130,125
2017	15,437	7,449	57,097	51,309	131,291
2018	15,568	7,495	57,708	51,696	132,468
2035	17,985	8,336	69,155	59,545	155,021
Avg. Annual Growth Rate					
2000 to 2005	2.27%	2.00%	6.70%	0.17%	2.99%
Avg. Annual Growth Rate					
2005 to 2035	0.85%	0.63%	1.07%	0.76%	0.90%

Notes:

(1) The unincorporated area of the secondary market area was estimated using Claritas data. Intermediate years were estimated by CBRE Consulting using the calculated average annual growth rate between periods.

Sources: Claritas; Sacramento Area Council of Governments; and CBRE Consulting.
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**EXHIBIT 9
DERIVATION OF SALES IN UNINCORPORATED AREAS OF PLACER COUNTY
2006**

Type of Retailer	Placer County Major Incorporated Areas (1)						Unincorporated [G=A-F]
	Placer County [A]	Auburn [B]	Loomis [C]	Rocklin [D]	Roseville [E]	Total [F=B+C+D+E]	
Apparel stores	\$193,880,000	\$3,318,000	\$3,172,853 (3)	\$12,714,422 (2)	\$165,338,000	\$184,543,275	\$9,336,725
General merchandise stores	\$760,162,000	\$26,046,000	\$3,172,853 (3)	\$25,173,000	\$610,855,000	\$665,246,853	\$94,915,147
Food stores	\$281,116,000	\$15,741,000	\$7,200,000 (3)	\$40,010,000	\$99,355,000	\$162,306,000	\$118,810,000
Eating and drinking places	\$534,059,000	\$24,612,000	\$5,784,000	\$52,871,000	\$272,895,000	\$356,162,000	\$177,897,000
Home furnishings/appliance	\$260,136,000	\$5,955,000	\$3,172,853 (3)	\$71,096,000	\$141,624,000	\$221,847,853	\$38,288,147
Bldg. matrl./farm implements	\$482,012,000	\$10,754,000	\$8,744,000	\$40,528,000	\$267,374,000	\$327,400,000	\$154,612,000
Auto dealers and auto supply	\$1,643,746,000	\$35,373,000	\$3,172,853 (3)	\$56,847,000	\$1,286,604,000	\$1,381,996,853	\$261,749,147
Service stations	\$581,762,000	\$93,552,960 (2)	\$3,172,853 (3)	\$65,354,000	\$179,957,000	\$342,036,813	\$239,725,187
Other retail stores	\$974,025,000	\$111,607,040 (2)	\$7,685,737	\$117,024,578 (2)	\$508,039,000	\$744,356,355	\$229,668,645
Total	\$5,710,898,000	\$326,959,000	\$45,278,000	\$481,618,000	\$3,532,041,000	\$4,385,896,000	\$1,325,002,000

Notes:

(1) Represents the major cities reported in the California State Board of Equalization "Taxable Sales in California (Sales & Use Tax), During 2006, Forty-Sixth Annual Report" publication. The one exception is the Town of Loomis which is included because it is part of the primary market area.

(2) The California State Board of Equalization (BOE) omitted these sales because their publication would result in the disclosure of confidential information. Instead, the BOE includes them in an "other retail stores" BOE category. To avoid overstating the "other retail stores" category's taxable sales and understating those categories where information was not disclosed by BOE, CBRE Consulting made adjustments to the sales data. CBRE Consulting calculated the city's "other retail sales" as a percent of its total taxable sales. Then, CBRE Consulting calculated the county's "other retail" as a percent of its total taxable sales to serve as a benchmark. If the city's percentage exceeded the county benchmark, the difference was used as an estimate for the city's overstatement of "other retail". CBRE Consulting took the estimated overstatement of sales in "other retail" and distributed them to the categories with disclosure issues.

(3) For Loomis, the BOE does not publish sales data in the following categories: apparel, general merchandise, food stores, home furnishings and appliances, auto dealers, and service stations. It omits these sales because their publication would result in the disclosure of confidential information. Instead, the BOE included them in the "other retail stores" category. For the retail leakage analysis, it is necessary to estimate sales in each category. To adjust for the BOE omission, the local businesses in those categories were checked using Claritas Business Points. The only major or national brand store in those categories was the Raley's grocery store. Sales for that store were estimated using Retail Maxim's sales per square foot estimate for supermarkets of \$401 in 2007. That estimate was deflated and applied to the size of the store, which is 61,000 square feet. Since only 30 percent of grocery store sales are taxable, the total sale number was discounted to reflect that. This resulted in a taxable sales estimate for the food store category in Loomis of \$7.2 million. Sales for food stores was then taken out of the other retail category. Other retail sales for Loomis was calculated such that it would be the same share of total sales that is true in Placer County. That share is 17.1 percent. The rest of the sales taken out of the other retail category was evenly divided among the other five categories.

Sources: Retail MAXIM's Perspectives on Retail Real Estate and Finance, July 2008; California State Board of Equalization; and CBRE Consulting.

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EXHIBIT 10
SALES IN UNINCORPORATED AREAS IN THE SECONDARY MARKET AREA
PLACER COUNTY
2006

Type of Retailer	Placer County Unincorporated Areas			Secondary Market Area Unincorporated Population (3)	Secondary Market Area Unincorporated Sales
	Sales (1) [A]	Population (2) [B]	Sales Per Capita [C=A/B]	[D]	[E=C*D]
Apparel stores	\$9,336,725	130,557	\$72	47,591	\$3,403,427
General merchandise stores	\$94,915,147	130,557	\$727	47,591	\$34,598,505
Food stores	\$118,810,000	130,557	\$910	47,591	\$43,308,666
Eating and drinking places	\$177,897,000	130,557	\$1,363	47,591	\$64,847,081
Home furnishings/appliance	\$38,288,147	130,557	\$293	47,591	\$13,956,810
Bldg. matrl./farm implements	\$154,612,000	130,557	\$1,184	47,591	\$56,359,224
Auto dealers and auto supply	\$261,749,147	130,557	\$2,005	47,591	\$95,412,897
Service stations	\$239,725,187	130,557	\$1,836	47,591	\$87,384,715
Other retail stores	\$229,668,645	130,557	\$1,759	47,591	\$83,718,900
Total	\$1,325,002,000		\$10,149		\$482,990,224

Notes:

- (1) See Exhibit 9, "Derivation of Sales in Unincorporated Areas of Placer," Column G.
- (2) See Exhibit 7, "Derivation of Population in Unincorporated Areas of Placer County," Column G.
- (3) See Exhibit 8, "Population of Secondary Market Area, Placer County Portion," Column D.

Source: CBRE Consulting.

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**EXHIBIT 11
RETAIL SALES LEAKAGE ANALYSIS (1)
PRIMARY MARKET AREA (PMA)
2006**

Type of Retailer	PER CAPITA (2)			TOTAL			
	SACOG's Six County Area Avg. Sales (3)	PMA Spending (4)	PMA Sales	PMA Spending	PMA Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores	\$454	\$559	\$275	\$32,271,061	\$15,887,000	(\$16,384,061)	-50.8%
General Merchandise Stores (5)	\$1,902	\$2,367	\$511	\$136,667,988	\$29,507,722	(\$107,160,265)	-78.4%
Food Stores (6)	\$2,595	\$2,877	\$2,725	\$166,106,542	\$157,366,667	(\$8,739,876)	-5.3%
Eating and Drinking Places	\$1,300	\$1,650	\$1,016	\$95,259,785	\$58,655,000	(\$36,604,785)	-38.4%
Home Furnishings and Appliances	\$525	\$646	\$1,286	\$37,290,007	\$74,269,000	\$36,978,993	49.8%
Building Materials (7)	\$1,342	\$1,752	\$853	\$101,151,087	\$49,272,000	(\$51,879,087)	-51.3%
Auto Dealers and Auto Supplies	\$2,367	\$3,026	\$1,039	\$174,751,855	\$60,020,000	(\$114,731,855)	-65.7%
Service Stations	\$1,246	\$1,537	\$1,187	\$88,774,503	\$68,527,000	(\$20,247,503)	-22.8%
Other Retail Stores (8)	<u>\$2,075</u>	<u>\$2,425</u>	<u>\$2,160</u>	<u>\$140,037,091</u>	<u>\$124,710,000</u>	<u>(\$15,327,091)</u>	<u>-10.9%</u>
Totals	\$13,804	\$16,839	\$11,053	\$972,309,918	\$638,214,389	(\$334,095,529)	-34.4%

Notes:

- (1) All figures are expressed in constant 2006 dollars.
- (2) Population figures per SACOG.
- (3) Control area defined as the area covered by SACOG: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.
- (4) Analysis assumes 2006 average household income of \$98,490 in the primary market area, per Claritas, Inc.
- (5) Includes general merchandise and drug stores. Drug stores are assumed to comprise 9.56 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 0.70, to account for non-taxable sales. Therefore, 70 percent of all drug store sales are taxable.
- (6) Taxable transactions for grocery stores have been adjusted by 0.30, to account for non-taxable sales. Therefore, 30 percent of all food store sales are taxable.
- (7) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.
- (8) 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; SACOG; Claritas, Inc.; and CBRE Consulting.

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**EXHIBIT 12
ROCKLIN COMMONS
PROJECTED RETAIL SALES LEAKAGE
PRIMARY MARKET AREA (PMA)
2013 PROJECTION**

Type of Retailer	PRIMARY MARKET AREA (PMA) Annual Per Capita				2013 Estimated Total (3)			
	2006 (1)		2013 Estimate (2)		PMA Spending	PMA Sales	Attraction / (Leakage)	Percent Attraction/ (Leakage)
	Spending	Sales	Spending	Sales				
Apparel Stores	\$559	\$275	\$689	\$339	\$42,874,832	\$21,107,222	(\$21,767,610)	-50.8%
General Merchandise	\$2,367	\$511	\$2,919	\$630	\$181,574,975	\$39,203,504	(\$142,371,471)	-78.4%
Food Stores (4)	\$2,877	\$2,725	\$3,548	\$3,361	\$220,686,583	\$209,074,919	(\$11,611,664)	-5.3%
Eating and Drinking Places	\$1,650	\$1,016	\$2,034	\$1,253	\$126,560,677	\$77,928,126	(\$48,632,551)	-38.4%
Home Furnishings and Appliances	\$646	\$1,286	\$796	\$1,586	\$49,542,926	\$98,672,645	\$49,129,719	49.8%
Building Materials (5)	\$1,752	\$853	\$2,160	\$1,052	\$134,387,770	\$65,462,017	(\$68,925,752)	-51.3%
Auto Dealers and Auto Supplies	\$3,026	\$1,039	\$3,732	\$1,282	\$232,172,612	\$79,741,644	(\$152,430,968)	-65.7%
Service Stations	\$1,537	\$1,187	\$1,896	\$1,464	\$117,944,432	\$91,043,912	(\$26,900,520)	-22.8%
Other Retail Stores (6)	<u>\$2,425</u>	<u>\$2,160</u>	<u>\$2,991</u>	<u>\$2,663</u>	<u>\$186,051,113</u>	<u>\$165,687,777</u>	<u>(\$20,363,335)</u>	<u>-10.9%</u>
Totals	\$16,839	\$11,053	\$20,766	\$13,630	\$1,291,795,920	\$847,921,767	(\$443,874,153)	-34.4%

Notes:

(1) Refer to 2006 leakage Exhibit 11.

(2) Adjusted for inflation based on the consumer price index for all urban consumers in California, as defined by the California Department of Industrial Relations, Division of Labor Statistics and Research. Inflation for the period 2006-2007 (3.28 percent). Inflation for the periods 2007-2013 estimated to be 3.00 percent per year.

(3) Estimated 2013 City of Rocklin and Town of Loomis population of 62,209, based on SACOG 2005-35 growth rate projections, applied to 2005 SACOG estimate of 57,161.

(4) Includes estimated taxable and non-taxable sales.

(5) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.

(6) 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; SACOG; Claritas, Inc.; and CBRE Consulting.

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**EXHIBIT 13
RETAIL SALES LEAKAGE ANALYSIS (1)
SECONDARY MARKET AREA (SMA)
2006**

Type of Retailer	PER CAPITA (2)			TOTAL			
	SACOG's Six County Area Avg. Sales (3)	SMA Spending (4)	SMA Sales	SMA Spending	SMA Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores	\$454	\$555	\$55	\$34,174,132	\$3,403,427	(\$30,770,705)	-90.0%
General Merchandise Stores (5)	\$1,902	\$2,351	\$585	\$144,685,851	\$36,016,478	(\$108,669,373)	-75.1%
Food Stores (6)	\$2,595	\$2,867	\$2,346	\$176,432,906	\$144,362,219	(\$32,070,687)	-18.2%
Eating and Drinking Places	\$1,300	\$1,638	\$1,054	\$100,795,432	\$64,847,081	(\$35,948,351)	-35.7%
Home Furnishings and Appliances	\$525	\$642	\$227	\$39,489,470	\$13,956,810	(\$25,532,660)	-64.7%
Building Materials (7)	\$1,342	\$1,738	\$916	\$106,951,045	\$56,359,224	(\$50,591,821)	-47.3%
Auto Dealers and Auto Supplies	\$2,367	\$3,004	\$1,551	\$184,870,834	\$95,412,897	(\$89,457,937)	-48.4%
Service Stations	\$1,246	\$1,528	\$1,420	\$94,005,599	\$87,384,715	(\$6,620,884)	-7.0%
Other Retail Stores (8)	<u>\$2,075</u>	<u>\$2,414</u>	<u>\$1,361</u>	<u>\$148,512,660</u>	<u>\$83,718,900</u>	<u>(\$64,793,760)</u>	<u>-43.6%</u>
Totals	\$13,804	\$16,738	\$9,515	\$1,029,917,928	\$585,461,750	(\$444,456,178)	-43.2%

Notes:

- (1) All figures are expressed in constant 2006 dollars.
- (2) Refer to Exhibit 6 for population assumptions.
- (3) Control area defined as the area covered by SACOG: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.
- (4) Analysis assumes 2006 average household income of \$97,560 in the secondary market area, per Claritas, Inc.
- (5) Includes general merchandise and drug stores. Drug stores are assumed to comprise 9.56 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 0.70, to account for non-taxable sales. Therefore, 70 percent of all drug store sales are taxable.
- (6) Taxable transactions for grocery stores have been adjusted by 0.30, to account for non-taxable sales. Therefore, 30 percent of all food store sales are taxable.
- (7) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.
- (8) 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; SACOG; Claritas, Inc.; and CBRE Consulting.

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**EXHIBIT 14
ROCKLIN COMMONS
PROJECTED RETAIL SALES LEAKAGE
SECONDARY MARKET AREA (SMA)
2013 PROJECTION**

Type of Retailer	SECONDARY MARKET AREA (SMA) Annual Per Capita				2013 Estimated Total (3)			
	2006 (1)		2013 Estimate (2)		SMA Spending	SMA Sales	Attraction / (Leakage)	Percent Attraction/ (Leakage)
	Spending	Sales	Spending	Sales				
Apparel Stores	\$555	\$55	\$685	\$68	\$44,297,700	\$4,411,640	(\$39,886,060)	-90.0%
General Merchandise	\$2,351	\$585	\$2,900	\$722	\$187,546,839	\$46,685,813	(\$140,861,026)	-75.1%
Food Stores (4)	\$2,867	\$2,346	\$3,536	\$2,893	\$228,698,476	\$187,127,335	(\$41,571,141)	-18.2%
Eating and Drinking Places	\$1,638	\$1,054	\$2,020	\$1,300	\$130,654,549	\$84,057,045	(\$46,597,505)	-35.7%
Home Furnishings and Appliances	\$642	\$227	\$791	\$280	\$51,187,626	\$18,091,303	(\$33,096,323)	-64.7%
Building Materials (5)	\$1,738	\$916	\$2,143	\$1,130	\$138,633,669	\$73,054,789	(\$65,578,880)	-47.3%
Auto Dealers and Auto Supplies	\$3,004	\$1,551	\$3,705	\$1,912	\$239,636,013	\$123,677,520	(\$115,958,494)	-48.4%
Service Stations	\$1,528	\$1,420	\$1,884	\$1,751	\$121,853,331	\$113,271,111	(\$8,582,220)	-7.0%
Other Retail Stores (6)	\$2,414	\$1,361	\$2,976	\$1,678	\$192,507,282	\$108,519,354	(\$83,987,928)	-43.6%
Totals	\$16,738	\$9,515	\$20,641	\$11,733	\$1,335,015,486	\$758,895,909	(\$576,119,577)	-43.2%

Notes:

(1) Refer to 2006 leakage Exhibit 13.

(2) Adjusted for inflation based on the consumer price index for all urban consumers in California, as defined by the California Department of Industrial Relations, Division of Labor Statistics and Research. Inflation for the period 2006-2007 (3.28 percent). Inflation for the periods 2007-2013 estimated to be 3.00 percent per year.

(3) Estimated 2013 secondary market area population of 64,678, based on Claritas Inc. 2000-13 growth rate projections.

(4) Includes estimated taxable and non-taxable sales.

(5) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.

(6) 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; SACOG; Claritas, Inc.; and CBRE Consulting.

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09-Jan-09

**EXHIBIT 15
RETAIL SALES LEAKAGE ANALYSIS (1)
CITY OF ROSEVILLE
2006**

Type of Retailer	PER CAPITA (2)			TOTAL			
	SACOG's Six County Area Avg. Sales (3)	Roseville Spending (4)	Roseville Sales	Roseville Spending	Roseville Sales	Attraction/ (Leakage)	Percent Attraction/ (Leakage)
Apparel Stores	\$454	\$501	\$1,590	\$52,133,022	\$165,338,000	\$113,204,978	68.5%
General Merchandise Stores (5)	\$1,902	\$2,111	\$6,114	\$219,624,283	\$635,890,066	\$416,265,783	65.5%
Food Stores (6)	\$2,595	\$2,722	\$3,184	\$283,115,036	\$331,183,333	\$48,068,297	14.5%
Eating and Drinking Places	\$1,300	\$1,458	\$2,624	\$151,608,374	\$272,895,000	\$121,286,626	44.4%
Home Furnishings and Appliances	\$525	\$579	\$1,362	\$60,252,622	\$141,624,000	\$81,371,378	57.5%
Building Materials (7)	\$1,342	\$1,527	\$2,571	\$158,812,453	\$267,374,000	\$108,561,547	40.6%
Auto Dealers and Auto Supplies	\$2,367	\$2,664	\$12,370	\$277,119,013	\$1,286,604,000	\$1,009,484,987	78.5%
Service Stations	\$1,246	\$1,378	\$1,730	\$143,299,638	\$179,957,000	\$36,657,362	20.4%
Other Retail Stores (8)	<u>\$2,075</u>	<u>\$2,233</u>	<u>\$4,884</u>	<u>\$232,276,492</u>	<u>\$508,039,000</u>	<u>\$275,762,508</u>	<u>54.3%</u>
Totals	\$13,804	\$15,173	\$36,427	\$1,578,240,934	\$3,788,904,399	\$2,210,663,465	58.3%

Notes:

- (1) All figures are expressed in constant 2006 dollars.
(2) Population figures per SACOG.
(3) Control area defined as the area covered by SACOG: the counties of El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba.
(4) Analysis assumes 2006 average household income of \$83,173 in the City of Roseville, per Claritas, Inc.
(5) Includes general merchandise and drug stores. Drug stores are assumed to comprise 9.56 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 0.70, to account for non-taxable sales. Therefore, 70 percent of all drug store sales are taxable.
(6) Taxable transactions for grocery stores have been adjusted by 0.30, to account for non-taxable sales. Therefore, 30 percent of all food store sales are taxable.
(7) Building materials group includes hardware stores, plumbing and electrical supplies, paint and wallpaper products, glass stores, farm implement dealers, and lumber.
(8) 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; SACOG; Claritas, Inc.; and CBRE Consulting.

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30-Dec-08

**EXHIBIT 16
RETAIL SALES LEAKAGE ANALYSIS (1)
PRIMARY AND SECONDARY MARKET AREAS
2006**

TOTAL				
Type of Retailer	Primary and Secondary Market Areas Spending	Primary and Secondary Market Areas Sales	Attraction/ (Leakage)	Percent Attraction (Leakage)
Apparel Stores	\$66,445,193	\$19,290,427	(\$47,154,766)	(71.0%)
General Merchandise Stores	\$281,353,838	\$65,524,200	(\$215,829,638)	(76.7%)
Food Stores	\$342,539,448	\$301,728,885	(\$40,810,563)	(11.9%)
Eating and Drinking Places	\$196,055,217	\$123,502,081	(\$72,553,136)	(37.0%)
Home Furnishings and Appliances	\$76,779,477	\$88,225,810	\$11,446,333	13.0%
Building Materials	\$208,102,131	\$105,631,224	(\$102,470,908)	(49.2%)
Auto Dealers and Auto Supplies	\$359,622,689	\$155,432,897	(\$204,189,793)	(56.8%)
Service Stations	\$182,780,102	\$155,911,715	(\$26,868,387)	(14.7%)
Other Retail Stores	\$288,549,751	\$208,428,900	(\$80,120,850)	(27.8%)
Total	\$2,002,227,846	\$1,223,676,139	(\$778,551,707)	(38.9%)

Notes:

(1) The numbers in this exhibit are calculated by adding Exhibit 11 results to Exhibit 13 results

Source: CBRE Consulting.

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January 9, 2009

**EXHIBIT 17
PROJECTED RETAIL SALES LEAKAGE (1)
PRIMARY AND SECONDARY MARKET AREAS
2013**

Type of Retailer	TOTAL			
	Primary and Secondary Market Areas Spending	Primary and Secondary Market Areas Sales	Attraction/ (Leakage)	Percent Attraction (Leakage)
Apparel Stores	\$87,172,532	\$25,518,863	(\$61,653,670)	(70.7%)
General Merchandise Stores	\$369,121,813	\$85,889,317	(\$283,232,496)	(76.7%)
Food Stores	\$449,385,060	\$396,202,255	(\$53,182,805)	(11.8%)
Eating and Drinking Places	\$257,215,226	\$161,985,170	(\$95,230,056)	(37.0%)
Home Furnishings and Appliances	\$100,730,552	\$116,763,948	\$16,033,395	13.7%
Building Materials	\$273,021,438	\$138,516,806	(\$134,504,632)	(49.3%)
Auto Dealers and Auto Supplies	\$471,808,626	\$203,419,164	(\$268,389,462)	(56.9%)
Service Stations	\$239,797,763	\$204,315,023	(\$35,482,740)	(14.8%)
Other Retail Stores	\$378,558,395	\$274,207,131	(\$104,351,263)	(27.6%)
Total	\$2,626,811,405	\$1,606,817,676	(\$1,019,993,730)	(38.8%)

Notes:

(1) The numbers in this exhibit are calculated by adding Exhibit 12 results to Exhibit 14 results.

Source: CBRE Consulting.

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EXHIBIT 18
MAXIMUM CENTER SALES IMPACTS ON PRIMARY MARKET AREA RETAIL SALES
2013 DOLLARS (IN MILLIONS)

Type of Retailer	Source of Sales (2)			Retail Sales (3)			Absorbed Leakage (4)		Maximum Sales Diverted From Primary Market Area Retailers (5)	Minimum New Sales to Primary Market Area (6)
	New Rocklin Commons Sales (1)	Primary and Secondary Market Areas	Tertiary Demand	Primary Market Area	Primary and Secondary Market Areas	Primary as % of PMA & SMA	Primary Market Area Leakage	Secondary Market Area Leakage		
	[A]	[B=A*0.95]	[C=A*0.05]	[D]	[E]	[F=D/E]	[G]	[H]	[I=Bx F+G+H]	[J=A+I]
Apparel Stores	\$39.9	\$37.9	\$2.0	\$21.1	\$25.5	83%	(\$10.9)	(\$10.0)	(\$10.5)	\$29.4
General Merchandise Stores	\$16.3	\$15.5	\$0.8	\$39.2	\$85.9	46%	(\$71.2)	(\$35.2)	\$0.0	\$16.3
Food Stores (6)	\$37.2	\$35.3	\$1.9	\$209.1	\$396.2	53%	(\$5.8)	(\$10.4)	(\$2.4)	\$34.8
Eating and Drinking Places	\$15.4	\$14.6	\$0.8	\$77.9	\$162.0	48%	(\$24.3)	(\$11.6)	\$0.0	\$15.4
Home Furnishings & Appliances	\$20.8	\$19.8	\$1.0	\$98.7	\$116.8	85%	\$0.0	(\$8.3)	(\$8.5)	\$12.3
Building Materials	\$0.0	\$0.0	\$0.0	\$65.5	\$138.5	47%	(\$34.5)	(\$16.4)	\$0.0	\$0.0
Auto Dealers & Auto Supplies	\$0.0	\$0.0	\$0.0	\$79.7	\$203.4	39%	(\$76.2)	(\$29.0)	\$0.0	\$0.0
Service Stations	\$0.0	\$0.0	\$0.0	\$91.0	\$204.3	45%	(\$13.5)	(\$2.1)	\$0.0	\$0.0
Other Retail Stores	\$21.5	\$20.4	\$1.1	\$165.7	\$274.2	60%	(\$10.2)	(\$21.0)	\$0.0	\$21.5
Total	\$151.1	\$143.5	\$7.6	\$847.9	\$1,606.8	53%	(\$246.5)	(\$144.0)	(\$21.4)	\$129.7

Notes:

(1) See Exhibit 4, "Estimated Sales by Retail Category."

(2) CBRE Consulting estimates that 95 percent of sales will be generated from the primary and secondary market area residents, with 5 percent of sales generated by tertiary market demand.

(3) See Exhibit 17.

(4) The new retail opportunities at Rocklin Commons will attract some but not all spending that is currently leaked out of the primary market area. In addition, the new retail stores at Rocklin Commons will attract some of the secondary market area spending leakage. Thus, CBRE Consulting estimates that 50 percent of leakage in the primary market area and 25 percent in the secondary market area would be absorbed by Rocklin Commons.

(5) The figures in this column comprise the maximum amount of new sales diverted from existing primary market area retailers, assuming sales in excess of any recaptured leakage will be diverted away from existing primary market area retailers in proportion to the primary market area retailers' estimated contribution to combined primary and secondary market area sales. This approach implies that any negative impacts of the Center will be spread proportionally among all the like retailers in the primary market area.

(6) The calculation represents total new center sales less the maximum sales diverted from primary market area retailers. Figures may not total due to rounding.

Source: CBRE Consulting.

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**EXHIBIT 19
MAXIMUM DIVERTED SALES AS A PERCENT
OF ESTIMATED PRIMARY MARKET AREA SALES
2013 ESTIMATE (IN MILLIONS)**

Type of Retailer	Maximum Sales Diverted From PMA Retailers (1)	Primary Market Area Retail Sales (2)	Diverted Sales as a Percent of Total Retail Sales	Sales Per Sqaure Foot 2013 (3)	Impacted Square Feet
	[A]	[B]	[C=A/B]	[D]	[E = A/D]
Apparel Stores	\$10.5	\$21.1	49.7%	\$297	35,291
General Merchandise Stores	\$0.0	\$39.2	0.0%	N/A	N/A
Food Stores (3)	\$2.4	\$209.1	1.2%	\$573	4,238
Eating and Drinking Places	\$0.0	\$77.9	0.0%	N/A	N/A
Home Furnishings & Appliances	\$8.5	\$98.7	8.6%	\$361	23,455
Building Materials	\$0.0	\$65.5	0.0%	N/A	N/A
Auto Dealers & Auto Supplies	\$0.0	\$79.7	0.0%	N/A	N/A
Service Stations	\$0.0	\$91.0	0.0%	N/A	N/A
Other Retail Stores	\$0.0	\$165.7	0.0%	N/A	N/A
Total (4)	\$21.4	\$847.9	2.5%	--	62,984

Note:

- (1) See Exhibit 18, "Maximum Rocklin Commons Shopping Center Sales Impacts on Primary Market Area Retail Sales," Column I.
(2) See Exhibit 18, "Maximum Rocklin Commons Shopping Center Sales Impacts on Primary Market Area Retail Sales," Column D.
(3) See Exhibit 2, "Estimate of Rocklin Commons Shopping Center Sales" for 2013 sales per square foot.

Source: CBRE Consulting.

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EXHIBIT 20
NEW POPULATION RETAIL SPENDING DEMAND (ANNUAL)
PRIMARY MARKET AREA AND COMBINED PRIMARY AND SECONDARY MARKET AREA
2013 DOLLARS (IN MILLIONS)
2013 - 2018

Area	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2017 - 2018
<u>Primary Market Area, Additional Spending Demand From Population Growth</u>					
<i>Annual Population Growth (1)</i>	666	673	680	687	695
<i>Estimated Additional Sales (2)</i>					
Apparel stores	\$0.5	\$0.5	\$0.5	\$0.5	\$0.5
General merchandise stores	\$1.9	\$2.0	\$2.0	\$2.0	\$2.0
Food stores	\$2.4	\$2.4	\$2.4	\$2.4	\$2.5
Eating and drinking places	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
Home furnishings/appliance	\$0.5	\$0.5	\$0.5	\$0.5	\$0.6
Bldg. matrl./farm implements	\$1.4	\$1.5	\$1.5	\$1.5	\$1.5
Other retail stores	\$2.0	\$2.0	\$2.0	\$2.1	\$2.1
Total Additional Sales	\$10.1	\$10.3	\$10.3	\$10.4	\$10.6
<u>Primary and Secondary Market Area, Additional Spending Demand From Population Growth</u>					
<i>Annual Population Growth (1)</i>	1,210	1,222	1,234	1,246	1,258
<i>Estimated Additional Sales (3)</i>					
Apparel stores	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7
General merchandise stores	\$7.0	\$7.1	\$7.2	\$7.2	\$7.3
Food stores	\$8.6	\$8.7	\$8.7	\$8.8	\$8.9
Eating and drinking places	\$4.9	\$5.0	\$5.0	\$5.1	\$5.1
Home furnishings/appliance	\$1.9	\$1.9	\$2.0	\$2.0	\$2.0
Bldg. matrl./farm implements	\$5.2	\$5.3	\$5.3	\$5.4	\$5.4
Other retail stores	\$7.2	\$7.3	\$7.4	\$7.4	\$7.5
Total Additional Sales	\$36.5	\$37.0	\$37.3	\$37.6	\$37.9

Notes:

(1) See Exhibit 6, "Population Assumptions." Interim population numbers not indicated on Exhibit 6 are estimated using the calculated growth rates.

(2) Calculated by multiplying per capita spending estimates for each category by population growth for each given year. Relied on annual per capita spending estimates as of 2013 in Exhibit 12, "Projected Retail Sales Leakage (Primary Market Area)."

(3) Calculated by multiplying per capita spending estimates for each category by population growth for each given year. Relied on annual spending estimates as of 2013 in Exhibit 16, "Projected Retail Sales Leakage (Primary and Secondary Market Area)" divided by population assumptions in Exhibit 6.

Source: CBRE Consulting.

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EXHIBIT 21
NEW POPULATION RETAIL SPENDING DEMAND (CUMULATIVE)
PRIMARY MARKET AREA AND COMBINED PRIMARY AND SECONDARY MARKET AREA
2013 DOLLARS (IN MILLIONS)
2013 - 2018

Area	2013 - 2014	2014 - 2015	2015 - 2016	2016 - 2017	2018 - 2019
<u>Primary Market Area, Additional Sales From Population Growth</u>					
<i>Annual Population Growth (1)</i>	<u>666</u>	<u>1,338</u>	<u>2,019</u>	<u>2,706</u>	<u>3,400</u>
<i>Estimated Additional Sales (2)</i>					
Apparel stores	\$0.5	\$1.0	\$1.5	\$2.0	\$2.5
General merchandise stores	\$1.9	\$3.9	\$5.9	\$7.9	\$9.9
Food stores	\$2.4	\$4.8	\$7.2	\$9.6	\$12.1
Eating and drinking places	\$1.4	\$2.8	\$4.2	\$5.6	\$7.0
Home furnishings/appliance	\$0.5	\$1.0	\$1.5	\$2.0	\$2.6
Bldg. matrl./farm implements	\$1.4	\$2.9	\$4.4	\$5.9	\$7.4
Other retail stores	<u>\$2.0</u>	<u>\$4.0</u>	<u>\$6.0</u>	<u>\$8.1</u>	<u>\$10.2</u>
Total Additional Sales	\$10.1	\$20.4	\$30.7	\$41.1	\$51.7
<u>Primary and Secondary Market Area, Additional Sales From Population Growth</u>					
<i>Annual Population Growth (1)</i>	<u>1,210</u>	<u>2,432</u>	<u>3,666</u>	<u>4,912</u>	<u>6,170</u>
<i>Estimated Additional Sales (2)</i>					
Apparel stores	\$1.7	\$3.4	\$5.1	\$6.8	\$8.5
General merchandise stores	\$7.0	\$14.1	\$21.3	\$28.5	\$35.8
Food stores	\$8.6	\$17.3	\$26.0	\$34.8	\$43.7
Eating and drinking places	\$4.9	\$9.9	\$14.9	\$20.0	\$25.1
Home furnishings/appliance	\$1.9	\$3.8	\$5.8	\$7.8	\$9.8
Bldg. matrl./farm implements	\$5.2	\$10.5	\$15.8	\$21.2	\$26.6
Other retail stores	<u>\$7.2</u>	<u>\$14.5</u>	<u>\$21.9</u>	<u>\$29.3</u>	<u>\$36.8</u>
Total Additional Sales	\$36.5	\$73.5	\$110.8	\$148.4	\$186.3

Notes:

(1) See Exhibit 6, "Population Assumptions." Interim population numbers not indicated on Exhibit 6 are estimated using the calculated growth rates.

(2) The summation of figures in Exhibit 20.

Source: CBRE Consulting.

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EXHIBIT 22
ROCKLIN COMMONS SALES LEAKAGE RECAPTURE AS A SHARE OF TOTAL CITY OF ROSEVILLE SALES
2013 DOLLARS (IN MILLIONS)

Type of Retailer	2013 Total Rocklin Commons Sales (1) [A]	Leakage Estimated to be Recaptured from Roseville (2) [B]	Estimated 2013 City of Roseville BOE Sales (3) [C]	Rocklin Crossings Sales Leakage Recapture as a Share of Roseville Sales [D=B/C]
Apparel Stores	\$39.9	\$20.9	\$203.3	10.3%
General Merchandise Stores (4)	\$16.3	\$15.5	\$782.1	2.0%
Food Stores (4)	\$37.2	\$16.2	\$407.3	4.0%
Eating and Drinking Places	\$15.4	\$14.6	\$335.6	4.4%
Home Furnishings and Appliances	\$20.8	\$8.3	\$174.2	4.8%
Building Materials	\$0.0	\$0.0	\$328.8	N/A
Auto Dealers and Auto Supplies	\$0.0	\$0.0	\$1,582.4	N/A
Service Stations	\$0.0	\$0.0	\$221.3	N/A
Other Retail Stores	\$21.5	\$20.4	\$624.8	3.3%
Total	\$151.1	\$95.8	\$4,659.9	2.1%

Notes:

(1) See Exhibit 4, "Estimated Sales by Retail Category."

(2) See Exhibit 18 "Maximum Center Sales Impacts on Primary Market Area Retail Sales", columns B, G, and H.

(3) See Exhibit 15 for 2006 Roseville sales. Assumed inflation to 2013 at an annual rate of 3.0 percent.

(4) Adjusted for non-taxable sales in drug stores and grocery stores.

Source: CBRE Consulting.

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EXHIBIT 23
U.S. SALES GROWTH/DECLINE (PER SQUARE FOOT) FOR MAJOR RETAIL CATEGORIES
1995-2007

Sector	Annualized Growth/Decline (1)			
	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%
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%

Continued...

EXHIBIT 23
U.S. SALES GROWTH/DECLINE (PER SQUARE FOOT) FOR MAJOR RETAIL CATEGORIES
1995-2007

Sector	Annualized Growth/Decline (1)			
	1995 - 1999	2000 - 2003	2003 - 2005	2006 - 2007
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%
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%

Continued...

EXHIBIT 23
U.S. SALES GROWTH/DECLINE (PER SQUARE FOOT) FOR MAJOR RETAIL CATEGORIES
1995-2007

Sector	Annualized Growth/Decline (1)			
	1995 - 1999	2000 - 2003	2003 - 2005	2006 - 2007
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:

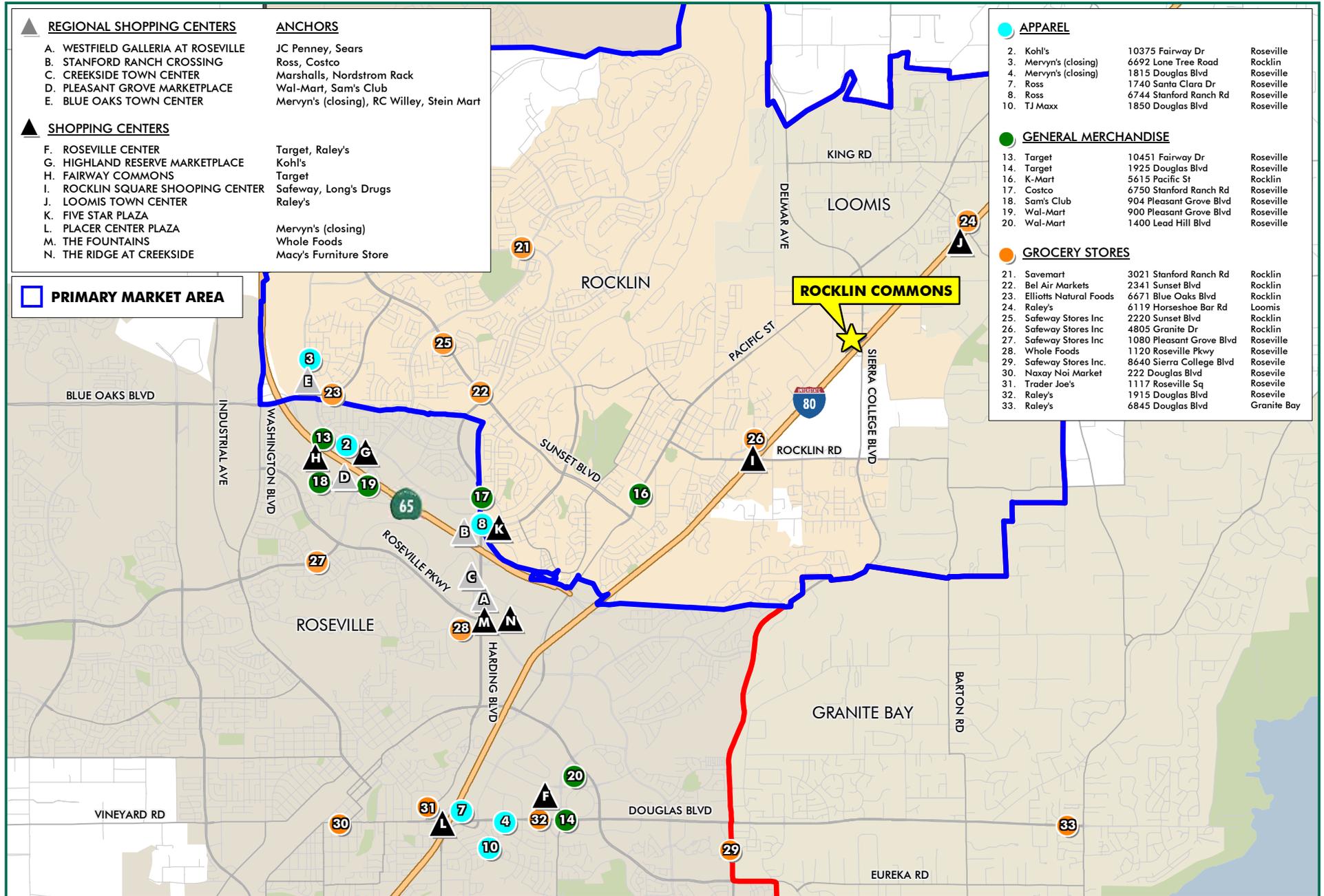
(1) Retail MAXIM 2006 created annualized percentage changes corresponding to three discrete time periods: the Late Boom Period (1995-1999), the Recovery Period (2000-2003), and the Transition Period (2003-2005). Data for 2006-2007 were added from Retail MAXIM 2008.

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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Exhibit 24: Competitive Centers and Retailers as well as Major Grocery Stores in the Primary Market Area and Parts of Roseville



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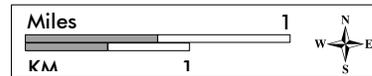


EXHIBIT 25
 SURVEY OF OTHER POTENTIAL MAJOR RETAIL DEVELOPMENT ACTIVITY (1)
 PRIMARY MARKET AREA AND SECONDARY MARKET AREA
 SEPTEMBER 2008

Area/Project	Location	Acres	New Sq. Ft.	Status	Estimated Completion	Status/Information
Primary Market Area (Rocklin and Loomis)						
<u>City of Rocklin</u>						
I-80 Center - Petrovich Development	Near Interstate 80 and Sierra College Blvd.	13.00	200,000	Approved	N/A	Project approved August 2008. Planned to have a 138,000-square-foot home improvement warehouse anchor. Lowe's was interested, but is not going forward.
Rocklin Crossings	Southeast corner of Interstate 80 and Sierra College Blvd.	N/A	543,500	Under Review	2011	This 543,000-square-foot center is currently under review with the City of Rocklin. Prospective tenants include a 231,353-square-foot Wal-Mart, 141,038-square-foot Home Depot, 30,000 square feet for an apparel retailer, 30,000 square feet for an electronics retailer, 25,000 square feet home furnishings retailer, 15,000 square feet of restaurant space, and the remaining area to be shop and pad space.
Rocklin Marketplace	Interstate 65 and Sunset Blvd.	30.00	300,000	Application Submitted	N/A	Application was filed in October 2007. There are three spaces of 45,000 square feet each which could be combined for one big box store. Tenants and anchors have not been identified, however it is anticipated that the project will consist of regional serving retail (large name brand stores, department store, etc.)
Granite Plaza (Granite Bay Ventures)	Corner of Sierra College Blvd. & Interstate 80	20.00	170,000	Application Submitted	N/A	Application was filed mid-2007. Possible tenants include a national chain theatre with 10 plus screens, restaurants and shops. No specific tenants have been identified, however it is anticipated that the project will consist of regional serving retail (large name brand stores, department store, etc.)
<u>Town of Loomis</u>						
The Village at Loomis	Day Ave., Horseshoe Bar Rd., Sun Knoll, and Interstate 80	54.00	45,000	On Hold/Not Going Forward	N/A	Application originally submitted June 2007 and EIR is underway. The proposed project consists of: 0.5-acre live-work district, 9.7-acre residential district, 45,000-square-foot retail district, 2.8-acre office district, 3.1-acre multi-family district, 18.6-acre single-family district, and an open space and parks district.
Subtotal - Primary Market Area			1,258,500			

Continued . . .

**EXHIBIT 25
SURVEY OF OTHER POTENTIAL MAJOR RETAIL DEVELOPMENT ACTIVITY (1)
PRIMARY MARKET AREA AND SECONDARY MARKET AREA
SEPTEMBER 2008**

Area/Project	Location	Acres	New Sq. Ft.	Status	Estimated Completion	Status/Information
Secondary Market Area (Auburn and areas of Unincorporated Placer County)						
Home Depot (Auburn)	NW of Highway 49 & F Ave.	10.64	129,295	Under Construction	Spring 2009	Includes a 24,304 square foot garden center. The project was approved in April, 2006.
Auburn Creekside Center (Auburn)	Highway 49 and Rock Creek	13.20	93,600	Application Submitted	N/A	Proposed commercial retail center. Phase I will be 36,100 square feet, Phase II will be 57,500 square feet. Preparing contract for the EIR.
Big Box Retail (North Auburn)	Highway 49 and Luther Rd	18.60	155,000	Application Submitted	N/A	Proposed big box retail on the site of the former Bohemia Lumber Company; the store would include a fueling station. This was previously planned as a Costco store. Waiting to review EIR.
The Plaza Phase II (North Auburn)	Highway 49 and Luther Rd	13.13	26,700	Application Submitted	2010	Proposed addition of three buildings to The Plaza which is currently under construction. Estimated ground breaking 3rd quarter 2009. Will be shops and restaurants. Still working on entitlements.
Costco (Auburn)	555 Nevada Street		153,475	Application Submitted	On Hold	Proposal for a 148,275-square-foot store and a 5,200-square-foot tire and lube center.
Subtotal - Secondary Market Area			558,070			
Other Excluded Potential Developments (1)						
Hanzlick Property (Rocklin)	Lower Granite Drive	20.00	150,000	Pre-Application	N/A	No application has been submitted.
Whitney Ranch SC (Rocklin)	Whitney Ranch Parkway and Wildcat Way	25.00	200,000	Pre-Application	N/A	Planned to be anchored by a grocery store and contain a gas station and drug store.
Subtotal - Other Excluded Potential Developments			350,000			
Note:						
(1) CBRE Consulting excluded those developments with less than 40,000 square feet since they would not be competitive with Rocklin Commons. In addition, the following projects were identified, but were not included because they are at a very early stage of planning and were deemed to be too speculative to include in this cumulative analysis: the Hanzlick property (Granite Bay Ventures) and the Whitney Ranch SC (Taylor Properties).						
Sources: City of Rocklin Development Activity Report, May 2007; City of Loomis Planning Department; Sacramento Business Journal; Placer County Current Development Report; City of Rocklin Community Development Department; City of Rocklin Planning Department; City of Auburn Planning Department; Placer County Planning Department; and CBRE Consulting.						
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EXHIBIT 26
SALES ESTIMATES FOR MAJOR PLANNED RETAIL DEVELOPMENTS
PRIMARY MARKET AREA
2013 DOLLARS

Store Assumptions	Average Sales Per Sq. Ft. 2007 (1)	Average Sales Per Sq. Ft. 2013 (2)	Estimated Square Feet (3)	Estimated Net Sales 2013
	[A]	[B=(A*(1.03)^6)]	[C]	[D=B*C]
Primary Market Area				
City of Rocklin				
I-80 Center - Petrovich Development				
Home Improvement Store	\$304	\$363	138,000	\$50,092,900
Other Retail	\$392	\$468	62,000	\$29,020,200
Subtotal			200,000	\$79,113,100
Rocklin Crossings				
Wal-Mart (4)	\$423	\$505	231,353	\$116,852,700
Home Depot	\$329	\$393	141,038	\$55,405,800
Apparel	\$277 (5)	\$331	30,000	\$9,920,300
Electronics	\$447	\$534	30,000	\$16,012,200
Home Furnishings	\$302	\$361	25,000	\$9,015,100
Restaurants	\$430	\$513	15,000	\$7,701,600
Other Retail	\$392	\$468	64,509	\$30,194,600
Non-Retail	N/A	N/A	6,600	N/A
Subtotal			543,500	245,102,300
Rocklin Marketplace	\$392	\$468	300,000	\$140,420,600
Granite Plaza (Granite Bay Ventures)	\$392	\$468	170,000	\$79,571,600
Town of Loomis				
The Village at Loomis	\$392	\$468	45,000	\$21,063,100
Total			1,258,500	\$565,270,700

Notes:

- (1) CBRE Consulting relied on Retail MAXIM's July 2008 report of 2007 retail sales per square foot estimates, which includes averages for different stores and categories of retailers.
(2) CBRE Consulting assumed an average growth rate of 3.0 percent from 2007 to 2013.
(3) See Exhibit 25 for estimated square feet.
(4) Wal-Mart sales per square foot estimates from the Wal-Mart Stores, Inc. Fiscal Year ending January 31, 2008 Form 10-K.
(5) The apparel sales per square-foot figure is from Retail MAXIM's July 2008 report of Real Sales Per Square foot in 2000 dollars. This figure was then inflated based on the U.S. Department of Labor, Bureau of Labor Statistics Consumer Price Index for all U.S. cities; years 2000-2001 was 2.85 percent, 2001-2002 was 1.58 percent, 2002-2003 was 2.28 percent, 2003-2004 was 2.66 percent, 2004-2005 was 3.39 percent, 2005-2006 was 3.23 percent, and 2006-2007 was 2.85 percent.

Sources: Retail Maxim's "Perspectives on Retail Real Estate and Finance," July 2008; 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 27
CATEGORIZATION OF MAJOR PLANNED RETAIL DEVELOPMENT SALES
PRIMARY MARKET AREA
2013 DOLLARS

Shopping Center / Store	Estimated Sales 2013 (2)	Sales Category (1)						
		Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Other Retail
Primary Market Area								
City of Rocklin								
I-80 Center - Petrovich Development								
Home Improvement Store	\$50,092,900	\$0	\$0	\$0	\$0	\$0	\$50,092,900	\$0
Other Retail	\$29,020,200	\$4,353,030	\$5,804,040	\$2,902,020	\$2,902,020	\$5,804,040	\$2,902,020	\$4,353,030
As % of estimated store sales	--	15%	20%	10%	10%	20%	10%	15%
Subtotal	\$79,113,100							
Rocklin Crossings								
Wal-Mart (3)	\$116,852,700	\$12,853,797	\$30,381,702	\$53,752,242	\$0	\$5,842,635	\$0	\$14,022,324
Home Improvement Store	\$55,405,800	\$0	\$0	\$0	\$0	\$55,405,800	\$0	\$0
Apparel	\$9,920,300	\$9,920,300	\$0	\$0	\$0	\$0	\$0	\$0
Electronics	\$16,012,200	\$0	\$0	\$0	\$0	\$0	\$0	\$16,012,200
Home Furnishings	\$9,015,100	\$0	\$0	\$0	\$0	\$9,015,100	\$0	\$0
Restaurants	\$7,701,600	\$0	\$0	\$0	\$7,701,600	\$0	\$0	\$0
Other Retail	\$30,194,600	\$0	\$0	\$0	\$0	\$0	\$0	\$30,194,600
Non-Retail	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Subtotal	\$245,102,300							
Rocklin Marketplace	\$140,420,600	\$21,063,090	\$28,084,120	\$14,042,060	\$14,042,060	\$28,084,120	\$14,042,060	\$21,063,090
As % of estimated store sales		15%	20%	10%	10%	20%	10%	15%
Granite Plaza (Granite Bay Ventures)	\$79,571,600	\$11,935,740	\$15,914,320	\$7,957,160	\$7,957,160	\$15,914,320	\$7,957,160	\$11,935,740
As % of estimated store sales		15%	20%	10%	10%	20%	10%	15%
Town of Loomis								
The Village at Loomis	\$21,063,100	\$3,159,465	\$4,212,620	\$2,106,310	\$2,106,310	\$4,212,620	\$2,106,310	\$3,159,465
As % of estimated store sales		15%	20%	10%	10%	20%	10%	15%
Total Primary Market Area	\$565,270,700	\$63,285,422	\$84,396,802	\$80,759,792	\$34,709,150	\$124,278,635	\$77,100,450	\$100,740,449

Notes:

- (1) Sales categories reported by State of California BOE.
(2) Estimated sales figures are from Exhibit 26, "Sales Estimates for Major Planned Retail Developments."
(3) Wal-Mart sales category allocation based on the January 31, 2008 Form 10-K and adjusted by CBRE Consulting for supercenters.

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 28
RETAIL SALES BASE ADJUSTMENT FOR CUMULATIVE SALES IMPACTS
PRIMARY MARKET AREA (PMA) AND COMBINED PRIMARY AND SECONDARY MARKET AREA (P&SMA)
2013 ESTIMATE (IN MILLIONS)

Type of Retailer	New Primary Market Area (PMA) Sales Base			New Primary and Secondary Market Areas (P&SMA) Sales			PMA as a Percent of P&SMA [G=C/F]
	PMA Retail Sales (1) [A]	Minimum New Sales to PMA (2) [B]	New PMA Retail Sales Base [C=A+B]	P&SMA Retail Sales (3) [D]	Minimum New Sales to PMA (2) [E]	New P&SMA Retail Sales Base [F=D+E]	
Apparel Stores	\$21.1	\$29.4	\$50.5	\$25.5	\$29.4	\$54.9	92.0%
General Merchandise	\$39.2	\$16.3	\$55.5	\$85.9	\$16.3	\$102.2	54.3%
Food Stores	\$209.1	\$34.8	\$243.8	\$396.2	\$34.8	\$431.0	56.6%
Eating and Drinking Places	\$77.9	\$15.4	\$93.3	\$162.0	\$15.4	\$177.4	52.6%
Home Furnishings and Appliances	\$98.7	\$12.3	\$111.0	\$116.8	\$12.3	\$129.1	86.0%
Building Materials	\$65.5	\$0.0	\$65.5	\$138.5	\$0.0	\$138.5	47.3%
Auto Dealers and Auto Supplies	\$79.7	\$0.0	\$79.7	\$203.4	\$0.0	\$203.4	39.2%
Service Stations	\$91.0	\$0.0	\$91.0	\$204.3	\$0.0	\$204.3	44.6%
Other Retail Stores	\$165.7	\$21.5	\$187.2	\$274.2	\$21.5	\$295.7	63.3%
Total	\$847.9	\$129.7	\$977.6	\$1,606.8	\$129.7	\$1,736.5	56.3%

Notes:

- (1) Refer to Exhibit 18, Column D.
- (2) Minimum new sales resulting from the Rocklin Commons project. Refer to Exhibit 18, Column J.
- (3) Refer to Exhibit 18, Column E.

Source: CBRE Consulting.

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**EXHIBIT 29
CUMULATIVE IMPACTS OF MAJOR RETAIL DEVELOPMENTS
ON PRIMARY MARKET AREA (PMA) RETAILERS
2013 DOLLARS (IN MILLIONS)**

	2013 Estimated New Sales (1)	Retail Sales Category						
		Apparel	General Merchandise	Food Stores	Eating and Drinking Places	Home Furnishings and Appliances	Building Materials	Other Retail Stores
Total New Sales in PMA (2) I-80 Center - Petrovich Development, Rocklin Crossings, Rocklin Marketplace, Granite Plaza (Granite Bay Ventures) and The Village at Loomis	<u>\$565.3</u>	<u>\$63.3</u>	<u>\$84.4</u>	<u>\$80.8</u>	<u>\$34.7</u>	<u>\$124.3</u>	<u>\$77.1</u>	<u>\$100.7</u>
Portion of New Sales from P&SMA at 95% (3) I-80 Center - Petrovich Development, Rocklin Crossings, Rocklin Marketplace, Granite Plaza (Granite Bay Ventures) and The Village at Loomis	<u>\$537.0</u>	<u>\$60.1</u>	<u>\$80.2</u>	<u>\$76.7</u>	<u>\$33.0</u>	<u>\$118.1</u>	<u>\$73.2</u>	<u>\$95.7</u>
Sales Generated in PMA <i>PMA as a Percent of P&SMA (4)</i>	_____	<u>92.0%</u>	<u>54.3%</u>	<u>56.6%</u>	<u>52.6%</u>	<u>86.0%</u>	<u>47.3%</u>	<u>63.3%</u>
I-80 Center - Petrovich Development, Rocklin Crossings, Rocklin Marketplace, Granite Plaza (Granite Bay Ventures) and The Village at Loomis	\$356.3	\$55.3	\$43.5	\$43.4	\$17.3	\$101.5	\$34.6	\$60.6
Unabsorbed Leakage Unabsorbed PMA & SMA Leakage (5)	(\$198.0)	\$0.0	(\$99.3)	\$0.0	(\$28.9)	\$0.0	(\$50.9)	(\$18.9)
Max Sales Diverted from PMA Retailers (6) I-80 Center - Petrovich Development, Rocklin Crossings, Rocklin Marketplace, Granite Plaza (Granite Bay Ventures) and The Village at Loomis	<u>\$242.0</u>	<u>\$55.3</u>	<u>\$0.0</u>	<u>\$43.4</u>	<u>\$0.0</u>	<u>\$101.5</u>	<u>\$0.0</u>	<u>\$41.7</u>

Notes:

(1) Reflects the sum of the retail categories.

(2) Refer to Exhibit 27.

(3) Primary and secondary market area estimated at 95 percent of total sales. Refer to Exhibit 18, footnote 2.

(4) Percentage calculated in Exhibit 28 to account for Rocklin Commons sales in the retail base.

(5) The analysis assumes that up to 50 percent of leakage in the primary market area and 25 percent in the secondary market area will be absorbed before sales impacts occur. Accounts for primary and secondary market area leakage already absorbed by new sales at the Rocklin Commons in Exhibit 18.

(6) The maximum sales diverted from primary market area retailers is equivalent to the sales generated in the primary market area, less any unabsorbed leakage.

Source: CBRE Consulting.

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EXHIBIT 30
CUMULATIVE IMPACTS OF MAJOR RETAIL DEVELOPMENTS (1)
MAXIMUM DIVERTED SALES AS A PERCENT OF
TOTAL ESTIMATED SALES IN THE PRIMARY MARKET AREA
ASSUMING SALES ADJUSTMENT FOR ROCKLIN COMMONS
2013 ESTIMATE (IN MILLIONS)

Retail Category	Maximum Center Sales Diverted from PMA Retailers (2)	New PMA Retail Sales Base (3)	Additional Diverted Sales as a % of Estimated Sales
	[A]	[B]	[C=A/B]
Apparel Stores	(\$55.3)	\$50.5	109.5%
General Merchandise	\$0.0	\$55.5	0.0%
Food Stores	(\$43.4)	\$243.8	17.8%
Eating and Drinking Places	\$0.0	\$93.3	0.0%
Home Furnishings and Appliances	(\$101.5)	\$111.0	91.4%
Building Materials	\$0.0	\$65.5	0.0%
Other Retail Stores	(\$41.7)	\$187.2	22.3%
Total	(\$242.0)	\$806.9	

Notes:

(1) Includes I-80 Center - Petrovich Development, Rocklin Crossings, Rocklin Marketplace, Granite Plaza (Granite Bay Ventures), and The Village at Loomis.

(2) Refer to Exhibit 29.

(3) Refer to Exhibit 28, column C, excluding Auto Dealers and Supplies and Service Stations

Sources: CBRE Consulting.

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**EXHIBIT 31
MAXIMUM DIVERTED SALES IMPACTS
ROCKLIN COMMONS
CUMULATIVE PRIMARY MARKET AREA PROJECTS
2013 ESTIMATE (IN MILLIONS)**

Project Retail Category	Maximum Sales Diversion (1) [A]	Number of Years to Mitigate (2) [B]	Sales Average (2013 Dollars) (3) [C]	Impacted Square Feet (Rounded) [D=A/C]
Rocklin Commons Only				
Apparel Stores	(\$10.5)	7 years	\$297	35,300
General Merchandise	\$0.0	N/A	N/A	N/A
Food Stores	(\$2.4)	1 year	\$573	4,200
Eating and Drinking Places	\$0.0	N/A	N/A	N/A
Home Furnishings and Appliances	(\$8.5)	5 years	\$361	23,500
Building Materials	\$0.0	N/A	N/A	N/A
Other Retail Stores	\$0.0	N/A	N/A	N/A
Total	<u>(\$21.4)</u>			<u>63,000</u>
Rocklin Commons and All Primary Market Area Cumulative Projects				
Apparel Stores	(\$65.8)	20+ years	\$297	221,300
General Merchandise	\$0.0	N/A	N/A	N/A
Food Stores	(\$45.8)	6 years	\$573	80,000
Eating and Drinking Places	\$0.0	N/A	N/A	N/A
Home Furnishings and Appliances	(\$110.0)	20+ years	\$361	305,000
Building Materials	\$0.0	N/A	N/A	N/A
Other Retail Stores	(\$41.7)	6 years	\$358	116,500
Total	<u>(\$263.3)</u>			<u>722,800</u>

Notes:

(1) Refer to Exhibits 19 and 30.

(2) Estimated based on the cumulative retail demand in Exhibit 21.

(3) Estimates for 2013 sales per square foot by category for apparel, food stores, home furnishings and appliances, and other retail stores from Exhibit 2.

Sources: CBRE Consulting.

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