

Forecasting the Future

THE RETAIL BOOM IN LACEY

Lacey becomes the region's next big shopping spot



2020
VISION



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“What really builds the community is developers”

- Jerry Litt, Former Director of Community Development, City of Lacey

Lacey is fast becoming a vital, economically active community in the South Sound, with growing demands for retail spending. The new Hawk's Prairie developments, along with the world famous Cabela's store are at the top of regional consumers' minds. Lacey, with its expanding retail, is also rapidly becoming the favorite shopping spot for the local consumer in this southend market. There is no doubt that it is only a matter of time before it becomes the key retail hub in the South Sound.

With the diversity of newly completed developments, those in the permitting stages and those anticipated in the future, Lacey will appeal to wide segments of the population across genders, age groups and activity preferences. Lacey will become a unique, multifaceted development hotspot with universal appeal in entertainment, day and night activities and retail shopping.

A Serene Bedroom Community

Take a look back to December 5, 1966, the day the sleepy little village of Lacey officially incorporated. Located near the beautiful Nisqually Valley, Lacey was viewed as a recreation area. At that time, the population of this Olympia "bedroom community" was approximately 12,000 and its main industries consisted of forest products, cattle and milk. The burgeoning city also boasted the brand new South Sound Mall, making Lacey a regional retail hub. Built as the fourth regional shopping center in the State of Washington – and among the first indoor malls – the South Sound Mall was originally anchored by Nordstrom, Pay'n Save, Peoples, Sears and Woolworth.

Flashing forward, Lacey's 2008 population has ballooned to 38,040, representing an increase of 317% over the past four decades. In 2001, the South Sound Mall was transformed, making way for a Target store now located between Sears and Kohls.

Building Boom

In addition to a population explosion, Lacey is also experiencing a development explosion. With the recent construction of several large industrial distribution centers, numerous new employees and their families have moved into the area, driving the demand for retail services.

The wild fire of subsequent retail development – primarily occurring in the North Hawk's Prairie area – was ignited in 2005 by the opening of Home Depot, Costco and Wal-Mart. Other major retailers and smaller businesses soon followed suit, setting up shop at Lacey Marketplace, Freedom Pointe Plaza and The Landing at Hawk's Prairie. This rapid retail growth is expected to last well beyond 2020, filling the expected needs of nearby residents.

So, Why Lacey?

There are many reasons that retailers have flocked – and will continue to flock – to Lacey. Chief among these reasons include initiatives by the City of Lacey, major growth surrounding the Port of Tacoma and the Port of Olympia and increased employment at Fort Lewis Army Base and McChord Air Force Base.

The City of Lacey has been proactive with zoning codes, as well as expansion and annexation plans following the adoption of the State of Washington Growth Management Act (GMA) in 1990. The GMA was adopted to secure sustainable economic development and the quality of life in Washington State. Lacey officials aligned with the GMA guidelines and met the requirements necessary to protect critical environmental areas. Simultaneously, Lacey designated urban growth areas and implemented growth through capital expenditures, carefully planning the city's infrastructure to support that growth. Lacey officials deliberately balanced the needs of the current residents and the city's desire for

growth. Officials wisely reserved commercial lands, understanding the long term economic benefits of holding them in reserve in order to support the current and future needs of the community.

In addition to maintaining commercial zoning, the city embraced an attitude of cooperation with developers. "What really builds the community is developers," said Jerry Litt, former Director of Community Development for the City of Lacey. "You have to have a good blueprint and cooperative efforts between the City and the developers. We are really, really ready when the opportunity presents itself!"

And the opportunity has indeed presented itself. Developers see Lacey as an excellent place to focus their business. According to Glendale, CA developer Steven Mongeau, "Lacey is becoming the retail/commercial hub between Tacoma and Portland based on the geographic location, growing housing and employment base, and a cooperative city poised for long-term growth." Mongeau is the Vice President of Development for Lucia Properties, which is currently developing The Landing at Hawk's Prairie. His impression reflects a general trend among his counterparts.

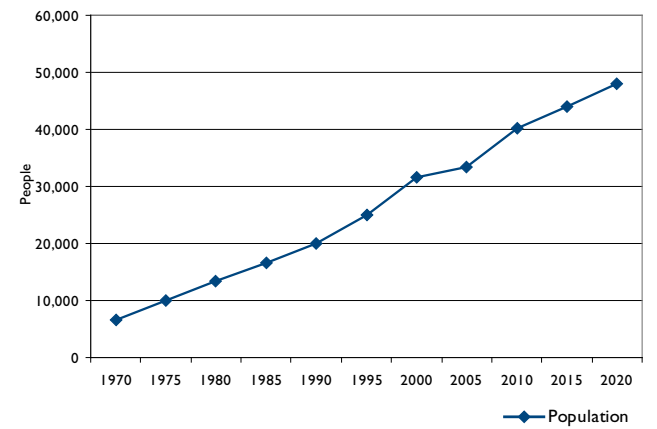
As new residences are developed to add to the existing inventory of homes, there is a growing need for services. In fact, the general rule of thumb is that for every four new housing units, an additional 1,000 square feet of retail space is needed. With nearly 9,000 housing starts currently under construction or consideration in the next 10 years, that means Lacey will be seeing at least 2,250,000 square feet added to retail inventory between now and 2020.

Ports Proximity Offers Growth

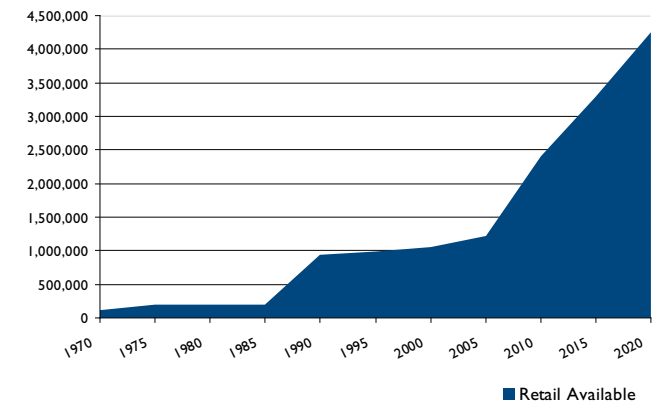
Another advantageous aspect of Lacey's geographic location is its proximity to the Port of Olympia and – more importantly – the dramatically expanding Port of Tacoma. The Port of Tacoma has a value of foreign trade of approximately \$32.8 billion annually and the Port of Olympia approximately \$74 million annually. As a gateway to Asia and Alaska and the seventh largest container port in North America, the Port of Tacoma is a huge economic engine for the region. The Port has grown from 2,400 acres to over 6,478 acres in terminals and acreage. The Port intends to be a catalyst for new jobs in the region.

The Port of Olympia continues to improve its cargo yard and new rail is planned to increase mobility to and from the Port. Soon the Port of Olympia will also be a place for play as flanking the East Bay of the Port is a new "energizing" 14 acre project in the planning and pre-development stages. Preliminary plans include an educational center, children's museum, public plaza and several mixed-use buildings. This will be a vibrant area where residents can come together to enjoy the waterfront.

LACEY POPULATION 1970-2020



AVAILABLE RETAIL SPACE



Lacey has already benefitted from recent development to accommodate activity at both Ports. With an abundance of land, Lacey is able to provide the necessary space to develop both housing and very large distribution facilities, with additional smaller parcels currently available for warehouse and light manufacturing. As these develop over the next 10 years to accommodate the anticipated growth, we will see more cluster developments, industrial parks and industrial condos, with possibly some mixed-use developments interspersed north and west of I-5.

Military Plays An Important Role

The military, too, plays an important role on the growth in Lacey as both the Fort Lewis Army Base and the McChord Air Force Base are located within a 17 minute drive to the north. Fort Lewis employs 27,214 military and 9,728 civilian personnel and McChord has 4,324 military and 4,286 civilian personnel. Both bases are slated for expansion and plan to consolidate forces and begin operating jointly in 2010. When the consolidation is complete, Lewis-McChord will be the largest base on the West Coast. As part of the consolidation, a new mixed-use development is planned to complement the existing PX and Commissary. This new Lifestyle Center development would consist of approximately 348,000

TIMELINE OF LACEY EVENTS

