

MARKET ANALYSIS

Avant Garde Development, LLC under the auspices of the Atlantic RESIDENTIAL DEVELOPMENT company plans to submit a development proposal to the City of Rocklin that will recommend the rezoning of a 11.2-acre parcel located at the intersection of Sunset and Whitney Avenues in the City of Rocklin.

Real Estate Analytics (REA), a Sacramento-based applied real estate economics consultancy, prepared the following analysis as background technical support for the Avant Garde Development proposal.

The following analysis of commercial land uses in Rocklin provides a quantitative basis for the reconfiguration of the site. Initial research and contacts with city development officials reaffirmed the observation that commercial land uses in the City of Rocklin are abundant and configured to serve markets well beyond Rocklin's city limits. Further, some skepticism was apparent as to the technology and utility of the spatial analysis of commercial land-use patterns.

The following analysis will generate general parameters based upon Census demographics and government figures for local taxable sales related to the commercial development of the site. The analysis assumes that retail customers value access, that residents are attracted to sites offering greatest selection of product at favorable price levels, and that an optimal distribution of shopping opportunities is a distance function of the product or service offered. In other words, spatial economics matter.

The analysis telescopes from regional economic conditions, to neighborhood demographics, to site specifics, and to the particulars of the supportable retail calculation based upon accepted descriptions of regional, community, neighborhood and convenience shopping patterns and capture rates.

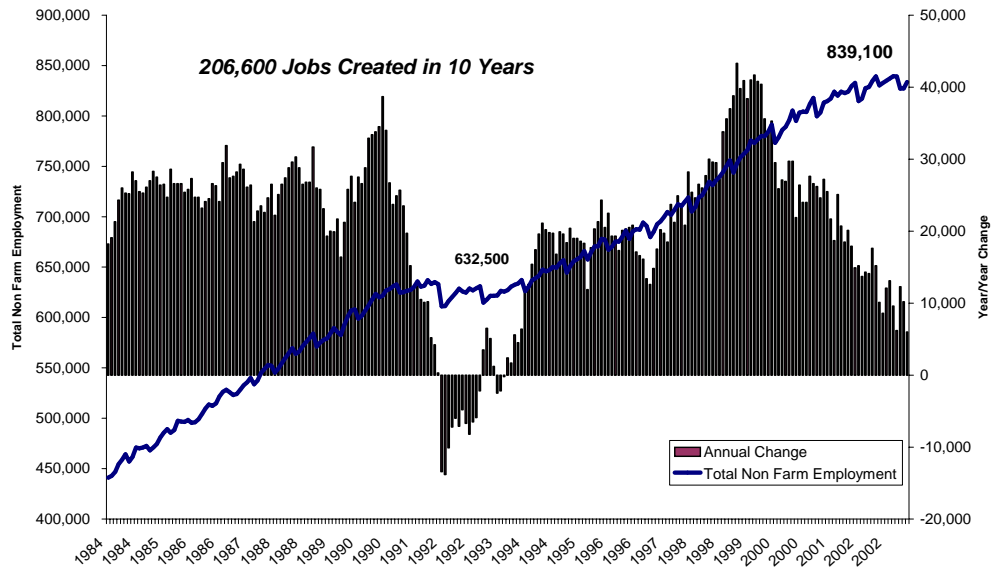
REGIONAL ECONOMIC CONDITION SUMMARY

The City of Rocklin is located within the Sacramento-Yolo CMSA, the center of economic activity for the Northern Central Valley. The region enjoyed stable growth rates during the 1980s, faltered somewhat in the early 1990s and since mid-1995, enjoyed relatively robust growth as the result of government employment and continued high technology/information economy employment, situated primarily in South-western Placer County. Figure 1 shows regional employment growth for the past 19 years.

The figure shows flat employment growth (shown as the jagged line) during the structural recession that plagued the region and California during 1990-1993 and the current ongoing economic episode. Note that the columns on the figure represent year-over-year changes in Total Non-Agricultural Employment growth.

Figure 1

**TOTAL NON FARM WAGE & SALARY EMPLOYMENT
SACRAMENTO-YOLO CMSA**



Source: Labor Market Information Division, Employment Development Department, State of California, 2002
Real Estate Analytics

The City of Rocklin directly benefited from this regional employment growth. Year 2002 employment growth remained flat as year-over-year slowed as shown by the shorter columns appearing on the chart's far right.

Closer analysis by market sector shows job declines in several key and basic employment sectors. By definition, basic employment causes growth, while non-basic employment responds to growth. As shown in Figure 2, employment in information sectors declined some 3,700 jobs since early 2002.

INFORMATION INDUSTRIES EMPLOYMENT

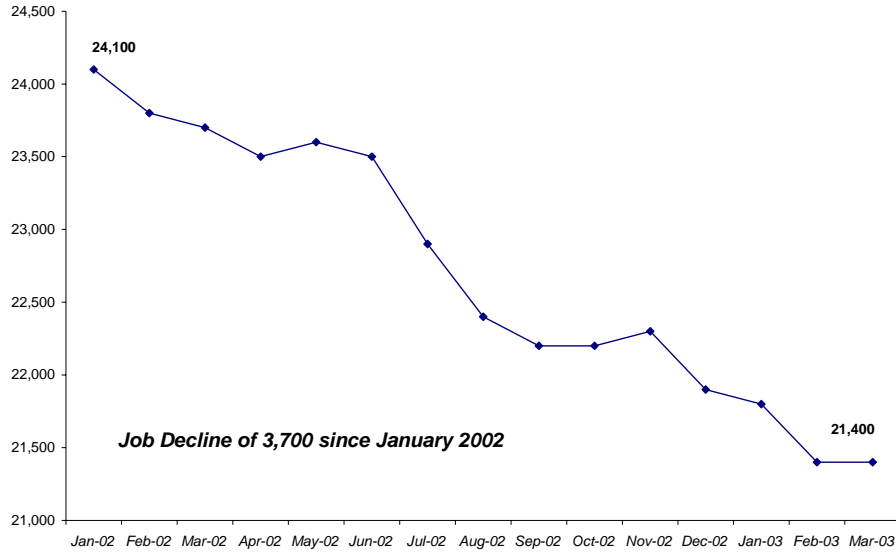
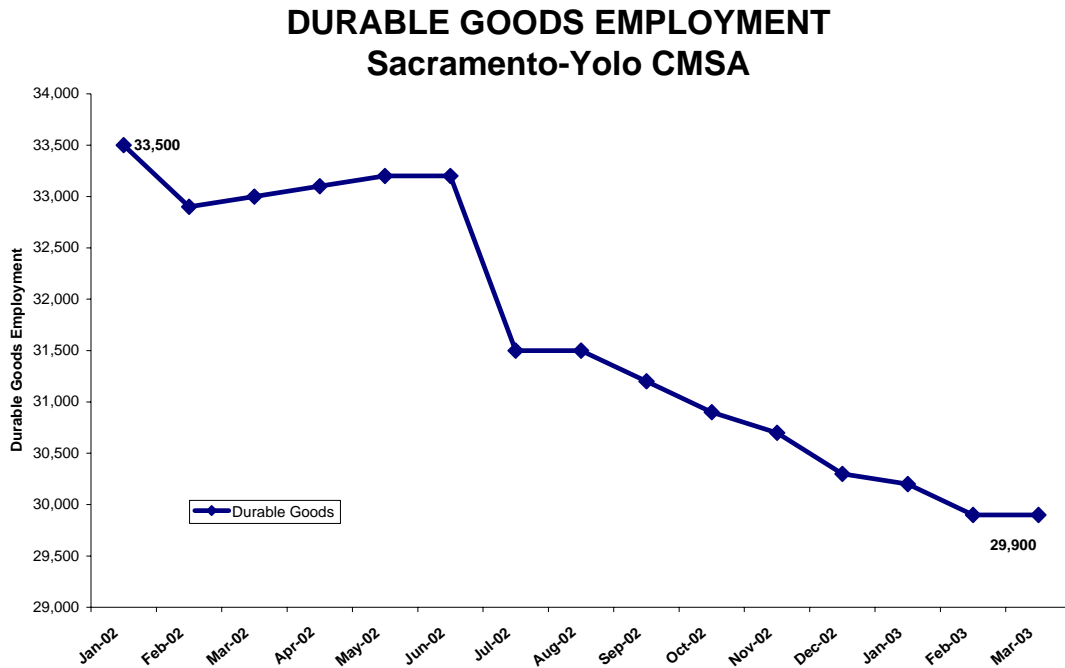


Figure 2

Source: Labor Market Information Division, Employment Development Department, State of California, 2002 Real Estate Analytics

While information sectors declined, the Sacramento’s traditional non-durable manufacturing also lost significant employment. According to sources most of this job loss occurred in the region’s high-technology sectors comprised mostly of the computer equipment sectors (Figure 3).

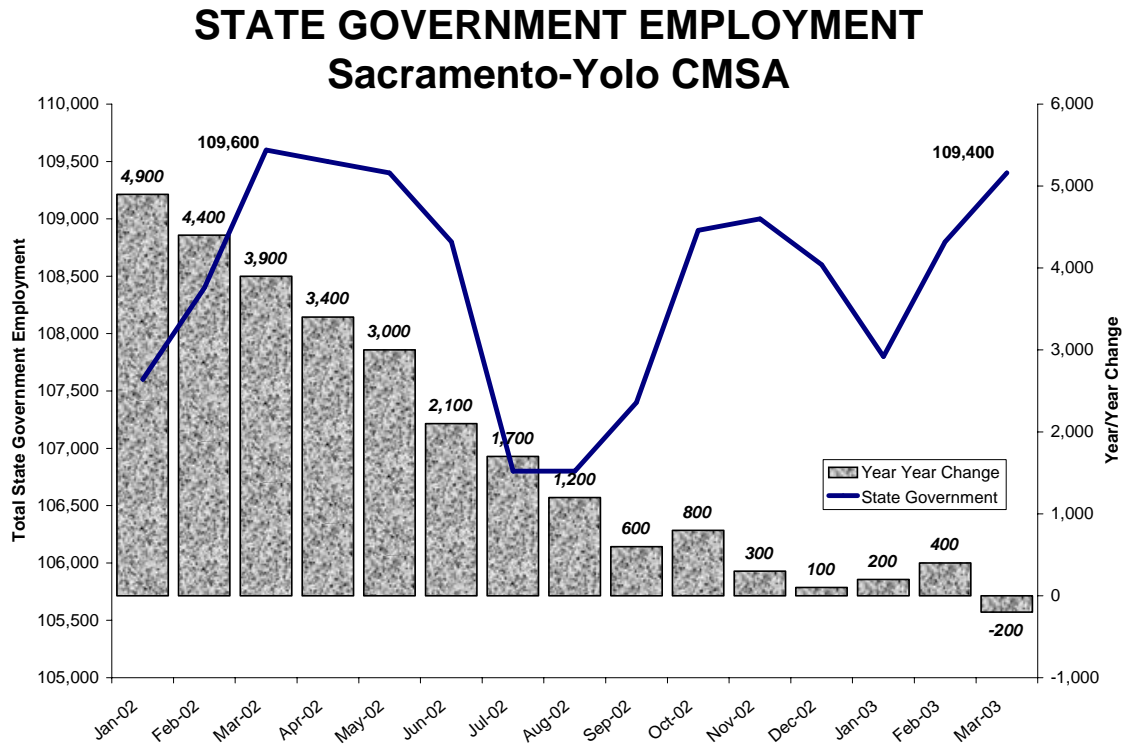
Figure 3



Source: Labor Market Information Division, Employment Development Department, State of California, 2002 Real Estate Analytics

Employment data as of the current writing do not show jobs losses within State government employment sectors, amid an historic structural budget deficit problem. Regardless, Figure 4 identifies some slowdown in the rate of State government hiring during the past year. The State’s contribution to the region’s economic base is well documented so evidence of slowed hiring likely predicts a general slowdown in regional economic activity. Depending upon political instincts or forecast judgments, the shorter-term prospects for continued State government hiring is not positive. For historical comparison, Sacramento’s regional economy is quite robust when State government hires between 4,000-7,000 persons per year. REA expects this rate to remain slowed into the triple digits during the current budget cycle, suggesting slowed regional growth akin to the experience that occurred during 1993-1995 as shown in Figure 1.

Figure 4



Source: Labor Market Information Division, Employment Development Department, State of California, 2002
Real Estate Analytics

PLACER COUNTY POPULATION TRENDS

Recently Placer County was identified as the center of population growth, reporting the highest percentage rate in the state of California. Since 1980 Placer County added almost 150,000 new residents as shown in Table 1. Most of these households located within the boundaries of Roseville, Lincoln, and Rocklin.

Table 1

PLACER COUNTY GROWTH TRENDS 1980-2002

Jurisdiction	1980	1990	2000	2001	2002
Auburn	7,540	10,592	12,462	12,400	12,300
Colfax	981	1,306	1,496	1,530	1,650
Lincoln	4,132	7,248	11,205	13,800	17,700
Loomis	1,284	5,705	6,260	6,225	6,150
Rocklin	7,344	19,033	36,330	38,200	41,100
Roseville	24,347	44,685	79,921	82,100	85,500
Unincorporated	71,619	84,227	100,725	100,600	100,500
Placer County	117,247	172,796	248,399	254,855	264,900

Jurisdiction	Change 1980-1990	Change 1990-2000	Change 2000-2001	Change 2001-2002	Change 1980-2002	Share of Change
Roseville	20,338	35,236	2,179	3,400	61,153	41.42%
Rocklin	11,689	17,297	1,870	2,900	33,756	22.86%
Unincorporated	12,608	16,498	-125	-100	28,881	19.56%
Lincoln	3,116	3,957	2,595	3,900	13,568	9.19%
Loomis	4,421	555	-35	-75	4,866	3.30%
Auburn	3,052	1,870	-62	-100	4,760	3.22%
Colfax	325	190	34	120	669	0.45%
Placer County	55,549	75,603	6,456	10,045	147,653	

Source: Demographic Research Unit, Department of Finance
Real Estate Analytics

Source: Demographic Research Unit, State of California Department of Finance
Real Estate Analytics

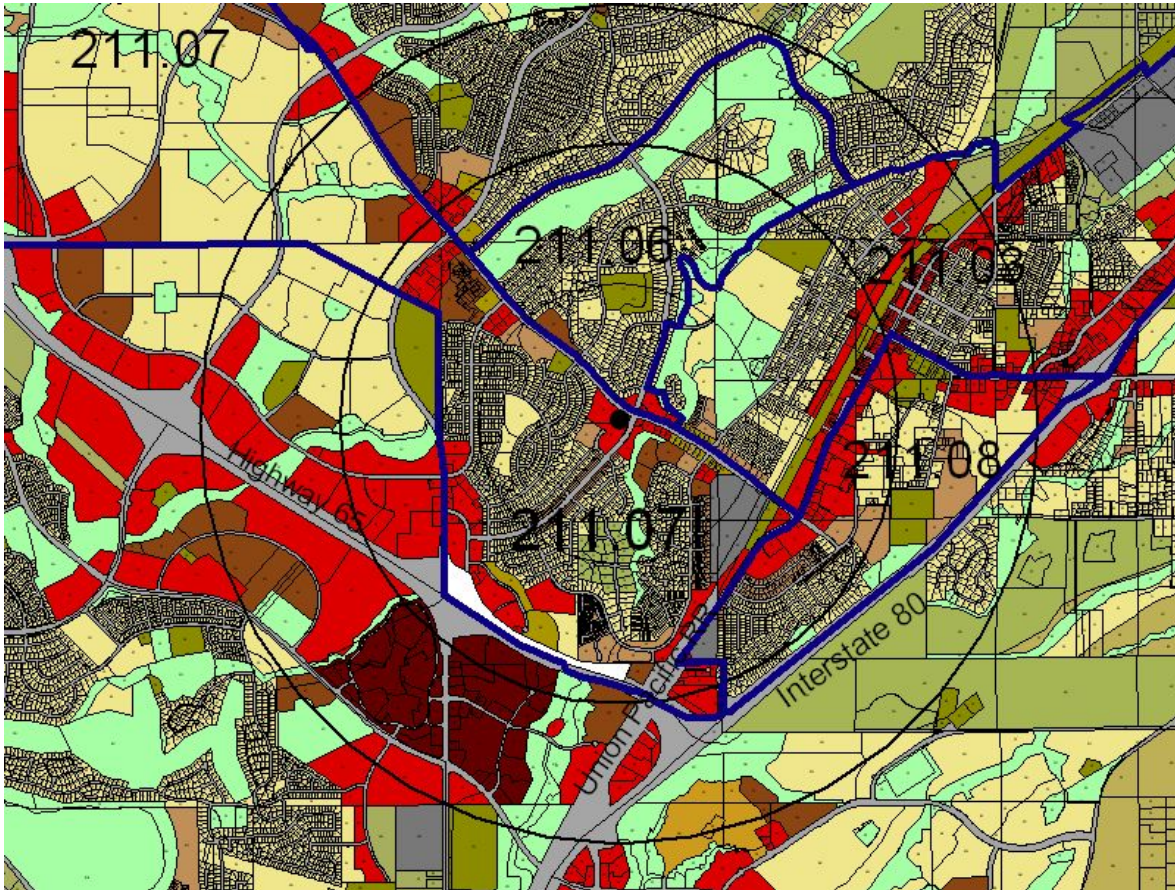
Of the 10,000 new residents added to the county during 2001-2002, Rocklin added almost 3,000 residents. Many of these households located in the northern and newly annexed areas of the city.

SUBJECT SITE LOCATION

The subject site consists of a 11.2-acre parcel of land located at the intersection of Sunset Avenue and Whitney Avenue in the newly designated Sunset Whitney community plan area. (This community area designation was recently proposed in the draft General Plan circulated in draft form among interested persons via the Internet.)

The parcel is located on the Western Quadrant of the intersection. Map 1 shows the site in relationship to the City of Rocklin and in relationship to the major east-west Freeway, Interstate 80, and the north-south corridor Highway 65.

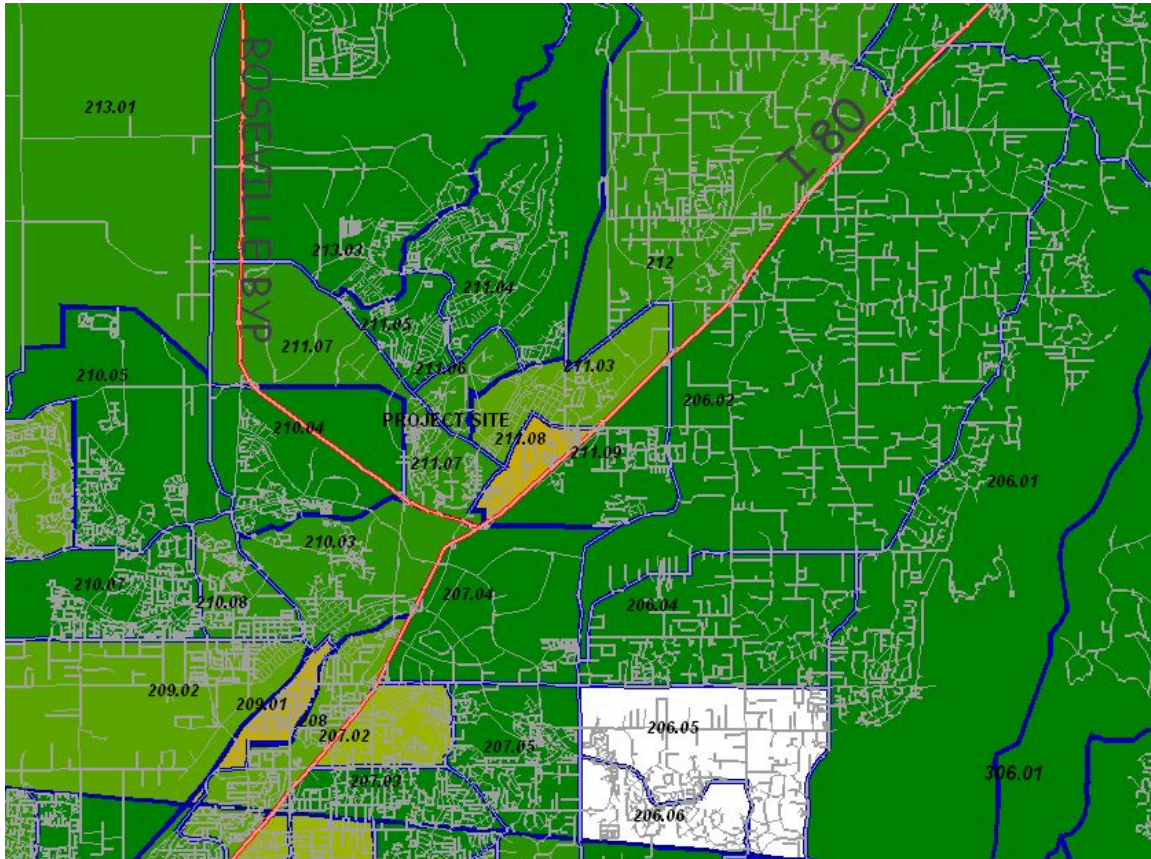
Map 1
**SUBJECT SITE LOCATION &
EXISTING LAND USES**



Source: Sacramento Area Council of Governments
Real Estate Analytics

The property slopes downward from a ridge on its western boundary toward the intersection, leaving over eight acres of developable land. Currently a retail branch site of the Bank of America operates on a half-acre parcel on the actual corner as shown on Map 1.

Map 2
**MARKET AREA INCOME
SUNSET-WHITNEY SITE**



Source: Year 2000 Census, US Bureau of the Census
Real Estate Analytics

The City of Rocklin zoned the property commercial, indicated in red on Map 1. Maps 1 also shows the location of commercial properties in Downtown Rocklin in addition to the concentration of properties zoned commercial located at the intersections of the Highway 65 By Pass and Stanford Ranch Road, displayed on the lower left quadrant of the maps.

The topography and location of the property relative to Sunset and Whitney Avenues appears in Figure 5.

SUNSET & WHITNEY SITE



MARKET AREA DETERMINATION

An estimation of a trade area is fundamental to site feasibility. Consumer patronage of retail uses at the site depends upon the attractiveness of products or services offered and their relative geographic accessibility. Realized shopping patterns also depend upon transportation and psychological barriers. Map 2 identifies important aspects that define practical limits and characteristics of the market area and commercial opportunities of the site. Important market barriers include the rail corridor of the Union Pacific Railroad to the south and east of the site, a so-called psychological barrier, and the Highway 65 bypass to the west of the site.

Given the physical constraints and street access of the site, the primary market area for demographic analysis of the site would include those households located in census tracts proximate to the parcel, requiring some methodological compromise. Tract boundaries do not necessarily conform to the reality of trade areas, but census tract analysis provides a wealth of demographic information which is critical to determining feasibility. From Map 1 the primary market would include Census tracts 211.03, 211.06, 211.07 and 211.08.

DEMOGRAPHIC DATA ANALYSIS

Using the previously mentioned tracts as the site's primary market suggests a primary neighborhood market of 15,308 persons in 5,972 households or 2.56 persons per household. Table 2 documents primary neighborhood demographics as reported by the Year 2000 Census.

Table 2

ROCKLIN NEIGHBORHOOD DEMOGRAPHICS

	South 211.07	Northwest 211.06	North 211.03	East 211.08	Primary Market
Population	6,390	2,349	3,690	2,879	15,308
Households	2,425	910	1,379	1,258	5,972
Average Household Size	2.63	2.57	2.68	2.29	2.56
Household Median Income \$	54,647	\$ 55,994	\$ 46,196	\$ 33,947	
Housing Units	2,616	931	1,437	1,325	6,309
OccHU_Owner Occupied	1,384	733	830	714	3,661
OccHU_Renter Occupied	1,041	177	549	544	2,311
Percentage Home Owners	57.1%	80.5%	60.2%	56.8%	61.3%

Source: Census 2000, Bureau of the Census
Real Estate Analytics

The table shows the largest concentration of markets exists on the southern quadrant of the market area. Closer analysis of the geography of census tract 211.07 (Figure 1) shows that the tract spans areas at the site and neighborhoods over the hill near Stanford Ranch Road to the west. For data purposes REA must include all populations in the tract. However, field observations of the topography and street patterns concluded that approximately half of these households exist beyond the ridge and would likely not be captured by neighborhood commercial activities at the subject site.

Census geography divides Tract 211.07 into two block groups with (1) 3,055 persons and 1053 households in the block group immediately to the east of the site and (2) 3,315 persons living in 1,053 households in the block group that includes the site and continues on to the west and over the hill.

Detailed census demographic information appears in Appendix 1 of this report.

Households located to the northwest of the site reported the highest median income within the neighborhood market area and the highest rate of home ownership as shown on Map 2 by the darker green areas. The other three tracts reported homeownership rates approaching 60 percent. Overall, the market boasts a homeownership rate of 61.3 percent.

SURVEY OF COMMERCIAL LAND USES

Two approaches to determine the existence of commercial land uses were applied to the subject site. Researchers surveyed the surrounding neighborhood. Given the neighborhood scope of the analysis, the survey was limited to properties within 1.5 miles of the site. The results of that physical review appear below in a series of photographs and narrative.

Figure 6
COMMERCIAL LAND USES NEAR SUNSET WHITNEY SITE



Source: Real Estate Analytics

Figure 6, looking southeast, shows commercial development near the site. The southeastern orientation the photograph shows the relative location of Downtown Rocklin (1.27 miles) and the location of the Union Pacific Railroad tracks (.6 miles).

The 4.5-acre neighborhood site located diagonally across the intersection, labeled as Office/Retail Center, offers insights into the market feasibility of the subject site location. Figure 7 shows the tenant list which is comprised of neighborhood goods and services such as a pizza parlor, insurance, health, legal, and religious services. Researchers noted three vacancies within the center located toward the rear of the complex. City representatives reported that

vacancies were quickly filled in the local market, suggesting commercial demand in the neighborhood was strong. The existence of religious tenants may indicate that rents were soft, however.

Figure 7
TENANTS IN PROXIMATE NEIGHBORHOOD CENTER



Source: Real Estate Analytics

Commercial uses located directly across the street consist of a gas and convenience shopping are shown in Figure 8. The property appears somewhat under maintained and is currently not operated by a major franchise.

Figure 8
COMMERCIAL USES ACROSS FROM SUBJECT PROPERTY



Source: Real Estate Analytics

Two neighborhood centers are positioned .75 miles to the southeast of the subject site. These centers offer the traditional assortment of neighborhood shopping such as grocery stores (Albertson's and Dollar Tree) and services.

Major shopping opportunities exist at the intersection of Sunset Avenue and Stanford Ranch Road. These centers include a Bel Air Market and A Four Source mega grocery store (Figure 9). While the immediate Sunset-Whitney neighborhood is not directly served by a grocery store as would be logical for a 10 acre retail site, residents enjoy proximate choice among four grocery retailers, including a larger scale discount retailer within a one-mile drive.

Figure 9
FOOD SOURCE GROCERY LOCATED NEAR SUBJECT SITE



Source: Real Estate Analytics

The second approach for the determination of competing commercial space utilized geographic information system (GIS) models of land uses in the City of Rocklin and Placer County. From the GIS analysis, researchers collected land use data for parcels situation within one-half, one and mile and one half rings as shown on Map 1. The results of this analysis appear in Table 3. Retail and commercial uses appear as red polygons on Map 1 that appeared previously in this analysis.

Table 3

LAND USE ACREAGES SUNSET-WHITNEY SITE

LAND USES	One half mile	One Mile	1.5 Mile	Total
Light Industrial	-	-	6.9	6.9
Highway Office	-	-	10.3	10.3
Office	7.7	20.0	-	27.8
Quasi Public	3.1	56.0	53.1	112.2
Commercial Neighborhood	-	46.3	129.8	176.2
Community Retail	24.7	167.7	63.6	256.1
Highway Commercial	2.6	14.9	-	17.4
Regional Commercial	-	6.0	126.2	132.2
Low Density Residential	203.1	464.2	592.0	1,259.2
Medium Density Residential	37.5	52.6	28.1	118.2
Medium High Density Residential	19.9	22.5	69.4	111.8
Very Low Density Residential	10.4	9.4	99.9	119.7
Open Space	26.3	78.8	167.8	273.0
Roads	1.3	0.4	26.2	27.9
Total Acreages	336.6	939.0	1,373.3	2,648.8
Commercial Retail	27.3	235.0	319.6	581.8
Share of Commercial	8.1%	25.0%	23.3%	22.0%

Source: SACOG Land Use Shapefile
Real Estate Analytics

Table 3 shows the allocation of land uses for parcels within specific market rings. Of the total acreage within a one-half mile trade area, approximately 27 acres of land functions as or is zoned for commercial uses. For the 1.5-mile trade area, approximately 319 acres are zoned and/or used as commercial retail uses. Note that some of these properties, to the west of the trade area, are located within the City of Roseville. In addition, note that Roseville's Stanford Ranch regional retail center is located just beyond the 1.5-mile ring.

For purposes of comparisons the percentage share of land use allocated to neighborhood and community level services appears at the bottom of the table. The percentages show a relative undersupply of commercial at the site within the one-half mile market ring (8.1 percent), but a relative oversupply at the one-mile circular trade area (25 percent).

DEVELOPMENT OF COMMERCIAL MODEL

To estimate retail demand, taxable sales data were obtained from the State of California Board of Equalization. These data enabled the calculation of a rate of consumption per-capita for Rocklin City residents. For the current purpose, the consumption amounts were calculated for all levels of retail shopping: neighborhood, community, regional, and super regional. Table 5 presents these data. These general estimates allowed for the estimation of specific product purchases to types of retail stores, as matched to the Board of Equalization's categories. Since the State Board of Equalization does not collect information on the types of products purchased at certain retail centers, judgment must be used to allocate sales to different types of retail configurations.

Table 4

TAXABLE SALES BY TYPE OF BUSINESS 2001 CITY OF ROCKLIN

<i>Type of business</i>	Permits	ANNUAL (Thousands)	SALES PERMIT	SALES/ PER CAPITA
Retail Stores				
Apparel stores	6	\$ 762	\$ 127,000	\$ 18.54
General merchandise stores	9	\$ 80,039	\$ 8,893,222	\$ 1,947.42
Food stores	24	\$ 38,564	\$ 1,606,833	\$ 938.30
Eating and drinking places	61	\$ 28,219	\$ 462,607	\$ 686.59
Home furnishings and appliances	30	\$ 13,556	\$ 451,867	\$ 329.83
Bldg. matrl. and farm implements	19	\$ 28,675	\$ 1,509,211	\$ 697.69
Auto dealers and auto supplies	20	\$ 7,972	\$ 398,600	\$ 193.97
Service stations	9	\$ 36,881	\$ 4,097,889	\$ 897.35
Other retail stores	164	\$ 77,462	\$ 472,329	\$ 1,884.72
Retail Stores Totals	342	\$ 312,130	\$ 912,661	\$ 7,594.40
All Other Outlets	558	\$ 95,015	\$ 170,278	\$ 2,311.80
Totals All Outlets	900	\$ 407,145	\$ 452,383	\$ 9,906.20

Source: Real Estate Analytics

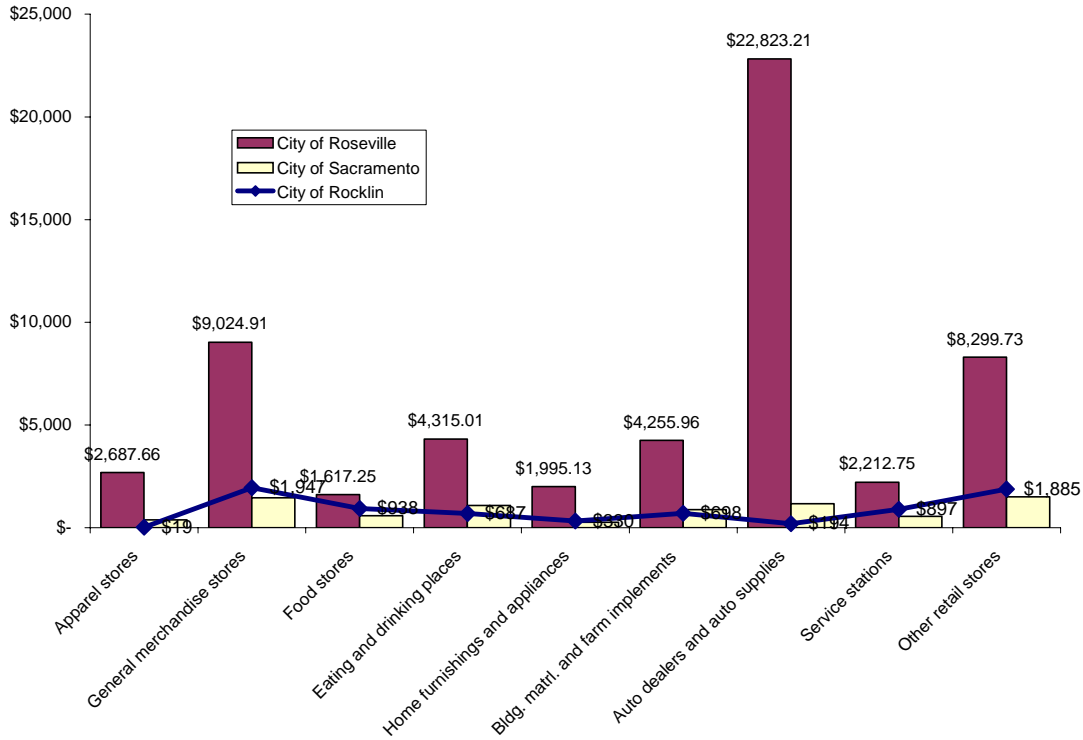
On a per-capita basis Rocklin residents purchased \$9,906 worth of products during year 2001 from Rocklin-based retailers. For particulars, apparel stores captured \$18, food stores captured \$938, service stations captured \$897 per person and general merchandise stores captured \$1,947 per-capita.

Given the reality that shoppers travel distances for certain categories of products, the \$9,906 total does not represent all retail shopping done by Rocklin residents. Economists quantify this cross-shopping as a capture-rate. Rocklin residents

likely patronize shopping opportunities in nearby Roseville and Sacramento. Figure 10 compares retail-shopping patterns among selected municipalities.

Figure 10

Per Capita Taxable Sales Comparisons



Source: Real Estate Analytics

The figure clearly shows that both Roseville and Sacramento capture a greater volume of per-capita retail sales. Note that population levels for both cities were used to create the comparisons.

Using per-capita information developed in Table 4, REA calculated the level of commercial shopping supported by those persons located within the primary trade area for the site, shown in Table 5.

Table 5

SUPPORTABLE RETAIL SALES AND ACREAGE SUNSET & WHITNEY SITE

Persons in Market	15,308		
	Annual Taxable Sales	Supportable Square Footage	Retail Acreage
Retail Stores			
Apparel stores	\$ 283,813	1,926	0.22
General merchandise stores	\$ 29,811,120	202,305	23.22
Food stores	\$ 14,363,448	97,473	11.19
Eating and drinking places	\$ 10,510,376	71,326	8.19
Home furnishings and appliances	\$ 5,049,033	34,264	3.93
Bldg. matrl. and farm implements	\$ 10,680,217	72,478	8.32
Auto dealers and auto supplies	\$ 2,969,231	20,150	2.31
Service stations	\$ 13,736,602	93,220	10.70
Other retail stores	\$ 28,851,297	195,791	22.47
Retail Stores Totals	\$ 116,255,135	788,933	90.56

Notes: Supportable Square Feet Calculated using rate of \$147 per square foot
Conversion to acreage calculated using coverage ratio of 20 percent

Source: Real Estate Analytics

The calculation suggests that 91 acres could be supported by persons in households comprising the primary market area for the site (Table 5). In other words, approximately 91 acres of retail buildings are required to serve the consumption needs of households in the primary market. Importantly, this conclusion speaks to all spatial levels of retail trade i.e. neighborhood, community and regional.

ESTIMATION OF NET COMMERCIAL DEMAND

Acreage supply and demand estimates have been prepared for the site. In summary the analysis showed that over 300 acres are either utilized or zoned for retail usages, including all levels of retail shopping and including the acreage that exists within the regional shopping complex located less than two miles from the site.

By comparison, the demand analysis suggests a demand of less than one hundred acres suggesting oversupply for the primary market and reaffirming the regional nature of the Highway 65 retail complex. The functional reality of the supportable acreage may be smaller given the newer efficiency of retail shopping in today's market. Note that increasing the sales per square foot variable causes

the net acreage demanded to become smaller. By these computations the market can be shown to be oversupplied.

While these conclusions are technical, several observations suggest that the calculated conclusions are reasonable. Many parcels within the trade area remain vacant, despite rapid population growth. The most glaring is the large parcel to the within the Sunset Plaza retail complex. This larger parcel could accommodate a so-called “Big Box” retailer yet is remains vacant. Transportation constraints, infrastructure barriers and the lack of proximate households could explain the lack of development. Further, other parcels along Sunset Avenue remain offered for sale as retail uses. In fact, the parcel directly across the intersection from the subject site remains vacant and offered for sale. Expectations for an additional service station use exist, according to development spokespersons.

HOUSING DEVELOPMENT DEMAND IMPACTS

The proposed rezone of the Sunset and Whitney site will change the balance of commercial land use supply and demand. As proposed, the development will add 170 additional households to the mix. These households will demand goods and services within the trade area, thus changing the mix of land uses toward additional commercial space. Table 6 presents the expected supply and demand condition for the site.

Table 6

NET COMMERCIAL DEMAND INCLUDING PROPOSED HOUSING DEVELOPMENT SUNSET-WHITNEY SITE

SUPPLY CONDITIONS	One Half Mile	One Mile	1.5 Mile	Total
Square Footage	166,215	1,917,516	2,784,134	3,382,192
Retail Acreage	27.3	235.0	319.6	581.8
DEMAND ESTIMATES				
Households	1,795	2,744	1,658	6,196
Infill Households	170			
Personal Income	\$ 102,491,397	\$ 131,849,432	\$ 79,663,563	\$ 297,761,728
Taxable Sales	\$ 45,813,655	\$ 58,936,696	\$ 35,609,613	\$ 133,099,492
Supportable Square Footage	183,255	235,747	142,438	532,398
Supportable Acreage	21.03	27.06	16.35	61.11
Net Square Footage Demanded	17,040	(1,681,770)	(2,641,695)	(2,849,794)
Net Acreage Demanded	1.96	(193.04)	(303.22)	(327.11)

Source: Real Estate Analytics

Within the one-half -mile market or trade area, approximately 2 acres of commercial uses would be demanded. The table clearly shows an apparent oversupply of commercial space within larger trade areas, as indicated by the negative net demand figures in the one-mile and 1.5 mile columns. Note that the

analysis includes the successful development of additional households within the study area.

The net demand estimates prepared above include implicit assumptions about a capture rate. As mentioned consumer behavior follows general parameters that cannot be specifically estimated. Consumers, given many locational choices, will cross-shop by driving further distances to either combine shopping trips or favor certain stores or services. Actual square footage demanded would reflect a capture rate, assumed here to be one hundred percent, which might be less than predicted above.

Practical considerations suggest that the ultimate use of the Sunset-Whitney site will include so-called convenience uses; uses provide immediate goods and services to those living close to the site.

FINDINGS AND CONCLUSIONS

Analysis of the retail potential of the Sunset & Whitney Avenue commercial site reaffirms that the immediate market as narrowly defined is currently oversupplied with commercial land uses. Calculations show an oversupply of over three hundred acres when conservative demand estimates were offered as shown on Table 6 under the 1.5-mile column.

Survey of land uses nearby the site show a fair amount of vacant retail space in the area suggested that market forces have concluded and reaffirmed this oversupply condition. Review of retail land uses within the central core of the City of Rocklin show low intensity land uses and a fair amount of vacancy. All of these market conditions within a county that has grown over 40 percent during the past decade. It appears that the intense commercial development in the Five Star and Stanford Ranch locations have captured much of the retail demand near the central core of the city.

The oversupply condition reported above does not suggest that existing retail development is sub optimal. Retail development located within Rocklin and Eastern Roseville serves a very large trade area including 108,400 persons living in approximately 40,500 households with a five-mile commute pattern. Freeway access to this concentration only enhances the demand position of the agglomeration of retail opportunities as trade areas grow.

In order to enhance demand for convenience or similar neighborhood services, the encouragement of additional housing or residential uses would be necessary. The topography and land uses surrounding the Sunset-Whitney corner create an opportunity for the development of an urban village, admittedly in the suburban community of Rocklin.