



# Appendix L

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## Urban Decay Analysis





700 South Flower Street, Suite 2995, Los Angeles, CA 90017  
T: 310-581-0900 | F: 310-581-0910 | [www.hraadvisors.com](http://www.hraadvisors.com)

# **“URBAN DECAY” ANALYSIS FOR THE PROPOSED COSTCO/VINEYARD II CENTER**

**MURIETTA, CALIFORNIA**

Prepared by: **HR&A Advisors, Inc.**

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## I. EXECUTIVE SUMMARY

### A. BACKGROUND

HR&A Advisors Inc. (“HR&A”) was retained by Dudek to analyze the potential for urban decay resulting from the development of the retail land uses of the Costco/Vineyard II Center project (“Project”). This analysis focuses on the current and projected supply of and demand for community and regional-serving retail and its potential implication on urban decay.

This Report analyzes the market potential for the proposed approximately 225,362 square foot (“SF”) Project in the City of Murrieta, California, to directly or indirectly cause “urban decay,” as that concept has been defined in recent judicial opinions interpreting the California Environmental Quality Act (CEQA). The proposed Project is planned to include a Costco store as an anchor tenant. Other tenants include a health and beauty store, a pet supplies store, a fitness center, two casual dining and fast food restaurants, and miscellaneous small retailers. As of the date of this analysis not all tenants have been identified for the Project. Construction is planned to be completed in one phase by 2021. The Project is anticipated to reach stabilized operations by 2023.

### B. URBAN DECAY CONTEXT

The potential for the Project to cause “urban decay” – which has been described as physical deterioration to properties or structures so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, or the health, safety, and welfare of the surrounding community — involves a two-part analysis. First, it must be determined whether the project will attract retail sales away from existing and/or other planned future retail centers and downtown districts to any significant degree. Second, if it can be reasonably foreseen that sales will be attracted away from other retailers, it must be determined whether the severity of this change will cause economic disinvestment that is significant enough to result in business closures, long-term vacancies, and visible symptoms of physical deterioration that may be considered manifestations of “urban decay.”

### C. ESTIMATED COSTCO/VINEYARD II CENTER SALES

Based upon the analysis below, HR&A estimates that stabilized Project sales will total \$199.0 million in 2023 dollars<sup>1</sup>, comprised of:

- Costco store (including a gas station) - \$183.8 million
- Health and Beauty Supplies - \$6.9 million
- Pet Supplies - \$4.7 million

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<sup>1</sup> Total estimated sales for the Costco/Vineyard II Center as if open today are \$171.7 million. Sales estimates have been inflated at a rate of 3.0 percent annually to the year 2023 when it is assumed that the Center has reached stabilized operations. The rate of 3.0 percent represents the long-term average annual rate of inflation usually adopted for purposes of projecting real estate cash flow.



- Fitness Center<sup>2</sup>
- Restaurants - \$2.6 million
- Miscellaneous Retailers - \$1.0 million

Of the Costco / Vineyard II sales, it is estimated that approximately 90 percent, or \$179.1 million, will be generated by consumers originating from within the Primary and Secondary Market Areas surrounding the project site:

- The Primary Market Area ("PMA") is an area defined as approximately a 15-minute or less drive time from the project site. It is composed of the communities of Murrieta, Wildomar, Menifee, Romoland, Sun City, Homeland, Winchester, Green Acres, French Valley, and small portions of Canyon Lake, Temecula, Perris, and Lake Elsinore.
- The Secondary Market Area ("SMA") is an area defined as approximately a 20-minute or less drive time from the north and south of the project site, and 30-minute or less from the east and west of the project site. It is composed of those communities that are NOT already included in the PMA as well as travelers along the 215 corridor. Communities included in the SMA (either in their entirety or a small portion of) are Hemet, Nuevo, Lakeview, Mead Valley, Good Hope, Meadowbrook, Warm Springs, Lakeland Village, East Hemet, Valle Vista, Temescal Valley, and San Jacinto.

The remaining 10 percent of sales generated at the Project are expected to comprise tertiary demand, originating from locations outside the primary and secondary market area, including travelers along Interstate 215.

## D. SUMMARY OF FINDINGS

### Retail Sales Base in 2018

The combined Primary and Secondary Market Area retail sales base (i.e. sales occurring in retail stores within these areas) is estimated to be approximately \$8.9 billion dollars in 2018, growing to \$10.3 billion in 2023. The PMA comprises 28 percent of these sales while the remaining SMA consists of 72 percent of overall store sales.<sup>3</sup> Residents living in the combined area (PMA and SMA) were estimated to spend \$9.7 billion on retail purchases in 2018 implying a modest amount of sales leakage outside the area of \$824.8 million or about 8.5 percent of all resident purchases.

The PMA has a greater share of sales leakage than the combined market areas. It is estimated that as of 2018, \$1.9 billion in consumer purchases were made outside the boundaries of the PMA representing approximately 43 percent of PMA resident purchases (Appendix Exhibit A10). Leakage is seen in all retail categories including restaurants.

Within the SMA area only (meaning primarily the communities of Temecula, Lake Elsinore, Perris, Hemet, and San Jacinto), more sales are captured by area retailers than would be expected from resident spending alone. The SMA "imports" \$1.1 billion in sales from consumers who live outside its borders. Much of the \$1.9

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<sup>2</sup> Sales generated by non-retail services such as fitness centers are not reported by the State of California Board of Equalization or Esri in a manner that is conducive to comparative analysis. Given the limited retail area devoted to these uses the sales are anticipated to be relatively low and not highly competitive with other service providers.

<sup>3</sup> See Appendix Exhibits A10, A12 and A14 for details.

billion in retail sales leaking out of the PMA is believed to be captured by retailers located within the surrounding SMA.

### **Changes to Retail Sales Base by 2023**

Projected population growth within the combined PMA/SMA is expected to add approximately 63,400 net new residents within the coming five years.<sup>4</sup> These new households are projected to add \$895.9 million in new retail spending power to the combined PMA/SMA market area.<sup>5</sup> Based on current supply and leakage, PMA and SMA stores have capacity to capture 73 percent of this new spending or \$651.3 million.

### **Projected Sales and Store Impacts**

Based on the existing retail store base in the Primary and Secondary Market Areas, HR&A has projected that there will be no diminution of sales at existing retailers caused by the introduction of the Costco/Vineyard II Center project. Table 1 below summarizes these conclusions:

- By 2023, market area sales required to support the Costco/Vineyard II Center are projected to be \$179.1 million. Total sales for the Project are anticipated to be \$199.0 million, however, HR&A estimates that 10 percent of the total project sales (\$19.9 million) will be to customers that reside outside of the Primary and Secondary Market areas (e.g. the tertiary market area).
- The PMA and SMA already capture a certain amount of sales from within the area. In 2023, the PMA is estimated to capture about 56 percent of residential spending, while the SMA will capture about 91 percent of SMA resident spending. In other words, 56 and 91 percent of PMA and SMA resident spending, respectively, is satisfied by stores within the market areas and is not leaking to other markets.
- Given the existing retail store base, and using projected market area and Costco/Vineyard II sales in 2023, it is estimated that the Project can easily capture about 1.5 percent of the pool of future PMA and SMA resident spending, or \$13.7 million. This represents only 2.1 percent of new residential retail spending power expected to be added to the market area over the next five years.
- The PMA and SMA are able to capture 56 and 91 percent of PMA and SMA resident spending within the market areas, but some spending is still leaking to outside markets. The Costco/Vineyard II Project can capture some of this leakage by providing an additional retail option for market area residents. In 2023, it is estimated an additional \$65.2 million in sales for the proposed Project will come from a recapture of sales currently leaking outside the market areas (primarily leaving the PMA and going to stores in the SMA).
- New growth capture and recapture of leakage totals to \$78.9 million, leaving \$100.2 million in sales at the Project to be accounted for. The remaining \$100.2 million in Costco/Vineyard II Center sales will be absorbed by current and new resident spending in the PMA and SMA beyond what the Project is already assumed to capture (\$13.7 million). In other words, current and new resident demand is so substantial in 2023, and the existing retail store base unable to meet that demand, that resident spending power can easily absorb the \$100.2 million in Costco/Vineyard II Center

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<sup>4</sup> Based on Esri forecasts for 2023.

<sup>5</sup> See Appendix Exhibit A24.

sales. There is sufficient excess demand in the PMA and SMA to absorb the \$100.2 million in sales from Costco/Vineyard II, and still leave \$338 million in sales to be absorbed by other new stores. This will not pull sales from other stores because Costco/Vineyard II is meeting unmet future demand.

**Table 1: Potential Costco / Vineyard II Impacts Based on Existing Retail for Combined Primary and Secondary Market Areas**  
(2023 Dollars)

	Row ID	Total Impact	Intermediate Calculation	Notes
<b>Market Area Sales in 2023 Required to Support the Center</b>	A	\$ 179,135,955		
<b>Sales Supported by New Growth in the Market Area</b>				
Market Area Spending Capacity Attributed to New Growth	B	\$ 651,347,849		
Costco / Vineyard II Fair-Share Capture of New Demand	C	\$ 13,745,546		2.1% of B
<b>Sales Supported by Re-Capture of Current Leakage</b>				
Sales Leakage for Retail Categories Relevant to the Center	D	\$ (1,114,433,957)		
Leakage Captured by the Costco / Vineyard II Center	E	\$ 65,228,766		5.9% of D
<b>Total Sales Supported by New Growth and Recapture of Leakage</b>	F	\$ 78,974,312	C + E	
<b>Intermediary Potential Sales Impacts on Existing Retailers</b>	G	\$ 100,161,643	A - F	
<b>Remaining Potential Demand from Population Growth to Offset Intermediary Impacts</b>	H	\$ 437,664,717		
<b>Sales Diverted from Existing Retailers</b>	L	\$ -		\$0 diverted

**Notes:**

Source: Total in Row B is from Appendix Exhibit A24. All other information is from Appendix Exhibit A25

## E. CUMULATIVE IMPACTS

Based on sales projections for planned and proposed retail projects (see Exhibits A26 and A27 for a list of pipeline retail projects) in the Primary and Secondary Market Areas, HR&A has projected that once the Costco/Vineyard II Center reaches stabilized operations (2023), there could be diversion of some sales dollars away from one or more existing retailers in the combined market area. Table 2 below summarizes these conclusions:

- Projected sales required to support the planned and proposed projects in the market area (cumulative projects) along with projected sales required to support the Costco/Vineyard II Center are estimated to total \$700.4 million by 2023.
- Based on a fair-share market capture assessment of the Project, HR&A estimates that the Costco/Vineyard II Center would initially be able to capture \$13.7 million of consumer spending from new residential growth in the PMA and SMA areas.
- This leaves \$686.7 million in retail sales from the cumulative projects that must be matched to demand or diminution of sales at existing retailers.
- Sales leakage across retail categories relevant to the Project within the combined market area is \$1.1 billion; however, leakage amounts vary by retail category. For the following categories, recapture of market area sales leakage will satisfy the introduction of new retail space:
  - Electronics & Appliance Stores
  - Beer, Wine & Liquor Stores
  - Health & Personal Care Stores

- Gasoline Stations / Auto Supplies
- Clothing & Clothing Accessories Stores
- Sales in Restaurants and Other Eating Places added to the market area as a result of all planned and proposed projects are projected to total to \$115.8 million by 2023. Less than 1 percent of these sales will be attributed to the Costco/Vineyard II Center. The remaining amount of new sales projected in this category can be satisfied by reabsorption of market area leakage as well as demand generated by residential growth.
- When considering all of the cumulative development identified, and assuming all cumulative projects are built and operational by 2023, a total of \$171.9 million in sales is at risk of diversion from existing retailers due to an overabundance of planned and proposed projects as well as existing stores within these categories.

**Table 2: Potential Impacts Based on Cumulative Retail for Combined Primary and Secondary Market Areas**

	Row ID	Total Impact	Intermediate Calculation	Notes
<b>Retail Sales Required to Support Planned + Proposed Retail Centers</b>	A	\$ 700,416,451		
<b>Costco / Vineyard II Center Sales Supported by New Growth</b>	B	\$ 13,745,546		2.0% of A
<b>Potential Sales Impacts on Other Retailers</b>	C	\$ 686,670,906	A - B	
<b>Sales Supported by Re-Capture of Current Leakage</b>				
Sales Leakage for Retail Categories Relevant to the Center	D	\$ (1,114,433,957)		
Leakage Captured by Planned and Proposed Centers	E	\$ 271,054,667		24.3% of D
<b>Intermediary Potential Sales Impacts</b>	F	\$ 415,616,239	C - E	
<b>Retail Categories Where Recapture of Market Area Sales Leakage Will Satisfy the Introduction of New Retail Space</b>				
- Electronics & Appliance Stores		100%		
- Beer, Wine & Liquor Stores		100%		
- Health & Personal Care Stores		100%		
- Gasoline Stations / Auto Supplies		100%		
- Clothing & Clothing Accessories Stores		100%		
<b>Retail Categories Where Recapture of Market Area Sales Leakage and Demand from Population Growth Will Satisfy the Introduction of New Retail Space</b>				
-Restaurants/Other Eating Places		100%		
<b>Retail Categories Where There is a Risk of Diverted Sales</b>		<u>\$ of Diverted Sales</u>		<u>SF at Risk</u>
Lawn & Garden Equip & Supply Stores		\$ 16,120,275		37,900 sf
Grocery Stores		\$ 101,778,991		113,100 sf
General Merchandise Stores		\$ 54,017,909		120,000 sf
Potential Sales Diverted from Existing Retailers		\$ 171,917,175		271,000 sf

**Notes:**

Source: Appendix Exhibit A32 and Appendix Exhibit A35

After the Costco/Vineyard II Center reaches stabilized operations by 2023 and if all other proposed projects come online during the same period, an oversupply of retail in lawn and garden equipment stores,

grocery stores and general merchandise stores is projected. Of these, the lawn and garden equipment category is expected to be the most impacted. If all cumulative projects are built and operational by 2023, the lawn and garden category would experience about \$16 million in surplus sales, which represents 47.6 percent of projected 2023 sales in that category in the PMA and SMA. The grocery store goods category would have a projected surplus equal to 5.8 percent of 2023 sales in the PMA and SMA, and general merchandise would have a projected surplus equal to 2.7 percent of 2023 sales in the PMA and SMA (see Table 3).

The Costco/Vineyard II Center alone would not cause the surplus sales in the lawn and garden category, as lawn and garden equipment and supplies only make up about 1 percent of the proposed Project's sales. However, there are two new Home Depot stores planned in the PMA (which are included in the related project list), along with other stores with lawn and garden sections, which will have a big impact on the lawn and garden retail category (see Exhibit A30 for a complete list of the PMA pipeline projects).

**Table 3: Cumulative Project Impacts Compared to Market Area and Pipeline Sales**  
(2023 Dollars)

	Sales Diverted From Existing Retailers (1)	Total Supply in the Market Area (PMA + SMA) (2)	Diverted Sales as a Percentage of Total Market Area Supply
<b>Electronics &amp; Appliance Stores</b>	\$ -	\$ 202,066,222	
<b>Bldg Materials, Garden Equip. &amp; Supply</b>			
Lawn & Garden Equip & Supply Stores	\$ 16,120,275	\$ 33,848,675	47.6%
<b>Food &amp; Beverage Stores</b>			
Grocery Stores + Liquor Stores	\$ 101,778,991	\$ 1,744,649,731	5.8%
<b>Health &amp; Personal Care Stores</b>	\$ -	\$ 489,763,832	
<b>Gasoline Stations / Auto Supplies</b>	\$ -	\$ 935,471,210	
<b>Clothing &amp; Clothing Accessories Stores</b>			
Clothing Stores + Shoe Stores	\$ -	\$ 394,791,541	
<b>General Merchandise Stores</b>	\$ 54,017,909	\$ 2,017,822,248	2.7%
<b>Food Services &amp; Drinking Places</b>			
Restaurants/Other Eating Places	\$ -	\$ 969,016,962	
<b>TOTAL</b>	<b>\$ 171,917,175</b>	<b>\$ 6,787,430,422</b>	<b>2.5%</b>

**Notes**

- (1) See Exhibit A32  
(2) See Exhibits A20 and A21  
(3) See Exhibits A30 and A31

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 or population growth beyond the bounds of this analysis.

Nevertheless, a sales impact of 5.8 percent and 2.7 percent for the grocery store goods and general merchandise categories, respectively, is highly unlikely to lead to store closures, especially if the impact is spread across more than one store. The lawn and garden market in the PMA and SMA is currently comprised primarily of lawn and garden sections within larger big box stores. Even if the lawn and garden equipment and supply sections of these larger stores are impacted by the cumulative pipeline projects, it is unlikely this impact will lead to store closures because the lawn and garden sections only represent a portion of store sales, usually less than 10 percent.

## F. URBAN DECAY DETERMINATION

In recent years, the California Courts of Appeal addressed the need to consider the potential for "urban decay" in environmental documents for large retail projects. In *Joshua Tree Downtown Business Alliance v. County of San Bernardino* (2016) 1 Cal.App.5th 677, urban decay is defined as, "among other characteristics, visible symptoms of physical deterioration that invite vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and multiple long term vacancies. This physical deterioration to properties or structures is so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, or the health, safety, and welfare of the surrounding community." Ultimately, the Court of Appeal reversed the trial court decision and found that the Downtown Alliance had failed to carry its legal burden to identify any substantial evidence that a proposed Dollar General store would result in urban decay. The Court of Appeal determined that economic impacts alone are not subject to CEQA analysis. Economic impacts only become CEQA concerns when they are linked to physical changes in the environment.

Per case law described above, the manifestations of urban decay include such visible conditions as plywood-boarded doors and windows, parked trucks and long term unauthorized use of the properties and parking lots, extensive gang and other graffiti and offensive words painted on buildings, dumping of refuse on site, overturned dumpsters, broken parking barriers, broken glass littering the site, dead trees and shrubbery together with weeds, lack of building maintenance, abandonment of multiple buildings, homeless encampments, and unsightly and dilapidated fencing. The primary impetus of urban decay often stems from financial conditions faced by the individual property owners, however, as described in the case law above, economic impacts alone do not result in urban decay.

The urban decay process generally takes a number of years to fully materialize and is reinforced by declining economic conditions in a broader market area. It is generally not the result of a single property standing vacant for one or two years in an otherwise vibrant market. It is worth noting that an abandoned freestanding big box retail/power-center development, also known as a "ghost box," or declining regional mall known as a "gray field," can pose a particularly high risk for urban decay if not promptly re-leased. Not only are these facilities bigger and thus generally more difficult to quickly re-lease or reuse compared to small "infill" sites, they are also more visually significant and thus provide a more widespread signal of decay and negative business climate. In contrast, several smaller parcels with varied building types often have a better chance of being adapted and released.

### **Project Specific Impacts**

Based on this analysis, the Costco/Vineyard II Center, when analyzed exclusively from other proposed retail development, is not anticipated to create conditions conducive to urban decay. The Project is estimated to contribute nearly 225,000 square feet of retail space and approximately \$199.0 million in sales to the

Murrieta community<sup>6</sup>. As shown in Chapter V, by the time the Costco/Vineyard II Center is at stabilized operations in 2023, there is no projected oversupply of retail within the larger market area attributable exclusively to the Project. These findings infer that the Project would not be likely to create conditions that would lead to urban decay.

### Cumulative Impacts

The Inland Empire and Riverside - San Bernardino metro area represents California's fastest growing economy, having added 260,000 jobs over the past five years. As new residents have located in the area, so too have new jobs and associated retail to support the growing residential base. Overall, at least 70 percent of current new retail supply is pre-leased, heightening retailer demand for existing space. These favorable market conditions have resulted in a significant pipeline of proposed development within the Primary and Secondary Market areas<sup>7</sup>, of which the Costco/Vineyard II Center is only one development. If all proposed projects come online as planned within the proposed timeframe (an unlikely scenario), an increase in oversupplied space in the market areas in the lawn and garden equipment and supply, grocery store goods and general merchandise goods is anticipated to occur by the year 2023. The findings indicate that cumulative development of anticipated retail could lead to the following impacts:

- 1) Vulnerability in the Lawn and Garden Sector: The effect of this potential oversupply is projected to be most significant in the lawn and garden sector. Larger retailers with lawn and garden sections are not particularly vulnerable because the lawn and garden section only makes up a portion of store sales. For example, the lawn and garden section would only comprise 1 percent of the proposed Project's sales in 2023, and a lawn and garden section in a standard Home Depot is assumed to only comprise about 10 percent of the store's sales. Independent lawn and garden equipment and supply retailers would be more at risk for closure due to an oversupply in the marketplace. However, as described earlier, a single property becoming vacant generally does not lead to conditions of urban decay.
- 2) Minor Shifting of Sales from Existing Costco Stores in the SMA: The two existing Costco stores located in Temecula and Lake Elsinore will likely see some of their current sales redistributed to the Murrieta Costco location as residents from Murrieta, Wildomar and Menifee that currently patronize these stores change their preferred shopping destination to the new store. Anecdotal information from local news sources indicate that the Temecula Costco store is highly successful and may be experiencing crowding issues. Once a new Costco store is opened in Murrieta, customers that reside closer to the new store are, in part, expected to redirect that store visits to the closer store. In any case, the amount of redirected sales is unlikely to negatively impact the two existing Costco stores in the area.
- 3) Potential for Loss of Sales at General Merchandise Stores: There are two Walmart Supercenters in Hemet and one in Perris, both located in the Secondary Market Area in the northern most section of the market area. There is also an existing Sam's Club store in Murrieta. These stores may see some of their current sales redistributed to the Murrieta Costco location as well as other new general merchandise stores in the pipeline.

To conclude, due to the speculative nature of the inventory of cumulative and competitive projects identified for the PMA and SMA, the cumulative impact on market area sales are likely to be even lower in 2023 than

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<sup>6</sup> Of the \$199 million in projected sales, 90 percent, or \$179.1 million is expected to come from customers residing in either the PMA or the SMA. The remaining 10 percent of sales (\$19.9 million) is expected to come from customers located outside either of the two market areas.

<sup>7</sup> HR&A identified 19 planned and proposed projects totaling slightly more than 1.5 million square feet planned for the PMA and SMA areas.

is estimated in this report. If the estimated impacts are fully realized by 2023, the prospective sales diversions of grocery store goods and general merchandise store goods is expected to be minimal and spread among a number of existing stores in the market areas without individual stores going out of business and causing the physical impacts of urban decay. The prospective sales diversions of lawn and garden equipment and supply stores is more significant than the other categories, but given the current nature of the lawn and garden market in the PMA and SMA, the impacts are likely to be widespread and affect larger stores with lawn and garden sections representing only a portion of the store's sales, an impact that is unlikely to lead to a store closure. If the impact on independent lawn and garden stores is significant enough to result in store closures, visible symptoms of physical deterioration are unlikely to occur as a result of small and isolated store closures. As such, if all cumulative projects are built as planned and operational by 2023, conditions conducive to urban decay are highly unlikely to manifest.



## II. INTRODUCTION

HR&A was retained by Dudek to analyze the potential for urban decay resulting from the development of the retail land uses of the Costco/Vineyard II Center project ("Project"). This analysis focuses on the current and projected supply of and demand for community and regional-serving retail.

This report evaluates the potential economic impacts of the proposed Costco and Vineyard II Center project, planned for construction in the City of Murrieta. In particular, the study evaluates the extent to which the proposed retail development has the potential to trigger the necessary chain of events that can lead to urban decay. In addition to addressing the potential impacts of the proposed project itself, the study also considers cumulative impacts from other planned and proposed retail projects in the trade area.

### A. OVERVIEW ON URBAN DECAY

Urban decay is a physical effect that can result from extended vacancy, deferred maintenance, and abandonment. CEQA requires that economic impacts that may cause a physical change in the environment, such as urban decay, be fully analyzed as part of the development review process. CEQA describes the role of urban decay in determining the significance of environmental effects caused by a project in Article 5, Section 15064(e):

*Where a physical change is caused by economic or social effects of a project, the physical change may be regarded as a significant effect in the same manner as any other physical change resulting from the project. Alternatively, economic and social effects of a physical change may be used to determine that the physical change is a significant effect on the environment. If the physical change causes adverse economic or social effects on people, those adverse effects may be used as a factor in determining whether the physical change is significant. For example, if a project would cause overcrowding of a public facility and the overcrowding causes an adverse effect on people, the overcrowding would be regarded as a significant effect.*

Chapter 7 describes urban decay concepts and analytical assumptions in greater detail.

### B. PROJECT DESCRIPTION

The proposed project is located on Clinton Keith Road, east of the 215 Freeway in the City of Murrieta. It consists of an approximately 153,362 square foot Costco warehouse, Costco car wash, and a Costco Gasoline fuel facility with 32 fueling positions<sup>8</sup> (referred to in this report as Costco).

Additionally, a 72,000 square foot shopping center (referred to in this report as Vineyard II) will be located along the north side of Clinton Keith Road. Specifically, this center would likely consist of a health and beauty retailer, a pet supply store, a 37,000 square foot fitness center, two restaurants and miscellaneous small retailers. See Table 4 for a summary of the anticipated Project elements.

Both the Costco as well as the Vineyard II Center are anticipated to be completed by 2021 and are anticipated to be completed in one phase.

The property is designated as commercial land use according to the City's 2035 General Plan and is zoned for regional commercial. It is currently a vacant lot. The proposed site is bordered by Antelope Road to the west and existing residential development to the east. Vista Murrieta High School and an apartment

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<sup>8</sup> As many as 40 fueling positions could be available with a potential expansion.

development are located to the south of the project site. See Figure 1 which identifies the project's location within a regional context.

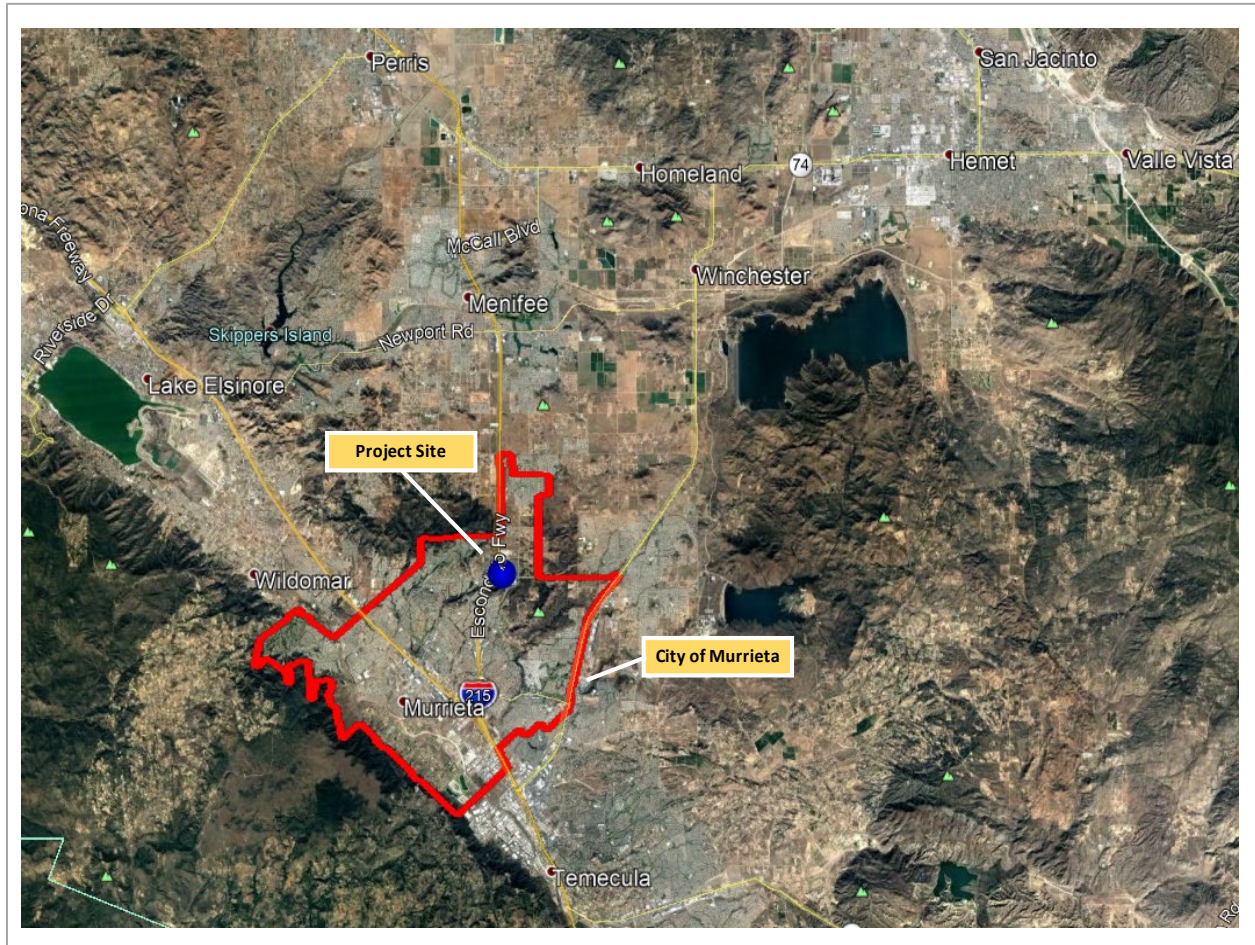
Table 4: Estimated Land Use Plan for Project

<b>Land Use</b>	<b>Sq. Ft.</b>
<b>Regional Retail</b>	
Costco Center	153,362 sf
<b>Community Retail</b>	
<i>Vineyard II</i>	
Health and Beauty Retail	11,900 sf
Pet Supplies	16,000 sf
Fitness Center	37,000 sf
Misc Small Retail	3,500 sf
Casual Dining	1,200 sf
Fast Food	2,400 sf
Total Community Retail	72,000 sf
<b>TOTAL DEVELOPMENT</b>	<b>225,362 sf</b>

**Notes:**

Source: Appendix Exhibit A1

Figure 1: Project Location in the Eastern Riverside County Area



### C. TIMELINE OF THE ANALYSIS

The analysis examines retail supply and demand during three years: 2018, 2020 and 2023. The 2018 estimates characterize the existing retail market. Projections were developed for the year 2023 to estimate market impacts at the point of stabilized occupancy and sales for the Project. Projections for 2023 account for projected population growth and changes in retail supply resulting from the construction of currently proposed commercial development besides the Project. Chapter IV details the population growth and development absorption assumptions used to estimate future retail demand and supply.

### D. PRIMARY DATA SOURCES

This report relies on a variety of data sources, which are cited throughout the document. Primary data sources include:

- Demographic and economic data from Esri<sup>9</sup>, the U.S. Census Bureau, the U.S. Bureau of Labor Statistics, California Department of Finance – Demographic Research Unit and other publicly available sources.
- Interviews with local planning department staff
- Project description information for the Project proponent
- Business-specific data identifying retailers in the market area and beyond were obtained from CoStar, a database of market metrics for commercial properties.
- Online, internet-based information from newspaper articles and posted planning department documents.

## E. REPORT ORGANIZATION

This report contains seven chapters. Following this chapter, Chapter III provides supplementary background information on retail market analysis and trade area delineation<sup>10</sup>. Chapter IV characterizes and compares the current and projected supply and demand for community-and region-serving retail in the Project's trade area. Chapter V examines whether the Costco/Vineyard II Center would attract new sales to the Primary Market Area or divert sales from existing retailers. Chapter VI analyzes the Costco/Vineyard II Center in the context of other currently planned competitive retail projects, or “cumulative projects.” And Chapter VII evaluates the prospects for urban decay and the overall impact of the Project. In addition, backup calculations and assumptions are provided at the end of this report in Appendix A. Appendix B provides general and limiting conditions for this report.

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<sup>9</sup> Esri is a mapping and market research firm which incorporates US Census data to generate a wide range of market and demographic reports.

<sup>10</sup> The market area or the trade area consists of the Primary Market Area (PMA) and the Secondary Market Area (SMA) as discussed and defined in Chapter III.

### III. Projected Sales and Market Area Definition

HR&A's findings relative to the anticipated retail sales for the proposed Costco/Vineyard II Center are presented below. These include estimates of the total sales generated by the Project by type of retail category. In addition, this chapter identifies the anticipated Primary and Secondary Market Areas for the Costco/Vineyard II Center, i.e., the areas from which the majority of retail demand is likely to originate.

#### A. COSTCO/VINEYARD II CENTER DESCRIPTION

The combined Costco/Vineyard II Center comprises approximately 225,362 square feet of retail space. While the project developer has not identified all of the specific retail tenants, it has identified a Costco Warehouse store as the proposed anchor tenant.

Targeted retail sales categories have been identified for much of the remaining shopping center space. The prospective tenants or tenant types are identified in Appendix Exhibit A1 in the report text.

The majority of space will be devoted to the Costco Wholesale store. Mini-anchors at the Vineyard II Center will include a health and beauty type retailer such as Bath and Body Works or ULTA, a Pet Co or PetSmart store, a fitness center, casual dining and fast food restaurants and 3,500 square feet of small locally-based retailers.

#### B. APPROACH TO PROJECTING COSTCO/VINEYARD II CENTER SALES

In order to determine the annual sales performance of the proposed Costco/Vineyard II Center, HR&A developed assumptions based on information available in either individual store 10-K reports filed with the Securities and Exchange Commission or the e-Marketer Retail database dated January 2018. 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 e-Marketer Retail 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 Costco/Vineyard II Center have been identified, targeted retail categories for most of the spaces are proposed. For the unknown retail space, a generally accepted industry standard average sales per square foot was assumed.

The developer anticipates that the Costco as well as the Vineyard II Center will be built in one phase with completion estimated for 2021. Stabilized operations typically take two to three years to reach, so HR&A has picked the year 2023 to represent project stabilization.

#### C. PROJECTED SALES FOR PROJECT

HR&A's estimate of the Project's store sales are documented in Appendix Exhibit A2. Since Costco is under consideration for the anchor space, a sales per square foot estimate was derived from e-Marketer Retail information for 2018. The results presented indicate a Costco sales estimate in 2018 of \$1,121 per square foot<sup>11</sup>. As presented in Appendix Exhibit A2, this results in a Costco sales estimate of \$183.8 million in 2023 at project stabilization. The sales for the balance of the Costco/Vineyard II Center are anticipated to bring total Project sales to \$199.0.

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<sup>11</sup> According to MG2 Architects, the consolidated sales area of the store (including the service station) is 141,484 square feet. This gross building area is 153,362 square feet. A detailed summary of square feet by Costco retail category is illustrated in Appendix Exhibit A3.



## D. PROJECTED SALES BY CATEGORY

Costco, in conjunction with its subsidiaries, operates membership warehouses where a wide variety of consumer goods are sold at wholesale prices. Both brand name and private-label products are sold across a vast array of merchandise categories, such as snack foods; dry/prepackaged foods; tobacco; alcoholic and nonalcoholic beverages; cleaning supplies; electronics; health and beauty aids; office supplies; deli and produce; and apparel. Costco also operates pharmacies, photo centers, food courts, gas stations and several additional services.

The new sales generated by the Project will be spread across many store merchandising categories due to the range of retailers anticipated. It is necessary to allocate the Costco/Vineyard II Center's sales into appropriate retail categories to determine the potential impact on those specific categories. The sales data source for this study is based on retail categories corresponding to the NAICS<sup>12</sup> designation as reported by the publication Esri MarketPlace Retail Profile.

HR&A allocated the Costco sales categories across the NAICS retail categories based in part on descriptions by Costco of what is included in their various service lines. If the type of good was believed to span more than one NAICS category, HR&A apportioned the percentage of sales based upon examination of merchandising at representative Costco stores and professional judgment.

Appendix Exhibit A4 attributes sales to the appropriate categories and sums the total sales of the Costco/Vineyard II Center by NAICS retail category. Appendix Exhibit A5 provides the same sales category breakdown for the retailers and restaurants anticipated for the Vineyard II portion of the project. The results are shown in detail in Appendix Exhibit A6 and summarized below in Table 5.

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

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<sup>12</sup> North American Industry Classification System or NAICS is used by business and government to classify business establishments according to type of economic activity (process of production) in Canada, Mexico, and the United States of America. It has largely replaced the older Standard Industrial Classification (SIC) system.

**Table 5: Estimated Distribution of All Costco/Vineyard II Center Store Sales by NAICS Categories by Year 2023**

(Totals in \$ Millions)

<b>Retail Categories</b>	<b>TOTAL</b>
Electronics & Appliance Stores	\$ 14.7
Lawn & Garden Equip & Supply Stores	\$ 1.8
Grocery Stores	\$ 73.5
Beer, Wine & Liquor Stores	\$ 7.4
Health & Personal Care Stores	\$ 9.7
Gasoline Stations	\$ 29.2
Clothing Stores	\$ 11.5
Shoe Stores	\$ 1.8
General Merchandise Stores	\$ 46.8
Restaurants and Other Eating Places	\$ 2.6
<b>Total</b>	<b>\$ 199.0</b>

**Notes:**

Source: Appendix Exhibit A6

## F. MARKET AREA DEFINITIONS

This section discusses the market area for the proposed Costco/Vineyard II Center. For the purpose of analyzing the prospective economic impacts of Costco/Vineyard II, HR&A defined market areas for the Project. This includes a Primary and Secondary Market Area. Shopping center trade area definition draws on a range of factors including but not limited to the location of competitive supply, prevailing commute patterns in the region, and physical barriers (both topographical and psychological). The International Council of Shopping Centers (ICSC), widely considered the retail real estate industry's pre-eminent research organization, states:

*"A trade area is the geographic market that you will be offering to potential retailers as a consumer market... Defining a retail trade area is an art and a science. In general, a trade area should reflect the geography from which 75-90 percent of retail sales are generated. Different stores can have different trade areas based on their individual drawing power and the competitive market context."*<sup>13</sup>

While geographic considerations and the location of competitive retail centers are a major determinant of a planned center's market area, each shopping center has a unique market draw based on its format and mix of tenants. Literature published by the Urban Land Institute (ULI), a non-profit research and educational organization with the mission of providing leadership in the responsible use of land and in creating and sustaining thriving communities worldwide, supports the idea that a shopping center's format is another major determinant of its market area:

<sup>13</sup> International Council of Shopping Centers (ICSC), *Developing Successful Retail in Secondary & Rural Markets*, 2007, p. 7.

*“The trade area traditionally is the geographic area that provides the majority of the steady customers necessary to support a shopping center. The delineation of trade areas is more complex than in the past as a result of the proliferation in the variety and volume of shopping centers already present in most trade areas. It is further complicated by the existence of multiple consumer markets attracted to a center by their affinity for the type of goods sold and the environment in which they are sold rather than because the center is located within a prescribed distance of home or office.”*<sup>14</sup>

Consistent with industry definitions of shopping center market areas, HR&A defines the combined PMA/SMA area for the Costco/Vineyard II Center as the geographic area in which 90 percent of the shopping center’s repeat customers reside.

## G. PRIMARY AND SECONDARY MARKET AREAS

The 215 freeway serves as a “feeder” for prospective customers travelling south toward the City of Murrieta. To assess the prospective minimum share of the Costco/Vineyard II Center’s sales that would be new to the market area and the potential impacts on existing retailers, HR&A defined an estimated Primary Market Area (PMA) and a Secondary Market Area (SMA) for the new Project. See Figure 2 below for illustrations of the two market areas.

This map highlights the locations of the area’s other membership discount retail warehouse stores located in Temecula, Murrieta, and Lake Elsinore. These existing Costco and Sam’s Club location are instrumental in defining the market area for the new project. It is assumed that the Costco anchor in the Murrieta project will be the primary draw for customers located outside the city of Murrieta. The retail stores that will be located in the Vineyard II Center are more local-serving in nature. Shoppers contemplating single-purpose shopping trips (as opposed to shopping excursions made as “pass-by trips” en route to other destinations) will choose to do business with the most conveniently located stores of those kinds.

Most of the PMA includes areas within an approximately 15-minute or less drive time, with some exceptions based on topographical and physical barriers. The PMA has a current population of approximately 318,260 residents.

Because there are existing Costco stores located to the south and north of the Murrieta project location, the proposed project is not expected to generate significant sales from residents of Lake Elsinore or Temecula. For this reason, these cities are mostly excluded from the Costco/Vineyard II Center’s Primary Market Area. This is not to say that no residents of Temecula or Lake Elsinore will patronize the Murrieta project. Some residents will still shop at the Costco/Vineyard II Center for various reasons including: (a) they want to visit a new center to find out what it looks like and what it has to offer; (b) they are attracted to its non-anchor tenants such as restaurants or specialty shops not found closer to home; or (c) they are already traveling to a destination that takes them close enough to Costco/Vineyard II Center to make it convenient to stop at the Costco/Vineyard II Center.

Costco stores draw from a regional trade area and will likely realize some cross shopping from those members presently frequenting the Temecula, Lake Elsinore, and Moreno Valley warehouses. The current population of the SMA (exclusive of the PMA) is approximately 488,600 residents and includes communities outside the bounds of the PMA stretching as far as Hemet, East Hemet and Valle Vista. Communities outside the 20-minute drive time, such as Hemet and its neighbors, were included in the SMA because these communities are somewhat isolated and have limited access to retail destinations.

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<sup>14</sup> Urban Land Institute, Shopping Center Development Handbook, Third Edition, 1999, p. 46.



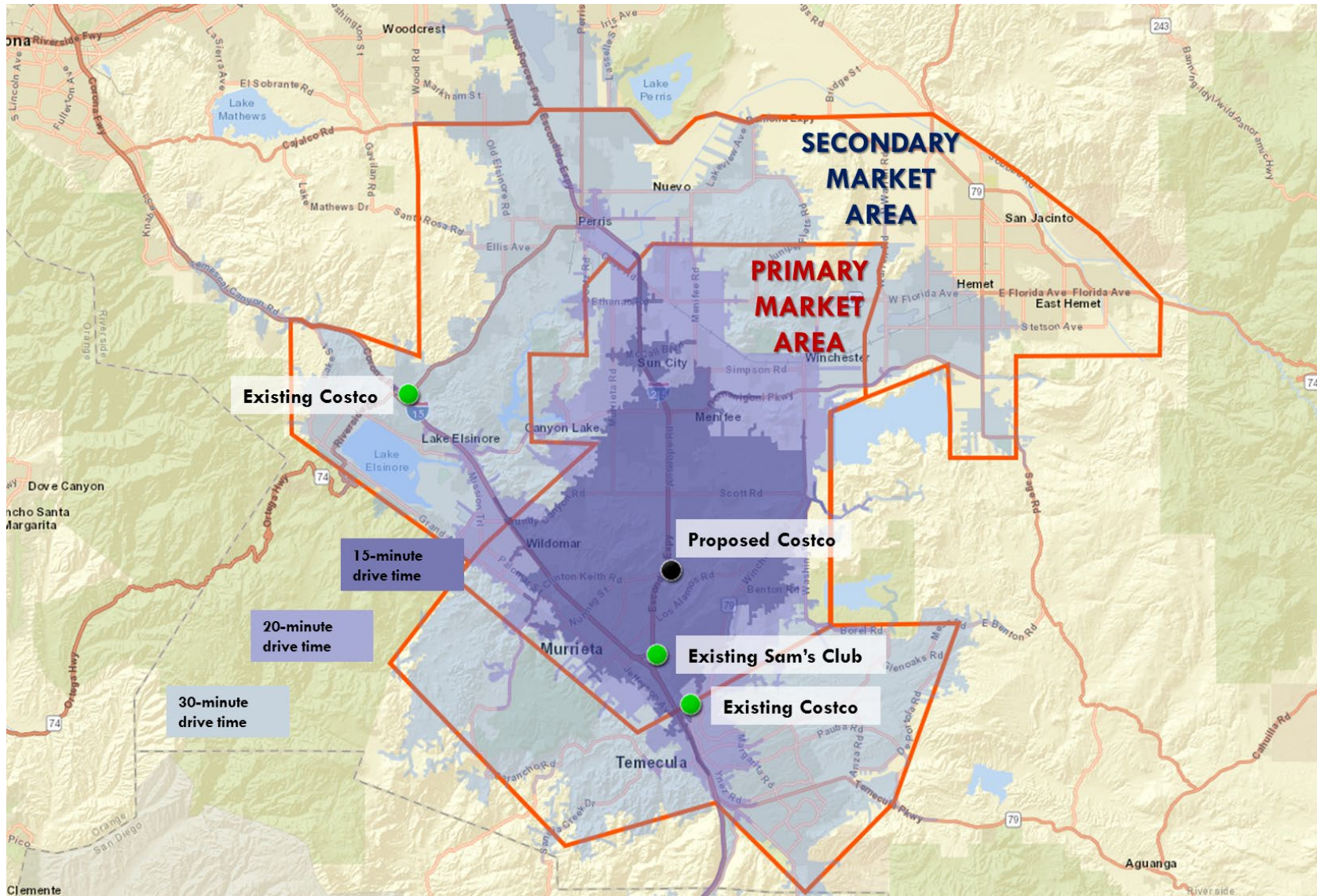
## H. ESTIMATE OF SHOPPING COSTCO/VINEYARD II CENTER PERFORMANCE IN THE OVERALL MARKET AREA

Due to the large amount of area covered, HR&A estimates that Primary and Secondary Market Area residents will generate 90 percent of the Costco/Vineyard II Center's sales. This finding is consistent with the International Council of Shopping Centers (ICSC) guidelines and is, in fact, at the conservative end of the 75-90 percent range cited by ICSC for a retail trade area. By assuming that Primary and Secondary Market Area residents will comprise 90 percent of the Project's sales, rather than a lower percentage, this analysis is making a higher estimate of the potential for diverted sales than would be the case with a lower percentage.

Thus, it is assumed that residents coming from tertiary markets will generate the remaining 10 percent of sales, or \$19.9 million of the total \$199.0 million in Costco/Vineyard II Center sales. This tertiary market is likely to come from travelers passing through Murrieta on Interstate 215 and from shoppers on pass-by trips. The conservative estimate of 90 percent capture also acknowledges that two existing Costco stores in Lake Elsinore and Temecula are located near Interstate 15 off-ramps and are better positioned to capture pass-by sales from highway travelers.

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 should be noted that this concept, while generally accepted, cannot account precisely for every trip to/from the Costco/Vineyard II Center. Such precision is simply not possible. Notwithstanding this limitation, HR&A believes it presents the most appropriate approach to assessing the retail market for the Costco/Vineyard II Center.

Figure 2: Primary and Secondary Market Area Map



## IV. Retail Sales Leakage Analysis

This chapter analyzes the current retail environment as well as 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. HR&A conducts this analysis as a building block in its analysis identifying the extent to which the Costco/Vineyard II Center may or may not divert sales away from existing market area retailers.

### A. METHODOLOGY

HR&A utilizes a statistical-based model by the GIS marketing firm Esri<sup>15</sup> that estimates retail spending potential for a market area based upon population, income, and consumer spending patterns<sup>16</sup>. For the purpose of this study, the market area is the geographic area from which the majority of Costco/Vineyard II Center demand is anticipated to originate.

Generally referred to as a “Retail Sales Leakage Analysis,” the model determines the extent to which a market area is or is not capturing its sales potential based upon estimated retail sales from stores located in the market area. 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 weaknesses.

### B. POPULATION AND HOUSEHOLD INCOME ESTIMATES

HR&A relied on population and household estimates and projections provided by Esri for the PMA and SMA. Totals are shown in Appendix Exhibit A7. The results indicate population estimates in the Primary Market Area of 318,263 in 2018, growing to 347,047 in 2023, when the Costco/Vineyard II Center is assumed to be fully operational. The combined PMA and SMA is 806,898 in 2018 and is expected to grow to 870,320 by 2023.

Average per capita income in the PMA is currently \$31,360 and is estimated to grow to \$33,201 by 2023. Within the SMA, per capita income currently averages \$26,831 and it is expected to grow to \$31,616 by 2023.<sup>17</sup>

### C. CURRENT RETAIL MARKET CONDITIONS

According to recent retail broker reports for the Inland Empire, the Riverside - San Bernardino metro represents California’s fastest growing economy, having added 260,000 jobs over the past five years<sup>18</sup>.

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<sup>15</sup> Esri (Environmental Systems Research Institute) is an international supplier of geographic information system (GIS) software, web GIS and geodatabase management applications. It is considered to be an industry leader in the access and use of geographic and demographic data.

<sup>16</sup> Esri Retail Marketplace Profile Report 2018

<sup>17</sup> Source for income growth is Esri Demographic and Economic Profile reports. Based on U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2018 and 2023.

<sup>18</sup> Marcus & Millichap, *Retail Research Market Report*, 2Q 2018

This sustained span of diverse employment gains has supported the addition of nearly 200,000 residents during the same period, boosting local demand for housing and conveniently located shopping centers. In response, retailers have been in an expansion mode while consumer spending continues to escalate. Grocers and personal service-related companies, namely fitness centers and smaller gyms, have been notably active of late, occupying roughly one million square feet of combined space in 2017. Overall, at least 70 percent of current new supply is pre-leased, heightening retailer demand for existing space. This strong pre-leasing activity and stable tenant demand nearly negates the impact of recent heightened construction as vacancy increases overall have been modest.

Within the area roughly analogous to the combined Primary and Secondary Market Areas, overall retail vacancies stand at 6.4 percent as of the end of the first quarter of 2018.<sup>19</sup> Over the past four quarters, the vacancy rate in the market has remained relatively steady, with the rate going from 6.4 percent at the end of the second and third quarter's 2017 to 6.2 percent at the end of the fourth quarter 2017, and back to 6.4 percent at the end of the first quarter 2018.

#### D. EXISTING SHOPPING CENTERS WITHIN A FIVE MILE RADIUS OF THE COSTCO/VINEYARD II CENTER PROJECT

Appendix Exhibits A8 and A9 present an inventory of shopping centers located within the Primary Market Area. Grocery, Clothing and General Merchandise store sales constitute over 70 percent of the projected sales at the Costco/Vineyard II Center. Grocery store anchored shopping centers and centers with significant general merchandise- and apparel- oriented retailers are considered to be competitive with the Center.

Appendix Exhibit A8 indicates the centers that are located within five miles of the Costco/Vineyard II Center location. There is a total of 26 neighborhood centers, 9 community centers, and 3 power centers located within this area. Neighborhood centers are local serving in orientation, meaning that the trade area for these centers are residential neighborhoods within a 5- to 10-minute drive.

Seven of the neighborhood centers are anchored by a grocery store and one is anchored by a general merchandise store (Dollar Tree). Overall vacancy for this group is 8.1 percent; however, of the 26 neighborhood centers, eight shopping centers currently are experiencing vacancies between 11 percent and 32.5 percent. The most potentially vulnerable center of this group is the Town Center Plaza, located in Murrieta at Jefferson Ave and Juniper Street. It is a non-anchored neighborhood serving shopping center located 3.6 miles from the Costco/Vineyard II Center project site. The Town Center Plaza currently has 14,350 square feet of vacant space for an overall vacancy rate of just under 32.5 percent.

Community shopping centers located within five miles of the proposed Costco/Vineyard II Center range in size from 84,000 square feet to 360,000 square feet. Community shopping centers typically have larger trade areas than neighborhood centers. Customers will typically travel 10-to-15 minutes to go to this type of center. Five of the centers are anchored by a grocery store and three stores have significant general merchandise retailers. Overall vacancy for this group is 6.6 percent; however, two shopping centers currently are experiencing vacancies greater than 15 percent.

The three power centers within five miles of the proposed Project range in size from 230,000 to 325,000 square feet. Two centers have large home improvement stores, and two centers have general merchandise retailers. There are no vacant spaces within this group.

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<sup>19</sup> Westmar Commercial Real Estate, *Retail Market Trends 1st Quarter 2018*



As noted, there are two community centers located near to the Costco/Vineyard II Center project that currently have significant vacancies. The Murrieta Town Center, located at the northwest corner of Alta Murrieta Drive and Murrieta Hot Springs Road in Murrieta is currently experiencing a 24 percent vacancy. This center, located within 3 miles of the Costco/Vineyard II project site, is anchored by Burlington Stores, Ross Dress for Less, Dollar Tree, and Rite Aid. Apparel anchors constitute nearly 1/3 of the total space of this center.

The other community center with significant vacancy in this area, the Murrieta Spectrum, does not have any stores that are oriented to product lines that would be in direct competition with stores proposed for the Costco/Vineyard II Center project.

## E. SHOPPING CENTERS LOCATED IN REMAINING PORTION OF THE PRIMARY MARKET AREA

The remaining portion of the Primary Market Area constitutes an area that is between five and eight miles from the Costco/Vineyard II Center site. Appendix Exhibit A9 presents an inventory of these shopping centers.

Although depicted in the exhibit, the neighborhood centers in this distance range are located too far from the Costco / Vineyard II project to be negatively impacted. However, the two existing community shopping centers and one power center located in this area may find themselves in direct competition with the proposed Costco store due to the large trade areas that Costco stores pull from. The two community centers have an overall vacancy of 2.6 percent while the power center has a vacancy rate under one percent. With low vacancy rates, these centers are not particularly vulnerable to increased competition.

## F. SHOPPING CENTERS LOCATED IN THE SECONDARY MARKET AREA

Shopping centers in the SMA, which are generally more than eight miles from the proposed Project are too far away from the Costco/Vineyard II project to be negatively impacted.

## G. COSTCO PRIMARY COMPETITORS

The Costco store located in the proposed Costco/Vineyard II Center will be the main sales generator for the Project. As shown in Appendix Exhibit A6, projected sales at the Costco are anticipated to account for approximately 92 percent of total sales at the Costco/Vineyard II Center. The Primary and Secondary Market Areas for this study are largely determined by the Costco store.

In California, Costco Wholesale stores' primary competitors in the highly competitive retail market of large discount stores are Wal-Mart Stores, Inc. and Target Corporation. Within this group, Costco and Walmart's Sam's Club stores most closely resemble each other and directly compete for customers. All of these stores have at least a partial grocery store component and the Walmart Supercenter stores include a full grocery store selection. Other grocery stores in the area that are not part of a larger general merchandise store will experience some competitive pressure from Costco as well. However, Costco generally sells no more than 5,000 products at any given time and because of that limited variety, customers will always need smaller markets with a wider variety. This helps to insulate freestanding grocery outlets such as Ralphs, Vons and Stater Brothers.

Figure 3 on the following page presents a map of the overall market area. The dark blue concentrations refer to retail store density. From this map it is clear that the highest concentration of retail development within the extended Primary and Secondary Market Area are located within the city boundaries of Temecula, Murrieta, Lake Elsinore, Menifee, and Hemet. Existing Costco locations in Temecula and Lake Elsinore have

been noted as well as the existing Sam's Club store located in Murrieta. These are considered to be the primary competitive locations for the new Costco store. Secondary competitors, Target and Walmart stores are also noted on the map.

The following locations are noted:

Costco Stores

- A 148,000 square foot Costco store in Temecula that is located just south of the Promenade Temecula shopping center. This store is located in the SMA.
- A 146,000 square foot Costco store in Lake Elsinore that is located in a community shopping center at Dexter and Central Avenue. This store is located in the SMA.

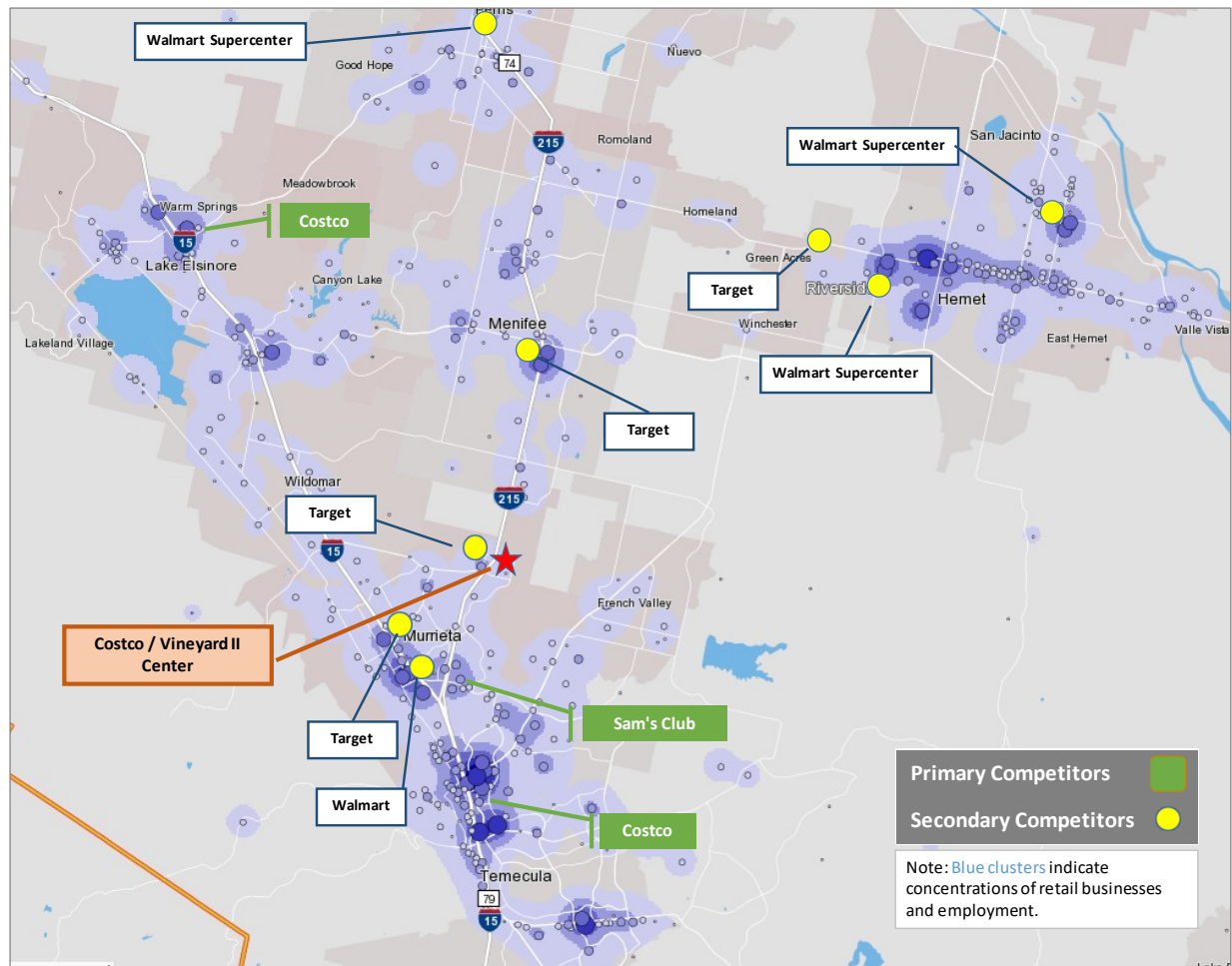
Sam's Club Stores

- A 130,000 square foot Sam's Club store in Murrieta that is located in the Murrieta Plaza shopping center at the cross of the 215 freeway and Murrieta Hot Springs. This store is located in the PMA.

Walmart and Walmart Supercenter Stores

- A 141,000 square foot Walmart store located in Murrieta (PMA) alongside Interstate 215 at Murrieta Hot Springs Road.
- Two Walmart Supercenters located in Hemet – a 220,000 square foot store in the Page Plaza shopping center and a 200,000 square foot store located in the Mount San Jacinto Plaza. These stores are located in the SMA.
- An 185,000 square foot Walmart Supercenter located in Perris at El Nuevo Road and North Perris Boulevard. This store is located in the SMA.

Figure 3: Location of Primary and Secondary Competitive Supply



Source for retail concentration map - U.S. Census Bureau, Longitudinal-Employer Household Dynamics Program. Survey of competitive environment by HR&A.

### Target Stores

- Two Target stores, both located in Murrieta – a 162,000 square foot store located in the Orchard at Stone Creek center, located just one-half mile from the project site; and a 125,000 square foot store located in the Cal Oaks Plaza. This store is located in the PMA.
- A 178,000 square foot Target store located in Menifee at the Countryside Marketplace community center. This store is located in the SMA.
- A 122,000 square foot Target store located in Hemet at the Hemet Valley Center. This store is located in the SMA.

## H. SALES ESTIMATES

Esri publishes estimates of residential consumer demand as well as onsite retail sales figures for defined market areas. Esri provides estimates of yearly store sales by retail category for defined market areas. Additionally, Esri provides estimates of residential purchasing power by retail category within the same market area. A leakage analysis compares the anticipated purchasing power of area residents to the sales experienced at area stores. If store sales are less than the local purchasing power, it is believed that residents are spending a portion of their sales dollars at store locations outside their local market. This is known as leakage. If sales at local stores exceed the local purchasing power, then the market area is known as a sales importer, meaning that consumers from outside the local market are shopping at local stores. A market experiencing leakage is a market that has an opportunity to add retail stores.

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 the Secondary Market Area. Finally, the Primary and Secondary Market Area leakage analyses are combined to reflect the combined Primary and Secondary Market Area. The combined Primary and Secondary Market Area is defined in Chapter III and shown on a map in Figure 2.

The leakage analyses were conducted using 2018 sales data and extrapolated to 2023, reflecting the sales estimates for the Project assuming the first full year of stabilized store operations in that year. The consumer expenditure trends for 2023 were assumed to resemble expenditure trends in 2018, with adjustments for interim population growth and inflation.

The leakage results for the Primary Market Area, the Secondary Market Area, and the combined Primary and Secondary Market Area are located in the Appendix (see Appendix Exhibits A10 and A11 for Primary Market Area results, for 2018 and 2023 respectively, Appendix Exhibits A12 and A13 for Secondary Market Area results, and Appendix Exhibits A14 and A15 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 has an overall leakage of retail sales of \$1.9 billion in 2018 (Appendix Exhibit A10). However, a large proportion of this leakage was due to one category: Automobile Dealers (32 percent). This category currently experiences \$599.7 million in sales lost outside the PMA, however it is not a relevant category for comparison with the anticipated tenants of the Costco/Vineyard II Center project. Several of the retail categories relevant to the Costco/Vineyard II Center project also experienced leakage in sales. The categories with the most leakage are as follows:

- Clothing and Shoe stores with \$177.7 million in leakage
- Restaurants and other eating places with \$145.3 million in leakage
- General merchandise stores with \$108.6 million in leakage
- Health and personal care stores with \$132.2 million in leakage
- Electronics and Appliance stores with \$71.0 million in leakage.
- Gas Stations and Auto Supplies with \$47.3 million in leakage.

The overall leakage total for the PMA is significantly high. This is due primarily to the location of the PMA in between two strong retail markets to the northwest and southeast along Interstate 15 (Temecula and Lake Elsinore). These leakage categories identify opportunities for new retailing to meet the needs of Primary Market Area residents. Note that grocery stores experienced very little leakage in 2018 with only \$1.2 million in estimated lost sales.



HR&A also estimated the leakage/attraction of the Secondary Market Area, as shown in Appendix Exhibits A12 and A13. In 2018, the Secondary Market Area had overall sales attraction of \$1,075,924,000 in surplus sales. Automobile dealers, general merchandise stores, gas stations and grocery stores are all strong performers in the SMA.

Finally, the results of the first two analyses were combined to reflect the total Primary and Secondary Market Area (see Appendix Exhibits A14 and A15). For retail categories relevant to the Project, the combined Primary and Secondary Market Area had leakage in the categories of automobile dealers, furniture and home furnishings, electronics and appliance stores, , specialty food and beer, wine and liquor stores, health and personal care stores, clothing stores, some specialty retail outlets and restaurants and other eating places. Overall, the combined market area had sales leakage of \$824.8 million in 2018.

While the 2018 retail sales leakage analysis findings are informative, they do not reflect the situation that will prevail when the majority of the Project becomes operational. Thus, HR&A prepared a 2023 retail sales leakage analysis projection in Appendix Exhibits A11, A13 and A15. However, this projection assumes no new interim development, which is not an accurate portrayal of the market. Therefore, the following section provides adjustments to this projection, incorporating information on newly opened or recently closed retail in the Primary Market Area after the Esri Market Place report data was collected.

## I. ADJUSTMENTS FOR MAJOR NEW RETAIL DEVELOPMENTS

In order to bring the projections to 2018 numbers (Esri reports are based on 2017 data), HR&A made adjustments to the projected retail sales leakage analysis findings to account for major new retail developments that have opened in the market area since the end of 2017. The purpose of these adjustments is to more appropriately estimate the size of the Primary Market Area retail base at the time the Costco/Vineyard II Center becomes fully operational in order to more realistically estimate the Project's impacts.

HR&A surveyed the CoStar<sup>20</sup> commercial database and news publications to identify retail projects new to the Primary and Secondary Market Areas since 2017. Estimated sales performance is based on averages for categories published in the e-Marketer Retail publication for 2018.

The survey results identified three major new shopping centers and/or anchor stores (greater than 20,000 square feet) in the Primary and Secondary Market Area opened since January 2018 (see Appendix Exhibit A16 for details).

- The Shops at the Lakes – Menifee – estimated 2018 sales of \$54.3 million
- Wildomar Square – Wildomar – estimated 2018 sales of \$17.1 million
- The Gateway to Temecula Center – Temecula – estimated 2018 sales of \$11.8 million

The distribution of the new retail sales by retail category is presented in Appendix Exhibit A17. The purpose of this distribution is to assess the impact of major store additions or deletions on the market area retail base. The results indicate that the greatest net change by retail category is the \$37.7 million increase in grocery store sales. The combined impact of the two shopping centers in the PMA and the one center in the

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<sup>20</sup> CoStar is a provider of information, analytics and marketing services to the commercial real estate industry. The company's suite of online service offerings includes information about space available for lease, comparable sales, and identified tenants, properties for sale, and upcoming projects that are planned for development.

SMA will be \$83.3 million in additional sales (2018). This adjustment to the sales base of the PMA and SMA is incorporated into the analysis of sales impacts, presented in the next chapter.

## V. SALES IMPACTS

To determine potential sales impacts on existing stores, the analysis evaluates existing supply and demand for retail sales within each NAICS category. Projected population growth and the recapture of existing sales leakage are considered as sources of potential demand that may offset the sales impacts associated with the Project. In short, HR&A estimates the capture of new resident spending at the Project and further assess the extent to which the Project will likewise capture sales that are currently leaking outside the Primary and Secondary Market Areas. To the extent that the projected sales at the Project will not be covered by the purchasing power of new residents and/or the local recapture of sales currently lost to retailers located outside the PMA, then it is assumed that some local stores will be vulnerable to a potential diminution in Sales.

Estimating the impact of the adding the Costco/Vineyard II Center Project to the PMA and SMA market areas is a five-step process:

1. Estimate net new population growth in the PMA and SMA market areas by the year 2023.
2. Estimate the fair-share capture rate for the PMA and SMA store sales (Appendix Exhibits A18 and A19).
3. Estimate the PMA and SMA capture rates of their respective area residential spending power (Appendix Exhibits A20 and A21).
4. Estimate the Costco/Vineyard II Center sales capture attributed to population growth (Appendix Exhibits A22, A23 and A24).
5. Estimate the Costco/Vineyard II Center sales capture of market area sales leakage and the potential for diversion of sales from existing retailers (Appendix Exhibit A25)

### A. PROJECTED POPULATION GROWTH

The addition of new population and households to the Costco/Vineyard II Center's market areas is one major source of demand for the Project. New households will be formed as each market area's population grows between 2018 and 2023. These new households will in turn bolster the demand for retail goods in the region. As shown in Appendix Exhibit A7 and in Table 6 below, HR&A estimates that approximately 63,422 new residents will be added to the combined Primary and Secondary Market Areas between 2018 and 2023. This estimate is based on the most current projections by Esri.

Table 6: Population Growth Projections

	2018	2023	Growth
Primary Market Area	318,263	347,047	28,784
Secondary Market Area	488,635	523,273	34,638
Total Market Area	806,898	870,320	63,422

**Notes:**

Source: Appendix Exhibit A7

## B. FAIR-SHARE CAPTURE RATE FOR COSTCO/VINEYARD II CENTER

In order to estimate how much of market area sales the Costco/Vineyard II Center will be able to capture from the new residents, a baseline fair-share capture rate for the PMA and SMA is determined for each relevant retail category in the Project.

As seen in Appendix Exhibit A18, all area store sales in the PMA are projected to be \$3.1 billion by 2023, reflecting the point in time that stabilized operations for the Project are projected to happen. This total is comprised of three sources:

- Store sales estimated from retailers currently located in the PMA (Column A)
- Store sales estimated from retailers that have started businesses in the area since January 2018, e.g. store sales that were not captured in the Esri store projections which are based on data from 2017 (Column B), and
- Sales projected for the Costco/Vineyard II Center (Column C)

In Column C, HR&A has estimated the amount of projected sales for the Costco/Vineyard II Center attributable to residents of the PMA. It is worth noting that HR&A has estimated that 80 percent of PMA sales for the Costco/Vineyard II Center will come from residents of the PMA, while the remaining 20 percent of PMA sales are estimated to come from sales redirected from the two existing Costco stores in Temecula and Lake Elsinore. These stores are discussed in more detail in Section VII of this report; however, it is noted that local newspaper reports indicate that the Costco store at the Temecula location has been highly successful and has been experiencing some level of crowding. Based on this information, HR&A has assumed that a portion of customers for both existing Costco locations reside in the PMA and that a significant number of these customers would, redirect most of their shopping trips to the new Costco location when opened.<sup>21</sup>

Appendix Exhibit A18 identifies the fair-share capture rates by retail category for the Costco/Vineyard II Center project if it were built within the environment of the market area's existing retail store base in the final column of the table (Column E). Overall, a stabilized and successful Costco/Vineyard II Center, as proposed, would capture 4.6 percent of all retail sales originating from within the PMA, or \$143.3 million.

Appendix Exhibit A19 presents a similar analysis focused on sales originating from within the SMA. All area store sales in the SMA are significantly greater than in the PMA (\$7.4 billion vs. \$3.1 billion) due to the larger number of residents in the SMA. Because of the large size of this market, and the greater distance between residential areas and the project site, the overall fair-share capture rate for the project would be 0.5 percent of all SMA-based sales. Based on this capture rate, sales at the Costco/Vineyard II Center from the SMA (exclusive of the PMA) are projected to be approximately \$35.8 million annually (Column C).

## C. MARKET AREA CAPTURE OF MARKET AREA RESIDENTIAL SPENDING POWER

The third step in our estimation of impact is to estimate the PMA and SMA capture rates of their respective area residential spending power. Appendix Exhibits A20 and A21 illustrate this. Appendix Exhibit A20, Column A presents a projection of the total PMA dollar value of residential demand for retail in the Year 2023. This estimate of spending power includes existing residents as well as new residents expected to be added to the area within the coming five years. It totals \$5.6 billion.

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<sup>21</sup> HR&A does not have access to Costco store sales data or information about the residential location of Costco members by store. However, we are able to create a reasonable estimate of the impact of redirected resident sales using data from Costco's annual corporate reports. See Appendix Exhibit A36 for details. This serves as an illustration of the derivation of the 80 percent PMA, 20 percent SMA split in store capture for the Project.

The next column (B) presents projected sales for the area's existing retail store base and includes sales anticipated for the Costco/Vineyard II Center. The result of this table indicates that by 2023, without any new store additions to the market other than the Costco/Vineyard II Center, the PMA will only capture 56 percent of residential purchase power implying a sales leakage of nearly \$2.5 billion for the area.<sup>22</sup> In other words, 56 percent of PMA residential retail demand is satisfied by PMA located retail. The remainder is being spent elsewhere outside of the PMA.

Appendix Exhibit A21 presents the same analysis for the SMA. The estimated area residential retail spending power is \$6.6 billion. The SMA retail base is larger than that of the PMA and is expected to generate \$7.4 billion in sales. Store sales totals that exceed the spending power of the residential base indicate that a significant amount of sales are from residents of a neighboring market area, namely residents of the PMA that are choosing to do some of their shopping in the SMA. After adjusting for the non-resident sales, HR&A estimates that stores in the SMA capture 91 percent of their respective residents' retail spending.

#### D. COSTCO/VINEYARD II CENTER SALES CAPTURE ATTRIBUTED TO POPULATION GROWTH AND THE POTENTIAL FOR DIVERSION OF SALES FROM EXISTING RETAILERS

Appendix Exhibits A22 and A23 present projections of how much new resident sales the Costco/Vineyard II Center is likely to capture. These projections are based on current levels of market area capture and the fair-share capture rates derived in Appendix Exhibits A18 and A19.

In Appendix Exhibit A22, HR&A projects that retail spending power growth attributable to new residents locating in the PMA will total \$461.7 million by 2023 (28,784 new residents x \$16,040 in per capita spending). Column C indicates the capture rates calculated in Appendix Exhibit A20. Overall, the PMA will capture 56 percent of the new residential demand (\$256.6 million). Column E presents the fair-share capture rates by retail category for the Costco/Vineyard II Center as estimated previously in Appendix Exhibit A18. At a capture rate of 4.6 percent of area wide sales, the Project is anticipated to capture \$11.7 million of its sales attributed to new residents of the PMA added by 2023 (Column F). The last column on the exhibit (Column G) indicates that, after accounting for sales from Costco/Vineyard II Center, there exists remaining retail purchasing power by the area's new residents. In the case of the PMA, this totals \$245.0 million.

Appendix Exhibit A23 presents a similar analysis related to new resident sales capture from the SMA. Following the same methodology presented for Appendix Exhibit A22, new SMA resident sales at the Costco/Vineyard II Center are estimated to be \$2.0 million. This leaves \$392.6 million in new resident spending power to be spent elsewhere within the SMA.

Appendix Exhibit A24 presents a summary exhibit combining the information from A22 and A23. Overall, the Costco/Vineyard II Center is projected to capture \$13.7 million of its sales from new residents expected to locate in the combined PMA/SMA over the coming five years.

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<sup>22</sup> The totals have been adjusted slightly to compensate for grocery store sales expected to be in excess of resident spending. This is the opposite of leakage in that local grocery stores, in this case, are projected to attract a few customers from outside the PMA. The adjustment has been made in order to estimate the impact of PMA residents on PMA-based stores only

## E. COSTCO/VINEYARD II CENTER CAPTURE OF MARKET AREA RETAIL LEAKAGE

Appendix Exhibit A25 presents an assessment of the Costco/Vineyard II Center's potential sales impact on the existing retail base of the combined PMA / SMA market area. Note that this exhibit presents a pared-down list of retail categories that correspond to the relevant retail categories for the stores anticipated in the Costco/Vineyard II Center project.

Column A of this exhibit illustrates the Project's expected sales in each relevant retail category. In total, \$179.1 million of the Project's \$199.0 million in expected annual sales will be attributable to consumers residing in the PMA or SMA. Column B shows the amount of Project sales volume projected to come from consumers represented by new residential growth. As summarized previously in Appendix Exhibit A24, this totals \$13.7 million.

The remaining amount, \$165.4 million, represents the next increment of Costco/Vineyard II Center sales. After accounting for sales that come from new residents in the market area, there are two possibilities for where the next tranche of sales will come from. The first of these is from the recapture of sales lost to other market areas (i.e., leakage). The second possibility is from cannibalizing sales from existing, potentially weaker, retail stores within the market area.

Column D shows the estimated amount of sales leakage in each retail category previously estimated in Appendix Exhibit A15. There are two categories, grocery store sales and general merchandise store sales where no sales leakage is expected to exist. For those categories with leakage<sup>23</sup>, the volume of leakage estimated is great enough to satisfy the remaining category demand. In fact, the Costco/Vineyard II Center will only need to capture 5.9 percent of the available leakage in the identified categories to satisfy these sales.

To calculate the Costco/Vineyard II Center's share of recaptured leakage a two-step process was employed:

- (1) The estimated leakage in the market areas for each retail category was multiplied by 50 percent, under the assumption that Costco/Vineyard II Center could reasonably expect to recapture only a portion of the available leakage<sup>24</sup>.
- (2) In order to project a total that does not over allocate sales to the Project, for each retail category shown on Appendix Exhibit A25, if the potential sales impacts from the Costco/Vineyard II Center are less than 50 percent of the estimated leakage; then the Project is projected to only capture leakage amounting to the total potential sales impacts shown in Column C. Using this process, effectively, the Costco/Vineyard II Center is estimated to capture 5.9 percent of the total market area leakage in the relevant retail categories.<sup>25</sup>

This assumption recognizes that consumers generally allocate at least a small fraction of their retail spending to stores relatively far away from their residence. It also takes into account that there are other retail options in the region and that Costco/Vineyard II Center is unlikely to satisfy the entirety of unmet demand.

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<sup>23</sup> Retail categories with leakage – Electronics and Appliance Stores; Lawn and Garden Equipment; Beer, Wine and Liquor Stores; Health and Personal Care Stores; Gas Stations and Auto Supply; Clothing and Shoe Stores and Restaurants and Other Eating Places.

<sup>24</sup> The use of a 50 percent factor implies a conservative estimate of recapture of sales leakage. Many market studies assume that new retail centers will capture 100 percent of available sales leakage. In this case, the PMA and SMA market areas are fairly large and HR&A wishes to exercise caution when making projections of capture for such a significantly sized area. The use of a 50 percent discount factor achieves this.

<sup>25</sup> The 5.9 percent figure is calculated as follows: \$65.2 million in recaptured sales leakage (Column E) divided by total market area leakage of \$1.1 billion (Column D).

The potential recaptured leakage of \$65.2 million represents sales currently occurring outside the Project's market areas, and therefore any recapture that the Project achieves will be to the detriment of stores located outside the Primary and Secondary Market Areas. Because these stores are spread across a very large area, the effects to such stores from Costco/Vineyard II Center will likely be very diffuse and thus minimal on any particular individual retailer. Spread across such a large geography and a multitude of retailers, this \$65.2 million is estimated to cause some minor reduction in sales at stores in the region, but are unlikely to cause specific store closures or urban decay.

For grocery and general merchandise goods to be sold at the Costco/Vineyard II Center, there is not projected to be enough market area leakage to satisfy this newly created supply. Taken together, this represents \$100.1 million in annual sales. The remaining retail spending power from new residents, even after allocating a portion of this spending to the Project, should be sufficient to easily absorb the Costco/Vineyard II Center project into the market without sales diversion from existing retailers (Columns G and H of Appendix Exhibit A25).

## F. CONCLUSIONS – SALES IMPACT

Based on the existing retail store base in the Primary and Secondary Market Areas, HR&A has projected that there will be no diminution of sales at existing retailers caused by the introduction of the Costco/Vineyard II Center project. Table 7 summarizes these conclusions:

- By 2023, market area sales required to support the Costco/Vineyard II Center are projected to be \$179.1 million. Total sales for the Project are anticipated to be \$199.0 million, however, HR&A estimates that 10 percent of the total project sales (\$19.9 million) will be to customers that reside outside of the Primary and Secondary Market areas (e.g. the tertiary market area).
- The PMA and SMA already capture a certain amount of sales from within the area. In 2023, the PMA is estimated to capture only about 56 percent of residential spending, while the SMA will capture about 91 percent of SMA resident spending. In other words, 56 and 91 percent of PMA and SMA resident spending, respectively, is satisfied by the existing retail store base within the market areas and is not leaking to other markets.
- Based on projected market area and Costco/Vineyard II sales in 2023, it is estimated that the Project will capture about 1.5 percent of the pool of future PMA and SMA resident spending, or \$13.7 million. This represents only 2.1 percent of new residential retail spending power expected to be added to the market area over the next five years.
- While the PMA and SMA are able to capture a majority of resident spending within the market areas, some spending is still leaking to outside markets. The Costco/Vineyard II Project can capture some of this leakage by providing an additional retail option for market area residents. In 2023, it is estimated an additional \$65.2 million in sales for the proposed Project will come from a recapture of sales currently leaking outside the market areas (primarily leaving the PMA and going to stores in the SMA).
- New growth capture and recapture of leakage totals to \$78.9 million, leaving \$100.2 million in sales at the Project to be accounted for. The remaining \$100.2 million in Costco/Vineyard II Center sales will be absorbed by current and new resident spending in the PMA and SMA beyond what the Project is already assumed to capture (\$13.7 million). In other words, current and new resident demand is so substantial in 2023, and the existing retail store base unable to meet that demand, that resident spending power can easily absorb the \$100.2 million in Costco/Vineyard II Center sales. This will not pull sales from other stores because Costco/Vineyard II is meeting unmet future

demand. There is sufficient excess demand in the PMA and SMA to absorb the \$100.2 million in sales from Costco/Vineyard II, and still leave \$338 million in sales to be absorbed by other new stores.

**Table 7: Potential Sales Impacts on Existing Retailers for Combined Primary and Secondary Market Areas**  
(2023 Dollars)

	Row ID	Total Impact	Intermediate Calculation	Notes
<b>Market Area Sales in 2023 Required to Support the Center</b>	A	\$ 179,135,955		
<b>Sales Supported by New Growth in the Market Area</b>				
Market Area Spending Capacity Attributed to New Growth	B	\$ 651,347,849		
Costco / Vineyard II Fair-Share Capture of New Demand	C	\$ 13,745,546		2.1% of B
<b>Sales Supported by Re-Capture of Current Leakage</b>				
Sales Leakage for Retail Categories Relevant to the Center	D	\$ (1,114,433,957)		
Leakage Captured by the Costco / Vineyard II Center	E	\$ 65,228,766		5.9% of D
<b>Total Sales Supported by New Growth and Recapture of Leakage</b>	F	\$ 78,974,312	C + E	
<b>Intermediary Potential Sales Impacts on Existing Retailers</b>	G	\$ 100,161,643	A - F	
<b>Remaining Potential Demand from Population Growth to Offset Intermediary Impacts</b>	H	\$ 437,664,717		
<b>Sales Diverted from Existing Retailers</b>	L	\$ -		\$0 diverted

**Notes:**

Source: Total in Row B is from Appendix Exhibit A24. All other information is from Appendix Exhibit A25



## VI. CUMULATIVE IMPACTS

This chapter analyzes the Costco/Vineyard II Center in the context of other currently planned competitive retail projects, or “cumulative projects.” The surveyed projects are primarily larger neighborhood and community retail centers as well as power centers. Other, smaller retail developments of less than 20,000 square feet were excluded because they are not competitive with a shopping center like Costco/Vineyard II Center, both in terms of size and tenant mix. Smaller shopping centers usually have a neighborhood orientation with restaurants and convenience stores such as dry cleaners and nail salons. The Costco/Vineyard II Center, however, will be a destination center, i.e., it will attract customers that want to comparison shop for larger purchases. For convenience items, customers are likely to continue to shop at their local neighborhood centers.

### A. IDENTIFIED PROJECTS IN THE PRIMARY AND SECONDARY MARKET AREAS

HR&A identified major planned and proposed retail projects in the Primary and Secondary Market Areas. There are ten projects in Murrieta, six in Menifee, and two in Lake Elsinore and one in Hemet. Together, these 19 projects total to slightly more than 1.5 million square feet.

The identified retail projects are presented in Appendix Exhibit A26 and Appendix Exhibit A27. Most of these projects are in various stages of planning (such as specific plans) and in some cases, are still conceptual plans at best (e.g. The Triangle project in Murrieta). In many cases, it is not possible to know at this point in time what the eventual tenant mixes are likely to be or if the project will be completed in the manner currently proposed. Projects can change significantly after they have been initially conceived based the availability of anchor tenants or the success of competing projects coming on-line first. In some cases, as detailed in Appendix Exhibits A26 and A27, it is noted where we believe that a project may not be fully completed by the 2023 assessment date.

For shopping centers where a tenant mix is unknown, HR&A has estimated a standard tenant mix based on information from the International Council of Shopping Centers as well as consultant experience with shopping center planning in California. The list of projects in Appendix Exhibits A26 and A27 represents a compilation of projects that have been at least initially discussed with city planners in the respective jurisdictions.

The reader should note that the market areas are defined for the subject property (Costco/Vineyard II Center) and that the projects below may have somewhat different market areas depending on their location and the location of their major competitors. HR&A did not specifically define a separate market area for each project or store.

#### **PMA - Projects Identified in Murrieta**

- The Orchard at Stone Creek – consists of an 185,000 square foot addition to an existing shopping center. This project will also include a 78,000-multiplex theater.
- Hot Springs Center – a 24,000 square foot neighbor shopping center.
- Murrieta Marketplace – currently a proposed development plan to construct a 518,817 square foot power center consisting of 26,100 square feet of restaurant space, a 136,000 Home Depot, a gas station and additional pad buildings that could house retail or consumer service businesses.
- Murrieta Gateway – planned for construction of three industrial bldgs. with a total of 285,270 square feet, a 150-room hotel, 43,400 square feet of retail with a gas station.
- Aldi Grocery Store – a freestanding grocery store.

- French Valley Crossing – a 36,300 square foot neighborhood center.
- The Triangle – a potential project of 1.76 million square feet (600,000 sf office + 800,000 sf retail + theater and hotel with meeting rooms). The current square footage is based on the City's Triangle Specific Plan; however, this project has been in planning for a number of years and has a great potential to change from original plans. According to a Valley News article from Aug 8, 2018 -- Grading could begin soon on Golden Triangle' site, but details about the project remain vague. -- For this analysis we have assumed only 100,000 sf of retail is built and operational by 2023.
- Murrieta Hospitality Commons -- Development of 6.95 acres with a 59,840 square foot hotel consisting of 104 rooms and three restaurants totaling 16,100 square feet. Additionally, 10,500 square feet of retail is also planned.
- Vineyard I – City Planning indicates 165,000 sf approved. For this analysis, we are assuming a development consistent with that assumed for the Vineyard II Traffic analysis – that is a 78,489 square foot shopping center and a 91-room hotel.
- Vineyard III – located at the northwest corner of Clinton Keith Rd and I-215. Current plans call for construction of a 32,208 square feet commercial center, consisting of 11,600 square feet of retail, 8,000 square feet of restaurants, a 3,558 square foot bank and 9,000 sf of auto related uses.

#### **PMA - Projects Identified in Menifee**

- Junction at Menifee – a 309,600 square foot addition to an existing shopping center.
- McCall Square – a 71,000 square foot neighborhood retail center
- McCall Square II – a 84,000 square foot neighborhood retail center
- Menifee Crossroads – a 30,500 square foot addition to an existing shopping center.
- Menifee Lakes Plaza – a 150,000 square foot power center. Proposed tenants include Barons Market, LA Fitness, Raising Cane's, Cafe Rio, and Jamba Juice.
- Menifee Plaza – a 14,000 square foot neighborhood retail center.

#### **SMA - Projects Identified in Hemet**

- The Boardwalk - Phase II – a 64,000 square foot addition to an existing shopping center.

#### **SMA – Projects Identified in Lake Elsinore**

- Artisan Alley at The Diamond – The development will feature 95,000 square feet of retail and restaurant space and a 130-room hotel.
- Central Plaza – an 80,000 square foot community shopping center. Current plans include Marshalls, Sketchers, Five Below, ULTA Beauty, Panera Bread, and Starbucks as tenants.

## **B. SALES ESTIMATES FOR PLANNED RETAIL DEVELOPMENTS**

HR&A estimated sales for the planned market area retail developments in Appendix Exhibits A28 and A29. As with the Project itself, sales were estimated using available 10-k reports or the e-Marketer Retail database. There are a number of projects where tenants or even tenant types have not been identified for the planned space. For these allocations of space, HR&A assumed a generic sales performance estimate,

and assigned the sales to an appropriate mix of categories given the center type as shown in Appendix Exhibit A34.

To date, none of these projects have started construction. It is possible several of these projects may be repositioned once the Project begins construction, however sales from all proposed shopping centers are still forecasted to 2023 to assess the prospective cumulative impact of the Costco/Vineyard II Center in combination with these projects. The results in Appendix Exhibits A28 and A29 indicate that by 2023, if all of the planned projects are completed as noted, they are anticipated to generate an additional \$627.3 million in retail sales originating from the Primary and Secondary Market Areas.

Appendix Exhibits A30 and A31 identified estimates of sales by retail category for the identified planned retail projects in the market area. Note that this result is uncertain as a number of projects identified are still in early planning stages and are without a solidified tenant profile. Nonetheless, based on the type of retail center identified and existing market and category data, HR&A believes that the projected retail category mix represents a reasonable estimate of future uses for these centers.

In deriving these sales estimates, the following assumptions were made about the proportion of each proposed project's sales that would be generated by Primary and Secondary Market Area residents. For the Primary Market Area, a range of 75 to 95 percent was used, roughly consistent with the market split assumption used earlier in this analysis. Neighborhood center uses which draw most of their users from a small localized trade area are estimated to be at 95 percent. For community and power centers, some retail use is set at 75 to 85 percent to reflect larger trade areas for customers. For projects located in the Secondary Market Area, 85 percent was used as the proportion of sales from those projects that would originate from the Secondary Market Area.

## C. ANALYSIS OF CUMULATIVE SALES IMPACTS

Utilizing the same methodology discussed in Chapter V - Sales Impacts, HR&A estimated the maximum 2023 impact of the planned retail developments on existing retailers in the market area in combination with the Project, which is presented in Appendix Exhibit A32, and summarized below in Table 8:

- Projected sales required to support the planned and proposed projects in the market area (cumulative projects) along with projected sales required to support the Costco/Vineyard II Center are estimated to total \$700.4 million by 2023.
- Based on a fair-share market capture assessment of the Project, HR&A estimates that the Costco/Vineyard II Center would initially be able to capture \$13.7 million of consumer spending from new residential growth in the PMA and SMA areas.
- This leaves \$686.7 million in retail sales from the cumulative projects that must be matched to demand or diminution of sales at existing retailers.
- Sales leakage across retail categories relevant to the Project within the combined market area is \$1.1 billion; however, leakage amounts vary by retail category. For the following categories, recapture of market area sales leakage will satisfy the introduction of new retail space:
  - Electronics & Appliance Stores
  - Beer, Wine & Liquor Stores
  - Health & Personal Care Stores
  - Gasoline Stations / Auto Supplies
  - Clothing & Clothing Accessories Stores
- Sales in Restaurants and Other Eating Places added to the market area as a result of all planned and proposed projects are projected to total to \$115.8 million by 2023. Less than 1 percent of

these sales will be attributed to the Costco/Vineyard II Center. The remaining amount of new sales projected in this category can be satisfied by reabsorption of market area leakage as well as demand generated by residential growth.

- When considering all of the cumulative development identified, and assuming all cumulative projects are built and operational by 2023, a total of \$171.9 million in sales is at risk of diversion from existing retailers due to an overabundance of planned and proposed projects as well as existing stores within these categories.

**Table 8: Potential Sales Impacts from Cumulative Projects for Combined Primary and Secondary Market Areas**  
(2023 Dollars)

	Row ID	Total Impact	Intermediate Calculation	Notes
<b>Retail Sales Required to Support Planned + Proposed Retail Centers</b>	A	\$ 700,416,451		
<b>Costco / Vineyard II Center Sales Supported by New Growth</b>	B	\$ 13,745,546		2.0% of A
<b>Potential Sales Impacts on Other Retailers</b>	C	\$ 686,670,906	A - B	
<b>Sales Supported by Re-Capture of Current Leakage</b>				
Sales Leakage for Retail Categories Relevant to the Center	D	\$ (1,114,433,957)		
Leakage Captured by Planned and Proposed Centers	E	\$ 271,054,667		24.3% of D
<b>Intermediary Potential Sales Impacts</b>	F	\$ 415,616,239	C - E	
<b>Retail Categories Where Recapture of Market Area Sales Leakage Will Satisfy the Introduction of New Retail Space</b>				
- Electronics & Appliance Stores		100%		
- Beer, Wine & Liquor Stores		100%		
- Health & Personal Care Stores		100%		
- Gasoline Stations / Auto Supplies		100%		
- Clothing & Clothing Accessories Stores		100%		
<b>Retail Categories Where Recapture of Market Area Sales Leakage and Demand from Population Growth Will Satisfy the Introduction of New Retail Space</b>				
-Restaurants/Other Eating Places		100%		
<b>Retail Categories Where There is a Risk of Diverted Sales</b>		\$ of Diverted Sales		SF at Risk
Lawn & Garden Equip & Supply Stores		\$ 16,120,275		37,900 sf
Grocery Stores		\$ 101,778,991		113,100 sf
General Merchandise Stores		\$ 54,017,909		120,000 sf
Potential Sales Diverted from Existing Retailers		\$ 171,917,175		271,000 sf

**Notes:**

Source: Appendix Exhibit A32 and Appendix Exhibit A35

After the Costco/Vineyard II Center reaches stabilized operations by 2023 and if all other proposed projects come online during the same period, an oversupply of retail in lawn and garden equipment stores, grocery stores and general merchandise stores is projected. Of these, the lawn and garden equipment category is expected to be the most impacted. If all cumulative projects are built and operational by 2023, the lawn and garden category would experience about \$16 million in surplus sales, which represents 47.6 percent of projected 2023 sales in that category in the PMA and SMA. The grocery store goods category would have a projected surplus equal to 5.8 percent of 2023 sales in the PMA and SMA, and general

merchandise would have a projected surplus equal to 2.7 percent of 2023 sales in the PMA and SMA (see Table 3).

The Costco/Vineyard II Center alone would not cause the surplus sales in the lawn and garden category, as lawn and garden equipment and supplies only make up about 1 percent of the proposed Project's sales. However, there are two new Home Depot stores planned in the PMA (which are included in the related project list), along with other stores with lawn and garden sections, which will have a big impact on the lawn and garden retail category (see Exhibit A30 for a complete list of the PMA pipeline projects).

## VII. URBAN DECAY DETERMINATION

The purpose of this chapter is to assess the degree to which development of the Costco/Vineyard II Center will or will not cause or together with other projects, ultimately contribute to urban decay. Urban decay could theoretically result from development of the Project and other known market area planned retail developments due to closure of other stores resulting from negative economic impacts. However, while urban decay could result from such store closures, it does not necessarily result. To make this determination, it is necessary to consider whether, if stores remained closed, urban decay would likely result. This chapter discusses the definition of urban decay, the study's approach to determining urban decay potential, retailer demand in the market area, and HR&A's urban decay determination.

### A. STUDY DEFINITION OF URBAN DECAY

In recent years, the California Courts of Appeal addressed the need to consider the potential for "urban decay" in environmental documents for large retail projects. In *Joshua Tree Downtown Business Alliance v. County of San Bernardino* (2016) 1 Cal.App.5th 677, urban decay is defined as, "among other characteristics, visible symptoms of physical deterioration that invite vandalism, loitering, and graffiti that is caused by a downward spiral of business closures and multiple long term vacancies. This physical deterioration to properties or structures is so prevalent, substantial, and lasting for a significant period of time that it impairs the proper utilization of the properties and structures, or the health, safety, and welfare of the surrounding community." Ultimately, the Court of Appeal reversed the trial court decision and found that the Downtown Alliance had failed to carry its legal burden to identify any substantial evidence that a proposed Dollar General store would result in urban decay. The Court of Appeal determined that economic impacts alone are not subject to CEQA analysis. Economic impacts only become CEQA concerns when they are linked to physical changes in the environment.

Per case law described above, the manifestations of urban decay include such visible conditions as plywood-boarded doors and windows, parked trucks and long term unauthorized use of the properties and parking lots, extensive gang and other graffiti and offensive words painted on buildings, dumping of refuse on site, overturned dumpsters, broken parking barriers, broken glass littering the site, dead trees and shrubbery together with weeds, lack of building maintenance, abandonment of multiple buildings, homeless encampments, and unsightly and dilapidated fencing. The primary impetus of urban decay often stems from financial conditions faced by the individual property owners, however, as described in the case law above, economic impacts alone do not result in urban decay.

The urban decay process generally takes a number of years to fully materialize and is reinforced by declining economic conditions in a broader market area. It is generally not the result of a single property standing vacant for one or two years in an otherwise vibrant market. It is worth noting that an abandoned freestanding big box retail/power-center development, also known as a "ghost box," or declining regional mall known as a "gray field," can pose a particularly high risk for urban decay if not promptly re-leased. Not only are these facilities bigger and thus generally more difficult to quickly re-lease or reuse compared to small "infill" sites, they are also more visually significant and thus provide a more widespread signal of decay and negative business climate. In contrast, several smaller parcels with varied building types often have a better chance of being adapted and released.

### B. ESTIMATED IMPACT OF THE PROJECT

This study analyzes the effects of the Project exclusive from other cumulative projects as well as the anticipated cumulative impact of all the cumulative projects identified above within the Primary and Secondary Market Areas.

## Project Specific Impacts

Based on this analysis, the Costco/Vineyard II Center, when analyzed exclusively from other proposed retail development, is not anticipated to create conditions conducive to urban decay. The Project is estimated to contribute nearly 225,000 square feet of retail space and approximately \$199.0 million in sales to the Murrieta community<sup>26</sup>. As shown in Chapter V, by the time the Costco/Vineyard II Center is at stabilized operations in 2023, there is no projected oversupply of retail within the larger market area attributable exclusively to the Project. These findings infer that the Project would not be likely to create conditions that would lead to urban decay.

## Cumulative Impacts

The Inland Empire and Riverside - San Bernardino metro area represents California's fastest growing economy, having added 260,000 jobs over the past five years. As new residents have located in the area, so too have new jobs and associated retail to support the growing residential base. Overall, at least 70 percent of current new retail supply is pre-leased, heightening retailer demand for existing space. These favorable market conditions have resulted in a significant pipeline of proposed development within the Primary and Secondary Market areas<sup>27</sup>, of which the Costco/Vineyard II Center is only one development. If all proposed projects come online as planned within the proposed timeframe (an unlikely scenario), an increase in oversupplied space in the market areas in the lawn and garden equipment and supply, grocery store goods and general merchandise goods is anticipated to occur by the year 2023. The findings indicate that cumulative development of anticipated retail could lead to the following impacts:

- 4) Vulnerability in the Lawn and Garden Sector: The effect of this potential oversupply is projected to be most significant in the lawn and garden sector. Larger retailers with lawn and garden sections are not particularly vulnerable because the lawn and garden section only makes up a portion of store sales. For example, the lawn and garden section would only comprise 1 percent of the proposed Project's sales in 2023, and a lawn and garden section in a standard Home Depot is assumed to only comprise about 10 percent of the store's sales. Independent lawn and garden equipment and supply retailers would be more at risk for closure due to an oversupply in the marketplace. However, as described earlier, a single property becoming vacant generally does not lead to conditions of urban decay.
- 5) Minor Shifting of Sales from Existing Costco Stores in the SMA: The two existing Costco stores located in Temecula and Lake Elsinore will likely see some of their current sales redistributed to the Murrieta Costco location as residents from Murrieta, Wildomar and Menifee that currently patronize these stores change their preferred shopping destination to the new store. Anecdotal information from local news sources indicate that the Temecula Costco store is highly successful and may be experiencing crowding issues. Once a new Costco store is opened in Murrieta, customers that reside closer to the new store are, in part, expected to redirect that store visits to the closer store. In any case, the amount of redirected sales is unlikely to negatively impact the two existing Costco stores in the area.
- 6) Potential for Loss of Sales at General Merchandise Stores: There are two Walmart Supercenters in Hemet and one in Perris, both located in the Secondary Market Area in the northern most section of the market area. There is also an existing Sam's Club store in Murrieta. These stores may see some of their

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<sup>26</sup> Of the \$199 million in projected sales, 90 percent, or \$179.1 million is expected to come from customers residing in either the PMA or the SMA. The remaining 10 percent of sales (\$19.9 million) is expected to come from customers located outside either of the two market areas.

<sup>27</sup> HR&A identified 19 planned and proposed projects totaling slightly more than 1.5 million square feet planned for the PMA and SMA areas.

current sales redistributed to the Murrieta Costco location as well as other new general merchandise stores in the pipeline.

As noted previously, the planned and proposed projects list includes a number of projects that are still conceptual in nature and may not eventually be built out as convinced of today. Specifically, there are several factors that could ameliorate possible impacts of urban decay:

- **Repositioning of Properties to Non-Retail Uses:** The analysis presented herein relates to the demand for property currently used and zoned for retail uses only. Conditions conducive to urban decay may be avoided if individual landowners can readily convert their property to other more marketable or lucrative uses (e.g. residential, industrial or office) in the face of changing market conditions.
- **Entrepreneurialism and Market Adaptation:** Retail is a highly competitive and adaptable sector that is affected by a variety of evolving trends, including consumer preferences, demographics, travel patterns, technology and innovation (e.g. online shopping), as well as commodity production and distribution markets. Individual tenants or property owners will respond to these trends with varying degrees of success, depending upon their entrepreneurial skills, local planning, business development efforts, and other factors. These factors, although intangible and difficult to predict, could improve the performance of the retail sector beyond what might be expected based on population and income growth projections alone.

**Continued positive economic growth in the Market Area bodes well for re-tenanting vacated space:** As noted in Section IV of the report, the Inland Empire, the Riverside - San Bernardino metro represents California's fastest growing economy, having added 260,000 jobs over the past five years. As jobs have located in the area, so too have new residents and associated retail to support the growing residential base. Overall, at least 70 percent of current new retail supply is pre-leased, heightening retailer demand for existing space. Additionally, within the PMA and SMA area, overall retail vacancies have averaged at approximately six percent for the past year, further indicative of a robust retail environment. Given the current retail environment, vacated retail space should be able to be released within a reasonable amount of time.

## C. CONCLUSION

Based on this analysis, the Costco/Vineyard II Center, when analyzed exclusively from other proposed retail development, is not anticipated to create conditions conducive to urban decay. Due to the speculative nature of the inventory of cumulative and competitive projects identified for the PMA and SMA, the cumulative impact on market area sales are likely to be even lower in 2023 than is estimated in this report. If the estimated impacts are fully realized by 2023, the prospective sales diversions of grocery store goods and general merchandise store goods is expected to be minimal and spread among a number of existing stores in the market areas without individual stores going out of business and causing the physical impacts of urban decay. The prospective sales diversions of lawn and garden equipment and supply stores is more significant than the other categories, but given the current nature of the lawn and garden market in the PMA and SMA, the impacts are likely to be widespread and affect larger stores with lawn and garden sections representing only a portion of the store's sales, an impact that is unlikely to lead to a store closure. If the impact on independent lawn and garden stores is significant enough to result in store closures, visible symptoms of physical deterioration are unlikely to occur as a result of small and isolated store closures. As such, if all cumulative projects are built as planned and operational by 2023, conditions conducive to urban decay are highly unlikely to manifest.



## Appendix A Exhibits

Exhibit No.	Exhibit Title
A1	Proposed Land Use Plan
A2	Estimate of Project Retail Sales
A3	Costco Store Retail Category Square Footage Breakout
A4	Estimated Distribution of Costco Store Sales by NAICS Categories
A5	Estimated Distribution of Vineyard II Store Sales by NAICS Categories
A6	Estimated Distribution of All Project Store Sales by NAICS Categories
A7	Population Assumptions - Primary and Secondary Market Areas
A8	Survey of Existing Shopping Centers Within 5-Miles of Costco / Vineyard II Center Site
A9	Survey of Existing Shopping Centers In Remaining Portion of Primary Market Area
A10	Retail Sales Leakage Analysis - Primary Market Area Only (1) - 2018
A11	Retail Sales Leakage Analysis - Primary Market Area Only (1) - 2023 Projection
A12	Retail Sales Leakage Analysis - Secondary Market Area Only (1) - 2018
A13	Retail Sales Leakage Analysis - Secondary Market Area Only (1) - 2023 Projection
A14	Retail Sales Leakage Analysis - Combined Primary and Secondary Market Areas - 2018
A15	Retail Sales Leakage Analysis - Combined Primary and Secondary Market Areas - 2023 Projection
A16	Estimated Sales for Newly Opened Stores
A17	Estimated Distribution of New Store Sales by NAICS Categories
A18	Estimated Project Capture Rates for New Population Demand in the Primary Market Area Only
A19	Estimated Center Capture Rates for New Population Demand in the Secondary Market Area Only
A20	Adjusted Primary Market Area Consumer Spending Capture Rates
A21	Adjusted Secondary Market Area Consumer Spending Capture Rates
A22	New Demand Generated by Population Growth for Costco / Vineyard II Center in the PMA
A23	New Demand Generated by Population Growth for Costco / Vineyard II Center in the SMA
A24	New Demand Generated by Population Growth - Primary and Secondary Market Areas Combined
A25	Potential Sales Impacts Primary and Secondary Market Areas Combined
A26	Survey of Potential Major Retail Activity - Primary Market Area
A27	Survey of Potential Major Retail Activity - Secondary Market Area
A28	Sales Estimates for Major Planned Retail Developments - Primary Market Area
A29	Sales Estimates for Major Planned Retail Developments - Secondary Market Area
A30	Categorization of Major Planned Retail Development Sales - Primary Market Area
A31	Categorization of Major Planned Retail Development Sales - Secondary Market Area
A32	Potential Sales Impacts from Cumulative Projects - Primary and Secondary Market Areas Combined
A33	Cumulative Project Impacts Compared to Market Area and Pipeline Sales
A34	Allocations of Unknown Retail Space into NAICS Categories by Shopping Center Format
A35	Cumulative Project Impacts Indicated Square Footage Impacted
A36	Estimated Impact of Redirection of Costco PMA Consumers

**Exhibit A1**  
**Proposed Land Use Plan**  
**Costco / Vineyard II Center**

<b>Land Use</b>	<b>Sq. Ft.</b>
<b>Regional Retail</b>	
Costco Center	153,362 sf
<b>Community Retail</b>	
Vineyard II Center (1)	
Health and Beauty Retail (2)	11,900 sf
Pet Supplies (3)	16,000 sf
Fitness Center (4)	37,000 sf
Misc Small Retail (5)	3,500 sf
Casual Dining (6)	1,200 sf
Fast Food (7)	2,400 sf
Total Community Retail	72,000 sf
<b>TOTAL DEVELOPMENT</b>	<b>225,362 sf</b>

**Notes**

- (1) Prospective tenant mix information is from Retail Development Advisors (RDA), a consultant working with the project developer.
- (2) RDA indicates that the tenant will likely a health and beauty type retailer such as Bath and Body Works or ULTA,
- (3) RDA indicates that the tenant will likely a Pet Store such as PetSmart or Petco
- (4) RDA indicates that the fitness center will have a swimming pool, indoor basketball court, workout machines and rooms for pilates, yoga, spinning classes etc.
- (5) RDA indicates that the tenants will be mom and pop small local shops
- (6) RDA indicates that the tenant will be one casual dining restaurant.
- (7) RDA indicates that the tenant will be one fast food restaurant with drive-through.

**Exhibit A2**  
**Estimate of Project Retail Sales**  
**Costco / Vineyard II Center**

<b>Retail Store or Category (1)</b>	<b>Sq. Ft.</b>	<b>Average Sales \$PSF 2018 (2)</b>	<b>Average Sales \$PSF 2023 (3)</b>	<b>Estimated Store Sales 2023</b>
<b>Retailer Identified</b>				
<i>Costco Center</i>				
Gross Building Area	153,362 sf			
Net Sales Area (4)	141,484 sf	\$1,121	\$1,300	\$183,865,000
<b>Retailer Not Identified</b>				
<i>Vineyard II Center</i>				
Health and Beauty Retail (5)	11,900 sf	\$499	\$578	\$6,883,885
Pet Supplies (6)	16,000 sf	\$254	\$295	\$4,720,501
Fitness Center (7)	37,000 sf	na	na	na
Misc Small Retail (8)	3,500 sf	\$250	\$290	\$1,014,365
Casual Dining (9)	1,200 sf	\$667	\$773	\$927,883
Fast Food (10)	2,400 sf	\$585	\$678	\$1,628,316
Total Community Retail	72,000 sf	\$182	\$211	\$15,174,951
<b>NET SF OF SALES SPACE</b>	<b>213,484 sf</b>	<b>\$804</b>	<b>\$932</b>	<b>\$199,039,950</b>

**Notes**

- (1) Prospective tenant mix information is from Retail Development Advisors (RDA), a consultant working with the Project developer.
- (2) HR&A relied on the *e-Marketer Retail 2018* on-line database for retail per-square-foot estimates. Database information comes from company reports including SEC filings, press releases, presentations and conference calls
- (3) Inflation assumed as annual rate of 3.0 percent between 2018 and 2023.
- (4) Square footage of net sales space provided by MG2 Architects. See Exhibit 3 for details
- (5) Based on average sales per square foot for ULTA stores. ULTA is a better store size match than Bath & Body works.
- (6) Based on average sales per square foot for PetSmart stores
- (7) Sales generated by non-retail services such as fitness centers are not reported by the State of California Board of Equalization or Esri in a manner that is conducive to comparative analysis. Given the limited retail area devoted to these uses the sales are anticipated to be relatively low and not highly competitive with other service providers.
- (8) Based on estimated average sales per square foot for small retailers.
- (9) Based on average sales per square foot for fast casual segment
- (10) Based on average sales per square foot for fast service segment

**Exhibit A3**  
**Costco Store Retail Category Square Footage Breakout**  
**Costco / Vineyard II Center**

<b>Costco Categories</b>	<b>Sq. Ft. (1)</b>
Foods	28,478
Sundries	24,618
Hardlines	32,241
Freshfoods	19,642
Softlines	17,105
Ancillaries	
Pharmacy	1,289
Tire Center	5,308
Gas Station	12,803
<b>Net Sales Space in Store</b>	<b>141,484</b>

**Notes**

(1) Square footage of net sales space provided by MG2 Architects.

**Exhibit A4**  
**Estimated Distribution of Costco Store Sales by NAICS Categories**  
**Costco / Vineyard II Center**  
**Year 2023**

		Allocation of Costco Sales by NAICS Categories (2)									TOTAL
Costco Store Categories	Percent of Sales (1)	Electronics & Appliance Stores	Lawn & Garden Equip & Supply Stores	Grocery Stores	Beer, Wine & Liquor Stores	Health & Personal Care Stores	Gasoline Stations / Auto Supplies	Clothing Stores	Shoe Stores	General Merchandise Stores	
Foods (3)	21%	---	---	16%	---	---	---	---	---	5%	21%
Sundries (4)	20%	---	---	10%	4%	---	---	---	---	6%	20%
Hardlines (5)	16%	6%	1%	---	---	5%	---	---	---	4%	16%
Freshfoods (6)	14%	---	---	14%	---	---	---	---	---	---	14%
Softlines (7)	12%	2%	---	---	---	---	---	6%	1%	3%	12%
Ancillaries											
Pharmacy	17%	---	---	---	---	---	---	---	---	1%	1%
Tire Center		---	---	---	---	---	5%	---	---	---	5%
Gas Station		---	---	---	---	---	11%	---	---	---	11%
	100%	8%	1%	40%	4%	5%	16%	6%	1%	19%	100%
Estimated Sales by NAICS Categories	\$183,865,000	\$ 14,709,200	\$ 1,838,650	\$ 73,546,000	\$ 7,354,600	\$ 9,193,250	\$ 29,180,228	\$ 11,031,900	\$ 1,838,650	\$ 35,172,521	<b>\$183,865,000</b>

**Notes**

- (1) Source for percentages of net sales by merchandise category is *Costco Wholesale Annual Report 2017*
- (2) Sales categories corresponding to NAICS categories as reported by *ESRI MarketPlace Retail Profile*. HR&A allocated the Costco sales categories across the NAICS retail categories. Sales categories that are not relevant to this distribution are not presented here. If the type of good was believed to span more than one NAICS category, HR&A apportioned the percentage of sales based upon examination of merchandising at representative Costco stores and professional judgment.
- (3) Foods including dry foods, packaged foods, and groceries
- (4) Sundries including snack foods, candy, alcoholic and nonalcoholic beverages, and cleaning supplies
- (5) Hardlines including major appliances, electronics, health and beauty aids, hardware, and garden and patio
- (6) Fresh Foods including meat, produce, deli, and bakery
- (7) Soft lines including apparel and small appliances

**Exhibit A5**  
**Estimated Distribution of Vineyard II Store Sales by NAICS Categories**  
**Costco / Vineyard II Center**  
**Year 2023**

Shopping Center Store Categories	Estimated Sales (1)	Allocation of Center Sales by NAICS Categories (2)				TOTAL
		Restaurants and Other Eating Places	Health & Personal Care Stores	Clothing Stores	General Merchandise Stores	
Health and Beauty Retail	\$ 6,883,885	---	---	---	100%	\$ 6,883,885
Pet Supplies	\$ 4,720,501	---	---	---	100%	\$ 4,720,501
Fitness Center	na	---	---	---	---	na
Misc Small Retail	\$ 1,014,365	---	50%	50%	---	\$ 1,014,365
Casual Dining	\$ 927,883	100%	---	---	---	\$ 927,883
Fast Food	\$ 1,628,316	100%	---	---	---	\$ 1,628,316
	\$ 15,174,951	\$ 2,556,199	\$ 507,182	\$ 507,182	\$ 11,604,386	\$ 15,174,951

**Notes**

- (1) Projections of sales at Vineyard II shopping center are found on Exhibit A2
- (2) Sales categories corresponding to NAICS categories as reported by *ESRI MarketPlace Retail Profile*. HR&A allocated the Costco sales categories across the NAICS retail categories. Sales categories that are not relevant to this distribution are not presented here. If the type of good was believed to span more than one NAICS category, HR&A apportioned the percentage of sales based upon examination of merchandising at representative Costco stores and professional judgment.

**Exhibit A6**  
**Estimated Distribution of All Project Store Sales by NAICS Categories**  
**Costco / Vineyard II Center**  
**Year 2023**

Retail Categories	Costco Sales (1)	Vineyard II Sales (2)	Sales Originating from Inside Market Area (3)	
			TOTAL	
Electronics & Appliance Stores	\$ 14,709,200		\$ 14,709,200	\$ 13,238,280
Lawn & Garden Equip & Supply Stores	\$ 1,838,650		\$ 1,838,650	\$ 1,654,785
Grocery Stores	\$ 73,546,000		\$ 73,546,000	\$ 66,191,400
Beer, Wine & Liquor Stores	\$ 7,354,600		\$ 7,354,600	\$ 6,619,140
Health & Personal Care Stores	\$ 9,193,250	\$ 507,182	\$ 9,700,432	\$ 8,730,389
Gasoline Stations	\$ 29,180,228		\$ 29,180,228	\$ 26,262,206
Clothing Stores	\$ 11,031,900	\$ 507,182	\$ 11,539,082	\$ 10,385,174
Shoe Stores	\$ 1,838,650		\$ 1,838,650	\$ 1,654,785
General Merchandise Stores	\$ 35,172,521	\$ 11,604,386	\$ 46,776,908	\$ 42,099,217
Restaurants and Other Eating Places	\$ -	\$ 2,556,199	\$ 2,556,199	\$ 2,300,579
Total	\$ 183,865,000	\$ 15,174,951	\$ 199,039,950	\$ 179,135,955

**Notes**

- (1) See Exhibit A4 for details.  
(2) See Exhibit A5 for details.  
(3) Market Area capture estimated at 90%. Total Market Area defined as PMA and SMA combined.

**Exhibit A7**  
**Population Assumptions**  
**Primary and Secondary Market Areas**  
**Costco / Vineyard II Center**  
**Year 2010 to 2023**

	Actual 2010	Estimate 2018	Projection 2023	Net New Pop / HH 2018 - 2023	Average Annual Growth Rate 2018 to 2023
<b>Population</b>					
Primary Market Area	271,776	318,263	347,047	28,784	1.7%
Secondary Market Area	434,590	488,635	523,273	34,638	1.4%
Total Primary and Secondary Market Area	706,366	806,898	870,320	63,422	1.5%
<b>Households</b>					
Primary Market Area	88,076	100,907	109,127	8,220	1.6%
Secondary Market Area	133,800	147,511	157,007	9,496	1.3%
Total Primary and Secondary Market Area	221,876	248,418	266,134	17,716	1.4%
<b>Average Household Size</b>					
Primary Market Area	3.09	3.15	3.18	---	0.2%
Secondary Market Area	3.25	3.31	3.33	---	0.1%
Total Primary and Secondary Market Area	3.18	3.25	3.27	---	0.1%
<b>Median Household Income</b>					
Primary Market Area	---	\$77,316	\$88,909	---	2.8%
Secondary Market Area	---	\$65,116	\$76,981	---	3.4%
<b>Per Capita Income</b>					
Primary Market Area	---	\$31,360	\$33,201	---	1.1%
Secondary Market Area	---	\$26,831	\$31,616	---	3.3%

**Notes**

Source: Esri Demographic and Economic Profile reports. Based on U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2018 and 2023.



**Exhibit A8**  
**Survey of Existing Shopping Centers**  
**Within 5-Miles of Costco / Vineyard II Center Site**

Shopping Center	Location	Distance to Project Site	Square Feet	Vacancy SF	Vacancy % (1)	Format	Grocery Anchor	Gen Merch Anchor	Home Imp Garden	Additional Information
Murrieta Gateway Center	Murrieta	1.8 mi	153,860	30,967	20.1%	Neighborhood Center				
Plaza Las Brisas	Murrieta	2.2 mi	51,996	6,845	13.2%	Neighborhood Center				
California Oaks Center	Murrieta	2.6 mi	116,345	2,986	2.6%	Neighborhood Center		1		Dollar Tree
French Valley Village Center	Winchester	2.8 mi	118,801	2,600	2.2%	Neighborhood Center	1			Stater Bros
Mesa Village	Murrieta	2.8 mi	43,035	4,619	10.7%	Neighborhood Center				
Heritage Marketplace	Murrieta	2.8 mi	92,466	1,300	1.4%	Neighborhood Center	1			Albertsons
Antelope Square	Murrieta	2.8 mi	71,375	3,734	5.2%	Neighborhood Center				Walgreens
The Shops at Scott	Menifee	2.9 mi	35,406	10,589	29.9%	Neighborhood Center				
Murrieta Town Center East	Murrieta	3.0 mi	59,575	-		Neighborhood Center				
Palmilla Village	Murrieta	3.1 mi	25,146	-		Neighborhood Center	1			Supermarket
Margarita Center	Murrieta	3.1 mi	74,569	17,798	23.9%	Neighborhood Center				
The Oaks	Murrieta	3.1 mi	53,810	-		Neighborhood Center				LA Fitness
Bella Piazza	Murrieta	3.1 mi	31,869	-		Neighborhood Center				
Margarita Square	Murrieta	3.1 mi	90,274	15,759	17.5%	Neighborhood Center				
Murrieta Pointe	Murrieta	3.2 mi	43,582	2,380	5.5%	Neighborhood Center				
Kalmia Plaza	Murrieta	3.6 mi	30,812	-		Neighborhood Center				
Town Center Plaza	Murrieta	3.6 mi	44,125	14,354	32.5%	Neighborhood Center				
Madison Marketplace	Murrieta	3.6 mi	74,322	-		Neighborhood Center				
Winchester Square	Murrieta	3.8 mi	130,323	1,760	1.4%	Neighborhood Center	1			Albertsons
Sky Canyon Plaza	Murrieta	3.8 mi	29,890	-		Neighborhood Center				
Oak Creek Center	Wildomar	4.1 mi	89,654	1,400	1.6%	Neighborhood Center	1			Albertsons
Wildomar Square	Wildomar	4.3 mi	39,500	-		Neighborhood Center				
The Shops at Clinton Keith	Wildomar	4.4 mi	25,858	-		Neighborhood Center				
Bear Creek Village Center	Wildomar	4.5 mi	86,095	6,501	7.6%	Neighborhood Center	1			Stater Bros. Markets
Renaissance Plaza	Wildomar	4.7 mi	78,881	14,634	18.6%	Neighborhood Center	1			Barons Marketplace
The Barn	Wildomar	4.8 mi	33,232	655	2.0%	Neighborhood Center				
<b>TOTALS</b>	<b>26 Centers</b>		<b>1,724,801</b>	<b>138,881</b>	<b>8.1%</b>		<b>7</b>	<b>1</b>		
The Orchard at Stone Creek	Murrieta	0.4 mi	245,809	-		Community Center		1		Target
Sierra Vista Plaza	Murrieta	2.2 mi	127,540	4,424	3.5%	Community Center	1			Stater Bros. Markets, CVS Pharmacy
Murrieta Town Center	Murrieta	3.0 mi	366,327	87,732	23.9%	Community Center		1		Burlington Stores, Ross Dress for Less, Dollar Tree, Rite Aid
Cal Oaks Plaza	Murrieta	3.1 mi	303,631	-		Community Center	1	1		Target and Albertsons
Murrieta Plaza	Murrieta	3.2 mi	357,635	-		Community Center		1		Dick's Sporting Goods, Walgreens and Sam's Club
Madison Square	Murrieta	3.4 mi	84,457	-		Community Center	1			Best Buy, Smart & Final
Murrieta Spectrum	Murrieta	3.5 mi	172,597	27,163	15.7%	Community Center				Ashley Furniture Homestore
Plaza At Silverhawk	Murrieta	3.6 mi	84,479	1,999	2.4%	Community Center	1			Vons, Walgreens
Plaza De Oro	Murrieta	4.2 mi	103,142	-		Community Center	1			CVS Pharmacy, Ralphs
Village Walk Plaza	Murrieta	3.4 mi	325,452	-		Power Center				Bed, Bath & Beyond; Office Depot, PetCo, BevMo
Madison Center	Murrieta	3.5 mi	234,786	-		Power Center		1	1	Kohl's, Lowes
Murrieta Springs Plaza	Murrieta	3.5 mi	263,625	-		Power Center		1	1	99 Cents Only, Big 5 Sporting Goods, Home Depot
<b>TOTALS</b>	<b>12 Centers</b>		<b>2,669,480</b>	<b>121,318</b>	<b>4.5%</b>		<b>5</b>	<b>6</b>	<b>2</b>	

**Notes**

Source: CoStar Commercial Database

(1) Red highlights indicate shopping centers with greater than 10 percent vacancies

**Exhibit A9**  
**Survey of Existing Shopping Centers**  
**In Remaining Portion of Primary Market Area**

Shopping Center	Location	Distance to Project Site	Square Feet	Vacancy SF	Vacancy % (1)	Format	Grocery Anchor	Gen Merch Anchor	Home Imp Garden	Additional Information
Willow Springs	Wildomar	5.3 mi	56,074	2,894	5.2%	Neighborhood Center				
Menifee Lakes Plaza	Menifee	5.9 mi	50,676	8,035	15.9%	Neighborhood Center				
Newport Plaza	Menifee	6.1 mi	54,042	1,200	2.2%	Neighborhood Center				
The Bradley Business Center	Menifee	6.2 mi	99,193	-		Neighborhood Center	1			Vons
Sun City Plaza	Menifee	6.2 mi	81,320	-		Neighborhood Center				
Town Center Marketplace	Menifee	6.3 mi	168,196	-		Neighborhood Center	1			Rite Aid, Stater Bros Markets
Stater Bros Shopping Center	Menifee	7.9 mi	58,610	1,500	2.6%	Neighborhood Center	1			Stater Bros. Markets
Sun City Shopping Center	Menifee	8.0 mi	69,047	-		Neighborhood Center	1			Vons
<b>TOTALS</b>	<b>8 Centers</b>		<b>637,158</b>	<b>13,629</b>	<b>2.1%</b>		<b>7</b>	<b>3</b>		
Menifee Town Center	Menifee	5.8 mi	248,724	6,361	2.6%	Community Center	1			Ralphs, Ross Dress for Less
Cherry Hills Plaza	Menifee	7.8 mi	87,004	-		Community Center				
Countryside Marketplace	Menifee	5.4 mi	662,363	3,022	0.5%	Power Center		1	1	Best Buy, Kohl's, Target and Lowes
<b>TOTALS</b>	<b>3 Centers</b>		<b>998,091</b>	<b>9,383</b>	<b>0.9%</b>		<b>4</b>	<b>6</b>	<b>2</b>	

**Notes**

Source: CoStar Commercial Database

(1) Red highlights indicate shopping centers with greater than 10 percent vacancies

**Exhibit A10**  
**Retail Sales Leakage Analysis**  
**Primary Market Area Only (1)**  
**Costco / Vineyard II Center**  
**2018**

	NAICS	Per Capita Resident Demand (2)	2018 Market Area Demand (3)	2018 Market Area Supply (2)	Total Attraction / (Leakage) (4)	PMA Store Capture of PMA Consumer Spending
<b>Motor Vehicle &amp; Parts Dealers</b>						
Automobile Dealers	4411	\$2,081	\$662,454,603	\$62,768,176	(\$599,686,427)	9%
Other Motor Vehicle Dealers	4412	\$324	\$103,017,945	\$59,002,900	(\$44,015,045)	57%
Auto Parts, Accessories & Tire Stores	4413	\$223	\$70,867,738	\$47,159,689	(\$23,708,049)	67%
<b>Furniture &amp; Home Furnishings Stores</b>						
Furniture Stores	4421	\$246	\$78,444,328	\$28,842,916	(\$49,601,412)	37%
Home Furnishings Stores	4422	\$231	\$73,393,534	\$26,163,646	(\$47,229,888)	36%
<b>Electronics &amp; Appliance Stores</b>	443	\$466	\$148,229,522	\$77,276,647	(\$70,952,875)	52%
<b>Bldg Materials, Garden Equip. &amp; Supply</b>						
Bldg Material & Supplies Dealers	4441	\$741	\$235,879,612	\$157,655,103	(\$78,224,509)	67%
Lawn & Garden Equip & Supply Stores	4442	\$52	\$16,540,587	\$16,185,044	(\$355,543)	98%
<b>Food &amp; Beverage Stores</b>						
Grocery Stores	4451	\$1,689	\$537,499,635	\$536,263,188	(\$1,236,447)	100%
Specialty Food Stores	4452	\$140	\$44,464,174	\$6,149,640	(\$38,314,534)	14%
Beer, Wine & Liquor Stores	4453	\$146	\$46,551,272	\$16,473,352	(\$30,077,920)	35%
<b>Health &amp; Personal Care Stores</b>	4464	\$850	\$270,421,609	\$138,239,902	(\$132,181,707)	51%
<b>Gasoline Stations / Auto Supplies</b>	4474	\$1,098	\$349,533,416	\$302,239,074	(\$47,294,342)	86%
<b>Clothing &amp; Clothing Accessories Stores</b>						
Clothing Stores	4481	\$634	\$201,866,912	\$54,145,630	(\$147,721,282)	27%
Shoe Stores	4482	\$112	\$35,751,714	\$5,804,501	(\$29,947,213)	16%
Jewelry, Luggage & Leather Goods Stores	4483	\$144	\$45,968,609	\$7,104,444	(\$38,864,165)	15%
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>						
Sporting Goods/Hobby/Musical Instr Stores	4511	\$345	\$109,825,672	\$43,440,654	(\$66,385,018)	40%
Book, Periodical & Music Stores	4512	\$53	\$16,858,856	\$9,819,923	(\$7,038,932)	58%
<b>General Merchandise Stores</b>	452	\$2,069	\$658,565,461	\$549,983,796	(\$108,581,666)	84%
<b>Miscellaneous Store Retailers</b>						
Florists	4531	\$22	\$7,023,299	\$1,607,879	(\$5,415,420)	23%
Office Supplies, Stationery & Gift Stores	4532	\$107	\$34,211,847	\$19,460,098	(\$14,751,749)	57%
Used Merchandise Stores	4533	\$50	\$15,756,864	\$10,340,255	(\$5,416,608)	66%
Other Miscellaneous Store Retailers	4539	\$285	\$90,751,217	\$46,925,898	(\$43,825,320)	52%
<b>Nonstore Retailers</b>	454	\$360	\$114,516,201	\$3,257,069	(\$111,259,132)	3%
<b>Food Services &amp; Drinking Places</b>						
Special Food Services	7223	\$28	\$8,972,395	\$467,132	(\$8,505,263)	5%
Drinking Places - Alcoholic Beverages	7224	\$29	\$9,152,181	\$4,238,874	(\$4,913,307)	46%
Restaurants/Other Eating Places	7225	\$1,310	\$416,982,411	\$271,712,418	(\$145,269,993)	65%
<b>TOTAL</b>		<b>\$13,836</b>	<b>\$4,403,501,613</b>	<b>\$2,502,727,849</b>	<b>(\$1,900,773,764)</b>	<b>57%</b>
<b>Adjusted to Remove Sales in Excess of 100% Capture (5)</b>				<b>\$2,502,727,849</b>		

**Notes**

- (1) The Primary Market Area (PMA) is an area defined as approximately a 20-minute or less drive time from the project site. It is composed of the communities of Murrieta, Menifee, Romoland, Homeland, Winchester, French Valley and portions of Hemet and San Jacinto.
- (2) Source for residential consumer spending and retail supply - Esri Retail MarketPlace Report. MARKET AREA DEMAND = estimated annual resident spending for each retail category based on per capita income. MARKET AREA SUPPLY = estimated annual store sales for outlets located within the market area.
- (3) Assumes a market area population of 318,263 (See Exhibit A7). Market Area Demand = per capita resident spending X population within the market area.
- (4) A positive number (Attraction) indicates that stores within the market area are able to capture purchases by market area residents as well as some sales from consumers living outside the market area. A negative number (Leakage) indicates that market area residents are making some of their purchases at stores located outside of the market area.
- (5) Total Market Area capture rate of market area resident spending is based on adjusted sales

**Exhibit A11**  
**Retail Sales Leakage Analysis**  
**Primary Market Area Only (1)**  
**Costco / Vineyard II Center**  
**2023 Projection**

	NAICS	Per Capita Resident Demand (2)	2023 Market Area Demand (3)	2023 Market Area Supply (4)	Total Attraction / (Leakage) (5)
<b>Motor Vehicle &amp; Parts Dealers</b>					
Automobile Dealers	4411	\$2,413	\$837,422,043	\$72,765,519	(\$764,656,523)
Other Motor Vehicle Dealers	4412	\$375	\$130,227,033	\$68,400,532	(\$61,826,501)
Auto Parts, Accessories & Tire Stores	4413	\$258	\$89,585,317	\$54,671,005	(\$34,914,312)
<b>Furniture &amp; Home Furnishings Stores</b>					
Furniture Stores	4421	\$286	\$99,163,036	\$33,436,845	(\$65,726,191)
Home Furnishings Stores	4422	\$267	\$92,778,226	\$30,330,836	(\$62,447,390)
<b>Electronics &amp; Appliance Stores</b>					
	443	\$540	\$187,379,887	\$89,584,814	(\$97,795,074)
<b>Bldg Materials, Garden Equip. &amp; Supply</b>					
Bldg Material & Supplies Dealers	4441	\$859	\$298,180,110	\$182,765,474	(\$115,414,636)
Lawn & Garden Equip & Supply Stores	4442	\$60	\$20,909,285	\$18,762,902	(\$2,146,383)
<b>Food &amp; Beverage Stores</b>					
Grocery Stores	4451	\$1,958	\$679,463,982	\$621,676,011	(\$57,787,971)
Specialty Food Stores	4452	\$162	\$56,208,047	\$7,129,118	(\$49,078,929)
Beer, Wine & Liquor Stores	4453	\$170	\$58,846,389	\$19,097,130	(\$39,749,259)
<b>Health &amp; Personal Care Stores</b>					
	4464	\$985	\$341,845,335	\$160,257,934	(\$181,587,401)
<b>Gasoline Stations / Auto Supplies</b>					
	4474	\$1,273	\$441,852,145	\$350,377,923	(\$91,474,222)
<b>Clothing &amp; Clothing Accessories Stores</b>					
Clothing Stores	4481	\$735	\$255,183,979	\$62,769,625	(\$192,414,354)
Shoe Stores	4482	\$130	\$45,194,453	\$6,729,008	(\$38,465,445)
Jewelry, Luggage & Leather Goods Stores	4483	\$167	\$58,109,832	\$8,235,997	(\$49,873,835)
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>					
Sporting Goods/Hobby/Musical Instr Stores	4511	\$400	\$138,832,817	\$50,359,624	(\$88,473,193)
Book, Periodical & Music Stores	4512	\$61	\$21,311,615	\$11,383,982	(\$9,927,632)
<b>General Merchandise Stores</b>					
	452	\$2,399	\$832,505,701	\$637,581,955	(\$194,923,745)
<b>Miscellaneous Store Retailers</b>					
Florists	4531	\$26	\$8,878,292	\$1,863,973	(\$7,014,319)
Office Supplies, Stationery & Gift Stores	4532	\$125	\$43,247,876	\$22,559,587	(\$20,688,289)
Used Merchandise Stores	4533	\$57	\$19,918,565	\$11,987,190	(\$7,931,375)
Other Miscellaneous Store Retailers	4539	\$331	\$114,720,419	\$54,399,977	(\$60,320,443)
<b>Nonstore Retailers</b>					
	454	\$417	\$144,762,208	\$3,775,836	(\$140,986,372)
<b>Food Services &amp; Drinking Places</b>					
Special Food Services	7223	\$33	\$11,342,183	\$541,534	(\$10,800,649)
Drinking Places - Alcoholic Beverages	7224	\$33	\$11,569,455	\$4,914,017	(\$6,655,437)
Restaurants/Other Eating Places	7225	\$1,519	\$527,115,761	\$314,989,162	(\$212,126,599)
<b>TOTAL</b>		<b>\$16,040</b>	<b>\$5,566,553,989</b>	<b>\$2,901,347,510</b>	<b>(\$2,665,206,479)</b>

**Notes**

- (1) The Primary Market Area (PMA) is an area defined as approximately a 20-minute or less drive time from the project site. It is composed of the communities of Murrieta, Menifee, Romoland, Homeland, Winchester, French Valley and portions of Hemet and San Jacinto.
- (2) Per capita residential spending estimates for 2023 are derived by starting with 2018 per capita values as shown in Exhibit A10 and applying an annual inflation factor of 3.0% for a total of 5 years. The year 2023 is the projected year of stabilized operations for the Costco / Vineyard II center.
- (3) Assumes a market area population of 347,047. This represents a projected growth of 28,784 residents. Market Area Demand = per capita resident spending X population within the market area.
- (4) Market Area Supply for year 2023 = store sales from 2018 as shown in Exhibit A10 with an applied annual inflation factor of 3.0% for a total of 5 years. Note, this projection does not include any new stores projected for development within the 5 year timeframe of the analysis.
- (5) A positive number (Attraction) indicates that stores within the market area are able to capture purchases by market area residents as well as some sales from consumers living outside the market area. A negative number (Leakage) indicates that market area residents are making some of their purchases at stores located outside of the market area.

**Exhibit A12**  
**Retail Sales Leakage Analysis**  
**Secondary Market Area Only (1)**  
**Costco / Vineyard II Center**  
**2018**

	NAICS	Per Capita Resident Demand (2)	2018 Market Area Demand (3)	2018 Market Area Supply (2)	Total Attraction / (Leakage) (4)	SMA Store Capture of SMA Consumer Spending
<b>Motor Vehicle &amp; Parts Dealers</b>						
Automobile Dealers	4411	\$1,629	\$795,754,910	\$1,149,950,287	\$354,195,376	100%
Other Motor Vehicle Dealers	4412	\$251	\$122,686,031	\$105,918,187	(\$16,767,844)	86%
Auto Parts, Accessories & Tire Stores	4413	\$174	\$85,259,880	\$130,880,072	\$45,620,191	100%
<b>Furniture &amp; Home Furnishings Stores</b>						
Furniture Stores	4421	\$190	\$92,757,838	\$61,576,353	(\$31,181,485)	66%
Home Furnishings Stores	4422	\$176	\$85,759,681	\$47,993,239	(\$37,766,441)	56%
<b>Electronics &amp; Appliance Stores</b>	443	\$360	\$175,828,230	\$85,607,995	(\$90,220,235)	49%
<b>Bldg Materials, Garden Equip. &amp; Supply</b>						
Bldg Material & Supplies Dealers	4441	\$566	\$276,527,809	\$271,273,879	(\$5,253,930)	98%
Lawn & Garden Equip & Supply Stores	4442	\$40	\$19,352,933	\$11,585,688	(\$7,767,244)	60%
<b>Food &amp; Beverage Stores</b>						
Grocery Stores	4451	\$1,338	\$653,703,659	\$824,508,291	\$170,804,631	100%
Specialty Food Stores	4452	\$111	\$54,164,539	\$22,027,264	(\$32,137,275)	41%
Beer, Wine & Liquor Stores	4453	\$114	\$55,847,740	\$32,333,905	(\$23,513,835)	58%
<b>Health &amp; Personal Care Stores</b>	4464	\$667	\$325,760,206	\$271,158,359	(\$54,601,847)	83%
<b>Gasoline Stations / Auto Supplies</b>	4474	\$875	\$427,704,783	\$472,652,601	\$44,947,818	100%
<b>Clothing &amp; Clothing Accessories Stores</b>						
Clothing Stores	4481	\$494	\$241,187,809	\$214,855,314	(\$26,332,495)	89%
Shoe Stores	4482	\$87	\$42,743,550	\$55,359,432	\$12,615,882	100%
Jewelry, Luggage & Leather Goods Stores	4483	\$110	\$53,652,882	\$30,231,857	(\$23,421,026)	56%
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>						
Sporting Goods/Hobby/Musical Instr Stores	4511	\$268	\$130,734,448	\$105,199,266	(\$25,535,182)	80%
Book, Periodical & Music Stores	4512	\$41	\$20,212,154	\$8,010,043	(\$12,202,110)	40%
<b>General Merchandise Stores</b>	452	\$1,624	\$793,787,189	\$1,137,656,009	\$343,868,820	100%
<b>Miscellaneous Store Retailers</b>						
Florists	4531	\$17	\$8,081,954	\$3,130,853	(\$4,951,101)	39%
Office Supplies, Stationery & Gift Stores	4532	\$83	\$40,689,644	\$96,739,648	\$56,050,003	100%
Used Merchandise Stores	4533	\$38	\$18,638,323	\$19,595,692	\$957,370	100%
Other Miscellaneous Store Retailers	4539	\$224	\$109,672,455	\$119,049,488	\$9,377,032	100%
<b>Nonstore Retailers</b>	454	\$280	\$136,740,478	\$529,061,163	\$392,320,685	100%
<b>Food Services &amp; Drinking Places</b>						
Special Food Services	7223	\$22	\$10,551,590	\$2,387,780	(\$8,163,810)	23%
Drinking Places - Alcoholic Beverages	7224	\$22	\$10,771,897	\$7,601,146	(\$3,170,751)	71%
Restaurants/Other Eating Places	7225	\$1,013	\$494,919,267	\$543,072,126	\$48,152,858	100%
<b>TOTAL</b>		<b>\$10,813</b>	<b>\$5,283,491,879</b>	<b>\$6,359,415,935</b>	<b>\$1,075,924,056</b>	<b>92%</b>
<b>Adjusted to Remove Sales in Excess of 100% Capture (5)</b>				<b>\$4,880,505,268</b>		

**Notes**

- (1) The Secondary Market Area (SMA) is an area defined as approximately a 30-minute or less drive time from the project site. It is composed on those communities within the 30-minute drive shed that are NOT already included in the PMA as well as travelers along the 215 corridor. Communities included exclusively within the SMA are: Temecula, Lake Elsinore, Perris and North Hemet.
- (2) Source for residential consumer spending and retail supply - Esri Retail MarketPlace Report. MARKET AREA DEMAND = estimated annual resident spending for each retail category adjusted for household income differences. MARKET AREA SUPPLY = estimated annual store sales for outlets located within the market area.
- (3) Assumes a market area population of 488,635 (See Exhibit A7). Market Area Demand = per capita resident spending X population within the market area.
- (4) A positive number (Attraction) indicates that stores within the market area are able to capture purchases by market area residents as well as some sales from consumers living outside the market area. A negative number (Leakage) indicates that market area residents are making some of their purchases at stores located outside of the market area.
- (5) Total Market Area capture rate of market area resident spending is based on adjusted sales

**Exhibit A13**  
**Retail Sales Leakage Analysis**  
**Secondary Market Area Only (1)**  
**Costco / Vineyard II Center**  
**2023 Projection**

	NAICS	Per Capita Resident Demand (2)	2023 Market Area Demand (3)	2023 Market Area Supply (4)	Total Attraction / (Leakage) (5)	SMA Store Capture of SMA Consumer Spending
<b>Motor Vehicle &amp; Parts Dealers</b>						
Automobile Dealers	4411	\$1,888	\$987,891,402	\$1,333,107,554	\$345,216,152	100%
Other Motor Vehicle Dealers	4412	\$291	\$152,308,799	\$122,788,208	(\$29,520,591)	81%
Auto Parts, Accessories & Tire Stores	4413	\$202	\$105,846,036	\$151,725,874	\$45,879,838	100%
<b>Furniture &amp; Home Furnishings Stores</b>						
Furniture Stores	4421	\$220	\$115,154,389	\$71,383,870	(\$43,770,519)	62%
Home Furnishings Stores	4422	\$203	\$106,466,514	\$55,637,318	(\$50,829,196)	52%
<b>Electronics &amp; Appliance Stores</b>	443	\$417	\$218,282,280	\$99,243,129	(\$119,039,151)	45%
<b>Bldg Materials, Garden Equip. &amp; Supply</b>						
Bldg Material & Supplies Dealers	4441	\$656	\$343,295,959	\$314,480,775	(\$28,815,184)	92%
Lawn & Garden Equip & Supply Stores	4442	\$46	\$24,025,734	\$13,430,988	(\$10,594,746)	56%
<b>Food &amp; Beverage Stores</b>						
Grocery Stores	4451	\$1,551	\$811,541,615	\$955,831,085	\$144,289,471	100%
Specialty Food Stores	4452	\$129	\$67,242,667	\$25,535,636	(\$41,707,031)	38%
Beer, Wine & Liquor Stores	4453	\$132	\$69,332,280	\$37,483,858	(\$31,848,422)	54%
<b>Health &amp; Personal Care Stores</b>	4464	\$773	\$404,415,609	\$314,346,856	(\$90,068,754)	78%
<b>Gasoline Stations / Auto Supplies</b>	4474	\$1,015	\$530,974,892	\$547,933,906	\$16,959,014	100%
<b>Clothing &amp; Clothing Accessories Stores</b>						
Clothing Stores	4481	\$572	\$299,423,050	\$249,076,195	(\$50,346,855)	83%
Shoe Stores	4482	\$101	\$53,064,059	\$64,176,754	\$11,112,695	100%
Jewelry, Luggage & Leather Goods Stores	4483	\$127	\$66,607,470	\$35,047,007	(\$31,560,462)	53%
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>						
Sporting Goods/Hobby/Musical Instr Stores	4511	\$310	\$162,300,522	\$121,954,782	(\$40,345,740)	75%
Book, Periodical & Music Stores	4512	\$48	\$25,092,415	\$9,285,835	(\$15,806,580)	37%
<b>General Merchandise Stores</b>	452	\$1,883	\$985,448,571	\$1,318,855,117	\$333,406,545	100%
<b>Miscellaneous Store Retailers</b>						
Florists	4531	\$19	\$10,033,356	\$3,629,517	(\$6,403,840)	36%
Office Supplies, Stationery & Gift Stores	4532	\$97	\$50,514,234	\$112,147,765	\$61,633,531	100%
Used Merchandise Stores	4533	\$44	\$23,138,580	\$22,716,778	(\$421,802)	98%
Other Miscellaneous Store Retailers	4539	\$260	\$136,153,072	\$138,010,985	\$1,857,913	100%
<b>Nonstore Retailers</b>	454	\$324	\$169,756,719	\$613,326,891	\$443,570,171	100%
<b>Food Services &amp; Drinking Places</b>						
Special Food Services	7223	\$25	\$13,099,291	\$2,768,091	(\$10,331,199)	21%
Drinking Places - Alcoholic Beverages	7224	\$26	\$13,372,791	\$8,811,811	(\$4,560,980)	66%
Restaurants/Other Eating Places	7225	\$1,174	\$614,418,438	\$629,569,436	\$15,150,998	100%
<b>TOTAL</b>		<b>\$12,535</b>	<b>\$6,559,200,746</b>	<b>\$7,372,306,021</b>	<b>\$813,105,275</b>	<b>91%</b>
<b>Adjusted to Remove Sales in Excess of 100% Capture (6)</b>				<b>\$5,953,229,693</b>		

**Notes**

- (1) The Secondary Market Area (SMA) is an area defined as approximately a 30-minute or less drive time from the project site. It is composed on those communities within the 30-minute drive shed that are NOT already included in the PMA as well as travelers along the 215 corridor. Communities included exclusively within the SMA are: Temecula, Lake Elsinore, Perris and North Hemet.
- (2) Per capita residential spending estimates for 2023 are derived by starting with 2018 per capita values as shown in Exhibit A12 and applying an annual inflation factor of 3.0% for a total of 5 years. The year 2023 is the projected year of stabilized operations for the Costco / Vineyard II center.
- (3) Assumes a market area population of 523,273. This represents a projected growth of 34,638 residents. Market Area Demand = per capita resident spending X population within the market area.
- (4) Market Area Supply for year 2023 = store sales from 2018 as shown in Exhibit A12 with an applied annual inflation factor of 3.0% for a total of 5 years. Note, this projection does not include any new stores projected for development within the 5 year timeframe of the analysis.
- (5) A positive number (Attraction) indicates that stores within the market area are able to capture purchases by market area residents as well as some sales from consumers living outside the market area. A negative number (Leakage) indicates that market area residents are making some of their purchases at stores located outside of the market area.
- (6) Total Market Area capture rate of market area resident spending is based on adjusted sales

**Exhibit A14**  
**Retail Sales Leakage Analysis**  
**Combined Primary and Secondary Market Areas**  
**Costco / Vineyard II Center**  
**2018**

	NAICS	Per Capita Resident Demand (1)	2018 Market Area Demand (2)	2018 Market Area Supply (1)	Total Attraction / (Leakage) (3)	Mkt Area Store Capture of Mkt Area Consumer Spending
<b>Motor Vehicle &amp; Parts Dealers</b>						
Automobile Dealers	4411	\$1,807	\$1,458,209,514	\$1,212,718,463	(\$245,491,051)	83%
Other Motor Vehicle Dealers	4412	\$280	\$225,703,975	\$164,921,087	(\$60,782,888)	73%
Auto Parts, Accessories & Tire Stores	4413	\$193	\$156,127,618	\$178,039,761	\$21,912,143	100%
<b>Furniture &amp; Home Furnishings Stores</b>						
Furniture Stores	4421	\$212	\$171,202,166	\$90,419,269	(\$80,782,897)	53%
Home Furnishings Stores	4422	\$197	\$159,153,215	\$74,156,885	(\$84,996,329)	47%
<b>Electronics &amp; Appliance Stores</b>	443	\$402	\$324,057,751	\$162,884,642	(\$161,173,109)	50%
<b>Bldg Materials, Garden Equip. &amp; Supply</b>						
Bldg Material & Supplies Dealers	4441	\$635	\$512,407,421	\$428,928,982	(\$83,478,439)	84%
Lawn & Garden Equip & Supply Stores	4442	\$44	\$35,893,519	\$27,770,732	(\$8,122,787)	77%
<b>Food &amp; Beverage Stores</b>						
Grocery Stores	4451	\$1,476	\$1,191,203,295	\$1,360,771,479	\$169,568,184	100%
Specialty Food Stores	4452	\$122	\$98,628,713	\$28,176,904	(\$70,451,809)	29%
Beer, Wine & Liquor Stores	4453	\$127	\$102,399,013	\$48,807,258	(\$53,591,755)	48%
<b>Health &amp; Personal Care Stores</b>	4464	\$739	\$596,181,815	\$409,398,261	(\$186,783,554)	69%
<b>Gasoline Stations / Auto Supplies</b>	4474	\$963	\$777,238,199	\$774,891,674	(\$2,346,524)	100%
<b>Clothing &amp; Clothing Accessories Stores</b>						
Clothing Stores	4481	\$549	\$443,054,720	\$269,000,944	(\$174,053,776)	61%
Shoe Stores	4482	\$97	\$78,495,264	\$61,163,933	(\$17,331,331)	78%
Jewelry, Luggage & Leather Goods Stores	4483	\$123	\$99,621,491	\$37,336,300	(\$62,285,191)	37%
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>						
Sporting Goods/Hobby/Musical Instr Stores	4511	\$298	\$240,560,120	\$148,639,920	(\$91,920,200)	62%
Book, Periodical & Music Stores	4512	\$46	\$37,071,009	\$17,829,966	(\$19,241,043)	48%
<b>General Merchandise Stores</b>	452	\$1,800	\$1,452,352,651	\$1,687,639,804	\$235,287,154	100%
<b>Miscellaneous Store Retailers</b>						
Florists	4531	\$19	\$15,105,253	\$4,738,732	(\$10,366,520)	31%
Office Supplies, Stationery & Gift Stores	4532	\$93	\$74,901,491	\$116,199,746	\$41,298,255	100%
Used Merchandise Stores	4533	\$43	\$34,395,187	\$29,935,948	(\$4,459,239)	87%
Other Miscellaneous Store Retailers	4539	\$248	\$200,423,673	\$165,975,386	(\$34,448,287)	83%
<b>Nonstore Retailers</b>	454	\$311	\$251,256,680	\$532,318,233	\$281,061,553	100%
<b>Food Services &amp; Drinking Places</b>						
Special Food Services	7223	\$24	\$19,523,985	\$2,854,912	(\$16,669,073)	15%
Drinking Places - Alcoholic Beverages	7224	\$25	\$19,924,078	\$11,840,020	(\$8,084,058)	59%
Restaurants/Other Eating Places	7225	\$1,130	\$911,901,678	\$814,784,544	(\$97,117,134)	89%
<b>TOTAL</b>		<b>\$12,005</b>	<b>\$9,686,993,492</b>	<b>\$8,862,143,784</b>	<b>(\$824,849,708)</b>	<b>84%</b>
<b>Adjusted to Remove Sales in Excess of 100% Capture (4)</b>				<b>\$8,113,016,495</b>		

**Notes**

- (1) Source for residential consumer spending and retail supply - Esri Retail MarketPlace Report. MARKET AREA DEMAND = estimated annual resident spending for each retail category adjusted for household income differences. MARKET AREA SUPPLY = estimated annual store sales for outlets located within the market area.
- (2) Assumes a market area population of 806,898 (See Exhibit A7). Market Area Demand = per capita resident spending X population within the market area.
- (3) A positive number (Attraction) indicates that stores within the market area are able to capture purchases by market area residents as well as some sales from consumers living outside the market area. A negative number (Leakage) indicates that market area residents are making some of their purchases at stores located outside of the market area.
- (4) Total Market Area capture rate of market area resident spending is based on adjusted sales

**Exhibit A15**  
**Retail Sales Leakage Analysis**  
**Combined Primary and Secondary Market Areas**  
**Costco / Vineyard II Center**  
**2023 Projection**

	NAICS	Per Capita Resident Demand (1)	2023 Market Area Demand (2)	2023 Market Area Supply (1)	Total Attraction / (Leakage) (3)	Mkt Area Store Capture of Mkt Area Consumer Spending
<b>Motor Vehicle &amp; Parts Dealers</b>						
Automobile Dealers	4411	\$2,095	\$1,825,313,445	\$1,405,873,074	(\$419,440,371)	77%
Other Motor Vehicle Dealers	4412	\$324	\$282,535,832	\$191,188,740	(\$91,347,092)	68%
Auto Parts, Accessories & Tire Stores	4413	\$224	\$195,431,353	\$206,396,879	\$10,965,526	100%
<b>Furniture &amp; Home Furnishings Stores</b>						
Furniture Stores	4421	\$246	\$214,317,425	\$104,820,714	(\$109,496,710)	49%
Home Furnishings Stores	4422	\$229	\$199,244,740	\$85,968,155	(\$113,276,586)	43%
<b>Electronics &amp; Appliance Stores</b>	443	\$466	\$405,662,167	\$188,827,942	(\$216,834,225)	47%
<b>Bldg Materials, Garden Equip. &amp; Supply</b>						
Bldg Material & Supplies Dealers	4441	\$736	\$641,476,069	\$497,246,249	(\$144,229,820)	78%
Lawn & Garden Equip & Supply Stores	4442	\$52	\$44,935,019	\$32,193,890	(\$12,741,129)	72%
<b>Food &amp; Beverage Stores</b>						
Grocery Stores	4451	\$1,711	\$1,491,005,596	\$1,577,507,096	\$86,501,500	100%
Specialty Food Stores	4452	\$142	\$123,450,714	\$32,664,754	(\$90,785,960)	26%
Beer, Wine & Liquor Stores	4453	\$147	\$128,178,670	\$56,580,988	(\$71,597,681)	44%
<b>Health &amp; Personal Care Stores</b>	4464	\$857	\$746,260,944	\$474,604,790	(\$271,656,154)	64%
<b>Gasoline Stations / Auto Supplies</b>	4474	\$1,117	\$972,827,037	\$898,311,829	(\$74,515,208)	92%
<b>Clothing &amp; Clothing Accessories Stores</b>						
Clothing Stores	4481	\$637	\$554,607,029	\$311,845,820	(\$242,761,209)	56%
Shoe Stores	4482	\$113	\$98,258,512	\$70,905,762	(\$27,352,750)	72%
Jewelry, Luggage & Leather Goods Stores	4483	\$143	\$124,717,302	\$43,283,005	(\$81,434,298)	35%
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>						
Sporting Goods/Hobby/Musical Instr Stores	4511	\$346	\$301,133,339	\$172,314,406	(\$128,818,933)	57%
Book, Periodical & Music Stores	4512	\$53	\$46,404,030	\$20,669,818	(\$25,734,212)	45%
<b>General Merchandise Stores</b>	452	\$2,087	\$1,817,954,272	\$1,956,437,072	\$138,482,800	100%
<b>Miscellaneous Store Retailers</b>						
Florists	4531	\$22	\$18,911,648	\$5,493,490	(\$13,418,159)	29%
Office Supplies, Stationery & Gift Stores	4532	\$108	\$93,762,110	\$134,707,353	\$40,945,243	100%
Used Merchandise Stores	4533	\$49	\$43,057,145	\$34,703,968	(\$8,353,177)	81%
Other Miscellaneous Store Retailers	4539	\$288	\$250,873,491	\$192,410,961	(\$58,462,530)	77%
<b>Nonstore Retailers</b>	454	\$361	\$314,518,928	\$617,102,726	\$302,583,799	100%
<b>Food Services &amp; Drinking Places</b>						
Special Food Services	7223	\$28	\$24,441,474	\$3,309,625	(\$21,131,848)	14%
Drinking Places - Alcoholic Beverages	7224	\$29	\$24,942,245	\$13,725,828	(\$11,216,417)	55%
Restaurants/Other Eating Places	7225	\$1,310	\$1,141,534,199	\$944,558,598	(\$196,975,601)	83%
<b>TOTAL</b>		<b>\$13,917</b>	<b>\$12,125,754,735</b>	<b>\$10,273,653,531</b>	<b>(\$1,852,101,204)</b>	<b>80%</b>
<b>Adjusted to Remove Sales in Excess of 100% Capture (4)</b>				<b>\$9,694,174,664</b>		

**Notes**

- (1) Per capita residential spending estimates for 2023 are derived by starting with 2018 per capita values as shown in Exhibit A14 and applying an annual inflation factor of 3.0% for a total of 5 years. The year 2023 is the projected year of stabilized operations for the Costco / Vineyard II center.
- (2) Assumes a market area population of 870,320. This represents a projected growth of 63,422 residents. Market Area Demand = per capita resident spending X population within the market area.
- (3) A positive number (Attraction) indicates that stores within the market area are able to capture purchases by market area residents as well as some sales from consumers living outside the market area. A negative number (Leakage) indicates that market area residents are making some of their purchases at stores located outside of the market area.
- (4) Total Market Area capture rate of market area resident spending is based on adjusted sales



**Exhibit A16**  
**Estimated Sales for Newly Opened Stores**  
**Costco / Vineyard II Center**

<b>New Stores (1)</b>	<b>Estimated Sq. Ft.</b>	<b>Average Sales \$PSF 2018 (2)</b>	<b>Average Sales \$PSF 2023 (3)</b>	<b>Estimated Net Sales 2018</b>	<b>Estimated Net Sales 2023</b>
<b><u>Located within PMA</u></b>					
<i>Shops at the Lakes - Menifee</i>					
Stater Brothers Grocery	45,112	\$722	\$837	\$ 32,564,436	\$ 37,751,106
CVS Pharmacy.	10,300	\$808	\$937	\$ 8,322,400	\$ 9,647,943
Fast Food	7,500	\$585	\$678	\$ 4,387,500	\$ 5,086,315
Unidentified Retail	24,088	\$375	\$435	\$ 9,033,000	\$ 10,471,723
<b>Total</b>	<b>87,000</b>	<b>\$624</b>	<b>\$724</b>	<b>\$ 54,307,336</b>	<b>\$ 62,957,086</b>
<i>Wildomar Square - Wildomar</i>					
Casual Dining	12,000	\$667	\$773	\$ 8,004,000	\$ 9,278,830
Fast Food	6,000	\$585	\$678	\$ 3,510,000	\$ 4,069,052
Petrichor Float Center	11,000	n.a.	n.a.	\$ -	\$ -
Mountain View Tire	15,000	\$310	\$359	\$ 4,650,000	\$ 5,390,624
Unidentified Retail	3,550	\$275	\$319	\$ 976,250	\$ 1,131,741
<b>Total</b>	<b>47,550</b>	<b>\$360</b>	<b>\$418</b>	<b>\$ 17,140,250</b>	<b>\$ 19,870,247</b>
<b><u>Located within SMA</u></b>					
<i>Gateway to Temecula - Temecula</i>					
Gas Station / Fast Food (4)	5,000	\$950	\$1,101	\$ 4,750,000	\$ 5,506,552
Fast Food	1,500	\$585	\$678	\$ 877,500	\$ 1,017,263
Casual Dining	3,500	\$667	\$773	\$ 2,334,500	\$ 2,706,325
LA Fitness	37,000	n.a.	n.a.	\$ -	\$ -
Unidentified Retail	14,000	\$275	\$319	\$ 3,850,000	\$ 4,463,205
<b>Total</b>	<b>61,000</b>	<b>\$194</b>	<b>\$224</b>	<b>\$ 11,812,000</b>	<b>\$ 13,693,345</b>
<b>TOTAL</b>				<b>\$83,259,586</b>	<b>\$96,520,679</b>

**Notes**

- (1) Source CoStar and local news articles
- (2) HR&A relied on the *e-Marketer Retail 2018* on-line database for retail per-square-foot estimates. Database information comes from company reports including SEC filings, press releases, presentations and conference calls
- (3) Inflation assumed as annual rate of 3.0 percent between 2018 and 2023.
- (4) Based on average taxable sales for gas stations in Temecula - State Board of Equalization taxable sales reports.

**Exhibit A17**  
**Estimated Distribution of New Store Sales by NAICS Categories**  
**Costco / Vineyard II Center**  
**Year 2023**

Store	Estimated Sales (1)	Allocation of Sales by NAICS Categories					TOTAL
		Grocery Stores	Health & Personal Care Stores	Gasoline Stations / Auto Supplies	Restaurants and Other Eating Places	General Merchandise Stores	
<b><u>Located within PMA</u></b>							
<i>Shops at the Lakes - Menifee</i>							
Stater Brothers Grocery	\$ 37,751,106	100%	---	---	---	---	\$ 37,751,106
CVS Pharmacy.	\$ 9,647,943	---	25%	---	---	75%	\$ 9,647,943
Fast Food	\$ 5,086,315	---	---	---	100%	---	\$ 5,086,315
Unidentified Retail	\$ 10,471,723	---	25%	---	---	75%	\$ 10,471,723
<i>Wildomar Square - Wildomar</i>							
Casual Dining	\$ 9,278,830	---	---	---	100%	---	\$ 9,278,830
Fast Food	\$ 4,069,052	---	---	---	100%	---	\$ 4,069,052
Petrichor Float Center	\$ -	---	---	---	---	---	\$ -
Mountain View Tire	\$ 5,390,624	---	---	100%	---	---	\$ 5,390,624
Unidentified Retail	\$ 1,131,741	---	25%	---	---	75%	\$ 1,131,741
<b><u>Located within SMA</u></b>							
<i>Gateway to Temecula - Temecula</i>							
Gas Station / Fast Food	\$ 5,506,552	---	---	100%	---	---	\$ 5,506,552
Fast Food	\$ 1,017,263	---	---	---	100%	---	\$ 1,017,263
Casual Dining	\$ 2,706,325	---	---	---	100%	---	\$ 2,706,325
LA Fitness	\$ -	---	---	---	---	---	\$ -
Unidentified Retail	\$ 4,463,205	---	25%	---	---	75%	\$ 4,463,205
TOTALS	\$ 96,520,679	\$ 37,751,106	\$ 6,428,653	\$ 10,897,176	\$ 22,157,785	\$ 19,285,959	\$ 96,520,679
TOTAL FOR PMA ONLY		\$ 37,751,106	\$ 5,312,852	\$ 5,390,624	\$ 18,434,197	\$ 15,938,555	\$ 82,827,334
TOTAL FOR SMA ONLY		\$ -	\$ 1,115,801	\$ 5,506,552	\$ 3,723,588	\$ 3,347,404	\$ 13,693,345

**Notes**

(1) See Exhibit A16

**Exhibit A18**  
**Estimated Project Capture Rates for New Population Demand**  
**in the Primary Market Area Only**  
**Costco / Vineyard II Center**  
**Projection - 2023**

	2023 Market Area Supply (1) (existing store sales)	New Store Sales for Retail Opened in 2018 (2)	Stabilized Sales from within PMA Costco/Vineyard II Center (3)	Total PMA Supply (D = A +B+C)	Estimated Costco / Vineyard II Capture Rates (4) (E = C /D)
	(A)	(B)	(C)		
<b>Motor Vehicle &amp; Parts Dealers</b>					
Automobile Dealers	\$72,765,519	\$	-	\$ 72,765,519	
Other Motor Vehicle Dealers	\$68,400,532	\$	-	\$ 68,400,532	
Auto Parts, Accessories & Tire Stores	\$54,671,005	\$	-	\$ 54,671,005	
<b>Furniture &amp; Home Furnishings Stores</b>					
Furniture Stores	\$33,436,845	\$	-	\$ 33,436,845	
Home Furnishings Stores	\$30,330,836	\$	-	\$ 30,330,836	
<b>Electronics &amp; Appliance Stores</b>	\$89,584,814	\$	10,590,624	\$ 100,175,438	10.6%
<b>Bldg Materials, Garden Equip. &amp; Supply</b>					
Bldg Material & Supplies Dealers	\$182,765,474	\$	-	\$ 182,765,474	
Lawn & Garden Equip & Supply Stores	\$18,762,902	\$	1,323,828	\$ 20,086,730	6.6%
<b>Food &amp; Beverage Stores</b>					
Grocery Stores	\$621,676,011	\$37,751,106	\$ 52,953,120	\$ 712,380,237	7.4%
Specialty Food Stores	\$7,129,118	\$	-	\$ 7,129,118	
Beer, Wine & Liquor Stores	\$19,097,130	\$	5,295,312	\$ 24,392,442	21.7%
<b>Health &amp; Personal Care Stores</b>	\$160,257,934	\$5,312,852	\$ 6,984,311	\$ 172,555,097	4.0%
<b>Gasoline Stations / Auto Supplies</b>	\$350,377,923	\$5,390,624	\$ 21,009,764	\$ 376,778,311	5.6%
<b>Clothing &amp; Clothing Accessories Stores</b>					
Clothing Stores	\$62,769,625	\$	8,308,139	\$ 71,077,765	11.7%
Shoe Stores	\$6,729,008	\$	1,323,828	\$ 8,052,836	16.4%
Jewelry, Luggage & Leather Goods Stores	\$8,235,997	\$	-	\$ 8,235,997	
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>					
Sporting Goods/Hobby/Musical Instr Stores	\$50,359,624	\$	-	\$ 50,359,624	
Book, Periodical & Music Stores	\$11,383,982	\$	-	\$ 11,383,982	
<b>General Merchandise Stores</b>	\$637,581,955	\$15,938,555	\$ 33,679,374	\$ 687,199,884	4.9%
<b>Miscellaneous Store Retailers</b>					
Florists	\$1,863,973	\$	-	\$ 1,863,973	
Office Supplies, Stationery & Gift Stores	\$22,559,587	\$	-	\$ 22,559,587	
Used Merchandise Stores	\$11,987,190	\$	-	\$ 11,987,190	
Other Miscellaneous Store Retailers	\$54,399,977	\$	-	\$ 54,399,977	
<b>Nonstore Retailers</b>	\$3,775,836	\$	-	\$ 3,775,836	
<b>Food Services &amp; Drinking Places</b>					
Special Food Services	\$541,534	\$	-	\$ 541,534	
Drinking Places - Alcoholic Beverages	\$4,914,017	\$	-	\$ 4,914,017	
Restaurants/Other Eating Places	\$314,989,162	\$18,434,197	\$ 1,840,464	\$ 335,263,822	0.5%
<b>TOTAL</b>	<b>\$ 2,901,347,510</b>	<b>\$ 82,827,334</b>	<b>\$ 143,308,764</b>	<b>\$ 3,127,483,608</b>	<b>4.6%</b>

**Notes**

- (1) See Exhibit A11 - column labeled Market Area Supply. Projection is based on inflated per capita consumer spending estimates as well as population growth projected for the PMA.
- (2) See Exhibit A17 - totals for PMA only. This total represents projects that have been completed in the time since the Esri retail supply estimates were done in 2017.
- (3) Total projected sales for Costco / Vineyard II Center = \$199.0M. (See Exhibit A2). It is estimated that 90% of the Center's sales will originate from within the Primary and Secondary market areas. Total projected sales from within the market area = \$179.1M (See Exhibit A6). Further, it is estimated that for sales originating from within the market area, 80% will come from consumers located within the PMA. (Total = \$179.1M x 80% = \$143.3M).
- (4) Represents the assumed percentage of new demand that may be captured by the proposed Costco / Vineyard II center within the Primary Market Area. Capture rates were developed based on comparing the share of the Center's estimated sales generated by Primary Market Area residents with the Primary Market Area retail supply. In other words, the analysis assumes that the Costco / Vineyard II Center will capture a proportional share of the Primary Market Area retail sales for each relevant category (e.g. fair-share market capture)

**Exhibit A19**  
**Estimated Center Capture Rates for New Population Demand**  
**in the Secondary Market Area Only**  
**Costco / Vineyard II Center**  
**2023 Projection**

	2023 Market Area Supply (1) (existing store sales)	New Store Sales for Retail Opened in 2018 (2)	Stabilized Sales from within SMA Costco/Vineyard II Center (3)	TOTAL SMA SUPPLY (D = A +B+C)	Estimated Costco / Vineyard II Capture Rates (4) (E = C /D)
	(A)	(B)	(C)	(D = A +B+C)	(E = C /D)
<b>Motor Vehicle &amp; Parts Dealers</b>					
Automobile Dealers	\$ 1,333,107,554	\$ -	\$ -	\$ 1,333,107,554	
Other Motor Vehicle Dealers	\$ 122,788,208	\$ -	\$ -	\$ 122,788,208	
Auto Parts, Accessories & Tire Stores	\$ 151,725,874	\$ -	\$ -	\$ 151,725,874	
<b>Furniture &amp; Home Furnishings Stores</b>					
Furniture Stores	\$ 71,383,870	\$ -	\$ -	\$ 71,383,870	
Home Furnishings Stores	\$ 55,637,318	\$ -	\$ -	\$ 55,637,318	
<b>Electronics &amp; Appliance Stores</b>	\$ 99,243,129	\$ -	\$ 2,647,656	\$ 101,890,785	2.6%
<b>Bldg Materials, Garden Equip. &amp; Supply</b>					
Bldg Material & Supplies Dealers	\$ 314,480,775	\$ -	\$ -	\$ 314,480,775	
Lawn & Garden Equip & Supply Stores	\$ 13,430,988	\$ -	\$ 330,957	\$ 13,761,945	2.4%
<b>Food &amp; Beverage Stores</b>					
Grocery Stores	\$ 955,831,085	\$ -	\$ 13,238,280	\$ 969,069,365	1.4%
Specialty Food Stores	\$ 25,535,636	\$ -	\$ -	\$ 25,535,636	
Beer, Wine & Liquor Stores	\$ 37,483,858	\$ -	\$ 1,323,828	\$ 38,807,686	3.4%
<b>Health &amp; Personal Care Stores</b>	\$ 314,346,856	\$ 1,115,801	\$ 1,746,078	\$ 317,208,735	0.6%
<b>Gasoline Stations / Auto Supplies</b>	\$ 547,933,906	\$ 5,506,552	\$ 5,252,441	\$ 558,692,899	0.9%
<b>Clothing &amp; Clothing Accessories Stores</b>					
Clothing Stores	\$ 249,076,195	\$ -	\$ 2,077,035	\$ 251,153,230	0.8%
Shoe Stores	\$ 64,176,754	\$ -	\$ 330,957	\$ 64,507,711	0.5%
Jewelry, Luggage & Leather Goods Stores	\$ 35,047,007	\$ -	\$ -	\$ 35,047,007	
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>					
Sporting Goods/Hobby/Musical Instr Stores	\$ 121,954,782	\$ -	\$ -	\$ 121,954,782	
Book, Periodical & Music Stores	\$ 9,285,835	\$ -	\$ -	\$ 9,285,835	
<b>General Merchandise Stores</b>	\$ 1,318,855,117	\$ 3,347,404	\$ 8,419,843	\$ 1,330,622,364	0.6%
<b>Miscellaneous Store Retailers</b>					
Florists	\$ 3,629,517	\$ -	\$ -	\$ 3,629,517	
Office Supplies, Stationery & Gift Stores	\$ 112,147,765	\$ -	\$ -	\$ 112,147,765	
Used Merchandise Stores	\$ 22,716,778	\$ -	\$ -	\$ 22,716,778	
Other Miscellaneous Store Retailers	\$ 138,010,985	\$ -	\$ -	\$ 138,010,985	
<b>Nonstore Retailers</b>	\$ 613,326,891	\$ -	\$ -	\$ 613,326,891	
<b>Food Services &amp; Drinking Places</b>					
Special Food Services	\$ 2,768,091	\$ -	\$ -	\$ 2,768,091	
Drinking Places - Alcoholic Beverages	\$ 8,811,811	\$ -	\$ -	\$ 8,811,811	
Restaurants/Other Eating Places	\$ 629,569,436	\$ 3,723,588	\$ 460,116	\$ 633,753,140	0.1%
<b>TOTAL</b>	<b>\$ 7,372,306,021</b>	<b>\$ 13,693,345</b>	<b>\$ 35,827,191</b>	<b>\$ 7,421,826,557</b>	<b>0.5%</b>

**Notes**

(1) See Exhibit A13 - column labeled Market Area Supply. Projection is based on inflated per capita consumer spending estimates as well as population growth projected for the PMA.

(2) See Exhibit A17 - totals for SMA only. This total represents projects that have been completed in the time since the Esri retail supply estimates were done in 2017.

(3) Total projected sales for Costco / Vineyard II Center = \$199.0M. (See Exhibit A2). It is estimated that 90% of the Center's sales will originate from within the Primary and Secondary market areas. Total projected sales from within the market area = \$179.1M (See Exhibit A6). Further, it is estimated that for sales originating from within the market area, 20% will come from consumers located within the SMA. (Total = \$179.1M x 20% = \$35.8M). See Appendix Exhibit A36 for detail about how the 20% capture rate was derived.

(4) Represents the assumed percentage of new demand that may be captured by the proposed Costco / Vineyard II center within the Secondary Market Area. Capture rates were developed based on comparing the share of the Center's estimated sales generated by Secondary Market Area residents with the Secondary Market Area retail supply. In other words, the analysis assumes that the Costco / Vineyard II Center will capture a proportional share of the Secondary Market Area retail sales for each relevant category (e.g. fair-share market capture).

**Exhibit A20**  
**Adjusted Primary Market Area Consumer Spending Capture Rates**  
**Costco / Vineyard II Center**  
**2023 Projection**

	Total PMA		PMA Store
	Demand (1)	Supply (2)	Capture of
	(A)	(B)	PMA Consumer Spending (C = B / A)
<b>Motor Vehicle &amp; Parts Dealers</b>			
Automobile Dealers	\$ 837,422,043	\$ 72,765,519	9%
Other Motor Vehicle Dealers	\$ 130,227,033	\$ 68,400,532	53%
Auto Parts, Accessories & Tire Stores	\$ 89,585,317	\$ 54,671,005	61%
<b>Furniture &amp; Home Furnishings Stores</b>			
Furniture Stores	\$ 99,163,036	\$ 33,436,845	34%
Home Furnishings Stores	\$ 92,778,226	\$ 30,330,836	33%
<b>Electronics &amp; Appliance Stores</b>	\$ 187,379,887	\$ 100,175,438	53%
<b>Bldg Materials, Garden Equip. &amp; Supply</b>			
Bldg Material & Supplies Dealers	\$ 298,180,110	\$ 182,765,474	61%
Lawn & Garden Equip & Supply Stores	\$ 20,909,285	\$ 20,086,730	96%
<b>Food &amp; Beverage Stores</b>			
Grocery Stores	\$ 679,463,982	\$ 712,380,237	100%
Specialty Food Stores	\$ 56,208,047	\$ 7,129,118	13%
Beer, Wine & Liquor Stores	\$ 58,846,389	\$ 24,392,442	41%
<b>Health &amp; Personal Care Stores</b>	\$ 341,845,335	\$ 172,555,097	50%
<b>Gasoline Stations / Auto Supplies</b>	\$ 441,852,145	\$ 376,778,311	85%
<b>Clothing &amp; Clothing Accessories Stores</b>			
Clothing Stores	\$ 255,183,979	\$ 71,077,765	28%
Shoe Stores	\$ 45,194,453	\$ 8,052,836	18%
Jewelry, Luggage & Leather Goods Stores	\$ 58,109,832	\$ 8,235,997	14%
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>			
Sporting Goods/Hobby/Musical Instr Stores	\$ 138,832,817	\$ 50,359,624	36%
Book, Periodical & Music Stores	\$ 21,311,615	\$ 11,383,982	53%
<b>General Merchandise Stores</b>	\$ 832,505,701	\$ 687,199,884	83%
<b>Miscellaneous Store Retailers</b>			
Florists	\$ 8,878,292	\$ 1,863,973	21%
Office Supplies, Stationery & Gift Stores	\$ 43,247,876	\$ 22,559,587	52%
Used Merchandise Stores	\$ 19,918,565	\$ 11,987,190	60%
Other Miscellaneous Store Retailers	\$ 114,720,419	\$ 54,399,977	47%
<b>Nonstore Retailers</b>	\$ 144,762,208	\$ 3,775,836	3%
<b>Food Services &amp; Drinking Places</b>			
Special Food Services	\$ 11,342,183	\$ 541,534	5%
Drinking Places - Alcoholic Beverages	\$ 11,569,455	\$ 4,914,017	42%
Restaurants/Other Eating Places	\$ 527,115,761	\$ 335,263,822	64%
<b>TOTAL</b>	<b>\$ 5,566,553,989</b>	<b>\$ 3,127,483,608</b>	<b>56%</b>
<b>Adjusted to Remove Sales in Excess of 100% Capture (3)</b>		<b>\$ 3,094,567,353</b>	
<b>Implied Leakage</b>			<b>\$ 2,471,986,637</b>

**Notes**

- (1) See Exhibit A11. Represents consumer demand by PMA residents by 2023. Includes projected population increase of 28,784 new residents.
- (2) See Exhibit A18, Column D. Represents sales at PMA stores including stores opened during early 2018 as well as the Costco/Vineyard II Center.

**Exhibit A21**  
**Adjusted Secondary Market Area Consumer Spending Capture Rates**  
**Costco / Vineyard II Center**  
**2023 Projection**

	Total SMA		SMA Store
	Demand (1)	Supply (2)	Capture of
	(A)	(B)	SMA Consumer Spending (C = B / A)
<b>Motor Vehicle &amp; Parts Dealers</b>			
Automobile Dealers	\$ 987,891,402	\$ 1,333,107,554	100%
Other Motor Vehicle Dealers	\$ 152,308,799	\$ 122,788,208	81%
Auto Parts, Accessories & Tire Stores	\$ 105,846,036	\$ 151,725,874	100%
<b>Furniture &amp; Home Furnishings Stores</b>			
Furniture Stores	\$ 115,154,389	\$ 71,383,870	62%
Home Furnishings Stores	\$ 106,466,514	\$ 55,637,318	52%
<b>Electronics &amp; Appliance Stores</b>	\$ 218,282,280	\$ 101,890,785	47%
<b>Bldg Materials, Garden Equip. &amp; Supply</b>			
Bldg Material & Supplies Dealers	\$ 343,295,959	\$ 314,480,775	92%
Lawn & Garden Equip & Supply Stores	\$ 24,025,734	\$ 13,761,945	57%
<b>Food &amp; Beverage Stores</b>			
Grocery Stores	\$ 811,541,615	\$ 969,069,365	100%
Specialty Food Stores	\$ 67,242,667	\$ 25,535,636	38%
Beer, Wine & Liquor Stores	\$ 69,332,280	\$ 38,807,686	56%
<b>Health &amp; Personal Care Stores</b>	\$ 404,415,609	\$ 317,208,735	78%
<b>Gasoline Stations / Auto Supplies</b>	\$ 530,974,892	\$ 558,692,899	100%
<b>Clothing &amp; Clothing Accessories Stores</b>			
Clothing Stores	\$ 299,423,050	\$ 251,153,230	84%
Shoe Stores	\$ 53,064,059	\$ 64,507,711	100%
Jewelry, Luggage & Leather Goods Stores	\$ 66,607,470	\$ 35,047,007	53%
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>			
Sporting Goods/Hobby/Musical Instr Stores	\$ 162,300,522	\$ 121,954,782	75%
Book, Periodical & Music Stores	\$ 25,092,415	\$ 9,285,835	37%
<b>General Merchandise Stores</b>	\$ 985,448,571	\$ 1,330,622,364	100%
<b>Miscellaneous Store Retailers</b>			
Florists	\$ 10,033,356	\$ 3,629,517	36%
Office Supplies, Stationery & Gift Stores	\$ 50,514,234	\$ 112,147,765	100%
Used Merchandise Stores	\$ 23,138,580	\$ 22,716,778	98%
Other Miscellaneous Store Retailers	\$ 136,153,072	\$ 138,010,985	100%
<b>Nonstore Retailers</b>	\$ 169,756,719	\$ 613,326,891	100%
<b>Food Services &amp; Drinking Places</b>			
Special Food Services	\$ 13,099,291	\$ 2,768,091	21%
Drinking Places - Alcoholic Beverages	\$ 13,372,791	\$ 8,811,811	66%
Restaurants/Other Eating Places	\$ 614,418,438	\$ 633,753,140	100%
<b>TOTAL</b>	<b>\$ 6,559,200,746</b>	<b>\$ 7,421,826,557</b>	<b>91%</b>
<b>Adjusted to Remove Sales in Excess of 100% Capture (3)</b>		<b>\$ 5,962,471,048</b>	
<b>Implied Leakage</b>			<b>\$ 596,729,698</b>

**Notes**

- (1) See Exhibit A13. Represents consumer demand by SMA residents by 2023. Includes projected population increase of 28,784 new residents.
- (2) See Exhibit A19, Column D. Represents sales at SMA stores including stores opened during early 2018 as well as the Costco/Vineyard II Center.

**Exhibit A22**  
**New Demand Generated by Population Growth**  
**for Costco / Vineyard II Center in the PMA**  
**2018 to 2023**  
**2023 dollars**

	Per Capita Resident Demand (1)	Demand from New Population 2018 to 2023 (2)	Primary Market Area Capture Rate (3)	Primary Market Area Sales Captured (D = B * C)	Costco / Vineyard II Center's Capture Rate of PMA Sales (4)	Estimated Demand from New Population (F = D * E)	Remaining Potential Demand Captured by Other Stores (G = D - F)
	(A)	(B = A * 28,784)	(C)	(D = B * C)	(E)	(F = D * E)	(G = D - F)
<b>Motor Vehicle &amp; Parts Dealers</b>							
Automobile Dealers	\$2,413	\$ 69,455,596	9%	\$ 6,035,156	\$ -	\$ -	\$ 6,035,156
Other Motor Vehicle Dealers	\$375	\$ 10,801,001	53%	\$ 5,673,125	\$ -	\$ -	\$ 5,673,125
Auto Parts, Accessories & Tire Stores	\$258	\$ 7,430,186	61%	\$ 4,534,401	\$ -	\$ -	\$ 4,534,401
<b>Furniture &amp; Home Furnishings Stores</b>							
Furniture Stores	\$286	\$ 8,224,560	34%	\$ 2,773,244	\$ -	\$ -	\$ 2,773,244
Home Furnishings Stores	\$267	\$ 7,695,005	33%	\$ 2,515,633	\$ -	\$ -	\$ 2,515,633
<b>Electronics &amp; Appliance Stores</b>	\$540	\$ 15,541,246	53%	\$ 8,308,528	10.6%	\$ 878,384	\$ 7,430,144
<b>Bldg Materials, Garden Equip. &amp; Supply</b>							
Bldg Material & Supplies Dealers	\$859	\$ 24,730,991	61%	\$ 15,158,527	\$ -	\$ -	\$ 15,158,527
Lawn & Garden Equip & Supply Stores	\$60	\$ 1,734,211	96%	\$ 1,665,989	6.6%	\$ 109,798	\$ 1,556,191
<b>Food &amp; Beverage Stores</b>							
Grocery Stores	\$1,958	\$ 56,354,590	100%	\$ 56,354,590	7.4%	\$ 4,188,987	\$ 52,165,603
Specialty Food Stores	\$162	\$ 4,661,883	13%	\$ 591,287	\$ -	\$ -	\$ 591,287
Beer, Wine & Liquor Stores	\$170	\$ 4,880,706	41%	\$ 2,023,104	21.7%	\$ 439,192	\$ 1,583,912
<b>Health &amp; Personal Care Stores</b>	\$985	\$ 28,352,575	50%	\$ 14,311,681	4.0%	\$ 579,277	\$ 13,732,404
<b>Gasoline Stations / Auto Supplies</b>	\$1,273	\$ 36,647,117	85%	\$ 31,249,908	5.6%	\$ 1,742,545	\$ 29,507,363
<b>Clothing &amp; Clothing Accessories Stores</b>							
Clothing Stores	\$735	\$ 21,164,902	28%	\$ 5,895,174	11.7%	\$ 689,075	\$ 5,206,099
Shoe Stores	\$130	\$ 3,748,418	18%	\$ 667,900	16.4%	\$ 109,798	\$ 558,102
Jewelry, Luggage & Leather Goods Stores	\$167	\$ 4,819,616	14%	\$ 683,092	\$ -	\$ -	\$ 683,092
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>							
Sporting Goods/Hobby/Musical Instr Stores	\$400	\$ 11,514,763	36%	\$ 4,176,816	\$ -	\$ -	\$ 4,176,816
Book, Periodical & Music Stores	\$61	\$ 1,767,581	53%	\$ 944,185	\$ -	\$ -	\$ 944,185
<b>General Merchandise Stores</b>	\$2,399	\$ 69,047,835	83%	\$ 56,996,204	4.9%	\$ 2,793,360	\$ 54,202,844
<b>Miscellaneous Store Retailers</b>							
Florists	\$26	\$ 736,364	21%	\$ 154,597	\$ -	\$ -	\$ 154,597
Office Supplies, Stationery & Gift Stores	\$125	\$ 3,586,969	52%	\$ 1,871,087	\$ -	\$ -	\$ 1,871,087
Used Merchandise Stores	\$57	\$ 1,652,041	60%	\$ 994,215	\$ -	\$ -	\$ 994,215
Other Miscellaneous Store Retailers	\$331	\$ 9,514,886	47%	\$ 4,511,922	\$ -	\$ -	\$ 4,511,922
<b>Nonstore Retailers</b>	\$417	\$ 12,006,545	3%	\$ 313,167	\$ -	\$ -	\$ 313,167
<b>Food Services &amp; Drinking Places</b>							
Special Food Services	\$33	\$ 940,718	5%	\$ 44,915	\$ -	\$ -	\$ 44,915
Drinking Places - Alcoholic Beverages	\$33	\$ 959,568	42%	\$ 407,567	\$ -	\$ -	\$ 407,567
Restaurants/Other Eating Places	\$1,519	\$ 43,718,862	64%	\$ 27,806,706	0.5%	\$ 152,648	\$ 27,654,058
<b>TOTAL</b>	<b>\$16,040</b>	<b>\$ 461,688,734</b>	<b>56%</b>	<b>\$ 256,662,719</b>	<b>4.6%</b>	<b>\$ 11,683,063</b>	<b>\$ 244,979,656</b>

**Notes**

- (1) See Exhibit A11 - Per Capita Resident Demand  
(2) As shown in Exhibit A7 an estimated increase in population by 28,784 is projected to be added to the PMA between 2018 and 2023  
(3) See Exhibit A20 - PMA Store Capture of PMA Consumer Spending  
(4) See Exhibit A18

**Exhibit A23**  
**New Demand Generated by Population Growth**  
**for Costco / Vineyard II Center in the SMA**  
**2018 to 2023**  
**2023 dollars**

	Per Capita Demand (1)	Demand from New Population 2018 to 2023 (2)	Secondary Market Area Capture Rate (3)	Secondary Market Area Sales Captured (D = B * C)	Costco / Vineyard II Center's Capture Rate of SMA Sales (4)	Estimated Capture of Demand from New Population (F = D * E)	Remaining Potential Demand Captured by Other Stores (G = D - F)
	(A)	(B = A * 34,638)	(C)	(D = B * C)	(E)	(F = D * E)	(G = D - F)
<b>Motor Vehicle &amp; Parts Dealers</b>							
Automobile Dealers	\$1,888	\$ 65,393,365	100%	\$ 65,393,365	\$ -	\$ -	\$ 65,393,365
Other Motor Vehicle Dealers	\$291	\$ 10,082,065	81%	\$ 8,127,952	\$ -	\$ -	\$ 8,127,952
Auto Parts, Accessories & Tire Stores	\$202	\$ 7,006,467	100%	\$ 7,006,467	\$ -	\$ -	\$ 7,006,467
<b>Furniture &amp; Home Furnishings Stores</b>							
Furniture Stores	\$220	\$ 7,622,632	62%	\$ 4,725,248	\$ -	\$ -	\$ 4,725,248
Home Furnishings Stores	\$203	\$ 7,047,539	52%	\$ 3,682,906	\$ -	\$ -	\$ 3,682,906
<b>Electronics &amp; Appliance Stores</b>	\$417	\$ 14,449,172	47%	\$ 6,744,650	2.6%	\$ 175,261	\$ 6,569,388
<b>Bldg Materials, Garden Equip. &amp; Supply</b>							
Bldg Material & Supplies Dealers	\$656	\$ 22,724,439	92%	\$ 20,817,021	\$ -	\$ -	\$ 20,817,021
Lawn & Garden Equip & Supply Stores	\$46	\$ 1,590,381	57%	\$ 910,970	2.4%	\$ 21,908	\$ 889,063
<b>Food &amp; Beverage Stores</b>							
Grocery Stores	\$1,551	\$ 53,719,910	100%	\$ 53,719,910	1.4%	\$ 733,858	\$ 52,986,052
Specialty Food Stores	\$129	\$ 4,451,121	38%	\$ 1,690,329	\$ -	\$ -	\$ 1,690,329
Beer, Wine & Liquor Stores	\$132	\$ 4,589,443	56%	\$ 2,568,871	3.4%	\$ 87,631	\$ 2,481,240
<b>Health &amp; Personal Care Stores</b>	\$773	\$ 26,770,248	78%	\$ 20,997,598	0.6%	\$ 115,581	\$ 20,882,017
<b>Gasoline Stations / Auto Supplies</b>	\$1,015	\$ 35,147,826	100%	\$ 35,147,826	0.9%	\$ 330,435	\$ 34,817,391
<b>Clothing &amp; Clothing Accessories Stores</b>							
Clothing Stores	\$572	\$ 19,820,277	84%	\$ 16,625,061	0.8%	\$ 137,489	\$ 16,487,572
Shoe Stores	\$101	\$ 3,512,570	100%	\$ 3,512,570	0.5%	\$ 18,021	\$ 3,494,548
Jewelry, Luggage & Leather Goods Stores	\$127	\$ 4,409,074	53%	\$ 2,319,933	\$ -	\$ -	\$ 2,319,933
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>							
Sporting Goods/Hobby/Musical Instr Stores	\$310	\$ 10,743,466	75%	\$ 8,072,784	\$ -	\$ -	\$ 8,072,784
Book, Periodical & Music Stores	\$48	\$ 1,660,990	37%	\$ 614,675	\$ -	\$ -	\$ 614,675
<b>General Merchandise Stores</b>	\$1,883	\$ 65,231,662	100%	\$ 65,231,662	0.6%	\$ 412,770	\$ 64,818,893
<b>Miscellaneous Store Retailers</b>							
Florists	\$19	\$ 664,157	36%	\$ 240,255	\$ -	\$ -	\$ 240,255
Office Supplies, Stationery & Gift Stores	\$97	\$ 3,343,784	100%	\$ 3,343,784	\$ -	\$ -	\$ 3,343,784
Used Merchandise Stores	\$44	\$ 1,531,656	98%	\$ 1,503,735	\$ -	\$ -	\$ 1,503,735
Other Miscellaneous Store Retailers	\$260	\$ 9,012,638	100%	\$ 9,012,638	\$ -	\$ -	\$ 9,012,638
<b>Nonstore Retailers</b>	\$324	\$ 11,237,028	100%	\$ 11,237,028	\$ -	\$ -	\$ 11,237,028
<b>Food Services &amp; Drinking Places</b>							
Special Food Services	\$25	\$ 867,106	21%	\$ 183,234	\$ -	\$ -	\$ 183,234
Drinking Places - Alcoholic Beverages	\$26	\$ 885,210	66%	\$ 583,297	\$ -	\$ -	\$ 583,297
Restaurants/Other Eating Places	\$1,174	\$ 40,671,362	100%	\$ 40,671,362	0.1%	\$ 29,528	\$ 40,641,834
<b>TOTAL</b>	<b>\$12,535</b>	<b>\$ 434,185,588</b>	<b>91%</b>	<b>\$ 394,685,130</b>	<b>0.5%</b>	<b>\$ 2,062,482</b>	<b>\$ 392,622,648</b>

**Notes**

- (1) See Exhibit A13 - Per Capita Resident Demand  
(2) As shown in Exhibit A7 an estimated increase in population by 34,638 is projected to be added to the SMA between 2018 and 2023  
(3) See Exhibit A13 - SMA Store Capture of SMA Consumer Spending  
(4) See Exhibit A19



**Exhibit A24**  
**New Demand Generated by Population Growth**  
**Primary and Secondary Market Areas Combined**  
**2018 to 2023**  
**2023 dollars**

	New Demand (1)		Captured Market Area Sales (2)		Demand Captured by Costco / Vineyard II Center (3)		Remaining Potential Demand from New Population
<b>Motor Vehicle &amp; Parts Dealers</b>							
Automobile Dealers	\$	134,848,961	\$	71,428,521	\$	-	\$ 71,428,521
Other Motor Vehicle Dealers	\$	20,883,065	\$	13,801,077	\$	-	\$ 13,801,077
Auto Parts, Accessories & Tire Stores	\$	14,436,653	\$	11,540,868	\$	-	\$ 11,540,868
<b>Furniture &amp; Home Furnishings Stores</b>							
Furniture Stores	\$	15,847,192	\$	7,498,492	\$	-	\$ 7,498,492
Home Furnishings Stores	\$	14,742,545	\$	6,198,539	\$	-	\$ 6,198,539
<b>Electronics &amp; Appliance Stores</b>	\$	29,990,418	\$	15,053,178	\$	1,053,645	\$ 13,999,533
<b>Bldg Materials, Garden Equip. &amp; Supply</b>							
Bldg Material & Supplies Dealers	\$	47,455,430	\$	35,975,548	\$	-	\$ 35,975,548
Lawn & Garden Equip & Supply Stores	\$	3,324,592	\$	2,576,959	\$	131,706	\$ 2,445,254
<b>Food &amp; Beverage Stores</b>							
Grocery Stores	\$	110,074,500	\$	110,074,500	\$	4,922,845	\$ 105,151,655
Specialty Food Stores	\$	9,113,004	\$	2,281,616	\$	-	
Beer, Wine & Liquor Stores	\$	9,470,149	\$	4,591,974	\$	526,823	\$ 4,065,152
<b>Health &amp; Personal Care Stores</b>	\$	55,122,823	\$	35,309,279	\$	694,859	\$ 34,614,420
<b>Gasoline Stations / Auto Supplies</b>	\$	71,794,943	\$	66,397,734	\$	2,072,980	\$ 64,324,754
<b>Clothing &amp; Clothing Accessories Stores</b>							
Clothing Stores	\$	40,985,178	\$	22,520,235	\$	826,564	\$ 21,693,671
Shoe Stores	\$	7,260,987	\$	4,180,470	\$	127,819	\$ 4,052,651
Jewelry, Luggage & Leather Goods Stores	\$	9,228,691	\$	3,003,025	\$	-	\$ 3,003,025
<b>Sporting Goods, Hobby, Book &amp; Music Stores</b>							
Sporting Goods/Hobby/Musical Instr Stores	\$	22,258,228	\$	12,249,600	\$	-	\$ 12,249,600
Book, Periodical & Music Stores	\$	3,428,570	\$	1,558,860	\$	-	\$ 1,558,860
<b>General Merchandise Stores</b>	\$	134,279,498	\$	122,227,866	\$	3,206,129	\$ 119,021,737
<b>Miscellaneous Store Retailers</b>							
Florists	\$	1,400,520	\$	394,853	\$	-	\$ 394,853
Office Supplies, Stationery & Gift Stores	\$	6,930,753	\$	5,214,871	\$	-	\$ 5,214,871
Used Merchandise Stores	\$	3,183,697	\$	2,497,950	\$	-	\$ 2,497,950
Other Miscellaneous Store Retailers	\$	18,527,524	\$	13,524,560	\$	-	\$ 13,524,560
<b>Nonstore Retailers</b>	\$	23,243,573	\$	11,550,195	\$	-	\$ 11,550,195
<b>Food Services &amp; Drinking Places</b>							
Special Food Services	\$	1,807,824	\$	228,148	\$	-	\$ 228,148
Drinking Places - Alcoholic Beverages	\$	1,844,778	\$	990,864	\$	-	\$ 990,864
Restaurants/Other Eating Places	\$	84,390,225	\$	68,478,068	\$	182,176	\$ 68,295,893
<b>TOTAL</b>	<b>\$</b>	<b>895,874,322</b>	<b>\$</b>	<b>651,347,849</b>	<b>\$</b>	<b>13,745,546</b>	<b>\$ 637,602,304</b>

**Notes**

- (1) See Exhibits A22 and A23. These figures were derived by adding together the estimated new demand from the Primary and Secondary market areas.
- (2) See Exhibits A22 and A23. These figures were derived by adding together the estimated captured market area sales for the Primary and Secondary market areas
- (3) See Exhibits A22 and A23. These figures were derived by adding together the estimated sales captured by the Costco/Vineyard II Center from the Primary and Secondary market areas
- (4) Comprises demand available for capture by other market area retailers besides the stores at the Costco / Vineyard II center

**Exhibit A25**  
**Potential Sales Impacts**  
**Primary and Secondary Market Areas Combined**  
**In 2023 dollars**

	Costco / Vineyard II PMA/SMA Market Area Sales (1)		Costco / Vineyard II Capture of New Demand (2)		Potential Sales Impacts (C = A - B)		Estimated Leakage (3)		Potential Absorbed Leakage by Project (4) (E = D * 50%)		Intermediary Potential Sales Impacts (F = C + E)		Remaining Potential Demand from New Population (2) (G)		Sales Diverted From Existing Retailers (H = F - G)	
	(A)		(B)		(C = A - B)		(D)		(E = D * 50%)		(F = C + E)		(G)		(H = F - G)	
<b>Electronics &amp; Appliance Stores</b>	\$	13,238,280	\$	1,053,645	\$	12,184,635	\$	(216,834,225)	\$	(12,184,635)	\$	-	\$	13,999,533	\$	-
<b>Bldg Materials, Garden Equip. &amp; Supply</b>																
Lawn & Garden Equip & Supply Stores	\$	1,654,785	\$	131,706	\$	1,523,079	\$	(12,741,129)	\$	(1,523,079)	\$	-	\$	2,445,254	\$	-
<b>Food &amp; Beverage Stores</b>																
Grocery Stores	\$	66,191,400	\$	4,922,845	\$	61,268,555	\$	-	\$	-	\$	61,268,555	\$	105,151,655	\$	-
Beer, Wine & Liquor Stores	\$	6,619,140	\$	526,823	\$	6,092,317	\$	(71,597,681)	\$	(6,092,317)	\$	-	\$	4,065,152	\$	-
<b>Health &amp; Personal Care Stores</b>	\$	8,730,389	\$	694,859	\$	8,035,531	\$	(271,656,154)	\$	(8,035,531)	\$	-	\$	34,614,420	\$	-
<b>Gasoline Stations / Auto Supplies</b>	\$	26,262,206	\$	2,072,980	\$	24,189,225	\$	(74,515,208)	\$	(24,189,225)	\$	-	\$	64,324,754	\$	-
<b>Clothing &amp; Clothing Accessories Stores</b>																
Clothing Stores	\$	10,385,174	\$	826,564	\$	9,558,610	\$	(242,761,209)	\$	(9,558,610)	\$	-	\$	21,693,671	\$	-
Shoe Stores	\$	1,654,785	\$	127,819	\$	1,526,966	\$	(27,352,750)	\$	(1,526,966)	\$	-	\$	4,052,651	\$	-
<b>General Merchandise Stores</b>	\$	42,099,217	\$	3,206,129	\$	38,893,088	\$	-	\$	-	\$	38,893,088	\$	119,021,737	\$	-
<b>Food Services &amp; Drinking Places</b>																
Restaurants/Other Eating Places	\$	2,300,579	\$	182,176	\$	2,118,404	\$	(196,975,601)	\$	(2,118,404)	\$	-	\$	68,295,893	\$	-
<b>TOTAL</b>	\$	<b>179,135,955</b>	\$	<b>13,745,546</b>	\$	<b>165,390,410</b>	\$	<b>(1,114,433,957)</b>	\$	<b>(65,228,766)</b>	\$	<b>100,161,643</b>	\$	<b>437,664,717</b>	\$	<b>-</b>

**Notes**

(1) See Exhibit A6. Represents Costco / Vineyard II Center sales from the combined primary and secondary market areas. A total of 10% of sales are expected from customers outside the market areas under study.

(2) See Exhibit A24

(3) See Exhibit A15

(4) HR&A estimates that the Costco / Vineyard II Center will capture approximately 50% of the estimated leakage. If the potential sales impacts from the Costco / Vineyard II Center are less than 50% of the estimated leakage; however, the Project will only capture leakage amounting to the total potential sales impacts shown in Column C.

**Exhibit A26**  
**Survey of Potential Major Retail Activity (1)**  
**Primary Market Area**

Area / Project	Location	Size	Format	Additional Information
<b>MURRIETA</b>				
<i>The Orchard at Stone Creek</i>	27724 Clinton Keith Rd	161,900 sf	Community	436,735 sf center with 215,850 sf remaining to be built. Assumes that 75% is built by 2023
<i>Hot Springs Center</i>	SWC Murrieta Hotsprings Rd and Winchester Rd	24,000 sf	Neighborhood	
<i>Murrieta Marketplace</i>	NEC corner of Winchester Rd and CKR	167,100 sf Phase 1 & 2 only	Power Center	Development Plan to construct a 518,817 s.f. retail center over three phases. Potentially consisting of 26,100 s.f. of restaurant space, 136,000 Home Depot, gas station and pad buildings. Assumes first two phases are built by 2023, totaling 167,100 square feet.
<i>Murrieta Gateway</i>	Jefferson Ave., Adams Ave., south of Hawthorn St, and across from Brown St.	43,000 sf retail only	Neighborhood	Construction of three industrial bldgs. with a total of 285,270 sq. ft., 150 room hotel, 43,400 s.f. retail w/gas station for a total of 430,800 s.f. on a 28+ acre property
<i>Aldi Grocery Store</i>	SWC of Murrieta Hot Springs Rd. and Winchester Rd.	19,043 sf	Freestanding	
<i>French Valley Crossing</i>	SEC of Winchester Rd and Clinton Keith Road	36,317 sf	Neighborhood	
<i>The Triangle</i>	SWC Murrieta Hotsprings Rd and the 215 Frwy	100,000 sf retail only	Regional	1.76 M sf (600,000 sf office + 800,000 sf retail + theater and hotel w/meeting rooms). Current square footage based on Triangle Specific Plan; however this project is a long term speculative development with great potential to change from original plans. See Valley News article from Aug 8, 2018 -- Grading could begin soon on Golden Triangle site, but details remain vague. -- For this analysis we have assumed only 100,000 sf of retail is constructed by 2023.
<i>Murrieta Hospitality Commons</i>	NEC of I-15 and Los Alamos Rd	26,600 sf retail only	Community	Development of 6.95 acres w/ 59,840 sf hotel with 104 rooms and 3 restaurants totaling 16,100 sf + 10,500 sf of retail.
<i>The Vineyard Shopping Ctr (Phase I)</i>	Clinton Keith Rd Across from Vista Murrieta High School	78,489 sf retail only	Community	Phase 1 of Vineyard development. City planning indicates 165,000 sf approved. Traffic report uses 78,489 sf shopping ctr and a 91-room hotel.
<i>Vineyard Northwest</i>	NWC of Clinton Keith Rd and I-215	19,600 sf retail only	Community	Current plans call for construction of 32,208 sf commercial center. 11,600 sf retail, 8,000 sf food, 3,558 bank and 9,000 sf auto related.
<b>MENIFEE</b>				
<i>Junction at Menifee</i>	NWC of Scott Rd. & Haun Rd.	311,500 sf	Community	Proposed 528,000 sf of retail development. Current plan is for 148,000 sf discount shopping anchor such as a Super Walmart; a 140,000 home improvement store, 23,500 sf of restaurants and 216,500 sf of misc retail. Analysis assumes that all but the misc retail is built by 2023.
<i>McCall Square</i>	NWC Menifee Road & McCall Blvd.	71,100 sf	Neighborhood	
<i>McCall Square II</i>	NWC Menifee Road & McCall Blvd.	84,000 sf	Neighborhood	
<i>Menifee Crossroads</i>	I-215 Fwy & Scott Rd @ Haun Rd	30,500 sf	Community	Additional phase of an existing retail center
<i>Menifee Lakes Plaza</i>	NWC of Antelope Rd. & Newport Rd.	150,000 sf	Power Center	Tenants include Barons Market, LA Fitness, Raising Cane's, Cafe Rio, and Jamba Juice
<i>Menifee Plaza</i>	SEC Newport Rd and Town Center Dr	14,000 sf	Neighborhood	

**Notes**

Source: CoStar, individual city planning departments and internet news sources

(1) Developments that would not be considered substantial additions to the market area retail base have been excluded.

**Exhibit A27**  
**Survey of Potential Major Retail Activity (1)**  
**Secondary Market Area**

Area / Project	Location	Size	Format	Additional Information
<b>LAKE ELISNORE</b>				
<i>Artisan Alley at The Diamond</i>	Diamond Dr. & Malaga Rd.	95,000 sf	Community	The development will feature 95,000 square feet of retail and restaurant space and a 130-room hotel
Central Plaza	I-15 freeway and Central Avenue (Highway 74).	80,000 sf	Community	Currently includes Marshalls, Sketchers, Five Below, ULTA Beauty, Panera Bread, Starbucks
<b>HEMET</b>				
<i>The Boardwalk - Phase II</i>	1778-1986 West Florida Avenue	64,000 sf	Neighborhood	Additional phase of an existing retail center

**Notes**

Source: CoStar, individual city planning departments and internet news sources

(1) Developments that would not be considered substantial additions to the market area retail base have been excluded.

**Exhibit A28**  
**Sales Estimates for Major Planned Retail Developments**  
**Primary Market Area**

Store Assumptions	Type of Retail	Estimated Sq. Ft.	Average Sales \$PSF 2018 (1)	Average Sales \$PSF 2023 (2)	Percent of Sales Originating from Market Area (3)	Total Store Sales Originating from Market Area
<b>MURRIETA</b>						
The Orchard at Stone Creek	Community	161,900	\$400	\$464	85% \$	63,813,401
Hot Springs Center	Neighborhood	24,000	\$350	\$406	95% \$	9,251,007
Murrieta Marketplace	Power Center					
Restaurant		26,100	\$667	\$773	75% \$	15,136,091
Home Depot		136,000	\$407	\$472	75% \$	48,126,104
Gas Station / Convenience		5,000	\$950	\$1,101	75% \$	4,129,914
Murrieta Gateway	Neighborhood	43,400	\$350	\$406	95% \$	16,728,905
Aldi Grocery Store	Freestanding	19,043	\$700	\$811	95% \$	14,680,577
French Valley Crossing	Neighborhood	36,317	\$350	\$406	95% \$	13,998,701
The Triangle	Regional	100,000	\$400	\$464	75% \$	34,778,222
Murrieta Hospitality Commons	Community					
Restaurant		16,100	\$667	\$773	85% \$	10,581,732
Retail		10,500	\$350	\$406	85% \$	3,621,282
The Vineyard Shopping Ctr (Phase I)	Community	78,489	\$350	\$406	85% \$	27,069,603
Vineyard Northwest	Community	19,600	\$350	\$406	85% \$	6,759,727
<b>MENIFEE</b>						
Junction at Menifee	Community					
Super Walmart		148,000	\$406	\$471	85% \$	59,209,691
Home Depot		140,000	\$407	\$472	85% \$	56,147,121
Restaurants		23,500	\$667	\$773	85% \$	15,445,385
McCall Square	Neighborhood	71,100	\$350	\$406	95% \$	27,406,109
McCall Square II	Neighborhood	84,000	\$350	\$406	95% \$	32,378,525
Menifee Crossroads	Community	30,500	\$400	\$464	85% \$	12,021,672
Menifee Lakes Plaza	Power Center					
Baron's Market		15,000	\$600	\$696	75% \$	7,825,100
LA Fitness		35,000	\$400	\$464	75% \$	12,172,378
Raising Cane's		3,100	\$840	\$974	75% \$	2,264,062
Café Rio		3,000	\$650	\$754	75% \$	1,695,438
Jamba Juice		1,200	\$640	\$742	75% \$	667,742
Misc Retail		92,700	\$400	\$464	75% \$	32,239,412
Menifee Plaza	Neighborhood	14,000	\$350	\$406	95% \$	5,396,421
<b>GRAND TOTAL</b>		<b>1,337,549</b>				<b>533,544,323</b>

**Notes**

- (1) HR&A relied on the e-Marketer Retail 2018 on-line database for retail per-square-foot estimates. Database information comes from company reports including SEC filings, press releases, presentations and conference calls
- (2) Inflation assumed as annual rate of 3.0 percent between 2018 and 2023.
- (3) The percentage of sales originating from market area residents was estimated by HR&A based on the type of shopping center planned.

**Exhibit A29**  
**Sales Estimates for Major Planned Retail Developments**  
**Secondary Market Area**

Store Assumptions	Type of Retail	Estimated Sq. Ft.	Average Sales \$PSF 2018 (1)	Average Sales \$PSF 2023 (2)	Percent of Sales Originating from Market Area (3)	Total Store Sales Originating from Market Area
<b>LAKE ELSINORE</b>						
<i>Artisan Alley at The Diamond</i>	Community	95,000	\$400	\$464	85% \$	37,444,553
<i>Central Plaza</i>	Community					
Marshalls		27,200	\$337	\$391	85% \$	9,032,414
Sketchers		4,500	\$425	\$493	85% \$	1,884,545
Five Below		7,700	\$290	\$336	85% \$	2,200,360
ULTA Beauty		10,600	\$499	\$578	85% \$	5,212,085
Panera Bread		4,500	\$600	\$696	85% \$	2,660,534
Starbucks		1,700	\$758	\$879	85% \$	1,269,764
Misc Retail		23,800	\$400	\$464	85% \$	9,380,846
Total		80,000			\$	31,640,548
<b>HEMET</b>						
<i>The Boardwalk - Phase II</i>	Neighborhood	64,000	\$350	\$406	95% \$	24,669,352
<b>GRAND TOTAL</b>		<b>239,000</b>				<b>\$93,754,453</b>

**Notes**

- (1) HR&A relied on the e-Marketer Retail 2018 on-line database for retail per-square-foot estimates. Database information comes from company reports including SEC filings, press releases, presentations and conference calls
- (2) Inflation assumed as annual rate of 3.0 percent between 2018 and 2023.
- (3) The percentage of sales originating from market area residents was estimated by HR&A based on the type of shopping center planned.

**Exhibit A30**  
**Categorization of Major Planned Retail Development Sales**  
**Primary Market Area**  
**In 2023 dollars**

Store Assumptions	Type of Retail	Total Store Sales		Allocation of Sales by NAICS Categories (1)															
		Originating from		Clothing Stores	General Merchandise	Grocery Stores	Restaurants and Other Eating Places	Electronics and Appliance Stores	Building Materials and Garden Supplies	Service Stations	Other Retail (inc Health / Personal Care)								
		Market Area (2)																	
MURRIETA																			
The Orchard at Stone Creek	Community	\$	63,813,401	\$	3,190,670	\$	22,334,690	\$	15,953,350	\$	9,572,010	\$	-	\$	3,190,670	\$	-	\$	9,572,010
Hot Springs Center	Neighborhood	\$	9,251,007	\$	-	\$	1,850,201	\$	3,700,403	\$	1,850,201	\$	-	\$	-	\$	-	\$	1,850,201
Murrieta Marketplace	Power Center																		
Restaurant		\$	15,136,091							\$	15,136,091								
Home Depot (3)		\$	4,812,610											\$	4,812,610				
Gas Station / Convenience		\$	4,129,914														\$	4,129,914	
Subtotal		\$	24,078,615																
Murrieta Gateway	Neighborhood	\$	16,728,905	\$	-	\$	3,345,781	\$	6,691,562	\$	3,345,781	\$	-	\$	-	\$	-	\$	3,345,781
Aldi Grocery Store	Freestanding	\$	14,680,577					\$	14,680,577										
French Valley Crossing	Neighborhood	\$	13,998,701	\$	-	\$	2,799,740	\$	5,599,480	\$	2,799,740	\$	-	\$	-	\$	-	\$	2,799,740
The Triangle (3)	Regional	\$	34,778,222	\$	8,694,556	\$	8,694,556			\$	13,911,289							\$	3,477,822
Murrieta Hospitality Commons	Community																		
Restaurant		\$	10,581,732							\$	10,581,732								
Retail		\$	3,621,282	\$	1,810,641	\$	1,810,641												
The Vineyard Shopping Ctr (Phase I)	Community	\$	27,069,603	\$	1,353,480	\$	9,474,361	\$	6,767,401	\$	4,060,440	\$	-	\$	1,353,480	\$	-	\$	4,060,440
Vineyard Northwest	Community	\$	6,759,727	\$	337,986	\$	2,365,904	\$	1,689,932	\$	1,013,959	\$	-	\$	337,986	\$	-	\$	1,013,959
MENIFEE																			
Junction at Menifee	Community																		
Super Walmart		\$	59,209,691	\$	4,926,544	\$	13,463,214	\$	30,966,846	\$	-	\$	5,630,336	\$	703,792	\$	-	\$	3,518,960
Home Depot (4)		\$	5,614,712											\$	5,614,712				
Restaurants		\$	15,445,385							\$	15,445,385								
Subtotal		\$	80,269,789																
McCall Square	Neighborhood	\$	27,406,109	\$	-	\$	5,481,222	\$	10,962,443	\$	5,481,222	\$	-	\$	-	\$	-	\$	5,481,222
McCall Square II	Neighborhood	\$	32,378,525	\$	-	\$	6,475,705	\$	12,951,410	\$	6,475,705	\$	-	\$	-	\$	-	\$	6,475,705
Menifee Crossroads	Community	\$	12,021,672	\$	601,084	\$	4,207,585	\$	3,005,418	\$	1,803,251	\$	-	\$	601,084	\$	-	\$	1,803,251
Menifee Lakes Plaza	Power Center																		
Baron's Market		\$	7,825,100					\$	7,825,100										
LA Fitness (5)		\$	-																
Raising Cane's		\$	2,264,062							\$	2,264,062								
Café Rio		\$	1,695,438							\$	1,695,438								
Jamba Juice		\$	667,742							\$	667,742								
Misc Retail		\$	32,239,412	\$	3,223,941	\$	14,507,735	\$	4,835,912	\$	1,611,971	\$	1,611,971	\$	3,223,941	\$	-	\$	3,223,941
Subtotal			\$44,691,754																
Menifee Plaza	Neighborhood	\$	5,396,421	\$	-	\$	1,079,284	\$	2,158,568	\$	1,079,284	\$	-	\$	-	\$	-	\$	1,079,284
GRAND TOTAL			\$507,795,832		\$24,138,902		\$97,890,620		\$127,788,403		\$98,795,304		\$7,242,306		\$19,838,276		\$4,129,914		\$47,702,311

**Notes**

- (1) For projects with unknown retail, see the estimated retail sales categories in Exhibit A34
- (2) See Exhibit A28 for projected sales totals. Grand total has been adjusted to remove sales totals at LA Fitness facility anticipated for the Menifee Lakes Plaza
- (3) Recent newspaper articles indicate that plans for the site may be more of a mixed-use program with a visitor and entertainment focus rather than a conventional regional mall.
- (4) Assumes that 10% of Home Depot sales are for garden and patio goods, which is the category that is directly competitive with items sold at Costco.
- (5) Sales at LA Fitness facility are assumed to be non-retail

**Exhibit A31**  
**Categorization of Major Planned Retail Development Sales**  
**Secondary Market Area**  
**In 2023 dollars**

Store Assumptions	Type of Retail	Total Store Sales Originating from Market Area (2)	Allocation of Sales by NAICS Categories (1)								
			Clothing Stores	General Merchandise	Grocery Stores	Restaurants and Other Eating Places	Electronics and Appliance Stores	Building Materials and Garden Supplies	Service Stations	Other Retail (inc Health / Personal Care)	
LAKE ELISNORE											
Artisan Alley at The Diamond	Community	\$ 37,444,553	\$ 1,872,228	\$ 13,105,593	\$ 9,361,138	\$ 5,616,683	\$ -	\$ 1,872,228	\$ -	\$ 5,616,683	
Central Plaza	Community										
Marshall's		\$ 9,032,414		\$ 9,032,414							
Sketchers		\$ 1,884,545	\$ 1,884,545								
Five Below		\$ 2,200,360		\$ 2,200,360							
ULTA Beauty		\$ 5,212,085								\$ 5,212,085	
Panera Bread		\$ 2,660,534				\$ 2,660,534					
Starbucks		\$ 1,269,764				\$ 1,269,764					
Misc Retail		\$ 9,380,846	\$ 469,042	\$ 3,283,296	\$ 2,345,211	\$ 1,407,127	\$ -	\$ 469,042	\$ -	\$ 1,407,127	
Subtotal		\$ 31,640,548									
HEMET											
The Boardwalk - Phase II	Neighborhood	\$ 24,669,352	\$ 1,233,468	\$ 8,634,273	\$ 6,167,338	\$ 3,700,403	\$ -	\$ 1,233,468	\$ -	\$ 3,700,403	
GRAND TOTAL			\$5,459,282	\$36,255,937	\$17,873,688	\$14,654,511		\$3,574,738		\$15,936,297	

**Notes**

(1) For projects with unknown retail, see the estimated retail sales categories in Exhibit A34

(2) See Exhibit A29 for projected sales totals.



**Exhibit A32**  
**Potential Sales Impacts from Cumulative Projects**  
**Primary and Secondary Market Areas Combined**  
**In 2023 dollars**

Retail Category ID >>	Col	Total Market Area Sales from Other		Potential Sales Impacts in Market Area	Estimated Leakage (3)	Potential Absorbed Leakage (4)	Intermediary Potential Sales Impacts	Remaining Potential Demand from New Population (2)	Sales Diverted From Existing Retailers (5)
		Cumul. Retail Developments Including Costco / Vineyard II Center (1)	Costco / Vineyard II Capture of New Demand (2)						
		(A)	(B)						
Electronics & Appliance Stores		\$ 20,480,586	\$ 1,053,645	\$ 19,426,941	\$ (216,834,225)	\$ (19,426,941)	\$ -	\$ 13,999,533	\$ -
Bldg Materials, Garden Equip. & Supply									
Lawn & Garden Equip & Supply Stores		\$ 25,067,798	\$ 131,706	\$ 24,936,093	\$ (12,741,129)	\$ (6,370,564)	\$ 18,565,528	\$ 2,445,254	\$ 16,120,275
Food & Beverage Stores									
Grocery Stores		\$ 211,853,491	\$ 4,922,845	\$ 206,930,646	\$ -	\$ -	\$ 206,930,646	\$ 105,151,655	\$ 101,778,991
Beer, Wine & Liquor Stores		\$ 6,619,140	\$ 526,823	\$ 6,092,317	\$ (71,597,681)	\$ (6,092,317)	\$ -	\$ 4,065,152	\$ -
Health & Personal Care Stores		\$ 72,369,004	\$ 694,859	\$ 71,674,145	\$ (271,656,154)	\$ (71,674,145)	\$ -	\$ 34,614,420	\$ -
Gasoline Stations / Auto Supplies		\$ 30,392,120	\$ 2,072,980	\$ 28,319,139	\$ (74,515,208)	\$ (28,319,139)	\$ -	\$ 64,324,754	\$ -
Clothing & Clothing Accessories Stores									
Clothing Stores		\$ 39,983,358	\$ 826,564	\$ 39,156,794	\$ (242,761,209)	\$ (39,156,794)	\$ -	\$ 21,693,671	\$ -
Shoe Stores		\$ 1,654,785	\$ 127,819	\$ 1,526,966	\$ (27,352,750)	\$ (1,526,966)	\$ -	\$ 4,052,651	\$ -
General Merchandise Stores		\$ 176,245,775	\$ 3,206,129	\$ 173,039,646	\$ -	\$ -	\$ 173,039,646	\$ 119,021,737	\$ 54,017,909
Food Services & Drinking Places									
Restaurants/Other Eating Places		\$ 115,750,395	\$ 182,176	\$ 115,568,219	\$ (196,975,601)	\$ (98,487,800)	\$ 17,080,418	\$ 68,295,893	\$ -
TOTAL		\$ 700,416,451	\$ 13,745,546	\$ 686,670,906	\$ (1,114,433,957)	\$ (271,054,667)	\$ 415,616,239	\$ 437,664,717	\$ 171,917,175

**Notes**

- (1) See Exhibit A6 for totals from the Costco / Vineyard II Center. See Exhibits A30 and A31 for projections based on planned and proposed projects in the market area.
- (2) See Exhibit A24
- (3) See Exhibit A15
- (4) Calculated as 50% of the potential absorbed leakage as shown in Exhibit A15. If the potential sales impacts are less than 50% of the estimated leakage; however, the cumulative development will only capture leakage amounting to the total potential sales impacts shown in Column C.
- (5) Total diverted sales of \$171.9M is only 2.5% of total Market Area sales projected for 2023.

**Exhibit A33**  
**Cumulative Project Impacts Compared to Market Area and Pipeline Sales**  
**In 2023 dollars**

	<b>Sales Diverted From Existing Retailers (1)</b>	<b>Total Supply in the Market Area (PMA + SMA) (2)</b>	<b>Diverted Sales as a Percentage of Total Market Area Supply</b>	<b>Total Pipeline Supply of Planned Projects (PMA + SMA) (3)</b>	<b>Diverted Sales as a Percentage of Total Pipeline Projects</b>
<b>Electronics &amp; Appliance Stores</b>	\$ -	\$ 202,066,222		\$7,242,306	
<b>Bldg Materials, Garden Equip. &amp; Supply</b>					
Lawn & Garden Equip & Supply Stores	\$ 16,120,275	\$ 33,848,675	47.6%	\$ 23,413,013	69%
<b>Food &amp; Beverage Stores</b>					
Grocery Stores + Liquor Stores	\$ 101,778,991	\$ 1,744,649,731	5.8%	\$ 145,662,091	70%
<b>Health &amp; Personal Care Stores</b>	\$ -	\$ 489,763,832		\$ 63,638,614	
<b>Gasoline Stations / Auto Supplies</b>	\$ -	\$ 935,471,210		\$ 4,129,914	
<b>Clothing &amp; Clothing Accessories Stores</b>					
Clothing Stores + Shoe Stores	\$ -	\$ 394,791,541		\$ 29,598,184	
<b>General Merchandise Stores</b>	\$ 54,017,909	\$ 2,017,822,248	2.7%	\$ 134,146,558	40%
<b>Food Services &amp; Drinking Places</b>					
Restaurants/Other Eating Places	\$ -	\$ 969,016,962		\$113,449,815	
<b>TOTAL</b>	<b>\$ 171,917,175</b>	<b>\$ 6,787,430,422</b>	<b>2.5%</b>	<b>\$ 521,280,496</b>	<b>33%</b>

**Notes**

(1) See Exhibit A32

(2) See Exhibits A20 and A21

(3) See Exhibits A30 and A31

**Exhibit A34**  
**Allocations of Unknown Retail Space into NAICS Categories**  
**by Shopping Center Format**

<b>Format</b>	<b>Clothing Stores</b>	<b>General Merchandise</b>	<b>Grocery Stores</b>	<b>Restaurants and Other Eating Places</b>	<b>Electronics and Appliance Stores</b>	<b>Building Materials and Garden Supplies</b>	<b>Motor Vehicles and Parts</b>	<b>Service Stations</b>	<b>Other Retail (inc Health / Personal Care)</b>
Neighborhood Centers		20%	40%	20%					20%
Community Centers	5%	35%	25%	15%		5%			15%
Power Centers	10%	45%	15%	5%	5%	10%			10%
Regional Malls	30%	35%		5%	10%				20%

**Notes**

Source: International Council of Shopping Centers (ICSC) US Shopping Center Definitions and HR&A

**Exhibit A35**  
**Cumulative Project Impacts Indicated Square Footage Impacted**  
**In 2023 dollars**

		Potential Cumulative Sales Impacts (1)	Estimated Sales PSF (2)	Indicated Square Feet Impacted
		(A)	(B)	(C = A / B)
<b>Electronics &amp; Appliance Stores</b>	\$	-		-
<b>Bldg Materials, Garden Equip. &amp; Supply</b>				
Lawn & Garden Equip & Supply Stores	\$	16,120,275	\$425	37,900
<b>Food &amp; Beverage Stores</b>				
Grocery Stores	\$	101,778,991	\$900	113,100
Beer, Wine & Liquor Stores	\$	-		-
<b>Health &amp; Personal Care Stores</b>	\$	-		-
<b>Gasoline Stations / Auto Supplies</b>	\$	-		-
<b>Clothing &amp; Clothing Accessories Stores</b>				
Clothing Stores	\$	-		-
Shoe Stores	\$	-		-
<b>General Merchandise Stores</b>	\$	54,017,909	\$450	120,000
<b>Food Services &amp; Drinking Places</b>				
Restaurants/Other Eating Places	\$	-		-
<b>TOTAL</b>	<b>\$</b>	<b>171,917,175</b>		<b>271,000</b>

*rounded to nearest 100*

**Notes**

- (1) See Exhibit A32
- (2) HR&A relied on the e-Marketer *Retail 2018* on-line database for retail per-square-foot estimates. Database information comes from company reports including SEC filings, press releases, presentations and conference calls

## APPENDIX B

### General and Limiting Conditions

1. In preparing this Report, HR&A has used its independent professional judgment and skills in good faith, subject to the limitations, disclosures and disclaimers herein.
2. This Report is based on estimates, assumptions and other information developed by HR&A based upon data provided by other parties. Every reasonable effort has been made to ensure that the data contained in this Report are accurate as of the date of this Report; however, factors exist that are outside the control of HR&A and that may affect the estimates and/or projections noted herein.
3. HR&A reviewed the information and projections provided by third parties using its independent professional judgment and skills in good faith, but assumes no liability resulting from errors, omissions or any other inaccuracies with respect to the information provided by such third parties referenced in this Report.
4. In addition to relying on data, information, projections and forecasts of others as referred to above, HR&A has included in this Report estimates and assumptions made by HR&A that HR&A believes are appropriate, but HR&A makes no representation that there will be no variances between actual outcomes and such estimates and assumptions.
5. No summary or abstract of this Report, and no excerpts from this Report, may be made for any purpose without HR&A's prior written consent, which consent will not be unreasonably withheld.
6. No opinion is intended to be expressed and no responsibility is assumed for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate and economic development consultant.
7. This Report is qualified in its entirety by, and should be considered in light of these General and Limiting Conditions. By use of this Report each party that uses this Report agrees to be bound by all of the General and Limiting Conditions stated herein.

