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**BUSINESS STREET**

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**Lacey Retail Market Assessment  
Willamette Drive Convenience Store Site  
July 28, 2021**

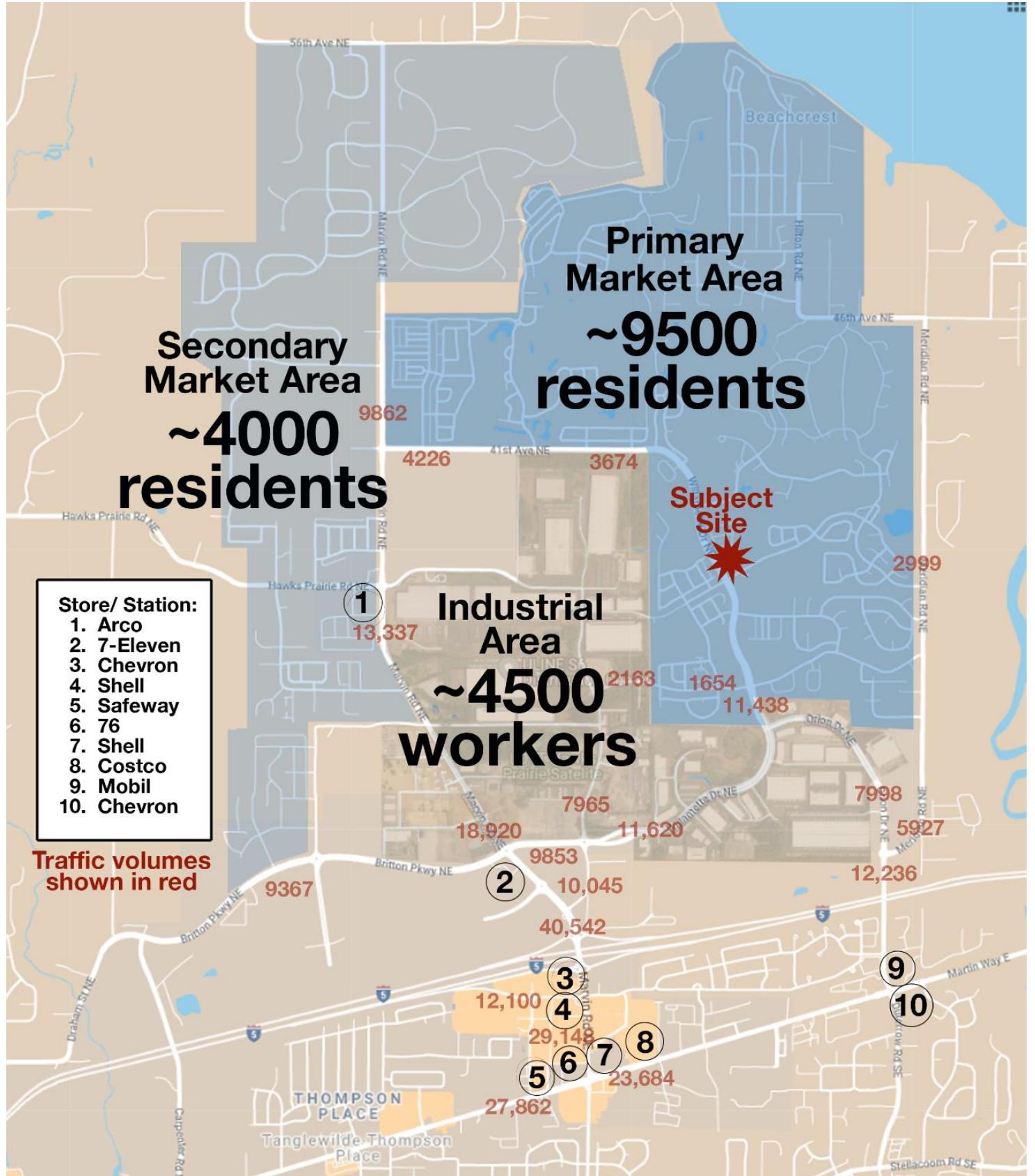
**Demographic and Real Estate Patterns**

This area was laid out to move goods and people north and south to the freeway, not across it east and west. With an industrial area both at the heart of the area and dividing the residential areas from one another, there are really three market areas here: a primary residential market of 9500 living east of Marvin Rd., a secondary residential market of 4000 people the majority of whom live west of Marvin Rd., and the industrial area itself, which has about 4500 workers who are a potential source of lunch sales.

Commercial data on local household characteristics shows that the great majority are younger two-income families in which the parents commute relatively long distances to work. Many parents probably work in health care or industrial jobs in Tacoma, for the military at Fort Lewis, or for state government. Much of the housing is starter homes with late-model sedans, sport utility vehicles and trucks parked out front, an indication that the garages are full. The mix of supermarkets nearby, including Costco, Walmart, WinCo and Food Outlet, points further to this middle-income population, although there are also a reasonable number of more affluent households living in the two golf communities, along the water and in freestanding subdivisions. The fact that some of those larger residential developments do not connect through from one to the other creates sharp geographic divides in the area, with people who may live just a few hundred feet apart using very different routes to get to the freeway.

This site is within a three-minute drive of thousands of workers, but most of that work is in warehousing and distribution that provides very little time or money for extended lunches out. While these workers help support a handful of sit-down restaurants at Britton Plaza, many more workers probably drive to the cheap fast food restaurants south of I-5 that include McDonalds, Burger King, Popeyes, Taco Time, Taco Bell and Jack-in-the-Box. Even though those restaurants are less than a ten-minute drive away, traffic and stoplights may deter many people from going south. Feeding those workers is an opportunity for this site.

The map on the next page shows the location of the subject site, the boundaries and estimated number of residents or workers in different market areas, the location and gas branding of convenience and/or gas stations in competitive locations, and the average daily volume of traffic on major roadways and travel routes.



## Competing Convenience Stores

The following table shows the characteristics of competing convenience stores and gas stations<sup>1</sup>. It is telling that these stores are more defined by what brand of gasoline they sell than what they offer inside:

Map No.	Gas	Location	Store			Gas Volume*	No. of Pumps	Price
			Size	Exposure	Access			
1	Arco	SWC Marvin. & Hawks Prairie	3200	Fair	Poor	145	8	3.65
2	7-Eleven	SWC Marvin & Britton Pkwy	2600	Poor	Poor	121	4	3.89
3	Chevron	NWC Marvin & Quinault	1300	Excellent	Good	166	6	4.05
4	Shell	SWC Marvin & Quinault	1900	Excellent	Good	88	4	4.06
5	Safeway	Martin, w. of Marvin	-	Poor	Poor	NA	4	3.79
6	76	NWC Martin & Marvin	900	Excellent	Excellent	70	6	3.85
7	Shell	NEC Martin & Marvin	2000	Excellent	Excellent	85	5	3.85
8	Costco	N of Martin, E of Gerald	-	Fair	Fair	636	9	3.53
9	Mobil	NEC Martin & Meridian	2600	Excellent	Excellent	75	5	3.90
10	Chevron	SWC Martin & Meridian	3200	Good	Excellent	121	4	3.99

\* thousands of gallons.

One of the interesting things about these stores is that almost none sell real food. None sell produce, none have more than one side of an aisle with groceries, and only one, the Chevron at Martin and Meridian, sells freshly prepared food, and that through a separate entrance to a Subway store. Even the Arco AM/ PM store at Marvin Rd. and Hawks Prairie Rd., which is the nicest and newest convenience store in the area, lacks a decent selection of hot or freshly prepared food. For all practical purposes, the entire area north of I-5 is a food desert.

## Retail Potential Of The Subject Site

And therein lies the opportunity for development of this site: to provide a true convenience store that sells both good-quality groceries and freshly prepared food.

Success in this will require not just putting up a building and hiring a cashier, but creating an innovative floor plan and hiring and managing personnel who can not only ring up sales but stock shelves, clean tables, and keep outside eating areas picked up. Done right, that operation will generate sales throughout the day, beginning first thing in the morning with commuters stopping to buy coffee and an egg McMuffin, and continuing through the day with parents gathering for coffee after dropping their kids at the nearby middle school, with workers from nearby warehouses and business parks stopping in at lunch to buy grab-and-go sandwiches, with school children buying snacks on their way home, and with home-bound consumers picking up a take-and-bake pizza or the missing ingredient for a meal about to go on the table.

With the long-term decline in the sale of fuel and tobacco, an increasing number of astute convenience store operators are now providing not just sandwiches in hard plastic containers, but high-quality food<sup>2</sup>. On Bainbridge Island, the back of a Chevron store is now leased to a restaurant that gets rave reviews from residents and tourists alike. One online review notes, "Jakes Pickup is a hidden gem in the back of a gas station, but DON'T LET THAT DETER YOU."

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<sup>1</sup>Eight of the locations have both gas and convenience stores. Two, Safeway and Costco, do not have convenience stores.

<sup>2</sup>When it comes to these progressive changes, none of the local competitors in Lacey have even gotten in the game.

To convey the image of quality that goes with better and higher-priced food, the design of this new project in north Lacey must convey the ambiance of not just a store but a restaurant, and that means providing good places to gather with others. Post-pandemic, that means providing good seating both inside and out. To create synergy between the sale of gas, food and other store items, that also means creating a welcoming, unified entrance as well as quieter places to sit down that are away from the queue for the front cash register. Interestingly, many small stores in resort locations get this, offering a combination of candy, snacks, groceries, freshly prepared foods and places to sit down and consume them that get visitors coming back daily as part of a newly-established and enjoyable routine. For this store in north Lacey to be successful, it must both attract drive-by sales and become a destination for local residents and workers, and that requires a design out of the ordinary, at least by conventional convenience store standards.

Many (but not all) neighbors would undoubtedly value such convenience and amenities, but some might argue that if the cost of such convenience is having a gas station, the community should wait for a full-fledged supermarket. A supermarket will not likely be built in this area, at least for the next ten years, both because there are too few households in this area to support a modern store<sup>3</sup>, and because online ordering is undercutting even the conventional supermarkets like Safeway and QFC that still exist.

For the food and convenience store to work, it is essential to sell gas at this location. Today 80 percent of all convenience stores sell gas. Gas is what will get people coming to this location and keep this convenience store on their mental map. That said, this location does not warrant six pumps, but it does need to have four pumps for the store and station to have credibility that it is really in the business of selling gas and that its prices are not too high. Beyond the synergy with the convenience store and food sales, the sale of gas also brings financing. Without that financing, it would be difficult to obtain loans for uses that are both feasible here and permitted by the zoning.

There is risk of building too much retail here, and 10,000 square feet would be too much. If there is capacity to build more and the rents justify this, then consider making the additional area service-office space for professionals such as accountants with customers in nearby residential subdivisions and business parks. There is little such space in nearby industrial areas and it would probably lease well here.

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<sup>3</sup>Metropolitan Market and PCC Market operate smaller stores, but those chains would not likely build here. Ten years ago, Walmart started rolling out "Neighborhood Markets" that were smaller and more local than most conventional supermarkets, but in recent years Walmart has closed many of those stores and is now putting its money into online ordering with pickups made in parking lot kiosks. In the next two years, Walmart is likely to add kiosks to its Lacey store for such ordering and pickups, and that will make the local grocery sales scene even more competitive, at least for regular weekly shopping.