Facilities of Public Accommodation

Commercial, Retail & Restaurant Market Demand and Supply Analysis

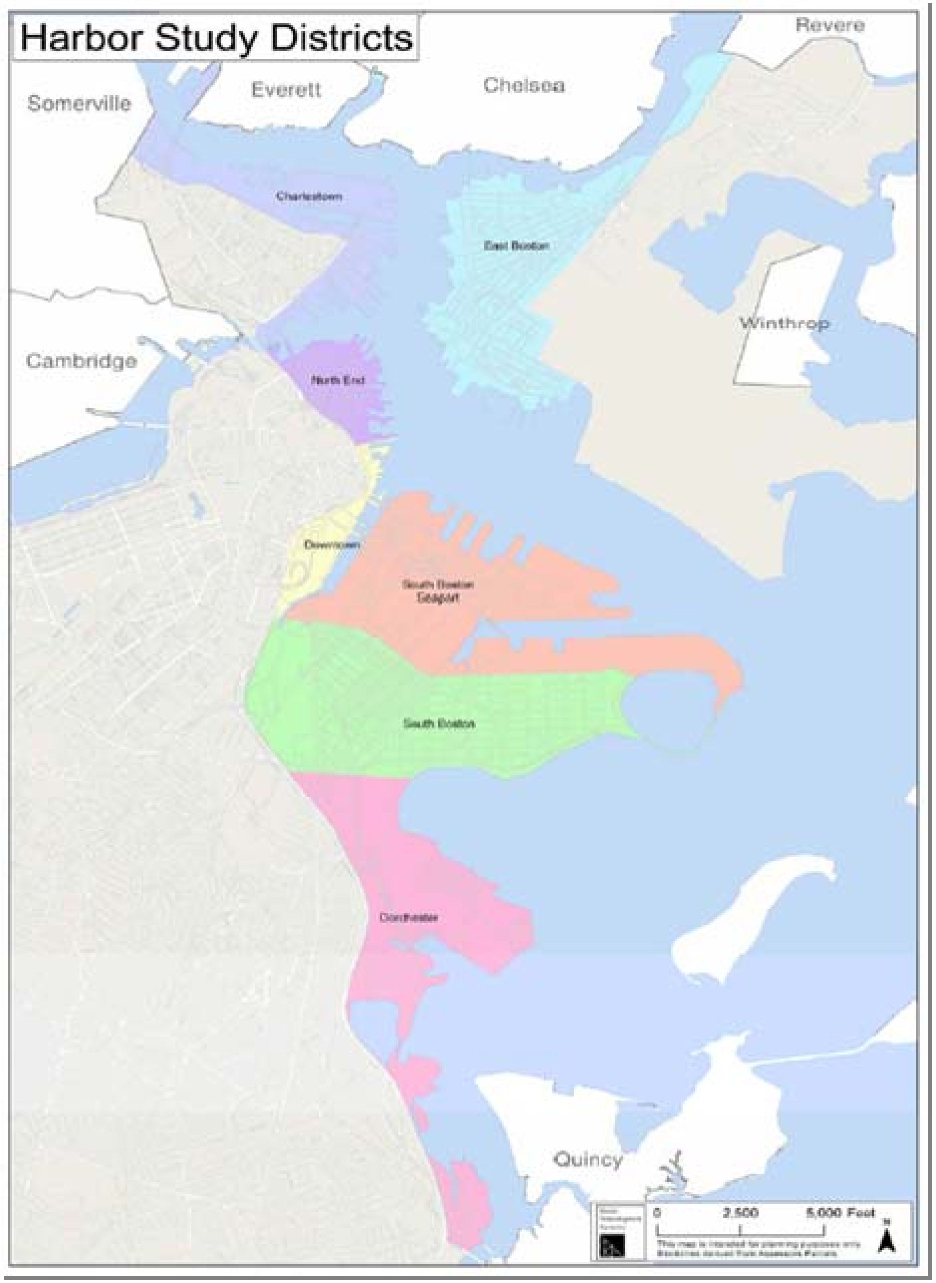
Study Purpose & Approach

➢Evaluate the market support for commercial FPA development within the Water's Edge Districts (WED) of Boston.

➢Conduct detailed market demand and supply analyses in order to produce an estimate of the supportable commercial FPA development envelope for each District.

➢Create a series of development principles that may be useful in guiding the development of successful commercial FPA's in the Water's Edge Districts in the future.

➢Create an understanding of how much space the market can reasonably be expected to absorb in each District over the course of the next 25 years and how will that space be economically viable and sustainable in the long term.



7 Water's Edge Districts

- East Boston
- Charlestown
- North End
- Downtown
- South Boston Seaport
- South Boston
- Dorchester

Guiding Principals
Commercial WED Development

- **Location**

  Projects with direct adjacencies to major demand generators such as visitor attractions, major office towers, hotels or convention centers, dense residential neighborhoods, transit stations, etc. will enjoy better opportunities for retail success. These connections to identifiable demand sources are especially important for waterside retail, as 50% of the traditionally defined radial catchment area is over water (and therefore wholly unproductive). The relative isolation of locations like the East Boston waterfront, the Charlestown Navy Yard and the 100 Acres have been, and will continue to prove challenging for retail developments in the future.

- **Access and Visibility**

  Retail spaces do best when they can be seen directly from the street and feel easily accessible on foot without barriers such as escalators, elevators, major street crossings, bridges, walls, fences, etc. The removal of the Central Artery and the completion of the Greenway improvements promises to make the Downtown and North End WED's some of the most attractive retail areas in the city.

- **Critical Mass/Scale**

  Retail spaces do best when they are part of a larger retail environment. Single spaces rarely do well unless they are occupied by destination users (restaurants and some specialty stores) or are targeted and sized to meet the specific demands of onsite users. The development of Waterside Place for example in the Seaport District can be expected to have a strong positive effect on retail development potentials in that vicinity creating a magnet for demand and for new business development.

Guiding Principals
Commercial WED Development

- **Environmental Quality**

  Great retail needs great streets. The quality of the pedestrian environment is critically important to the success of urban retail. Retail succeeds best in a mature, active, pedestrian-scaled, walk-able attractive urban design environment. This helps to explain the success of retail in places like the North End and Back Bay and the relative dearth of retail along the downtown waterfront and in the Seaport to date, which are far from the mature environments even after 30 years of active re-development. The completion of the Rose Kennedy Greenway and the build-out of Fan Pier, the former McCourt site and Waterside Place will have a profound impact on the environmental quality and retail potentials of these areas. Large development areas like the 100 Acres must also be prepared for a long and incremental maturation process.

- **Design**

  Projects that open their ground floor commercial areas to the street and invite traffic in from the outside rather than insulating and isolating it for the benefit of onsite users alone, will enjoy broader exposure to potential consumers and greater potential for long term retail success.

- **Development Timing**

  Retail follows other development, it does not lead. Emerging neighborhoods have a particularly difficult time establishing successful retail, and most depend on subsidy and/or missionary entrepreneurs in the short to mid-term. This has been a significant factor for commercial endeavors in the Charlestown Navy Yard and in the Seaport and is likely to be particularly troublesome for areas such as the 100 Acres and the East Boston waterfront.

Guiding Principals Commercial WED Development

- **Development Density and Land Use**

With few exceptions, most urban retail development is oriented toward convenience retail (food, drug, miscellaneous retail) and restaurant demand and is aimed at meeting the daily needs of onsite and walk-zone proximate residents, employees and visitors. For this reason, the density and diversity of surrounding developments is critical to the success of urban retail and helps to explain the success of retail environments such as Quincy Market, Downtown Crossing and Prudential/Copley Place. Projects that can only effectively reach their onsite consumers, or that are located in areas where only one demand source dominates (like for example at 470 Atlantic Avenue or Burrough's Wharf) will have severely constrained retail potentials.

A rule of thumb for measuring the relationship between office, hotel and housing development and supportable ground floor retail is presented below. As these measures indicate, it takes a tremendous amount of surrounding development density to support retail at even a modest scale.

1,000 SF of Office =	Support for ≈ 10 SF of restaurant space
	Support for ≈ 15 SF of miscellaneous retail space
1 Residential Unit =	Support for ≈ 20 SF of convenience goods retail space
	Support for ≈ 30 SF of shoppers goods retail space
1 Hotel Room =	Support for ≈ 100 SF of shoppers goods retail space
	Support for ≈ 140 SF of restaurant space

East Boston Waterfront Commercial Demand & Supply

East Boston WED

Assuming that sales at existing stores and restaurants are in equilibrium with existing sources of demand, future demand will flow from increases in households and employment in the East Boston Zipcode 02128.

Demand Sources and Potential

4) Households increase by 1,050 (BRA) from 14,484 ('04) to 15,534
   a) 1,050 Households x $ 80,000 average income = aggregate income of $ 84.0 million which generates neighborhood retail sales as follows:
      i) 6.0 % = $ 5.0 million at $ 800/SF = ***6,300 SF of food store space***
      ii) 4.4 % = $ 3.7 million at $ 400/SF = ***9,200 SF of restaurant space***
      iii) 3.4 % = $ 2.9 million at $ 400/SF = ***7,100 SF of drugstore and misc. retail space***

5) Employment increases (outside the airport) by 1,366 (BRA) from 4,433 ('03) to 5,799.
   a) 1,366 employees x annual lunch expenditures of $ 1,460/employee = $5.36 million
      i) 100% = $ 2.0 million at $ 400/SF = ***5,000 SF of restaurant space***

Total new retail and restaurant sales by 2030 = $ 13.6 million.
Total new retail and restaurant space supportable by 2030 = 27,600 SF

FPA Supply Inventory

As indicated in the table on the following page, East Boston's existing commercial FPA's comprise a total of 62,435 SF retail and restaurant space. Another 87,540 SF of new commercial retail and restaurant FPA space is planned for delivery between now and 2030. Identified non-commercial FPA's and SPDF's tally another 19,311 SF, bringing the total FPA's for the District to just over 169,000 SF.

Total new retail and restaurant FPA space to be delivered by 2030 = 87,540 SF

East Boston Waterfront Proposed FPA’s

East Boston Waterfront Projects and Square Footages				Existing Commercial (Retail / Rest. Only)	Proposed Commercial (Retail / Rest. Only)	Existing & Proposed Other Non-Retail-Restaurant	Total FPA & SPDF
Map Code	**Project**	**Primary Property Use**	**FPA Use**				
56	Massport Portside Pier 1 (PMT)	Residential, retail	Retail, restaurant	-	65,440	-	65,440
			SPDF TBD[3]	-	-	3,200	3,200
57	Clippership Wharf (PMT)	Mixed-use - Residential, recreational, retail	Retail/ Restaurant	-	22,100	9,800	31,900
			Community/ Education	-	-	5,200	5,200
58	Hodge Boiler Works (P)	Residential	Bed and Breakfast	-	-	5,711	5,711
59	Vacant Parcel	TBD	TBD	-	-	-	-
60	Liberty Plaza	Retail	Retail	62,435	-	-	62,435
	TOTAL			**62,435**	**87,540**	**23,911**	**173,886**

Notes:
[1] Though most regulated FPAs are located on the ground floor some are located on the upper floors.
[2] Some free-standing FPA's that are entirely dedicated to public use also meet the definition of SPDF.
[3] SPDF Square Footages are included in the FPA Square Footages

Key: FPA: Facility of Public Accommodation
SPDF: Special Public Destination Facility
(P): Proposed
(PMT): Permitted
(UC): Under Construction
(TBD): To Be Determined

East Boston Waterfront FPA Market Potential

EAST BOSTON WED			
Retail/Commercial FPA's	**Existing**	**Future**	**Total**
Portside Place Pier 1	0	65,440	65,440
Clippership Wharf	0	22,100	22,100
Liberty Plaza	62,435	0	62,435
Other	0	0	0
Other	0	0	0
Other	0	0	0
Other	0	0	0
Other	0	0	0
Total Space Existing and Planned (2004)	**62,435**	**87,540**	**149,975**
Future Space Demand (2030)	**62,435**	**29,300**	**91,735**
(Over)/Under Supply Existing and Proposed			**(58,240)**

In short, there is currently more commercial FPA space planned for the East Boston Water's Edge District than the market can reasonably be expected to absorb.

Market Observations
East Boston Waterfront Commercial

- A number of Districts have significant development areas for which the FPA totals have not yet been finalized, including especially Charlestown (Yard's End, Parcel 5, Pier 5), East Boston (Parcel #59), Downtown (Post Office Site) and the Seaport (100 Acres and the former McCourt property). Any increase in new commercial FPA's (beyond what has been accounted for by this study) will further exacerbate the potential oversupply conditions in these districts, jeopardizing the overall vitality of the ground floor commercial environments.

- In a number of specific situations, including especially at the Charlestown Navy Yard and along the East Boston waterfront, the isolated nature of these locations from a retail market capture point of view, the abundance of better, more competitive commercial opportunities for consumers in these markets and the un-evolved nature of the physical environments are likely to impact negatively on the ability of these WED's to successfully absorb new commercial space during the planning time horizon. Retail development must be carefully scaled to the onsite demand as the ability to draw more broadly is severely constrained. Commercial development in these locations must be viewed as intrinsically more vulnerable to failure if the supply exceeds the capacity of on-site demand sources.

- While our calculations explicitly assume that existing commercial spaces are supported by current levels of demand, we strongly suspect that this is not the case in the Navy Yard and in East Boston and that some portion of the development growth in these WED's will be required to promote and sustain the viability of the existing supply. Adding more commercial space to these already sensitive locations has the potential to diffuse the demand and destabilize existing businesses here.

East Boston Project Profiles
Portside Place

EAST BOSTON WED									
Portside Place Condominiums	Use Type	Site Location	Occupancy Type	Units	Parking Supply	Primary Demand Sources	Primary Cachment Area	Store Type	Est. Rental Rates
	Retail	Ground	Multiple-small scale-convenience type planned	65,440 SF	Onsite Garage 754 spaces serving on-site users and visitors	Residents	On-site and Piers walk-zone	Consumer Convenience	Teens
	Restaurant			0 Seats					
	Restaurant			0 Seats					
	Cultural Attractions			3,200					
	Hotel			0 Keys					
	Office			0 SF					
	Recreational Marine			0 Slips					
	Commercial Marine		Wharfage	1,954 LF					
	Residential		Luxury Condominium	585 Units					

Comments:

Retail uses at Portside Place will rely heavily on support from onsite resident demand. The single purpose nature of the project and the insular character of the location limits the spectrum of commercial uses that can succeed here. That said, the proposed development of the adjacent Clippership Wharf project should help to buoy the ground floor commercial space. Until there is more of a critical mass of development within the immediate neighborhood, especially residential development, the support for ground floor uses will be limited and retail uses in particular will succeed only if carefully sized, carefully targetted and optimally located.

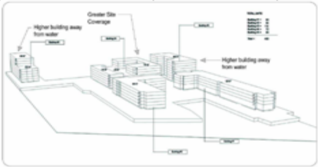
East Boston Project Profiles Clippership Wharf

EAST BOSTON WED

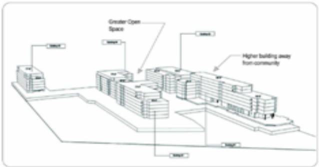
Clippership Wharf Condominium	Use Type	Site Location	Occupancy Type	Units		Parking Supply	Primary Demand Sources	Primary Cachment Area	Store Type	Est. Rental Rates
	Retail	Ground	Multiple-small scale-convenience type planned	31,900	SF	Onsite Garage 480 spaces serving on-site users and visitors	Residents	On-site and Piers walk-zone	Consumer Convenience	Low $30's
	Restaurant			0	Seats					
	Restaurant			0	Seats					
	Cultural Attractions			0						
	Hotel			0	Keys					
	Office			0	SF					
	Recreational Marine			0	Slips					
	Commercial Marine			0	LF					
	Residential	Floors 2-14	Rental and ownership	465	Units					

Comments:

Retail uses at Clippership Wharf will rely heavily on support from onsite resident demand. The single purpose nature of the project and the insular character of the location limits the spectrum of commercial uses that can succeed here. That said, the proposed development of the adjacent Portside Place project should help to buoy the ground floor commercial space. Until there is more of a critical mass of development within the immediate neighborhood, especially residential development, the support for ground floor uses will be limited and retail uses in particular will succeed only if carefully sized, carefully targetted and optimally located.



CHAPTER 91 COMPLIANT SCHEME



MHP COMPLIANT SCHEME

Summary Conclusions
Retail & Restaurant FPA Space Only

Retail & Restaurant Supply Summary

Water's Edge District Summary	Existing Retail and Restaurant SF	Proposed New Retail and Restaurant SF	Total Existing & Proposed
CHARLESTOWN WED	57,278	92,641	149,919
NORTH END WED	43,500	202,375	245,875
DOWNTOWN WED	71,300	393,350	464,650
SEAPORT WED	116,360	1,715,854	1,832,214
SOUTH BOSTON WED	0	0	0
DORCHESTER WED	0	0	0
EAST BOSTON WED	62,435	87,540	149,975
Total Commercial Supply	**350,873**	**2,491,760**	**2,842,633**

Based on current regulatory requirements and existing development plans, there is approximately 2.5 million SF of potential new commercial restaurant and retail FPA space planned for delivery within Boston's Water's Edge Districts over the next 25 years. This is in addition to the 350,000 SF of commercial retail and restaurant FPA space which already exists within these Districts bringing the anticipated total to over 2.8 million SF (including both regulated and unregulated FPA space).

Summary Conclusions
All FPA Space (Commercial & Other)

FPA Supply Summary			
Water's Edge District Summary	Retail/Restaurant Only (Existing & Proposed)	All Other FPA Space Existing & Proposed	Total FPA Space (Regulated and Unregulated)
CHARLESTOWN WED	149,919	71,350	221,269
NORTH END WED	245,875	79,200	325,075
DOWNTOWN WED	464,650	215,700	680,350
SEAPORT WED	1,832,214	592,980	2,425,194
SOUTH BOSTON WED	0	0	0
DORCHESTER WED	0	863,000	863,000
EAST BOSTON WED	149,975	23,911	173,886
Total FPA Supply	**2,842,633**	**1,846,141**	**4,688,774**

Another 1.85 million SF of existing and proposed non-retail/restaurant FPA (including regulated and unregulated) space is planned for the Districts through 2030 including a broad range of other cultural, civic, recreational, Special Public Destination Facilities (SPDF's) and other commercial uses (offices, hotels, conference space, etc.). If all of the proposed spaces were to be built, the Boston Water's Edge Districts would contain a total of nearly 4.7 million SF of commercial, civic and cultural FPA's by 2030.

Summary Conclusions
Commercial FPA Potential Through 2030

While delivery of 2.5 million SF of new commercial space is proposed, anticipated growth in the numbers of new households, employees and visitors is estimated to produce demand for approximately 1.7 million SF of new retail and restaurant space within Boston's Water's Edge Districts over the next 25 years (through 2030). The vast majority of this new growth is expected to be generated by the build out of large mixed use projects planned for the South Boston Seaport District.

2030 Retail & Restaurant Supply & Demand

Water's Edge District Summary	New Demand Forecast (through 2030)	New Supply Planned (through 2030)	(Over)/ Under Supply (through 2030)
CHARLESTOWN WED	35,300	92,641	(57,341)
NORTH END WED	228,000	202,375	25,625
DOWNTOWN WED	241,600	393,350	(151,750)
SEAPORT WED	1,079,100	1,715,854	(636,754)
SOUTH BOSTON WED	38,800	0	38,800
DORCHESTER WED	53,900	0	53,900
EAST BOSTON WED	29,300	87,540	(58,240)
Total Space Demand and Supply	**1,706,000**	**2,491,760**	**(785,760)**

As indicated, the supply of new commercial FPA space planned for Boston's Water's Edge Districts exceeds the supportable demand by roughly 785,000 SF and by nearly 900,000 SF if offsetting demand from South Boston and Dorchester is not included in the total. Only the North End, South Boston and Dorchester Districts show excess capacity for development beyond what is currently proposed.