Market Analysis and Retail Strategy
Cambridge/Kendall Square

Presentation
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MJB Consulting
Sub-consultant to Goody Clancy

National retail consulting firm
- Offices in New York City and the San Francisco Bay Area
- Active across the U.S. and Canada

Experience in “university-town” environments
- Downtown New Haven (CT), University City/Philadelphia, U District/Seattle, etc.
Process

- Review of current initiatives
- Lengthy site visits
  - Familiarization with study area and its surroundings
  - Assessment of relevant competition
- Landlord/broker interviews
- Intercept-survey results
- Residential demographics and other traffic generators
- Supportable sq.ft. calculations
- Draft written piece
Interrelationships

Kendall Square operates within the context of a broader retail “ecology”

- Potential delimited by competitors
  - How should it be “positioned”?
- Will have an impact on nearby districts
Grocery Store

- #2 on list of most-desired businesses
- Key amenity for “24-7” neighborhood
Grocery Store

- Insufficient demand for traditional supermarket
  - Presence of competitors leaves trade area of just 3,800 residents (would need at least 15K)

- More likely: 10-12K sq.ft. small-format grocer
  - With deli/hot-food buffet, “grab-and-go” meals
  - Serving a diversity of incomes
Large-Format Drug Store

- Would be intrigued by daytime population
- Need at least 10K sq.ft. on Main, at T station
Other Conveniences

- Drawing both resident and daytime populations
  - Additional convenience store, nail salon, dental office, bagel shop, etc.

- Still underserved with “quick-service” dining
  - “Fast-casual” food purveyors
Comparison Goods

 Desire for more specialty shopping

 Challenge to develop and sustain large cluster
  - Little weekend foot traffic
  - Existing competitors with superior co-tenancies
    • CambridgeSide Galleria: within walking distance
    • Also, Newbury Street/Back Bay, Harvard Square, etc.

 Not every district can become – or needs to be – a shopping destination
Sit-Down Dining

- Can support large number of additional restaurants
  - Daytime population and destination traffic as major drivers

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Per-Capita Annual Expenditure</th>
<th>Total Annual Expenditure</th>
<th>Capture Rate</th>
<th>Local Annual Expenditure</th>
<th>Average Sales Per Square Foot</th>
<th>Square-Footage Supportable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Residents</td>
<td>6,766</td>
<td>$887.36</td>
<td>$6,003,898</td>
<td>25%</td>
<td>$1,500,975</td>
<td>$430</td>
<td>3,490 sq.ft.</td>
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<tr>
<td>Daytime Workers</td>
<td>50,000</td>
<td>$888.16</td>
<td>$44,408,000</td>
<td>90%</td>
<td>$39,967,200</td>
<td>$430</td>
<td>92,947 sq.ft.</td>
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<tr>
<td>Destination Traffic</td>
<td>N/A</td>
<td>N/A</td>
<td>$114,261,486</td>
<td>20%</td>
<td>$22,852,297</td>
<td>$430</td>
<td>53,145 sq.ft.</td>
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<td>Overnight Guests</td>
<td>2,100</td>
<td>$10,950.00</td>
<td>$22,955,000</td>
<td>25%</td>
<td>$5,748,750</td>
<td>$430</td>
<td>13,369 sq.ft.</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>$70,069,222</strong></td>
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<td></td>
<td>$430</td>
<td><strong>162,952 sq.ft.</strong></td>
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<td>Additional Residents</td>
<td>4,300</td>
<td>$887.36</td>
<td>$3,815,648</td>
<td>25%</td>
<td>$953,912</td>
<td>$430</td>
<td>2,218 sq.ft.</td>
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<tr>
<td>Additional Workers</td>
<td>6,750</td>
<td>$888.16</td>
<td>$5,995,080</td>
<td>90%</td>
<td>$5,395,672</td>
<td>$430</td>
<td>12,548 sq.ft.</td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td></td>
<td><strong>$6,349,584</strong></td>
<td></td>
<td></td>
<td>$430</td>
<td><strong>14,766 sq.ft.</strong></td>
</tr>
</tbody>
</table>
Sit-Down Dining

- Longer-term sustainability
  - Deliberate growth
  - Experienced operators
  - Diversity of concepts
  - Synergistic uses
    - Additional bars
    - Large-scale entertainment anchor
Supportable Retail Space

Roughly 250,000 sq.ft. in the next 20 years (based solely on consumer demand)
- Quick-service food/drink
- Sit-down restaurants/bars
- Grocery, drug and other conveniences
Supportable Retail Space

More realistic: roughly 125,000 sq.ft.
- 250,000 sq.ft.: 125% increase from what exists currently
- Supply-side considerations (i.e. where additional retail makes sense)
  - Most promising stretches
    - Main Street (east of Portland)
      » MIT’s Kendall Square Initiative: primary near-term expansion opportunity
    - Third Street (south of Binney)
  - Less likely in the near term
    - Main Street (west of Portland)
    - Third Street (north of Binney)
    - Broadway
Chains vs. Independents

- Only two categories in which large national brands are likely to be interested
  - Large-format drug store
  - Fast-casual food purveyors
- A “false choice” (i.e. local and regional chain-lets)
Tools for Realization

 propiedad owners willing to “partner” with “chain-lets” (in promising categories)
  – Build-out assistance
  – Forgiving rent structures
    • Low base rent
    • Percentage rent-only
  – Joint-venture partnerships

Using direct advocacy…
  – Meetings with landlords/brokers
  – Community pressure
Contact Info

With any comments or questions...

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