

Market Analysis and Retail Strategy

Cambridge/Kendall Square



A Retail Real Estate Consulting Firm

Presentation

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A Retail Real Estate Consulting Firm

- § 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

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

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

§ Property 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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