

MARKET ANALYSIS

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5.1 SHIP CREEK MARKET DEMAND ANALYSIS

Kling Stubbins retained Jones Lang LaSalle to prepare a market study and demand analysis to inform the Ship Creek Area Master Plan Update. Ship Creek lies north of downtown Anchorage and is bounded by the Anchorage Central business District to the south, the port of Anchorage to the north and west, by Joint Base Elmendorf-Richardson (JBER) to the north and east and by the Knik Arm to the west. The Ship Creek basin contains a variety of existing users including the Municipality of Anchorage, the Port of Anchorage, the Alaska Railroad, a number of industrial and commercial businesses and several seasonal tourist attractions.

This report presents the findings of the market study and demand analysis. Generally, Ship Creek has a number of key attributes that can help in attracting development, but also has some challenges that must be overcome. The proximity to Downtown, views and pent up demand for residential and office uses will contribute to the area's success. However, access issues and industrial adjacencies must be addressed before the development within the area will reach its potential. Assuming these issues can be addressed and overcome, Phase 1 of the Ship Creek Framework Plan could support the development expressed in the chart.

Potential Phase 1 Ship Creek Development, 2020		
	Low	High
Residential Units	423	845
Office/Commercial Square Footage	393,313	786,626
Retail Square Footage	27,553	54,106
Hotel Rooms	0	311

Potential Phase 1 Ship Creek Development, 2020

While this plan uses certain market study sources, it acknowledges that other market analyses exist, such as the 2012 Anchorage Commercial Land Assessment. Different studies often provide somewhat differing forecasts of future rates of growth in the office, retail and lodging/entertainment growth sectors. While forecasts may differ from one study to another, and rate of growth is difficult to predict, these studies are generally consistent in the direction, rate and general magnitude of growth. Market conditions may result in it taking either less time or more time than anticipated to complete.

The remainder of this memo is broken out into the following sections:

- Existing Conditions
- Residential Demand
- Office/Commercial Demand
- Retail Demand
- Hospitality Demand
- Entertainment/Cultural/Tourism Demand
- Conclusion

Existing Conditions

The Ship Creek area has the potential to become an 18-hour mixed-use residential, commercial and tourism district. Demand for residential units around Anchorage continues to exceed supply, as it often has since Anchorage was founded. Providing higher density residential uses would not only increase the tight housing supply, but would also reduce the environmental impacts of housing demand and provide both the critical mass to support retail uses as well as defensible space or "eyes on the street" after commercial uses close at night.

Population and Household Trends Chart			
Indicator/ Area	2000	2010	Annual % Change
Total Population			
Anchorage Municipality	260,283	291,826	1.2%
Alaska	626,932	710,231	1.3%
Household Population			
Anchorage Municipality	253,269	283,376	1.1%
Alaska	607,583	683,879	1.2%
JBER Population, 2012			
Officers		1,654	N/A
Enlisted		11,930	N/A
Total Households			
Anchorage Municipality	94,822	107,332	1.2%
Alaska	221,600	258,058	1.5%
Average Number of Persons per Household			
Anchorage Municipality	2.67	2.64	-0.1%
Alaska	2.74	2.65	0.3%

Population and Household Trends Chart

Demand for residential units could come from three sources:

- Pent-up residential demand from local community,
- Military demand from JBER, and
- Oil and Gas company housing demand.

This report uses Anchorage and Alaska population, household and employment data from the Alaska Department of Labor and US Census to estimate existing demand for residential units and office space from the local community. The 2007-2012 US Air Force Housing Requirements and Market Analysis for Fort Richardson Elmendorf Air Force Base provides housing need estimates for military personnel and data from the Alaska Department of Labor and Hays 2012 Oil and Gas Salary Guide provide information on housing demand from oil and gas companies.¹

Population and Household Trends

Population Trends. In 2010, Anchorage Municipality had approximately 292,000 residents, representing 40 percent of the State's total population of 710,000. Of this total, 13,600 are authorized military manpower at JBER.² As the table on the following page shows,

¹ Oil and gas companies provide housing to some of their employees. This analysis estimates the housing demand that this benefit generates in Anchorage.
² Refers to all personnel that the military is responsible for housing, either on base or in the private market.

Household Trends Chart		
Indicator/ Area	Owner	Renter
Anchorage Municipality, 2010		
Total Households	64,285	43,047
Household Tenure	60%	40%
Avg. Number of Persons per household	2.73	2.50
Housing Vacancy Rates	1.3%	3.8%
JBER, 2012		
Total Authorized Manpower (a)		
Accompanied Personnel	2,576	5,759
Unaccompanied Personnel	949	4,280
Household Tenure		
Accompanied Personnel	31%	69%
Unaccompanied Personnel	18%	82%

Sources: Alaska Dept. of Labor; US Census; American Community Survey; JLL.

Household Trends chart

Anchorage population and household grew steadily with the State between 2000 and 2010, and although Anchorage’s average household size decreased between 2000 and 2010, it was not as large of a decrease as the State’s average household size experienced.

Household Trends. In 2010, approximately 60 percent of all Anchorage households owned their homes, compared to 31 percent of accompanied military personnel and 18 percent of unaccompanied military personnel. As expected, owner-occupied housing contains larger household sizes, on average than rental units. Finally, the data show that the local housing markets are very tight, which suggests that not everyone that wants to own a home can find something suitable on the market. Likewise, the tight rental market suggests that renters are taking sub-optimal housing, in order to find a place to live. Both owner-occupied and rental markets should have a long-term vacancy rate of at least six percent to allow households enough slack in the markets to find suitable housing.

Employment Trends by Industry. Anchorage is the center of Alaska’s commerce. As the following table shows, in 2010 nearly half of all jobs in Alaska (46.5 percent), and more than half of all office jobs (50.5 percent), were located in Anchorage. Although Anchorage’s employment grew more slowly than the State’s between 2005 and 2010, both areas’ economies showed healthy growth at 4.2 percent and 5.1 percent, respectively. The following table shows employment by industry for Anchorage and Alaska in 2005 and 2010.

Oil and Gas Industry. The oil and gas sector, included in Mining, grew substantially in both geographies between 2005 and 2010, increasing 31 percent in the municipality and 44 percent statewide. According to the Alaska Department of Labor, nearly all of Anchorage’s mining jobs come from the oil and gas industry and accounted for 3,000 local jobs in 2012. Industry data indicate that of these workers, 18 percent or 540 workers will receive an employer-provided housing benefit. The following table shows the number of oil and gas workers that received employer-provided housing as part of their compensation packages in Anchorage in 2012.

Residential Demand

This analysis uses population and household projections from the McDowell Group, average household size and tenure by household type to project residential demand from the local community. Existing unmet residential demand for military housing and oil and gas company-provided housing comes from data provided in the existing conditions section. Finally, the analysis uses long-term vacancy rates and local capture rates to project residential unit demand for the Ship Creek area.

Potential Phase 1 Ship Creek Development 2020		
Indicator/Area	Low	High
Residential Units	423	845
Office/Commercial Sq.Ft.	393,313	786,626
Retail Sq.Ft.	27,553	54,106
Hotel Rooms	0	311

Potential Phase 1 Ship Creek Development, 2020

Oil and Gas Housing Benefits	
Indicator/Area	2012
Oil and Gas Employment, Anchorage	3,000
Percentage of Employees that Receive a Housing Benefit	18%
Total Employee Housing Demanded, Anchorage	540

Sources: Alaska Dept. of Labor; Hays 2012 Oil and Gas Salary Report; JLL

Oil and Gas Housing Benefits

Employment Trends by Industry									Anchorage as a Percentage of Alaska
Industry	2005	2010	Change	Percentage change	2005	2010	Change	Percentage Change	2010
Area	Anchorage Municipality				Alaska				2010
Agriculture, forestry, Fishing, Hunting	80	148	68	85.0%	1,056	978	-78	-7.4%	15.1%
Mining	2,067	2,709	642	31.1%	10,517	15,154	4,637	44.1%	17.9%
Construction	9,600	8,378	-1,222	-12.7%	18,477	16,095	-2,382	-12.9%	52.1%
Manufacturing	1,848	1,894	46	2.5%	12,603	12,736	133	1.1%	14.9%
Wholesale trade	4,635	4,479	-156	-3.4%	6,414	6,275	-139	-2.2%	71.4%
Retail trade	17,360	17,087	-273	-1.6%	35,793	35,441	-352	-1.0%	48.2%
Transportation and Warehousing	10,291	10,119	-172	-1.7%	19,291	18,936	-355	-1.8%	53.4%
Utilities	552	619	67	12.1%	1,842	2,141	299	16.2%	28.9%
Information	4,386	4,125	-261	-6.0%	6,903	6,443	-460	-6.7%	64.0%
Finance and Insurance	5,551	5,448	-103	-1.9%	8,641	8,823	182	2.1%	61.7%
Real Estate, Rental and Leasing	2,858	3,427	569	19.9%	4,984	6,021	1,037	20.8%	56.9%
Professional, Scientific and Technical Services	8,570	9,820	1,250	14.6%	11,578	13,794	2,216	19.1%	71.2%
Management of companies and enterprises	932	964	32	3.4%	1,211	1,154	-57	-4.7%	83.5%
Administrative and Waste Services	6,671	7,194	523	7.8%	11,068	11,282	214	1.9%	63.8%
Educational Services	1,258	1,417	159	12.6%	2,072	2,236	164	7.9%	63.4%
Healthcare and Social Services	17,792	20,173	2,381	13.4%	33,630	39,518	5,888	17.5%	51.0%
Arts, Entertainment and Recreation	1,814	2,027	213	11.7%	4,257	4,372	115	2.7%	46.4%
Accommodation and Food Services	13,370	13,728	358	2.7%	26,743	27,023	280	1.0%	50.8%
Other Services	5,411	6,054	643	11.9%	11,090	11,877	787	7.1%	51.0%
Unclassified	88	133	45	51.1%	281	371	90	32.0%	35.8%
Government	29,248	30,532	1,284	4.4%	79,349	82,740	3,391	4.3%	36.9%
Total	144,382	150,475	6,093	4.2%	307,760	323,410	15,650	5.1%	46.5%
Total Office Users	63,301	72,433	4,132	6.0%	135,229	143,359	8,130	6.0%	50.5%

Sources: Alaska Dept. of Labor; JLL

Employment Trends by Industry

Population and Household Projections. The McDowell Group, using data from the State Department of Labor and ECONorthwest projected population growth for the Anchorage Bowl. As the table on the following page shows, McDowell Group projects an additional 43,400 persons to move into Anchorage between 2010 and 2030. Assuming that the number of persons per household does not change over time, this increase will generate 16,500 new households moving into Anchorage.

According to data from the Alaska Department of Labor, 60 percent of households own their units. The analysis assumes that this tenure rate remains constant. Dividing the number of new residents (population) by the average number of persons per household provides household projections for owner- and renter-occupied units. Although the data shows that 60 percent of these households will own their units, it does not specify a preference for single-family housing or condominium units.

Residential Demand. The Anchorage Bowl would need an additional 20,200 units to support demand through 2030, assuming that enough units would be developed to maintain a long-term six percent housing vacancy rate. Vacancy rates for owner-occupied units are currently 1.3 percent, indicating that the for-sale housing market is very tight. Likewise, vacancy rates for rental units are currently 3.8 percent. Residential real estate experts believe that a six percent vacancy rate is sustainable over the long term, allowing enough vacancy for households to find an appropriate unit. At the current vacancy rates,

Population and Household projections 2010-2030 Chart	
Indicator/ Area	Anchorage Bowl 2030
Population Projections, Net New Population	
Anchorage Bowl	43,400
Household Tenure	
Owner	60%
Renter	40%
Average Number of Persons per Household	
Owner	2.73
Renter	2.5
Projected Households	
Owner	9,522
Renter	6,962
Total	16,484

Population and Household Projections 2010-2030 Chart

households are likely in units that are too small or too large for their needs because appropriate housing is unavailable. In order to reach a stable market, demand estimates must account for a sustainable long-term vacancy rate of six percent.

As the following table shows, the Anchorage housing market can currently support between 19,500 and 20,200 new housing units between 2012 and 2030, some of which could be located within the Ship Creek site. These projections do not account for an additional increase in housing demand from the potential relocation of the Fighter Unit from Fairbanks to Anchorage, which would create additional residential housing demand.

Ship Creek Demands

The amount of residential demand that the Ship Creek site can capture will vary depending on the rest of the site’s programming. Currently, there are no amenities for residential users at the site. Thus, although the site has desirable amenities (e.g., water access, access to pedestrian trails), its access issues and adjacent industrial uses would make residential support difficult.

Residential Market Demand			
Indicator/ Area	Owner	Renter	Total
Sources of Residential Demand			
Additional Households, 2030	9,522	6,962	16,484
Unmet Military Demand, 2012 (a)			
Military Families			
Unaccompanied Personnel			
Oil and Gas company Employees (b)			
Total Residential Demand			
Current Housing Vacancy Rates			
Additional Housing Units, Current Vacancy Rates			
Additional Housing Units, 6% Long-Term Vacancy Rate			

Notes: (a) Based on JBER estimates of private housing demand shortfall, 2012. (b) Based on 18% of the 3,000 Anchorage oil and gas employees receiving housing benefits, 2012 data. Sources: Alaska Department of Labor; US Census; American Community Survey; Hays Oil and Gas Industry Survey

Residential Market Demand

Once the area overcomes its access issues, it will be able to support new residential units. One scenario of the conceptual land use plans allows for the development of the site as a mixed-use neighborhood. Under this scenario, future development would include uses that support the development of the site as a stable mixed-use community, rather than as a waterfront- or recreation-focused concept. Assuming that the Ship Creek residential developments are a mixture of multifamily for-sale and rental units and are phased in with supporting uses, the site could support up to 800 units by 2020 and 2,700 units by 2030. The table on the following page shows the share of owner and renter households in multifamily units, as well as the capture rates for the Ship Creek site and potential Ship Creek housing demand.

In order to attract military personnel to the site, unit costs will need to be aligned with personal housing allowances (BAH). Although BAH is meant to be sufficient for personnel to find housing in the private market, it can lag behind market rents. In these cases, military personnel will opt for housing on-base or elsewhere in the community, in older units that have lower rents. It should be noted that a person’s BAH is connected to his/her enlistment or officer class, and not the number of

Ship Creek Potential Housing Units			
Indicator/ Area	2020(a)	2025(a)	2030
Additional Owner Units Demanded			
	6,126	8,489	10,732
Additional Rental Units Demanded			
	5,924	7,610	9,456
Total Additional Units Demanded			
	12,050	16,099	20,188
Percentage of Units in Multifamily Structures			
Owner-Occupied Units (Condos)	7%	7%	7%
Rental	64%	64%	64%
Potential New Multifamily Units (b)			
Owner-Occupied	417	578	730
Rental	3,809	4,893	6,080
Total	4,226	5,471	6,810
Ship Creek Capture Rates			
As-is, no residential support	10%	15%	20%
Neighborhood Concept	20%	30%	40%
Potential New Units in Ship Creek (c)			
As-is, no residential Support	423	821	1,362
Neighborhood Concept	845	1,641	2,724

Notes: (a) Based on Annual average growth rates from Alaska Department of Labor. (b) Based on American Community Survey population by tenure by units in structure, 2011 five-year average. Sources: Alaska Department of Labor; US Census; American Community Survey; JLL

Ship Creek Potential Housing Units, Cumulative

dependents that the person must house.

Office/Commercial Demand

Office and commercial uses can enhance the Ship Creek area. As with residential uses, there is sufficient demand to support office uses. Additionally, Ship Creek’s location adjacent to the downtown Anchorage CBD, as well as the quality of Ship Creek’s existing office space both contribute to the area’s ability to capture office and commercial uses.

This analysis uses employment projections from the Alaska Department of Labor, along with industry standard employment densities, long-term vacancy rates and local capture rates to project office/commercial demand for the Ship Creek area.

Employment Projections

Anchorage represents half of all Alaska office users. The State Department of Labor predicts that state industries that use office space will increase by 9.1 percent or 9,750 jobs between 2010 and 2020. If Anchorage continues to attract 50 percent of statewide office users, this translates into an additional 4,930 Anchorage office jobs. The following table shows employment trends and projections by industry in Alaska and Anchorage.

Office Demand

In order to translate office worker projections into demand for office space, this analysis assumes 230 sq.ft.. per worker, which is the industry standard. Additionally, the amount of office space required to satisfy demand and provide a stable office market will require a long term vacancy rate of seven percent. Currently, the Anchorage office market is tight, with just over five percent vacancy. A vacancy rate below the long-term rate indicates that users are taking any space available, rather than locating in a space that is the “right” size and in the best location for their needs. In order to reach a stable market, demand estimates must account for a sustainable long-term vacancy rate of seven percent. The following table shows that at an employment density of 230 square feet per worker, additional office users will translate into demand for between 875,000 and 1.3 million sq.ft. of office space.

Assuming a constant vacancy rate of 5.08 percent, this translates into demand for 1.2 million square feet of office space. However, as previously stated, a five percent vacancy rate for office space indicates a tight market. A long-term vacancy rate of seven percent allows for sufficient vacant space so that users can find spaces that suit their needs. In order to develop enough space to support a seven percent vacancy rate, developers will need to bring 1.3 million square feet of

Employment Projections, 2010-2020					Anchorage as a Percentage of Alaska		Anchorage Employment Projections	
Industry	2010	2020	Change	Percentage change	2010	2020	Change	
Area	Alaska				2010	2020	Change	
Natural Resources and Mining	16,140	17,478	1,338	8.3%	17.7%	3,095	237	
Construction	15,998	17,604	1,606	10.0%	52.1%	9,163	836	
Manufacturing	12,742	13,183	441	3.5%	14.9%	1,960	66	
Wholesale trade	6,276	6,866	590	9.4%	71.4%	4,901	421	
Retail trade	35,465	39,503	4,038	11.4%	48.2%	19,045	1,947	
Transportation and Warehousing	21,227	22,919	1,692	8.0%	53.4%	12,247	904	
Utilities	1,899	2,054	155	8.2%	28.9%	594	45	
Information	6,460	6,561	101	1.6%	64.0%	4,201	65	
Financial Activities (Including Real Estate)	14,851	16,817	1,966	13.2%	59.8%	10,055	1,175	
Professional and Business Services	26,264	29,607	3,343	12.7%	68.5%	20,293	2,291	
Educational Services	31,110	34,692	3,582	11.5%	63.4%	21,985	2,270	
Healthcare and Social Services	41,470	54,410	12,940	31.2%	51.0%	27,775	6,606	
Arts, Entertainment and Recreation	4,414	4,949	535	12.1%	46.4%	2,295	248	
Accommodation and Food Services	27,102	30,497	3,395	12.5%	50.8%	15,493	1,725	
Other Services	11,403	12,467	1,064	9.3%	51.0%	6,355	542	
Government	50,342	52,308	1,966	3.9%	36.9%	19,302	725	
Total	323,163	361,915	38,752	12.0%	46.5%	178,759	20,103	
Total Office Users	107,434	117,191	9,757	9.1%	50.5%	59,211	4,930	

Sources: Alaska Dept. of Labor; JLL.
Employment Projections, 2010-2020

new office space to the Anchorage market by 2020 to support the expanding economy.

Potential Ship Creek Office Space

Because the Ship Creek area is located adjacent to the downtown CBD, it can capture a significant amount of local office space demand. However, capturing this demand will be contingent on overcoming access issues. Although Midtown has seen much of the new office development, a re-imagined Ship Creek area with water access and views should be able to capitalize on these amenities, strengthening the attraction of the area’s location to support much of the new development. Based on these factors, the following table indicates that the Ship Creek area has the potential to capture a significant share of the total Anchorage commercial office market as the area is developed over time. This Framework Plan has assumed the lower, more conservative range of market capture as the basis of the early stages of implementation.

Additional Commercial/ Office Demand and Supply, Anchorage		2020
Additional Office Demand		
Additional Office Worker		4,930
Average Employment Density (Square Feet per Worker)		230
Net New Office Space Demand (Square Feet)		1,133,850
Existing Office Supply		
Total Existing Office Square feet (Class A and B)		5,095,000
Current Vacancy Rate (Blended Class A and B)		5.08%
Current Vacant Space (Sq. Ft.)		258,826
Additional Office space Needed to supply New Demand (Sq. Ft.)		
Zero Vacancy Rate		875,024
Currency Vacancy Rate (5.08%)		1,191,450
Long- Term Vacancy Rate (7%)		1,311,044

Sources: Local Brokers; AK Department of Labor; JLL
Additional Commercial/ Office Demand and Supply, Anchorage

Ship Creek Potential Office Space	
Indicator/Area	2020
Additional Office Demand	1,311,044
Capture Rates	
Low Range	30%
High Range	60%
Potential New Office Space	
Low Range	393,313
High Range	786,626

Sources: Local Brokers; AK Department of Labor; JLL
[Ship Creek Potential Office Space](#)

Retail Demand

Ship Creek has the potential to capture some retail demand from new area local residents and tourists. Because retailers generally make location decisions based on “number of rooftops” and Anchorage already has regional shopping destinations with Tikahtnu Commons to the east, the 5th Avenue Mall downtown, and large outlying retail stores such as Costco, it may be difficult to attract new retailers that primarily serve the regional market. Likewise, because the tourist season is relatively short, it will be difficult to attract tourist-focused retailers without adding tourism destination uses within the area.

Creating a mixed-use neighborhood that includes both residential and tourism uses will encourage restaurants and convenience retailers to locate within Ship Creek and will be critical to the area’s success. Identifying anchor uses that attract people to the area (e.g., residential, hospitality, recreational) will be critical in attracting retailers. Although not currently active, commuter rail that brings pedestrians into the area from the airport and/or Mat-Su Valley will help achieve the critical mass needed to attract retail uses.

In order to estimate the amount of retail that the Ship Creek area can capture, this analysis estimates the amount of retail that the City and region could currently support (local demand) and qualitatively addresses the amount of demand that increased tourism could support.

Local Demand

According to Nielson-Claritas, a third-party data vendor, Anchorage could support additional retail square footage from existing residents in the motor vehicle, electronics and appliances, food and beverage, health and personal care, and clothing and accessories retail sectors. Additionally, the region could support additional gas stations and non-store retailers (e.g., insurance agencies with storefronts, CPAs).

Employment Projections 2010-2020									
Industry	Anchorage Municipality			Anchorage Region (Including Mat-Su Valley)			Additional Supportable Retail Sq. Ft. (a)		
	Retail Stores	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/ Surplus	Demand (Consumer Expenditures)	Supply (Retail Sales)	Opportunity Gap/ Surplus	Anchorage	Region
Motor Vehicle and Parts Dealers		\$ 1,804,433,192	\$ 1,023,382,569	\$ 781,050,623	\$ 1,958,339,657	\$ 1,153,625,172	\$ 804,714,485	1,857,677	1,913,960
Furniture and Home furnishings		\$ 115,977,275	\$ 124,283,993	(\$ 8,306,718)	\$ 129,123,311	\$ 134,904,658	(\$ 5,781,347)	0	0
Electronics and Appliances		\$ 105,794,494	\$ 89,181,584	\$ 16,612,910	\$ 118,085,548	\$ 95,542,768	\$ 22,542,780	80,890	109,763
Building Material, Garden Equipment		\$ 521,291,681	\$ 546,025,648	(\$ 24,733,967)	\$ 583,515,533	\$ 689,644,448	(\$ 106,128,915)	0	0
Food and Beverage Stores		\$ 613,075,469	\$ 577,347,600	\$ 35,727,869	\$ 689,525,236	\$ 641,839,787	\$ 47,685,449	76,454	102,042
Health and Personal Care Stores		\$ 238,365,653	\$ 111,934,191	\$ 126,431,462	\$ 267,412,634	\$ 140,849,341	\$ 126,563,293	270,916	271,198
Gasoline Stations		\$ 485,510,559	\$ 260,408,162	\$ 225,102,397	\$ 545,780,582	\$ 326,073,722	\$ 219,706,860	535,391	522,558
Clothing and Clothing Accessories		\$ 270,160,200	\$ 232,434,565	\$ 37,725,635	\$ 302,152,606	\$ 238,918,716	\$ 63,233,890	223,135	374,008
Sporting goods, Hobby, Book and Music		\$ 100,109,064	\$ 259,579,332	(\$ 159,470,268)	\$ 111,592,212	\$ 297,103,865	(\$ 185,511,653)	0	0
General Merchandise		\$ 649,706,443	\$ 1,488,769,668	(\$ 839,063,225)	\$ 728,683,926	\$ 1,600,447,869	(\$ 871,763,943)	0	0
Miscellaneous Store Retailers		\$ 136,543,740	\$ 183,900,140	(\$ 47,356,400)	\$ 153,475,677	\$ 213,824,496	(\$ 60,348,819)	0	0
Non-Store Retailers		\$ 388,978,149	\$ 98,436,984	\$ 290,541,165	\$ 435,118,344	\$ 126,676,878	\$ 308,441,466	1,230,722	1,306,548
Food Service and Drinking Places		\$ 533,991,845	\$ 727,874,743	(\$ 193,882,898)	\$ 596,371,296	\$ 790,571,645	(\$ 194,200,349)	0	0
Total		\$ 5,963,937,764	\$ 5,723,559,179	\$ 240,378,585	\$ 6,619,176,562	\$ 6,450,023,365	\$ 169,153,197		

Sources: Alaska Dept. of Labor; JLL
[Employment Projections, 2010-2020](#)

However, these are not the types of retail uses that contribute to a mixed-use and tourist-serving community, which primarily include restaurants, convenience goods and potentially apparel and specialty retail. Demand for those uses will come from the new residential uses and additional tourists, as well as any commuters coming to the area on the train will also provide additional demand.

Although the retail leakage analysis shows no additional demand for specialty retail, general merchandise and food service and drinking places, this data may be misleading. Demand is calculated using resident expenditures, but supply estimates are based on sales from both local residents and tourists. The food service and drinking place data illustrate this point. New restaurants often have long lines and do very well in Anchorage, indicating a shortage of available restaurant space. However, the data in the table above indicate that Anchorage’s restaurant market is over-served, showing no opportunity for new restaurant space. The difference comes from tourist and visitor expenditures. Thus, for these categories, the leakage analysis does not

provide the whole picture. In order to estimate potential demand for retail from local residents and office workers, this analysis uses average annual retail expenditures from potential Ship Creek residents, office workers and commuters.

Potential Ship Creek Retail Space

Since there is strong demand for housing and office space, the site could support convenience and neighborhood serving uses, such as restaurants and local markets. Local commuters coming through the site once the train opens passenger service will also contribute to local retail demand. During Phase I, the area could support up to 850 new residential units, 3,420 new office workers (786,600 square feet of office space) and 300 daily commuters.

The Bureau of Economic Analysis data show that on average, households spend \$19,300 on retail goods per year. Office workers and commuters spend an average of \$10 per day. Assuming that retail spaces will generate an average of \$250 in sales per square

foot suggests that new households, office workers and commuters could generate demand for 28,000-54,000 square feet of retail space through 2020. However, if the site becomes a local destination with an entertainment or other visitor-generating anchor, there may be additional opportunities for restaurant and retail space.

Visitor Generated Demand

Although there are several tourist-serving retailers located in Anchorage, the Ship Creek site could support additional tourist-serving retailers. If the site attracts tourists and includes uses that encourage cruise companies to book or extend their passengers' time in Anchorage, concentrating tourism attractions and tourist-serving retail (e.g., native art stores, fish-shipping services, local restaurants) in the Ship Creek site could result in additional demand for retail space, provided that tourists spend additional dollars in Anchorage, rather than shifting dollars from existing Anchorage retailers. The amount of supportable tourist-serving retail will depend on the number of cruises that Port in Ship Creek and the ability to bring other amenities that will attract tourists to the site.

Ship Creek Potential Retail Space, 2020		
Indicator	Low Range	High Range
Retail Demand Indicators		
New Households	423	845
New Office Space	393,313	786,626
Number of Residents and Workers		
New Households (a)	423	845
New Office Workers and Rail Commuters (a)	1,779	3,458
Average Annual Spending per Household/Worker		
Spending per Household	\$ 19,255	\$ 19,255
Spending per Worker and Rail Commuter	\$ 2,500	\$ 2,500
Total Spending from New Households and Workers, per Year		
Spending from New Households	\$ 18,136,383	\$ 16,272,765
Spending from New Workers	\$ 4,447,337	\$ 8,644,675
Capture Rates		
Household Spending	30%	30%
Worker and Commuter Spending	100%	100%
Retail Demand		
Average Sales per Square Foot	\$250	\$ 250
Total Retail Square Footage Demanded from New Households, Office Workers and Rail Commuters	27,553	54,106

Ship Creek Potential Retail Space, 2020

Sources: JLL

5.2 HOSPITALITY DEMAND

Additional hotel rooms in the Ship Creek area could act as an anchor to attract additional restaurant and retail uses that would make the Ship Creek area a successful mixed-use neighborhood. Attracting new hotels will require the addition of a regional attraction that could draw visitors year-round. The existing Anchorage hotel market is tight during the summer tourist season; however, it is much looser during the winter months, when tourism is at its low. Providing a destination anchor (e.g., indoor water park, climbing walls) could provide the additional winter demand necessary to entice hotel developers.

This analysis uses data from the Visitor's Bureau and Smith Travel Research (STR) to determine hotel demand in Anchorage and the Ship Creek area.

Hotel Demand

According to data from Smith Travel Research and the Anchorage Visitor's Bureau, in 2012 Anchorage had approximately 8,300 hotel rooms serving 397,900 Anchorage visitors that stay in local hotels. Of the total hotel visitors, more than twice as many (289,800) came during the spring/summer season, compared to 108,100 hotel visitors in the fall/winter season.

Unsurprisingly, hotel occupancy rates and revenue per available room night (RevPAR) are higher in the spring and summer than in the fall and winter, due to the higher demand. Occupancy rates during the summer reach 85 percent, much higher than the fall/winter occupancy rate of 70 percent. Since the fall/winter occupancy rate equals the industry's stable long-term occupancy rate, it follows that the hotel market is "right-sized" for the fall/winter but remains tight in the summer.

As the following table shows, the Anchorage lodging market could support up to 1,245 additional units during the spring/summer. Without additional tourism attractions that increase hotel demand, Anchorage can likely support a new upper/mid-level boutique hotel or two in the near-term, particularly as tourism continues to improve with the economy. However, the lodging market is likely to expand slowly over time so as not to create a glut of rooms during the fall/winter season.

Potential Ship Creek Hotel Rooms

Because of the site's proximity to downtown, views and the annual fishing draw to Ship Creek, the area could capture approximately 25 percent of the total hotel demand. If there were other amenities such as restaurants and shopping located in the area, the area could potentially

Ship Creek Potential Hotel Rooms	
Indicator/Area	2020
Additional Hotel Rooms Demanded	
Fall/Winter Season	0
Spring/ Summer Season	1,245
Capture Rate	
Capture Rate	25%
Potential New Hotel Rooms	
Low Range	0
High Range	311

Sources: Visitor's Bureau; STR; JLL
Ship Creek Potential Hotel Rooms

Additional Hotel Demand and Supply	Fall/ Winter Season	Spring/ Summer Season
Available Supply		
Total Existing Rooms	8,300	8,300
Total Existing Room Nights	1,494,000	1,494,000
Fall/Winter Season Occupancy Rate	70%	85%
Vacant rooms, Fall/Winter Season	2,490	1,245
Total Vacant room Nights	448,200	224,100
Existing 2011/2012 Out-of-State Visitors		
Total Visitors, Non-Cruise	266,800	1,556,800
Percentage coming to/through Anchorage	72%	49%
Total Visitors in Anchorage	193,000	762,800
Percent Lodging in Hotels	56%	38%
Average Party Size	1.4	2.5
Number of hotel Rooms per party (c)	1	2
Average Nights per Trip	7.1	3.4
Average Hotel Nights, Out of State Visitors	548,120	788,430
Occupied Rooms		
Total Occupied room Nights	1,045,800	1,269,900
Total Occupied by Out of State Visitors	548,120	788,430
Total Occupied by in-State Visitors	497,680	481,470
Additional Room as Required to Achieve 70% Occupancy (a)		
Long Term Occupancy Rate	70%	70%
Total Vacant Rooms	2,490	2,490
Additional Rooms Needed	0	1,245

Note: (a) Based on US occupancy rate.
Sources: STR; Anchorage Daily News; visitor's Bureau; Anchorage Municipality; JLL
Additional Hotel demand and Supply

capture additional demand. However, those uses are more likely to follow hotel and residential development than come in first.

If the area can attract cruise ship ports of call and tourist attractions, hotels would be more likely to locate within the Ship Creek area, providing an anchor for retail uses. Additionally, increased tourism uses could also increase the overall demand for hotel space in Anchorage, provided that tourist attractions could draw regional visitors year round.

As the table shows, without additional tourists the area could support between zero and 300 new rooms.

5.3 TOURISM - ENTERTAINMENT / CULTURAL/RECREATIONAL DEMAND

The Ship Creek area has the potential to serve tourists and/or provide a site for cultural or recreational uses. These uses could serve as an anchor for retail, as well as provide “eyes on the street” to support a safe 18-hour mixed-use community and attract hotel developers.

Tourist-Serving Uses

If the cruise industry docks in Ship Creek, there will be demand for tourist-serving retail and restaurant uses from more than 350,000 people each summer that come through Anchorage on cruise ships. Providing attractions and amenities to keep those cruisers on site, such as a water park or year-round gardens, could generate the critical mass needed to support additional retail and restaurant uses, aimed at the tourist market. However, it will be critical to make sure that the amenities are also attractive to Anchorage residents, in order to have a site that is viable and active year-round.

Entertainment/Cultural/Recreational

In addition to housing and office, entertainment/cultural/recreational uses could be a viable anchor in the Ship Creek site. Many local brokers and stakeholders indicated that Anchorage residents support the arts, as well as recreational uses. Although these uses typically require some subsidies to attract a developer, they can act as an anchor to create a sense of place that supports ancillary uses, like restaurants and other entertainment uses.

5.4 CONCLUSION

Ship Creek has a number of key attributes that can help in attracting development, but also has some challenges that must be overcome. The proximity to Downtown, views and pent up demand for residential and office uses will contribute to the area’s success. However, access issues, soil/seismic challenges and industrial adjacencies must be addressed before the development within the area will reach its potential. Assuming these issues can be addressed and overcome, Phase 1 of the Ship Creek Framework Plan could support the following development:

In order to create an 18-hour mixed-use community, it will be important to provide anchors that can support retail uses and attract hotel development. Residential, office and tourist attractions can provide anchor uses that support the restaurant and retail uses and provide “eyes on the street” to create a safe and successful environment

Potential Phase 1 Ship Creek Development		
	Low	High
Residential Units	423	845
Office/ Commercial Square Footage	393,313	786,626
Retail Square Footage	27,553	54,106
Hotel Rooms	0	311

Sources: Visitor’s Bureau; STR; JLL

Potential Phase 1 Ship Creek Development, 2020