Retail in Transit Stations: Capitalizing on the Opportunities

Darin Smith
Economic & Planning Systems, Inc.

October 17, 2012
Economic & Planning Systems, Inc.

- Land Use Economists with offices in:
  - Berkeley
  - Sacramento
  - Denver
  - Los Angeles

- Frequently consult on:
  - Transit Agency real estate projects
  - Station Area Plans for public sector and private clients

- Current projects include:
  - BART’s retail program and station property portfolio
  - RTD’s Denver Union Station commercial programming
Potential Benefits of In-Station Retail

- Station as more than just a Commute Portal
- Revenue for Transit System
  - Lease Revenues and/or Percent of Sales
  - Increased Ridership?

Before/After illustration courtesy of TransMart
Hierarchy of Opportunities

- Vending Machines: LOW RISK / REWARD, MANY SUITABLE STATIONS
- Carts and Kiosks: RISK / REWARD, FEW SUITABLE STATIONS
- Convenience Retail: HIGH RISK / REWARD, FEW SUITABLE STATIONS
- Specialty Retail: MEDIUM RISK / REWARD, MANY SUITABLE STATIONS

Vending Machines

Carts and Kiosks

Convenience Retail

Specialty Retail
Vending Machines

• Traditional or Innovative
  – Soda, snacks, coffee
  – Electronics, cosmetics, DVDs

• Low Ridership Threshold
  – Minimum 150 passersby/day
    (healthyvending.com)

• Low Needs / Impact
  – One floor, one wall, one outlet
  – <100 SqFt
  – Maintained by vendors

• Modest Revenue Generation
  – 5-15% of gross sales
  – $1K - $10K / machine
Carts and Kiosks

- Florists, Hot Dogs, Coffee, Newspapers, Chair Massage

- Modest Ridership Threshold
  - 3K+ exits / day

- Low Needs / Impact
  - Mobile or temporary fixtures
  - <200 SqFt
  - Hot food carts usually outside

- Modest Revenue Generation
  - $5K - $10K / Cart / Year for BART
Convenience Retail

- Florists, Cleaners, Food Mart, Coffee, Shoe Repair, News

- **Moderate Ridership Threshold**
  - 7K+ exits / day

- **Moderate Needs / Impact**
  - Permanent fixtures
  - <500 SqFt with modest TI’s
  - Power, ventilation, access

- **High Revenue Generation**
  - Rents / SqFt > market average
  - Nat’l tenants pay more than locals
Specialty Retail

- Bakeries, Books, Clothes, Chocolates, Restaurants

- High Ridership Threshold
  - 20K+ exits / day
  - CBD / tourism locations
  - Intermodal stations

- Higher Needs / Impact
  - Permanent fixtures
  - <1,000 SqFt w/ quality TI’s
  - Power, ventilation, access, seating

- High Revenue Generation
  - Rents / SqFt > market avg.
Coordinated Transit “Malls” – The Next Wave?

- TransMart proposal to BART
  - Unified operations among multiple stations
  - Range of retail: vending machines through specialty
  - Includes indoor and outdoor transit agency property
  - Status: Negotiating deal terms and due diligence on physical/operational constraints
TransMart Concept: Powell St. BART Before
TransMart Concept: Powell St. BART After
Challenges

- **Operational**
  - Food/drink policy
  - Security
  - Advertising contracts?
- **Physical**
  - Egress/flow
  - Utilities
  - Retrofit
  - Wayfinding
- **Organizational**
  - Solicitation process and policy
  - Ongoing management
- **Legal**
  - Project entitlement
Process

- Establish Goals
  - Revenue Generation
  - Rider Experience

- Assess Opportunities and Constraints
  - Physical Inventory
  - Market Conditions
  - Operational Needs

- Solicit Partners
  - RFQ / RFP vs. Ongoing Invitation
  - **Commit** to Partnership