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Folsom Central Business District Market Analysis Report

Prepared for the City of Folsom

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EXECUTIVE SUMMARY

The following Market Analysis Report provides an assessment of demographic and real estate market trends in Folsom, California, to inform the preparation of a Master Plan that will re-envision an approximately 220-acre site in the City's Central Business District ("District"). The Master Plan will guide future land use decisions, create opportunities for increased commercial and housing development, increase transportation and mobility options, and create a cohesive identity for the area.

The overarching goal of the Master Plan is to develop a vision to be implemented over a 10 to 20-year horizon that will attract people, businesses, and investments to the District. This study includes an evaluation of potential demand for new residential, retail, office, and hotel uses. For each use, the following analysis provides information on the implications of the real estate market findings to inform the planning process.

The findings and implications from this analysis will also greatly inform the District Revitalization and Economic Development Opportunities in the Master Plan.

Key Findings and Implications

Key findings from the market study and the resulting implications for the Master Plan are as follows.

Demographic and Economic Findings and Implications

- **The City of Folsom added approximately 16,000 residents between 2010 and 2023, growing to a total of 88,139 people.** This growth outpaced the rate of growth in Sacramento County and the Sacramento MSA overall, which both grew moderately over the same period.
- **Household size across Folsom, Sacramento County, and the MSA remained mostly steady between 2010 and 2023.** As of 2023, the average household size in Folsom was 2.64 persons per household, slightly smaller than the Sacramento County and MSA household sizes of 2.74 and 2.70 persons per household, respectively.
- **Demographic experts expect the City and region to continue to grow in population.** The City's estimation of its housing capacity in its Housing Element suggests that Folsom's population could grow by approximately 22,000 by 2029. Many forecasts for the City and county are problematic or unreliable due to reliance on top-down models or outdated base year data. The Folsom Area Plan (south of Highway 50), which is a new community on 3,520 acres, accounts for most of this anticipated growth.
- **The City has a large population of parent-aged adults (35-64) and children (under age 18), comprising an estimated 65 percent of the total population of Folsom.** Many

families are raising children in Folsom, which can shape consumer preferences towards family-oriented retail and experiences.

- **The City is predominantly Non-Hispanic White but has grown increasingly diverse over the last decade.** Folsom's household population is 56 percent Non-Hispanic White, but since 2010 the Non-Hispanic Asian household population has more than doubled and the Hispanic/Latino population grew by over 60 percent.
- **Overall, the City is home to an extremely well-educated labor force.** In Folsom, 97 percent of the population over the age of 25 years graduated from high school, while 62 percent have at least a bachelor's degree and 27 percent have a graduate degree.
- **The City's households have a higher median income compared to Sacramento County and the Sacramento MSA.** Folsom's median household income was estimated to be just under $138,000, compared to $83,000 in Sacramento County and $88,000 in the Sacramento MSA.
- **The City has a high rate of homeownership that supports community stability and spending on home goods and services.** Overall, the City has an estimated 71% of householders that own their home, higher than that in both Sacramento County and the Sacramento MSA.
- **The Manufacturing, Retail Trade, and Professional, Scientific and Technical Services industry sectors play a large role in Folsom's economy and together account for 45 percent of the total jobs in the City.** The largest employers in the City are Intel, Mercy Hospital, the California State Prison, PowerSchool, Verizon Wireless, and the City of Folsom.
- **The majority of those who work in the City of Folsom commute from outside the City.** Folsom residents make up 38 percent of the City's workers, while 62 percent commute from outside of Folsom, suggesting that any new residential development could be attractive to people seeking to live closer to work.
- **Households in Folsom spend an average of $50,000 a year in select retail categories, approximately 50 percent more than the average US household.** There is a strong consumer base in the City, but the District's retailers are competing with e-commerce and other commercial centers for spending.
- **According to Esri's Tapestry system, 80 percent of households in Folsom are part of the "Affluent Estates," "Upscale Avenues," and "Family Landscape" LifeMode groups.** These are generally higher-income and well-educated families with school-aged children that spend money on technology, cars, home goods, and family-oriented purchases.
- **Overall, the City's demographics represent a strong base of consumer spending to support existing and new retail and they suggest targeting affluent households with**

children. Retail opportunities include entertainment concepts such as cineplexes, family-fun arcades, indoor golf, and sports bars, for example.

Retail Market Findings and Implications

- Population growth in general will generate new retail spending power that can potentially be captured in the District. **Each new affluent household will generate approximately $50,000 in retail spending power**. Adding additional residents to the district will be critical for attracting new retailers to the District, and therefore early phases of implementation of the Master Plan should actively consider residential mixed-use development.

- E-commerce is disrupting the retail sector, resulting in the need for less physical space and more efficient use of existing space. Given this environment, only the most compelling sites will be attractive to retail developers or retail tenants. **As such, it is critically important to refine how and where to build new retail space within the District.** Future initiatives should also explore how the City's zoning code and development standards can be revised to better support the flexible demands of today's retailers.

- The proposed new retail in the Folsom Plan Area includes "town center"-style retail development and a "Community Commercial" zoning designation intended to serve nearby residents. This new development could compete with the District redevelopment to attract shoppers and visitors. **The Master Plan for the District should take this into account and consider how to differentiate the District from the Folsom Plan Area and incentivize redevelopment of commercial sites into a "life-style" center environment.**

Office Market Findings and Implications

- Office tenants prefer physical settings that offer an 'urban' feel, even if situated in a suburban location. **The completion of a walkable and amenity-rich mixed-use development project in the District will greatly improve the area's attractiveness as a potential office location.**

- Currently, much of the existing large office space in Folsom is directly adjacent to or near Highway 50, while the District is further from the highway and doesn't offer the same level of regional visibility**. Instead, the District could be home to additional local-serving businesses and co-working spaces for self-employed and remote workers.**

- The office vacancy rate in the District is lower than that of the City as a whole, indicating that there could be demand for additional office space in the redeveloped District.

- The proposed large-scale development in the Folsom Plan Area includes retail, industrial park and office, adding almost 8,000 jobs to the area. This new development could compete with the District's redevelopment to attract new employers. **The Master**

Plan for the District should take this into account and consider how to differentiate the district from the Folsom Plan Area through branding the physical improvements.

Residential Market Findings and Implications

- Although most housing units in Folsom are single-family homes, the City also has a sizeable inventory of multifamily housing units. Of the 32,083 housing units in Folsom approximately 74 percent are single-family units while 26 percent are multifamily units.
- Median home sales priced in Folsom are significantly higher than in Sacramento County, indicating demand for living in the City as well as a strong consumer base.
- Providing a range of housing types in the District at a mix of price points, including multifamily rental housing, condominiums, and townhomes, could address demand from various segments of the community, including seniors seeking to downsize but desiring to stay in Folsom.
- Attracting market-rate residential development to the District is likely to require implementation of placemaking strategies to complement residential uses, create a sense of community, and provide dining and entertainment for new residents. Much of the planned development in Folsom is concentrated along Highway 50 and in the Folsom Plan Area, so the Master Plan for the District should consider ways to create a distinct identity.
- The District offers a number of large commercial sites with the potential for a mix of uses that can create a sense of place with a mix of complementary uses that will support demand for new residential development.

Hotel Market Findings and Implications

- Folsom currently serves primarily as an upscale hotel market with some business travel. Ensuring that the District includes a mix of uses and amenities that would support a new hotel property could be critical to attracting new operators in the District, if desired.
- Hotels in Folsom may seek to increase leisure travel stays in part by enhancing connections with local and regional attractions and experience-focused stays.
- There are currently no hotels in the District, with no new development planned. The redeveloped District could include leisure-focused hotel uses for travelers visiting residents. One market with potential would be families and teams participating in regional sports events in Lembi Park.
- Most of the City's existing hotels are either in the Historic District or along Highway 50. The District could compete to attract a hotel if the City invests in branding the District and making improvements to give the District a cohesive look and feel.

INTRODUCTION

The City of Folsom is in the process of preparing a Central Business District ("District") Master Plan to re-envision the 220-acre commercial neighborhood. The Master Plan will guide future land use decisions, create opportunities for increased commercial and housing development, increase transportation and mobility options, and create a cohesive identity for the area. The overarching goal of the Master Plan is to develop a vision to be implemented over a 10 to 20-year horizon that will attract people, businesses, and investments.

Study Purpose

This Market Analysis Report provides information on demographic and real estate market trends in the City of Folsom, and the District specifically, to assess the opportunities for new development. This includes an evaluation of potential demand for new residential, retail, office, and hotel use. For each use, the following analysis provides information on the implications of the real estate market findings to inform the planning process.

Location and Site Context

The District is in the western part of the City near Lake Natoma, centered on East Bidwell Street between Coloma Street and Blue Ravine Road. Figure 1 below shows a map of the District. It is comprised of several shopping centers—including a Walmart Supercenter, Trader Joe's, and Target—and parking lots. It also includes Lembi Park, a large multiuse park and recreation center. It serves as a hub for Folsom sports and recreation activities, providing athletic courts and fields that accommodate soccer, softball, baseball, tennis, basketball, and volleyball games. Outside of the District, much of the surrounding development consists of single and multi-family residential, Folsom Industrial Park, schools, other parks, and a hospital. Approximately 3 miles southeast of the District on East Bidwell Street, near Highway 50, is a newer commercial and office district. To the south of Highway 50 is the Folsom Plan Area, an in-development 3,500-acre master-planned community.

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Figure 1: Central Business District Master Plan Area Map

Source: City of Folsom, 2022

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DEMOGRAPHIC AND ECONOMIC OVERVIEW

This section provides an overview of demographic and employment characteristics in Folsom. This information is useful for identifying potential opportunities, challenges, and issues for the City and its stakeholders to consider as it develops the Master Plan for the District. The analysis draws on data from the US Census Bureau and Esri Business Analyst. Because there are a limited number of residents and households currently living within the District and the trade area for commercial uses is generally the City and county, most of the information in this section is presented for the City of Folsom, Sacramento County, and/or the Sacramento Metropolitan Statistical Area ("MSA").

Population and Households

While there are many news reports about California's population decline, the City of Folsom, in contrast, is a growing community. The City of Folsom added approximately 16,000 residents between 2010 and 2023, with a total of 88,139 people, outpacing the rate of growth in Sacramento County and the Sacramento MSA overall. Each new household brings with it new consumer spending power to the City.

As shown in Table 1, Esri Business Analyst reports that, as of 2023, Folsom had a population of 88,139, an increase of 22.1 percent from 2010. Meanwhile, Sacramento County and the MSA grew significantly more slowly, with population increases of 13.8 percent and 13.9 percent, respectively. Folsom experienced a higher rate of household growth than population growth between 2010 and 2023, with a 24.8 percent increase in households, compared to Sacramento County and the MSA with 11.8 percent and 11.5 percent increase in households, respectively. The City is home to the California State Prison in Census Tract 9883. This tract is represented in the population figures in Table 1 but has been excluded from tables and figures where noted throughout the report.

Household size across Folsom, Sacramento County, and the MSA remained mostly steady between 2010 and 2023, as shown in Table 1. As of 2023, the average household size in Folsom was 2.64 persons per household, slightly smaller than the Sacramento County and MSA household sizes of 2.74 and 2.70 persons per household, respectively. In many communities, household size is declining as the population ages; Folsom is an exception due to its growth and attractiveness for households with children.

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Table 1: Population and Households, 2010-2023

Population	2010	2023	Change, 2010-2023 Number	Change, 2010-2023 Percent
City of Folsom	72,163	88,139	15,976	22.1%
City of Folsom *excluding group quarters* (a)	65,203	82,117	16,914	25.9%
Sacramento County	1,418,788	1,614,771	195,983	13.8%
Sacramento MSA (b)	2,149,127	2,448,813	299,686	13.9%

Households	2010	2023	Change, 2010-2023 Number	Change, 2010-2023 Percent
City of Folsom	24,925	31,115	6,190	24.8%
Sacramento County	513,945	576,145	62,200	12.1%
Sacramento MSA (b)	787,667	890,070	102,403	11.5%

Average Household Size	2010	2023
City of Folsom	2.62	2.64
Sacramento County	2.71	2.74
Sacramento MSA (b)	2.68	2.70

Notes:
(a) This is the population estimate excluding the group quarters population of Folsom California State Prison, as well as other group quarters including nursing homes, college dorms, etc.
(b) This geography includes the 4 counties that make up the Sacramento MSA, including the counties of Sacramento, El Dorado, Placer, and Yolo.
Sources: Esri Business Analyst; BAE, 2024.

Population Growth Prospects

The population growth over the last decade has brought substantial new spending potential to Folsom. And though California's statewide population is not expected to grow over the next few decades, according to the Sacramento Bee, demographic experts project that Sacramento County will continue to add over a quarter of a million new residents by 2060. In turn, this will increase the potential consumer base for the District.

Table 2 highlights a number of population growth forecasts for the City and region, looking forward over the next five years and beyond. Forecasting growth for a small jurisdiction such as the City is challenging due to lack of available credible models and the impact of unexpected local events (e.g., wildfire, closure of a major employer, and the like). The California Department of Finance (DOF), which is regarded as a highly credible source due to its access to multiple state data sources, forecasts population and household growth for the state and counties, but not cities. Commercial forecasts are available, such as by Esri, but its forecasts are only for a five-year period and are generated by top-down models that are less accurate for small jurisdictions. The Sacramento Council of Governments (SACOG) and the City of Folsom prepare projections that are reflected in their associated Regional Housing Needs Assessment and Housing Element, but these are projections made prior to the release of the

2020 Census. While each forecast has its limitations they are summarized in Table 2 and can only offer a general suggestion about future growth prospects.

The DOF forecasts a growth of almost 38,000 people in Sacramento County and 76,000 people in the Sacramento MSA by 2030. Esri forecasts more modest growth between 2023 and 2028, with an increase of 1,100 people in Folsom, 24,000 people in Sacramento County, and 44,000 people in the Sacramento MSA. The Sacramento Council of Governments (SACOG) published a 2021-2029 Regional Housing Needs Assessment (RHNA) for each city in the County, outlining a necessity for 6,300 units in Folsom, equating to almost 17,000 new residents Folsom (approximated using the City's average household size of 2.64 persons per household). Another potential forecast of growth is the plans for the in-development Folsom Plan Area, which include 11,000 homes and 8,000 jobs and could over time significantly increase the City's population. The City's housing element reflects the planned development in the Folsom Plan Area.

Table 2: Summary of Growth Forecasts

California Department of Finance (DOF) (a)	2022 to 2030 Change in Population
City of Folsom	N/A
Sacramento County	37,945
Sacramento MSA (b)	75,677

Esri Inc.	2023 to 2028 Change in Population
City of Folsom	1,137
Sacramento County	23,965
Sacramento MSA (b)	44,490

Regional Housing Needs Assessment (RHNA)	2021-2029 Change	
	Total Units	Population (c)
City of Folsom	6,363	16,798

Notes:
(a) Change from DOF 2022 estimates.
(b) This geography includes the 4 counties that make up the Sacramento MSA, including the counties of Sacramento, El Dorado, Placer, and Yolo.
(c) Calculated using the average household size of 2.64 persons.

Overall, the City's long-term growth will be influenced by factors outside the control of the City such as national immigration policy and the region's high cost of living. Reviewing these various forecasts, BAE puts greater weight on housing growth identified in the City's Housing Element and SACOG's RHNA Assessment; the City population should grow at least at the level implied by the outlined housing goals. Additional growth may be driven by local site availability beyond that required to fulfill RHNA. The City offers a high quality of life and is a proven destination for families. Further, affordable housing developed under the Housing Element and RHNA will likely bring larger households into the community and diversify the community's demand for retail goods and services.

Age Distribution

The City has a large population of parent-aged adults (35-64) and children (under age 18), comprising an estimated 65 percent of the total population of Folsom. The age distribution of a population has many social and economic consequences. A community's age distribution impacts labor force characteristics and availability, spending and shopping behavior, demand for services, including health care, spending, and demand for housing.

The nation has been aging over recent years as the senior "Baby Boomer" population grows. This trend is followed by the City, the County, and the MSA. The City's population is slightly older on average with a 2023 median age estimated at 38.6 years, compared to 36.7 for the County and 37.9 for the MSA, as shown in Table 3. Overall, between 2010 and 2023, Folsom's median age rose by 1.2 years compared to 1.9 years in the County and MSA.

Table 3: Median Age, 2010-2023

	Median Age		
	2010	**2023**	**Change in Years**
City of Folsom	37.4	38.6	1.2
Sacramento County	34.8	36.7	1.9
Sacramento MSA (a)	36.0	37.9	1.9

Notes:
(a) This geography includes the 4 counties that make up the Sacramento MSA, including the counties of Sacramento, El Dorado, Placer, and Yolo.
Sources: Esri Business Analyst; BAE, 2024.

Almost a quarter of Folsom's population is under the age of 18, while over 40 percent of the City's population is aged 35-64, as shown in Figure 2. **The high proportion of children and parent-aged adults suggests that there could be demand for family-oriented retail, dining, and recreation establishments in the District.** And while there is a lower proportion of young adults ages 18-34 (18 percent), a new mixed-use living-working-shopping district could be well suited to their consumer preferences and potentially attract more young adults to Folsom.

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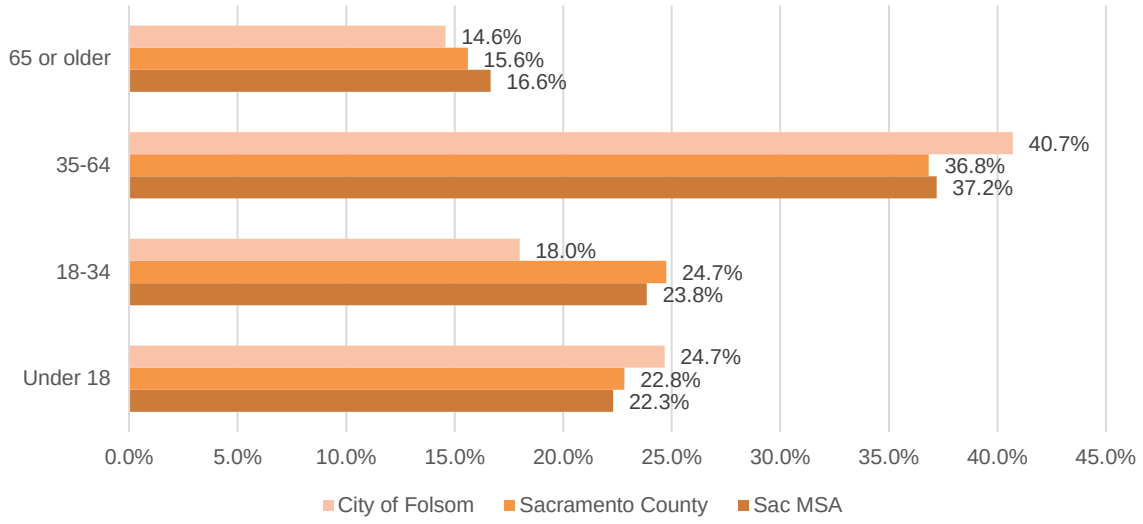
Figure 2: 2023 Regional Age Distribution



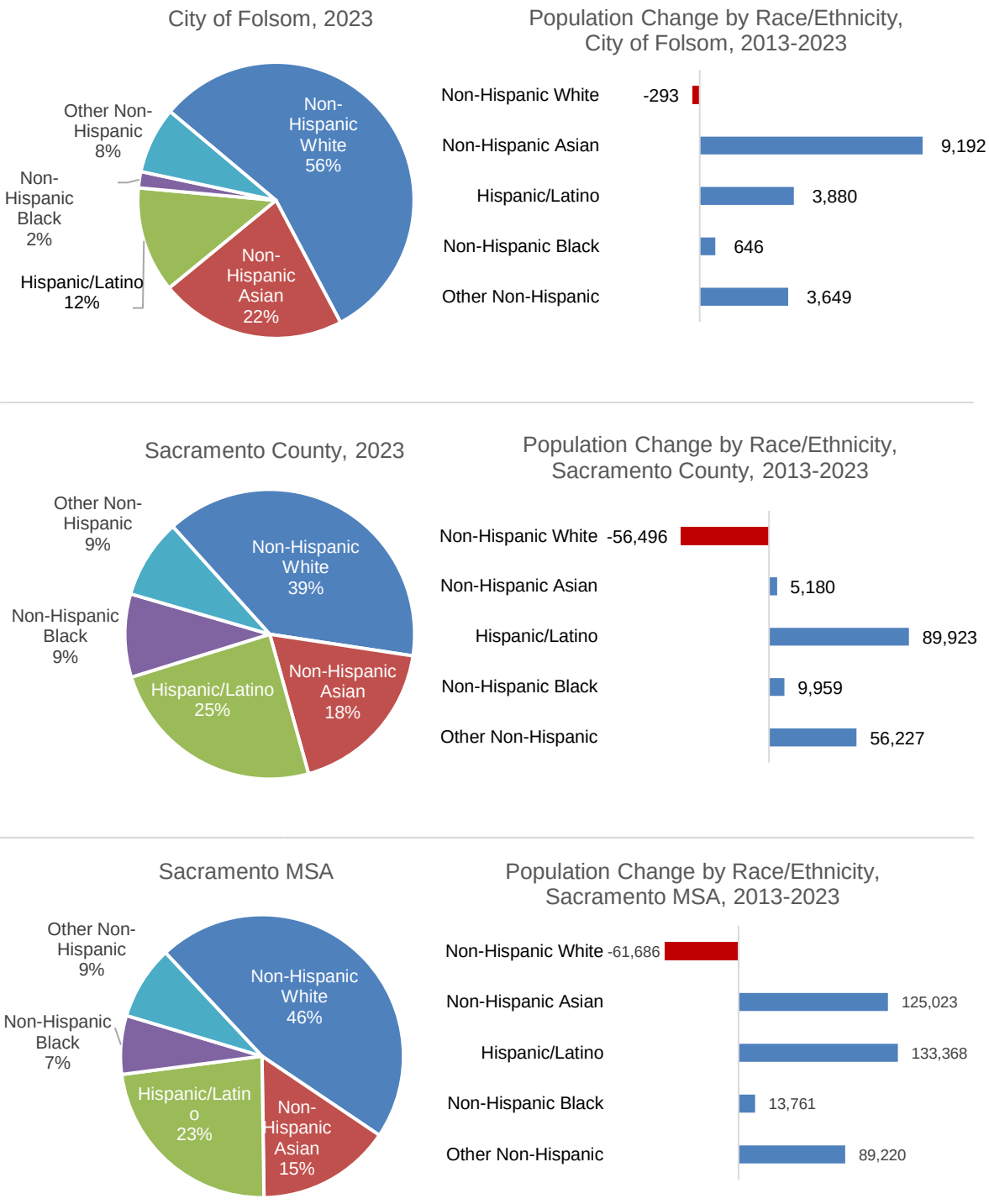
Notes:
(a) The City of Folsom Age Distribution estimate excludes the Folsom California State Prison in census tract 9883.
(b) The Sacramento MSA geography includes the counties of Sacramento, El Dorado, Placer, and Yolo.
Sources: Esri Business Analyst; BAE, 2024.

Race and Ethnicity

The City of Folsom is predominately Non-Hispanic White, but over the last decade has seen a growing population of Non-Hispanic Asian residents and Hispanic/Latino residents. The racial and ethnic composition of a population influences the demand for retail goods and services and housing. Figure 3 displays population by race and ethnicity for Folsom, Sacramento County, and the Sacramento MSA. Just over 53 percent of the City's population is non-Hispanic white, with 20 percent non-Hispanic Asian, 14 percent Hispanic/Latino, and all other races and ethnicities comprising approximately 12 percent of the population. In comparison, both the county and MSA have a higher proportion of the population that is Hispanic/Latino (24 percent and 23 percent, respectively), and a lower proportion of the population that is non-Hispanic white (39 percent and 46 percent, respectively). The county and MSA also have a slightly lower non-Hispanic Asian population, with 18 percent and 15 percent, respectively.

Since 2010, the non-Hispanic Asian population of Folsom has more than doubled, growing from around 8,800 people to just under 18,000 people. Folsom's Hispanic/Latino population has also grown significantly, going from around 6,300 people to over 10,000 people. **This shift in demographics could support new ethnic restaurants and businesses in the District, as well as create opportunities for minority-owned local businesses to set up shop.**

Figure 3: Race and Ethnicity, 2023



Notes:
(a) Other Non-Hispanic includes the following Non-Hispanic races: Native American, Native Hawaiian/Pacific Islander, Other, and Two or more Races.
(b) These race and ethnicity estimates exclude the Folsom California State Prison in census tract 9883.
Sources: Esri, BAE,2024.

Household Tenure

The City of Folsom has a higher proportion of householders who own their homes, at over 70 percent, compared to Sacramento County and the MSA. As shown in Table 4, Folsom has a homeownership rate of 71.2 percent, well over the homeownership rate of the County at 58.2 percent or the MSA at 62.0 percent. Between 2010 and 2023, the proportion of householders who own their homes grew slightly across all three geographies. **With a high proportion of homeowners in the City, local consumers could create demand for new home goods and home improvement stores in the District.**

Table 4: Household Tenure, 2010-2023

	2010		2023		% Change
City of Folsom	**Number**	**Percent**	**Number**	**Percent**	**2010-2023**
Owner-Occupied	17,417	69.9%	22,153	71.2%	27.2%
Renter-Occupied	7,508	30.1%	8,962	28.8%	19.4%
Total Occupied Housing Units	**24,925**	**100.0%**	**31,115**	**100.0%**	**24.8%**
	2010		**2023**		**% Change**
Sacramento County	**Number**	**Percent**	**Number**	**Percent**	**2010-2023**
Owner-Occupied	295,482	57.5%	335,225	58.2%	13.5%
Renter-Occupied	218,463	42.5%	240,920	41.8%	10.3%
Total Occupied Housing Units	**513,945**	**100.0%**	**576,145**	**100.0%**	**12.1%**
	2010		**2023**		**% Change**
Sacramento MSA (a)	**Number**	**Percent**	**Number**	**Percent**	**2010-2023**
Owner-Occupied	478,512	60.8%	551,632	62.0%	15.3%
Renter-Occupied	309,155	39.2%	338,438	38.0%	9.5%
Total Occupied Housing Units	**787,667**	**100.0%**	**890,070**	**100.0%**	**13.0%**

Note:
(a) The Sacramento MSA geography includes the counties of Sacramento, El Dorado, Placer, and Yolo.
Sources: Esri Business Analyst, 2023; BAE, 2024.

Educational Attainment and Household Income

Overall, Folsom has higher levels of educational attainment and household incomes than Sacramento County and the MSA as a whole. As of 2023, the median household income in Folsom was $137,691, compared to $83,284 in Sacramento County and $88,209 in the MSA (see Table 5). Folsom residents also collect higher incomes on a per capita basis, at $63,127 compared to $40,919 in the County and $44,994 in the MSA. Nearly one-third of Folsom households earn over $200,000 annually, compared with only 11 percent in the County and 14 percent in the MSA. According to the Pew Research Center, the 47 percent of households in Folsom with income of over $150,000 are considered “upper income” for the Sacramento metro area. **These upper income households likely have preferences for higher-quality retail and amenity-focused development.**

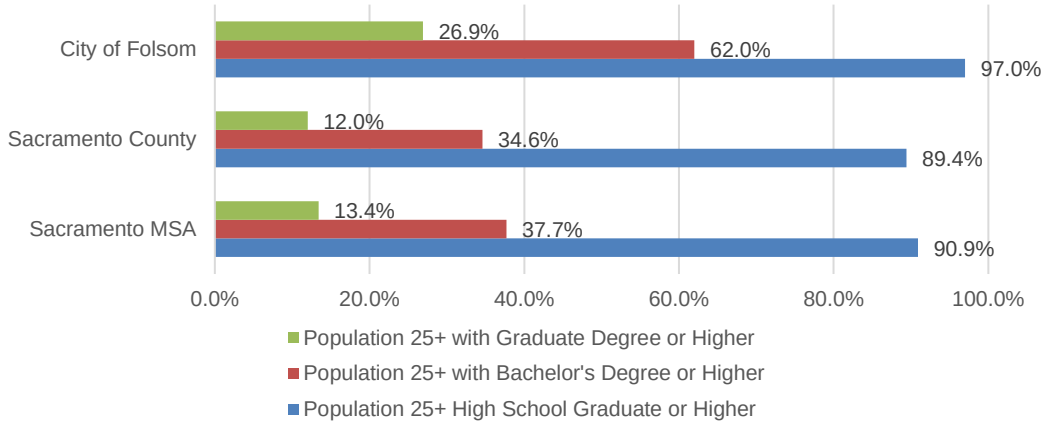
Data on educational attainment, shown in Figure 4, aligns with these findings on household income. The proportion of the population over age 25 with at least a high school diploma is high across all three geographies (over 89 percent, with 97 percent in Folsom), but this diverges when looking at higher education. In Folsom, 62 percent of the population over age 25 has at least a bachelor's degree, with 27 percent of the 25+ population having a graduate degree. This is more than double the rate of graduate degrees in the County and MSA.

Table 5: Household Income Distribution, 2023

	City of Folsom		Sacramento County		Sacramento MSA (a)	
Income Category	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Less than $15,000	1,272	4.1%	49,412	8.6%	70,895	8.0%
$15,000-$24,999	1,012	3.3%	32,544	5.6%	47,390	5.3%
$25,000-$34,999	977	3.1%	33,230	5.8%	49,453	5.6%
$35,000-$49,999	1,542	5.0%	50,724	8.8%	73,040	8.2%
$50,000-$74,999	2,918	9.4%	91,374	15.9%	135,253	15.2%
$75,000-$99,999	2,921	9.4%	77,584	13.5%	115,951	13.0%
$100,000-$149,999	6,018	19.3%	116,648	20.2%	177,901	20.0%
$150,000-$199,999	5,306	17.1%	58,377	10.1%	93,653	10.5%
$200,000 or more	9,149	29.4%	66,251	11.5%	126,532	14.2%
Total Households (b)	**31,115**	**100.0%**	**576,144**	**100.0%**	**890,068**	**100.0%**
Median HH Income	**$137,691**		**$83,284**		**$88,209**	
Per Capita Income	**$63,127**		**$40,919**		**$44,994**	

Note:
(a) This geography includes the 4 counties that make up the Sacramento MSA, including the counties of El Dorado, Sacramento, Placer, and Yolo.
(b) Totals may not match totals in other tables due to independent rounding.
Sources: Esri Business Analyst, 2023; BAE, 2024.

Figure 4: Educational Attainment for Population 25+



Notes:
(a) The City of Folsom Educational Attainment estimates exclude the Folsom California State Prison in census tract 9883.
(b) The Sacramento MSA geography includes the counties of Sacramento, El Dorado, Placer, and Yolo.
Sources: Esri Business Analyst; BAE, 2024.

Employment

The Manufacturing, Retail Trade, and Professional, Scientific and Technical Services industry sectors play a large role in Folsom's economy and together account for 45 percent of the total jobs in the City. This aligns closely with the largest employers in the City, which are Intel (over 6,000 employees), Mercy Hospital of Folsom (over 1,000 employees), the California State Prison (over 1,000 employees), PowerSchool (over 600 employees), a Verizon Wireless call center (over 500 employees), and the City of Folsom (over 400 employees). Folsom is also a regional retail hub, with approximately 5,700 retail jobs in the City, as shown in Table 6.

Table 6: Employment by Industry, 2023

	City of Folsom		Sacramento County		Sacramento MSA (a)	
Industry	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Manufacturing	6,982	18.3%	27,658	4.6%	42,491	4.5%
Retail Trade	5,747	15.0%	69,523	11.4%	114,541	12.1%
Professional, Scientific, and Technical Services	4,498	11.8%	47,625	7.8%	69,148	7.3%
Accommodation and Food Services	4,081	10.7%	52,138	8.6%	91,433	9.7%
Health Care and Social Assistance	3,750	9.8%	76,376	12.6%	109,503	11.6%
Finance and Insurance	2,025	5.3%	30,216	5.0%	41,817	4.4%
Other Services (exc. Public Administration)	1,887	4.9%	45,099	7.4%	63,796	6.7%
Real Estate Rental and Leasing	1,500	3.9%	18,693	3.1%	30,875	3.3%
Public Administration	1,492	3.9%	72,933	12.0%	101,183	10.7%
Information	1,314	3.4%	14,128	2.3%	20,677	2.2%
Construction	1,222	3.2%	37,299	6.1%	54,727	5.8%
Educational Services	1,136	3.0%	40,975	6.7%	84,233	8.9%
Arts, Entertainment, and Recreation	956	2.5%	12,831	2.1%	26,174	2.8%
Administrative, Waste & Remediation	736	1.9%	19,943	3.3%	30,076	3.2%
Wholesale Trade	342	0.9%	21,848	3.6%	33,212	3.5%
Transportation and Warehousing	196	0.5%	12,940	2.1%	19,826	2.1%
Management of Companies and Enterprises	33	0.1%	518	0.1%	816	0.1%
Utilities	32	0.1%	892	0.1%	2,331	0.2%
Agriculture, Forestry, Fishing and Hunting	31	0.1%	1,582	0.3%	3,792	0.4%
Mining	0	0.0%	180	0.0%	341	0.0%
Unclassified	231	0.6%	3,813	0.6%	5,571	0.6%
Total Employment	**38,191**	**100.0%**	**607,210**	**100.0%**	**946,563**	**100.0%**

Note:
(a) This geography includes the 4 counties that make up the Sacramento MSA, including the counties of El Dorado, Sacramento, Placer, and Yolo.
(b) Totals may not match totals in other tables due to independent rounding.
Sources: Esri Business Analyst, 2023; BAE, 2024.

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As shown in Table 7, the residents of Folsom are employed in a diverse set of industries leading to a stable economic base for the City. The top three industries for employed residents are Professional, Scientific, and Technical Services, Health Care and Social Assistance, and Manufacturing.

Table 7: Employed Residents by Industry, 2023

	City of Folsom		Sacramento County		Sacramento MSA (a)	
Industry	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Professional, Scientific, and Technical Services	5,554	13.4%	58,577	7.8%	96,406	8.4%
Health Care and Social Assistance	5,553	13.4%	105,912	14.0%	158,957	13.9%
Manufacturing	4,844	11.7%	41,931	5.5%	65,545	5.7%
Public Administration	3,925	9.5%	82,887	11.0%	114,056	9.9%
Retail Trade	3,916	9.5%	75,741	10.0%	111,988	9.8%
Educational Services	3,258	7.9%	60,054	7.9%	102,687	9.0%
Finance and Insurance	3,048	7.4%	33,455	4.4%	52,127	4.5%
Construction	2,108	5.1%	55,971	7.4%	85,707	7.5%
Accommodation and Food Services	1,824	4.4%	50,874	6.7%	75,619	6.6%
Administrative, Support, Waste Mgmt & Remediation	1,322	3.2%	39,513	5.2%	54,598	4.8%
Other Services (except Public Administration)	1,250	3.0%	34,498	4.6%	51,030	4.4%
Transportation and Warehousing	1,193	2.9%	44,799	5.9%	60,710	5.3%
Information	774	1.9%	13,041	1.7%	19,864	1.7%
Real Estate Rental and Leasing	751	1.8%	13,473	1.8%	21,735	1.9%
Arts, Entertainment, and Recreation	688	1.7%	15,836	2.1%	28,761	2.5%
Wholesale Trade	677	1.6%	13,489	1.8%	19,601	1.7%
Utilities	507	1.2%	9,033	1.2%	14,459	1.3%
Agriculture, Forestry, Fishing and Hunting	75	0.2%	5,437	0.7%	11,566	1.0%
Management of Companies and Enterprises	27	0.1%	728	0.1%	1,327	0.1%
Mining	0	0.0%	384	0.1%	577	0.1%
Total Employed Residents (b)	**41,294**	**100.0%**	**755,633**	**100.0%**	**1,147,320**	**100.0%**

Note:
(a) This geography includes the 4 counties that make up the Sacramento MSA, including the counties of El Dorado, Sacramento, Placer, and Yolo.
(b) Totals may not match totals in other tables due to independent rounding.
Sources: Esri Business Analyst, 2023; BAE, 2024.

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Commute Patterns

The majority of those who work in the City of Folsom commute from outside the City. As shown in Table 8, the City experiences a daily inflow of commuters; 62 percent of workers in Folsom do not live in the City. Of employed City residents, 50 percent work in Folsom and 34 percent work in Sacramento County. **This data suggests that any new residential development in the City, and potentially the District, will be attractive to people seeking to live closer to work and reduce their commute time.**

Table 8: Commute Patterns, 2022

	Workers			Employed Residents	
Place of Residence	**Number**	**Percent**	**Place of Work**	**Number**	**Percent**
Folsom	**18,764**	**37.9%**	**Sacramento County**	**31,458**	**83.9%**
All Other Locations	**30,718**	**62.1%**	Folsom	18,764	50.0%
Total Working in City	**49,482**	**100.0%**	All Other Sacramento County	12,694	33.8%
			All Other Locations	**6,050**	**16.1%**
			Total Employed Residents	**37,508**	**100.0%**

Sources: U.S. Census Bureau, American Community Survey 2018-2022 five-year sample period, Tables B08007, B08008, and B08604; BAE, 2024.

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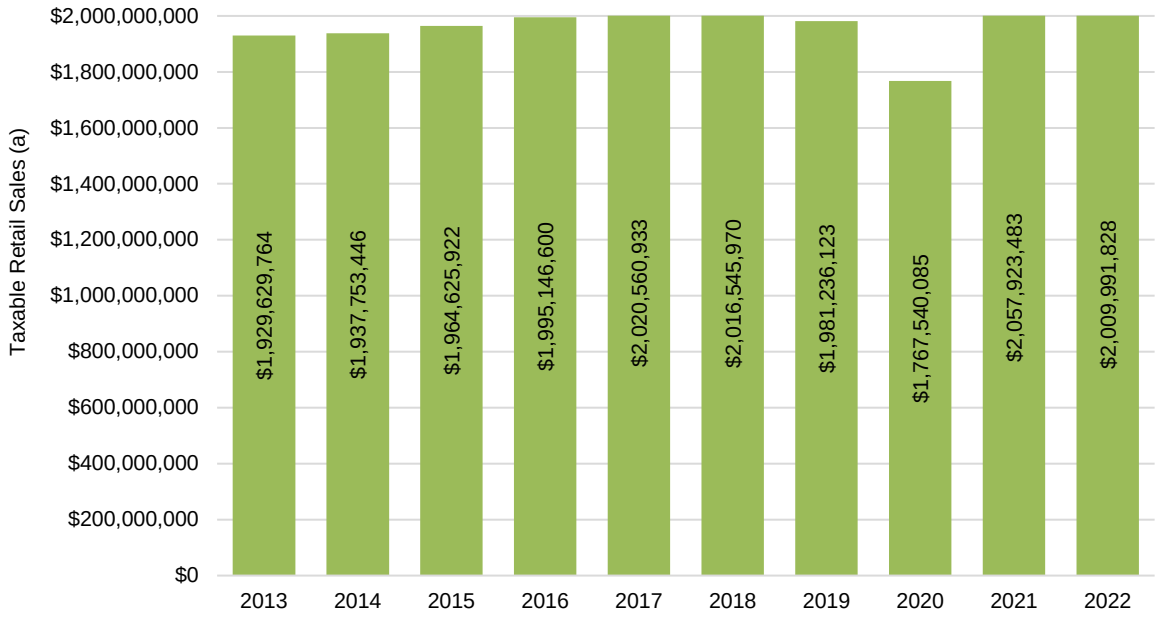
Sales and Spending

Taxable retail sales have grown modestly over the last 10 years in Folsom. In 2022, over $2 billion was spent on taxable retail sales in Folsom, as shown in Figure 5 with inflation-adjusted retail sales over time. 2022's spending of over $2 billion shows a recovery from a pandemic-driven low in 2020, at just under $1.8 billion in taxable retail sales, but otherwise spending has remained relatively flat on an inflation-adjusted basis over the last 10 years despite the City's growing population. This could be the result of a shift towards online shopping among residents, or because a large portion of taxable sales are from regional shoppers and the population growth had only a modest impact on sales volume. A revitalized, mixed-use District could both attract new residents and bring in regional shoppers, potentially driving up retail sales in Folsom.

Figure 5: Taxable Retail Sales in Folsom, 2013-2022



Note:
(a) Adjusted to 2022 dollars.
Source: State of California, Board of Equalization; BAE, 2024.

Folsom's households spend approximately $50,000 annually on selected spending categories presented in Table 9. Overall, the City has a potential spending power of $1.5 billion on these categories. The spending by residents in these categories is generally 50 percent above the national average, reflecting the City's affluence. The largest categories relevant to the District and its retailers are Food Away From Home ($190.5 million), Entertainment and Recreation ($192.5 million), Apparel and Services ($111.4 million), Household Furnishings and Equipment ($92.4 million). These four categories account for over one third of total

expenditures. Spending on food at home totals $331.6 million, making it the largest retail spending category. While there is a large pool of consumer spending in the community, the District's retailers are competing for a share of this spending, not only with other nearby commercial and shopping centers but online retailers as well.

Table 9: Folsom Household Spending Report, 2023

	Spending Potential Index (a)	Average Amount Spent per Household	Total Estimated Spending (b)
Apparel and Services	**163**	**$3,579.28**	**$111,369,159**
Computer	**162**	**$497.27**	**$15,472,583**
Entertainment & Recreation	**164**	**$6,186.09**	**$192,480,240**
Fees and Admissions	183	$1,302.60	$40,530,427
TV/Video/Audio	153	$2,075.23	$64,570,889
Pets	157	$1,443.58	$44,916,956
Toys/Games/Crafts/Hobbies (4)	161	$255.62	$7,953,708
Recreational Vehicles and Fees (5)	169	$254.47	$7,917,772
Sports/Recreation/Exercise Equipment (6)	186	$521.05	$16,212,423
Photo Equipment and Supplies (7)	168	$78.58	$2,444,879
Reading (8)	160	$202.33	$6,295,535
Catered Affairs (9)	173	$52.63	$1,637,650
Food	**159**	**$16,778.52**	**$522,063,547**
Food at Home	157	$10,657.22	$331,599,256
Food Away from Home	164	$6,121.30	$190,464,291
Alcoholic Beverages	167	$1,126.98	$35,066,119
Health	**151**	**$971.41**	**$30,225,491**
Household Furnishings and Equipment	**163**	**$2,970.50**	**$92,426,788**
Household Operations			
Child Care	188	$970.34	$30,192,045
Lawn and Garden (16)	166	$1,112.73	$34,622,643
Moving/Storage/Freight Express	160	$143.64	$4,469,329
Housekeeping Supplies (17)	158	$1,474.63	$45,882,979
Personal Care Products (18)	161	$891.44	$27,737,039
School Books and Supplies (19)	165	$220.78	$6,869,608
Smoking Products	128	$554.05	$17,239,315
Total Potential Consumer Spending		**$49,867.34**	**$1,551,621,551**

Notes:
(a) Spending index relative to national average spending.
(b) Esri derives consumer spending power from the 2019 and 2020 Consumer Expenditure Surveys, Bureau of Labor Statistics.
Source: Esri Business Analyst; BAE, 2024.

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Tapestry Segmentation

Esri's tapestry segmentation leverages robust data on the demographic and socioeconomic characteristics of U.S. households to develop tailored profiles of different geographies based on their residential characteristics and consumer traits. This data source is often used in the retail industry to better understand the attitudes, interests, habits, and spending patterns of consumers in each market area. Esri's Tapestry system classifies U.S. neighborhoods into 67 unique market segments based on a combination of demographic characteristics and data mining of consumer databases and surveys. These 67 market segments are classified into 14 different LifeMode groups based on their common experiences or significant demographic traits. LifeMode groups can be used to differentiate households based on their consumer preferences and likely consumer behavior patterns.

Table 10: Top Three Esri Tapestry LifeMode Groups by Household, 2023

LifeMode Group	Total Households	% Total Households
Affluent Estates	18,357	59.0%
Upscale Avenues	3,277	10.5%
Family Landscapes	3,264	10.5%
Subtotal, Top 3 LifeMode Groups	**24,898**	80.0%
Total Households	**31,115**	**100%**

Sources: Esri Business Analyst; BAE, 2024.

According to Esri's Tapestry system, 80 percent of households in Folsom are part of the "Affluent Estates," "Upscale Avenues," and "Family Landscape" LifeMode Groups, as shown in Table 10. The following is a summary of the primary characteristics that help define these three LifeMode Groups, according to Esri.[1]

Affluent Estates

The Affluent Estates LifeMode group makes up 59 percent of households in Folsom. This LifeMode group is comprised of high-income, well-educated married couples with children. Within the group, the top two segments in the City are Boomburbs (1C), describing 26 percent of Folsom households, and Professional Pride (1B), describing 21 percent of Folsom households.

The Boomburbs LifeMode segment can be described as young professionals who have started families and moved to the suburbs. Esri's Tapestry system describes this segment as having the following characteristics:

- Have a median income more than double the national median income.

[1] See: https://doc.arcgis.com/en/esri-demographics/data/tapestry-segmentation.htm#ESRI_SECTION2_D34B7970D92941D5A32339D6E31C29CE

- Mid-thirties adults with young children.
- Higher than average annual income and net worth.
- The vast majority of households own their own single family home but have an active mortgage on it.
- Typically live in the suburban periphery of large metro areas and have longer commutes (30+ minutes) than most of the population, often driving to commute across county lines.
- High labor force participation, most households have at least two workers.
- Spending reflects the tastes of these consumers, who prioritize new cars, technology, home upgrades, clothing and makeup, and gym memberships or at-home exercise equipment.

The Professional Pride LifeMode segment is similar to the Boomburbs LifeMode Group but is older and more established. Esri's Tapestry System describes this segment as having the following characteristics:

- Have a median income more than double the national median income.
- Early 40s parents with school-aged children.
- Typically own newer single-family homes (built in the last 20 years), and have three or more vehicles per household.
- Highly skilled and employed in the science, technology, law, or finance fields.
- Willing to spend money on continuous home upgrades, both through small DIY projects and contracting out larger projects.
- Willing to spend heavily, but often shop online for clothes, technology, and more.
- Visits spas and salons regularly.

Upscale Avenues

The Upscale Avenues LifeMode group makes up 10 percent of Folsom's households, exclusively in the Enterprising Professionals (2D) segment. This LifeMode group is comprised of hard-working, financially responsible married couples with older children.

The Enterprising Professionals segment can be described as well-educated households, often working their way up in the STEM field. Esri's Tapestry System describes this segment as having the following characteristics:

- Have a median income 50 percent above the national median income.
- A mix of mid-thirties married couples and single-person households.
- Approximately half of this segment are homeowners, and the other half are renters.
- Typically live in a mix of single-family homes, row homes, and large apartments.
- Over half of adults have a bachelor's degree or higher.
- Choose retailers based on convenience, and often shop online.
- Regularly visit fast casual establishments, like Chipotle, Panera Bread, and Starbucks.

Family Landscapes

The Family Landscapes LifeMode group makes up 10 percent of Folsom's households, primarily in the Workday Drive (4A) segment. This LifeMode group is comprised of young families with two working parents living in suburban and semi-rural areas.

The Workday Drive segment can be described as family-oriented, educated households that prefer the suburban peripheries of major metropolitan areas. Esri's Tapestry System describes this segment as having the following characteristics:

- Have a median income 60 percent higher than the national median income.
- Predominately live in single family homes with a mortgage.
- Own at least two cars, preferring minivans and SUVs.
- Spend heavily on family-focused purchases, including children's clothes and toys, and visits to theme parks or zoos.
- Enjoy visiting recreation centers and going to sporting events.
- Contract out most home maintenance services, but also have the tools to do minor home projects themselves.

Implications for the District

- Folsom has a strong population base that can provide potential support for new retail, entertainment, and recreation opportunities in the District.
- Esri Tapestry segment information for Folsom indicates that the City has a large base of affluent consumers with expendable income living in households with young to school-aged children. These households could provide support for new specialty retail (particularly home goods and improvements stores), eating and drinking establishments, family-oriented retail, and recreational enterprises.
- The City's 30s-40s population base could help to support new forms of specialty and experiential retail, particularly in a new walkable "town center"-style development. Specialty and experiential retail, as well as eating and drinking establishments can help create a distinct sense of place for the District.
- The City's growing Non-Hispanic Asian population could support specialty food retail, including ethnic markets and eating and drinking establishments.
- Though the City of Folsom is predominately a high-income community, there is a significant population of lower-income households. Revitalization efforts in the District should consider a diverse set of offerings at multiples price points.
- The City of Folsom is positioned for additional significant population growth from the in-development Folsom Plan Area and the implementation of its housing element. This growth will bring additional retail spending power to Folsom.

REAL ESTATE MARKET CONDITIONS

This chapter provides information on real estate market conditions and trends in the District, several other commercial neighborhoods, and the City of Folsom as a whole to create a clear picture of the existing environment. The following subsections provide information on the market of retail, office, multi-family residential, and hotel uses to provide insight on the potential demand for future development in the District.

Retail

District Context

Figure 6 is a map showing the location and size of retail properties in Folsom. The City's retail development is concentrated in the District, the Broadstone District, and the Folsom Historic District. There are also small retail clusters in the Natoma Station neighborhood along Blue Ravine Road and Prairie City Road, the Briggs Ranch neighborhood on East Natoma Street and Green Valley Road, and other parts of the City. There is also planned retail development, serving both local and regional shoppers, in the new Folsom Plan Area.

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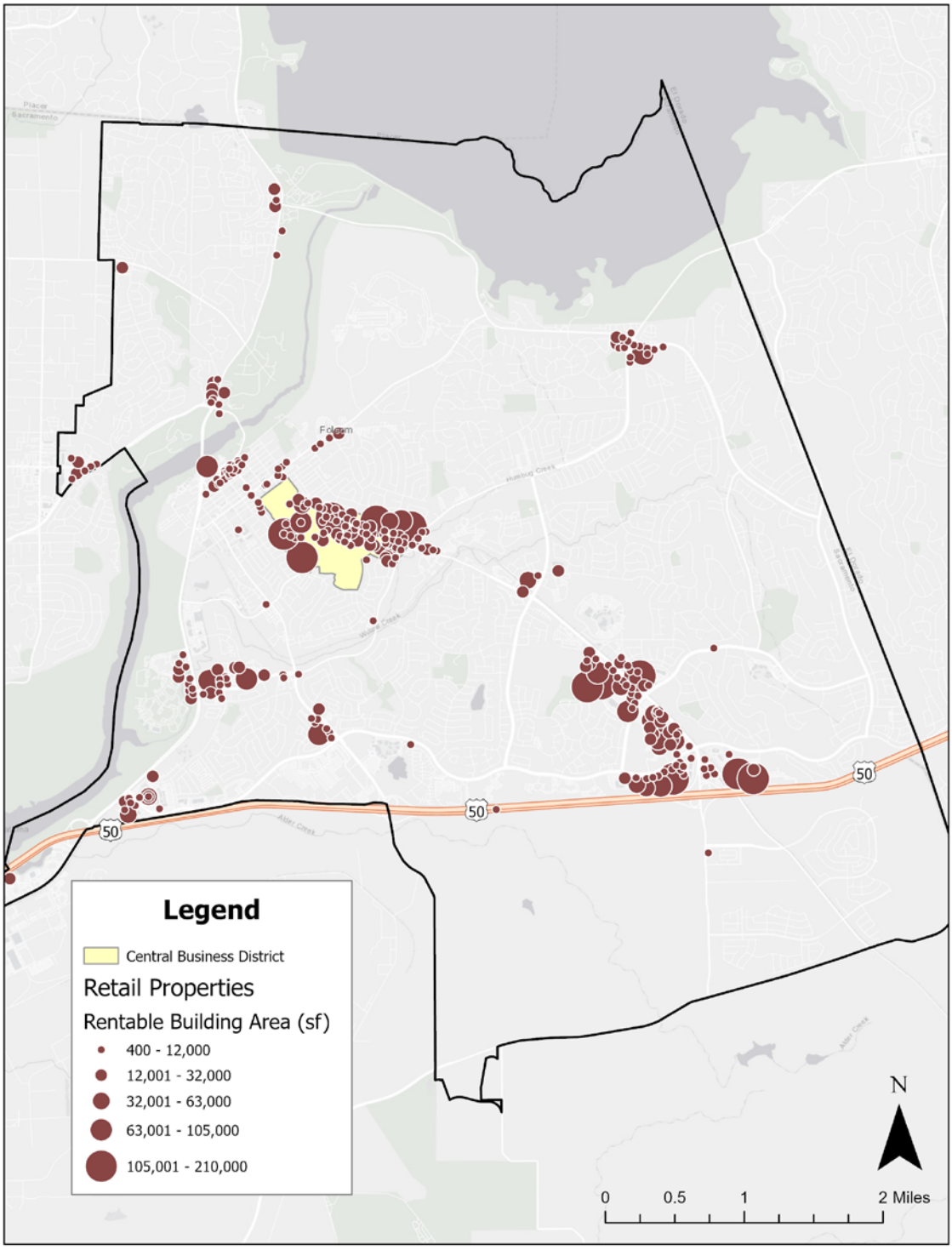
Figure 6: Geographic Distribution of Retail Properties in Folsom, 2023



Source: Costar, 2024; BAE, 2024.

Retail Market Conditions

As of 2023, the District makes up 29 percent of the City's 5.8 million square feet of retail space according to data provided by CoStar, as shown in Table 11. The Broadstone District (which includes the Palladio shopping center) and Folsom Historic District make up 33 percent and 5 percent, respectively, for a total of 67 percent of the City's retail space across all three districts. Retail vacancy rates are relatively low across Folsom, at 3.1 percent city-wide.

Table 11: Retail Market Summary, Q3 2023

Retail	Central Buisness District	Broadstone District	Historic District	City of Folsom
Inventory (sf), Q3 2023	1,671,378	1,945,163	295,110	5,823,496
Inventory (% of City)	28.7%	33.4%	5.1%	100.0%
Occupied Stock (sf)	1,634,926	1,847,417	284,750	5,645,627
Vacant Stock (sf)	36,452	97,746	10,360	177,869
Vacancy Rate	2.2%	5.0%	3.5%	3.1%
Avg. Asking NNN Rents				
Avg. Asking Rent (psf), Q3 2022	$21.23	$30.00	$20.37	$22.63
Avg. Asking Rent (psf), Q3 2023	$21.10	$30.00	$19.86	$22.55
% Change Q3 2022 - Q3 2023	-0.6%	0.0%	-2.5%	-0.4%
Net Absorption				
Net Absorption (sf), Q4 2013-Q3 2023	103,897	218,982	37,086	578,017
Net Absorption (sf), Q4 2022 - Q3 2023	30,550	25,241	(885)	67,455
New Deliveries (sf), Q4 2013 - Q3 2023	5,800	87,593	16,073	227,664
Under Construction (sf), Q3 2023	0	0	0	41,841

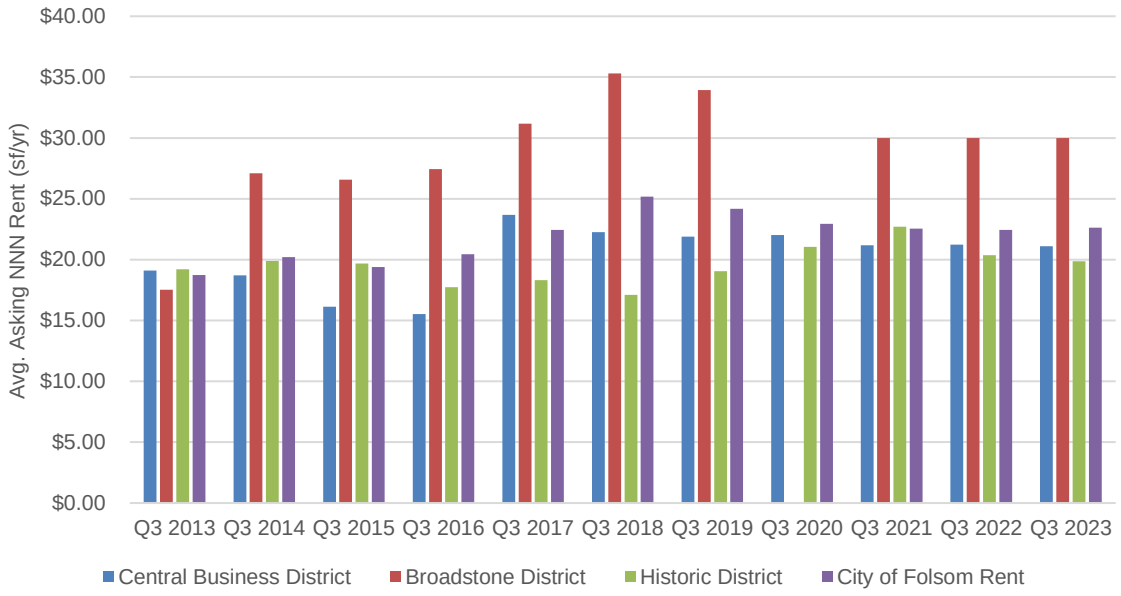
Sources: CoStar, 2023; BAE, 2024.

Asking Rents and Vacancy

Figures 7 and 8 show the trends in average NNN asking rents and vacancy rates in the District, Broadstone District, and Folsom Historic Districts. Overall, vacancy rates have declined over the past 10 years across all three districts. The Broadstone District has a slightly higher vacancy rate at 5.0 percent, compared to the District and Folsom Historic District at 2.2 percent and 3.5 percent, respectively. Average NNN asking rents have fallen slightly since the pandemic across all three districts. The Broadstone District has the highest average NNN asking rent, at $30 per square foot per year which is roughly 40 to 50 percent higher than the District and Folsom Historic District. [2]

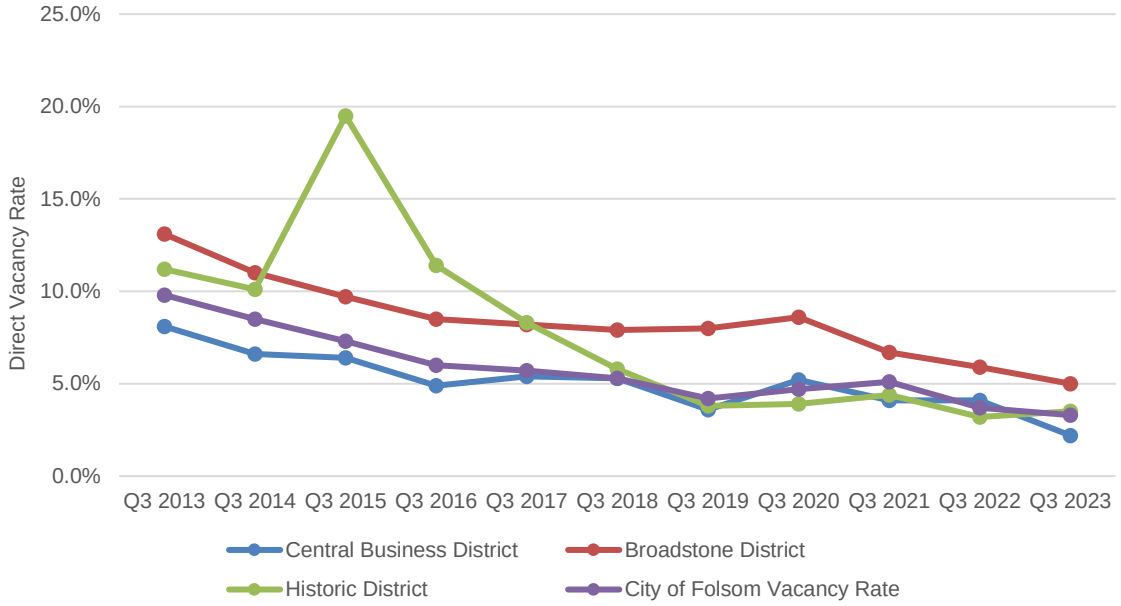
[2] The average NNN asking rents and vacancy rates are based on available market data in CoStar. This data is useful in looking at the local market trends as whole but may not capture 100% of the existing or under construction retail space.

Figure 7: Folsom Retail Rent Trends by District, Q3 2013-Q4 2023



Note:
(a) CoStar did not have available data for the East Bidwell district in Q3 2020.
Sources: CoStar, 2023; BAE, 2024.

Figure 8: Folsom Vacancy Rate Trends by District, Q3 2013-Q4 2023

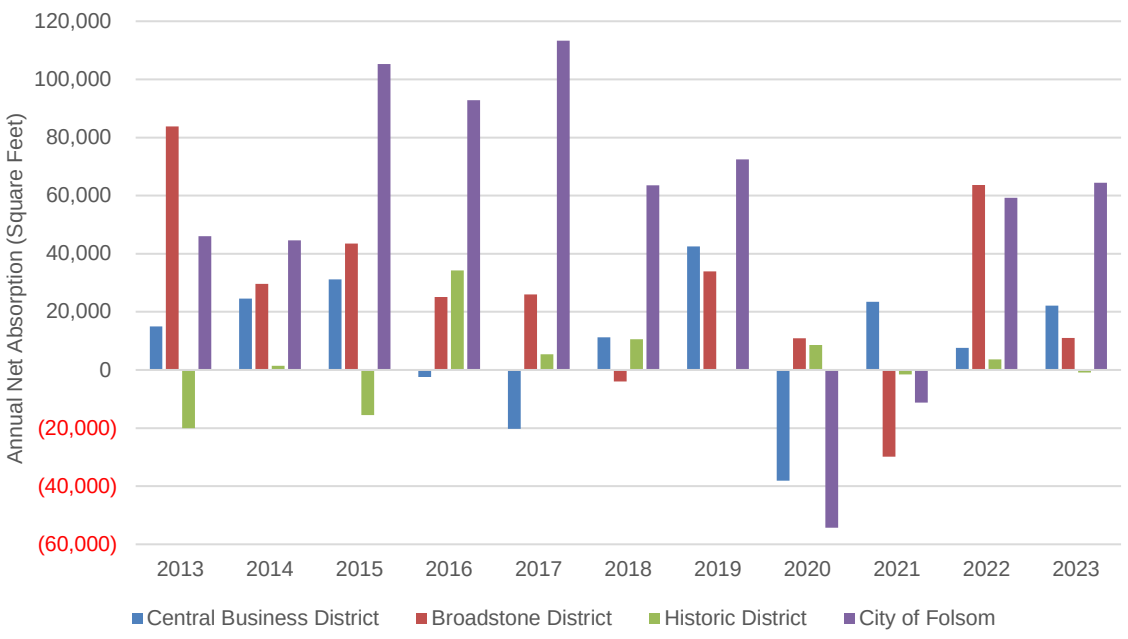


Sources: CoStar, 2023; BAE, 2024.

Delivery and Absorption Trends

Although the City has added more than 220,000 square feet to its total retail inventory since 2013, according to CoStar data a negligible amount of this new development occurred in the District (see Table 11). Both the City and the District experienced positive net absorption, totaling 578,000 square feet in the City and 104,000 square feet in the District. As shown in Figure 9, most of the positive net absorption occurred pre-pandemic, with some negative net absorption in 2020 and 2021, but since 2022 net absorption has been positive across the City. The in-development Folsom Plan Area is expected to add a significant amount of retail square-footage to the City, with plans for both regional and community-centered walkable retail.

Figure 9: Folsom Net Annual Absorption by District, 2013-2023



Sources: CoStar, 2023; BAE, 2024.

National and Regional Market Trends

Evolution of Malls and Shopping Centers. Over the past twenty-five years, the retail market has evolved with department stores giving up market share to big box retailers that focus on value (e.g., Costco, Best Buy, Walmart, Staples, and Target). Consequently, the number of viable shopping malls and centers has contracted. Suburban communities have in turn been faced

with repurposing underperforming centers and malls. Many of these underperforming centers are being transformed into denser, more walkable mixed-use centers. [3]

Impacts of E-Commerce. The retail environment has changed significantly since the advent of e-commerce and e-retailers such as Amazon and eBay. Many "sticks and bricks" retailers that compete directly with e-retailers have suffered declines in sales and have been forced to close physical locations or, in some cases, to file for bankruptcy. However, despite these changes, the consensus among retail analysts is that retailers with "brick and mortar" stores will continue to be the foundation of retail since physical stores provide a sensory experience of the offered goods as well as convenience.

Multi-channel and Omnichannel Retailing. With the advent of e-commerce, the best performing retailers have adapted to the new normal and are promoting sales through multiple channels, including physical stores, retail websites, social media, and other media (often referred to as "omnichannel retailing").[4] This trend is characterized by retailers creating a seamless shopping experience regardless of whether consumers are shopping online, from portable devices, from catalogs, or in a store. Physical retailers – Macy's, Target, and Walmart are good examples— have established robust e-commerce portals and utilize their stores as fulfillment centers for online order pick-up and returns. Meanwhile retailers such as Amazon, Warby Parker, Allbirds, and Bonobos that were exclusively e-commerce are now "clicks to bricks" retailers, having opened physical stores to further expand their sales[5].

Branding Retail as 'Local.'[6] The primary goal of localization is to drive traffic from virtual online shopping environments to bricks-and-mortar shopping environments. Strategies aimed at combining opportunities both to experience and to buy a product are employed because consumers have more of a connection, and by extension, will be more likely to purchase products they can see, touch, and try. Likewise, a local marketing strategy must emphasize sourcing, service, and shopping. The correlation between experience and purchasing is the reason REI offers free classes, Williams Sonoma has cooking demonstrations, local bookstores have authors reading from their latest works, and Costco offers free samples. The most successful local strategies combine a robust merchandise mix, stellar service, an immersive environment, and the right mix of price and convenience. Ultimately, retailers who are able to balance the seemingly opposing forces of cost, convenience, and customization on the same plane will be the most compelling in today's rapidly evolving retail world. Something to watch is whether this marketing strategy will evolve further into local or chain players offering unique, region-specific goods, like etsy.com but in a bricks-and-mortar format.

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[3] See Dunham-Jones, Ellen and Williamson, June, *Retrofitting Suburbia: Urban Design Solutions for Redesigning Suburbs*, 2011; and Urban Land Institute, *Creating Great Town Centers and Urban Villages*, 2008.
[4] Retail Systems Research, Inc., *Gaming Google: The Growing Importance of Omniretail*, March 2011.
[5] *E-commerce Retailers Plan 850 Physical Stores in the Next 5 Years*, JLL, Inc. Retail Research Point of View, 2018.
[6] This section is taken from "Hyper-localization in Retail: Chain Sore Tactic, or Maker Movement Trend? May 5, 2016, Greensfelder Commercial Real Strategy, LLC.

Ground Floor Retail Challenges. The implication for new retail development in today's climate is that a project's location and characteristics must be highly compelling in order to succeed. Ground floor retail in a mixed-use project can enliven a street and create a "sense of place," but success can be challenging in a suburban environment. Zoning codes may require ground floor retail in contexts that lack the scale and critical mass of residents, workers, and visitors necessary to attract and sustain retailers, leading to persistent vacancies. Ground floor retail is especially likely to struggle in areas with limited pedestrian or vehicular traffic. To increase the viability of ground floor retail and attract a creditworthy tenant, developers must be thoughtful about visibility, access, space size, and configuration. However, as ground floor retail is rarely a major value generator in a mixed-use development, some developers choose not to prioritize such considerations and simply assume the space will remain vacant long term. Even developers who prioritize the success of ground floor retail in their projects may struggle to meet formula retailers' size and configuration standards given site dimensions and competing demands on ground floor space, such as podium parking.

Implications for the District

- Population growth in general will generate new retail spending power that can potentially be captured in the District. Each new affluent household will generate approximately $50,000 in retail spending power. Attracting additional residents to the District may be critical for attracting new retailers to the site, and therefore early phases of implementation of the Master Plan should actively consider residential development.
- E-commerce is disrupting the retail sector, resulting in the need for less physical space and more efficient use of existing space. Given this environment, only the most compelling sites will be attractive to retail developers or retail tenants. As such, it is critically important to refine how and where to build new retail space within the District. Future initiatives should also explore how the City's zoning code and development standards can be revised to better support the flexible demands of today's retailers.
- The proposed new retail in the Folsom Plan Area includes "town center"-style retail development and a "Community Commercial" zoning designation intended to serve nearby residents. This new development could compete with the District redevelopment to attract shoppers and visitors. The District Master Plan should take this into account, and consider how to differentiate the district from the Folsom Plan Area.
- Giving the District a unique identity and making improvements to enhance its look and offer gathering spaces is critical for the District to sustain its current base of retail sales and to enhance them.

Office

District Context

Figure 10 is a map showing the location and size of office space in the City of Folsom. The City has a sizeable office market, with over 5.4 million square feet of office space. This is just under the square-footage of retail space in the City, at 5.8 million square feet. Much of Folsom's office development is along Highway 50, in the Lake Forest Industrial Park, and in the Folsom Industrial Park. The Folsom Plan Area includes new office and industrial park development, which will add significant square-footage to the City's inventory. The District is not a major office center, home to just 5.7 percent (310,010 square feet) of the City's office space according to data from CoStar. Much of the office space in the District is utilized by customer-facing businesses, including financial services and tutoring services.

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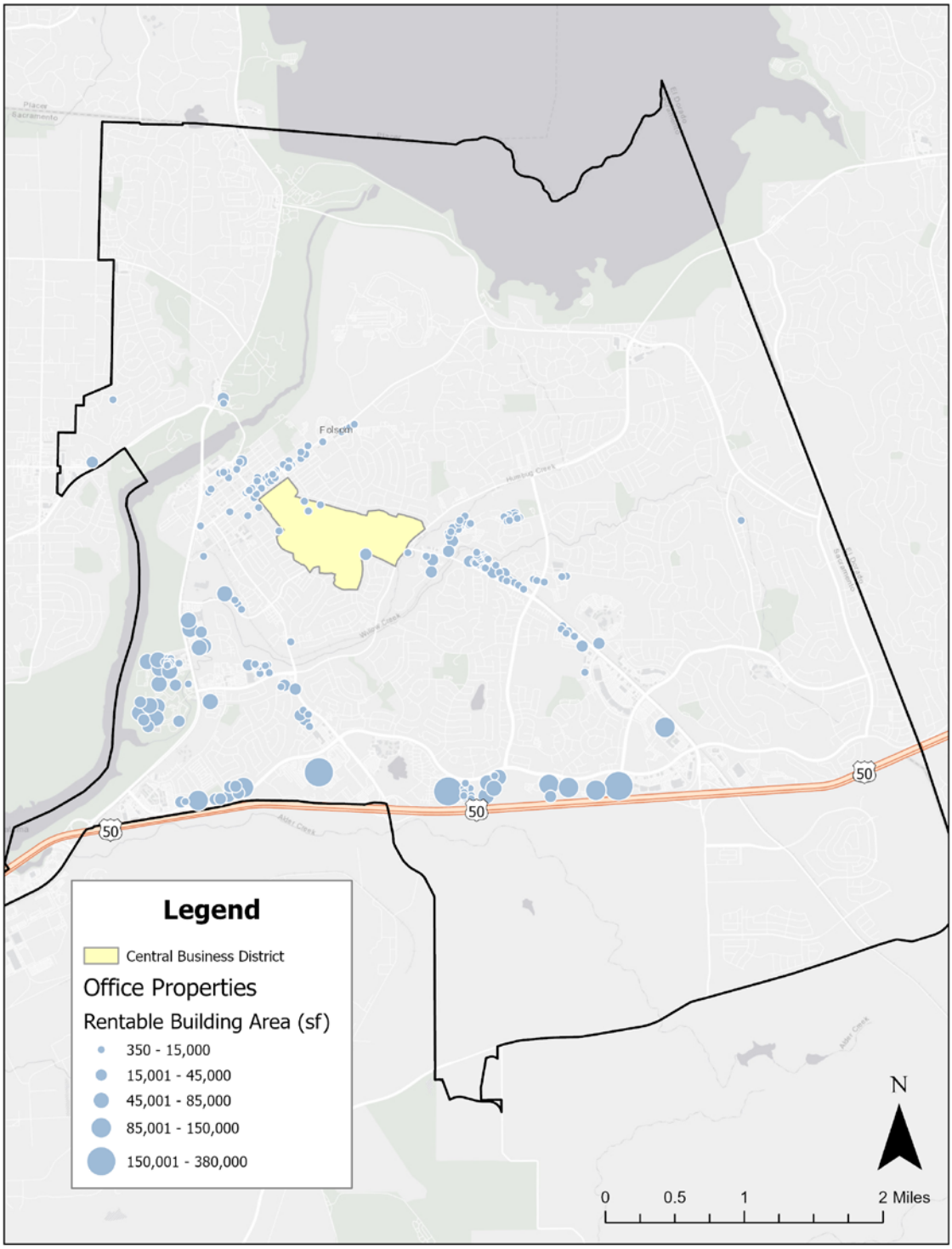
Figure 10: Geographic Distribution of Office Space in Folsom



Source: CoStar, 2024; BAE, 2024.

Office Market Conditions

According to CoStar data, there is 5.4 million square feet of office space in the City of Folsom, 310,000 square feet of which is in the District. The District represents just 5.7 percent of the City's office inventory. According to CoStar, between 2013 and 2023 the City added almost 100,000 square feet of office space, none of which was in the District. As of the third quarter of 2023, the average office asking rent in the District was below that of the City as whole, but the vacancy rate was also below that of the City.

Table 12: Office Market Summary, Q3 2023

Office	Central Buisness District	Highway 50	City of Folsom
Inventory (sf), Q3 2023	310,010	938,211	5,425,538
Inventory (% of City)	5.7%	17.3%	100.0%
Occupied Stock (sf)	301,774	868,988	5,045,880
Vacant Stock (sf)	8,236	69,223	379,658
Vacancy Rate	2.7%	7.4%	7.0%
Avg. Asking Office Gross Rents			
Avg. Asking Rent (psf), Q3 2022	$25.01	$28.70	$27.80
Avg. Asking Rent (psf), Q3 2023	$23.75	$29.02	$28.02
% Change Q3 2022 - Q3 2023	-5.0%	1.1%	0.8%
Net Absorption			
Net Absorption (sf), Q4 2013-Q3 2023	35,616	117,733	359,720
Net Absorption (sf), Q4 2022 - Q3 2023	(3,618)	26,693	16,991
New Deliveries (sf), Q4 2013 - Q3 2023	0	62,233	96,898
Under Construction (sf), Q3 2023	0	0	0

Sources: CoStar, 2023; BAE, 2024.

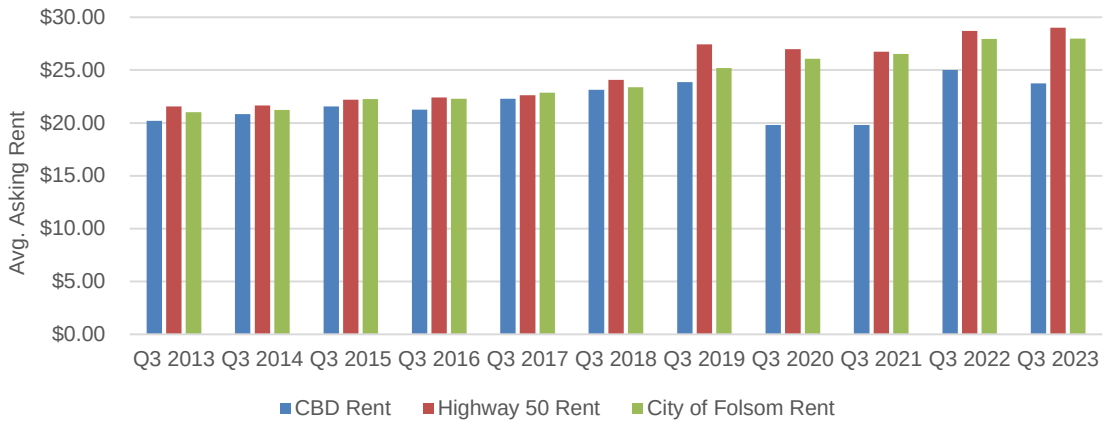
Asking Rents and Vacancy

Figure 11 shows the trends in average gross asking rents for office space in the District, Highway 50 area, and the City of Folsom between 2013 and 2023. Average asking rents in the Highway 50 area and in the City have historically been higher than in the District, with the data from the third quarter of 2020 onwards showing a widening gap between the rents in the District and the rents in the City. [7] As of the third quarter of 2023, average asking rents in the District are $23.75 per square foot per year, compared to $28.04 per square foot per year in the City and $29.02 per square foot per year in the Highway 50 area.

[7] The average NNN asking rents and vacancy rates are based on available market data in CoStar. This data is useful in looking at the local market trends as whole but may not capture 100% of the existing or under construction office space.

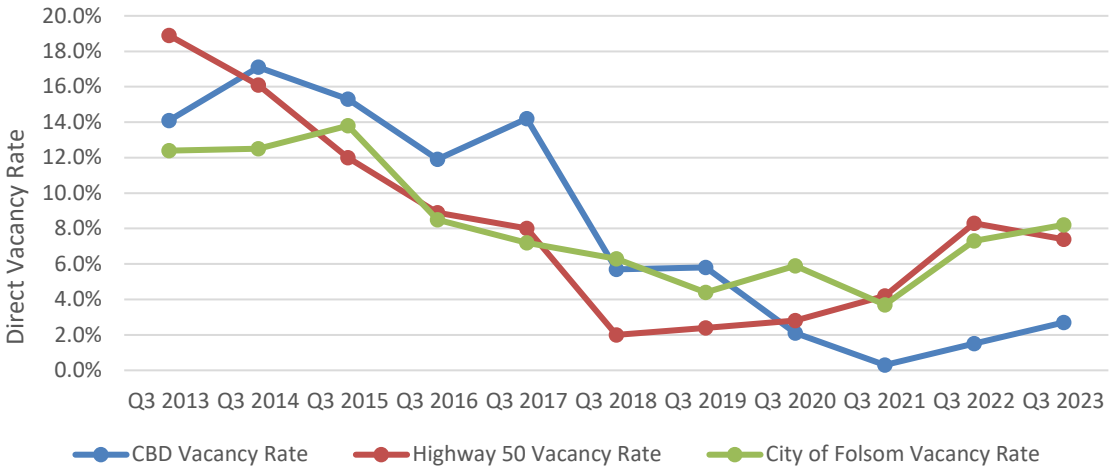
Despite the District having significantly lower office rents than the City, the office vacancy rate in the District is notably low over the last four years compared to the City (see Figure 12). The District saw its vacancy rate fall to just 2.7 percent in the third quarter of 2023, compared with 7 percent city-wide and 7.4 percent in the Highway 50 area. A vacancy rate between seven and 10 percent is considered to reflect a balanced, healthy market. It should also be noted that the office vacancy rates in the City are significantly less than other communities in Northern California that have been impacted by high levels of remote work that has caused businesses to reduce their overall demand for space, increasing vacancies.

Figure 11: Folsom Office Rent Trends by District, Q3 2013-Q4 2023



Sources: CoStar, 2023; BAE, 2024.

Figure 12: Folsom Office Vacancy Rate Trends by District, Q3 2013-Q4 2023

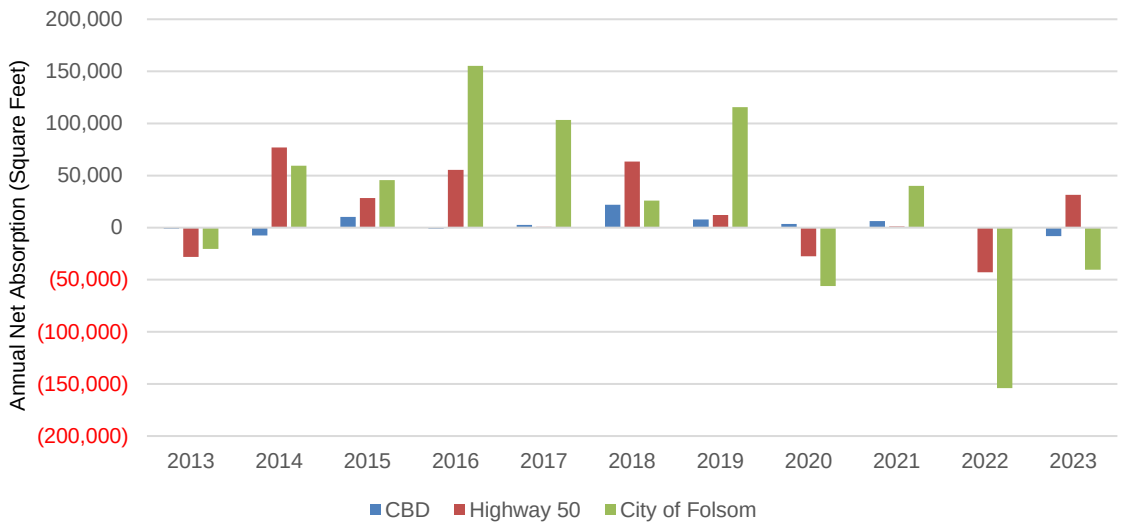


Note:
(a) Because of the limited square footage of office space in the District, one tenant leaving can have a high impact on the districts vacancy rate.
Sources: CoStar, 2023; BAE, 2024.

Inventory and Net Absorption

Between 2013 and 2023, approximately 97,000 square feet of new office space was delivered in Folsom, none of which was in the District (see Table 12). Net absorption was positive over the same 10-year period, with approximately 360,000 square feet of positive net absorption in the City and approximately 36,000 square feet of positive net absorption in the District. However, as shown in Figure 13, since 2020 there has been pandemic-driven mostly negative net absorption throughout the City and District.

Figure 13: Folsom Office Space Net Annual Absorption by District, 2013-2023



Sources: CoStar, 2023; BAE, 2024.

National and Regional Office Market Trends

Demand for State-of-the-Art, Sustainable Workplaces. Across the United States, there has been a notable increase in the number of office property owners and developers renovating or developing their office space into LEED certified structures, often at the gold or platinum levels. Two factors drive this increase in interest in sustainable office space: (i) implementing design and building system features that qualify a structure for LEED certification can result in significant operational savings over the life of the building; and (ii) building users and tenants can market their sustainable office space as a positive feature to attract employees. Younger workers, particularly in knowledge-based sectors but not exclusively, seek to work for companies whose values align with their own and environmental sustainability is one such important value.

Demand for Building, Site, and Neighborhood Amenities. There has been a significant shift in tenant location preferences to urban core or high-amenity and transit-rich suburban locations.

Office workers increasingly demonstrate a preference for workplace locations that offer proximity to public transportation, bicycle and pedestrian access, attractive retail and service offerings, and entertainment options. While the District is not on a major transit corridor, a focus on bicycle and pedestrian-friendly design rather than traditional suburban office parks could attract new employers.

Post-Pandemic Shifts to Hybrid Work. The shift to hybrid work may prompt businesses and other office tenants to redesign spaces and locate in amenity-rich areas. In the post-pandemic context, office spaces are increasingly being used as a place for collaboration and meaningful employee interaction, according to CBRE[8]. Approximately 87 percent of large companies plan to adopt a hybrid approach to commuting. Companies also need to attract workers back to the office by locating in areas that help workers to meet their daily needs.

Repositioning Strategies. Cities throughout the nation have started to consider and implement strategies to reposition existing office parks and other suburban office locations to better respond to national and regional trends and shifts in demand. In general, these strategies aim to better integrate suburban office development into the surrounding area through mixed-use development and the addition of public spaces, bicycle paths, and pedestrian networks. Elements of a repositioning strategy can also include the construction of additional housing, particularly housing affordable to local workers, and expanding the mix of retail and entertainment options.

Implications for the District

- Office tenants prefer physical settings that offer an 'urban' feel, even if situated in a suburban location. The completion of a walkable and amenity-rich mixed-use development project in the District will greatly improve the area's attractiveness as a potential office location.
- Currently, much of the existing large office space in Folsom is directly adjacent to or near Highway 50, while the District is further from the highway and doesn't offer the same level of regional visibility. Instead, the District could be home to local-serving businesses and co-working spaces for self-employed and remote workers.
- The office vacancy rate in the District is lower than that of the City as a whole, indicating that there could be demand for additional office space in the redeveloped District.
- The proposed new retail in the Folsom Plan Area includes industrial park and office, adding almost 8,000 jobs to the area. This new development could compete with the

[8] *U.S. Real Estate Market Outlook 2022*, CBRE.

District redevelopment to attract new employers. The Master Plan should take this into account and consider how to differentiate the district from the Folsom Plan Area.

Residential

Although the majority of all housing units in Folsom are single-family homes, the City also has a sizeable inventory of multifamily housing units. As shown in Table 13, of the 32,083 housing units in Folsom approximately 74 percent are single-family units while 26 percent are multifamily units. In Sacramento County overall the proportion of single-family units is slightly lower than Folsom, with approximately 71 percent as single-family units and 29 percent as multi-family units. Notably, both the City and County have relatively low shares of single-family attached units, at just 3 percent and 6 percent of all units, respectively.

Table 13: Housing Stock Characteristics, 2023

	City of Folsom		Sacramento County	
Type of Residence	**Number**	**Percent**	**Number**	**Percent**
Single Family Detached	22,825	71.1%	148,205	65.0%
Single Family Attached	930	2.9%	14,710	6.4%
Multifamily 2-4 Units	1,424	4.4%	18,387	8.1%
Multifamily 5+ Units	6,019	18.8%	40,284	17.7%
Mobile Home	885	2.8%	6,555	2.9%
Total Housing Units	**32,083**	**100.0%**	**228,141**	**100.0%**
Single Family Housing Units	**23,755**	**74.0%**	**162,915**	**71.4%**
Multifamily Housing Units	**8,328**	**26.0%**	**65,226**	**28.6%**

Sources: Department of Finance, Table 2: E-5 City/County Population and Housing Elements, 2023; BAE, 2024.

As shown in Figure 14, over the last five years the City has had a median home sale price significantly higher than that of Sacramento County, reaching a peak of over $800,000 in early 2022. Folsom's median home price correlates with household income and wealth which lies behind the retail spending power of the community.

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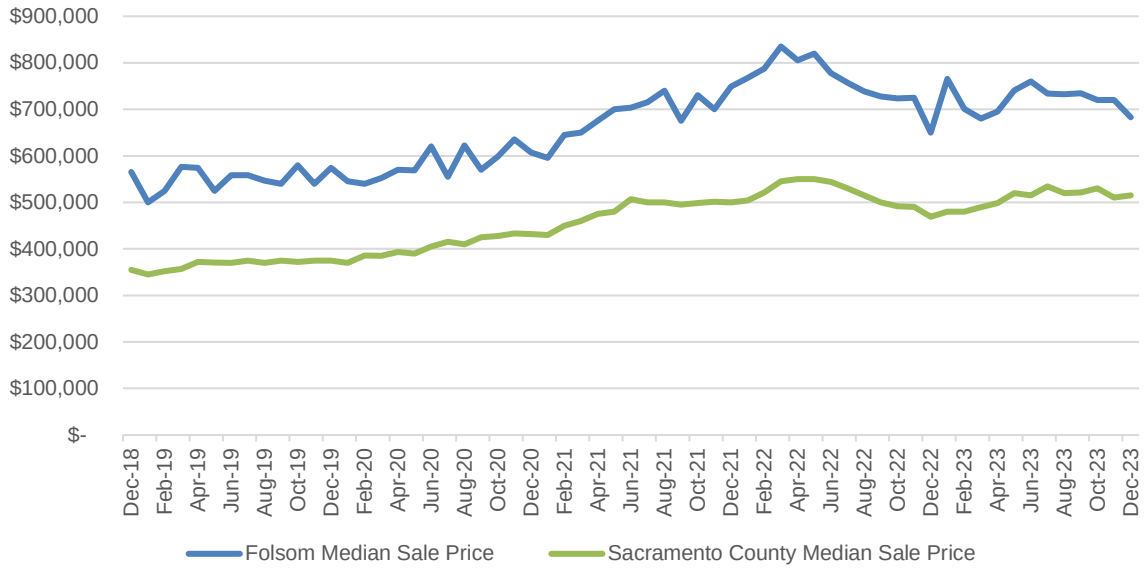
Figure 14: Median Housing Sale Price, Dec 2018-Dec 2023



Source: Redfin; BAE, 2024.

Multifamily Rental

District Context

Figure 15 shows a map of multifamily rental properties in Folsom, according to available CoStar data. There is limited multifamily development within the District, with Bidwell Pointe (built in 2019) and Bidwell Place (completed in 2022) in the western-most part of the site. Most of the multifamily development near the District are smaller properties to the north and west of the district, including the Mercy Village affordable development on Duchow Way adjacent to the site. There is also the larger Overlook at Blue Ravine development to the east of the District. The majority of the larger multifamily residential development in the City is along the north side Highway 50, with some existing units in the Folsom Plan Area and additional multifamily units in the pipeline.

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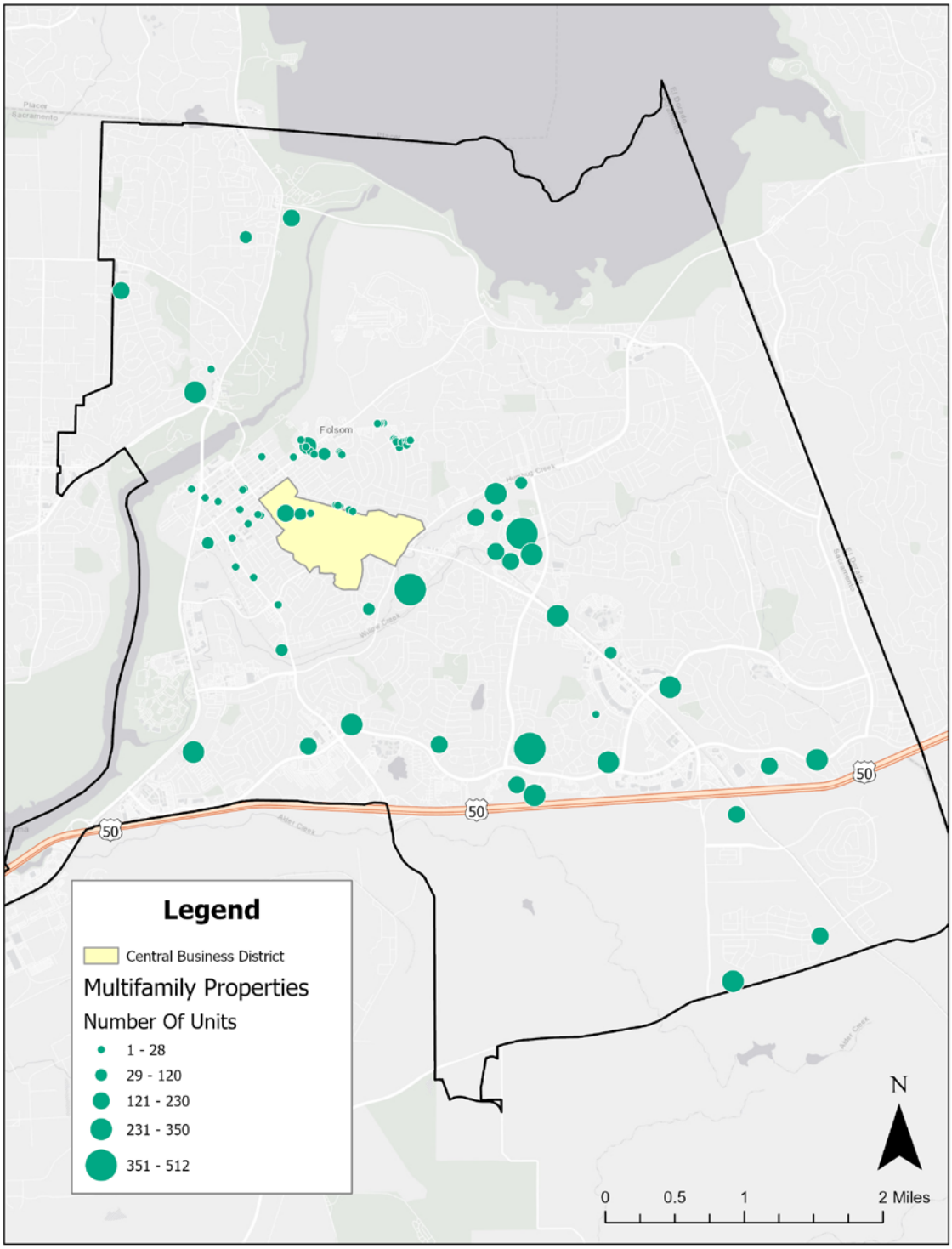
Figure 15: Geographic Distribution of Multifamily Rental Properties in Folsom



Source: Costar, 2024; BAE, 2024.

Multifamily Rental Market Conditions

While Folsom is primarily a single-family residential community, the District may offer potential as a strong location for new multifamily residential development, both for rent and for purchase. As shown in Table 14, Folsom has a modest 5 percent multifamily rental vacancy rate as of the fourth quarter of 2023, slightly below that of the County at 7 percent. A vacancy rate between five and seven percent is considered reflective of a market balanced between landlords and tenants. According to data from CoStar, the average asking monthly rent in the City was $2,149, over $500 higher than the County average of $1,597. However, it should be noted that the data shown in Table 14 reflect an average across market-rate and affordable properties, as well as across newer and older developments, and therefore may significantly underestimate the rental rates for new market-rate units.

As noted above, multifamily rental developments in and near the District include the Overlook at Blue Ravine and Bidwell Pointe. According to data from Apartments.com, a three-bedroom rental at the Overlook can rent for up to $2,950, and a two-bedroom townhome at Bidwell Pointe is listed at $2,850. Both of these developments include amenities such as a pool, gym, 24-hour security, and more. In the developments closer to Highway 50, such as The Pique at Iron Point (built in 2018) on Pique Loop Road, rents can be higher. The Pique's rental website has a three-bedroom townhome listed as starting at $3,450. This data indicates that a well-positioned multifamily rental property in the District could potentially command rents that are high enough to make new development feasible. New multifamily development in the District would provide residents with walkable access to attractive neighborhood amenities including Lembi Park, the Steve Miklos Aquatic Center, and any new retail and office development.

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Table 14: Multifamily Rental Market Overview, Q4 2023

Multifamily Residential, All Rent Types	City of Folsom	Sacramento County
Inventory (units), Q4 2023	6,590	148,729
Inventory (% of County)	4.4%	100.0%
Occupied Units	6,253	138,446
Vacant Units	337	9,638
Vacancy Rate	5.1%	6.5%
Avg. Asking Rents (units), Q4 2022 - Q4 2023		
Avg. Asking Rent, Q4 2022	$2,149	$1,597
Avg. Asking Rent, Q4 2023	$2,152	$1,594
% Change Q4 2022 - Q4 2023	0.1%	-0.2%
Avg. Asking Rents (psf), Q4 2022 - Q4 2023		
Avg. Asking Rent (psf), Q4 2022	$2.31	$1.97
Avg. Asking Rent (psf), Q4 2023	$2.31	$1.96
% Change Q4 2022 - Q4 2023	0.0%	-0.5%
New Deliveries (units), Q1 2014-Q4 2023	1,439	12,288
New Deliveries (% of County)	11.7%	100.0%
Under Construction (units), Q4 2023	1,094	5,006
Under Construction (% of County)	21.9%	100.0%

Sources: CoStar; BAE, 2024.

National and Regional Residential Market Trends

Although home sales remain strong, increasing interest rates have tempered demand over the last two years. The Joint Center for Housing Studies at Harvard University reports that home sale volumes remained strong through 2021 despite a historically tight supply of homes on the market, increasing home prices at the fastest pace in over ten years. Historically low interest rates contributed to significant price increases throughout much of the period following the start of the COVID-19 pandemic. These trends were seen throughout communities in Sacramento region. However, increases mortgage interest rates from 2022 onwards have prospective homebuyers' purchasing power and moderated the pace of home sale price increases.

Young adults are increasingly entering the homeownership market, increasing demand for for-sale housing at a variety of sizes and price points. While Millennials had previously formed households at slower rates than previous generations, many in this age group have now formed independent households. Although a sizable share of Millennials continues to rent their homes, many have purchased homes or are currently entering the homeownership market for the first time, driving up demand for a range of unit types.

Millennials are primary drivers of multifamily rental demand. Households formed by Millennials (born 1985 to 2004) are primary drivers of household growth. Due to high housing costs and other factors such as student debt, many Millennials have tended to be renters rather than homeowners, although increasing numbers of Millennials have entered the homeownership market. Notably, whereas immigrants previously formed a significant portion of multifamily rental demand, international immigration fell by nearly 50 percent between 2016 and 2019, which will likely cause a drag on household growth in the long term.

New market-rate multifamily developments are being targeted to the top of the market with luxury amenities. Primarily due to high construction costs that require top end rents to achieve project feasibility, developers have targeted the upper end of the rental residential market by building luxury, Class A multifamily rental projects. This has been particularly true in the Bay Area which has some of the highest construction costs in the nation coupled with an influx of high-paying technology jobs. Nonetheless, rising single-family home prices may cause some tenants to opt for newer rental units with more amenities.

Both younger and older renter households have many shared apartment amenity preferences. Renters are seeking apartments in locations where one can walk to restaurants, retail, and entertainment. Along with standard amenities such as storage, fitness center, pool, and clubrooms, developers are now expanding apartment amenities to include pet-oriented facilities (dog park or pet wash stations), bike storage and repair rooms; yoga studios, secure package delivery rooms, fast speed WiFi in common areas, smart security systems, electric car charging stations, rideshare waiting areas at front entries, rooftop gardens, and sustainable energy and water systems. CBRE also notes on-demand dining, grab-and-go kiosks, convenient grocery, and co-working spaces are also increasingly incorporated into new multifamily buildings and represent a new frontier in amenities[9].

Implications for the Central Business District

- Although the majority of all housing units in Folsom are single-family homes, the City also has a sizeable inventory of multifamily housing units. Of the 32,083 housing units in Folsom approximately 74 percent are single-family units while 26 percent are multifamily units.
- Median home sales priced in Folsom are significantly higher than in Sacramento County, indicating demand for living in the City as well as a strong consumer base.
- Providing a range of housing types in the Plan Area at a mix of price points, including multifamily rental housing, condominiums, and townhomes, could address demand from various segments of the community.

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[9] *Multifamily Innovation Watch: Amenities for the 2020s.* CBRE and Streetsense, Pages 16-17.

- Attracting market-rate residential development to the District is likely to require implementation of placemaking strategies to complement residential uses, create a sense of community, and provide dining and entertainment for new residents. Much of the planned development in Folsom is concentrated along Highway 50 and in the Folsom Plan Area, so the Master Plan for the District should consider ways to create a distinct identity.
- The District offers a large site with the potential for a mix of uses that can create a sense of place with a mix of complementary uses that will support demand for new residential development.

Hotel

District Context

CoStar tracks performance trends in the lodging industry, distinguishes hotel properties by "class," based on the average room rates associated with the property's brand. As shown in Figure 16, Folsom's hotel market is primarily Upscale and Upper Midscale. The scale of hotels is defined by CoStar based on average daily rates relative their geographic market. Therefore, Folsom hotels generally have higher rates than hotels in other cities in the Sacramento market. There are also several independent hotels (not part of a chain) in Folsom. There is an Upscale hotel in final planning on East Bidwell Street close to Highway 50, a 130-room AC Hotel, as well as a proposed independent hotel on Alder Creek Parkway, a 100-room UC Davis Folsom Hotel in the Folsom Plan Area.

Occupancy and Average Room Rates

Figure 17 shows trends in occupancy and average daily rates (ADR) for the hotel properties in Folsom, according to CoStar data. A list of the hotels in the City is included in Table 15. The hotels in Figure 17 represent 804 total rooms in five upscale hotels, two upper midscale hotels, and three independent hotels. The local lodging sector was significantly impacted by the COVID-19 pandemic in 2020, with the average daily room rate falling to $105 and the occupancy rate dipping to 44 percent for the year. In 2021 there was an uptick in both the occupancy rate, at 73 percent, and the ADR at $129. Since 2021, occupancy rates have fallen over 10 percent, potentially due to a decline in willingness to travel for business.

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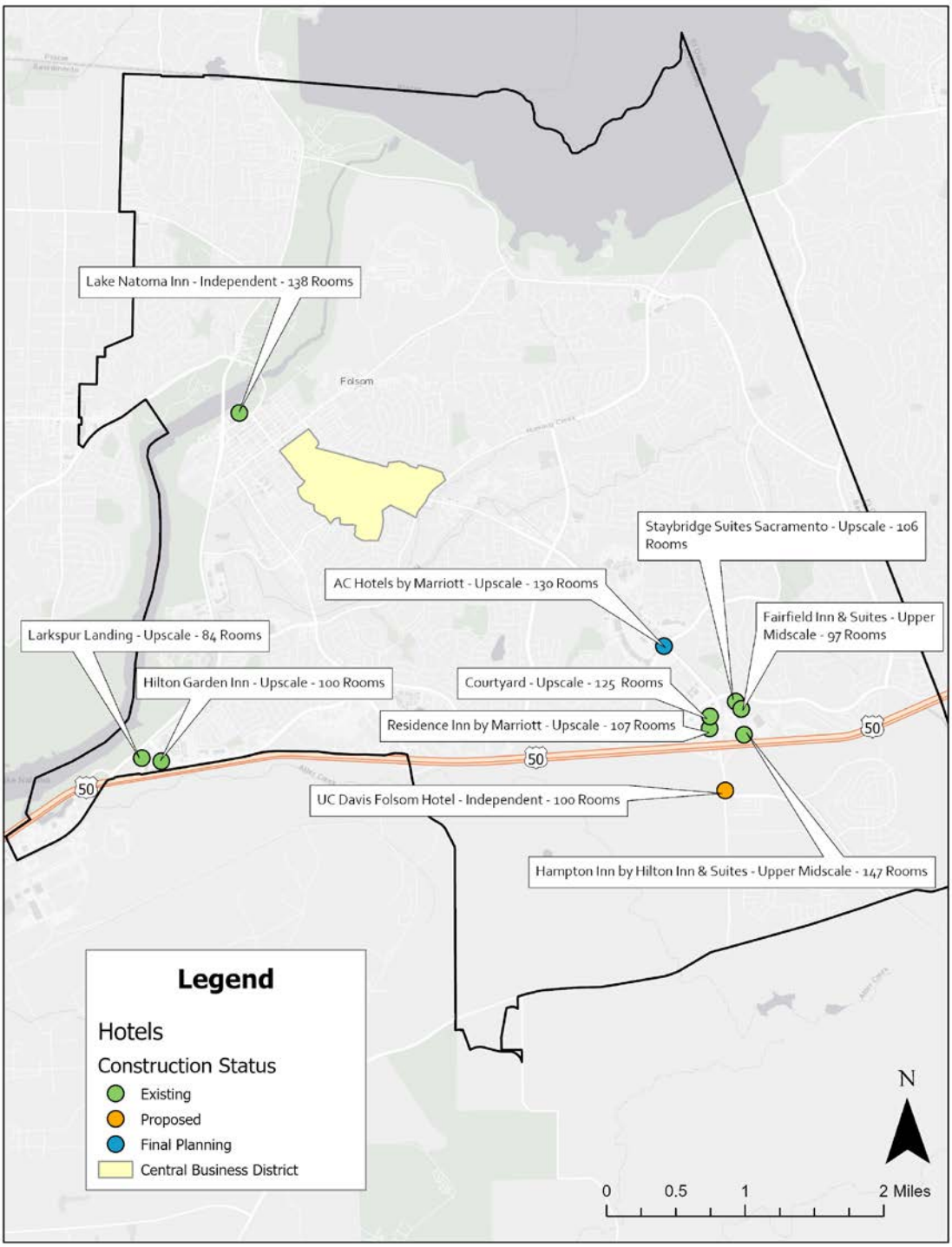
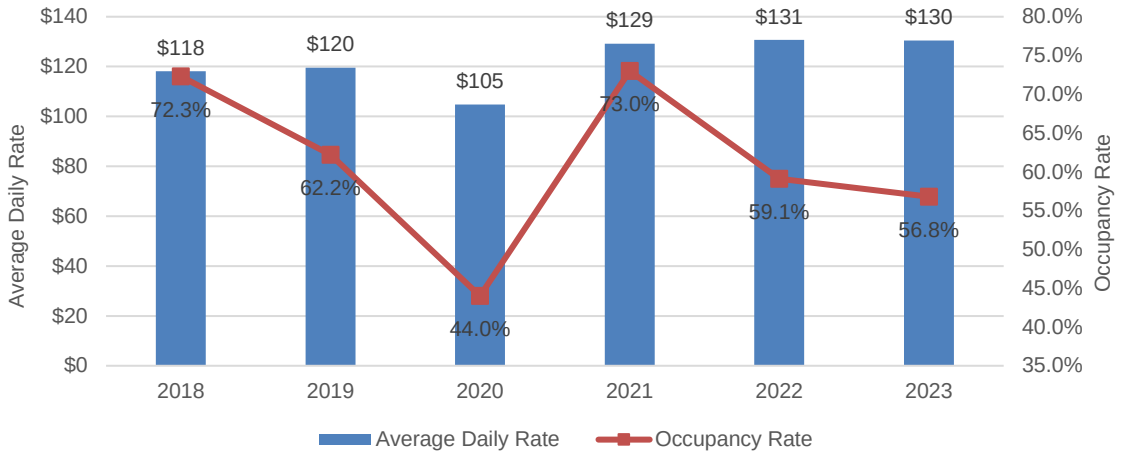
Figure 16: Hotels in City of Folsom



Note:
(a) CoStar defines class for a chain-affiliated hotel is the same as its Chain Scale, which are segments are grouped primarily according to actual average room rates. An independent hotel is assigned a class based on its ADR, relative to that of the chain hotels in their geographic proximity. The class segments include Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale and Economy, with a separate category for Independent hotels.
Sources: CoStar; BAE, 2024.

Figure 17: Average Daily Rate and Occupancy Trends, 2018-2023



Sources: CoStar; BAE, 2024.

Table 15: Existing and Planned Hotels in Folsom

Name of Establishment	STR Class (a)	Rooms	Year Open
UC Davis Folsom Hotel	Independent	100	Proposed
Staybridge Suites Sacramento – Folsom	Upscale	106	2015
Fairfield Inn & Suites Sacramento Folsom	Upper Midscale	97	2016
Lake Natoma Inn	Independent	138	Existing
Larkspur Landing Folsom	Upscale	84	1999
Hilton Garden Inn Folsom	Upscale	100	1999
Residence Inn By Marriott Sacramento Folsom	Upscale	107	2002
Courtyard Sacramento Folsom	Upscale	125	2004
Hampton by Hilton Inn & Suites Folsom	Upper Midscale	147	2009
AC Hotels by Marriott Sacramento Folsom	Upscale	130	Final Planning
Total Rooms in Sample		**1,034**	

Note:
(a) CoStar defines class for a chain-affiliated hotel is the same as its Chain Scale, which are segments are grouped primarily according to actual average room rates. An independent hotel is assigned a class based on its ADR, relative to that of the chain hotels in their geographic proximity. The class segments are: Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale and Economy, with a separate category for independent hotels.
Sources: CoStar; BAE, 2024.

National and Regional Hotel and Hospitality Market Trends

Business, leisure, and events drive hotel room demand. There are three primary sources of demand for hotel rooms, as well as related services such as meeting and event space. One of the largest sources of demand for hotels is from local business activity, for both individual business travel and business-related meetings, and most of this demand is associated with office-based employment. Leisure travelers, including tourists, represent another major source of demand, with group travel and events making up the third category of demand, including

social, educational, non-profit, family, and others. Generating demand in all three segments are major businesses, educational and medical institutions, convention centers, and sports complexes, as well as tourist attractions.

Although leisure travel is recovering from the impacts of the pandemic, demand from business travel remains weak. A Smith Travel Research (STR) net propensity to travel survey from August 2022 found that the number of business travelers willing to travel was 49 percent lower than the number of business travelers not willing to travel.

Enhanced demand for experience-oriented stays. Some hotel operators are taking on an enhanced role in connecting guests to experiences, both at the hotel itself and in the local area, as part of their hotel stay. These experiences can range from social events and informal communal spaces within the hotel to offering classes and providing tours of local attractions. In addition, the pandemic may accelerate this trend as all-inclusive destinations, where travelers can stay in one place, are becoming increasingly popular and attracting significant investment.[10]

Focus on health and well-being. Many hotels have developed well-being strategies to enable guests to maintain healthy habits during their stay, including enhancing fitness centers and offering fitness classes.

Labor shortages in tight labor markets with high housing costs. Tight labor markets have increased competition for hotel workers in markets throughout the United States, while markets with high housing costs face increasing challenges in attracting and retaining employees.

Implications for the District

- Folsom currently serves primarily as an upscale hotel market with some business travel. Ensuring that the District includes a mix of uses and amenities that would support a new hotel property could be critical to attracting new operators in the district, if desired.
- There are currently no hotels in the District, with no new development planned. A revitalized and well-branded District could include leisure-focused hotel uses for travelers visiting residents.
- Hotels in Folsom may seek to increase leisure travel stays in part by enhancing connections with local and regional attractions and experience-focused stays. The District's strongest attraction is Lembi Park which attracts families and teams from outside Folsom to participate in sports events at Lembi Park.

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[10] FS Investments, *Q1 2022 Commercial real estate outlook,* 2022.