4 | MARKET CONDITIONS

MARKET DEMAND ANALYSIS

This section describes the real estate market conditions affecting the residential, retail, office, and R&D sectors. Based on demographic and employment data (see Appendix A) and an evaluation of current market conditions in the Lawrence Station Area Plan study area and beyond, development implications are outlined and will inform, in broad terms, land use planning with respect to the type of development and land use that could be effectively targeted within the study area during the next 25 years.

Housing Market Assessment

There are approximately 56,000 housing units in Sunnyvale and 45,000 housing units in Santa Clara, which together comprise 16 percent of the County's housing stock. In each city, the share of single-family homes is approximately 50 percent of the total housing supply (48 percent in Sunnyvale and 50 percent in Santa Clara). In Sunnyvale, the share of multi-family units is approximately 45 percent. The share of multi-family units is higher in Santa Clara - nearly 50 percent. Countywide, the share of single-family homes is 63 percent, comprising a greater proportion of the total housing supply. Multi-family homes comprise 34 percent of the total County supply, while other (e.g., mobile homes) represents 3 percent.

Housing tenure statistics track the single-family/multi-family break down fairly closely. In Sunnyvale, the supply of occupied units is split 50/50 between owner-occupied and renter-occupied. In Santa Clara, renter-occupied units slightly outnumber owner-occupied units. Owner-occupied units comprise 47 percent of the occupied supply compared with 53 percent of renter-occupied units. Countywide, owner-occupied units represent 61 percent of the supply compared with 39 percent of renter-occupied units.

Recent Development

The most recent residential construction in the study area is the KB Homes development called the Bordeaux Community, located on Aster Avenue, across from the Calstone and Peninsula Building Materials operations in Sunnyvale. The area was rezoned from Industrial to Residential/Planned Development and several industrial companies had been located in the area.

The 80 for-sale townhomes were developed at the height of the market and first opened in 2008. The community offers six floor plans, with the two and three-bedroom floor plans (1,200 square feet and 1,900 square feet, respectively) being the most sought after. The least requested floor plan is the smallest unit in the development, featuring only 1,056 square feet of living space. Prices started around $565,000, although KB Homes offers many design features and upgrades that can be selected to customize the space at additional cost. Most buyers have been first time home buyers or people upgrading from small condos, with the majority of these people being young urban professionals.

At the time of the writing of this report, there is currently a 1,238 square-foot 2-bedroom, 2-bathroom unit for sale for an asking price of $559,000. The unit includes an attached, 2-car garage. There is also a $235 per month HOA/condo fee. Two recent sales of these townhome units have garnered prices about $100,000 below the asking price.

Southeast of the station in Santa Clara, the Balmoral Apartments were built in 2006 and include 42 2- and 3-bedroom apartment units, ranging from 800 to 1,800 square feet. For the 2-bedroom units, rents range from $1,785 to $2,350 and for the 3-bedroom units, rents range from $2,500 to $3,300. There are four affordable units located in the building. At the time of this writing, there are two 2-bedroom/2-bath units available, each 1,100 square feet. One is available for $1,975 per month and the other is available for $2,075 per month.

Planned Development Activity

Southeast of the station along Monroe Street in the City of Santa Clara, there is an existing low-density office campus where Extreme Networks is located. The City of Santa Clara has received a planning application that calls for the redevelopment of the 16-acre site at a minimum density of 37 dwelling units per acre, which would result in nearly 600 residential units, including a mix of flats, live/work lofts, and attached and detached single-family homes. Also proposed is 32,000 square feet of neighborhood-serving retail, (e.g., a small grocery store, coffee shop, sandwich shop, deli, boutique). Nearly 1,500 on-site parking spaces would be provided. The application materials call for the project to be developed in phases, with the eastern portion of the site developing first to allow the single-family homes to go first and to allow Extreme Networks to continue to operate during the first phase.

Further south, Toll Brothers is in contract to buy a portion of the 20-acre Corn Palace site, which is currently vacant, undeveloped land that is zoned for residential development in Sunnyvale. The planning application is for 51 single-family homes on the western 10 acres of the site, resulting in a development density of 5.1 dwelling units per gross acre.

Values and Rents

Home values in Sunnyvale tend to be strong compared with nearby cities in Silicon Valley. Median sales prices are higher in Mountain View and Palo Alto than they are in Sunnyvale, but Sunnyvale's median sales prices are higher than in Santa Clara, San Jose, and Milpitas.

The Lawrence Station study area is in the 94086 zip code. According to data gathered by trulia.com for the first quarter of 2011, home values in this area have fallen more than 15 percent in the past year and more than 24 percent in the last five years. The median sales price in the area is $518,000, which is only slightly lower than the median sales price citywide of $520,000. A narrower view of primarily just the study area indicates a lower median sales price of $459,000 over the past several months. The Ponderosa Pines neighborhood, southwest of the study area in Sunnyvale, consists of primarily large, single-family homes that command much higher sales prices, ranging from $700,000 to $900,000.

For all homes, prices have fallen approximately 20 percent since 2007. In percentage terms, single-family home prices have not fallen as much as multi-family prices. For multi-family homes, Sunnyvale commands a price premium relative to Santa Clara and the County.

Asking rents in the study area for 1-bedroom apartments range from $1,300 to $1,500 per month. Rents for 2-bedroom apartments are approximately 20 percent higher, ranging from $1,600 to $1,900 per month. The Balmoral Apartment building located on Agate Drive, which positions itself as luxury apartment living, is offering 2-bedroom apartments for rents ranging from $1,850 to $2,075. These rents are at the high end of listed study area rents. Compared with Downtown Sunnyvale, rents are approximately 15 to 20 percent lower in the study area. For example, the Villa del Sol apartment building on East Evelyn in Downtown Sunnyvale is offering 1-bedroom apartments for $1,700 to $1,825 and 2-bedroom apartments for $1,945 to $2,065 per month.

Past and Projected Absorption

During the past decade (2000 through 2010), nearly 2,000 housing units were developed in the City of Sunnyvale, resulting in an annual average absorption of 200 units per year. In the City of Santa

Clara, approximately 530 units were absorbed each year between 2000 and 2010, for a total increase of 5,300 new units during the decade.

For both cities, ABAG projections indicate that the rate of residential absorption will outpace absorption during the past decade. In Sunnyvale, ABAG estimates 13,610 new households will form between 2010 and 2035, or approximately 540 per year, which is more than 2.5 times what the City's annual absorption has been. In Santa Clara, the number of new households developed during the next 25 years is estimated to exceed 17,000, which translates to approximately 680 households per year.

Study Area Development Implications

One of the positive indicators for future residential development in the study area is the existing supply of homes and the fact that it is already an established neighborhood. The study area is centrally located in Silicon Valley with reasonable access to jobs and transit. ABAG projections estimate continued population growth in the County, with Sunnyvale expected to increase its 2010 population by 22 percent and Santa Clara expected to grow its 2010 base by 37 percent.

The recent development of the KB Homes project and subsequent sales even as the housing market began to slow indicate developer and buyer interest in the area. Recent planning applications at the Extreme Networks and Corn Palace sites indicate continued interest even as the housing market is only recently showing signs of stabilization.

Recent market activity indicates support for single-family attached homes, such as at the KB Homes Bordeaux Community, which is consistent with the density and character of the existing residential supply. The KB Homes sales division noted that buyer interest was primarily for the project's 1- and 2-bedroom units. Though there is a pending planning application for higher density units at the Extreme Networks site, there are not any actual market transactions for higher density, for-sale units.

A current survey of price points indicates that Sunnyvale prices are among the highest in Silicon Valley and show a price premium for multi-family residential units, improving feasibility prospects in the near term (i.e., next five years). Based on recent transactions in the study area, it is estimated that average new townhome-style residential units could achieve price points of approximately $500,000 in the near term. Medium-density residential development (approximately 35 dwelling units per acre) could sell for $425,000 per two-bedroom unit, while high-density residential development (approximately 55 dwelling units per acre) could sell for $450,000 per two-bedroom unit. These estimates are used in the feasibility analysis that follows this document.

In summary, residential development in the study area should attract buyers and renters over the longer term, despite weakness in the current housing market. Proximity to jobs is likely to be an increasingly important consideration to potential residents, as the cost of fuel and the time/quality-of-life impacts of increased congestion make housing further from job centers comparatively less attractive. A potential resident's trade-off for this enhanced proximity to jobs will be both higher prices and higher density of housing, which suggest support for new housing in the study area over the mid-term to long-term from both the buyers'/renters' and the builders' perspectives.

Retail Market Assessment

According to real estate broker Terranomics, vacancy rates for retail shopping centers[1] over 50,000 square feet in the Sunnyvale/Santa Clara area are a relatively low 5.4 percent. At $26.95 per square foot per year, the average asking rates for the combined Sunnyvale and Santa Clara area are higher than the County average of $24.89 per square foot per year; however they are low when compared to the last few years when asking rates averaged approximately $33.00 to $37.00 per square foot per year.

Average rates are being pulled down by Sunnyvale's asking rate of $18.81 per square foot. The lower rates appeared at the beginning of 2010 and have not recovered. When asked about this anomaly, Terranomics stated that, given that only 16 shopping centers are tracked in Sunnyvale's index, it is likely due to one shopping center being offered at discount and does not necessarily reflect the overall health of the market. From our own investigation of the local retail centers, a recently closed Safeway store at the corner of Reed Avenue and Wolfe Road might account for the reduced rate.

Study Area Context

Within the study area there is a very limited supply of neighborhood-serving retailers. Though there are residents and employees in the area who could potentially support neighborhood-serving retail beyond what exists now, the study area lacks the type and quantity of retail typical of transit-oriented development.

The Costco located directly across the Lawrence Expressway from the Station is the only major retailer in the study area. While Costco is a strong sub-regional destination and a major sales tax generator for the City of Sunnyvale, it does not often generate spillover retail sales in the area. The typical Costco shopper usually makes this a stand alone shopping trip because of the large purchases or the need for quick refrigeration. Costco is also not particularly transit friendly retail; purchases are often bulky and difficult to transport without a car.

There are only a few restaurants in the area - Sweet Tomatoes across Lawrence Expressway near Costco and Vitto's Pizza on Reed Avenue. Currently there are no full-service grocery stores within the study area but there are some smaller ethnic grocery stores and a 7-Eleven. Most of the other retail establishments are "one-time destination" retailers (i.e., retailers that most households visit infrequently) and include a playground equipment retailer, a cabinet maker/retailer, and a martial arts supply store. The retail establishments in the study area tend to be stand-alone stores instead of unified shopping centers.

Competitive Supply

While market indicators are strong in the study area, any new retail will have to compete with nearby, established retail in the following areas:

El Camino Real

El Camino Real is a major commercial corridor that runs through both Sunnyvale and Santa Clara. Retail establishments in this area are characterized as larger strip-mall type centers that service daily life needs, including grocery stores, pharmacies, banks, gas stations, pet supply stores, etc.

Downtown Sunnyvale

Downtown Sunnyvale is a mixed-use destination at the next northern stop along the Caltrain line. It offers mom and pop shops along Historic Murphy Avenue as well as big box retailers such as Target and Macy's as part of the Town Center development. Murphy Avenue is an established entertainment destination dominated by independently-owned restaurants and coffee houses with a few other non-chain retailers including Leigh's Favorite Books, Brandon Wines, Isabella Boutique and Chocolatier Desiree. There are also professional and personal services located along Murphy Avenue (e.g., salons, shoe repair, an acupuncturist, and insurance and law offices).

Though complete build-out of the Town Center has been interrupted by poor market conditions, there are more than 100,000 square feet of ground floor retail entitled at the site. In the near-term, the City of Sunnyvale plans to focus retail development in this area.

Valley Fair Shopping Center, Santa Clara

The Westfield Valley Fair Shopping Center on Stevens Creek Boulevard in Santa Clara is a nearby shopping center (just four miles from the study area) anchored by Nordstrom, Macy's and Macy's Men & Home. There are approximately 250 in-line boutique stores, featuring a full assortment of fashion, accessories and home goods. Though new retail in the study area is not likely to develop

1 Terranomics definition of shopping center is "a planned group of connected retail stores, usually with an attached parking area, specially developed on a parcel of private property and managed by a single organization".

at the intensity or scale of such a large shopping center, Valley Fair is part of the competitive supply picture.

Palo Alto, San Jose

Beyond the Valley Fair Shopping Center, many Sunnyvale residents travel to Palo Alto and San Jose for comparison goods and mall-format shopping opportunities. According to Terranomics, San Jose has nearly 15 million square feet of the county's total 31 million square feet of retail. The Stanford Shopping Center in Palo Alto and Santana Row in San Jose are significant retail destinations.

Development Patterns

Currently much of Sunnyvale's retail development is occurring in Downtown Sunnyvale. Located at the corner of Washington Avenue and Mathilda Avenue, there are existing shells for ground floor retail totaling 113,000 square feet. There is also 115,000 square feet entitled with an additional 49,000 square feet that could be developed into either retail or office space.

In an attempt to address the lack of retail supply to the north of El Camino Real, a new mixed-use project is currently being developed at the corner of Tasman Drive and Fair Oaks Avenue. The project is five-levels with ground-floor retail and includes a Fresh & Easy Neighborhood Market, 51,000 square feet of other retail, and 290 condominium units. It is near the high-density office space in Moffett Park and is approximately three miles from the Lawrence Station.

Grocery Stores

Within the study area, there is a 7-11, a Costco, and two ethnic grocery stores but no conventional full-service stores. Most of the full-service grocery stores near the study area are currently located along El Camino Real, including the two closest grocery stores - a Lucky about two miles from Lawrence Station and a Safeway about three miles away.

Currently, the study area has approximately 1,500 households which is not enough to satisfy the typical grocery store demand requirement of at least 5,000 households. As development intensifies, the potential for a larger grocery store may become more feasible but may not reach the point at which a full-scale (50,000+ square feet) store is optimally viable.

Study Area Development Implications

Given the lack of neighborhood-serving retail in the study area and the desire to create a more self-sufficient station area, a land use program with a focus on transit-oriented development will need to include some additional retail development. The existing population in the study area provides a good foundation for future retail, and future population and employment growth will also contribute to the demand for additional retail. Retail should complement existing and proposed residential and employment uses and be integrated into the mixed-use development, but given the abundant supply of competitive retail in the region, it will require significant household growth before the study area is able to support a large-scale retail development. At this time, retail should not be a leading land use, and should be encouraged in the study area generally but only required at particularly visible and accessible location.

Office and R&D Commercial Market Assessment

Much of the office and R&D inventory in the Sunnyvale/Santa Clara area is difficult to distinguish as pure office or pure R&D. This is particularly true with the newer inventory where office and R&D uses may blend. There are 14 million square feet of office space in Sunnyvale and Santa Clara, comprising 22 percent of the Silicon Valley office inventory. There is significantly more R&D space in the region. Of Silicon Valley's 152 million square feet of R&D space, Sunnyvale and Santa Clara jointly comprise more than one-third of this supply.

According to CB Richard Ellis Market Reports, office and R&D vacancies in Silicon Valley are significant at 16 percent and 19 percent respectively as of the first quarter of 2011. The office vacancy in Sunnyvale/Santa Clara is higher, at 24 percent, because of a significant amount of new supply in Sunnyvale that was built around the peak of the market and never leased. With recent leasing activity at Moffett Towers, the vacancy rate has fallen which will be reflected in second quarter 2011 reports. The R&D vacancy in Sunnyvale/Santa Clara is 16 percent, indicating that R&D space is in higher demand in the Sunnyvale/Santa Clara area relative to elsewhere in Silicon Valley.

Values and Rents

Asking rents for office space in the combined Sunnyvale/Santa Clara area are $2.37 for Class A office space and $1.86 for Class B. These rents are lower than the Silicon Valley averages of $2.84 and $2.48, respectively. Asking rents for R&D space in the combined Sunnyvale/Santa Clara area are $1.34 which are higher than the Silicon Valley average of $1.15.

Within the study area, the buildings are predominantly more R&D and industrial in nature. While rents for R&D space in the whole Sunnyvale/Santa Clara area are approximately $1.34 per square foot, buildings within the study area rent for around $.90.

Past and Projected Absorption

Office

Sunnyvale's 29.4 percent office vacancy rate translates to 1.7 million square feet of available space. Assuming the average office worker requires 250 square feet of space, 6,800 new office jobs need to be created to fill the existing supply. At the pace that ABAG is projecting new job growth, the number of new office jobs created in Sunnyvale will reach 6,800 between 2025 and 2030[1].

If office space absorption patterns remain consistent with the average absorption between 2005 and the first quarter of 2011 (approximately 300,000 square feet per year), it will be nearly six years before the existing vacant supply is occupied. Of course, some of the existing supply is functionally obsolete and will be replaced by new construction.

1 Assumes office jobs include 100 percent of Financial and Professional Service Jobs, 50 percent of Health, Educational and Recreational Service Jobs, and 50 percent of Other Jobs (which includes Construction, Information, and Government).

Research and Development

Sunnyvale's 13.2 percent Research and Development (R&D) vacancy rate translates to nearly 3 million square feet of available space. Assuming the average R&D worker requires 500 square feet of space, nearly 6,000 new R&D jobs need to be created to fill the existing supply. At the pace that ABAG is projecting new job growth, the number of new R&D jobs created in Sunnyvale will approach 6,000 between 2020 and 2025[2].

Study Area Context

Office space within the study area is concentrated north of the Caltrain tracks. Much of the space does not appear to follow traditional divisions of office or R&D space but reflects a blend of both. The development patterns are very low density, typically one story construction surrounded by surface parking lots. These buildings are predominantly older Class B or C construction.

Sonora Court, one street to the north of the station, has nearly a dozen older, low-density, single-story R&D buildings. Most of these companies are manufacturers of high-tech equipment such as computer chips and semiconductors. Further north along Kifer Road, the buildings have increased heights, more varied construction styles, and are a mix of office, R&D, and industrial space.

Competitive Supply

Outside of the study area, most of the high-density office development is found in the north

2 Assumes R&D jobs include 100 percent Manufacturing, Wholesale and Transportation Jobs and 50 percent Health, Educational and Recreational Service Jobs.

along Highways 101 and 237. The highest density office space in the City of Sunnyvale is located at Moffett Park where Highway 101 and Highway 237 intersect. This area has high visibility and convenient vehicular access as well as close proximity to the NASA Ames Research Center. The top four employers in the City of Sunnyvale - Lockheed Martin, Yahoo, Network Appliance, and Juniper Networks - are all located in Moffett Park (see Table 5). Moffett Towers, a development within Moffett Park, was completed in 2008 and introduced 1.6 million square feet of new, Class A office space to the Silicon Valley market. The project has sat mostly unleased for the past two years. In the past months, however, tech companies including Hewlett-Packard and Motorola have leased nearly 40 percent of the space, absorbing over 600,000 square feet of the available space within the first quarter of 2011[1]. Microsoft is close to signing another 300,000 square feet[2].

In the surrounding area, the America Center located is located east of Moffett Towers, at Great American Parkway and Highway 237 in San Jose and offers nearly 500,000 square feet of LEED-certified, Class A office space. The space sits vacant. North First Street in San Jose offers a supply of office space as well. The competitive supply within Santa Clara is primarily along Great American Parkway, where Santa Clara's top three employers are located - Intel, Oracle, and Applied Materials.

1 CB Richard Ellis. Silicon Valley Office Report. First Quarter 2011.

2 Troianovski, Anton. "Silicon Valley Office Market Booms" Wall Street Journal, Money & Investing, 27 Apr, 2011.

Development Patterns

Though vacancies remain high, there are signs of market turnaround (i.e., new lease signings at Moffett Towers and elsewhere) and rumors of new speculative development in the pipeline. The city is prioritizing office development in Downtown Sunnyvale where there are approximately 350,000 square feet of new office space entitled as part of the Town Center Development. Future development of this area is currently stalled while the city searches for a new developer. However, once a developer is secured, city staff expects enough demand from tenants to move forward with current plans. More specifically, these plans include the completion of 313,000 square feet of existing shells as well as an additional 49,000 square feet that is entitled for either office or retail.

Study Area Development Implications

With signs of life materializing in the Silicon Valley office market, office and higher-density R&D uses are strong candidates for inclusion in any mid- to long-term plan for the study area. The study area is conveniently located along the San Francisco-San Jose employment corridor with access to both transit and the regional highway network. Furthermore, Citywide and regional job growth in sectors requiring office space is expected. Jobs in the financial, information and professional service industry that typically require conventional office space are expected to grow by more than 50 percent by 2035 according to ABAG's projections. Jobs that typically require R&D space (e.g., manufacturing and information jobs) are also expected to expand in the next 25 years.

Despite recent signs of an office market turnaround, there remains ample space available in preferable locations, and it will require very significant employment growth to fill the existing supply of vacant space. While we would not expect to see the vacancy rate fall to zero before new speculative development occurs, vacancy rates in the neighborhood of 20 percent are too high to spur much new development, and several areas (such as Downtown Mountain View or nearer the freeways) may be preferred by many potential tenants. These factors suggest potential mid- to long-term feasibility if current low-density office and R&D uses are replaced with higher-density structures.

Redeveloping existing lower-density buildings with higher density R&D uses is potentially challenging given that conventional R&D is inherently low-density and not typically considered transit-supportive. However, there are certain types of R&D uses that lend themselves to higher-density and higher-value development, including tech, bio-tech, and medical device industries. Such tenants, which are already present in and around the study area, represent the strongest opportunities for higher-density development appropriate for a transit station area.

Based on a review of regional market trends in the office and R&D markets and actual asking prices for vacant office/R&D space in the study area, new construction in the study area could achieve full-service lease rates between \$3.15 and \$3.30 per square foot per month. These rates are used in the feasibility analysis in the next section.

Summary: Market Conditions Issues and Opportunities

The market issues and opportunities include the following:

1. Despite current economic conditions and challenging local circulation patterns, the Lawrence Station Area has many strengths that would support mid- to long-term development at transit-supportive densities.[1]
   The station area is located in the heart of Silicon Valley and is accessible by regional roadways (e.g., Route 237, Highway 101, the Lawrence Expressway, and El Camino Real) and an extensive public transportation network. Silicon Valley will continue to be a strong location for job growth according to regional job projections, and the region's high median incomes help to enhance the feasibility of various potential development types over the mid- to long-term planning horizon.

2. The built-out nature of the study area poses a challenge for new development.
   While some properties in the study area are underutilized, very little land is currently undeveloped.[2] Therefore, most new development must achieve sufficient values to pay for such costs as lease buy-outs and demolition of existing uses as well as the costs of new building construction. These added costs and the tendency of property owners to maintain existing income-producing developments rather than take on the risks of new development, mean that demand and achievable prices will have to be very strong to attract investment to this area.
3. Given existing competitive supply, new office is not likely to be a near-term development (or redevelopment) opportunity in the study area, but higher density office does offer mid- to long-term prospects.
   The study area's reasonable vehicular and transit access and expected citywide and regional job growth in sectors requiring office space suggest mid- to long-term opportunities for office development in the study area, particularly to the extent that the existing low-density office uses can be redeveloped as higher-density uses. In the near-term, however, there is ample office space available in preferable locations. To fill the existing vacant space would require very significant employment growth. Additionally, office uses in the study area currently command lower rents than in the broader region, suggesting a less desirable location and a redevelopment feasibility challenge.
4. Though R&D is not typically considered transit-supportive, there may be types of R&D that are higher-density, higher-value propositions that may be appropriate for the study area in the mid- to long-term.
   Most R&D uses in the study area are typical low-density, single-story structures with surface parking and truck access. Because traditional R&D is inherently low-density, redevelopment for this use poses a feasibility challenge. However, certain types of R&D, such as tech and bio-tech, can operate efficiently in higher density buildings (e.g., Cisco in San Jose) offering potential for higher value R&D construction. Expected citywide and regional job growth in the manufacturing and information job sectors indicates mid- to long-term demand for R&D uses.
5. Neighborhood-serving retail is lacking in the study area and should be accommodated in the Station Area Plan to complement residential and employment uses; retail should not be a leading land use.
   With the exception of Costco, 7-11, and a scattering of other retailers that represent infrequent destinations (e.g., playground equipment retailer, cabinet maker/retailer, martial arts supply store), there is a dearth of retail in the study area. Costco is a major subregional retail attraction but it does not generate spillover retail opportunities to plan around or build upon. Furthermore, there is ample competition for consumer goods outside of the study area. However, new neighborhood-serving retail that supports the existing and future supply of residents and employees in the study area should be encouraged in the station area plan.
6. There are a number of full-service grocery stores located outside of the study area but within three miles. While a grocery store in the study area would be an amenity for the existing and future residents, a significant increase in the number of study area households will be required to support a full-service, full-scale grocery.
   Grocery stores serving the study area are predominantly located along El Camino Real. The closest grocery stores - a Lucky and a Safeway - are both within three miles from the Lawrence Station. Traveling a little further on El Camino stores such as Trader Joes, SaveMart, and Sprouts offer a variety of grocery options all within a reasonable distance.
   The current number of households in the

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1 The Metropolitan Transportation Commission's 2007 Station Area Planning Manual defines appropriate residential densities for mixed-use neighborhoods near transit as 25 to 60 units per acre, and industry standards suggest that commercial development near transit should be multi-story with structured or underground parking.

2 Though the Corn Palace site is currently undeveloped, a planning application for a new single-family home development has been submitted to the City of Sunnyvale.

study area, approximately 1,500 households, does not provide enough demand to satisfy the typical grocery store requirement of at least 5,000 households. These supply and demand constraints might ease as development intensifies but grocery-anchored retail does not pose an immediate land use option.

7. Recent project performance indicates demographic and market support for higher-density housing in the study area.
   There are already more than 1,500 households in the study area, concentrated south of the rail lines on either side of the Lawrence Expressway, that form a relatively compact residential neighborhood (albeit one that is divided by the Expressway). The study area's Silicon Valley location, access to regional roadways and public transit, and regional projections indicating continued population growth suggest market support for residential development throughout the planning horizon. There are examples of recent higher-density housing market activity, including new development and current planning applications within the study area. Despite policy concerns regarding job displacement if existing commercial uses were to be redeveloped as residential uses, the price points associated with recent market activity indicate residential uses are likely to be the most feasible uses in the near term.

Peninsula Building Materials viewed from the Lawrence Caltrain Station, July 2010