THE
AMERICAN EXPRESS OPEN INDEPENDENT RETAIL INDEX

SAN FRANCISCO
SUPPLEMENT

OCTOBER 2011

INTRODUCTION

Civic Economics is pleased to present this community supplement to the American Express OPEN Independent Retail Index, a study of market trends in independent retailing and food and beverage service in 15 major American cities. This document is a supplement to the main study report.

The Index is the first longitudinal market share study, charting the success of independent, local proprietors over a 20-year period, from 1990 to 2009. The data source for sales and employment at retail stores, restaurants, and bars is the NETS Database, built from Dun & Bradstreet business data for every year since 1990. The Index itself is a way of scoring communities based on the vitality of the independent business community in Retail Shopping and Eating & Drinking. *The higher the index, the higher the market share captured by independents*. An index of 100 reflects the average market share in that sector in 2009.

The Index additionally provides localized analysis of those trends in fifteen major cities, studies one or more independent business hot spots in each, and reviews trends in those neighborhoods to identify the impact of those successes. We have provided a supplemental document for each of the study communities.

For more information about the Index and the methodology, please review the primary study document. All study documents are available online at ***SmallBusinessSaturday.com***.

SAN FRANCISCO AND THE INDEX

San Francisco had a population of 722,203 which is the 3rd lowest of our 15 study communities. Its growth rate for 2000-2010 was 3.7 percent, which is strong for a fully built-out urban area. San Francisco's per capita income and retail sales per capita are both the second highest of the 15 counties in our study. It ranks behind only New York City in population density.

San Francisco is 2nd in terms of our combined ranking of shopping and eating and drinking. Its local restaurant and bar scene ranks first among all study areas while its independent retail scene places it 5th in 2009 after ranking as high as 2nd in 2000.

1

COMPARISON OF STUDY COMMUNITIES

City	Study Area	Combined Ranking	Growth 2000-2010	Per Capita Income 2009	Retail per Capita 2007	Density (per Square Mile) 2010 *
NEW YORK	Five Boroughs	1	2.1%	$ 28,516	$ 9,375	26,980.6
SAN FRANCISCO	San Francisco County	2	3.7%	$ 44,373	$ 15,516	17,246.4
WASHINGTON	District of Columbia	3	5.2%	$ 40,846	$ 6,555	9,800.0
BOSTON	Suffolk County	4	4.7%	$ 53,751	$ 10,381	12,338.1
PHILADELPHIA	Philadelphia County	5	0.6%	$ 20,882	$ 7,299	11,296.2
MIAMI	Miami-Dade County	6	10.8%	$ 22,619	$ 14,074	1,282.8
LOS ANGELES	Los Angeles County	7	3.1%	$ 26,983	$ 12,336	2,417.9
SEATTLE	King County	8	11.2%	$ 37,797	$ 20,002	908.4
ATLANTA	Fulton County	9	12.8%	$ 36,412	$ 13,363	1,741.3
CHICAGO	Cook County	10	-3.4%	$ 29,021	$ 11,571	5,493.1
DETROIT	Wayne County	11	-11.7%	$ 21,691	$ 8,720	2,694.4
SAN DIEGO	San Diego County	12	10.0%	$ 30,705	$ 13,009	737.0
MINNEAPOLIS	Hennepin County	13	3.2%	$ 35,687	$ 19,646	2,070.4
DALLAS	Dallas County	14	6.7%	$ 25,703	$ 13,929	2,692.3
PHOENIX	Maricopa County	15	24.2%	$ 27,185	$ 15,153	414.8
	Study Community Average		5.5%	$ 32,145	$ 12,729	6,540.9
	U.S. Average		9.7%	$ 27,041	$ 12,990	87.3

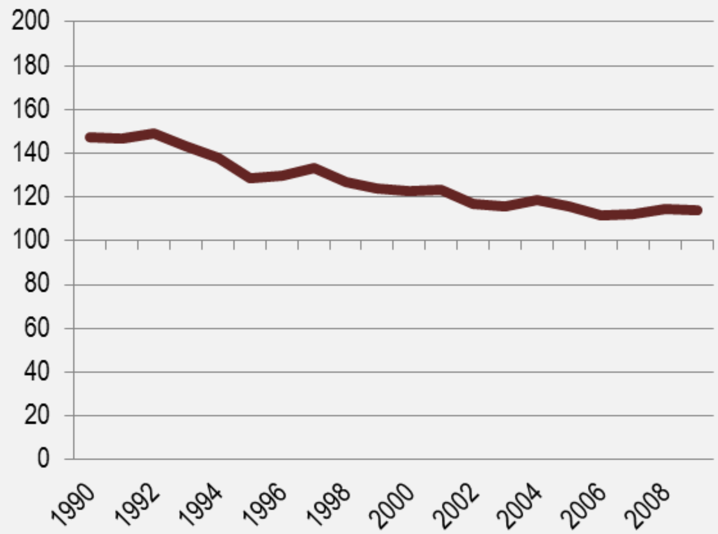
Source: US Census

OPEN INDEX

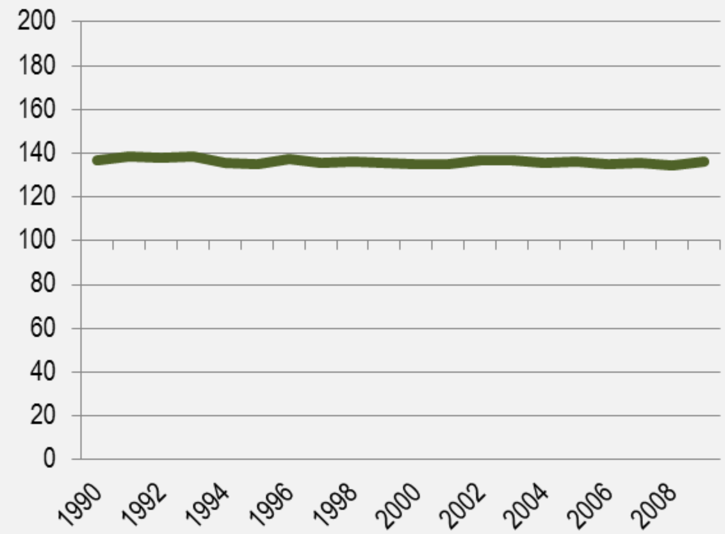
2

SAN FRANCISCO (SAN FRANCISCO COUNTY)

RETAIL SHOPPING INDEX



EATING & DRINKING INDEX



Retail Shopping	Index		Rank	Eating & Drinking	Index		Rank
1990 Index:	147	Rank:	3	1990 Index:	137	Rank:	1
2000 Index:	123	Rank:	2	2000 Index:	135	Rank:	1
2009 Index:	114	Rank:	5	2009 Index:	136	Rank:	1

Combined Ranking, 2009: #2

Source: NETS, Civic Economics, US Census

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3

OPEN INDEX RANKINGS BY CATEGORY, 2009

SHOPPING RANKINGS

City	Points	Rank
New York	155	1
Miami	125	2
Boston	116	3
Los Angeles	115	4
San Francisco	114	5
Washington	112	6
Philadelphia	105	7
Detroit	100	8
Atlanta	95	9
Seattle	91	10
Dallas	89	11
San Diego	89	12
Minneapolis	88	13
Chicago	82	14
Phoenix	75	15

EATING AND DRINKING RANKINGS

City	Points	Rank
San Francisco	136	1
New York	132	2
Washington	126	3
Philadelphia	119	4
Boston	118	5
Chicago	109	6
Seattle	108	7
Los Angeles	98	8
Miami	98	9
Atlanta	97	10
Minneapolis	95	11
San Diego	95	12
Detroit	84	13
Phoenix	84	14
Dallas	82	15

COMBINED RANKINGS

City	Points	Rank
New York	287	1
San Francisco	250	2
Washington	238	3
Boston	233	4
Philadelphia	224	5
Miami	223	6
Los Angeles	213	7
Seattle	199	8
Atlanta	192	9
Chicago	191	10
Detroit	185	11
San Diego	184	12
Minneapolis	184	13
Dallas	171	14
Phoenix	159	15

Source: NETS, Civic Economics, US Census

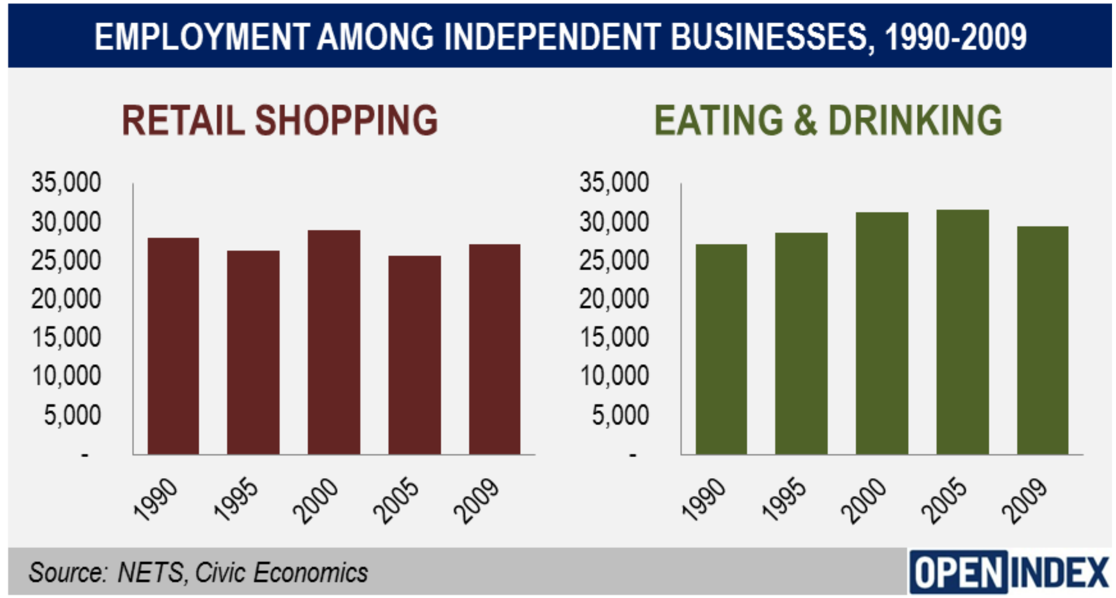
OPEN INDEX

INDEPENDENT BUSINESS IN SAN FRANCISCO

Chart 4, at right, shows the change in employment in San Francisco County Retail Shopping and Eating & Drinking Establishments over the study period.

Collectively, San Francisco independents provide more than 56,000 jobs in the county as of 2009, with 29,000 in the Retail Shopping category and 27,000 in Eating & Drinking.

4



LOCAL INDEPENDENT BUSINESS HOT SPOTS

The Index set out to quantify the health of independent businesses in major American cities over time and in comparison with one another. However, this study would be incomplete without a look within those major cities at the independent business districts that help to define the character of the community and contribute mightily to the vitality of nearby neighborhoods.

For each of the 15 study communities, Civic Economics tied the NETS database of independent retailers, restaurants, and bars to a map produced in Geographic Information System (GIS) software. From the broadest map of the county, we identified any number hot spots of independent businesses, and zoomed in on them to find each city's most indie-driven business districts.

A note on data: Within the 60 million data points from which Civic Economics built the Index, there are undoubtedly errors and omissions. At progressively smaller geographic levels, such as the neighborhoods discussed below, those may become apparent. However, despite the occasional misplaced business on a map, we believe the data provides a unique and reliable view of the trends at the nation, county, and neighborhood level.

From its high rankings in both Retail Shopping and Eating & Drinking it is obvious that practically the entire city is a hot spot for independent business. More than any other city the concentration of locally owned business radiates from its downtown core out to the rest of the city in almost concentric circles as shown on Map on the following page.

Although there were numerous options we focus our research in San Francisco on two urban districts away from the downtown. We chose two of the best known in the region: the Haight and the Castro.

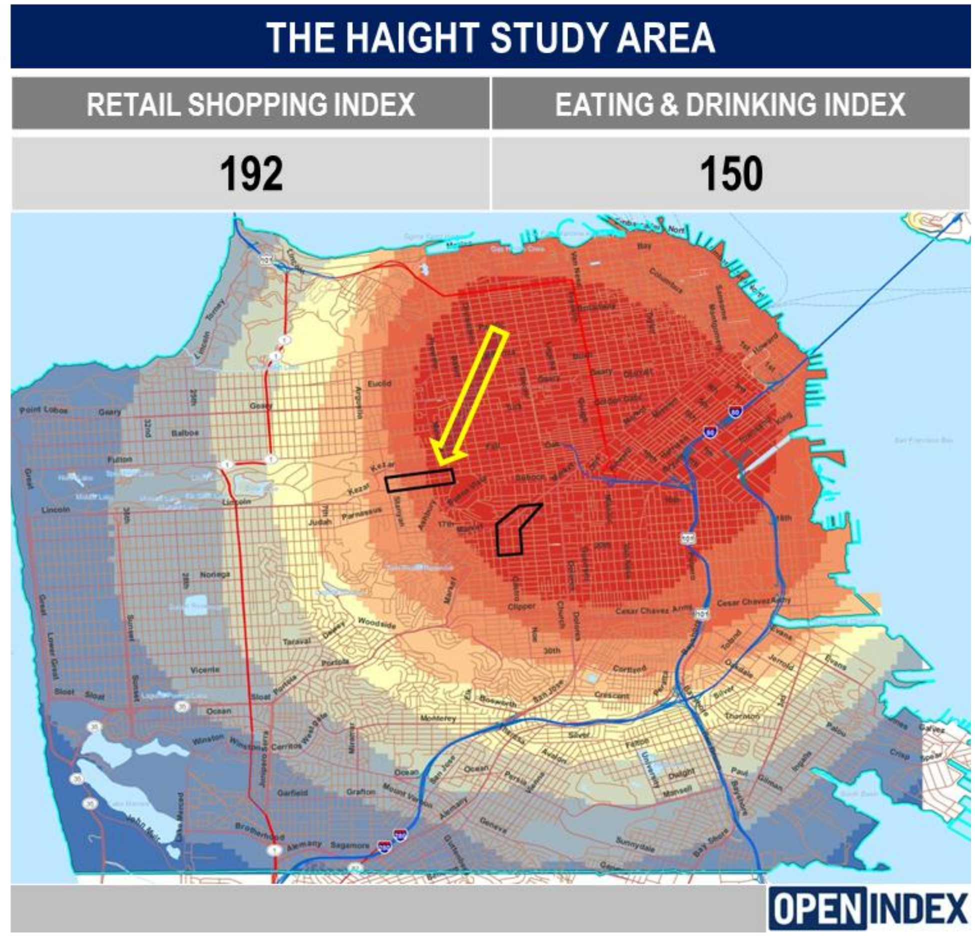
THE HAIGHT

The Haight (in small box on Map A, at right) is a legendary urban commercial and residential corridor to the west of Downtown San Francisco at the eastern end of Golden Gate Park. The neighborhood is best known for its prominent place in American counterculture, and that legacy still marks the corridor to this day.

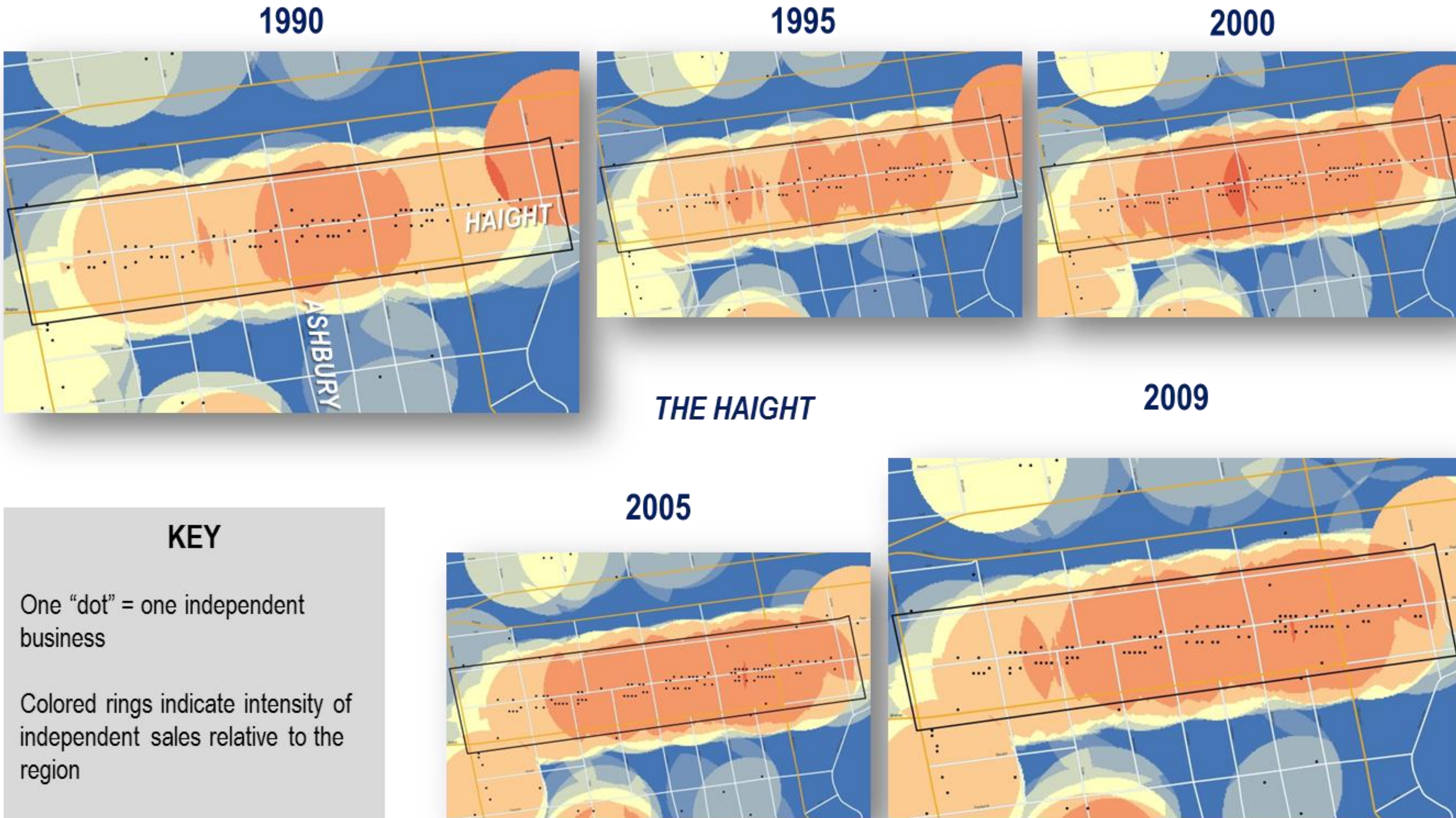
Map B on the following page depicts the evolution of the business districts along Haight Street. The independent business community has been strong throughout the study period, with most storefronts occupied by the late 1990's.

Chart 5 (on page 9) compares the retail and food & beverage market in the Haight with the broader San Francisco market. Non-local businesses have made few inroads in the neighborhoods, while independents reached a plateau in revenues in the early 2000's.

A



B EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT



KEY

One "dot" = one independent business

Colored rings indicate intensity of independent sales relative to the region

Source: NETS, Civic Economics

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CIVIC ECONOMICS

5 NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)

Source: NETS, Civic Economics

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CIVIC ECONOMICS

The Economic Impacts of the Haight

To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed.

The first is whether the presence of the district produces strong neighborhoods around it. The left side of Chart 6 below provides one answer to that question, tracking the median sales price in the zip code most closely associated with the district.

The 94117 Zip Code encompasses the entire business district and adjacent residential areas mostly south of the corridor. The spikiness of value data indicates a relatively small number of transactions in a given year. Housing prices in the Haight have largely tracked the strong housing market of San Francisco, ending the study period with a slight advantage over the broader market.

The second question is how many jobs are created by the presence of the district. The right side of Chart 6 below shows job creation at both independent and chain businesses.

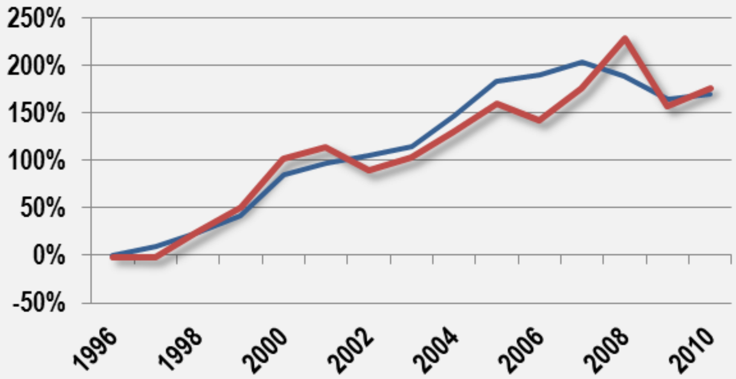
As of 2009, businesses in the Haight were estimated to employ approximately 770 people. This figure has remained relatively stable over the twenty year time period, which reflects the retail sector's productivity gains over time.

The Haight has been internationally famous for over 50 years and still attracts tourists looking for traces of its role in American counterculture. But for residents of the area, the Haight has been a stable source of essential goods and services, as well as employment and business opportunities, throughout the study period.

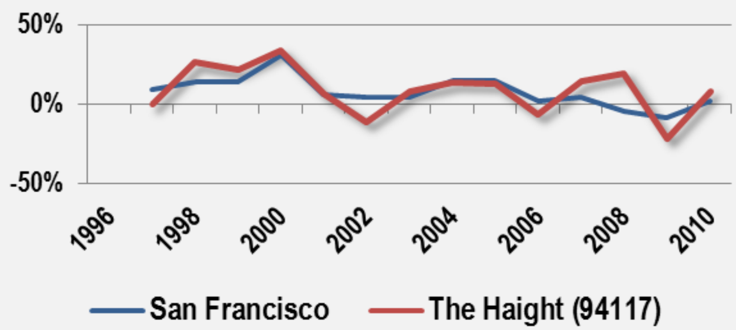
6 THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

MEDIAN HOME SALES PRICES

CUMULATIVE % CHANGE FROM 1996 VALUES

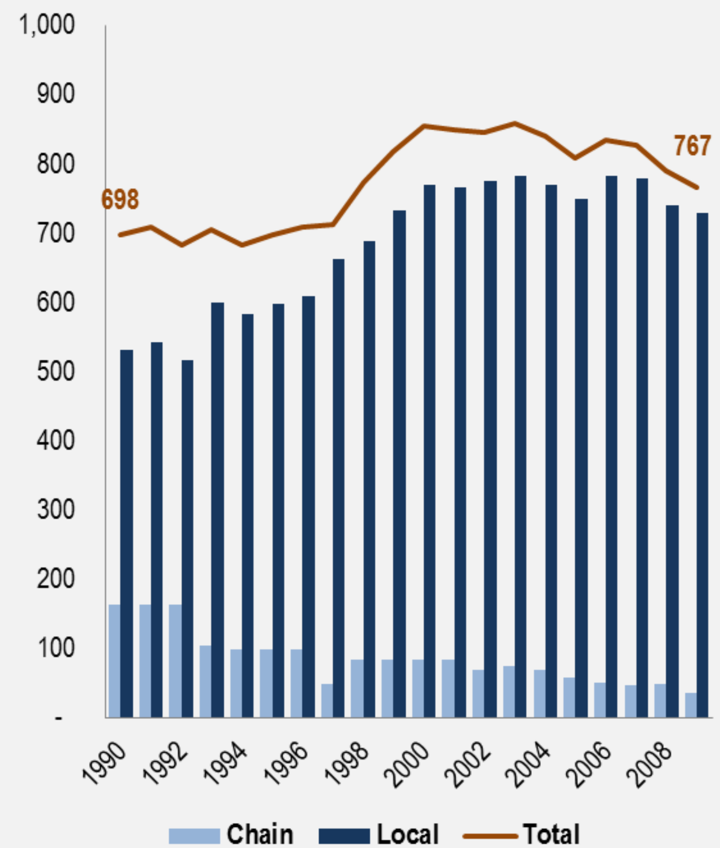


ANNUAL % CHANGE



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

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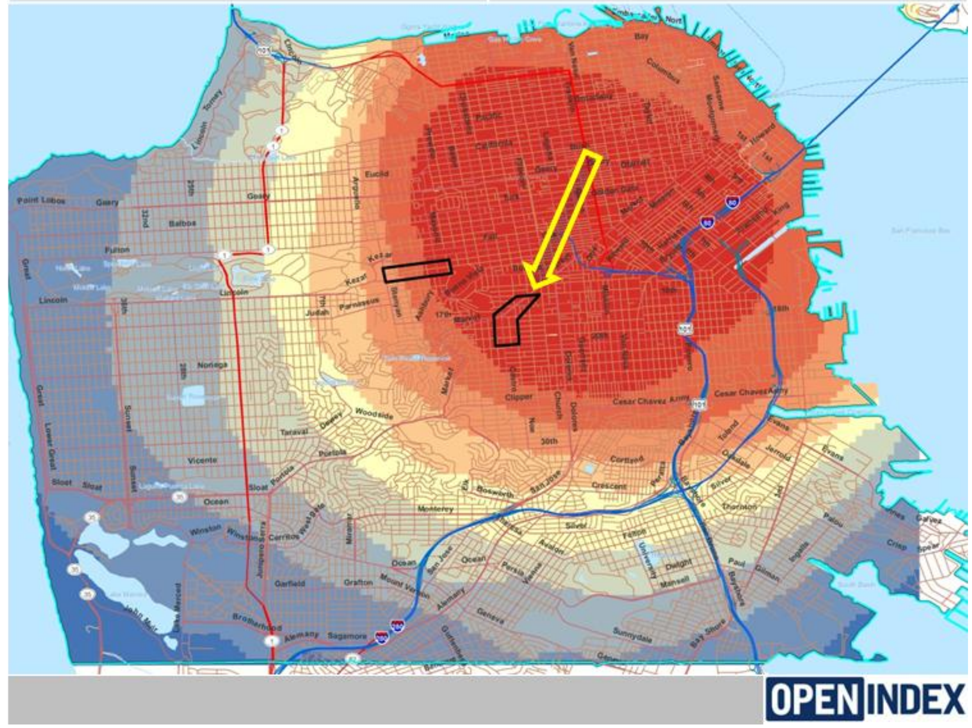
THE CASTRO

C

THE CASTRO STUDY AREA

RETAIL SHOPPING INDEX	EATING & DRINKING INDEX
111	155

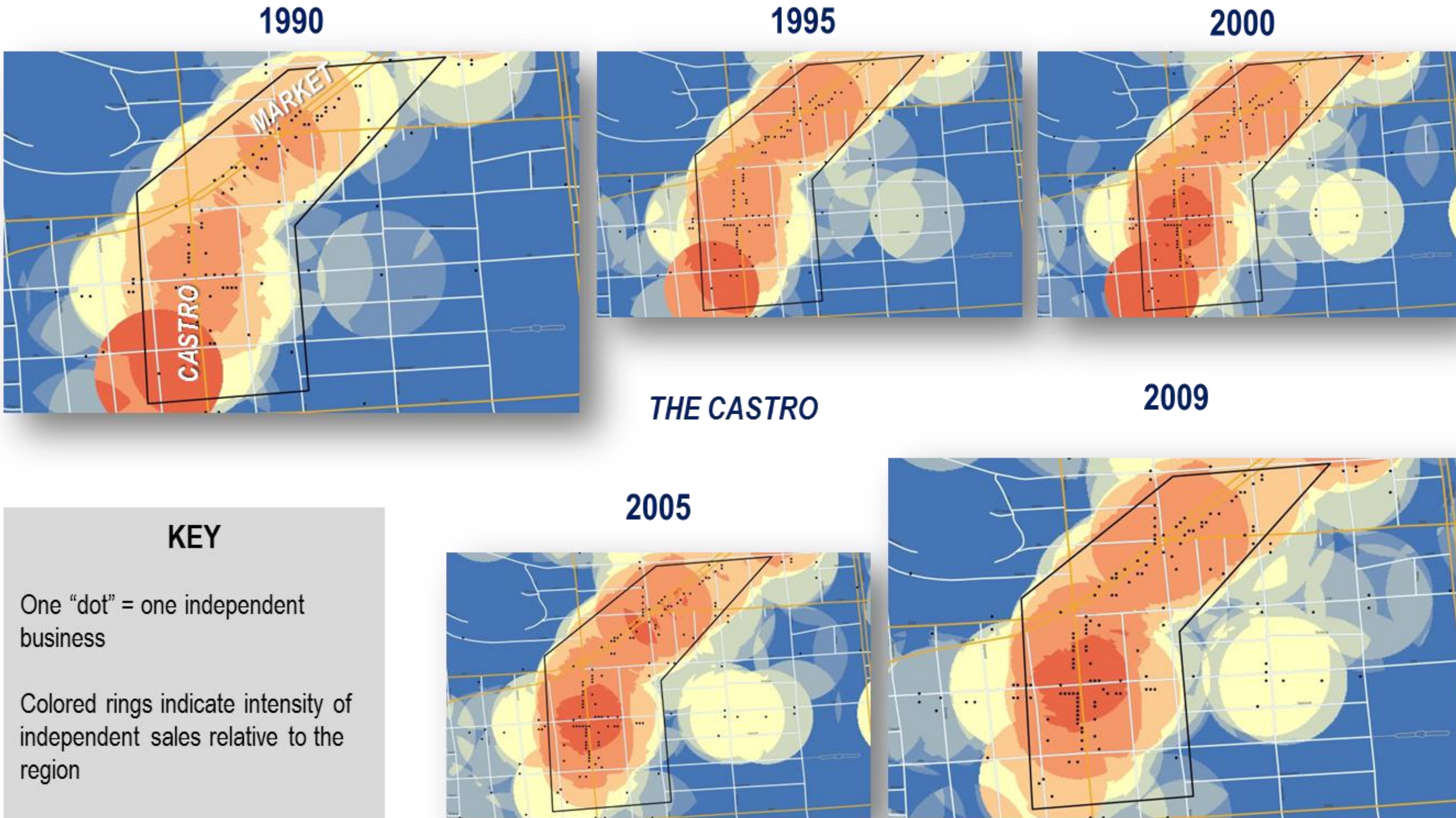


The Castro (in small box on Map C, at right) is an historic urban business district centered on the intersection of Market and Castro Streets southwest of Downtown San Francisco. Like the Haight, it is internationally known, in the case of the Castro for its early and ongoing importance in American gay and lesbian history.

Map D on the following page depicts the evolution of the business district since 1990. Like the Haight, the district has been nearly fully occupied throughout the study period, with a noticeable increase in activity at the 18th and Castro corner.

Chart 7 (on page 14) compares the retail and food & beverage markets in the Castro with the broader San Francisco market. Unlike the Haight, the neighborhood has accommodated a range of non-local retail businesses including drug stores, supermarkets, and a number of clothing stores drawn to the busy foot traffic of the area.

D EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT



Source: NETS, Civic Economics

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7 NEIGHBORHOOD SALES VERSUS COUNTY ($ Millions)

Source: NETS, Civic Economics

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The Economic Impacts of the Castro

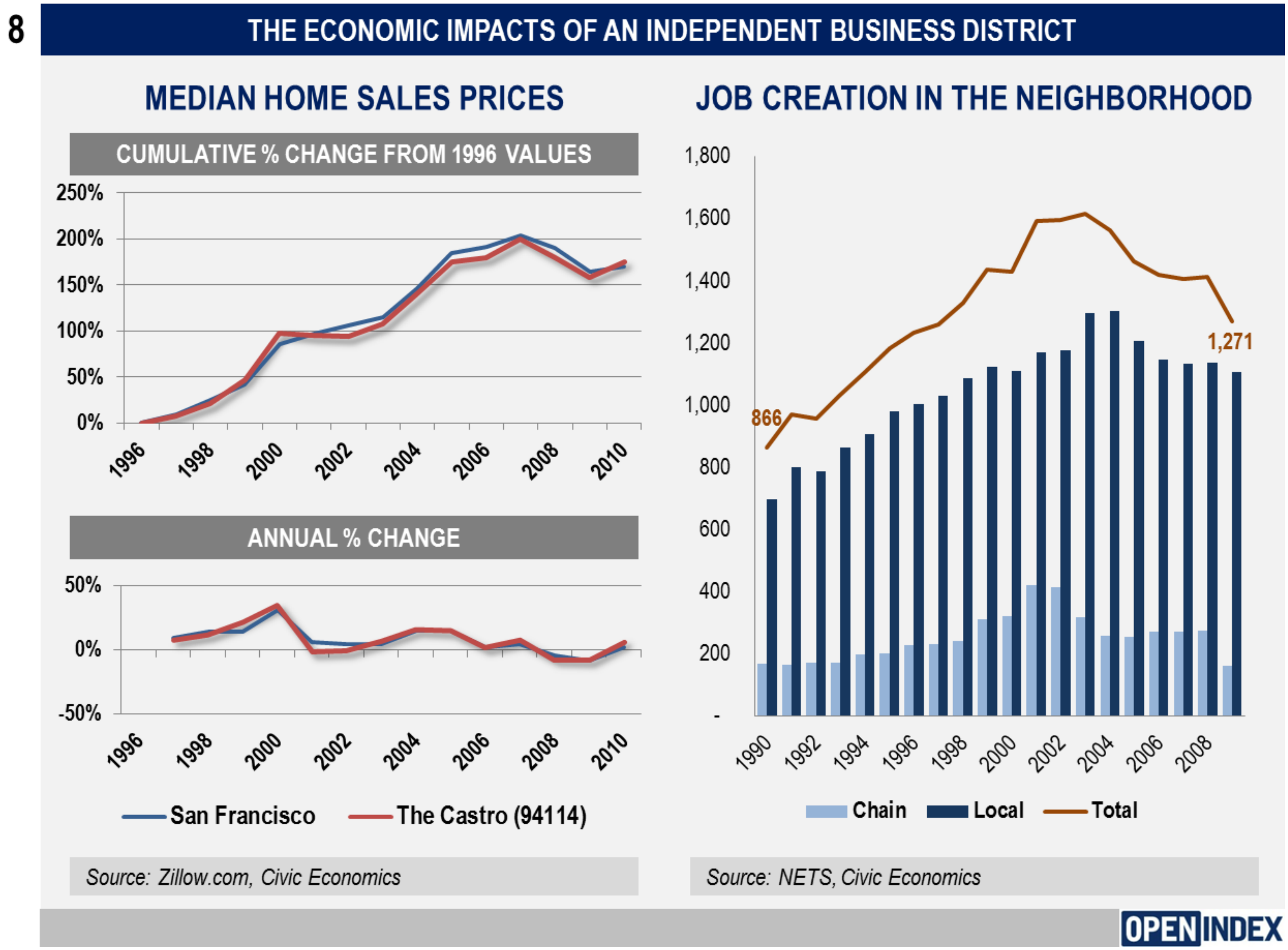
To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed.

The first is whether the presence of the district produces strong neighborhoods around it. The left side of Chart 8 below provides one answer to that question, tracking the median sales price in the zip code most closely associated with the district.

The 94114 Zip Code encompasses the area typically considered the Castro as well as extensive residential areas to the south and southwest. The housing market in the Castro closely tracked trends in San Francisco throughout the study period.

The second question is how many jobs are created by the presence of the district. The right side of Chart 8 below shows job creation at both independent and chain businesses.

The retailers, restaurants, and bars of the Castro have maintained a jobs engine for the region for decades. Strong growth in the neighborhood business community drove employment estimates over 1,500 early in the last decade before settling somewhat lower in recessionary times.


8
THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT
MEDIAN HOME SALES PRICES
CUMULATIVE % CHANGE FROM 1996 VALUES
250%
200%
150%
100%
50%
0%
1996
1998
2000
2002
2004
2006
2008
2010
ANNUAL % CHANGE
50%
0%
-50%
1996
1998
2000
2002
2004
2006
2008
2010
San Francisco
The Castro (94114)
Source: Zillow.com, Civic Economics
JOB CREATION IN THE NEIGHBORHOOD
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
866
1,271
1990
1992
1994
1996
1998
2000
2002
2004
2006
2008
Chain
Local
Total
Source: NETS, Civic Economics
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CONCLUSION

San Francisco ranks 2nd overall in the American Express OPEN Independent Retail Index, reflecting its highly urbanized land use patterns and a strong local identification among people, businesses, and the city. However, it should be noted that the city's ranking in Retail Shopping has slipped over the last decade as Miami and Los Angeles enjoyed strong increases in independent retail market share while that share erodes in San Francisco.

Given the importance of the city's small business community to the city's self-image and economy, these trends present a challenge to the local merchants of all neighborhoods to regain momentum.

CONTACTS

To learn more about the OPEN Index and to download study documents, please visit ***SmallBusinessSaturday.com***.

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Civic Economics is an economic analysis and strategic planning consultancy with offices in Austin and Chicago. Founded in 2002 by Matt Cunningham and Dan Houston, the firm has earned a national reputation for innovative approaches to economic development challenges. Learn more at *www.CivicEconomics.com.*

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