Route One Communities
Retail Market Study

(*Summary only*)

Hyattsville Community Development Corporation

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Prepared for
Hyattsville Community Development Corporation
On behalf of
The City of College Park
The City of Hyattsville
The Town of Riverdale Park
The Town of University Park
The University of Maryland
The Redevelopment Authority of Prince George's County

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I. SUMMARY

Project Description. Bolan Smart Associates has been asked to examine the existing and potential future demand for retail development along the Route One corridor spanning from the District line approximately six miles north to Powder Mill Road. The study analyzes four geographic areas comprising seven different municipalities within the corridor: 1) Mount Rainier, Brentwood and North Brentwood; 2) Hyattsville, Riverdale Park and University Park; 3) College Park; and, 4) the consolidated Route One communities (entire corridor). It is intended that the data and conclusions of this study serve as the basis for evaluating future development proposals and for future planning efforts along the entire Route One corridor.

Consolidated Route One Communities

Findings. The report focuses on existing supply and demand for three retail segments comprised of grocery / convenience stores, restaurants and other retail (i.e. apparel, electronics, household related, etc.). The findings suggest potential underserved market demand as of late 2011 on the order of 55,000 square feet of grocery / convenience space and 40,000 square feet of restaurant space. While the demand analysis indicates there is currently a surplus of other general retail space, this does not mean that retailers may not need different or new space to serve individual submarket requirements. Additional market findings include:

1. The majority of the potential market demand is already served by local retailers.
2. There is a relatively strong mass market appeal for the tenancies at Prince George's Plaza and College Park Marketplace. Market orientation at other locations, such as towards Langley Park, Kenilworth Avenue, and to some extent Beltway Plaza, trend toward more niche categories.
3. The success of newer retail destinations is neither guaranteed nor simple to orchestrate. University Town Center and Metropolitan Shops at Belcrest, for example, have had mixed experience in providing the right combination of space, rental costs and securing the most viable tenants.
4. There is a trend towards the publicly mandated inclusion of retail in newer residential anchored developments, some of which may not be market driven, and which if not successful, is neither beneficial to the outcome of the new development nor the optimal functioning of the background retail market.
5. Submarkets within the trade area are constrained by multiple factors:
    a. transportation issues;
    b. lack of ample and convenient parking;
    c. peripheral competition (i.e. in Silver Spring, at Woodmore Town Center, etc.);
    d. modest population growth; and
    e. the appearance of stagnant overall income growth (CPI adjusted, but unadjusted for college aged population growth).
6. There may be some missing retail niches not served (i.e. semi-upscale types and some medium size mainstream merchants).

7. There is potential to capture more demand via developing (or redeveloping) new retail environments specifically tailored to contemporary retailer and consumer preferences. These enhanced retailing venues typically embody well maintained and flexible buildings, with well defined ingress and egress, convenient parking, and complementary tenant types in terms of consistency of consumer orientation and in providing for consumer choice (i.e. a range of restaurant options).
8. There is potential demand for more grocery related space. The data suggests there may be an overall study area unmet demand on the order of around 55,000 square feet, enough for one large new store, or sufficient to support two or more smaller format grocers. Some sub locations, such as College Park, could in fact justify additional grocery space. Moreover, given the age and positioning of a few of the older supermarket spaces in the trade area, it would also be conceivable to see some replacement supermarket space being developed.
9. Though there remains quantifiable demand for additional popularly priced full service restaurants / and newer format quick serve restaurants, on the order of 40,000 square feet, this land use is close to reaching saturation. Traditional fast food offerings are already plentiful. The locations and type of food service offerings that could be added include selective reinforcing of existing venues, one-off new operations in more limited markets such as Mount Rainer, and the introduction of one or two new restaurant clusters that are part of larger new developments such as East Campus in College Park and the proposed Cafritz property development in Riverdale Park.
10. There appears to be potential for selected additional larger format specialty category retailers (i.e. sports related, home crafts), as observed by the lack of such tenants in a market with strong enough demand characteristics to otherwise expect their presence.
11. There are always opportunities for new and changing smaller shops and service retailers, such as gift shops and dry cleaners, to be part of new or repositioned concentrations of stores. Often locally owned and operated, these smaller vendors are key to rounding out the cross section of stores that help reinforce the viability of community and neighborhood oriented shopping centers.
12. The defined market area crosses a number of municipal jurisdictions and different land use planning domains. Compared with single entity governance, this segmentation of development controls can subject individual property interests with some level of added uncertainty over long term assumptions about where and how much retail space will be permitted.
13. The Route One corridor retailing environment, with noted gaps and related development opportunities, faces three general retailing risks – oversupply of space, excessive competition amongst newer offerings, and hemorrhaging of older operations. These are concerns very common to trade areas that are relatively mature in terms of demographic growth, and that have a wide range of inventory types and ages. The degree, to which these risks are exacerbated or mitigated, can in part, be a function of municipal oversight. A principal finding of this market study is that these retailing risks need to be viewed seriously in an environment where new retail development is being widely encouraged or required without a unified approach to development regulation and market shaping assistance.

Market Drivers. Market drivers are trade area characteristics which sustain retail sales and may provide economic impetus for retail growth. Favorable demographic shifts, new development, and a commitment by state, county and local governments, defines new longer-term opportunities for the Route One corridor. The corridor's appeal for demand stems from multiple sources, with positive energy from a variety of economic factors:

1. The study area is centrally located relative to the greater Washington region and is proximate to / inside the I-495 Beltway. This means the location can appeal to a wide variety of residents and businesses, of added significance as regional growth trends are seen to be favoring closer in settings.
2. The existence of proximate metrorail stations, and the prospect for the new Purple Line, reinforces the study area's positive accessibility attributes.
3. A strong sense of community identity and civic commitment, underscored by the presence of independent municipalities, helps distinguish the Route One corridor within the greater region, and provide an institutional foundation to advance economic development.
4. The University of Maryland at College Park plays an obviously huge role in retailing along the Route One corridor. With an FY12 direct budget of $1.68B, an overall enrollment of 37,500, some 12,500 employees plus an estimated 1.2M annual visitors, UMD represents an immense economic engine. Retail spending patterns for student households and the employee population are accounted for in detailed demographic data and estimated retail spending for visitors not otherwise included in the demographic data represents additional demand outlined in the demand analysis (see Section VI Demand Potential).
5. In part seeded by UMD related ventures and co-location advantages, the non-university direct employment base proximate to College Park is expected to continue to exhibit expansion. In addition, major U.S. federal employment both underpins major existing office buildings and suggests prospects for growth. Existing metrorail proximity, central locational attributes, and a growing amenity base accent these trends.
6. The Route One corridor communities provide the greater region with a cost competitive range of housing choices. This serves as an attraction to newcomers that can find better housing value along with a wider variety of housing types generally within the study area than is often the case in other parts of the Washington region.
7. Recent and ongoing new investment in new UMD student housing, some on campus, and importantly off campus, is providing a significant platform for expanded retailing venues. Furthermore, other new market based housing, such as that found near the Prince George's Plaza Metro station, near downtown Hyattsville, and at the north end of College Park, point to the potential for residential market growth and the synergistic effects of new development.
8. Given the composite of demand factors, institutional initiatives and development opportunities, the Route One corridor is able to support a number of major regional draws, including UMD sports and cultural events, the Gateway Arts District, and the planned Birchmere Music Hall. These destinations and others not only attract potential retail patrons from across the region and beyond, they help to diversify the nature and timing of retail demand drivers.
9. The Route One corridor, notably in College Park, has a significant volume of lodging offerings serving a combination of local and regional transient needs. This economic factor is supportive of retail and has potential to strengthen with the introduction of some planned new lodging facilities.

10. A constant source for market change is the always evolving nature of retailing concepts. When newer concepts can be linked with some unmet demand, as is the case in select examples (i.e. The Varsity in College Park and The Shoppes at the Arts District in Hyattsville), there is a potentially powerful force to propel new development.
11. At a national level there is a still growing and changing food sector related demand profile, including interest in specialty grocery products and additional casual dining, which can help underpin new retailing.
12. Finally, evidence of general market momentum provides the best witness to additional market potential, garnering more optimism and less cynicism in its wake. In this, an expanded critical mass of successful retail in the corridor (defined as economically viable stores in functional facilities) represents a market synergy which helps reinforce and perpetuate its own further growth.

Market Constraints. Market constraints are hindrances to retailing. Some are generic to the entire retail landscape, such as growing on-line retail sales and reducing size requirements of some main stream retailers, and some are specific to a portion of the subject marketplace. Several constraints particular to the study area that can impact the ability of retail space to meet estimated potential demand include:

1. The study area is comprised of highly differentiated market demographics and economic groupings. This can lead to what can look like retail supply imbalances, with some heavier concentrations of one type of niche retailing and a seeming shortage of other retailing niches. The most limiting aspect of a highly segmented demand marketplace is that portions of the demographic set may not be large enough to support the corresponding desired retailer type.
2. Older geographic areas embedded with different eras of retail inventory of space spread widely across different locations, often without critical mass, can be a constraint in terms of accommodating newer retailing concepts within the existing built environment. This condition is quite defining of the Route One corridor communities, the remedy to which can be found in a combination of updating of older properties and the construction of new facilities.
3. Traffic congestion and access constraints (east-west barriers, railroad, parks, flyovers) represent major hurdles for all types of retailing along the Route One corridor. Though little may be done to alleviate overall traffic volumes, issues of site-by-site access can sometimes be addressed. Traffic congestion itself has mixed implications. In one respect, it represents a volume of potentially captive retail patrons. It can also be so limiting as to drive retailers and consumers to other locations. Finally, it may also keep customers, and therefore retailers, closer to home.
4. Deficient parking can be a chronic problem, especially in a generally auto oriented environment such as the study area. This reality is compounded where there are other nearby suburban alternatives that may be considered more “parking friendly”, a definition which includes not only the number of parking spaces but their proximity to desired stores, the possible cost, concerns for safety, and so on.
5. Fragmented ownership of smaller existing commercial land parcels is a standard challenge limiting effective redevelopment in largely already developed locations such as the study area. The consequence is that existing retailing locations and buildings may not be easily repositioned to cater to modern retailing needs.

6. Though this study does not attempt to dissect consumer and retailer perceptions about security and safety, there is nonetheless an acknowledged backdrop of concern for these issues. The concern is not only about the chance possibility of crime occurring, which is true most anyway, but the perception of the frequency or reoccurrence of such. It is this latter aspect which most inhibits some retailers comfort level in serving a given market, respecting that while consumers can readily shift their patronage to different locations according to their sense of security, individual retailers are not nearly as mobile.
7. Of major relevance to the study area is some 3.0M+ square feet of fledgling and new planned retail proximate to the study area. Whether it be located in nearby Fort Totten, Brookland or Fort Lincoln in the District, at a number of locations in Maryland (from Woodmore in the direction of Largo to Konterra northward towards Laurel) (See Exhibit V-6), the impact on potential new retailer commitments and corresponding consumer shopping patterns is broad and profound.
8. Another competitive space related constraint is a possible excessive supply of new non-market driven retail space. Examples of the addition of non-market driven retail space include mandated inclusion of retail space in residential and office buildings and incorporation of more space than is needed or is less than ideally positioned in developments otherwise intended primarily for retail use.
9. A further constraint common to many retail businesses in the study area is that they cannot afford to pay the rents needed to support new construction, including the possible added cost of structured parking. The limited capacity of retailers to pass along the full costs of new development to the background consumer market can seriously inhibit the ability of retailers and developers to provide the shopping demand suggested by some portion of the marketplace. In these ways, cost and operational conflicts can easily contribute to what may be perceived as developer aversion to mixed use.

Trade Area Demographics. The consolidated primary trade area is comprised of the three merged submarket trade areas that extend approximately six miles north / south and four miles east / west centered on Route One. The secondary trade area mimics a six mile north / south oblong radius centered at University Park. The combined trade areas represent a broad demographic and economic mix. Demographic highlights listed below, based on a combination of the 2010 U.S Census, American Community Survey, and the national data company ESRI, help explain the range of existing and potential retailing niches characteristic of the study area:

2011 Demographic Summary

	Primary Trade Area	Total Trade Area	Prince George's
Population	153,300	343,500	865,486
% 15-24 years old	25%	19%	16%
2000 to 2011 Population Change	9%	7%	8%
15-24 years old	23%	15%	19%
Reported Race			
White	32%	29%	19%
Black or African American	38%	42%	64%
Asian	6%	5%	4%
Other	24%	24%	13%
Hispanic (all races)	31%	31%	16%
Households	48,900	115,400	304,786
2011 Average HH Income [1]	$72,200	$75,000	$88,429
2011 Median HH Income [1]	$55,400	$56,900	$71,971

HH Income Segmentation			
<$50,000	44%	42%	33%
$50-$100,000	34%	34%	35%
>$100,000	22%	24%	33%
Daytime At-Place Employment	67,200	139,000	323,217

[1] Average is the total income divided by the total number of households and the mean is the household income of the household at the midpoint of the total number of households.

Sources: 2010 U.S. Census, American Community Survey, ESRI and Bolan Smart

Some primary trade area demographic highlights include: (see Table IV-1 for detail)

- Increasing overall population counts totaling almost 1.0% per year, or 12,800 persons for the primary trade area, of which a little less than half of which (6,200) is estimated to be attributable to additional University of Maryland related students living on or proximate to campus. This suggests that between 2000 and 2010, the college age population grew at more than twice the rate as the background population specific to the study area. Though adding a significant proportion of college students may tend to hold down reported income growth, the impact on consumer spending power may be undercounted due to the supplemental funding non-income based supplemental funding available to many students. .
- Historic shifts in population composition, most notably in a doubling to 31% of the population reporting Hispanic origin, and some decline in the actual and proportional population reporting Black or African American origin; the biggest changes in these regards are probably past.
- Apparent lower incomes and substantial overall HH income segmentation variance compared with Prince George's County as a whole, accounted for in part by the larger proportion of college aged students in the primary trade area, and therefore probably overstated (see page 15 for further discussion).

Existing Retail Characteristics.

Primary Trade Area by Location:

Route One Corridor	1,366,800 sf	(22% of total inventory)
Other Primary Trade Area	4,927,600 sf	(78% of total inventory)
Total Primary Trade Area	6,294,400 sf	

Primary Trade Area by Use:

Grocery / Convenience	882,500 sf	(14% of total)
Food & Beverage (restaurants, fast food)	752,700 sf	(12% of total)
General Retail (non auto related)	3,793,600 sf	(60% of total)
Auto	256,900 sf	(4% of total)
Vacant	608,700 sf	(10% of total)
Total	6,294,400 sf	

Inventory Completed Prior to 2005 (non auto related):

Grocery / Convenience	847,000 sf	(16% of category)
Food & Beverage (restaurants, fast food)	653,700 sf	(12% of category)
General Retail (non auto related)	3,439,100 sf	(63% of category)
Vacant	505,500 sf	(9% of category)
Total	5,445,300 sf	(87% of total inventory)

Inventory Completed Since 2005 / New Deliveries (+ auto related totals 608,700sf):

Grocery / Convenience	35,500 sf	(6% of category)
Food & Beverage (restaurants, fast food)	99,000 sf	(17% of category)
General Retail (non auto related)	354,500 sf	(60% of category)
Vacant	103,200 sf	(17% of category)
Total	592,200 sf	(9 % of total inventory)

Sources: Prince George's County tax assessment records, CoStar, MNCPPC, property representatives and Bolan Smart

Some defining retail space characteristics: (see Appendix C for a detailed inventory listing)

- In the past seven years, retail inventory has expanded at a rate 50% faster than population growth. While part of this new retail supply serves changing retailer requirements and underserved demand, it is not a pattern that continue indefinitely.
- Vacancy at 10% is somewhat higher than region wide retail vacancies but not considered excessive when factoring for the combination of substantial space obsolescence and recent new additions.
- Newer retail spaces have a higher proportion of vacancy but represent less than 20% of the overall vacant space, again not considered particularly abnormal, especially when factoring for the nuances of individual developments.

Issues / Planning Implications.

1. Not all retail inventory, even some new space, is sustainable as competitive retail space. Though not chronic, physical space obsolescence and functional obsolescence (space not well configured for contemporary users) is evident across the study area. This is normal to markets with a variety of older spaces built at different times built to meet then current retailer specifications, as is it is also prevalent for spaces converted to retail use at some point but which were not originally designed for such use. Obsolescence can occur as well where use restrictions are imposed for one reason or another over time, and can be observed even for newer space which was less than ideally configured or perhaps overbuilt for a specific location. Where retail space faces continued vacancy, or cannot be leased without substantial investment, the market implication is that this type of space is not economic and should, in effect, be dropped from the inventory of competitive space, at least in its present form.
2. Some degree of excess space capacity helps keep a market competitive, but too much capacity is bad for everyone. Chronically dark retail space, whether old or new, conveys a negative image for specific projects, and can also drag down the image of the wider market.
3. New retail targeting an underserved market has the potential to re-enforce and energize retail opportunities. It also recognizes that retailing is always changing. While the net effect can be positive, marginal existing retailers may lose out. There can be a place for all retailer types to locate and evolve, but not necessarily for all operators.

4. Public sector actions, whether in the form of partnerships, subsidies or zoning changes, can alter a given retailing landscape. Though the extent and nature of particular public interventions may on the one hand be more restrictive as to what retail can be added, they may also act to alter marketplace functions in other directions. Private investment relies on as solid a set of assumptions as it can about future conditions. This means that if the supply of future retail space is significantly susceptible to changes in development regulatory or cost sharing equations, private investment may need to be more cautious regarding its own investment commitments. A major question then for Route One communities is if the public sector, through its own actions, may be intentionally or unintentionally helping create an oversupply of space, competing internally for limited market share, or coordinating its actions in the balanced interest of the greater community?