

Smyrna, Delaware/U.S. Route 13 Corridor MARKET STUDY

**Dover/Kent County MPO
August 9, 2012**



Smyrna, Delaware/U.S. Route 13 Corridor

EXECUTIVE SUMMARY

Executive Summary

- The Trade Area delineated for the market analysis extends approximately 15 miles north and 5 miles south of Smyrna, including portions of Kent and New Castle Counties.
- Demand for housing in the Trade Area has slowed dramatically since 2009, but the projected increase in population in the Trade Area to 2020 and beyond indicates that demand will stimulate additional residential development.
- Housing price-points for both home ownership and rentals are geared to take advantage of the “new market reality,” positioning Smyrna and the Trade Area to compete for new residential development.

Executive Summary

- Residential building permits indicate an equal preference for single family homes and townhouses in Smyrna.
- Investment in Smyrna's historic district indicates a demand for a more urban lifestyle that could serve as an anchor and/or link to new mixed use development with similar urban/walkable characteristics.
- There is a significant *inflow* of retail expenditures for convenience goods (primarily supermarket and drug store items) from outside the Trade Area.

Executive Summary

- There is a significant *outflow* of retail expenditures for shopping goods to department stores and malls outside the Trade Area.
- Smyrna's location nearly midway between retail concentrations in Middletown and Dover, together with projected population growth, creates an opportunity to recapture shopping goods expenditures.

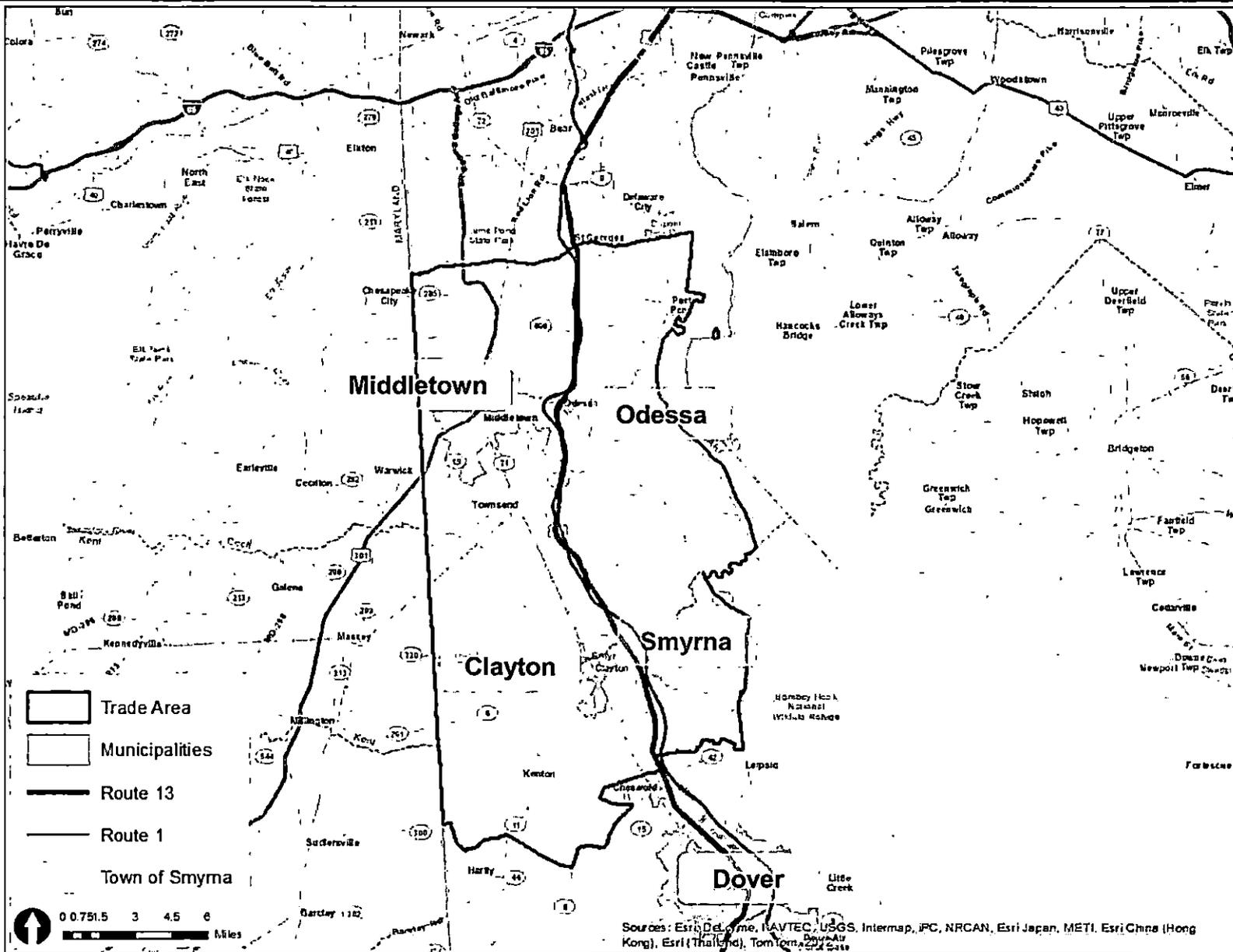
Executive Summary

- The leakage of approximately \$100 million in shopping goods sales from the Trade Area, in combination with additional retail buying power that would be generated by new residents suggests that about 225,000 sq. ft. in shopping goods stores could be developed in the Smyrna area.
- The high vacancy rate in the New Castle South office market (16%), together with the substantial backlog in office space (about 740,000 sq. ft.) and the currently low absorption rate suggests that there is little to no market for new office development in the Trade Area in the short term.

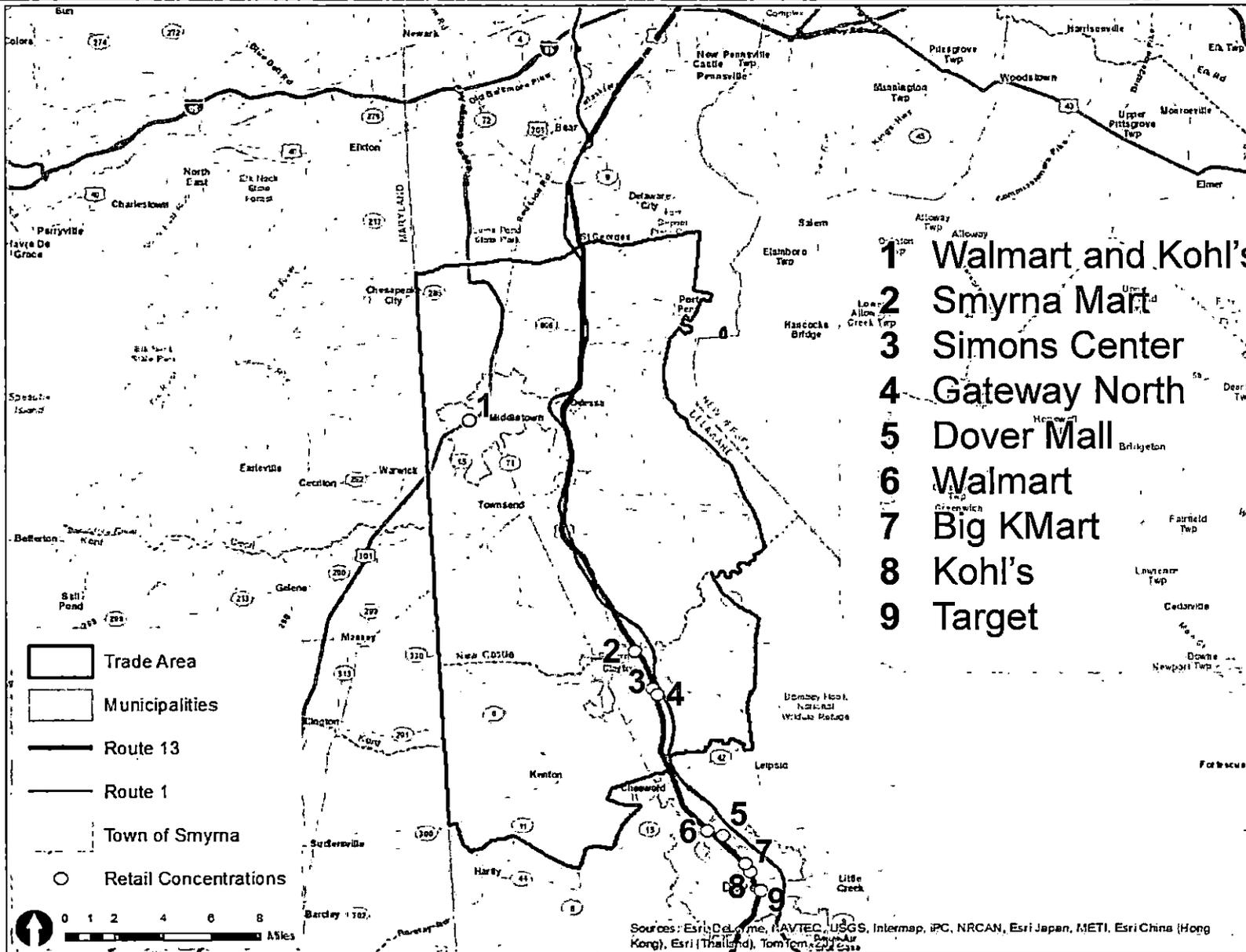
Smyrna, Delaware/U.S. Route 13 Corridor

MARKET AREA PROFILE

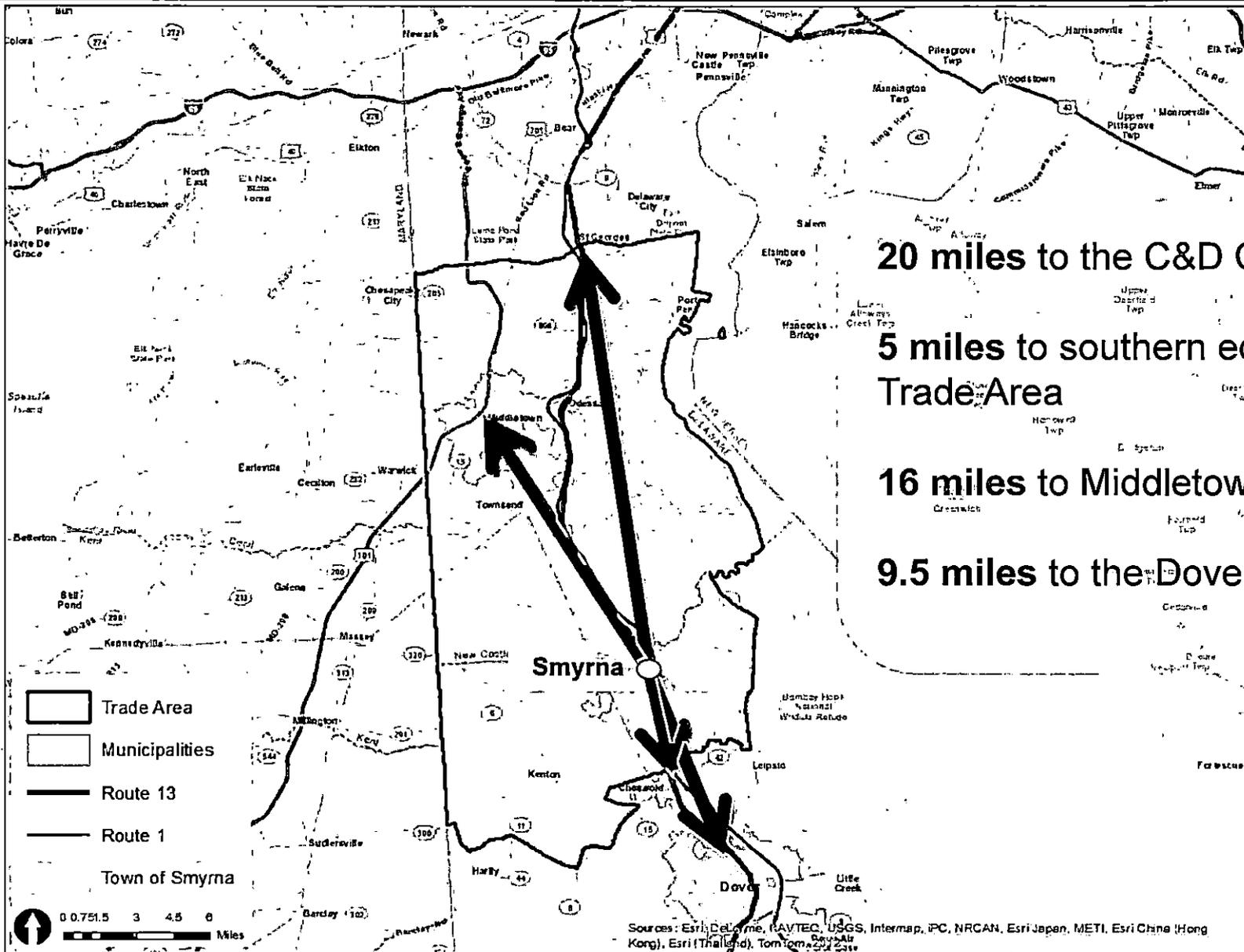
Market Area Profile | Trade Area



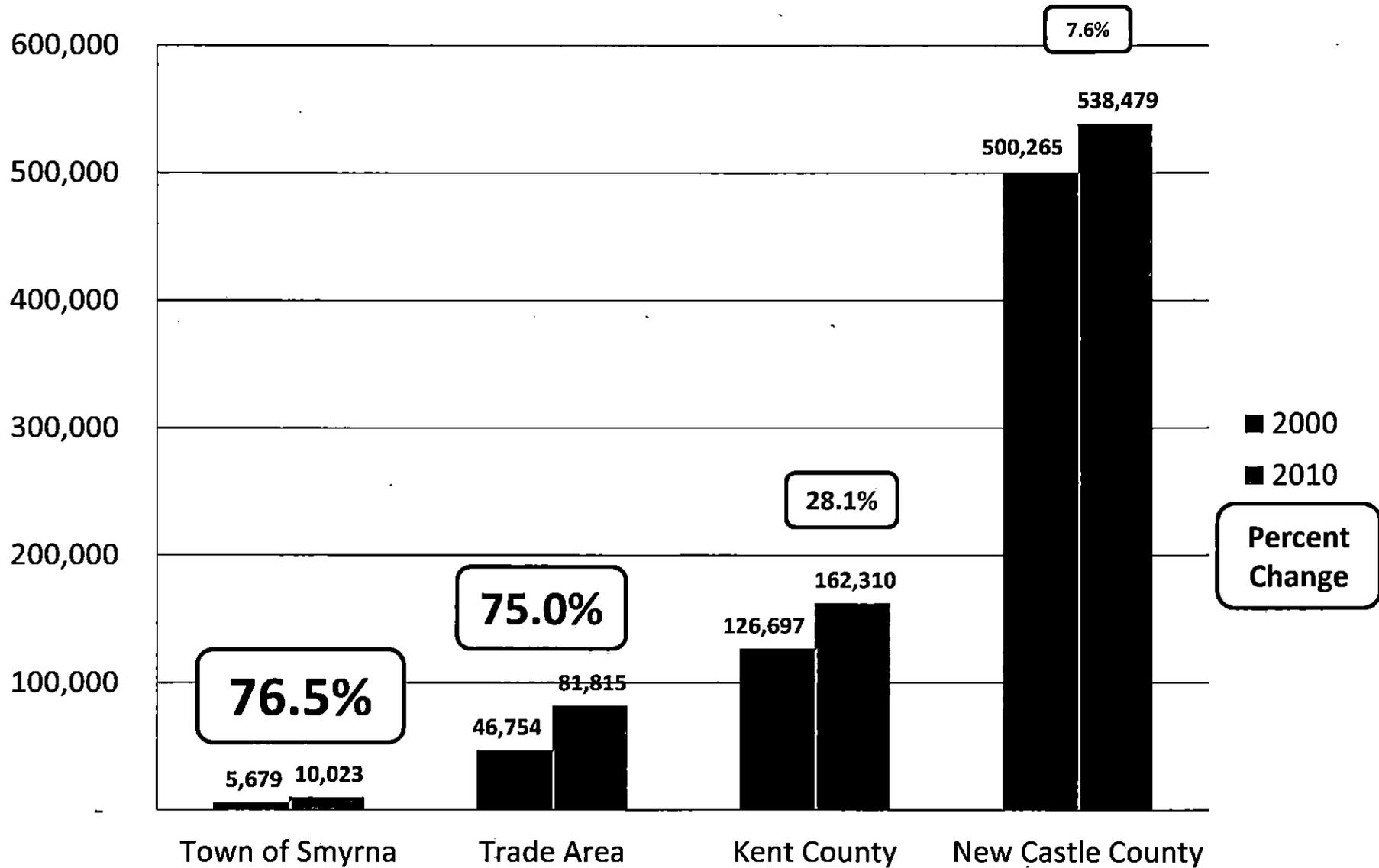
Market Area Profile | Major Retail Centers



Market Area Profile | Driving Distances



Market Area Profile | Population Trends

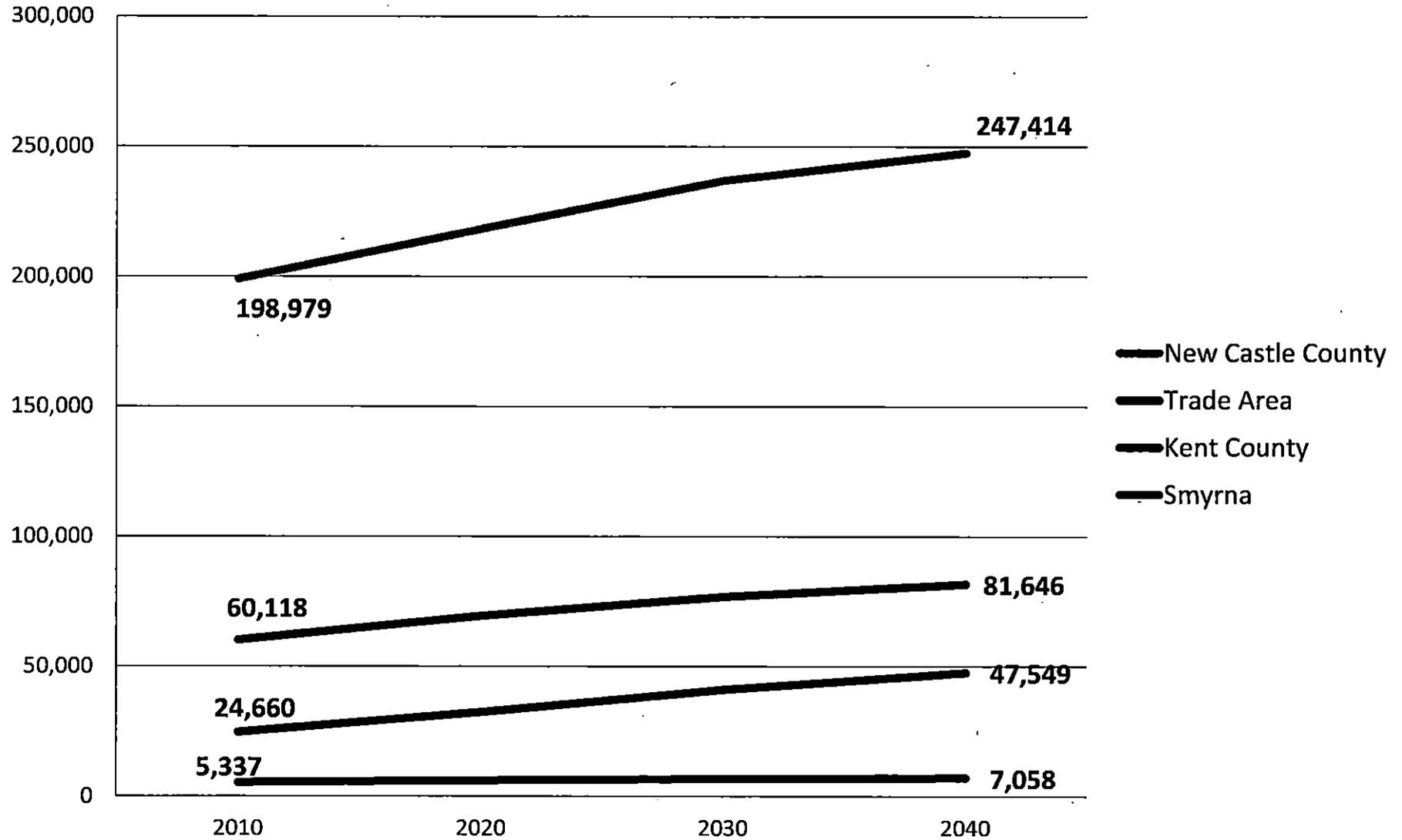


Sources: Census 2000, Census 2010

Smyrna, Delaware/U.S. Route 13 MARKET STUDY



Market Area Profile | Population Projections

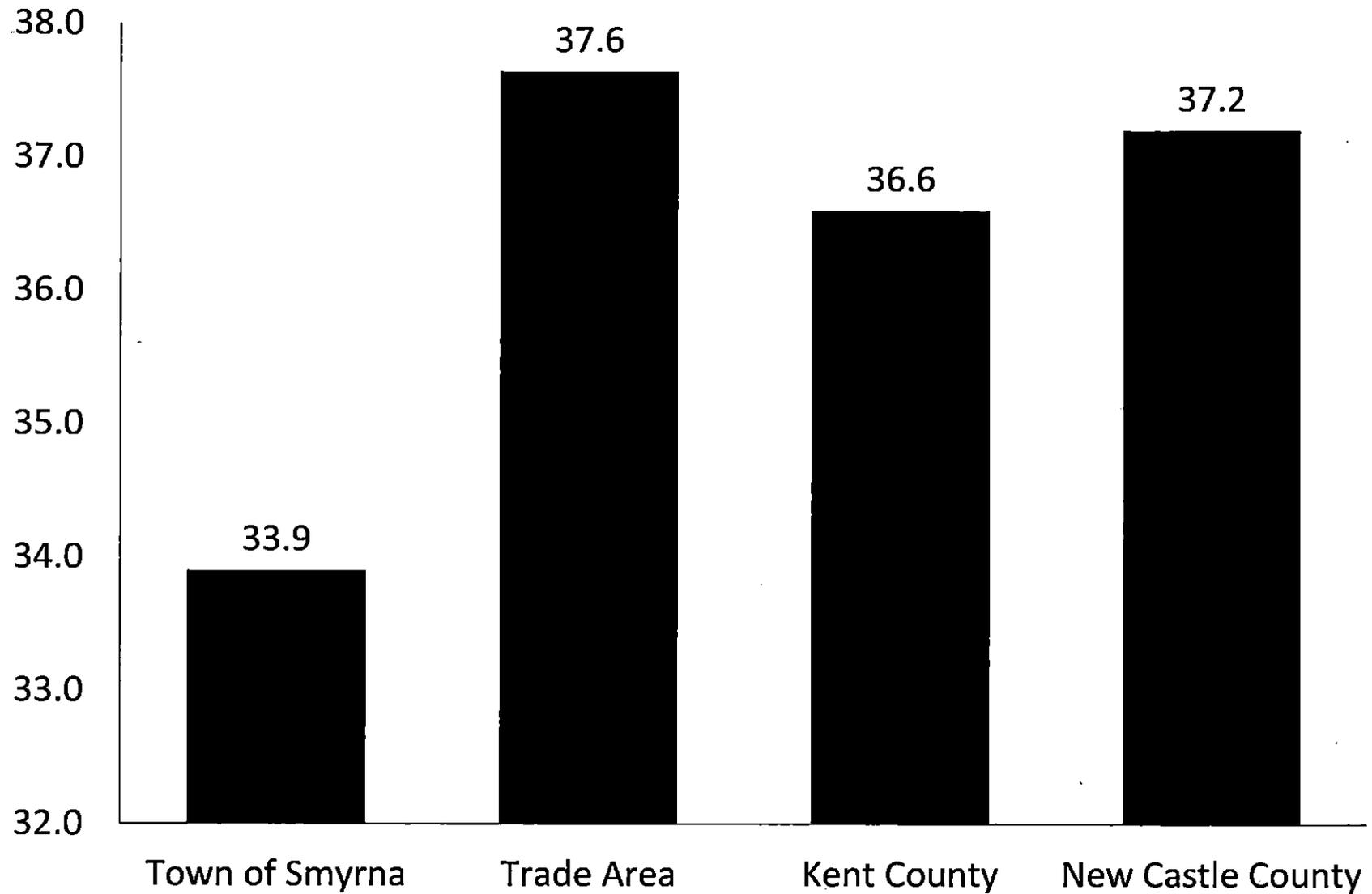


Sources: Dover/Kent County MPO, WILMAPCO

Smyrna, Delaware/U.S. Route 13 MARKET STUDY



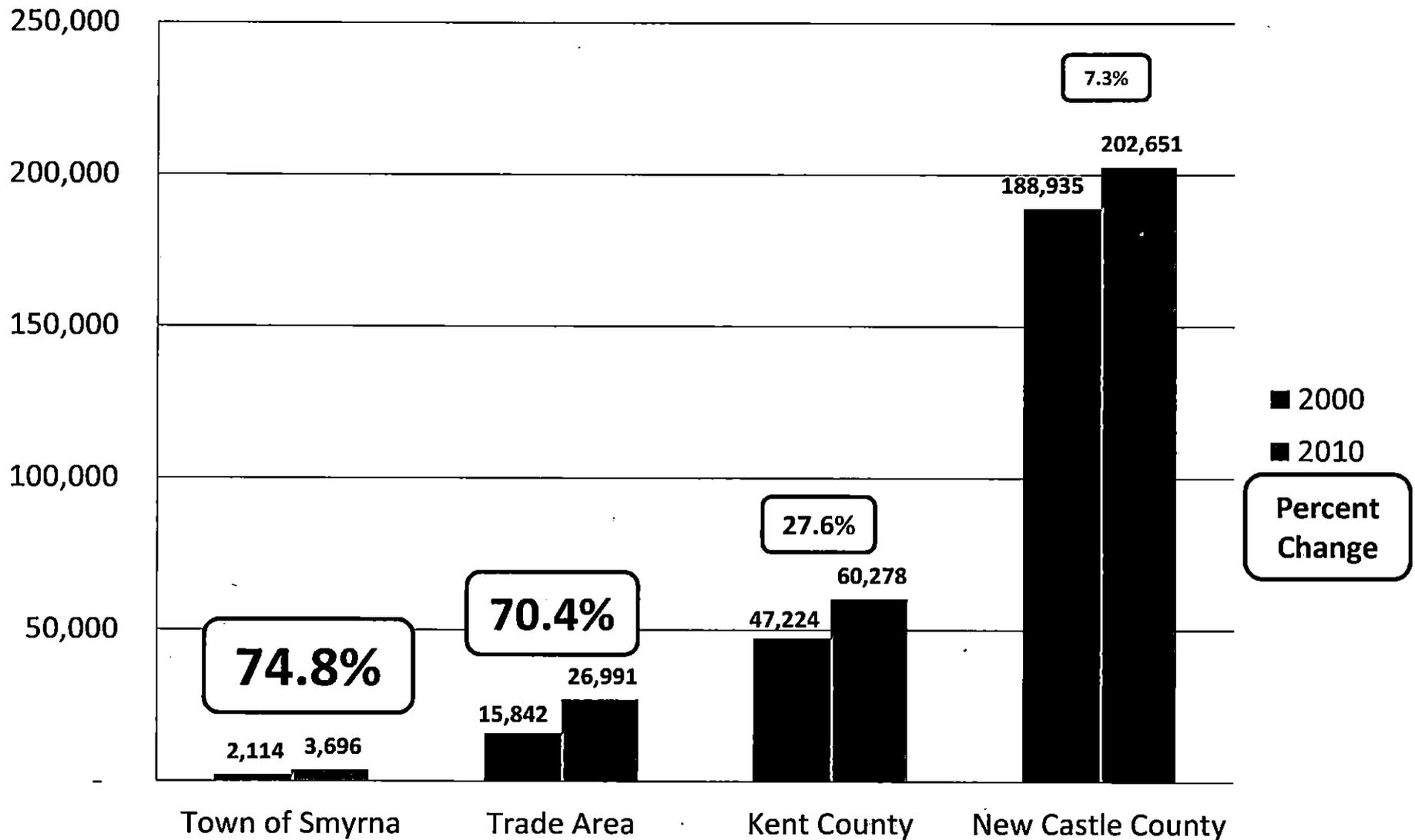
Market Area Profile | Median Age, 2010



Source: Census 2010



Market Area Profile | Number of Households

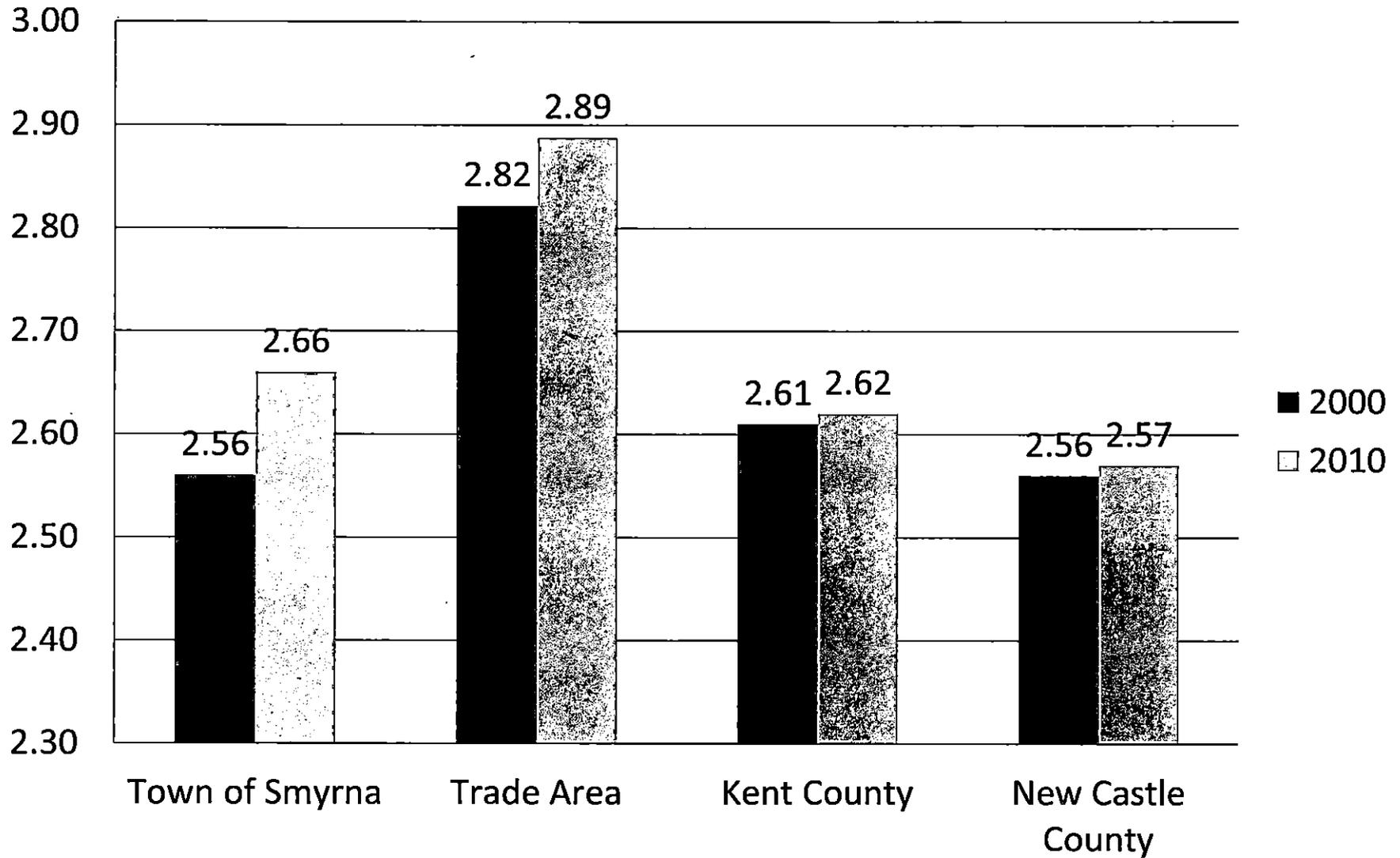


Sources: Census 2000, Census 2010

Smyrna, Delaware/U.S. Route 13 MARKET STUDY



Market Area Profile | Average Household Size

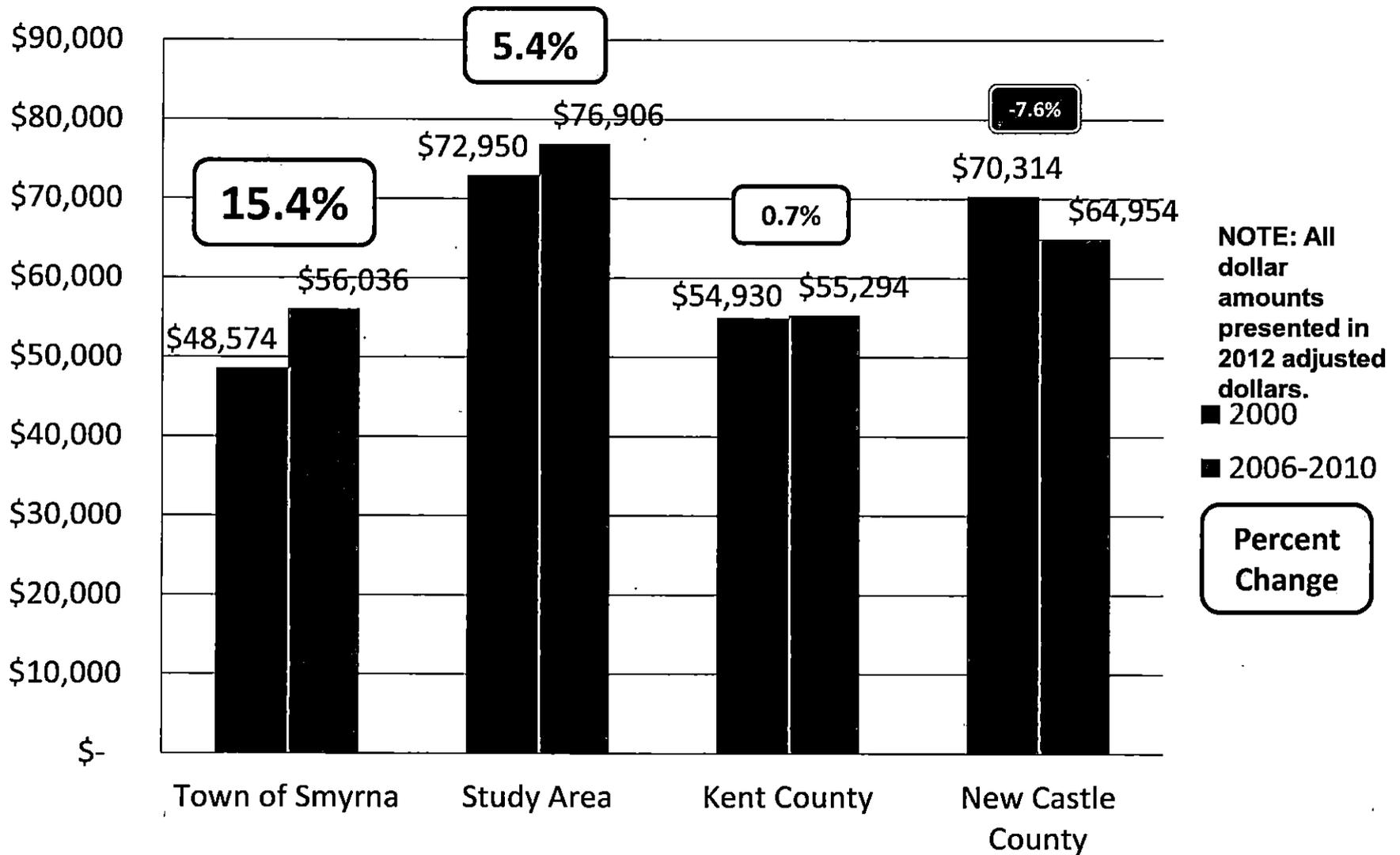


Sources: Census 2000, Census 2010

Smyrna, Delaware/U.S. Route 13 MARKET STUDY



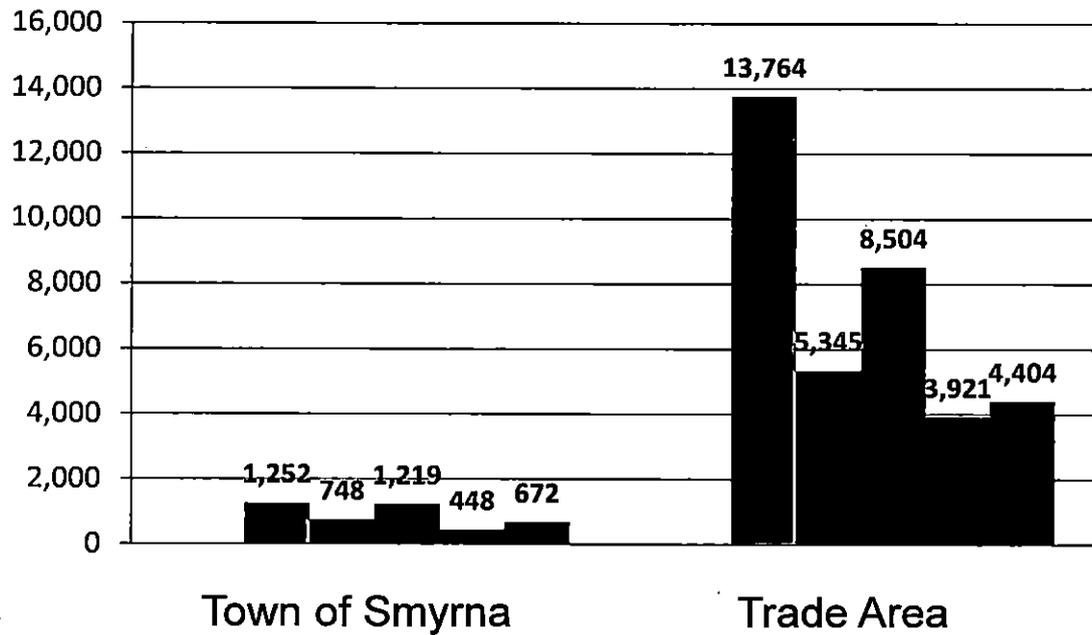
Market Area Profile | Median Household Income



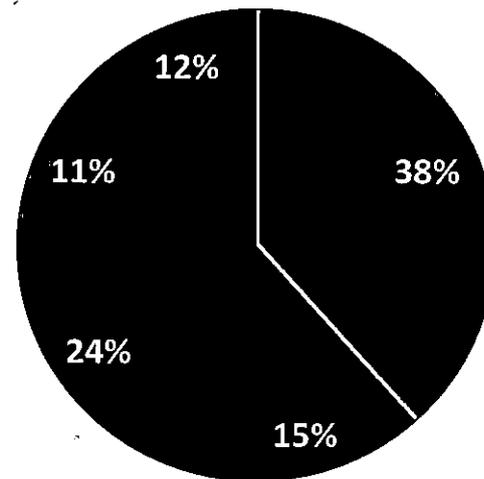
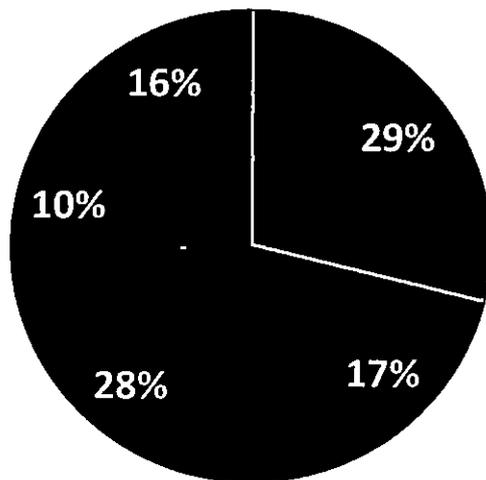
Sources: Census 2000, 2006-2010 American Community Survey, U.S. Department of Labor Bureau of Labor Statistics Consumer Price Index for Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD; AKRF, Inc.



Market Area Profile | Occupational Status of Residents



- Management, business, science, and arts occupations
- Service occupations
- Sales and office occupations
- Natural resources, construction, and maintenance occupations
- Production, transportation, and material moving occupations



Sources: Census 2000, 2006-2010 American Community Survey

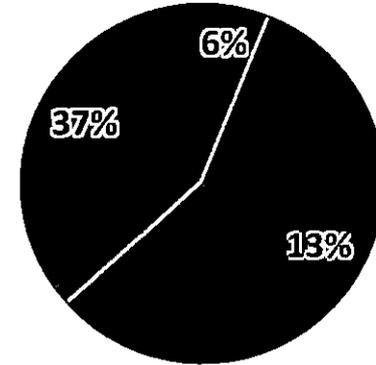
Smyrna, Delaware/U.S. Route 13 MARKET STUDY



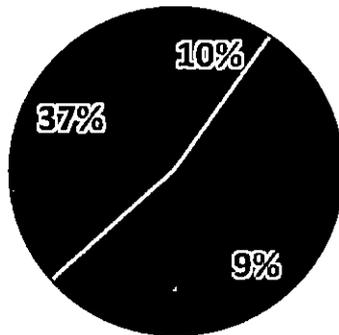
Market Area Profile | Top 5 Employment Sectors

- Construction
- Manufacturing
- Retail Trade
- Finance and insurance, and real estate and rental and leasing
- Educational services, and health care and social assistance
- All Other Categories

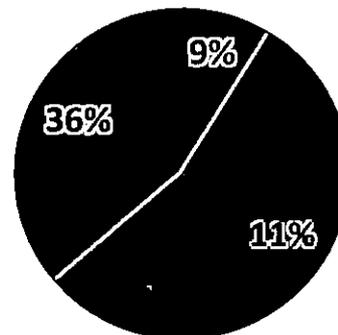
New Castle County



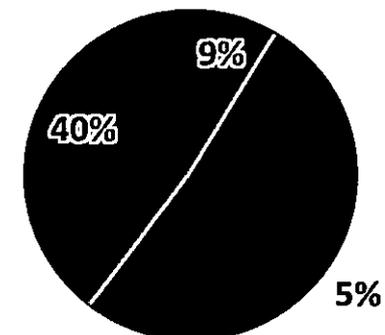
Town of Smyrna



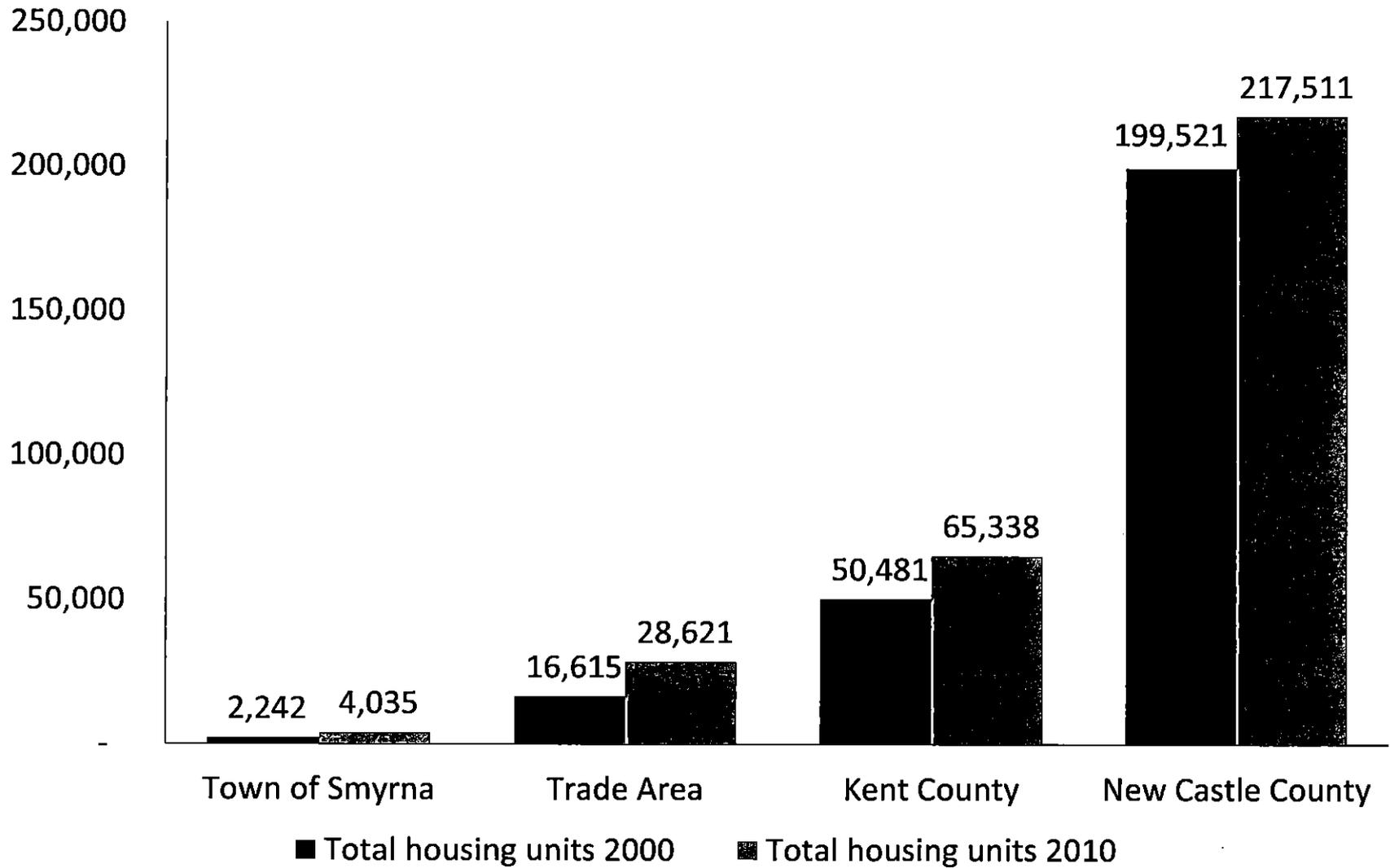
Trade Area



Kent County



Market Area Profile | Total Housing Units



Sources: Census 2000, Census 2010

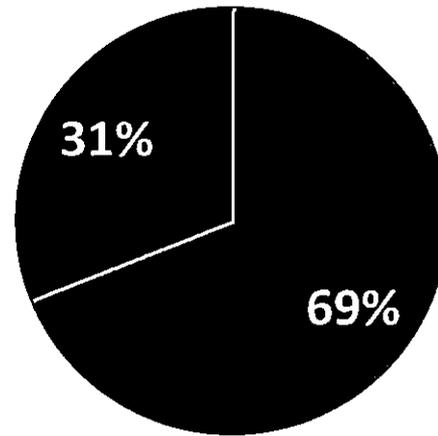
Smyrna, Delaware/U.S. Route 13 MARKET STUDY



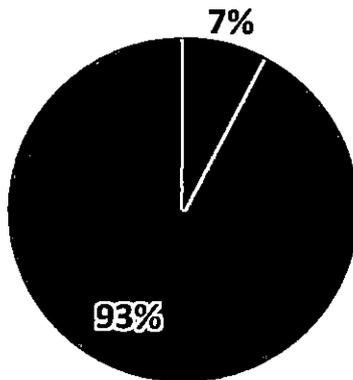
Market Area Profile | Housing Tenure and Vacancy

Town of Smyrna

■ Owner Occupied ■ Renter Occupied

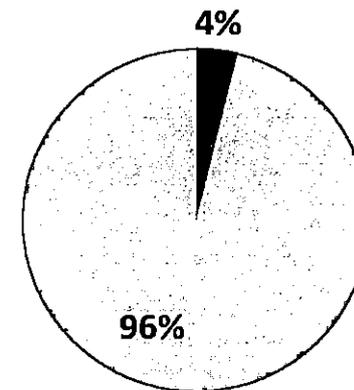


Renter Occupied



■ Vacant
■ Occupied

Owner Occupied



■ Vacant
□ Occupied

Sources: Census 2000, Census 2010

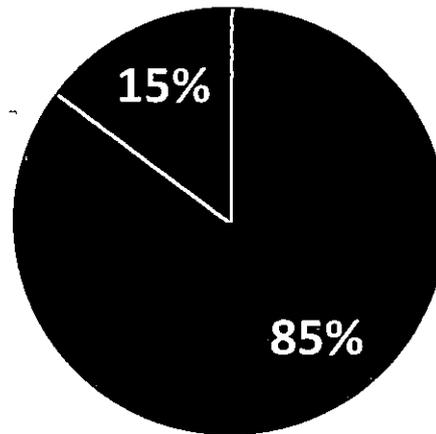
Smyrna, Delaware/U.S. Route 13 MARKET STUDY



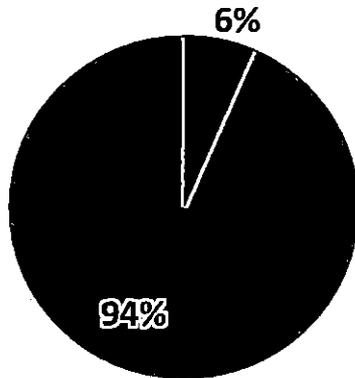
Market Area Profile | Housing Tenure and Vacancy

Trade Area

■ Owner Occupied ■ Renter Occupied

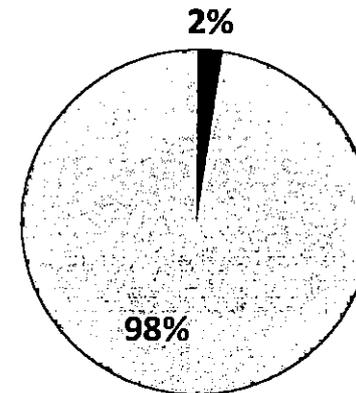


Renter Occupied



■ Vacant
■ Occupied

Owner Occupied



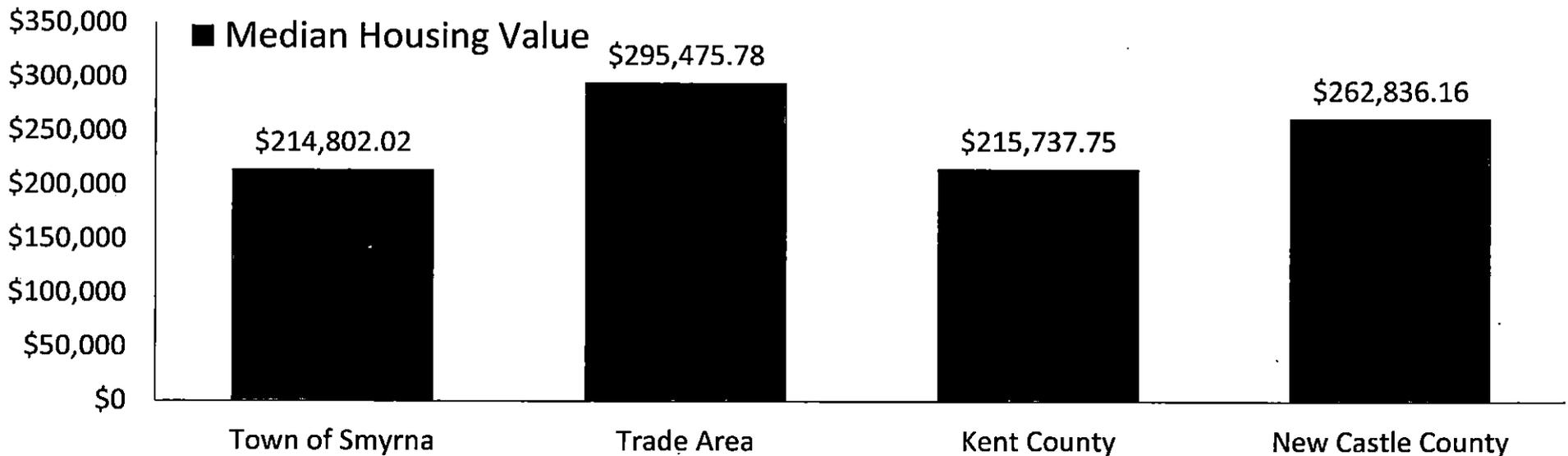
■ Vacant
□ Occupied

Sources: Census 2000, Census 2010

Smyrna, Delaware/U.S. Route 13 MARKET STUDY



Market Area Profile | Housing Value and Rent

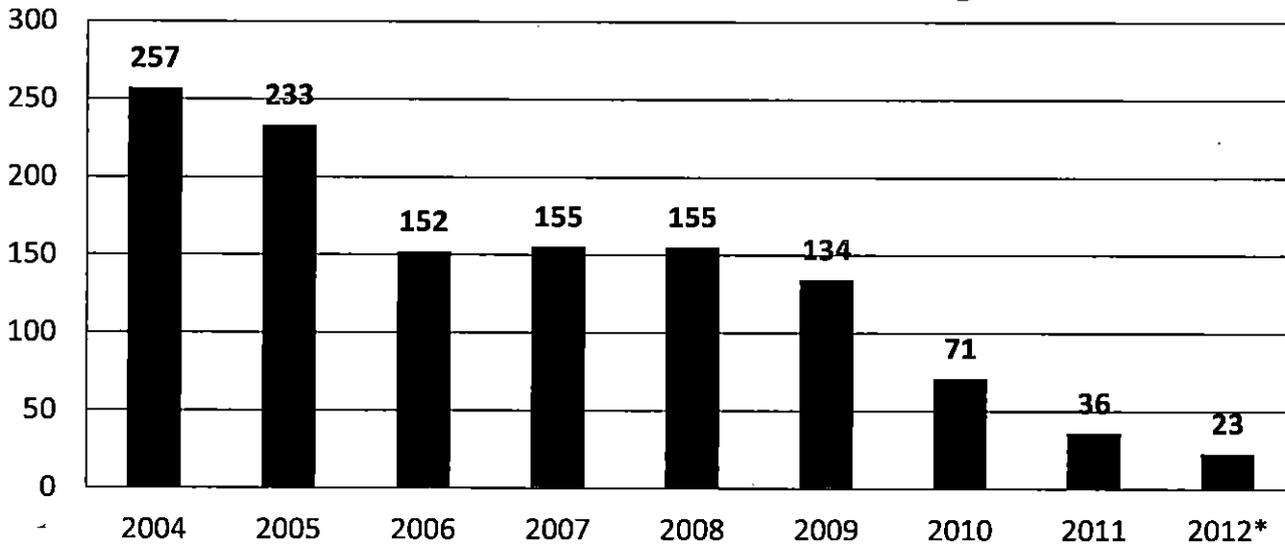
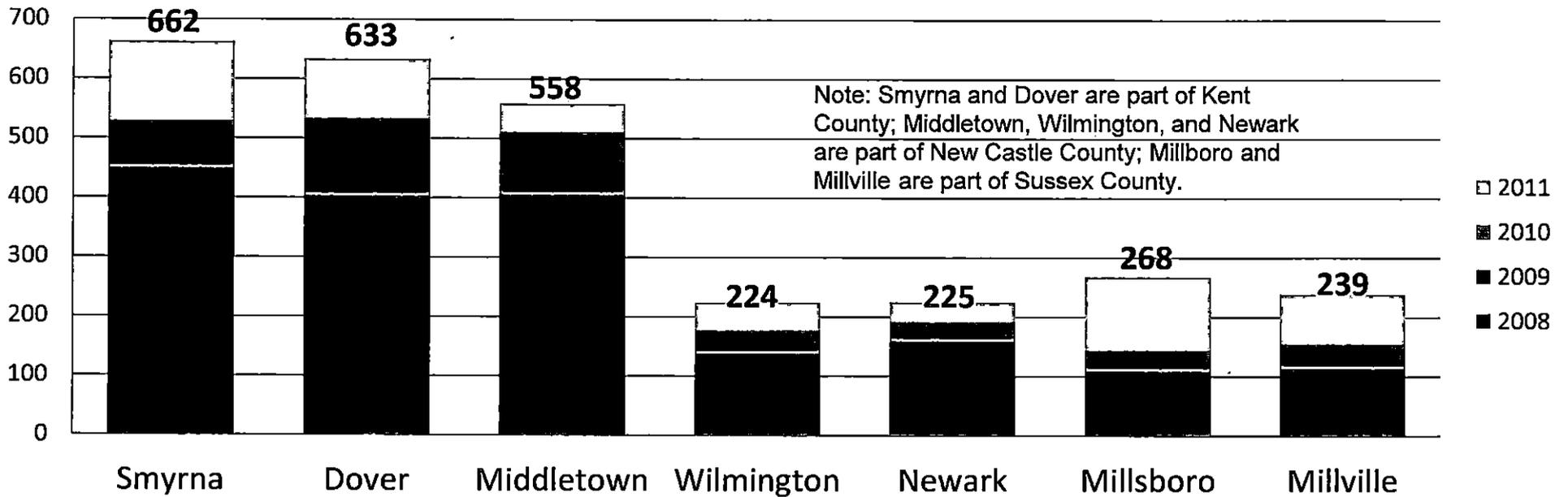


NOTE: All dollar amounts presented in 2012 adjusted dollars.

Sources: 2006-2010 American Community Survey, U.S. Department of Labor Bureau of Labor Statistics Consumer Price Index for Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD; AKRF, Inc.



Market Area Profile | Residential Building Permits



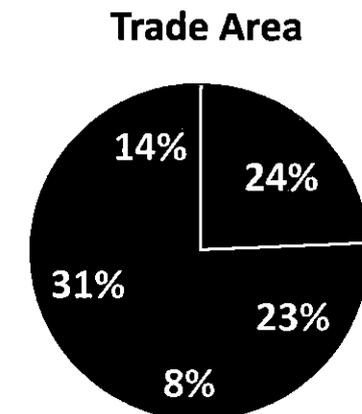
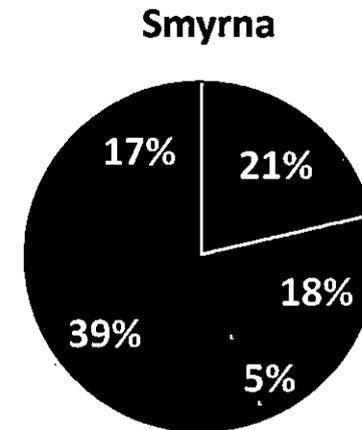
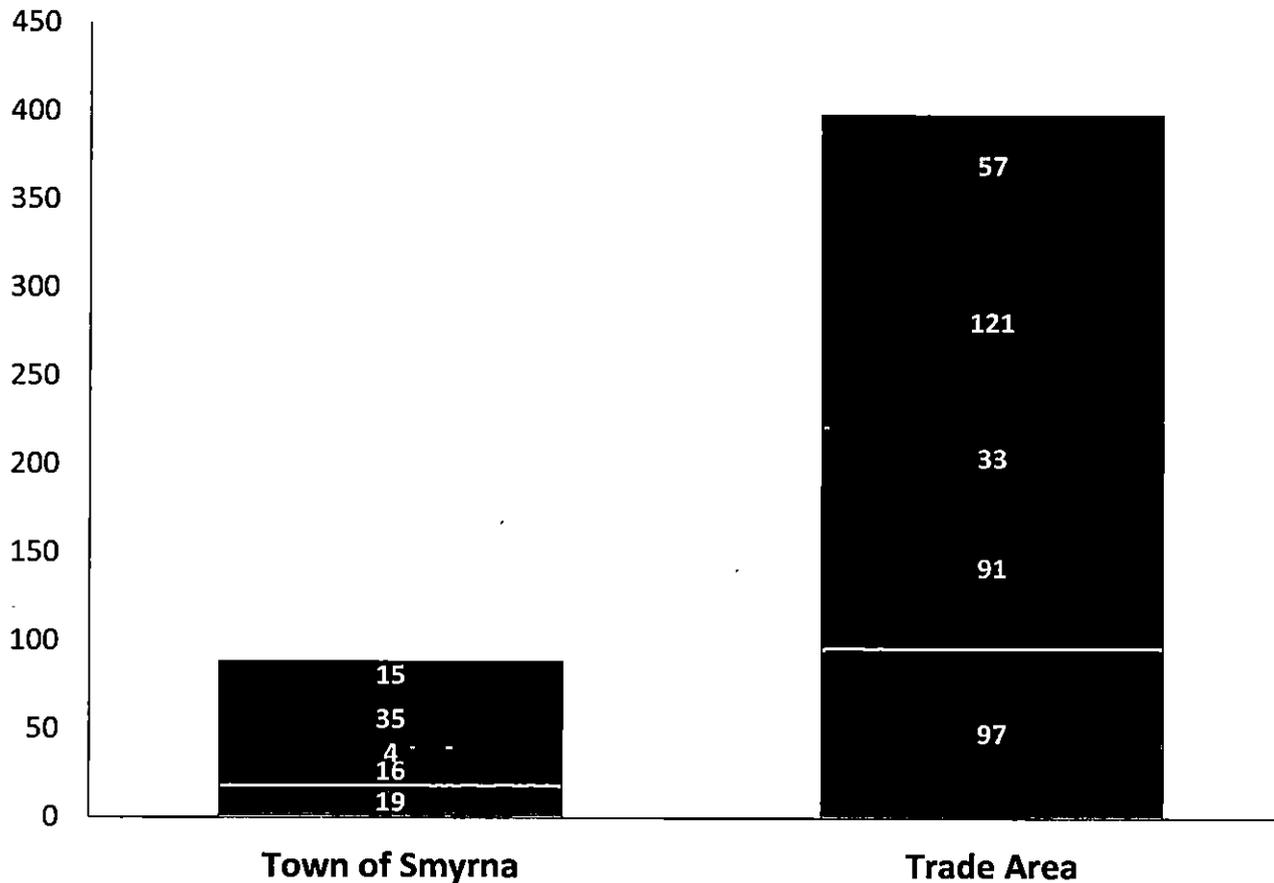
■ Residential Permits in Smyrna

Sources: Dover/Kent County MPO, Town of Smyrna

*Permits approved as of July 31, 2012.



Market Area Profile | Number of Retail Establishments

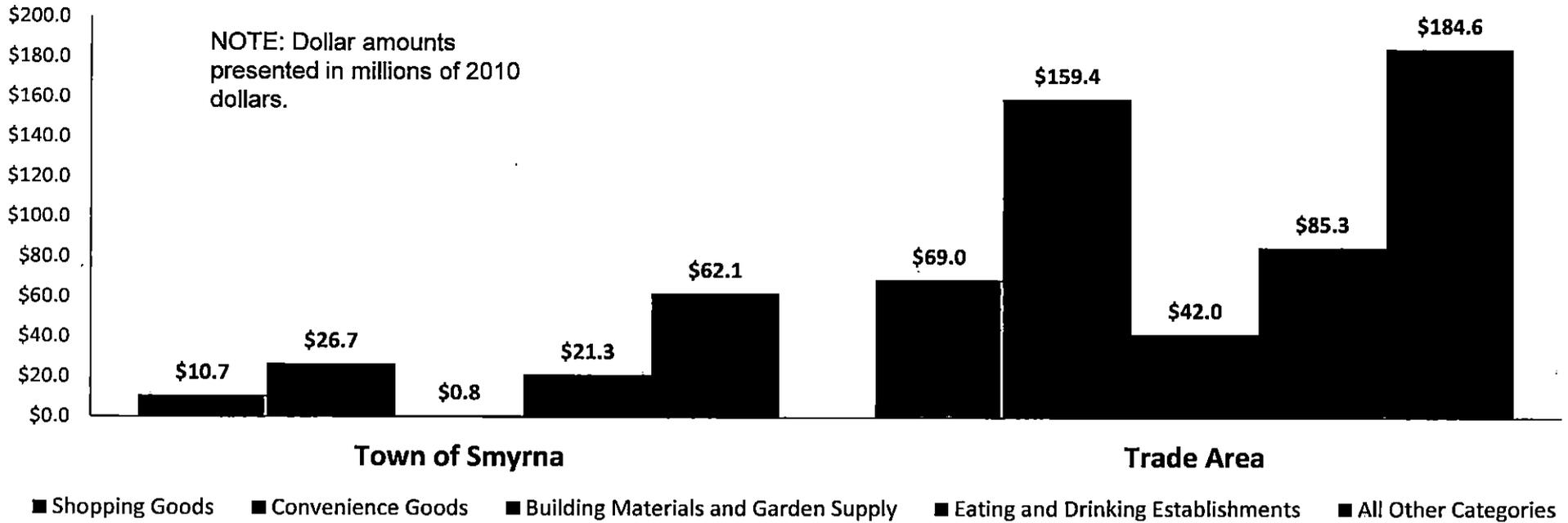


- Shopping Goods
- Convenience Goods
- Building Materials and Garden Supply
- Eating and Drinking Establishments
- All Other Categories

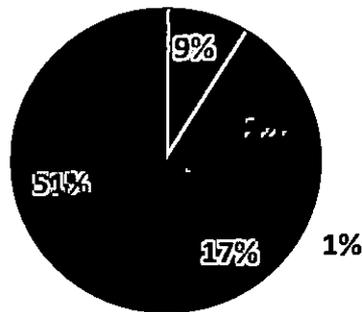
Source: ESRI Business Analyst Online



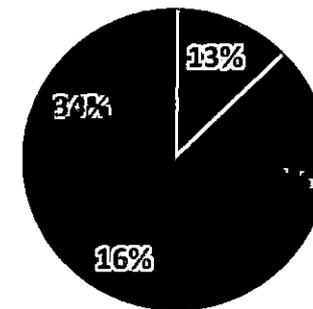
Market Area Profile | Retail Sales



Smyrna



Trade Area

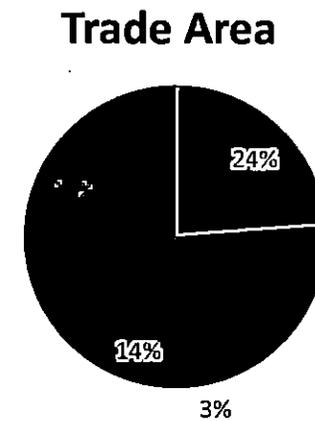
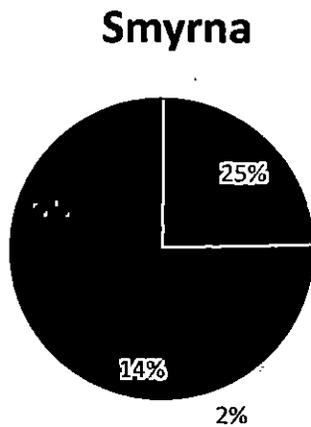
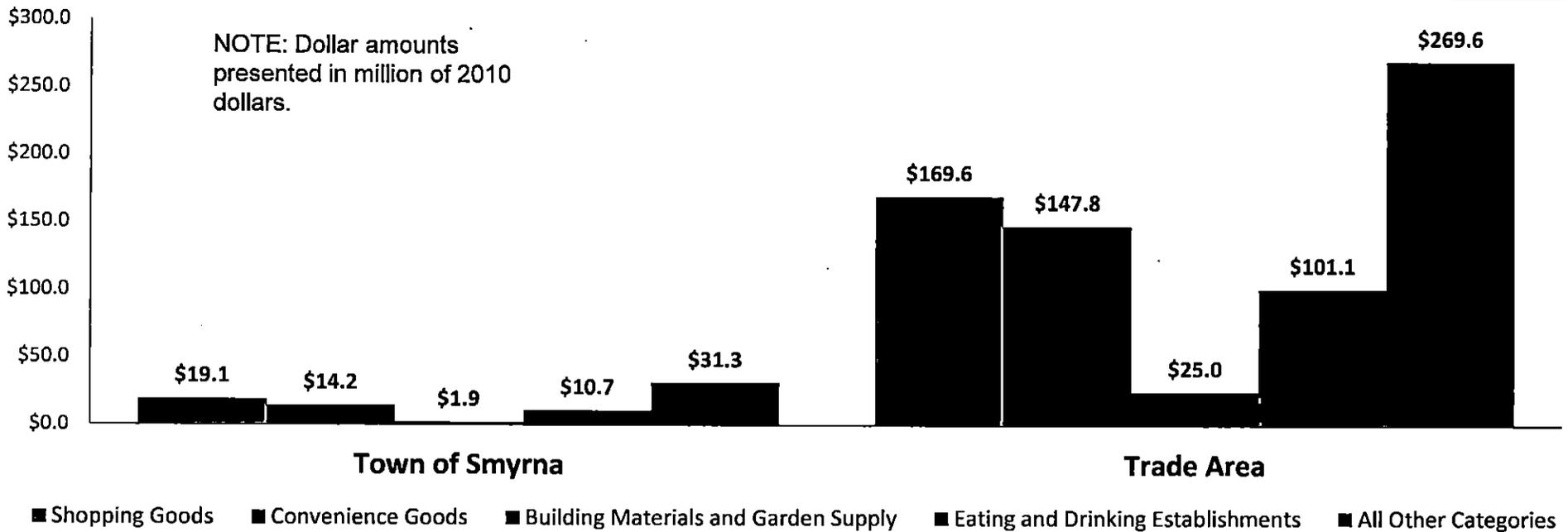


Source: ESRI Business Analyst Online

Smyrna, Delaware/U.S. Route 13 MARKET STUDY



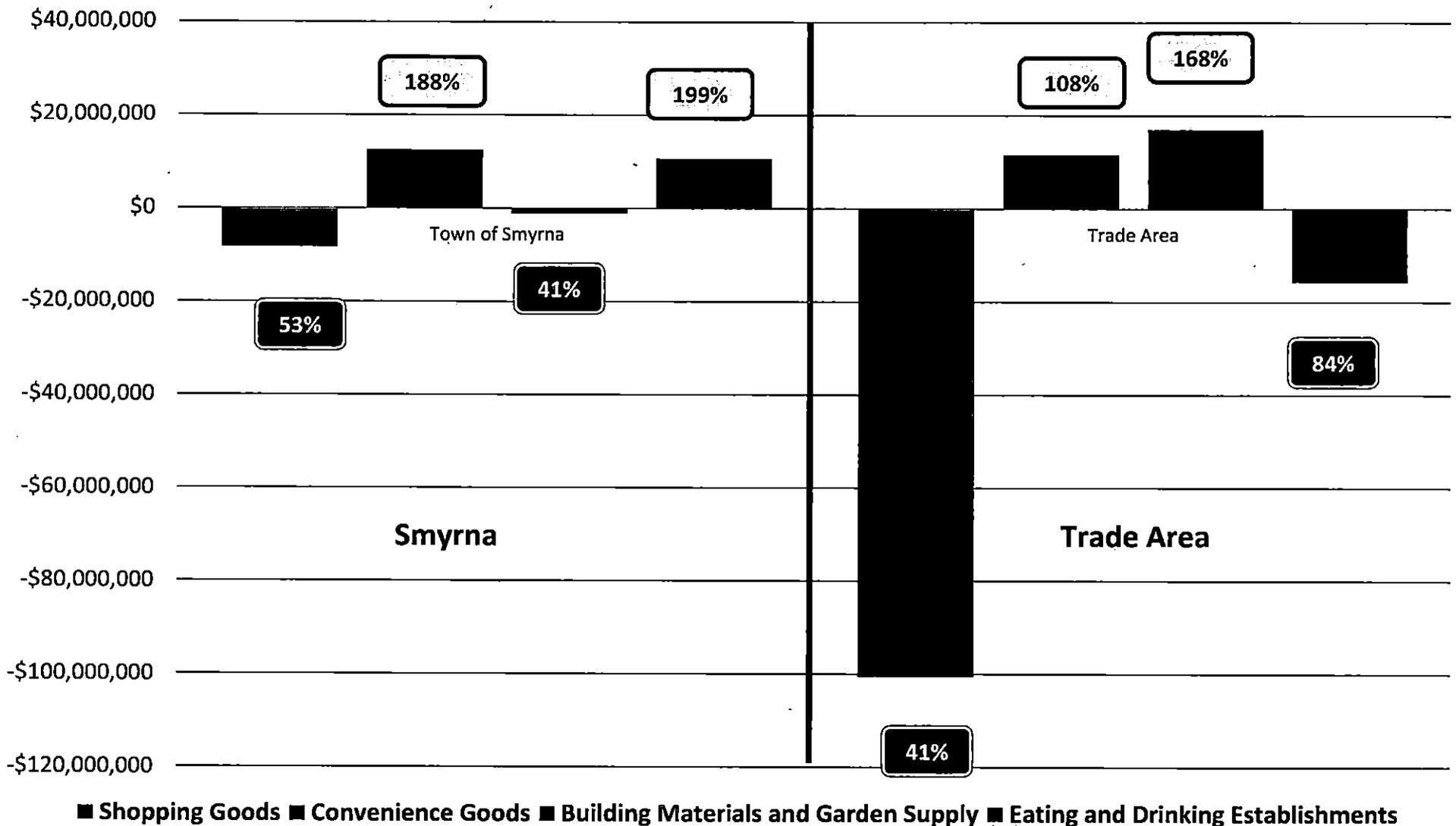
Market Area Profile | Retail Expenditures



Source: ESRI Business Analyst Online



Market Area Profile | Inflow/Outflow and Capture Rates



NOTE: Dollar amounts presented in 2010 dollars.

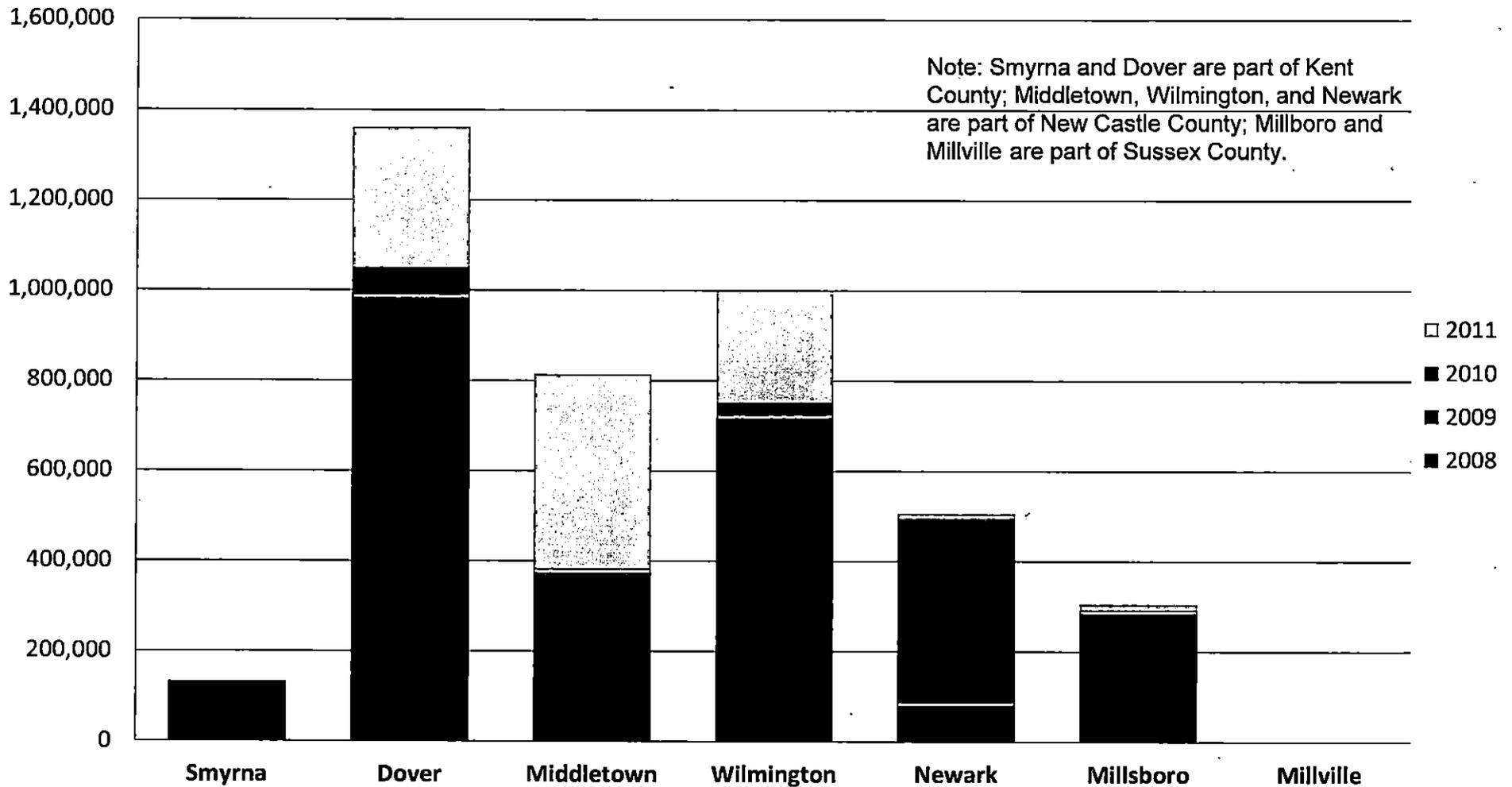
Source: ESRI Business Analyst Online

Capture Rate



Market Area Profile | Office Market Trends

Square Footage of Nonresidential Permits



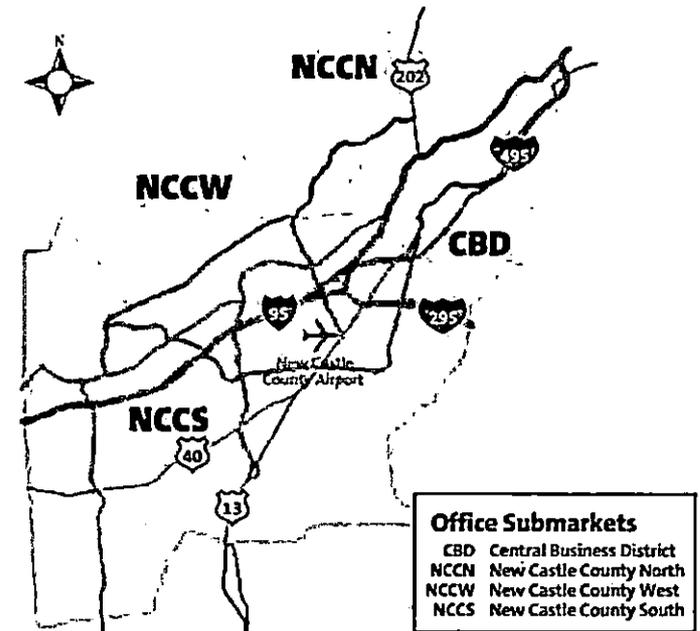
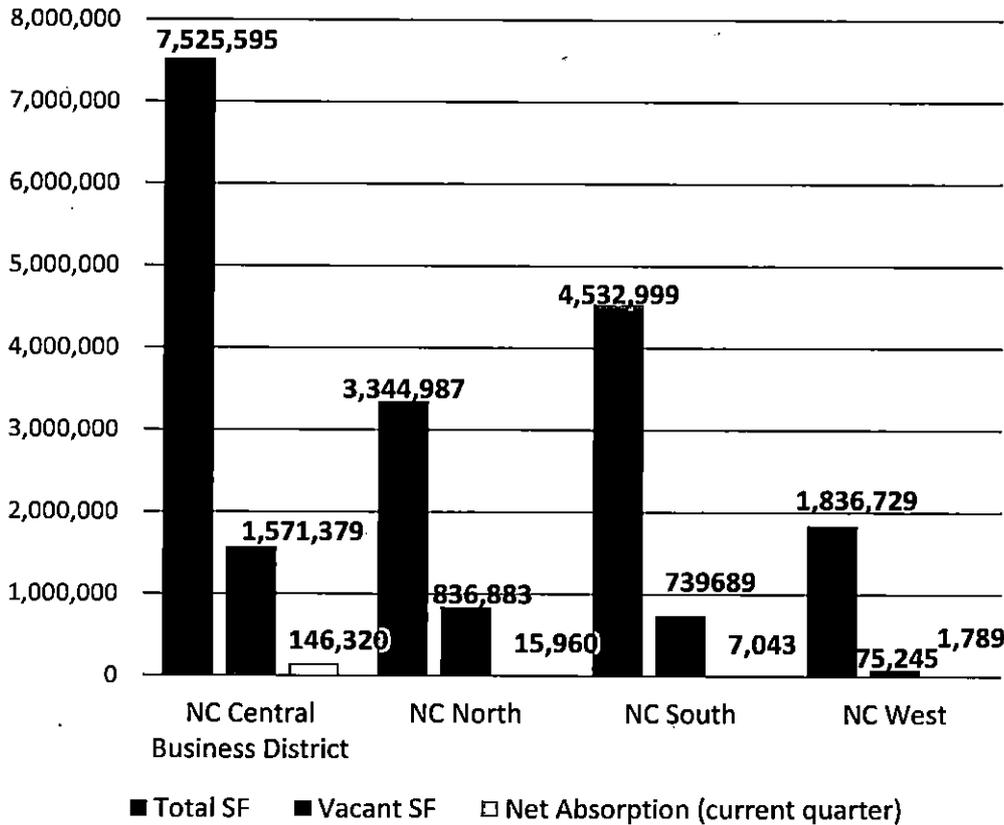
Source: Dover/Kent County MPO



Market Area Profile | Office Market Trends

New Castle County Regions

SF and Net Absorption



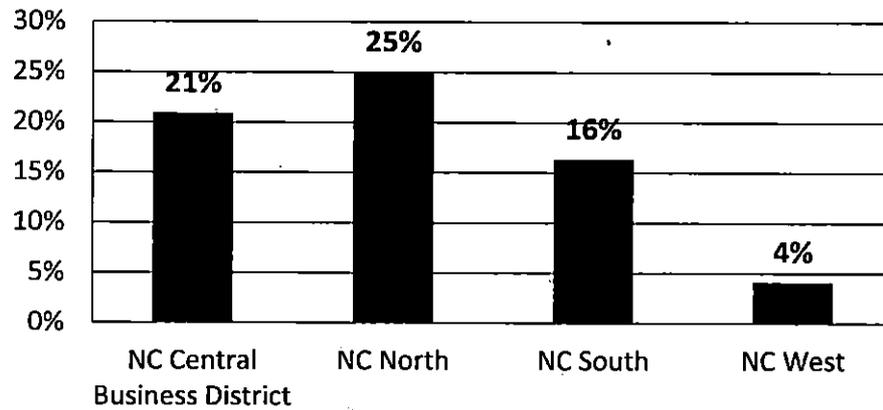
Source: grubb-ellis.com



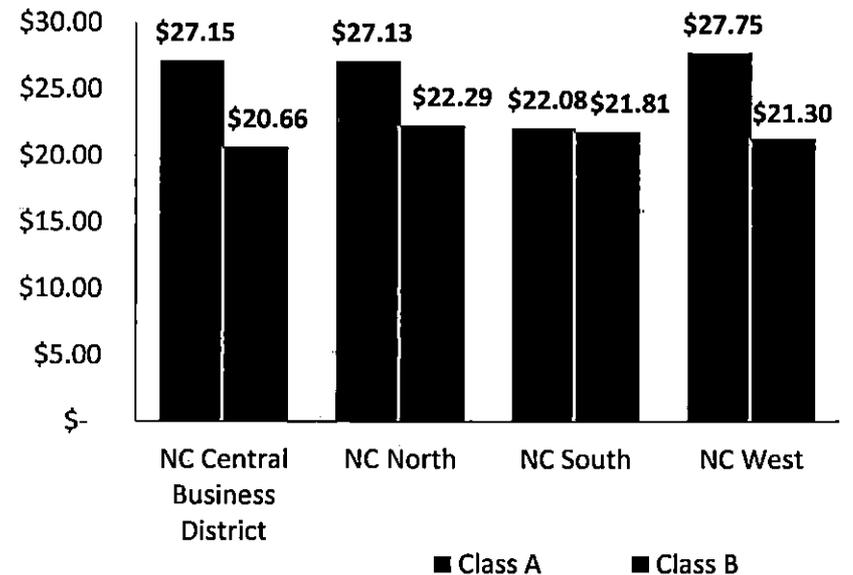
Market Area Profile | Office Market Trends

New Castle County Regions

Percent Vacancy



Asking Rents



Source: grubb-ellis.com





Smyrna, Delaware/U.S. Route 13 Corridor

FINDINGS AND CONCLUSIONS

RECAP OF MARKET CONDITIONS

Demographics and Housing Market

- Substantial population growth 2000-2010 in Smyrna and Trade Area as a whole.
- Population growth stimulated significant demand for housing.
- Housing market has slowed dramatically since 2009.

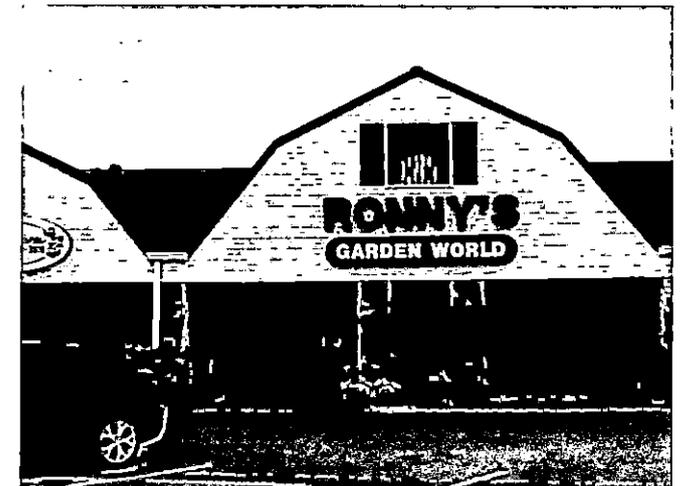
Demographics and Housing Market

- While vacancy rates are not excessively high, there is apparently a huge backlog of approved projects that could enter the market.
- The number of households in Smyrna and the Trade Area will continue to grow with a projected increase of 13.5% in the Town and 31% in the Trade Area by 2020. Population growth is projected to continue at this rapid rate through 2030.

Findings and Conclusions | Recap of Market Conditions

Retail Market

- Retail demand healthy in the Trade Area, particularly for convenience goods and building materials and garden supplies.
- Supermarkets and lawn and garden stores in Smyrna serve as destinations and are attracting shoppers from outside the Trade Area.
- There is an outflow of expenditures for shopping goods, driven primarily by large department stores and malls located just outside the Trade Area.



Office Market

- Little demand for office development in Smyrna. Absorption of office space south of the C&D Canal has slowed to a trickle.
- In the New Castle County South market area (which includes Middletown) the current office vacancy rate is about 16% with about 740,000 square feet of vacant space.

Smyrna, Delaware/U.S. Route 13 Corridor

FINDINGS AND CONCLUSIONS

MARKET OPPORTUNITIES

Housing Development

Housing demand and new residential development has slowed in Smyrna. But the fact that Smyrna led the State of Delaware in residential building permits between 2008 and 2011 (662), indicates that the Town is a desirable place to live.

Recent investment in Smyrna's downtown historic district indicates that a more urban lifestyle is acceptable to a substantial portion of the population. In addition, the availability of value-priced housing will continue to make the Town a destination for those seeking new housing opportunities.



Housing Development

Home ownership preferences in Smyrna have been equally divided between detached single family homes and attached townhouses. Between 2004 and 2012, 520 building permits were issued for single family homes; during the same period 535 building permits were issued for townhome construction.



Housing Development

Price points for both single family and townhouses are affordable for households with median annual incomes of about \$56,000 in Smyrna and \$76,000 in the broader trade area.

Townhomes in particular are priced for the “new reality” in the residential market, with asking prices ranging from about \$155,000 for 1,500 square foot, 2-bedroom/2 bath to \$215,000 for 2,200 square foot, 3-bedroom/2 ½ bath. Monthly rentals for similar units range from approximately \$735 to \$1,050.



Housing Development

New single family and townhome development will have to compete with development sites in the Town and the trade area that have already been subdivided and platted, reportedly upwards of an additional 3,000 units. Should the economic climate remain in its current doldrums for even a few years, there may be little incentive for significant new residential development in the next 10 years.

Housing Development

On the positive side, the number of households is expected to continue to increase in Smyrna and the broader Trade Area over the next two decades, adding approximately 16,000 households by 2030.

Smyrna's historic district could be used as an anchor for development of similar mixed-use residential, linking key nodes along Route 13 to the downtown area.



Housing Development

Another opportunity to consider would be a merging of the successful townhome concept with a more urban appeal, particularly for the active adult market, which would provide shopping and amenities within walking distance to home, particularly in a relatively moderate climate.



Mashpee Commons Falmouth, MA

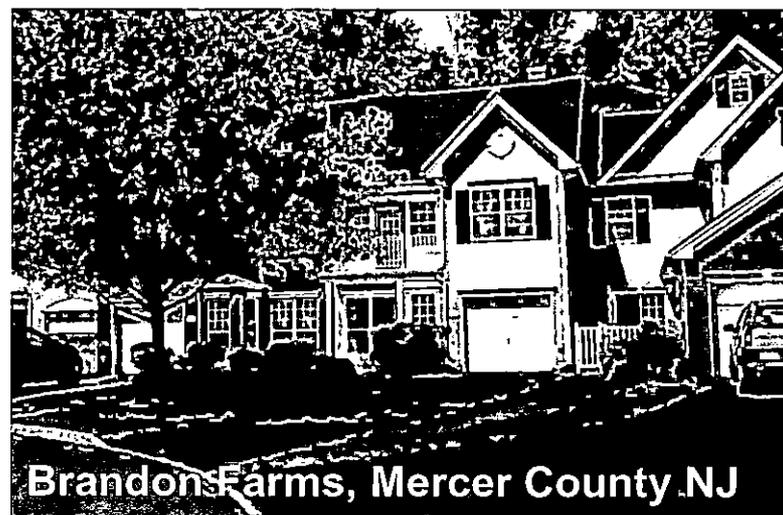
Findings and Conclusions | Market Opportunities

Housing Development

This housing type has been successfully developed in the Trade Area and in other parts of the consolidated Philadelphia-Wilmington-Atlantic City Metropolitan Area where active adults or empty-nesters are prepared to downsize from larger single-family homes, while remaining close to family and friends.



Twin Pines, Mercer County NJ



Brandon Farms, Mercer County NJ

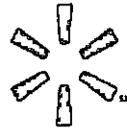
Retail Development

Shopping Goods are retail items for which shoppers typically travel longer distances to compare price, quality and selection of merchandise. This category includes department store merchandise, apparel and accessories, furniture, home accessories and appliances, TV's, computers and other electronics, luggage and leather goods, sporting goods, toys, games and hobbies, and jewelry.

Convenience Goods are retail items which shoppers typically purchase close to home. Price and quality comparisons are often not factors in selecting stores. This category includes food, alcoholic and non-alcoholic beverages, tobacco products, home care products, and over-the-counter and prescription drugs.

KOHL'S
expect **great** things



Walmart 
Save money. Live better.

AKRF

Retail Development

Retail Trade Area is defined by driving distance, physical barriers and the location of major competitors. For Smyrna, the nearest concentration of retail competition is in Dover approximately 10 miles to the south and in Middletown approximately 15 miles to the north. Even with highway access to Dover and Middletown provided by State Route 1, Smyrna is strategically located to offer improved accessibility for shopping goods customers.



OAKRF

Retail Development

Retailers in the Trade Area are currently capturing about 40% of the available expenditures for shopping goods. *(Capture rates are determined by dividing retail sales by retail expenditures.)*

Even with several major discount department stores in the Trade Area such as Walmart and Kohl's, more than 50% of the available spending for department store type merchandise is flowing out of the Trade Area, undoubtedly to large malls and department stores in Dover.



Retail Development

In a balanced trade area, shopping goods retailers typically achieve capture rates of 65% to 70%. If sales at existing retailers remain stable, the Smyrna Trade Area could support approximately 225,000 square feet of new shopping goods stores and raise its capture rates to levels more commonly found in healthy retail markets.

The Trade Area is projected add 7,700 households by 2020, generating an increase in buying power of approximately \$48 million for shopping goods and \$42 million for convenience goods.

Retail Development

A portion of this increasing demand for shopping goods and convenience goods could be captured in the local Smyrna market and the larger Trade Area, supporting the opportunity for retail development.



Retail Development

Highly visible lawn and garden supply stores have extended their market capture far beyond the borders of the Trade Area will continue to be major destinations.

Eating and drinking establishments, particularly fast food restaurants, add to the potential for Smyrna to become the retail core of the Trade Area.



Retail Development

The beneficial effects of adding shopping goods retailers to the Smyrna Trade Area would include job creation, energy savings, and improved quality of life from reduced driving times and better air quality.

Office Development

Typically new office development would only occur when the market tightens and vacancy rates drop to 7%-8%. This means that over 400,000 sq. ft. of office space would have to be absorbed before the speculative office market revives. In a depressed market at current absorption rates, this could take more than a decade.

On the other hand, asking rents for Class A office space may offer a competitive advantage for the Trade Area compared to other locations in New Castle County. Combined with the desirable quality of life in the Trade Area, a single-user office tenant may find the availability of land and land prices an incentive to locate in the Smyrna area.

Office Development

Nearly one-quarter of the Trade Area's employment is found in education, health care and social services. Recent development of health care facilities, such as the BayHealth Center, indicate that employment in this category is likely to grow. The median age of the Trade Area population (37.6) is already older than either Kent or New Castle Counties, likely influenced by the attraction of the area for retiring baby boomers who will generate increased demand for wellness services.



Office Development

Despite the high office vacancy rate and backlog of vacant office space, there may be an opportunity in the future to develop smaller medical offices, doctor's clinics or wellness centers, including facilities specializing in physical fitness and physical therapy in close proximity or as part of denser mixed use residential development.