

Retail Shopping Center Occupancy Study of the Greater Hagerstown Area 2012



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Overview

This Major Retail Shopping Center Occupancy & Study is a continuation of the analyses performed by the City of Hagerstown Planning Staff since 2008. As the economy continues to recover through 2012, it is important to recognize if the economic downturn has had a significant impact on commercial retail centers in the greater Hagerstown area. The update for 2012 provides retail occupancy data and whether shopping centers saw an increase or decrease in occupancy from the previous year.

Occupancy levels of the shopping centers were determined using a variety of methods, including windshield surveys of vacant units, GIS data and aerial image analyses to determine size of units, utilization of online building permit data from Washington County, marketing brochures provided by the shopping center owners, and utilization of the CoStar commercial real estate database. The use of marketing brochures of shopping centers and CoStar has led to greater accuracy in determining sizes of occupied units. It is also important to note that while adjustments were made in how occupancies were calculated for several shopping centers this year because of more accurate data, their affect on the Study and its findings is negligible.



Included in the study are major retail centers over 40,000 square feet. Each center has a mix of retail shopping and eating places, and a few centers also include office space. Included in the study are outparcels that are associated with the larger shopping center, which often include restaurants, banks, and fuel stations. The shopping centers in this study include those centers that are both neighborhood in nature and destination in nature. A neighborhood retail shopping center is typically anchored by grocery stores, but often with personal care businesses, banks, small offices, and restaurants. A destination retail shopping center may contain the same type of retail venues as a neighborhood shopping center, but its focus is to have retail that attract consumers from a larger geographical and/or demographical area (i.e – Valley Mall; Premium Outlets). It is also important to note that this study does not include retail occupancy rates for Hagerstown’s City Center. Attached is Map 1 showing the centers included in this study. The following tables (Table 1 and Table 3) are linked with Map 1 with center numbers.

Major Shopping Centers within the City of Hagerstown

There are 13 shopping centers within the corporate boundary that were included in this table. Geographically all 13 major retail shopping centers are located less than one (1) mile from the Corporate Boundary. None of the shopping centers included in this study are located in the

City's urban core, and all have either the General Commercial (CG) or the Commercial Regional (CR) zoning classifications. **Table 1** analyzes the square footage, occupancy rate, and rate of change in occupancy from 2011 of those retail shopping centers within the City that are over 40,000 square feet.

Table 1: Major Retail Shopping Centers within the City of Hagerstown

Map #	Shopping Center Name	Location	Total Area (Sq. Ft.)	Occupied Space				Rate of Change (2011-2012)
				2011		2012		
				Area (Sq. Ft.)	(%)	Area (Sq. Ft.)	(%)	
6	The Centre at Hagerstown	Garland Groh Boulevard	668,633	643,339	96.2%	639,601	95.7%	-0.6%
5	Shoppes at Hagerstown	Garland Groh Boulevard	122,214	106,587	87.2%	112,537	92.1%	5.6%
8	Longmeadow Shopping Center*	Leitersburg Pike	253,770*	118,510	46.7%	105,939	41.7%	-10.6%
9	Stone House Square	Leitersburg Pike	265,000	244,359	92.2%	240,892	90.9%	-1.4%
21	Former Ames Shopping Center	Dual Highway	116,985	91,663	78.4%	114,503	97.9%	24.9%
11	Former Furniture & More Shopping Center	Wesel Boulevard	163,868	92,147	56.2%	163,868	100.0%	77.8%
22	Center at Antietam Creek	Dual Hwy & Eastern Blvd	107,546	100,546	93.5%	106,046	98.6%	5.5%
24	Hagerstown Commons	Dual Hwy & Edgewood Dr	105,602	98,002	92.8%	99,602	94.3%	1.6%
20	Kenly Square Shopping Center	Wilson Ave & Frederick St	54,029	41,885	77.5%	40,385	74.7%	-3.6%
17	South End Shopping Center	Maryland Avenue	98,933	66,723	67.4%	64,913	65.6%	-2.7%
18	Big Lots Shopping Center	Maryland Avenue	147,423	143,134	97.1%	112,538	76.3%	-21.4%
7	Former Giant Eagle Shopping Center	Burhans Boulevard	75,212	7,123	9.5%	37,123	49.4%	421.2%
10	Valley Park Commons	Wesel Boulevard	444,727	410,353	92.3%	444,727	100.0%	8.4%
Totals			2,623,942	2,164,371	82.5%	2,282,674	87.0%	5.5%

Sources: Hagerstown Planning & Code Administration Division; CES Properties LLC; Cedar Shopping Centers; RD Management, CoStar

*Shopping Center decreased in size slightly due to minor demolition on the vacant Sears building.

Statistics & Trends

- ◆ The average occupancy rate for retail shopping centers within the City of Hagerstown is 87.0%, or 2,286,763 square feet. This represents a 5.5% increase in occupancy since 2011 and the second consecutive years of increase inside the City since reporting began in 2008.
- ◆ For the first time since 2008, at least two shopping centers in the City are fully occupied.

- ◆ The largest gain in occupancy occurred at the Former Giant Eagle Shopping Center where the Women Infants & Children (WIC) office now occupies 30,000 square feet of the center. Other large gains occurred at the Former Furniture & More Shopping Center (77.8%) and the Former Ames Shopping Center (24.9%).
- ◆ The large gains at the Former Furniture & More Shopping Center came at the expense of two shopping centers that saw the greatest declines in occupancy – Ashley Furniture moved from the Longmeadow Shopping Center and Big Lots moved from the Big Lots Shopping Center.

Table 2 shows the number of units in each shopping center that are occupied and vacant. This data is new for 2012.

Table 2: Major Retail Shopping Centers within the City of Hagerstown (Units)

Map #	Shopping Center Name	Location	Total Area (Sq. Ft.)	Shopping Center Units		
				Total Units	Units Occupied	Units Vacant
6	The Centre at Hagerstown	Garland Groh Boulevard	668,633	33	30	3
5	Shoppes at Hagerstown	Garland Groh Boulevard	122,214	24	19	5
8	Longmeadow Shopping Center	Leitersburg Pike	253,770	32	20	12
9	Stone House Square	Leitersburg Pike	265,000	23	12	11
21	Former Ames Shopping Center	Dual Highway	116,985	14	13	1
11	Former Furniture & More Shopping Center	Wesel Boulevard	163,868	9	9	0
22	Center at Antietam Creek	Dual Hwy & Eastern Blvd	107,546	15	14	1
24	Hagerstown Commons	Dual Hwy & Edgewood Dr	105,602	11	10	1
20	Kenly Square Shopping Center	Wilson Ave & Frederick St	54,029	11	8	3
17	South End Shopping Center	Maryland Avenue	98,933	23	15	8
18	Big Lots Shopping Center	Maryland Avenue	147,423	10	8	2
7	Former Giant Eagle Shopping Center	Burhans Boulevard	75,212	3	2	1
10	Valley Park Commons	Wesel Boulevard	444,727	21	21	0
Totals			2,623,942	229	181	48

Source: Hagerstown Planning & Code Administration Division

While the overall occupancy rate in terms of square footage for shopping centers in the City was around 87% for 2012, the overall occupancy rate by number of units was just under 80% for the same period. The difference between the two occupancy rates suggests that many, if not, most, of the vacancies at the shopping center tend to be smaller units as opposed to larger, anchor spaces.

Shopping Centers outside the City of Hagerstown

Because available retail shopping for the Greater Hagerstown area is not limited to the City's Corporate Boundary, it is important to take a look at major retail shopping centers beyond just those that are located within the City. **Table 3** identifies 11 retail shopping centers over 40,000 square feet that are outside the City of Hagerstown, but are within the Medium-Range Growth Area (MRGA), as defined in the 2008 City Comprehensive Plan.

Table 3: Retail Shopping Center within the Medium-Range Growth Area (MRGA)

Map #	Shopping Center Name	Location	Total Area (Sq. Ft.)	Occupied Space				Rate of Change (2011-2012)
				2011		2012		
				Area (Sq. Ft.)	%	Area (Sq. Ft.)	%	
14	Crosspoint Shopping Center	Cole Road	348,367	338,647	97.2%	318,034	91.3%	-6.1%
4	Fountainhead Plaza*	Pennsylvania Avenue	115,227*	74,117	62.6%	60,463	52.5%	-18.4%
23	Foxshire Plaza	Dual Highway	47,083	41,783	88.7%	36,283	77.1%	-13.2%
1	North Village Shopping Center	Longmeadow Road & Pennsylvania Avenue	68,710	62,710	91.3%	65,210	94.9%	4.0%
2	Hagerstown Towne Square	North Pointe Drive	103,914	86,077	82.8%	92,414	88.9%	7.4%
3	North Pointe Shopping Center	North Pointe Drive	60,613	40,040	66.1%	49,551	81.7%	23.8%
18	Premium Outlets	Sharpsburg Pike	517,800	477,069	92.1%	516,724	99.8%	8.3%
19	South Pointe Centre	E. Oak Ridge Drive	79,135	79,135	100.0%	79,135	100.0%	0.0%
15	Old Orchard Centre	Virginia Ave & Halfway Blvd	52,905	27,470	51.9%	27,470	51.9%	0.0%
13	Valley Mall	Halfway Boulevard	912,603	898,064	98.4%	883,846	96.8%	-1.6%
11	Valley Plaza	Massey Boulevard	196,127	196,127	100.0%	196,127	100.0%	0.0%
Totals			2,502,484	2,321,239	92.6%	2,325,257	92.9%	0.3%

Sources: Hagerstown Planning & Code Administration Division; Washington Co. Accela Permits Manager;

Pennsylvania Real Estate Investment Trust; CoStar

* Portion of shopping center currently under redevelopment for a 55,000 +/- square foot building. Total area takes into account the size of the new office building.

Statistics & Trends

- ◆ The overall occupancy rate for retail shopping centers outside the City but within the MRGA is 92.9%, or 2,325,257 square feet, in 2012. This represents a slight increase in occupancy since 2011, but overall occupancy remains higher than in the City (87%) despite a significant up-tick for City shopping centers.
- ◆ The largest increase in occupancy occurred at North Pointe Shopping Center (+23.8%). This is largely due to a new restaurant that since last year reoccupies the old Beef-O-Brady's space.

- ◆ The largest decrease occurred at the Fountainhead Plaza (-18.4%); however, this is largely the result of the redevelopment of the former Martin's grocery store into a 55,000 +/- square foot building. While the total square footage of the shopping center accounts for the size of the new building, the demolition of the former Martin's building removed two occupied retail spaces. Depending on how the new building is marketed and is occupied upon its completion, and given that much of the center is now occupied with office uses, Fountainhead Plaza's status as a retail shopping center could be reevaluated for the next study.
- ◆ For the second consecutive year, South Pointe Center and Valley Plaza have been fully occupied. These centers are also the only two that have full occupancy in the MRGA.

Table 4 shows the number of units in each shopping center that are occupied and vacant. This data is new for 2012.

Table 4: Major Retail Shopping Centers within the MRGA (Units)

Map #	Shopping Center Name	Location	Total Area (Sq. Ft.)	Shopping Center Units		
				Total Units	Units Occupied	Units Vacant
14	Crosspoint Shopping Center	Cole Road	348,367	19	17	2
4	Fountainhead Plaza	Pennsylvania Avenue	115,227*	10*	9*	1*
23	Foxshire Plaza	Dual Highway	47,083	20	14	6
2	Hagerstown Towne Square	North Pointe Drive	103,914	8	4	4
3	North Pointe Shopping Center	North Pointe Drive	60,613	11	6	5
1	North Village Shopping Center	Longmeadow Road & Pennsylvania Avenue	68,710	12	11	1
18	Premium Outlets	Sharpsburg Pike	517,800	102	101	1
19	South Pointe Centre	E. Oak Ridge Drive	79,135	27	27	0
15	Old Orchard Centre	Virginia Ave & Halfway Blvd	52,905	10	9	1
13	Valley Mall	Halfway Boulevard	912,603	99	93	6
11	Valley Plaza	Massey Boulevard	196,127	7	7	0
Totals			2,502,484	325	298	27

* Portion of shopping center currently under redevelopment for a 55,000 +/- square foot building. Total area takes into account the size of the new office building but does not account for the number of units of the new building. Source: Hagerstown Planning & Code Administration Division

While the overall occupancy rate in terms of square footage for shopping centers outside the City was around 93% for 2012, the overall occupancy rate by number of units is generally consistent at about 92% for the same period.

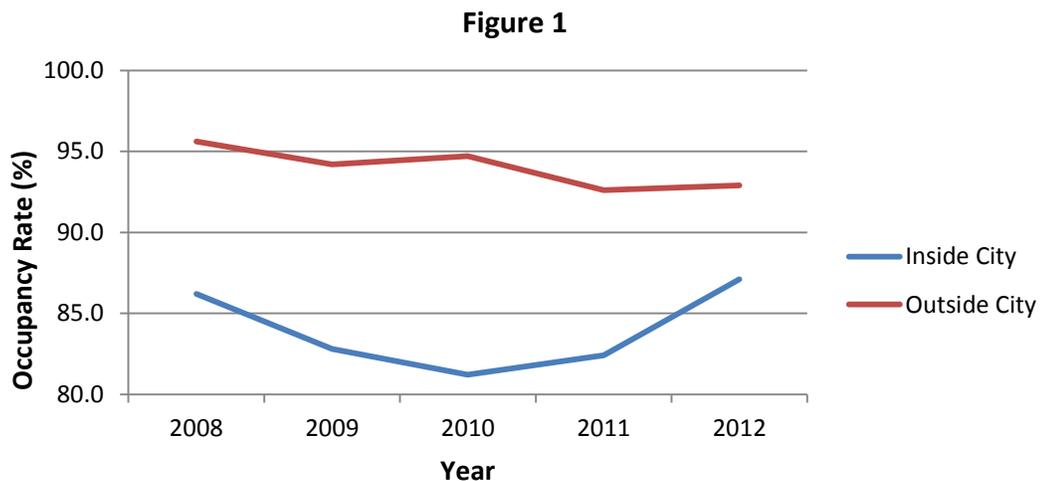
Overall Occupancy

Table 5 shows the total and occupied square footages and rates in 2012 for all the shopping centers in the City of Hagerstown and the MRGA identified in Tables 1 and 3.

Table 5: Retail Space of all Shopping Centers in Study Area, 2012

Shopping Center Study Area	Total Retail Space Area (Square Feet)	Retail Space Occupied (Sq. Ft.)	Occupancy Rate
City of Hagerstown	2,623,942	2,282,674	87.0%
Washington County (Outside the City but within the MRGA)	2,502,484	2,325,257	92.9%
Totals	5,126,426	4,607,931	89.9%

Figure 1 shows the occupancy levels of both study areas in the period from 2008 to 2012.



Statistics & Trends

- ◆ The overall occupancy rate for all shopping centers in the study area is 89.9%, or 4,607,931 square feet, for 2012. This is a net increase in the overall occupancy rate from the rate of 87.3%, or 4,485,610 square feet, in 2011.
- ◆ **Figure 1** shows that shopping center occupancy in the City has returned to and even exceeded its 2008 levels, having bottomed out in 2010. While the occupancy level of centers outside the City have been higher overall it is still down from when this annual study began in 2008.

Performance Factors for Shopping Centers

Several key factors can affect how successful or unsuccessful a shopping center can be. These key factors, or performance, can greatly affect the “health” of a retail center both positively and negatively. They are not constant – they can change over time as demographics and transportation infrastructure alters the urban and suburban landscape. For this study, four (4) performance factors have been identified:

- ◆ Recently Constructed – New retail shopping centers can bring in new retail venues that were not previously in the region, but may also entice existing retail places to leave other local retail shopping centers for newer and improved space. The shopping centers included in this category generally have been constructed within the last 6 to 7 years.
- ◆ Management Issues – These types of shopping centers are often characterized by lower occupancy rates, poorly maintained buildings and parking facilities, and generally lacking in appearance (i.e. – façade, deteriorating pavement, lack of landscaping).
- ◆ Site Issues – This performance factor would include those centers that are not located near major arterial intersections or are located along old transportation corridors. According to the Congress for New Urbanism, this category would also include shopping centers that are located along heavily traveled corridors that have a limited number of major arterial intersections. Experts said optimal location for retail is as cluster or node at major transportation intersections, as strip development along a roadway has fallen out of favor. Those centers which are disadvantageously located are vulnerable to disinvestment.
- ◆ Optimally Sited – This factor would include those shopping centers that are located on major arterials near major intersections, especially interstate interchanges.

Table 6 lists those shopping centers by the performance factors outlined above and shows the rate of change in occupancy from 2012.

Table 6: Performance Factors for Shopping Centers

Performance Factor	Shopping Centers Included	Retail Space Occupied (Square Feet)		Rate of Change
		2011	2012	
Optimally Sited	Center at Antietam Creek, Centre at Hagerstown, Hagerstown Commons, Premium Outlets, Valley Mall, Valley Park Commons, & Valley Plaza, & Former Furniture & More Shopping Center	2,823,500	2,987,368	5.8%
Recently Constructed	Crosspoint Shopping Center, Hagerstown Towne Square, North Pointe Shopping Center, Shoppes at Hagerstown, Stone House Square, & South Pointe Centre	894,845	892,563	-0.25%
Management Issues	Longmeadow Shopping Center	118,510	105,939	-10.6%
Site Issues	Big Lots Shopping Center, Fountainhead Plaza, Former Giant Eagle Shopping Center, & South End Shopping Center	291,097	275,037	-5.52%

Statistics & Trends

- ◆ The large increases in occupancy were shopping centers in the “Optimally Sited” category. This was largely due to the Former Furniture & More Shopping Center, which became fully occupied in 2012 by attracting two large anchor tenants. Because of its gain in tenants and redevelopment of the site, the Former Furniture & More Shopping is now under the “Optimally Sited” category for 2012.
- ◆ Challenges in gaining occupancy for centers in the “Recently Constructed” category could be due to higher lease rates.



Conclusions

The overall rate of approximately 90% for the major retail shopping centers in the greater Hagerstown area in 2012 represents the second consecutive year of gains in occupancy since 2008. This year also saw the greatest occupancy of shopping centers within the City of Hagerstown since reporting began in 2008 thanks largely to the reuse of several anchor spaces. Some shopping centers, like Fountainhead Plaza and Former Giant Eagle Shopping Center, are

increasing in or maintaining current occupancy levels by filling spaces with non-retail uses like professional offices. If this trend continues it could lead to a redefinition of centers transitioning to an office center rather than a retail center.



