

Shopping Center Occupancy Study of the Greater Hagerstown Area 2015



Prepared By
City of Hagerstown
Planning & Code Administration Department
November 2015



Overview

This Major Retail Shopping Center Occupancy Study is a continuation of the analyses performed by the City of Hagerstown Planning Staff since 2008. The update for 2015 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 shopping center owners, and utilization of various real estate web sources.



Crosspoint Shopping Center

This study evaluates major shopping centers over 40,000 square feet. Each center has a mix of retail shopping and eating places, and several centers also include non-retail uses such as offices and health clubs. Included in the study are outparcels that are associated with the larger shopping center – often, these are 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 geographic and/or demographic area (i.e – Valley Mall; Premium Outlets). Attached is Map 1 showing the centers included in this study. The following tables are linked with Map 1 with center numbers. This study does not include retail occupancy rates for downtown Hagerstown.

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 2014 of those retail shopping centers within the city that are over 40,000 square feet.

Shopping Center Occupancy Study of the Greater Hagerstown Area - 2015

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 (2014-2015)
				2014 Area (Sq. Ft.)	(%)	2015 Area (Sq. Ft.)	(%)	
6	The Centre at Hagerstown	Garland Groh Blvd	668,633	663,065	99.2%	660,185	98.7%	-0.4%
5	Shoppes at Hagerstown	Garland Groh Blvd	122,214	115,175	94.2%	116,502	95.3%	+1.2%
8	Longmeadow Shopping Center	Leitersburg Pike	253,770	128,281	50.6%	97,624	38.5%	-23.9%
9	Stone House Square	Leitersburg Pike	265,000	242,426	91.5%	246,892	93.2%	+1.8%
21	Hagerstown Shopping Center	Dual Hwy	123,801	123,801	100.0%	123,801	100.0%	0.0%
11	Big Lots-Value City Shopping Center	Wesel Blvd	163,868	163,868	100.0%	159,710	97.5%	-2.5%
22	Center at Antietam Creek	Dual Hwy & Eastern Blvd	113,426	107,076	94.4%	112,076	98.8%	+4.7%
24	Hagerstown Commons	Dual Hwy & Edgewood Dr	105,602	105,602	100.0%	105,602	100.0%	0.0%
20	Kenley Village Shopping Center	E Wilson Blvd & Frederick St	54,029	39,135	72.4%	37,585	69.6%	-4.0%
17	South End Shopping Center	Maryland Ave	98,933	71,533	72.3%	74,233	75.0%	+3.8%
16	Nichols Plaza Shopping Center	Maryland Ave	147,423	147,423	100.0%	147,423	100.0%	0.0%
7	Former Giant Eagle Shopping Center	Burhans Blvd N	75,212	37,123	49.4%	37,123	49.4%	0.0%
10	Valley Park Commons	Wesel Blvd	444,727	444,727	100.0%	444,727	100.0%	0.0%
Totals			2,636,638	2,389,235	90.6%	2,363,483	89.6%	-1.1%

Sources: City of Hagerstown; CES Properties LLC; Cedar Shopping Centers; KLN Retail, H&R Retail, ReMax, Zamas.com

Observations

- ◆ The average occupancy rate for retail shopping centers within the Hagerstown is 89.6%, or 2,363,483 square feet – this represents a 1.1% decrease in occupancy since 2014. While lower than the previous year, overall occupancy rate is still higher than the period between 2008 and 2013.
- ◆ In 2015 four shopping centers had full occupancy.
- ◆ The largest gain in occupancy for this reporting period occurred at the Center at Antietam Creek at Dual Highway and Eastern Boulevard North. The center saw an increase of about 5,000 square feet, or 4.7%, because a new restaurant filled a vacant space.
- ◆ The Longmeadow Shopping Center saw a significant decrease in occupancy (24%); however, this is because a seasonal costume retailer occupied an anchor space when this center was studied for last year’s report. This particular retailer has moved around and occupied anchor spaces in several area shopping centers since 2008.

Table 2 shows the number of units in each shopping center that are occupied and vacant.

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 Blvd	668,633	33	30	3
5	Shoppes at Hagerstown	Garland Groh Blvd	122,214	24	22	2
8	Longmeadow Shopping Center	Leitersburg Pike	253,770	29	19	10
9	Stone House Square	Leitersburg Pike	265,000	16	10	6
21	Hagerstown Shopping Center	Dual Hwy	116,985	15	15	0
11	Big Lots-Value City Shopping Center	Wesel Blvd	163,868	9	8	1
22	Center at Antietam Creek	Dual Hwy & Eastern Blvd	113,426	17	16	1
24	Hagerstown Commons	Dual Hwy & Edgewood Dr	105,602	11	11	0
20	Kenley Village Shopping Center	E Wilson Blvd & Frederick St	54,029	10	5	5
17	South End Shopping Center	Maryland Ave	98,933	28	16	12
16	Nichols Plaza Shopping Center	Maryland Ave	147,423	9	9	0
7	Former Giant Eagle Shopping Center	Burhans Blvd N	75,212	3	2	1
10	Valley Park Commons	Wesel Blvd	444,727	21	21	0
Totals			2,636,638	225	184	41

Source: City of Hagerstown

While the overall occupancy rate in terms of square footage for shopping centers in the city was just under 90% for 2015, the overall occupancy rate by number of units was approximately 82% for the same period. The difference between the two occupancy rates suggests that many, if not, most, of the vacancies at centers tend to be the smaller retail spaces.

Shopping Centers outside the City of Hagerstown

Because available retail shopping for the Greater Hagerstown area is not limited to the city limits, 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 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 (2014-2015)
				2014		2015		
				Area (Sq. Ft.)	%	Area (Sq. Ft.)	%	
14	Crosspoint Shopping Center	Cole Rd	348,367	336,861	96.7%	337,430	96.9%	+0.2%
4	Fountainhead Plaza	Pennsylvania Ave	61,619	61,619	100.0%	59,229	96.1%	-3.9%
23	Foxshire Plaza	Dual Hwy	47,083	36,583	77.7%	42,583	90.4%	+16.4%
1	North Village Shopping Center	Longmeadow Rd & Pennsylvania Ave	68,710	59,490	86.6%	65,210	94.9%	+9.6%
2	Hagerstown Towne Square	North Pointe Dr (North Side)	103,914	90,414	87.0%	99,914	96.2%	+10.5%
3	North Pointe Shopping Center	North Pointe Dr (South Side)	60,613	40,563	66.9%	46,602	76.9%	+14.9%
18	Premium Outlets	Sharpsburg Pike	517,800	505,420	97.6%	476,380	92.0%	-5.7%
19	South Pointe Centre	E. Oak Ridge Dr	79,135	76,735	97.0%	76,735	97.0%	0.0%
15	Old Orchard Centre	Virginia Ave & Halfway Blvd	52,905	27,470	51.9%	45,297	85.6%	+64.9%
13	Valley Mall	Halfway Blvd	915,785 ¹	905,232	99.3%	893,712	97.6%	-1.3%
12	Valley Plaza	Massey Blvd	196,127	196,127	100.0%	196,127	100.0%	0.0%
Totals			2,447,706¹	2,336,514	95.5%	2,339,219	95.4%	+0.1%

Sources: City of Hagerstown; Washington County Accela Permits Manager; Pennsylvania Real Estate Investment Trust; Loopnet.com, Remax Realty

¹Total square footage increased due to the construction of a 4,352 square foot restaurant building on an outparcel

Observations

- ◆ The overall occupancy rate for retail shopping centers outside the city but within the MRGA is 95.4%, or 2,339,219 square feet, in 2015. This includes an increase of 4,352 square feet (two additional restaurant spaces) at the Valley Mall, which translates into a slight increase of 0.1% in overall retail occupancy.
- ◆ The greatest relative increase in occupancy occurred at Old Orchard Centre on Virginia Avenue. The 65% increase is because of the reoccupation of the anchor space by a furniture store.
- ◆ Three other shopping centers saw significant increases in occupancy from the previous year – Foxshire Plaza, North Pointe Shopping Center, and Hagerstown Towne Square. Two of these centers gained through the occupation of larger, single tenants. Hagerstown Towne Square gained occupancy with the opening of a Meineke automotive center, and North Pointe Shopping Center gained a salon that filled a large vacant space.
- ◆ Despite the addition of 4,352 square foot building that contains Starbucks and Noodles & Co., the Valley Mall still experience a decline in occupancy. Several large stores within the mall became vacant since 2014, as well as an exterior facing restaurant (former Café Rio). The former Café Rio is currently being renovated for a new restaurant, so it is anticipated that the Valley Mall's occupancy will increase in 2016.
- ◆ For the third year in a row, Premium Outlets' occupancy rate has declined.

Shopping Center Occupancy Study of the Greater Hagerstown Area - 2015

Table 4 shows the number of units in each shopping center that are occupied and vacant.

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	21	19	2
4	Fountainhead Plaza	Pennsylvania Avenue	61,619	10	8	2
23	Foxshire Plaza	Dual Highway	47,083	19	16	3
1	North Village Shopping Center	Longmeadow Road & Pennsylvania Ave	68,710	12	11	1
2	Hagerstown Towne Square	North Pointe Drive (North Side)	103,914	7	5	2
3	North Pointe Shopping Center	North Pointe Drive (South Side)	60,613	11	6	5
18	Premium Outlets	Sharpsburg Pike	517,800	102	89	13
19	South Pointe Center	E. Oak Ridge Drive	79,135	28	28	0
15	Old Orchard Centre	Virginia Ave & Halfway Blvd	52,905	10	7	3
13	Valley Mall	Halfway Boulevard	915,785	100	93	7
12	Valley Plaza	Massey Boulevard	196,127	7	7	0
Totals			2,452,058	327	289	38

Source: City of Hagerstown

While the overall occupancy rate in terms of square footage for shopping centers outside the city was around 95.4% for 2015, the overall occupancy rate by number of units is lower at 88.4% for the same period.

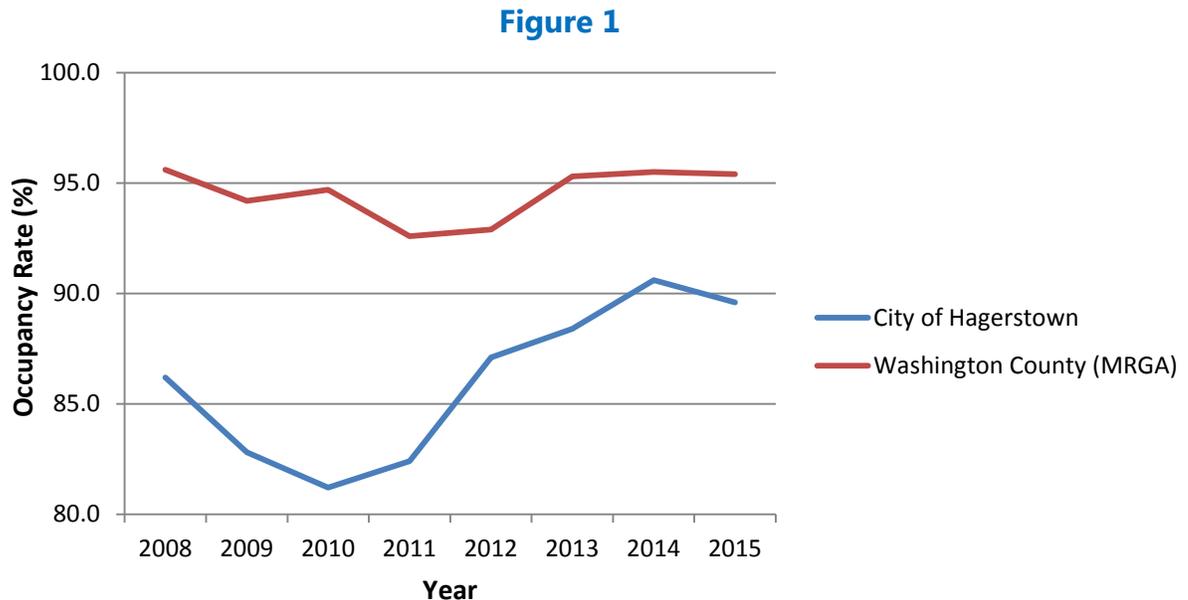
Overall Occupancy

Table 5 shows the total and occupied square footages and rates in 2015 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, 2015

Shopping Center Study Area	Total Area (Square Feet)	Occupied Space (Sq. Ft.)	Occupancy Rate
City of Hagerstown	2,636,638	2,363,483	89.6%
Washington County (Outside the city but within the MRGA)	2,452,058	2,339,219	95.4%
Totals	5,088,696	4,702,702	92.4%

Figure 1 shows the occupancy levels of both study areas in the period from 2008 to 2015.



Observations

- ◆ The overall occupancy rate for all shopping centers in the study area is 92.4%, or 4,702,702 square feet, for 2015. This is a slight decrease from 2014, but is well above the historical occupancy rates from 2008 through 2013.
- ◆ Figure 1 shows that shopping center occupancy in the city remains above levels from when this study began in 2008. 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, center ownership, and transportation infrastructure alters the urban and suburban landscape. For this study, two performance factors are explored:

- ◆ 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 2015.

Table 6: Performance Factors for Shopping Centers

Performance Factor	Shopping Centers Included	Retail Space Occupied (Square Feet)		Rate of Change
		2014	2015	
Optimally Sited	Center at Antietam Creek, Centre at Hagerstown, Hagerstown Commons, Premium Outlets, Valley Mall, Valley Park Commons, & Valley Plaza, & Big Lots-Value City Shopping Center	3,091,117	3,048,519	-1.4%
Site Issues	Nichols Plaza Shopping Center, Fountainhead Plaza, Former Giant Eagle Shopping Center, South End Shopping Center, Hagerstown Shopping Center, Kenley Village Shopping Center, Foxshire Shopping Center, North Village Shopping Center, Old Orchard Centre	604,177	632,484	+4.7%

Observation

- ◆ Only shopping centers with site issues saw an increase in occupancy for 2015. The value of rents could be a factor of these increases.

Classification Factor of Shopping Centers

Analyzing the occupancy rates by classification and characteristic groupings may be a useful indicator of what types of shopping centers are the most or least successful for attraction and retention in the Hagerstown area. The International Council of Shopping Centers (ICSC) has identified ten types of shopping centers, six of which apply to this Study:

- ◆ Super-Regional Mall: General merchandise or fashion-oriented offerings. Typically, enclosed with inward-facing stores connected by a common walkway. Parking surrounds the outside perimeter. Super Regional Malls are 800,000+ square feet in size, and generally have 80+ interior-facing retail stores and 3 or more department, anchor stores.
- ◆ Large Neighborhood Center (or Community Center): General merchandise or convenience- oriented offerings, typically 125,000 to 400,000 square feet. Wider range of apparel and other soft goods offerings than neighborhood centers. They typically have 15-40 tenants with 2 or more anchors that include supermarkets, big-box home improvement stores, or large-specialty discount stores (e.g. toys, books, electronics, sporting goods, etc.).
- ◆ Neighborhood Center: Smaller than a Large Neighborhood Center (30,000 – 125,000 square feet), this type of center is more neighborhood and convenience oriented with only 5-20 tenants and usually 1 supermarket anchor.
- ◆ Strip/Convenience: Attached row of stores or service outlets managed as a coherent retail entity, with on-site parking usually located in front of the stores. Open canopies may connect the store fronts, but a strip center does not have enclosed walkways linking the stores. A convenience center has either a small or no anchor and is among the smallest

of the centers, whose tenants provide a narrow mix of goods and personal services to a very limited trade area.

- ◆ **Power Center:** Category-dominant anchors, including discount department stores, off-price stores, wholesale clubs, with only a few small tenants. They typically range in size from 250,000 to 600,000 square feet.
- ◆ **Factory Outlet:** These centers contain manufacturers' and retailers' outlet stores selling brand-name goods at a discount. These centers have the largest trade area of up to 75 miles.

Information on types of shopping centers retrieved from International Council of Shopping Centers, October 2014

Table 7 compares the occupancy levels in 2014 and 2015 of the shopping centers by classification of center.

Table 7: Shopping Center Occupancy by Classification

Center Classification	Center(s) Included	Total Area (Square Feet)	Space Occupied (Square Feet)		Rate of Change (2014-2015)
			2014	2015	
Super-Regional Mall	Valley Mall	915,785	905,232	893,712	-1.3%
Community Center	Centre at Hagerstown, Shoppes at Hagerstown, Longmeadow Shopping Center, Stone House Square, Center at Antietam Creek, Valley Park Commons, Crosspoint Shopping Center	2,216,137	2,037,611	2,015,436	-1.1%
Neighborhood Center	Hagerstown Shopping Center, Hagerstown Commons, Kenley Village Shopping Center, Nichols Plaza Shopping Center, Hagerstown Towne Centre, North Pointe Shopping Center, Former Giant Eagle Shopping Center, Old Orchard Centre	723,499	611,531	643,347	+5.2%
Strip/Convenience	South End Shopping Center, Fountainhead Plaza, Foxshire Plaza, North Village Shopping Center, South Pointe Centre	355,480	305,960	317,990	+0.6%
Power Center	Big Lots-Value City Shopping Center, Valley Plaza	359,995	359,995	355,837	-1.2%
Factory Outlet	Premium Outlets	517,800	505,420	476,380	-5.7%

Observations

- ◆ Only two of the six classification groupings saw increases in occupancy since 2014. Neighborhood Centers saw the largest increase in occupancy at 31,816 square feet, or 5.2%. This is second year in a row that the Neighborhood Center category gained in occupancy.
- ◆ For the second straight year, the Factory Outlet category decreased in occupancy.

Conclusion & Future Trends

While slightly down from the previous year, the overall rates of occupancy for major shopping centers in the greater Hagerstown area remain strong into 2015. The gains in occupancy continued to build on the successes from previous years, including development of exterior-accessed units and (re)development of outparcels for restaurants as well as attracting non-retail users. Because of the changing nature of retail (i.e. more online retail transactions), centers focused solely on retail could have more vacancies if they do not adapt.

That being said, should healthy occupancy rates for existing center persist, it may begin to spur more new construction for commercial space. Interest is currently growing for more commercial development along Garland Groh Boulevard near the Centre at Hagerstown and Shoppes at Hagerstown centers – at least four commercial development plans have been submitted to the City in the last two years. In addition, plans are underway for a new Walmart and commercial center along MD Route 65 south of Interstate 70.

All of the shopping centers over 40,000 square feet within the City of Hagerstown are located in Commercial General (CG) and Commercial Regional (CR) zoning districts, which both permit a variety of non-retail uses that could allow existing centers to maintain high occupancy moving forward.



Premium Outlets

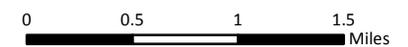
Map 1: Location of Major Retail Shopping Centers

City of Hagerstown & Washington County



- Major Route
- Shopping Center
- Street
- City Corporate Boundary

Shopping Center Name	
1	North Village Shopping Center
2	Hagerstown Towne Centre
3	North Pointe Shopping Center
4	Fountainhead Plaza
5	Shoppes at Hagerstown
6	The Centre at Hagerstown
7	Former Giant Eagle Shopping Center
8	Longmeadow Shopping Center
9	Stone House Square
10	Valley Park Commons
11	Big Lots-Value City Shopping Center
11	Valley Plaza
13	Valley Mall
14	Crosspoint Shopping Center
15	Old Orchard Centre
17	South End Shopping Center
18	Nichols Plaza Shopping Center
18	Premium Outlets
19	South Pointe Centre
20	Kenley Village Shopping Center
21	Hagerstown Shopping Center
22	Center at Antietam Creek
23	Foxshire Plaza
24	Hagerstown Commons



Map Projection: NAD83 State Plane Maryland (feet)

Data Source: City of Hagerstown, 2014; ESRI, 2014

Prepared By: Hagerstown Planning Office, 10/21/14

M:\GIS\MasterProjects\ArcMAP\Shopping_Centers8x11.mxd

