

MARKET ASSESSMENT

U.S. 202 Study Area

Prepared For:
Wilmington Area Planning Council
New Castle County, DE

Prepared By:
W-ZHA, LLC

January, 2017

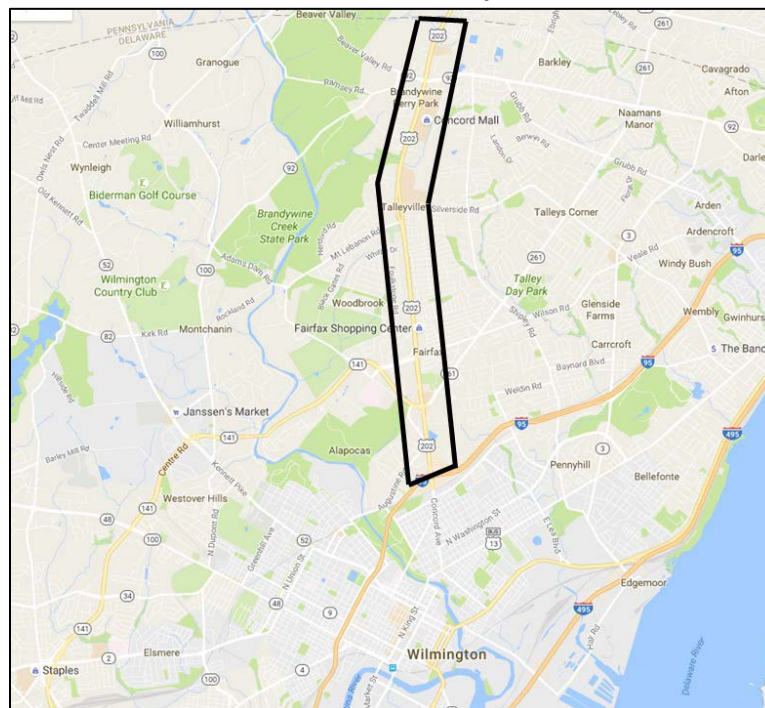
EXECUTIVE SUMMARY

INTRODUCTION

W-ZHA was retained by the Wilmington Area Planning Council (WILMAPCO) and New Castle County, DE to conduct a market assessment for U.S. 202/Concord Pike and its immediate environs. The purpose of the market assessment is to inform a future Master Plan process. The land uses assessed in this report include office, retail and residential uses. A detailed market analysis was not conducted for each land use. Instead, an assessment of existing conditions, trends and future market dynamics was undertaken to determine the strength of the market for each of these land uses.

FIGURE 1

The Study Area
U.S. 202 Study Area



Source: ESRI

The boundaries of the U.S. 202 Study Area or “Study Area” are depicted above. The northern boundary is the New Castle County line and the southern boundary Interstate 95. The east/west boundaries are generally defined by the edge of the adjacent neighborhoods.

STUDY AREA CHARACTERISTICS

U.S. 202 is best described as a commercial strip with a variety of office, retail, service and institutional uses abutting the highway. Like most suburban commercial strips, U.S. 202 is designed for the automobile. Depending upon the location on the Corridor average traffic counts range from 30,500 to



55,550 vehicles per day. People looking to bike or walk find that U.S. 202 is unfriendly to these modes, which results in more automobile traffic on the Corridor.

The built form is generally one-story retail buildings, with surface parking lots in front and big signs. U.S. 202 is not pedestrian or bike-friendly as there is poor connectivity not only between the land uses on the Corridor but the land uses and their abutting neighborhoods. There are very few mixed-use walkable environments on the Corridor.

Unlike many commercial strips across the country, buildings along U.S. 202 are well occupied. Despite its lack of amenity, U.S. 202 has maintained its competitiveness as a retail and office location. The question is whether more value could be realized on the Corridor with more contemporary land use products.

STUDY AREA CONSIDERATIONS

21st Century Development

Cities, counties and communities across the country are marketing their walkability as a key locational asset. The two biggest demographic cohorts, the Baby Boomers and their children, the Millennials, value being able to live, work and shop in a walkable place. Potentially as a rejection of single-use suburbia, there is growing evidence that these markets seek environments that offer community, connection, and environmental sustainability.

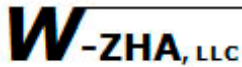
Such environments do not exclude the car, but they balance the needs of the car with bike, pedestrian and transit needs. The proper land use mix and a balanced multi-modal program creates a better place which, in turn, creates a better experience for the shopper, the employee and the resident. It is this positive “experience” that creates the real estate value.

With this in mind, developers are increasingly curating real estate development projects to create a quality experience for their target markets. A mix of land uses, quality design, and walkability are all central to the concept.

While there is growing consensus that well-connected, mixed-use environments are where the value is in real estate development and economic development, the land use pattern on U.S. 202 reflects a classic, single-use suburban pattern. With each building or shopping center functioning as an island accessible only by car there is the risk that these assets will become less attractive to retailers, businesses, shoppers and visitors over time. In such a case, property values will stagnate and with it the Corridor’s economic development potential.

Neighborhoods and Traffic Concerns

U.S. 202 carries considerable vehicle volume. As such, neighborhood residents are very sensitive to traffic. It is likely that residents will be concerned that higher density, mixed-use redevelopment will increase traffic and, in turn, degrade their quality of life. In fact, with the proper multi-modal transportation network in place, higher density, mixed-use development does not necessarily increase traffic on local roads.



Wilmington University

Wilmington University has recently purchased 41 acres of undeveloped land on U.S. 202 at Beaver Valley Road in the northern portion of the Study Area. The University plans to develop three classroom buildings totaling 150,000 square feet on 29 acres of the land.

The University is growing quickly with current enrollment at approximately 19,000. According to a delawareonline.com article¹ approximately 45 percent of the students attending Wilmington University are from north Wilmington zip codes. The University will be a valuable anchor for the U.S. 202 Corridor.

Land Scarcity

With the exception of land in the vicinity of the Wilmington University site, Northern New Castle County is essentially built-out. The opportunities for “greenfield” development are limited. Land scarcity may prove to be advantageous for the evolution of U.S. 202. Without the option of leapfrogging to a greenfield site, U.S. 202’s location makes it a prime redevelopment opportunity.

AstraZeneca Site For Sale

The AstraZeneca campus located in the southern portion of the Study Area is currently for sale. Reportedly, AstraZeneca may lease back its space on the site from the new property owner. Across from the Fairfax Shopping Center, the campus is 30-acres -- large enough to accommodate additional development.

ECONOMIC FRAMEWORK

The State of Delaware and New Castle County have been growing and are projected to continue to grow in the future. Most of New Castle County’s population growth is due to in-migration from surrounding counties. The cost to live in Delaware is well below the cost of living in neighboring states as is the cost of doing business.

New Castle County is a job hub with more jobs than employed residents. A relatively high percentage of the County’s jobs are in professional and business services, health care and financial activities. Jobs in the County are projected to increase over the next ten years.

Residents of New Castle County enjoy a relatively low unemployment rate. New Castle County residents are well-educated and have incomes above the national average.

The U.S. 202 Corridor is convenient to a large market that is best characterized as high income and well educated. The market within a 10-minute drive from the center of the U.S. 202 Study Area (the intersection of U.S. 202 with Silverside Road) has a clothing and services spending index that is 34% higher than the national average and an eating and drinking index 32% higher. The spending index is even higher within a 10-minute drive of the Naamans Road intersection.

¹ Delawareonline.com, “Wilmington University Plans Concord Pike Campus”, November 1, 2014.



OFFICE DEVELOPMENT POTENTIAL CONCLUSIONS

There is a Need for Product Diversity on U.S. 202 to Compete for Broad Range of Tenants

The U.S. 202 office supply is single-use in character – large floorplates with free surface parking and limited on-site services. Recent research by the National Association of Industrial and Office Properties (NAIOP), concludes that suburban office tenants would rather be located in suburban vibrant centers than in typical single-use suburban office locations. The NAIOP research also evaluated office market performance. The suburban vibrant center outperformed the single-use office location on almost all performance measures. The development of mixed-use vibrant centers in the U.S. 202 Study Area would greatly enhance its office market potential.

There is Land Scarcity on U.S. 202

There are very few large sites available for development along the U.S. 202 Corridor. Therefore, to do a project of any magnitude will either require the adaptive re-use of an existing land use and/or expensive land assembly. There are limited possibilities for this type of redevelopment. Therefore, as opportunities arise it will be important to capitalize on them via public/private partnership. The AstraZeneca site that is currently for-sale may be such an opportunity.

Rents Do Not Support Structured Parking Issue

Premium rent in the New Castle County market is \$28 per square foot. This rent level can support structured parking, but barely. Financial assistance may be necessary to incent developers to build structured parking.

Assuming a Mixed-Use, Walkable Product, The Market Can Support between 70,000 and 100,000 Square Feet of Office Development on U.S. 202.

U.S. 202 is an attractive location for multi-tenant office development. The Northern New Castle County market is the strongest suburban market in the Wilmington Metro Area. With mixed-use development/redevelopment along the Corridor there is the potential to increase the amount of office space on U.S. 202. Office market demand will come from new growth and existing tenants seeking a suburban vibrant center setting.

Multi-tenant office buildings will likely be between 40,000 to 60,000 square feet. Tenants and developers will look to surface parking, but incentives should be developed to encourage structured parking development.

The AstraZeneca site is a strong location for additional office, particularly if a mixed-use walkable environment can be developed on the site. The site's proximity to I-95 and the City of Wilmington CBD are advantageous.



RESIDENTIAL DEVELOPMENT POTENTIAL CONCLUSIONS

Multi-Family Housing is the Appropriate Product for the Corridor.

The U.S. 202 Corridor is commercial in character today. Because it continues to be an attractive location for commercial land uses, land values are relatively high. Introducing residential onto U.S. 202 will require that existing commercial sites be redeveloped. The physical and economic characteristics of land on, and adjacent to, U.S. 202 make multi-family development the most logical development product. Multi-family residential can be integrated with retail and office development to create a mixed-use, walkable environment.

With State-of-the Art Product Available in Walkable Settings, Over 10 Years the Market can Support 500 to 875 Multi-Family Dwelling Units.

TABLE 26

Study Area Residential Potential 2016 - 2026		
	2016-2026 Potential	
	Conservative	Moderate
Multi-Family Rentals	400	700
Multi-Family For Sale	100	175
Total Potential	500	875

Source: W-ZHA

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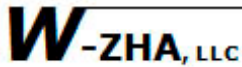
Assuming the appropriate mixed-use environment, the market can support between 500 and 875 multi-family residential units on the U.S. 202 Corridor over the next 10 years. In the early part of the projection period the units will be predominantly rental. There are already 300 units planned as part of Concord Square's redevelopment. Over time, with quality mixed-use environments, there will be condominium potential.

RETAIL DEVELOPMENT POTENTIAL CONCLUSIONS

The U.S. 202 Can Capture More Retail and Eating and Drinking Sales.

The U.S. 202 10-minute drive time market is larger than the Christiana Mall market, but U.S. 202 sales are lower. The opportunities for increasing sales on U.S. 202 are in the furniture and home furnishings, building material and supplies and eating and drinking establishments. There is market to support additional sales in these store types.

Higher sales may be realized by replacing existing less competitive stores, with contemporary stores in a mixed-use walkable setting. On the whole, this may or may not result in more square feet on the



Corridor. It may be realized by realigning retail from auto-oriented strip centers to mixed-use centers along the Corridor.

To Support Existing Retail Store Productivity Better Access is Critical

While the traffic counts on U.S. 202 are impressive, if it becomes too much of a hassle to negotiate U.S. 202, shoppers will choose other shopping destinations. One way to improve the situation would be to enhance the street network to allow sites to be accessed from alternative routes. Reducing the reliance on U.S. 202 as the sole point of access to commercial properties will also enhance opportunities for walking and biking access.

To the extent possible, connections must be made (or improved) among and between commercial properties on the Corridor and between the neighborhoods abutting these commercial properties.

MIXED-USE DEVELOPMENT POTENTIAL CONCLUSIONS

There is a Market for Mixed-Use Development along U.S. 202.

As a point of reference, the market characteristics of some larger mixed-use town center projects were examined. The U.S. 202 market has similar market characteristics to the markets where these major mixed-use developments have been implemented. While likely not at the scale of the three comparable projects, U.S. 202 has sufficient market capacity to support mixed-use development.

There are Opportunity Areas for Mixed-Use along U.S. 202.

There are two opportunity areas for mixed-use development along U.S. 202. One opportunity area is the AstraZeneca site in the southern portion of the U.S. 202 Study Area. This 30 acre site is currently for-sale. There may be an opportunity to develop infill land uses on the site to make it more walkable. Achieving walkability will increase the value of the existing office space on the site. Because of nearby office and its proximity to the City, this site is well-positioned to accommodate office, residential and eat/drink establishments.

The second opportunity area is in the northern portion of the Study Area near Wilmington University's future campus. There is undeveloped land in this area. With strong bike and pedestrian connections to the University, the campus could essentially become an anchor to a mixed-use project. Because of this location's proximity to the Pennsylvania line, the land use mix could incorporate a significant amount of retail as well as eating and drinking establishments. There would be a market for residential at this location as well.

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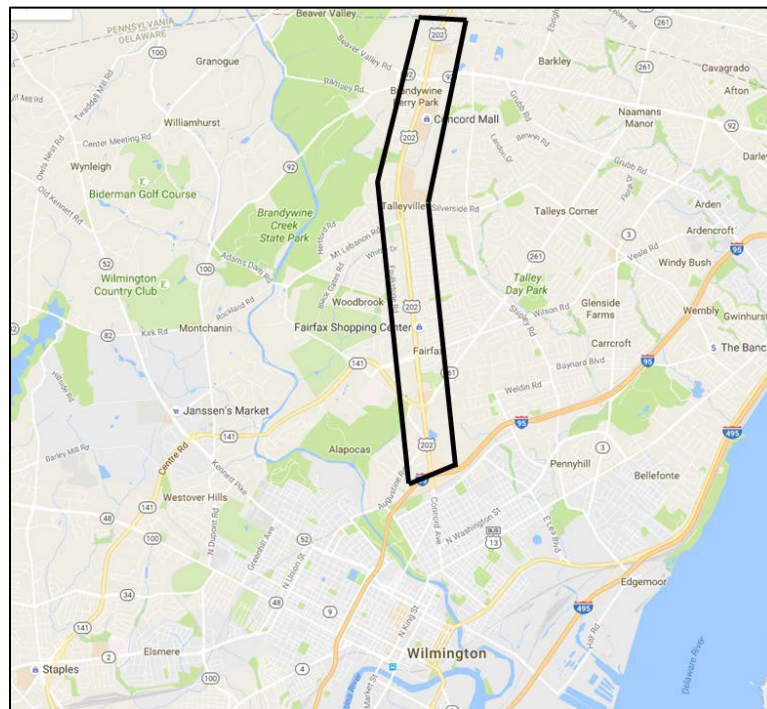
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