

Westside Commercial Market Assessment Draft

Prepared for EJP Consulting Group, LLC
For Westside Master Plan (November 2020)

Retail and Office Market Analysis

- Analyze the Market to Determine Retail and Office Development Potential
- Findings to Inform the Master Planning Process and Implementation Strategy

Important Considerations: Market Analysis

Perspective:

- Assess the Market as the Industries' Gauge Markets
- Not a Measure of the Wants and Needs of the Customer

Timeframe:

- 10 Years

COVID-19's Impact on Office & Retail Markets

General uncertainty about the future, which translates into risk.

Covid-19's Impact on the Office Market

The physical office will continue to exist and be important to businesses, but...

- The amount of office space businesses need will be revisited
- Older buildings with obsolete infrastructure and floorplans may become obsolete faster

Covid-19's Impact on the Retail and Eat/Drink Market

- An acceleration in the transition to digital commerce
- Consolidation within the retail industry among national credit tenants
- Bricks and mortar store will remain and evolve

Study Area Existing Conditions: Access

Walk Score at Grove Street Market is *52: Somewhat Walkable* (highest for parks, culture and entertainment, and schools).

Central location but walking is not pleasant – I-27 is a major barrier and Main Street, MLK Boulevard and Riverfront Parkway are auto-oriented with few active street front uses.

The Study Area's Transit Score is *43: Some Transit*. There is bus service to the Study Area, but a bus transfer is necessary to get to most shopping destinations.

Given its central location, the Study Area's Bike Score is *75: Very Bikeable*.



Study Area Existing Conditions: Access & Visibility

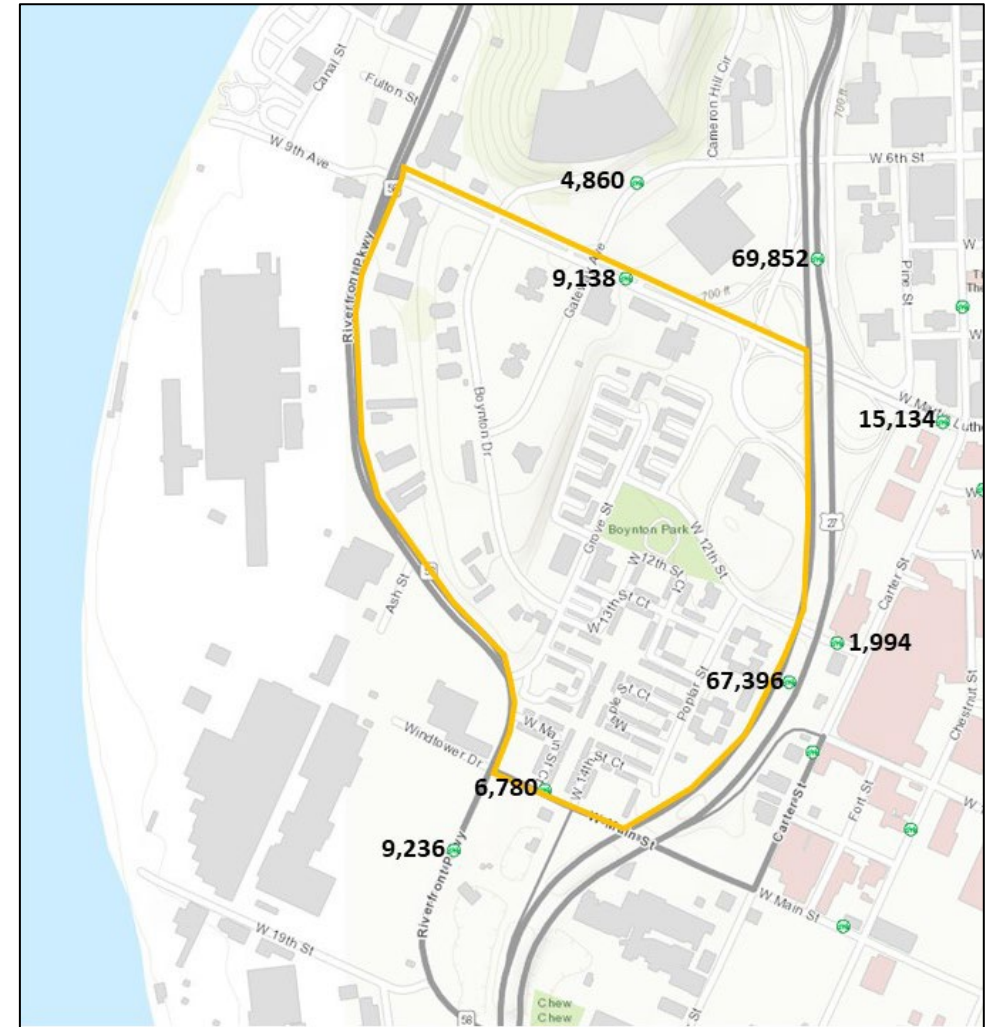
Properties abutting border streets have good access and visibility.

Access through the Study Area is poor because there is no street grid.

The internal road network compromises the visibility of properties within the Study Area.

The Bluff separates Riverfront Parkway properties from the neighborhood above. These areas function independently from one another.

Average Annual Daily Traffic



Study Area Existing Conditions: Land Use

Commercial properties on MLK Boulevard and Riverfront Parkway have great access and visibility, but these properties are developed at suburban densities, not urban densities.

The only retail in the Study Area is the Grove Street Market. The Market is a tenant, in a mostly vacant, 17,200 square foot multi-tenant commercial building.



The James A. Henry School building houses arts-oriented programs and studios.

Church and Newton Child Development Center.

Youth and Family Development administrative offices.

The residential uses include high-rise, garden and townhouse units.



Study Area Existing Conditions: The Community

<3,000 residents and approximately 1,500 households in the Study Area. No substantial growth over the last 18 years.

The Study Area's median age is 49.1, 10 years older than the City's median.

Approximately 2/3 Study Area households live alone.

Average household income is low.

Over 2/3 of Study Area households do not have access to a vehicle.

Population and Household Trends Chattanooga and the Study Area <u>2000, 2010, 2018</u>								
Population								
			Change					
			2000-2010		2010-2018			
			#	CAGR	#	CAGR		
City of Chattanooga	2000	2010	2018					
	159,620	171,508	177,365	11,888	0.7%	5,857	0.4%	
Study Area	3,023	2,480	2,622	(543)	(2.0%)	142	0.7%	
Households								
			Change					
			2000-2010		2010-2018			
			#	CAGR	#	CAGR		
City of Chattanooga	2000	2010	2018					
	67,015	72,255	72,842	5,240	0.8%	587	0.1%	
Study Area	1,928	1,529	1,514	(399)	(2.3%)	(15)	(0.1%)	

Source: American Community Survey, 2018 5-Year Estimates; ESRI; W-ZHA
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Study Area Existing Conditions: Notable Neighboring Uses

BlueCross BlueShield – daytime activity

Cameron Harbor – new development on Riverfront heading towards the Study Area

Alstom Site and The Bend Plan – Adjacent to Study Area on Riverfront, redevelopment over the next 10 years to include

- 152,000 sq ft of office
- 438 residential units
- 92,729 sq ft of retail and eat/drink space

The Innovation District – heart of region’s innovation economy

Chattanooga Convention Center – hosted 200,000 people and 400 events in 2016

“Gateway to Chattanooga” I-27 Beautification Project – lush landscaping of the MLK Boulevard & I-27 interchange area

The Bend Concept Plan (Alstom Site Redevelopment)



Retail and Eat/Drink Potential

Study Area Existing Conditions: Retail & Eat/Drink Landscape

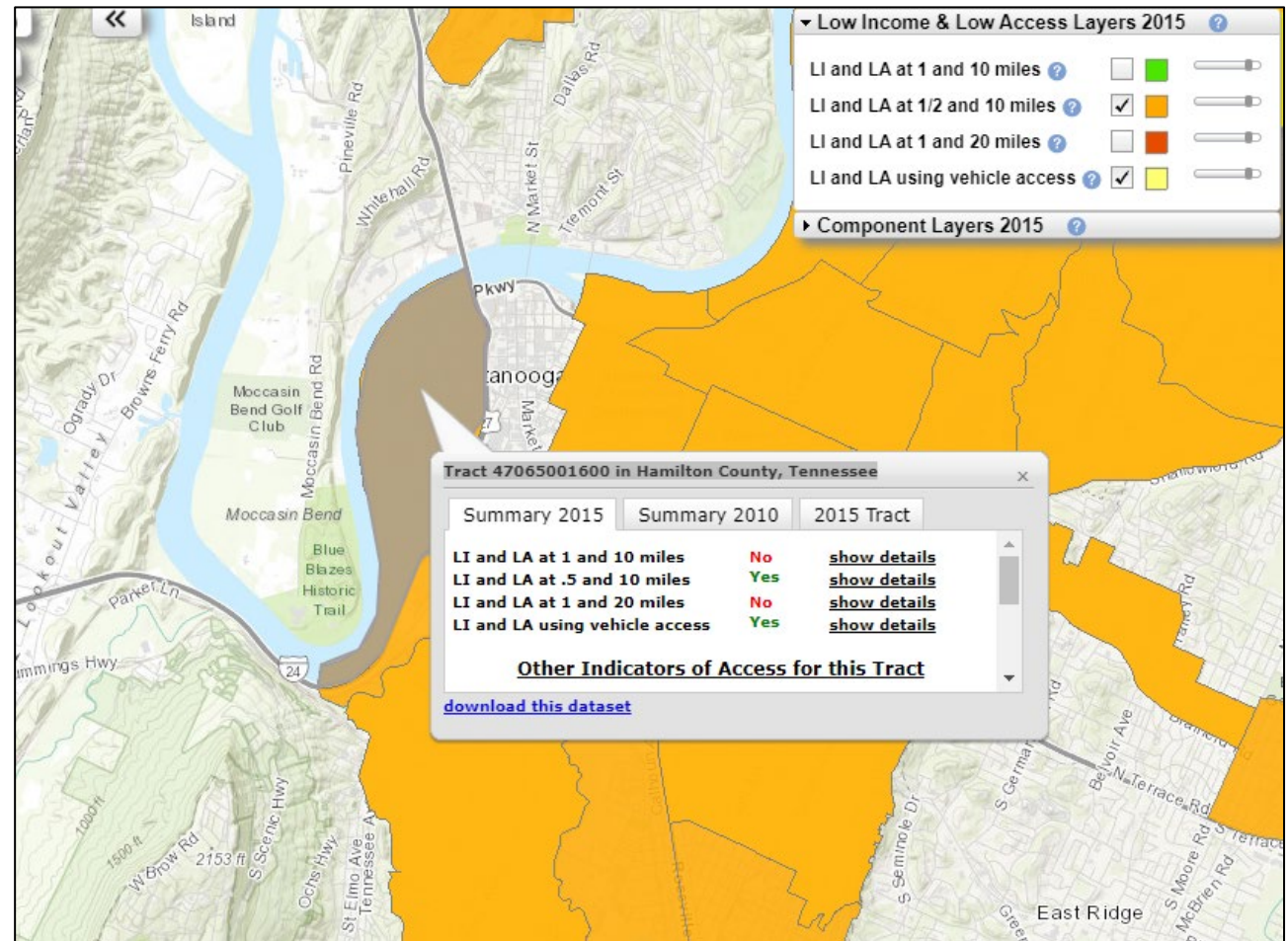
The USDA has classified the Study Area's Census Tract a "Food Desert" – it is a low-income tract with no access to a supermarket within a 1/2 mile and few households have vehicles.

Neighborhood shopping centers with food stores, pharmacies and day-to-day goods are 1.5 to 2.5 miles away.

The Downtown is a major eat/drink destination.

The big malls and destination shopping areas are located on the North Shore and within a 10-mile radius.

Low Income and Low Access to Food Census Tracts



Study Area Advantages & Disadvantages – Retailer Perspective

Advantages and disadvantages are different for properties on the Study Area's "Flanks" (yellow) and for properties in "The Neighborhood".

The "Flanks" and "The Neighborhood"



Study Area Advantages & Disadvantages – Retailer Perspective

Advantages/Strengths

- **Flanks:** Accessible and visible to daily traffic.
- **Flanks:** Properties on Riverfront Parkway will become increasingly valuable as riverfront development move forward.
- **Flanks:** Car dealerships on MLK Boulevard and Riverfront Parkway are in valuable urban locations with only modest improvements making them prime sites for redevelopment.
- **Flanks:** Ongoing riverfront development will likely increase vehicle and bike activity on MLK Boulevard and W. Main Street.
- **Flanks:** BlueCross BlueShield is a valuable job anchor on MLK Boulevard.

Disadvantages/Weaknesses

- **General:** I-27 is a major market barrier which compromises the Study Area's ability to leverage investments occurring to the east in Downtown.
- **Neighborhood:** The road network is circuitous and isolates the neighborhood – reduces commercial development potential.
- **Neighborhood:** There are not enough households currently to justify credit tenant retail or eat/drink investment.
- **Neighborhood:** Separate from and unrelated to the Riverfront Parkway portion of the Study Area. Therefore, investments on Riverfront Parkway may not inure benefit to the neighborhood on the bluff above.
- **Flanks:** MLK Boulevard is not developed in a way that can be easily transformed to a mixed-use, walkable environment.
- **Flanks:** The Study Area will have to compete with the riverfront area for commercial investment.

Retail and Eat/Drink Potential (2020-2030)

The Flanks

- 30,000 to 60,000 square feet of neighborhood-oriented retail and eat/drink potential over 10 years.
- Prime location is Subaru dealership property at MLK Boulevard and Riverfront Parkway intersection.

The Neighborhood

- The Neighborhood functions as an island, as such, it is its own Trade Area with very few households.
- The population, density and income of the Trade Area are not sufficient to draw national, credit tenants.
- The existing 17,200 square foot building is an asset as (potentially) affordable commercial space as the Neighborhood grows.
- Potential uses barber/salon/nails, banking, take-out food, café, etc.

Office Potential

Office Market Existing Conditions: Office Landscape

Office vacancy remained low at less than 5%.

Still considerable office brokerage activity occurring in the Chattanooga market.

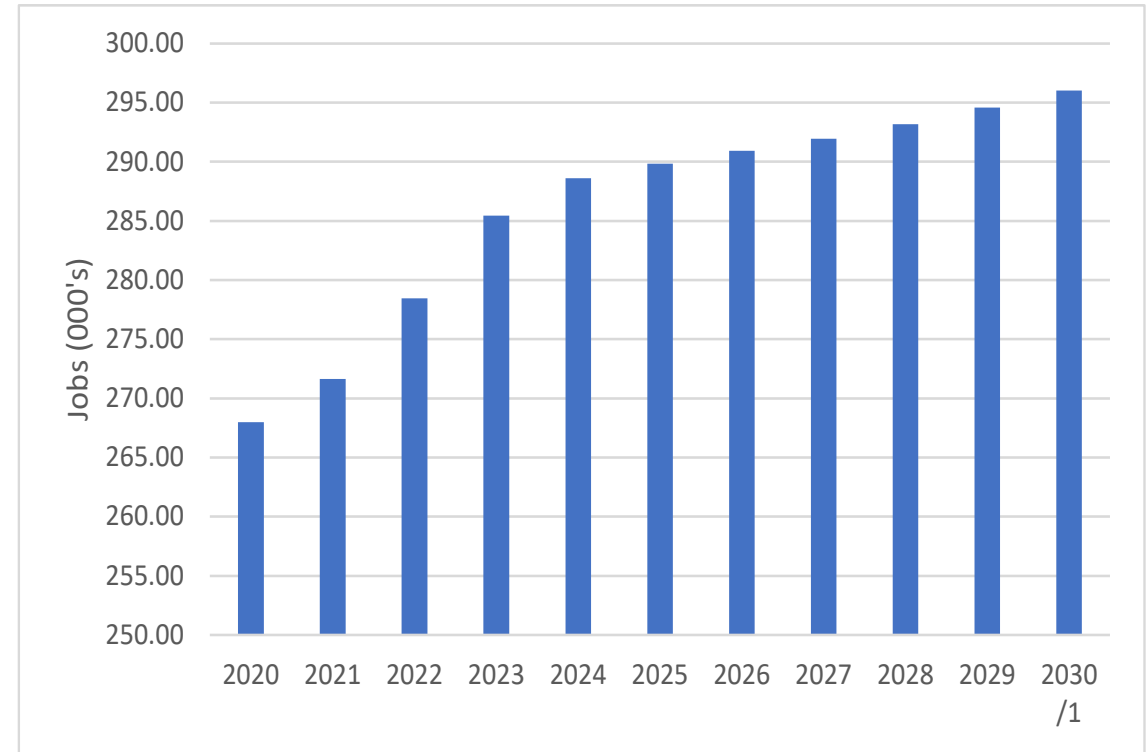
Riverfront Parkway is considered an attractive office investment location because of centrality and ease of access.

Medical office at MLK and Riverfront Pkwy sold for \$400 /sf. Recent lease signed for \$28 /sf, full-service.

Job growth will generate demand for approximately 319,000 sf of office space over 10 years.

Assuming past trends are a proxy for the future, over 75% of this new space (~250,000 sf) will be developed in Central Chattanooga.

Job Forecast
Chattanooga Metropolitan Area



Office Market Potential

Flanks Potential: 60,000 to 80,000 square feet of office space at \$20 per square foot, triple net, surface-parked.



Commercial Market: Planning Considerations

Flanks are the opportunity.

- How to better connect the Neighborhood portion of the Study Area to the Flanks to insure benefit to residents?

The Neighborhood street network is a market constraint.

- How can north-south and east-west connections be improved over time?

The Bend will compete for office and retail investment.

- How can the Study Area be linked to the Riverfront to offer better access to the planned improvements and position the Study Area to capitalize on the Riverfront improvements?

Riverfront Medical Center at The Bend



- Legend:**
- 17 Example Block Number
 - 2-3^{Stories} Notation for the number of Stories Proposed per Context App Board