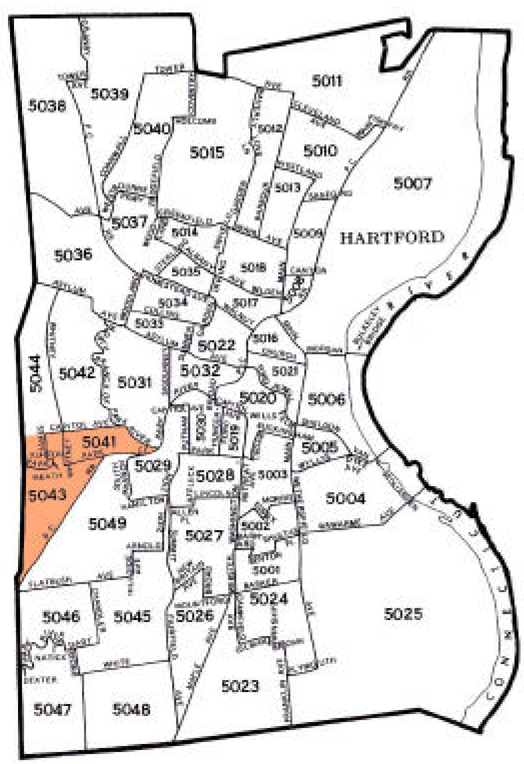
Market Area Assessment

A market analysis analyzed demographic data and general market trends to identify market gaps, identify and target properties of opportunity, and identify potential markets for Parkville goods and services. As part of this effort, interviews were conducted with a number of stakeholders. The following is a summary of this analysis; the detailed results appear in Appendix A. The stakeholder interviews appear in Appendix B.

DEMOGRAPHICS

A demographic analysis of the census tracts that pertain to the Parkville neighborhood was undertaken to develop a profile of the immediate trade area. The tracts include 5041, 5043 and a portion of 5044 as shown below. Data from the 2000 Census indicates



that this trade area had a minor population decline of 0.1% (11 persons) over the last decade. This represents a loss of 11 households (a 0.5% decline).

The demographic analysis confirmed the area's ethnic diversity with persons from Europe (particularly Portugal), Asia (primarily Vietnam), Caribbean Islands, Central America, South America, Canada, Africa and elsewhere. The Hispanic population has experienced the most growth in the last ten years increasing from 31% of the population in 1990 to 46% in 2000. Parkville's population is generally comparable to City-wide age distribution patterns, exhibiting slightly higher percentages in the 40-64 age group and slightly lower percentages in the under 19 age groups.

The 2000 Census also revealed a slight increase in housing units from 1990. Parkville's ratio of renter versus owner-occupied units parallels the City overall, both showing less than 30% owner-occupancy. The City's efforts to counter blight and disinvestment through code enforcement and blight removal initiatives are helping to stabilize the area and make it attractive to homeowners and investors. Housing sales prices for both single family and 2 and 3 family structures showed increases on par with the rest of the City in recent years. Investment activity has been more significant with respect to commercial and industrial property, particularly on Park Street and New Park Avenue.

Income and wealth data from the 2000 Census indicate that median household wealth in the Parkville neighborhood as a whole is only slightly lower than that for the City of Hartford. However, over the last ten years median income for the neighborhood increased at a slower pace than that for the City. Income disparities among census tracts evident in the data for 1990 persisted, with the gap widening in Tract 5043, which has higher percentages of under age 19 and elderly, and is home to the poorest segment of the neighborhood's population. Both the neighborhood's per capita and median income levels are approximately one-half those for Hartford County.

CONSUMER SPENDING & RETAIL POTENTIAL

U.S. Department of Labor *Consumer Expenditure Survey* data was used to identify sources of retail spending strength. This well-accepted benchmark compares local consumer expenditure in a particular category of purchase to a national index. Marketers use this information to evaluate and compare trade areas under consideration for retail goods and services. Consumer spending patterns within a 0.5 mile radius (immediate Parkville neighborhood) and a 1 mile radius from the intersection of Park and New Park Avenue (parts of West Hartford, the West End, Frog Hollow, Behind the Rocks and Asylum Hill neighborhoods) were used in this analysis.

As shown in Table 1, the retail market in Parkville and in fact Hartford is generally modest to low (based on an index of 100.0) in both the 0.5 and 1.0 radii. Similarly, Parkville ranked below the U.S. index in spending per capita for most selected products with the gap typically ranging between 20 to 30 points on consumption items. This consumption pattern improves somewhat, but not dramatically when the larger 1 mile trade area is considered.

Given the observed strength of the Park Street commercial area, these results suggest that an important source of trade dollars may be from outside the immediate area. Another consideration is that Parkville data may be underreported due to the hidden economy phenomenon of inner cities. According to U.S. Department of Housing and Urban Development analyses, purchasing power might be understated, in part, due to the above-average proportion of cash income potentially associated with households (which is harder to track and report).

Table 1
PARKVILLE CONSUMER EXPENDITURES - 2001

Attribute	0.5 mile		1 mile		Hartford	
2001 Expenditures by Selected Product			**U.S.**		**U.S.**	
Categories (in thousands of dollars):	**($000s)**	**Index**	**($000s)**	**Index**	**($000s)**	**Index**
Food at Home	$15074	81	$59159	83	$188319	88
Food Away From Home	$10892	65	$46337	72	$134980	70
Alcoholic Beverages at Home	$ 2424	82	$10259	91	$ 29359	86
Alcoholic Beverages Away From Home	$ 2040	71	$ 8981	81	$ 25883	77
Personal Care Products	$ 1794	85	$ 7176	89	$ 21962	90
Personal Care Services	$ 699	59	$ 3124	69	$ 10303	75
Nonprescription Drugs	$ 552	79	$ 2139	81	$ 6858	85
Women's Apparel	$ 2816	55	$12973	66	$ 41035	69
Men's Apparel	$ 1665	55	$ 7615	66	$ 23931	69
Girls' Apparel	$ 635	56	$ 2863	66	$ 9444	72
Boys' Apparel	$ 482	55	$ 2204	65	$ 7370	72
Infants' Apparel	$ 352	67	$ 1500	75	$ 4934	82
Footwear (Excl. Infants)	$ 1003	56	$ 4507	66	$ 14482	70
Housekeeping Supplies	$ 766	64	$ 3112	68	$ 9835	71
Lawn/Garden Supplies (Incl. Plants)	$ 218	35	$ 1083	45	$ 3414	47
Domestic Services	$ 164	25	$ 1026	41	$ 3212	43
Household Textiles	$ 996	44	$ 4890	57	$ 15017	58
Furniture	$ 1235	45	$ 5995	57	$ 18325	57
Floor Coverings	$ 615	44	$ 2981	55	$ 9148	56
Major Appliances	$ 1192	47	$ 5642	59	$ 16984	58
Small Appliances & Houseware	$ 1025	30	$ 5735	43	$ 18025	45
TV, Radio & Sound Equipment	$ 3698	58	$16712	68	$ 50959	69
Transportation	$ 9962	45	$46351	55	$136748	53
2001 Expenditures by Selected Store	**U.S.**		**U.S.**		**U.S.**	
Building Materials & Garden Equip.	$ 1047	35	$ 423	47	$ 16721	48
Hardware Stores	$ 77	35	$ 398	47	$ 1237	49
Lawn/Garden Equipment/Supply Store	$ 408	41	$ 1995	52	$ 6028	52
Home Centers	$ 229	33	$ 1217	46	$ 3773	47
Gasoline Stations w/Convenience Str	$ 3727	66	$15064	70	$ 45017	69
Gasoline Stations w/out Conven. Str	$ 1677	62	$ 6861	67	$ 19973	64
Grocery Stores	$16295	78	$64762	81	$203797	84
Health & Personal Care Stores	$ 2690	58	$11132	62	$ 35333	65
Eating Places	$ 8068	69	$33927	76	$ 98672	73
Drinking Places	$ 727	69	$ 3196	80	$ 9235	76
Department Stores (Excl. Leased)	$ 6459	53	$29430	63	$ 91875	65
Clothing & Clothing Accessory Store	$ 3511	56	$16081	67	$ 50080	69
Shoe Stores	$ 555	56	$ 2496	66	$ 8040	70
Furniture	$ 1123	45	$ 5437	57	$ 16612	58
Other Home Furnishing Stores	$ 721	39	$ 3663	52	$ 11181	53
Household Appliance Stores	$ 354	47	$ 1679	58	$ 5129	58
Radio/TV/Other Electronics Stores	$ 898	52	$ 4175	63	$ 12630	63
Computer & Software Stores	$ 336	52	$ 1582	64	$ 4841	64
Electronic Shopping & Mail Order	$ 1715	53	$ 7854	63	$ 24047	64

To further evaluate Parkville's reliance on an expanded trade market an analysis of retail potential was undertaken. As Table 2 indicates, within a walk-in or convenient drive trade area there are an estimated 4,000 households with a total retail spending power of $62 million based on 58% of total aggregate income as targeted for retail/service expenditure.

Table 2
RETAIL SALES SUPPORT

Market	Population	Households	Median Income	Effective Buying Income
0.5 mile	9,263	4,068	$26,547	$ 62,600,000
1 mile	35,597	15,549	$30,526	$275,296,288

Source: Claritas, Survey of Purchasing Power

Using an assumption that 50% of this trade could be captured, approximately 36,300 square feet of convenience-retail could be supported in the Parkville location, or about six convenience-related stores. When the trade area is expanded to include a 1-mile perimeter, Parkville's capacity for convenience retail would add another 53,400 square feet for a total of 89,700 square feet, or between 10 to 15 stores. This calculation of spending power is summarized in Table 3.

Table 3
SPENDING POWER
For Convenience Goods

Category	Primary Trade Area	Secondary Trade Area	Total
Food at Home	$15,074,000	$44,085,000	$59,159,000
Personal Products	$1,794,000	$5,382,000	$ 7,176,000
Housekeeping Supplies	$ 766,000	$2,346,000	$ 3,112,000
Non-Prescription Drugs	$ 552,000	$1,587,000	$ 2,139,000
Total	*$18,186,000*	*$53,400,000*	*$71,586,000*
Capture Rate	50%	25%	

Local Convenience Spending	$9,093,000	$13,350,000	$22,443,000
Square Feet Support ($250/sf)	36,300 sf	53,400 sf	89,700 sf

Source: Claritas, 2001

Since a recent survey of Parkville indicates the existence of more than 40 such retail establishments, it is clear that much of Parkville's retail market is dependent on trade from outside its immediate area. This is certainly the case for many of the restaurants and food-related stores in the area.

MARKET ANALYSIS

Parkville presents a very diversified economic base with a mix of community-based retail, business to business retail and services, strip retail, office (small business, professional, non-profit and municipal), and industrial uses. The potential for expanding opportunities in any of these areas will be influenced in large part by the market environment both within Hartford and the region for each sector.

Hartford Office Market

While substantially improving between 1998 and 2000, office market conditions in Hartford and the surrounding region have since moderated in 2001 in response to a slowing national and regional economy, reduced business investment and consumer uncertainty following the September 11 attack. Yet despite a general slowdown in demand for space, Hartford's office vacancy rate has remained relatively steady with downtown vacancy of 10.3% for Class A space as compared to 9.3% in 1998. Overall vacancy is substantially higher estimated at 19% for all A, B, and C Class office space, but notably less than the 20% posted for 1998.

As would be expected much of the office activity in Hartford is occurring within the CBD and at the Class A level with vacancy for this market subsector dropping from 14.7% in 1997 to 9.6% in 1998 and subsequently to 10.3% in 2001.

Asking rates in Class A CBD buildings have reached $28 a square foot with average rental rates of $23 a square foot. Market rents in the peripheral class A office market range from $18 to $20 a square foot. Class B rental rates range between $15 to $18 a square foot in the downtown and $10 to $15 within the peripheral sub market.

In Parkville, currently office demand is centered within reuse of older industrial buildings offering rental rates typical of Class B and C space. These buildings have been fairly successful in attracting small users, typically non-profit and small businesses that find the Parkville location and access an advantage, the rent reasonable, and parking available and secure. Notable among mixed-use office complexes in the area are 16-30 and 34-56 Arbor Street (comprising a total of 185,750 square feet), 250 Hamilton which houses the offices of Department of Children and Families (94,229 sf), 237 Hamilton (247,192 sf), and 2074 Park Street recently purchased in 2000. Office rates in Parkville in Parkville reportedly range from $8 to $12 a square foot.

Hartford Industrial Market

According to Cushman & Wakefield, the Hartford area industrial market is experiencing stagnant demand due to a softening national and regional economy. However, the region's economic diversity and the lack of industrial overbuilding and speculation that exemplified many other areas of the country during the boom years has provided a slight cushion to the present contraction.

Estimated vacancy rate for Hartford's industrial market is 17% up from 14.7% a year ago. A major factor contributing to vacancy in the City are large blocks of obsolete industrial space found in older manufacturing facilities. Despite ample stock of older facilities, there is continued interest for newer high bay warehouse–flex style industrial buildings. These one or two story buildings incorporate multiple uses, usually office in combination with warehousing, storage, or distribution.

The City of Hartford accounts for approximately 6% of the greater region's industrial market. According to CB Richard Ellis/ Whittier Partners net absorption of industrial space in 2001 was confined largely to communities outside of the City of Hartford, principally in Bloomfield, Windsor, Berlin and East Hartford.

Rental rates for industrial space in Hartford for manufacturing space average $3.78 a square foot and $4.42 per square foot for warehousing space. Flex Space commands an average of $6.39 a square foot. Notably, there has been little new industrial product built within the City over the past ten years although 25,000 square feet was added to the City's inventory in 1998.

Within Parkville, a concentrated area of industrial and back-office use exists within an area roughly defined by Park Street, Bartholomew Avenue, Hamilton Street. Based on a survey of properties in this area (including properties on Arbor Street and Capitol Avenue), it is estimated that 1.6 million square feet of industrial buildings resides on approximately 69 acres. In total the 28 properties surveyed represent $14.5 million in total assessed value. While many of the buildings are being utilized, several notable properties are mostly vacant including 169 Bartholomew Avenue representing 85,660 square feet industrial space. Total vacancy of industrial space in this area is estimated to range between 400,000 square feet to 500,000 square feet. According to owners of property in the area, rental rates for much of the older industrial space ranges between $1 to $4 a square foot, while office space in the area ranges from $5 to $10 gross.

Hartford Retail Market

The retail real estate market is increasingly driven by national and international corporations. In this respect it differs significantly from the markets for industrial and office space, which tend to be driven by local or regional companies. On the supply side the comings and goings of retail chain operations are largely a product of corporate strategy for competitive advantage and market share. Destination-shopping districts with strong anchors have proven to be the most successful competitive locations. New Park Avenue has begun to take on this characteristic with the recent development of Home Depot, BJs, Super Stop & Shop, and Crown Theatres. Notably, this clustering or co-location of retail in regional and super regional centers or corridors often leaves vacancies along older retail corridor, as viable businesses and chains close down unprofitable stores.

According to Finard & Company, a leading retail real estate brokerage, the total Greater Hartford market for retail sector is now over 34 million square feet. Small stores dominate the local marketplace with stores less than 5,000 square feet comprising 88.4% of all stores and 41% of aggregate store area. In contrast, stores of 50,000 square feet and greater represent 24% of aggregate square feet in the marketplace. Both nationally and regionally, retail expanded dramatically in the mid to late 1990s, but has since experienced pressures from consumer malaise, overbuilding, and even e-commerce. Big boxes and power centers appear to be the most vulnerable at the present time. Apparel, computer discounters, drugstores, home improvement, bookstores, office supplies, department stores, electronics and grocery stores are well represented and may not present future market opportunities.

Both Hartford and the region's retail market has undergone significant change in the last ten years due to both systemic changes in the retail industry and shifts within regional and local population and economy. Within the City of Hartford, these changes have largely been negative in response to corporate retail restructuring, retail flight to suburbs and population and income loss in Hartford. Despite the loss of major retail chains, Hartford has begun to re-focus efforts on stabilizing and supporting its neighborhood corridors placing greater emphasis on promoting convenience retail and services, expanding business to business opportunities where appropriate and assisting on development of community-based destination retail/service such as grocery store, pharmacy or bank where land is available and market allows. Within the context of this retail strategy, Parkville offers numerous opportunities that capitalize on its strong retail center located along Park Street and New Park Avenue as shown in Table 4.

Table 4
PARKVILLE RETAIL/SERVICES BUSINESSES

Food & Dining	
Bakery	4
Bar/Cafes	4
Convenience Store	5
Fast Food	4
Fast Food Franchise	5
Restaurant/Diners	17
Specialty Food Markets (Fish, Meat, International)	6
Supermarket	2
Total	**47**
Business/Personal Services	
Bank	1
Printers/Graphics	7
Business Services (Architects, Designers, Lawyers, Accountants, Marketing)	14
Construction Service	9
Laundry/Dry Cleaning Services	2
Personal Services (Hair/Nails)	4
Insurance/Travel Agent	4
Health Services	5
Photographer/Supplies	9
Funeral Home	1
Optician	1
Total	**57**
Retail/Repair	
Auto Parts	2
Car Sales and Repair	8
Gas Station	2
Clothing/Shoes/Fabrics	3
Furniture	4
Flooring/Home Improve.	3
Hardware	1
Video	3
Liquor Store	3
Engine Sales & Repair	1
Pharmacy	1
Specialty Merchandise	5
Total	**36**

*As surveyed in 2001