

Shopping Center Occupancy Study of the Greater Hagerstown Area 2016



Prepared By
City of Hagerstown
Planning & Code Administration Department
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Overview

This Major Retail Shopping Center Occupancy Study is a continuation of analyses performed by the City of Hagerstown Planning Staff since 2008. The update for 2016 provides retail occupancy data and whether shopping centers experienced changes in occupancy from the previous year.

Occupancy levels of the shopping centers were determined using a variety of methods, including windshield and walking 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/leasing brochures provided by shopping center owners, and various real estate web resources.



Foxshire Shopping Center

This study evaluates major shopping centers over 40,000 square feet. Each center has a mix of retail shopping and restaurants, 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 some of 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 demographic area (i.e – Valley Mall; Premium Outlets). Attached is Map 1 showing the centers included in this study. The following figures are linked with Map 1 with center numbers. This study does not include retail occupancy rates for downtown Hagerstown.

A Word about the Former Giant Eagle Shopping Center

This center was originally constructed to contain a major grocery store as well as several small retail spaces. When this Study began in 2008, the center was primarily vacant with the exception of a retail pharmacy. Since that time the center has been almost entirely reoccupied by the Washington County WIC Program and the Washington County Health Department, both office uses (the retail pharmacy is also still in existence). The center is now functions almost entirely as an office building; therefore, it is not included in this year's study.

Major Shopping Centers within Hagerstown

There are 12 major retail shopping centers within the corporate boundary that were included in this figure. Geographically all of these centers are located less than one mile from the city's corporate boundary. None of the shopping centers included in this study are located in the

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city's urban core, and all have either a General Commercial (CG) or Commercial Regional (CR) zoning classification. Figure 1 shows the square footage, occupancy rate, and rate of change in occupancy from 2015 of those retail shopping centers within the city that are over 40,000 square feet.

Figure 1: Major Retail Shopping Centers within Hagerstown

Map #	Shopping Center Name	Location	Total Area (Sq. Ft.)	Occupied Space				Rate of Change (2015-2016)
				2015 Area (Sq. Ft.)	2015 (%)	2016 Area (Sq. Ft.)	2016 (%)	
6	The Centre at Hagerstown	Garland Groh Blvd	668,633	660,185	98.7%	647,742	96.9%	-1.9%
5	Shoppes at Hagerstown	Garland Groh Blvd	122,214	116,502	95.3%	114,310	93.5%	-1.9%
7	Longmeadow Shopping Center	Leitersburg Pike	253,770	97,624	38.5%	94,583	37.3%	-3.1%
8	Stone House Square	Leitersburg Pike	265,000	246,892	93.2%	249,278	94.1%	+1.0%
20	Hagerstown Shopping Center	Dual Hwy	123,801	123,801	100.0%	123,801	100.0%	0.0%
10	Big Lots-Value City Shopping Center	Wesel Blvd	163,868	159,710	97.5%	159,710	97.5%	0.0%
21	Center at Antietam Creek	Dual Hwy & Eastern Blvd	113,426	112,076	98.8%	111,626	98.4%	-0.4%
23	Hagerstown Commons	Dual Hwy & Edgewood Dr	105,602	105,602	100.0%	105,602	100.0%	0.0%
19	Kenley Village Shopping Center	E Wilson Blvd & Frederick St	54,029	37,585	69.6%	38,785	71.8%	+3.2%
16	South End Shopping Center	Maryland Ave	98,933	74,233	75.0%	60,733	61.4%	-18.2%
15	Nichols Plaza Shopping Center	Maryland Ave	147,423	147,423	100.0%	132,823	90.1%	-9.9%
9	Valley Park Commons	Wesel Blvd	444,727	444,727	100.0%	444,727	100.0%	0.0%
Totals			2,561,426	2,326,360	90.8%	2,283,720	89.2%	-1.8%

Note: Giant Eagle Shopping Center has been removed for this year's report since it has been almost entirely converted to office space

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

Observations

- ◆ The average occupancy rate for retail shopping centers within Hagerstown is 89.2%, or 2,283,720 square feet – this represents nearly a 2% decrease since 2015. While lower than the previous year, overall occupancy rate is still higher than the period between 2008 and 2013.
- ◆ Three shopping centers had full occupancy in 2016. This is down from four centers in 2015.
- ◆ Only two centers saw an increase in occupancy from 2016. The largest gain in relative occupancy for this reporting period occurred at the Kenley Village Shopping Center. The center saw an increase of about 1,200 square feet, or 4.7%, when a new restaurant filled a vacant space. Stone House Square also experienced a 1% increase, despite losing a branch bank on one of its outparcels.

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- ◆ South End Shopping Center saw the greatest decline in occupancy since 2015, down about 18%. South End's decrease was a result of the loss of two larger retail businesses and an office use.
- ◆ Longmeadow Shopping Center's occupancy decreased again in 2016, and it is now at the lowest level since reporting began in 2008.

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

Figure 2: Major Retail Shopping Centers within Hagerstown city (Units), 2016

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	28	5
5	Shoppes at Hagerstown	Garland Groh Blvd	122,214	24	22	2
7	Longmeadow Shopping Center	Leitersburg Pike	253,770	29	18	11
8	Stone House Square	Leitersburg Pike	265,000	16	11	5
20	Hagerstown Shopping Center	Dual Hwy	123,801	15	15	0
10	Big Lots-Value City Shopping Center	Wesel Blvd	163,868	9	8	1
21	Center at Antietam Creek	Dual Hwy & Eastern Blvd	113,426	17	16	1
23	Hagerstown Commons	Dual Hwy & Edgewood Dr	105,602	11	11	0
19	Kenley Village Shopping Center	E Wilson Blvd & Frederick St	54,029	10	6	4
16	South End Shopping Center	Maryland Ave	98,933	28	16	12
15	Nichols Plaza Shopping Center	Maryland Ave	147,423	11	10	1
9	Valley Park Commons	Wesel Blvd	444,727	21	21	0
Totals			2,561,426	224	182	42

Note: Giant Eagle Shopping Center has been removed for this year's report since it has been almost entirely converted to office space

Source: City of Hagerstown

While the overall occupancy rate in terms of square footage for shopping centers in the city was just over 89% for 2016, the overall occupancy rate by number of units was approximately 81% 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 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. Figure 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.

Figure 3: Retail Shopping Centers within the Medium-Range Growth Area (MRGA)

Map #	Shopping Center Name	Location	Total Area (Sq. Ft.)	Occupied Space				Rate of Change (2015-2016)
				2015		2016		
				Area (Sq. Ft.)	%	Area (Sq. Ft.)	%	
13	Crosspoint Shopping Center	Cole Rd	374,362 ¹	337,430	96.9%	363,485	97.1%	+7.7%
4	Fountainhead Plaza	Pennsylvania Ave	61,619	59,229	96.1%	60,424	98.1%	+2.0%
22	Foxshire Plaza	Dual Hwy	47,083	42,583	90.4%	42,583	90.4%	0.0%
1	North Village Shopping Center	Longmeadow Rd & Pennsylvania Ave	68,710	65,210	94.9%	68,710	100.0%	+5.4%
2	Hagerstown Towne Square	North Pointe Dr (North Side)	103,914	99,914	96.2%	93,914	90.4%	-6.0%
3	North Pointe Shopping Center	North Pointe Dr (South Side)	60,613	46,602	76.9%	48,571	80.1%	+4.2%
17	Premium Outlets	Sharpsburg Pike	517,800	476,380	92.0%	478,474	92.4%	+0.4%
18	South Pointe Centre	E. Oak Ridge Dr	79,135	76,735	97.0%	77,585	98.0%	+1.1%
14	Old Orchard Centre	Virginia Ave & Halfway Blvd	52,905	45,297	85.6%	49,143	92.9%	+8.5%
12	Valley Mall	Halfway Blvd	915,785	893,712	97.6%	772,963	84.4%	-13.5%
11	Valley Plaza	Massey Blvd	196,127	196,127	100.0%	188,127	95.9%	-4.1%
Totals			2,478,053¹	2,339,219	95.4%	2,243,979	90.6%	-4.1%

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 25,995 square foot retail building on an outparcel

Observations

- ◆ The overall occupancy rate for retail shopping centers outside the city sharply declined to 90.6%, or 2,339,219 square feet, in 2016. This includes a decrease of 234,074 square feet, and nearly half of this decrease is due to Macy's closing its store in the Valley Mall.
- ◆ Despite the loss of Macy's, the Valley Mall itself maintains strong levels of occupancy (only 3 vacancies) among both its interior-facing and exterior-facing spaces. Since 2015, the Valley Mall has filled relatively large with like H&M, clothing retailer, as well as chain restaurants like Primanti Bros. and Mission BBQ.
- ◆ The greatest relative increase in occupancy, for the second year in a row, occurred at Old Orchard Centre on Virginia Avenue. The 8.5% increase is because a pawn shop re-occupied a large space that was left vacant in 2015 by Rent-a-Center.
- ◆ Crosspoint Shopping Center and North Village Shopping Center both saw a significant relative increase in occupancy, 7.7% and 5.4%, respectively. Crosspoint's increase was a result of the opening of Bob's Discount Furniture on a newly developed outparcel. North Village's increase was due to Brook Lane offices occupying the remaining vacant space – this center has now achieved full occupancy and is the only one to do so in the MRGA for 2016.
- ◆ For the first time since reporting began in 2008, Valley Plaza is no longer completely occupied. This comes about as a result of Hard Times Café closing in early 2016.

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

Figure 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
13	Crosspoint Shopping Center	Cole Road	372,362	22	20	2
4	Fountainhead Plaza	Pennsylvania Avenue	61,619	10	9	1
22	Foxshire Plaza	Dual Highway	47,083	19	15	4
1	North Village Shopping Center	Longmeadow Road & Pennsylvania Ave	68,710	12	12	0
2	Hagerstown Towne Square	North Pointe Drive (North Side)	103,914	6	2	4
3	North Pointe Shopping Center	North Pointe Drive (South Side)	60,613	12	6	6
17	Premium Outlets	Sharpsburg Pike	517,800	102	92	10
18	South Pointe Center	E. Oak Ridge Drive	79,135	28	27	1
14	Old Orchard Centre	Virginia Ave & Halfway Blvd	52,905	10	8	2
12	Valley Mall	Halfway Boulevard	915,785	100	96	4
11	Valley Plaza	Massey Boulevard	196,127	7	6	1
Totals			2,478,053	328	293	35

Source: City of Hagerstown

While the overall occupancy rate in terms of square footage for shopping centers outside the city was under 91% for 2016, the overall occupancy rate by number of units is lower at about 89% in the same period.

Overall Occupancy

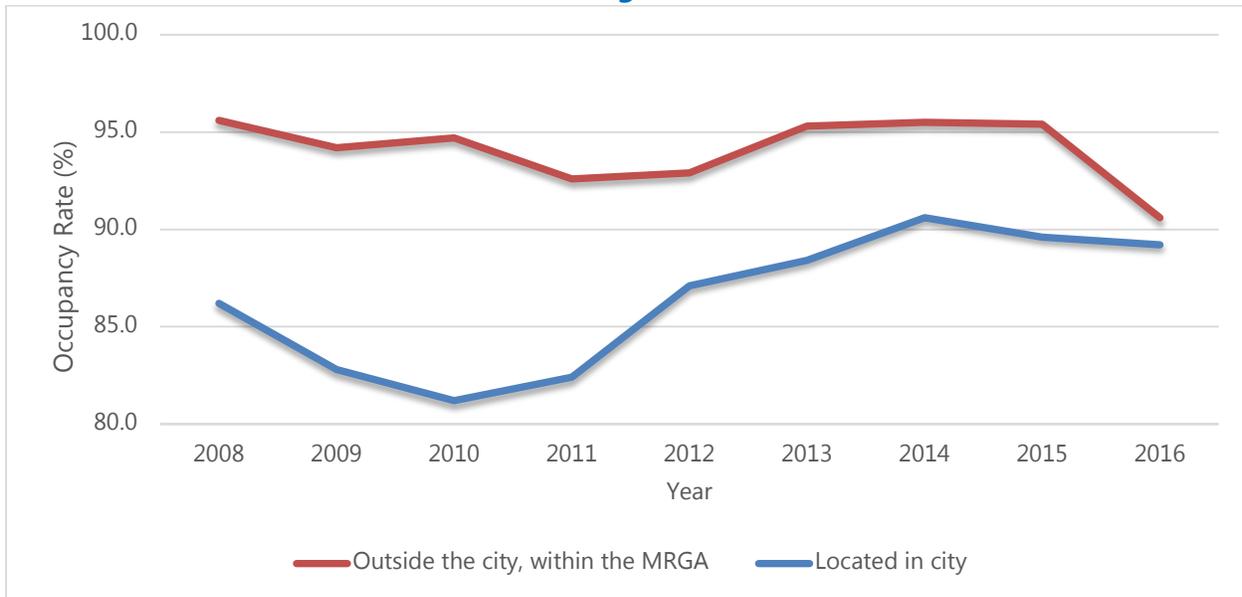
Figure 5 shows the total and occupied square footages and rates in 2016 for all the shopping centers in the City of Hagerstown and the MRGA identified in Figures 1 and 3.

Figure 5: Retail Space of all Shopping Centers in Study Area, 2016

Shopping Center Study Area	Total Area (Square Feet)	Occupied Space (Sq. Ft.)	Occupancy Rate
Hagerstown city	2,561,426	2,283,720	89.2%
Outside the city, within the MRGA	2,478,053	2,243,979	90.6%
Totals	5,039,479	4,527,699	89.8%

Figure 6 shows the occupancy levels of both study areas in the period from 2008 to 2016.

Figure 6



Observations

- ◆ The overall occupancy rate for all shopping centers in the study area is 89.8%, or 4,527,699 square feet, for 2016. This is a slight decrease from 2015, but is well above the historical occupancy rates from 2008 through 2013.
- ◆ Shopping centers outside the city saw the largest one-year decrease in occupancy since reporting began in 2008.
- ◆ 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.

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.



Premium Outlets is an example of a factory outlet center.

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

Figure 7 compares the occupancy levels in 2015 and 2016 of the shopping centers by classification of center.

Figure 7: Shopping Center Occupancy by Classification

Center Classification	Center(s) Included	Total Area (Square Feet)	Space Occupied (Square Feet)		Rate of Change (2015-2016)
			2015	2016	
Super-Regional Mall	Valley Mall	915,785	893,712	772,963	-13.5%
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	2,015,436	2,025,751	+0.5%
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	648,287	606,224	592,639	-2.2%
Strip/Convenience	South End Shopping Center, Fountainhead Plaza, Foxshire Plaza, North Village Shopping Center, South Pointe Centre	355,480	317,990	347,837	-2.5%
Power Center	Big Lots-Value City Shopping Center, Valley Plaza	359,995	355,837	310,035	-2.2%
Factory Outlet	Premium Outlets	517,800	476,380	478,474	+0.4%

Note: Giant Eagle Shopping Center has been removed for this year's report since it has been almost entirely converted to office space

Observations

- ◆ Only two of the six classification groupings saw only slight increases in occupancy since 2015. Community Centers saw the largest net increase in occupancy at 0.5%, or 10,315 square feet. The Factory Outlet classification, which contains only Premium Outlets, also saw a slight increase in occupancy.
- ◆ The remaining center classifications all saw decreases exceeding 2%. The super-regional mall classification, which includes only Valley Mall, experienced a 13% decrease from 2015.

Conclusion & Future Trends

The overall rates of occupancy for major shopping centers in the greater Hagerstown area generally remain strong into 2016 despite being down from the previous year. 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. This is especially true for the Valley Mall, which lost a major department store anchor this year and now has a 120,000 square foot vacancy to fill. It remains to be seen whether this space will be re-occupied with another department store or if the space will be repurposed for a variety of smaller tenants.

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 three years. In addition, plans are underway for a new Walmart and commercial center along MD Route 65 south of Interstate 70.



South Pointe Shopping Center

All of the shopping centers over 40,000 square feet within 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.

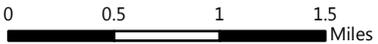
Map 1: Location of Major Retail Shopping Centers

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	Longmeadow Shopping Center
8	Stone House Square
9	Valley Park Commons
10	Big Lots-Value City Shopping Center
11	Valley Plaza
12	Valley Mall
13	Crosspoint Shopping Center
14	Old Orchard Centre
15	Nichols Plaza Shopping Center
16	South End Shopping Center
17	Premium Outlets
18	South Pointe Centre
19	Kenley Village Shopping Center
20	Hagerstown Shopping Center
21	Center at Antietam Creek
22	Foxshire Plaza
23	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 (rev. 10/20/16)
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