

To: Emily Crow, AICP, Senior Planner
McBride Dale Clarion
From: Julie Herlands, AICP, Vice President, TischlerBise
Date: May 11, 2017
RE: Portsmouth, Virginia, Comprehensive Plan: Retail Forces and Trends

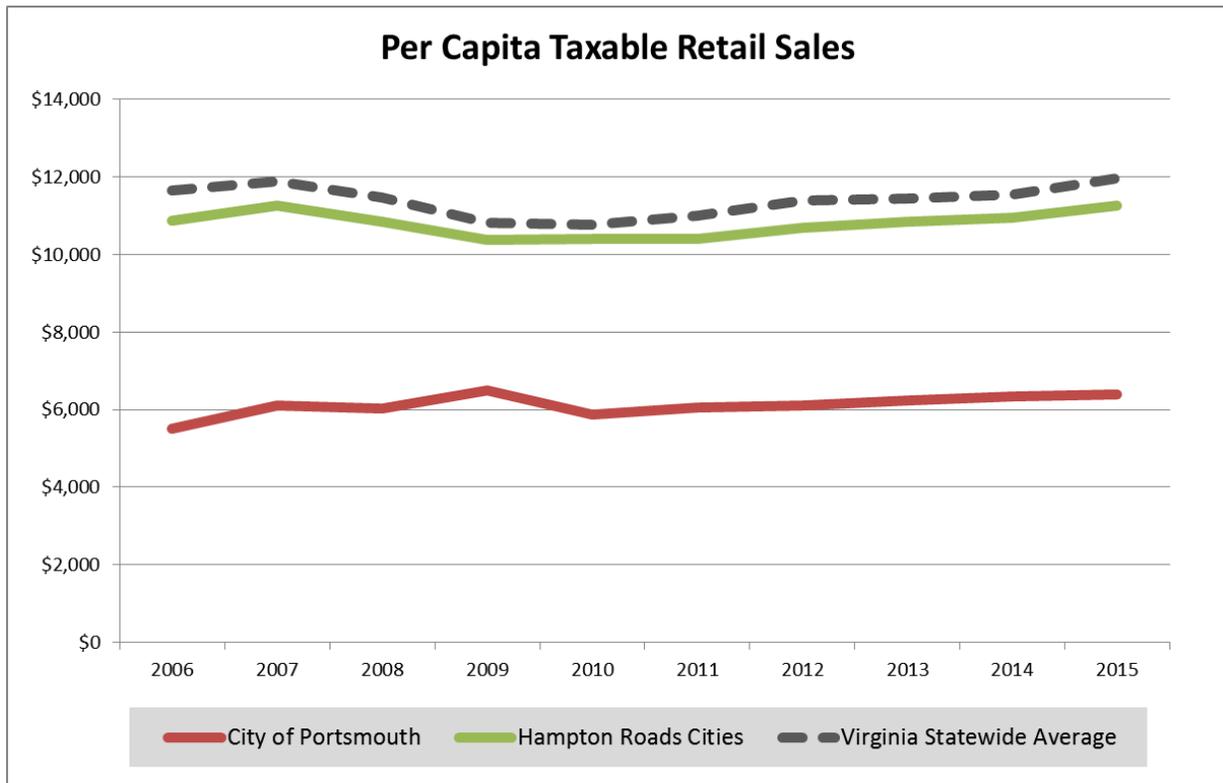
Retail Trends

Taxable retail sales in the City of Portsmouth have increased only slightly since a recent low point in 2010. Recent trends are only about a one to two percent growth in the last few years. In addition, retail sales per capita in the County have shown signs of improvement in recent years. However, as shown in the figure below, taxable sales per capita in the City of Portsmouth are much lower than the region and state average.

Figure 1. Taxable Retail Sales Trends



Figure 2. Taxable Retail Sales per Capita



Retail Market Potential

TischlerBise examined the retail market potential for the City of Portsmouth using ESRI Business Analyst. Retail market potential is a standard measure of retail characteristics in the trade area. A comparison of supply and demand can be used to assess opportunity.

A *retail gap* appears when household expenditure levels for a specific area are higher than the corresponding retail sales estimates. This difference signifies that resident households are meeting the available supply and supplementing their additional demand potential by going outside of their resident trade area, and is otherwise referred to as leakage. The opposite is true in the event of a *retail surplus*. That is, when the estimated levels of household expenditures are lower than the retail sales estimates. In this case, local retailers are attracting customers from outside the immediate area.

The City of Portsmouth has unmet retail needs (shown in green in Figure 3). Overall, the City is estimated to have a \$1.16 billion demand for retail goods, food, and drink with local supply at \$872 million—reflecting a gap of \$285 million (i.e., a retail leakage of City residents spending outside the City of Portsmouth).

For Food and Drink expenditures, approximately 25 percent of demand from the City is lost to other localities. This represents \$27 million in potential spending that could be captured within the City.

These figures reflect unmet demand for current residents and businesses and does not account for recent increase in multifamily residential development that will increase retail demand and further widen the gap.

Figure 3. Retail Gap Analysis

	<i>Demand (Retail Potential)</i>	<i>Supply (Retail Sales)</i>	<i>Portsmouth City Retail Gap/(Surplus)</i>
Total Retail Trade and Food and Drink	\$1,157,580,157	\$872,045,923	\$285,534,234
Total Retail Trade	\$1,049,407,317	\$790,518,807	\$258,888,510
Total Food and Drink	\$108,172,840	\$81,527,116	\$26,645,724
<i>Category Detail</i>			
Motor Vehicle and Parts Dealers	\$241,095,963	\$213,942,069	\$27,153,894
Furniture and Home Furnishings Stores	\$35,460,123	\$16,864,298	\$18,595,825
Electronic and Appliance Stores	\$52,944,762	\$25,185,543	\$27,759,219
Building Materials, Garden Equipment and Supply Stores	\$59,176,683	\$40,325,098	\$18,851,585
Food and Beverage Stores	\$194,939,559	\$206,954,234	(\$12,014,675)
<i>Grocery Stores</i>	\$180,073,418	\$195,972,086	(\$15,898,668)
<i>Specialty Food Stores</i>	\$7,695,254	\$3,437,357	\$4,257,897
<i>Beer, Wine & Liquor Stores</i>	\$7,170,887	\$7,544,791	(\$373,904)
Health and Personal Care Stores	\$58,389,660	\$59,032,411	(\$642,751)
Gasoline Stations	\$65,847,007	\$47,491,359	\$18,355,648
Clothing and Clothing Accessories Stores	\$46,273,221	\$21,511,637	\$24,761,584
Sporting Goods, Hobby, Book, and Music Stores	\$26,034,234	\$10,282,280	\$15,751,954
General Merchandise Stores	\$201,956,684	\$123,713,021	\$78,243,663
Miscellaneous Store Retailers	\$43,259,471	\$24,590,375	\$18,669,096
Nonstore Retailers*	\$24,029,950	\$626,482	\$23,403,468
Food Services and Drinking Places	\$108,172,840	\$81,527,116	\$26,645,724
Special Food Services	\$1,527,605	\$978,794	\$548,811
Drinking Places-Alcoholic Beverages	\$1,351,786	\$5,093,374	(\$3,741,588)
Restaurants/Other Eating Places	\$105,293,449	\$75,454,948	\$29,838,501

Demand exceeds supply

* Electronic shopping; mail-order; vending; direct sales

Source: ESRI and Infogroup

Given the retail leakage identified in the City, a rough calculation of supportable additional retail square feet is as follows. Given the current unmet demand, an additional approximately 990,000 square feet could be supported to meet needs of **current population and employment base**.

Figure 4. Retail Market Opportunity: Methodology 1

	Opportunity Gap	Average Sales Per Square Foot	Supportable Square Feet
Retail Trade less Auto Dealers	\$231,734,616	\$250	926,938
Food and Drink	\$26,645,724	\$400	66,614
TOTAL	\$258,380,340		993,553

Source: ESRI and Infogroup; TischlerBise analysis

Another way to identify current retail needs is using the national average of 45 square feet of retail space per capita. This reflects the current state of the industry and does not reflect what **new growth** would demand as bricks and mortar retail development is not being built at the same pace as in the past. TischlerBise estimates current retail space footage in the City using City property records and jobs data at approximately 3.8 million square feet. Using the national average of 45 square feet per capita of retail space, the following shortage is estimated.

Figure 5. Retail Market Opportunity: Methodology 2

RETAIL POTENTIAL	
Average Retail Sq. Ft. Demand per Capita	45
Population	96,874
Projected Retail Sq. Ft. Demanded	4,359,330
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Estimated Retail Demand Sq. Ft.	4,359,330
Current Estimated Retail Sq. Ft. in Portsmouth	3,800,000
Shortage Sq. Ft.	559,330

Based on both methodologies, it is clear that the City of Portsmouth has a shortage of retail space to serve its current development base at between 560,000 and 990,000 square feet.

Future residential development will demand additional retail space—especially since there is a shortage today. To estimate retail demand from **future growth**, a lower demand factor is typically assumed at an average of 25 square feet per new household and 15 square feet per new worker. With new multifamily development occurring in the City and a relatively strong market for this type of development, demand for additional retail space is likely to occur. A denser concentration of population in multifamily development will drive demand for new retail space.

Two points should be noted in conclusion regarding retail opportunity in the City:

- First, while there is an identified “gap” between demand for retail and supply in the City, the assumption based on the current retail real estate market in the City of Portsmouth is that current residents’ retail needs are being met by regional retail offerings outside City limits.
- Second, the potential for the City to capture local spending as discussed above is likely to be met by the absorption of existing commercial space as opposed to new construction. With limited developable land in the City and the changing retail landscape, it is unlikely that major new community or regional retail will be built in the City. However, leasing of existing space may be likely as future residential development occurs.