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MARKET OVERVIEW

MIDDLETOWN, CONNECTICUT

PRELIMINARY DRAFT

Halcyon Ltd.
Hartford, Connecticut

October 16, 1978

FORWARD

This Report is a summary of the analysis of market trends which govern the redevelopment potentials for the Middlesex Theatre Block and the Douglas Mather House. It investigates the potential and feasibility for Middletown to attract increased economic activity (entertainment, restaurant, office, residential and retail) to the Central Business District (CBD) of Middletown.

The purpose of this Report is to provide the Middletown Redevelopment Agency and the City a guide to determine the optimum scale and character of the properties involved in terms of development potential. It also contains an identification of Downtown's assets and the obstacles which must be overcome.

There are opportunities and potentials for both the Theatre Block and the Douglas Mather House in Middletown. There are concurrently problems which must be overcome if Middletown is to fulfill these potentials. Middletown enjoys a number of amenities yet suffers under several physical constraints.

Most of the problems are not unique to Middletown. They are reflective of downtowns throughout the country. Most cities have been unfavorably impacted by suburban center competition, population out migration, and deterioration of the immediate market area.

Some of Middletown's strengths and weaknesses are unique, however. To identify these will facilitate future growth in the CBD: growth which will attempt to enhance and capitalize on the strengths and attempt to neutralize and repair the weaknesses.

The success of any plan rests ultimately on the feasibility and marketability of the development proposals. This market review, therefore, is the first critical component of the development process. Its purpose is to identify the potential for development in those areas of economic activity appropriate for the Central Business District. This ensures that the specific development projects subsequently incorporated into the plan will not be too large for the forecasted market potential, nor will any significant development opportunities be overlooked.

The analyses appearing in this Report do not detail only those potentials for development that exist in areas of objectively measurable economic activity, but also include subjective judgments based on development and leasing experience.

MARKET OVERVIEW

The following Market Overview will act as a gauge for the vitality of Middletown's economic activity in regards to population, income and buying trends of Middletown and its primary trade area. There are four primary commercial areas in Middletown, they being the Central Business District (Main Street), the Washington Plaza, Bradlees-Stop & Shop, and the Middletown Plaza. Because of the CBD's importance to the community, as it houses major public buildings, the financial institutions and places of worship, it has the greatest daytime concentration of people and offers the widest variety of retail space.

	<u>CBD</u>	<u>Outlying Shopping Cntrs.</u>
Gross Commercial Floor Area	722,970 sq.ft.	309,780 sq.ft.

Source: Field cards in the Tax Assessor's Office-May 1977

In the above retail spaces, there are basically two categories of merchandise offered:

- o Convenience goods - includes merchandise of daily consumption (food, drugs, etc.)
- o Shoppers goods - merchandise of the non-convenience or daily consumption category including apparel, furniture, appliances, etc. These goods are the most important category of downtown activity.

The following table demonstrates the ratios of comparison and shoppers goods in both the CBD and the outlying centers.

<u>Category of Items Sold</u>	<u>CBD</u>	<u>Shopping Centers</u>
Convenience Goods	61	22
Shoppers Goods	78	13
TOTAL	138	35

Source: Field cards in the Tax Assessor's Office-May 1977

The above table demonstrates the CBD's emphasis on shoppers goods (56%) vis-a-vis the outlying strip centers (37%). This indicates that the strip centers are catering more to the convenience, daily consumed products which hints that their market is, for the most part, neighborhood families. Generally speaking, shoppers or comparison goods stores attract people from greater distances as they are a destination in themselves. This destination is important for it shows that the CBD acts as a hub for regional shoppers.

Population

Obviously, it is people and their disposable incomes which create markets for commercial growth; if the population of a particular area is to expand, so too must base employment in the area to support that growth. When income potential is analyzed and compared with gross sales in a market analysis, it becomes quite obvious if a market area is "recapturing" wages and salaries earned in its region or if people are spending their money elsewhere. When the latter occurs, economic decline in the region is inevitable.

<u>Population Record & Estimates</u>	<u>Middletown</u>	<u>%Increase</u>
1950	29,711	
1960	33,250	11%
1970	36,924	10%
1978 (estimated)	40,271	8%

Source: U.S. Census & Middletown Planning & Zoning Commission

	<u>Increase in Dwelling Units</u>		
	<u>1970</u>	<u>1-1-77</u>	<u>% Increase</u>
Middletown	11,305	13,764	21.8
Connecticut	981,603	1,070,278	10.9

Source: U.S. Census of Housing, 1970 & Conn. Dept. of Community Affairs Management Information-Jan. 1, 1977.

The above tables indicate that while population increased 8% in Middletown from 1970-1977, dwelling units (a house, apartment, group of rooms or a single room occupied or intended for occupancy as separate living quarters as defined by the Bureau of the Census in 1970) have increased 21.8%. Therefore, it appears that smaller family units are moving into Middletown which allows for more disposable income per household. It must be noted however,

that much of this residential building activity has taken place just off of Route 91, which geographically isolates this group from the central business district.

Employment

Middletown, as a whole, has a strong and stable work force employed by established corporations, a strong university, regional medical facilities and the courts which dictate government for Middlesex County. Of the seventeen Labor Market Areas in Connecticut, Middletown ranks fourth by comparison of labor force as a percentage of 1977 Population, 48.1% (Source: Connecticut Department of Health; Connecticut Labor Department).

Industrial growth has been evident in recent years, although much of this growth has taken place outside the city limits while also luring existing urban industry to the suburbs. There are approximately 75 manufacturing plants and 520 commercial buildings located in the City of Middletown; industry employs roughly 33% of Middletown's work force (Source: Market Report 1978-1979, SNET). Between 1970 and 1980, the largest increase of any employment group is anticipated to be the white collar workers. This category will fill approximately 85% of all new openings in this decade (Source: "Plan of Development" - The Planning and Zoning Commission of Middletown - August 1978).

Income

Per capita money income (1974) was \$4,516 which correlates to \$174,317,600 based on an estimated population of 38,600 in 1974 (Source: Connecticut Health Department, July 1977; Market Data, U.S. Bureau of the Census, 1975; Halcyon Ltd. 1978). Gross receipts for Middletown in 1974 were \$246,123,405.00 (Source: Connecticut State Tax Department). This indicates that in 1974, \$71,805,805.00 were being lost from the Middletown Market Area to surrounding markets. This figure represents 29.2% of total wages earned being spent outside of Middletown.

Market Segments

Middletown has five basic groups of shoppers:

- o Downtown working population - lawyers, doctors, retailers, county and state employees, industry, etc.

- o Downtown residents of Sbona Towers and the northern end of town - roughly 1,400 people live in the Central Business District.
- o Wesleyan students, faculty and staff - 2,500 students, 240 faculty and staff.
- o Tourists - drawn to Middletown either by historic sites, recreation, Wesleyan alumni, parents or businessmen making calls.
- o Suburban shoppers - by necessity they come to Middletown for goods and entertainment as it serves as the retail "hub" of the area.

In order to "capture" these shoppers' disposable incomes, Middletown's retail establishments should, as a whole, offer a variety of merchandise catering to the different tastes and income levels of its market segments. With few exceptions, the retail mix of Middletown's commercial entities is oriented towards popular to medium-priced goods. The strip centers to the northwest and south of the CBD along Main Street are in a strategic position from a traffic point of view, as people coming into town from the south and west are first exposed to these retailers (Bradlees, Kings, Caldor, etc. - all offer popular priced goods). The fast food chains, always found in high-traffic areas, also have the advantage of first exposure to people coming into town as well as plentiful parking. By taking advantage of the traffic generated by downtown Middletown, these retailers have tapped into the potential income of the central business district. These two trends are common throughout the U.S. and have just been countered with new, innovative tenant mixes and design in the CBD's of Boston, Philadelphia, Chicago and others.

In all cases an alternative has been offered the consumer something he or she cannot experience in suburban retail centers. The same phenomenon could happen in Middletown's CBD; it already has to a certain extent as witnessed by the successes of MacAndrews and LaBoca - these, along with Town Farms Inn, offer an alternative to dining which was not available in the past. The same could happen retail wise in Middletown if it can capitalize on its unique historical setting (architecturally and geographically) and adapt this advantage to "unique retailing." It is too early to tell if Metro Square will offer a "unique retail experience."

Land Use

The land area of the CBD is currently occupied to various

levels of intensity. "Intense land use" is that land which is currently occupied at its "highest and best" use. It represents not necessarily high density (often it does not) but rather optimum utilization.

What is described as "marginal land use" is land which is currently occupied by structures which suffer economic or physical obsolescence or land which is vacant. The uses which occupy the land may be, in fact, viable and desirable. The occupants are often housed in buildings inadequate to the task. These marginal land use groups represent the most probable area for growth absorption by rehabilitation of existing structures and construction of infill. The Middlesex Theater block is such a land use group.

Retailing Potential

Although the retail function of Downtown Middletown has not advanced in recent years due to the decentralization of the population and the accompanying development of suburban shopping centers, the downtown still has the largest single group of retail facilities in the metropolitan area. Retail stores fall into four general types:

- o Shoppers goods stores -- general merchandise, apparel, and furnishings--are the most important components of downtown retail activity (Sears, Shapiro's, Penney's, etc.).
- o Convenience goods stores --- groceries, restaurants, drugstores, and liquor stores---are also important but are related more to downtown employment and residential population than to metropolitan and regional shopping patterns.
- o Retail services -- theaters, laundries, barber and beauty shops, and other personal service activities---are a necessary adjunct to any major shopping or employment area.
- o Other stores---automotive sales and service, building materials, and miscellaneous outlets--- are not generally appropriate functions for the Central Business District.

The shoppers goods expenditure potential within the primary and secondary trade areas for Middletown was \$320,266,362 in 1977. As sales have increased annually in Middletown at 9.2% since 1970, shoppers goods expenditures by 1980 can be projected to \$398,323,000.

Middletown's advantages regionwide include:

- 1) The CBD occupies a central position with respect to the major population concentrations in Middlesex County, and access is provided by a good system of local streets and expressway arteries.
- 2) Downtown still offers the largest single group of retail facilities in Middlesex County. Only Meriden has the breadth or depth offered by Downtown for comparison shopping demanded by a majority of shoppers. The attraction is strengthened by proximity to other Downtown functions that are patronized by the potential shoppers---business offices, medical facilities, government agencies, and other services.
- 3) About 4,000 downtown employees comprise a captive market that no other competitive location can offer. Much of downtown's support comes from noontime and after work shopping by this important sector of the market.
- 4) Middlesex County retail sales are expected to expand significantly between 1978 and 1985, thus providing sales support for well-located, well-merchandised and well-promoted retail facilities. By location alone, Middletown's Central Business District should dominate the region's retailing growth.

On the negative side there are the following factors to consider:

- 1) Anticipated competitive developments are expected to be of a scale that they will force into the market, thus making it difficult for even strong merchants to generate adequate volume levels and sufficient sales growth. Metro Square has entered the market first, but undoubtedly there will be growth in commercial centers around Middletown, especially Cromwell.
- 2) It must be concluded that the CBD possesses a number of vulnerable characteristics that could well be further exploited by suburban competition. The retail core along Main Street appears to be too elongated for all stores to take advantage of total downtown traffic. The physical appearance of many stores and the overall commercial district should be upgraded. Certain merchants need smaller and more modern quarters if they are to remain as part of the downtown retailing community.
- 3) Although it allows the shopper an opportunity to park nearby his or her destination, Main Street's diagonal

parking in itself impedes the flow of traffic through town as people back out of their space into the flow of traffic. Additional off street parking (hopefully free or at least validated) is necessary if the retail area of the CBD expects to compete with suburban centers. Metro Square's proposed 400 new parking spaces should encourage more people to come downtown to shop.

Restaurants

There are several current trends in the food service industry which evidence themselves in Middletown. The first and most significant is the national inclination to expend a progressively larger portion of income on "eating out." Food service is a growth industry.

There has, as well, been a slight but perceivable shift from "fast food" to "fast eating." This is evidenced by the number of light lunch and simple menu eateries. The gourmet-fair concept, first used by The Rouse Company at Sherway Gardens near Toronto, has been repeated successfully across the country. This concept combines a variety of ethnic cafe kitchens with common seating, thus allowing quick self-service while maintaining a variety of food choices.

"Downtown" has not been the prime target for fast food chain operations. Although Middletown has several (McDonald's and Hardees on South Main Street); the largest growth will continue among the small bistro-style restaurants.

There is a shift toward a lighter menu. A national health consciousness has led to an increase in "health food" or "soup and salad" lunches. This menu is supported by jug wine rather than martinis. "Health food" enables more entrepreneurs to enter the industry because of the simplicity of the menu and, most importantly, the substantial reduction in kitchen equipment costs. Eliminated from the capital investment required are deep-fryers, major exhaust hoods, etc. Examples in Middletown are WOW and MacAndrews; both appear successful.

The individual success of any of these will continue to rest on the ability of the operator. However, Middletown can anticipate continued growth in this area.

Good restaurants are an amenity in any city. They provide logistical support to other evening entertainment. Although they generally require nighttime "draws" to be successful, there are exceptions: individual restaurants which may, by their excellence, become destinations in themselves---witness

the Town Hall Inn. A cluster of pubs, restaurants, and theme bars which form a mutually supporting district offer a choice to the individual---often this creates a destination even though the consumer has not determined exactly where to eat, drink, etc. He knows there is something to his liking in the area.

Middletown geographically is centered between Connecticut's two largest cultural and entertainment centers, Hartford and New Haven. It should recapture much of the money being spent on entertainment in these two cities as well as enhance its own "vitality" to suburbanites and tourists. There is a limit to restaurant and entertainment growth, but with coordinated promotion, street improvements (plants, facade and sidewalk improvements) and an imaginative approach to each restaurant or bar, Middletown's Main Street could once again become an after-work or week-end destination.

Development Schemes

The successful urban redevelopment programs have coordinated public and private initiatives---the public sector lures private businessmen with differing incentives which, in the long-run, satisfies all involved. Businesses begin to flourish; the community takes pride in their town, a tax base allowing more public amenities or lower taxes, etc. The same could happen in Middletown.

Imperative to a successful "turnaround" are steadfast commitments; originally from the public sector and then by the entrepreneurs. There has been successful renovations or adaptive reuses achieved in Middletown---the town can be proud of these efforts and should continue in this vein. Perhaps this can be achieved via syndication-private investment by the local businessmen in an overall scheme to improve Main Street; this has worked very well in Baltimore, which is now enjoying a "rebirth" of sorts. Through syndication, development could be closely monitored and carried through by local people who know and live in Middletown thereby maintaining a characteristic charm experienced only in Middletown. Development must be unique---something different offering a superior choice to what exists in competing areas.