



Economic Development Analysis & Master Plan

APPENDIX A

Detailed Demographic and Market Analysis

Final Report - March 28, 2011

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Technical Appendix A

The Technical Appendix A is part of the full “Economic Development Analysis and Master Plan” prepared for the City of Winchester.

The Economic Development Analysis and Master Plan analyzes several parcels or development areas within the City that were identified as likely development or redevelopment locations during the master plan update for the City. These study areas represent locations throughout the City, and include residential settings, commercial locations and industrial/business park sites. The purpose of this economic addition to the final Master Plan is to prepare development plans/scenarios for each of the identified study areas, which are to represent catalyst development sites for economic development.

The Economic Development Analysis supports the feasibility studies of each of the development sites, including evaluation of: (1) site redevelopment or development; (2) evaluation of phasing for the larger sites; (3) preparation of proforma analyses for each property where near term development is feasible, or where new land development is the preferred option; and (4) the identification of required “gap” financing for project feasibility or other required City action.

This Technical Appendix A is the final phase of the full Economic Development Analysis and Master Plan. It provides detailed demographic, economic and market data that support that development options for the study sites.

First presented in this Technical Appendix is a detailed demographic analysis for the Winchester Region, which is defined as the City of Winchester and the adjacent Frederick County. Data are separated for each jurisdiction, but are also shown for the defined market area which includes both jurisdictions. At this time, 2010 Census data has been published for population, households and housing units. The comparison of households and population provide the calculation of average household size.

Additionally, 2010 Census data are also available on race, which is not used in this economic analysis, and for persons 18 years and older. That sector of population is important for the evaluation of the labor force, so, while limited in value, was included in the demographic analysis.

The forecast date for the demographic projections is “near term” at 2015, as a new master plan will be needed by then. Within the demographic analysis, data are analyzed for the salient factors related to housing unit demand, by type. Thus, tenure and age are important components. Tenure refers to the mix of owner and rental housing. Age data is used to evaluate age-restricted housing, as one component of the greater Winchester area housing market. Both active and assisted living housing is studied in addition to the family market.

The last point in the introduction to the demographic analysis is that tenure, age, and income data are not yet available from the 2010 Census. These are important criteria for the analysis of housing unit demand by type. An addendum will be provided to this Technical Appendix, once those demographics are provided for 2010.

Next presented are three factors related to the economic base and stability of the market area of Winchester and Frederick County. Data are presented and analyzed on at-place job growth, Employment and Labor Force trends, Unemployment and current development activity.

At-place jobs refer to the location of the job, meaning in the City of Winchester or Frederick County. Data are current to year-end 2009, but 2010 data should be available shortly.

Employment refers to the number of City and County residents who are employed, no matter where the job is located. Labor Force is the number of residents available for employment. The difference between Labor Force and Employment is Unemployment. These data are now current to year-end 2010.

The last part of the evaluation of the market area economy is a summary of market area development activity, including active developments and “pipeline” proposals. These are compared with the demographic analysis and economic trend analysis to determine the level of development being generated by current growth.

While the demographic data represent the demand sector for new housing unit development, the economic data has a two-fold function. One is to determine the “health” of the greater Winchester economy and the ability to support new housing. Two is the basis for new commercial and industrial development.

The final section within the Technical Appendix A is an analysis of the various land uses that represent viable development opportunities in the City; such as: (1) residential, including for-sale, rental and age-restricted housing; (2) commercial space consisting of retail space, office space and hotel rooms; and (3) other land uses, with less emphasis on industrial space and entertainment space.

This extensive analysis provides the basis for the market support for the Economic Development Analysis and Master Plan. Some data may differ slightly between the separate components of the report due to updated data becoming available from the 2010 Census and/or other government published data after the preparation of the Economic Development Analysis.

Demographic Analysis

Data Related to Housing Unit Demand

Data in Table 1 provide a summary of the salient demographic trends related to housing unit demand, as each household refers to an occupied housing unit and the growth of households required new housing units. Data are presented on population, households, household size and household tenure. Highlighted data are 2010 Census counts. Other 2010 data are estimates based on available 2010 Census data and past trends.

The forecast date is 2015, as longer-term forecasts provide limited value for current economic development analyses. Projects in planning in 2011 may open by 2013 and some may continue to be in marketing in 2014 and beyond. Data are separated by the two market area jurisdictions, but are also combined for the entire market area.

Winchester's population as of the 2010 Census (April 15, 2010) is 26,200. The current population is approximately 2,600 higher than in 2000. The City's population growth was 1,600 over the 1990's, indicating a higher level of growth during the 2000 decade compared with the 1990's, albeit both were periods of modest growth.

The County's population increased by 13,500± over the 1990's and 19,100 during the 2000-decade. The County has an abundance of land for new growth which is in stark contrast to the situation in the City. However, growth restrictions are prevalent in the County, which is not the case in the City. Within the two-jurisdictional market area, 75 percent of the population resides in Frederick County.

Both jurisdictions realized limited net population growth over the past few years and during the recession. For Winchester, average annual population growth for the 2000 to 2007 period was likely to be about 340. For Frederick County for that period, the number is estimated at just under 2,600. The City's population growth is expected to continue to be modest. The development of the subject properties shown in the Economic Development Analysis and Master Plan, particularly for multifamily housing, will be required to sustain the population and household growth level of the 2000's, as few sites remain in the City for subdivision development.

Note: City officials are fully aware of the "competition" with the County for new development opportunities. The purpose of the economic sector of the Master Plan is to determine development opportunities, in light of the competitive market that exists, and to plan for a more aggressive approach to economic development

Group Quarters Population. In both communities, the Group Quarters population is small. Group Quarters refers to persons in hospitals, nursing homes, shelters, military housing, jails, and college dorms as of April 15th, of the Census year. The growth in Group Quarters shown in Frederick County in 2010 is accounted for by the addition of one new assisted living facility (ALF) and the expansion of another ALF.

The subtraction of the Group Quarters population from total population equals Population in Households, which is the determining factor for the housing market.

Table A-1 Population and Household Trends and Projections, Winchester City and Frederick County, Virginia, 1990-2015				
	1990	2000	2010	2015
Winchester City				
Population	21,950	23,590	26,200	27,500
Group Quarters Population	970	790	790	790
Population in Households	20,980	22,800	25,410	26,710
Average Household Size	2.32	2.29	2.39	2.39
Total Households	9,080	10,000	10,610	11,180
Percent Renter Households	54.6%	54.3%	54.5%	55.0%
Renter Households	4,960	5,430	5,780	6,150
Percent Owner Households	45.4%	45.7%	45.5%	45.0%
Owner Households	4,120	4,570	4,830	5,030
Frederick County				
Population	45,720	59,210	78,310	85,810
Group Quarters Population	280	790	900	950
Population in Households	45,440	58,420	77,410	85,010
Average Household Size	2.76	2.64	2.69	2.69
Total Households	16,470	22,100	28,780	31,600
Percent Renter Households	20.9%	19.7%	19.0%	19.1%
Renter Households	3,450	4,350	5,480	6,040
Percent Owner Households	79.1%	80.3%	81.0%	80.9%
Owner Households	13,020	17,750	23,380	25,560
Market Area				
Population	67,670	82,800	104,510	113,310
Group Quarters Population	1,250	1,580	1,690	1,590
Population in Households	66,420	81,220	102,820	111,720
Average Household Size	2.60	2.53	2.58	2.61
Total Households	25,550	32,100	39,390	42,780
Percent Renter Households	32.9%	30.5%	28.5%	28.5%
Renter Households	8,410	9,780	11,260	12,190
Percent Owner Households	67.1%	69.5%	71.5%	71.5%
Owner Households	17,140	22,320	28,210	30,590
Note: 2010 data are highlighted				
Source: 1990, 2000 and 2010 Census, U.S. Department of Commerce, Bureau of the Census; S. Patz & Associates, Inc.				

Households equal occupied housing units. In Winchester, total households are just over 10,600, a figure that is only 600± more than in 2000. Thus, depending upon the number of vacant units in the City that were built during the 2000 decade, the City’s net gain in new housing units was an average of 60± per year during the past decade, with most of that growth occurring prior to 2007.

Data in Table A-2 show the actual number of housing units built in the City during the 2000 decade. There were 1,280 new housing units built between 2000 to 2010; household growth was 600±. The number of vacant housing units increased by 680 for the decade. The number of new housing units built was double the number occupied. The recession of the past 3+ years, and since 2007, resulted in more housing units being built compared with demand.

Data to be shown below will not show a lot of vacancy in new rental housing, as the market has improved somewhat in late-2010 and 2011 to date. Much of the vacancy is in the new for-sale home market. However, these data indicate that in some cases existing homes need to be occupied prior to new housing development. This is for the for-sale market, not the rental market.

Table A-2 Housing Unit Trends in Number and Vacancy, Winchester City and Fredrick County, Virginia, 1990-2010			
	<u>1990</u>	<u>2000</u>	<u>2010</u>
<u>Winchester City</u>			
Housing Units	9,810	10,590	11,870
Vacant Units	720	590	1,270
Households	9,080	10,000	10,610
<u>Frederick County</u>			
Housing Units	17,860	23,320	31,350
Vacant Units	1,390	1,220	2,480
Households	16,470	22,100	28,860
<u>Market Area</u>			
Housing Units	27,670	33,910	43,220
Vacant Units	2,110	1,810	3,750
Households	25,550	32,100	39,470
Source: 1990, 2000 and 2010 Census, U.S. Department of Commerce, Bureau of the Census.			

Frederick County also had a large increase in vacant housing units in 2010. In both cases, household growth would have been higher than the 2010 Census totals, if the housing market, and economy in general, did not decline during the last third of the decade.

The comparison of housing unit development and household growth is an important one. The level of housing unit development over the 2000 decade, albeit during an “overheated” market, represents the potential level of demand that exists. It shows the potential for a somewhat larger population growth that was realized. However, the analysis to follow will show a current shift to more rental housing. Also to be shown is that the potential rental housing market represents a competitive advantage to the City compared with the County for that land use.

Average Household Size increased in 2010 for both jurisdictions, after several decades of decline. This trend is related to the increased vacancy rate. Older apartment units and foreclosed homes were vacated during the recession as households “doubled-up” due to job losses or salary declines. **The trend in the increase in the average household size is not expected to continue.** Past trends will return once job growth and household incomes increase to past levels. However, the past sharp decline in the average household size is expected to moderate over the near term future.

Household Tenure is significantly different in the City and County. In the City, 55± percent of all households are renters. In the County, only 19 percent of households are renters. There are few apartment complexes in the County, as most homes in the County were built for owner occupancy. That trend is expected to continue during the forecast period to 2015.

Forecast. The forecast data to 2015 is based on past and current trends. If the City had large active new developments, an opportunity forecast could be calculated showing potential larger growth. If that happens, it will likely be after 2015. The slow and modest growth from the past recession still exists and likely will trend into 2012. New major City developments are not likely to start for another year or so. For the County, new housing development is still not active. Thus, current trends were used to forecast demographic data to 2015.

The point to be made here is that within the forecast date of 2015, major changes to current demographic trends are not expected. If changes do occur, near or after 2015 is the likely time frame. This is a major reason for recommended phased development at some study sites and conservative development assumptions.

Trends in Residential Building Permits. In terms of authorized new residential building permits, the City had 1,341 for the 11-year period of 2000 to 2010, or 130+ per year on average. That is compared with 700± new homes built. The building permit data show:

- That there were double the number of permits authorized compared with new homes built. That is not a recession issue, as authorized building permits decreased significantly since 2007. It is a market-generated issue.
- The City had an annual average of 175 permits during the 2000 to 2005 period. That total decreased to less than 60 per year for the past five years, with an average of 30 per year for 2008, 2009 and 2010. This is a conservative economic trend.
- The small increase in 2010 from 28 permits to 37 permits is a “surprise”, although it’s doubtful that all of the permits will be built.
- Over the 2000 to 2010 period, 77 percent of the authorized building permits were for single-family homes, duplexes or towns. Only in 2002, did the City have an abundance of multifamily (MF) units. Stuart Hill Apartments with 180 units was built in 2003.

Data presented below will show that the 64-unit Tasker Village was built in 2005, which is consistent with MF building permit authorization in that year. However, the MF permits do not appear to account for other small new apartment communities, most of which were built in phases.

The purpose for showing the City’s building permit activity here is to confirm current housing development trends which are partly used for the population and household forecasts. These data show more permits than new home development and a decline in MF permits after 2005, which may not be totally accurate, but definitely is contrary to trends in many communities. The City has not had new apartment unit construction since 2005. The recession generated a growing demand for better rental housing in many communities, but this is not reflected in City data.

Table A-3 Trends in Building Permits for New Housing Units by Building Type, Winchester City, Virginia, 2000 to 2010			
	<u>Single-Family 1/</u>	<u>5+Unit Building 2/</u>	<u>Total</u>
2000	102	14	116
2001	113	0	113
2002	141	180	321
2003	122	0	122
2004	139	21	160
2005	155	64	219
2006	87	12	99
2007	81	18	99
2008	27	0	27
2009	22	6	28
2010	<u>37</u>	<u>0</u>	<u>37</u>
Total 00-10	1,026	315	1,341
Notes: 1/ Includes detached homes and fee-simple townhomes. 2/Typically rental or condominium apartment buildings. Source: U.S. Bureau of the Census			

Senior Population

Demographic data in Table A-4 show the older population within the City and market area. The population is broken own by the following age categories:

- 55 to 61, the empty nester population;
- 62-79, the active senior population that represent the market for independent living facilities (ILF); and
- 80+ years, the sector of the population that represents the target market for assisted living facilities (ALF).

The City’s population in these three categories is 21.4 percent of the total population. Again, these are not 2010 Census figures but estimates based on past trends. Removing the 55 to 61-age population, the 62+ population in the City is, at 15.9 percent, about average nationwide.

These data show potential market support for new age-restricted housing, as limited housing of this type exist in the City. The County has a much larger older adult

and senior population, but has a lower percentage of seniors compared with the City. Quality housing for seniors in attractive settings will represent a development opportunity for the City, as was shown in the other two sections of the economic analysis for the master plan.

Table A-4 Senior Population Trends and Projections by Age Categories, Winchester City and Frederick County, Virginia, 1990-2015				
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015</u>
<u>Winchester City</u>				
Total Population	21,950	23,590	26,200	27,500
% 55 to 61 years of age	6.4%	5.8%	5.5%	5.4%
Population 55 to 61 years of age	1,400	1,380	1,410	1,490
% 62 to 79 years of age	14.7%	13.1%	12.0%	11.8%
Population 62 to 79 years of age	3,230	3,090	3,140	3,250
% 80 years of age and over	3.5%	3.7%	3.9%	4.0%
Population 80 years of age and over	770	870	1,020	1,100
<u>Frederick County</u>				
Total Population	45,720	59,210	78,310	85,810
% 55 to 61 years of age	6.1%	7.2%	7.5%	7.6%
Population 55 to 61 years of age	2,780	4,250	5,870	6,520
% 62 to 79 years of age	10.1%	10.9%	11.5%	11.7%
Population 62 to 79 years of age	4,630	6,430	9,010	10,040
% 80 years of age and over	1.7%	2.3%	2.6%	2.8%
Population 80 years of age and over	780	1,390	2,040	2,400
<u>Market Area</u>				
Total Population	67,670	82,800	104,510	113,310
% 55 to 61 years of age	6.2%	6.8%	7.0%	7.1%
Population 55 to 61 years of age	4,180	5,630	7,280	8,010
% 62 to 79 years of age	11.6%	11.5%	11.6%	11.7%
Population 62 to 79 years of age	7,860	9,530	12,150	13,290
% 80 years of age and over	2.2%	2.7%	2.9%	3.1%
Population 80 years of age and over	1,550	2,260	3,060	3,500
Source: 1990, 2000 and 2010 Census, U.S. Department of Commerce, Bureau of the Census; S. Patz & Associates, Inc.				

The 2010 Census data confirm an increase in the over 18 year-old population in the City. That would indicate fewer school children and more seniors. These trends are

partly due to normal development patterns between City and suburban settings, but also due to the limited land for new housing development for families and the aging housing stock in the City which is no longer attractive to young families.

Other Demographic Factors

Within the paragraphs that follow, more detailed demographic data are presented, including data on household income, housing unit sizes selected data on the senior population, etc. Income data are only available from the 2000 Census. These data are presented in constant 2010 dollars, which removes the factor for inflation. HUD calculates 2010 household income data for the Federal Low Income Housing Tax Credit (LIHTC) program. That is current income data and shown in the report. Projections are not presented on household income.

Household Income. The 2010 median household income for the Winchester Region, which includes Frederick County, is \$63,500. That income reflects a family of four. The following chart, calculated by officials at HUD, shown the trends over the past decade using current dollar values, which is not adjusted for inflation. The non-adjusted incomes show a 25 percent increase since 2001.

<u>Median Household Incomes, Winchester Metro Area, 2001-2010 (current dollar values)</u>	
	<u>Income</u>
2001	\$50,900
2002	\$54,800
2003	\$56,600
2004	\$56,600
2005	\$60,850
2006	\$58,400
2007	\$60,900
2008	\$59,800
2009	\$64,200
2010	\$63,500

The City’s median household income is well below the regional average, as shown below. Some of the difference may be accounted for by different calculating

assumptions, but the City’s household incomes are more than 10 percent below the regional average.

Median Household Income, City of Winchester (constant 2010 dollars)	
	Incomes
1990	\$45,150
2000	\$44,600
2010	\$53,600 1/
Note: 1/ Estimate by SPA	

The City’s household income has increased, and based on our estimate, is about equal to the state’s non-metro household income. It is, however, well below the regional average and about half of the average income for jurisdictions in Northern Virginia.

Table A-5 shows a different set of income data – household income categories presented in constant 2010 dollars. For this table, household income categories were updated to 2010 based on the percentage distribution trends for 1990 and 2000. The key points in Table A-5 are:

- Over half of the households in the City in 2010 have incomes below the median. Fifty-seven percent of all households in the City have incomes below \$55,000, when incomes are reported in constant 2010 dollars. Thirty-six percent of households in the City have incomes below \$35,000.
- By contrast, 39 percent of the households in Frederick County have incomes below \$55,000 and only 19 percent have incomes below \$35,000 in 2010.
- Winchester has a small number of households with incomes over \$75,000.
- Trend data show a slight decrease in the percentage of households with incomes under \$75,000 and a slight increase of households with income over \$75,000. 2010 Census data may alter these trends somewhat.

Table A-5 Trends in the Number of Households by Annual Household Income, Winchester City, Virginia, 1990-2010
(Incomes in Constant 2010 Dollars)

Annual Household Income	1990	2000	2010
0 to \$34,999	3,420	3,690	4,040
\$35,000 to \$54,999	2,230	2,190	2,380
\$55,000 to \$74,999	1,380	1,390	1,470
\$75,000 to \$104,999	1,060	1,340	1,600
\$105,000 and Over	<u>990</u>	<u>1,400</u>	<u>1,810</u>
Total	9,080	10,000	11,300
Percent of Total			
0 to \$34,999	37.7%	36.9%	35.9%
\$35,000 to \$54,999	24.6%	21.9%	21.1%
\$55,000 to \$74,999	15.3%	13.9%	13.1%
\$75,000 to \$104,999	11.7%	13.4%	14.2%
\$105,000 and Over	<u>11.0%</u>	<u>14.0%</u>	<u>15.7%</u>
Total	100.0%	100.0%	100.0%

Source: 1990 and 2000 U.S. Department of Commerce,
Bureau of the Census; S. Patz & Associates, Inc.

Data in A-6 break out household income data by tenure. These data show that most of the low- and moderate-income households are renters.

Table A-6 Trends in the Number of Households by Tenure and Household Income, Winchester City, Virginia, 1990-2000
(Incomes in Constant 2010 Dollars)

<u>Annual Household Income</u> <u>Number of Households</u>	<u>1990</u>		<u>2000</u>	
	<u>Renter</u>	<u>Owner</u>	<u>Renter</u>	<u>Owner</u>
0 to \$14,999	910	350	1,070	190
\$15,000 to \$24,999	700	320	840	280
\$25,000 to \$34,999	720	420	790	520
\$35,000 to \$44,999	640	530	790	470
\$45,000 to \$54,999	630	430	450	480
\$55,000 to \$64,999	460	300	410	390
\$65,000 to \$74,999	280	340	230	360
\$75,000 to \$84,999	280	170	210	320
\$85,000 to \$94,999 1/	--	--	210	280
\$95,000 to \$104,999 1/	--	--	130	190
\$105,000 to \$124,999 1/	--	--	150	270
\$125,000 and over 1/	--	--	150	830
\$85,000 and over 1/	<u>340</u>	<u>1,260</u>	<u>640</u>	<u>1,570</u>
Total	4,960	4,120	5,430	4,570
<u>Percent of Total</u>				
0 to \$14,999	72.2%	27.8%	84.9%	15.1%
\$15,000 to \$24,999	68.6%	31.4%	75.0%	25.0%
\$25,000 to \$34,999	63.2%	36.8%	60.3%	39.7%
\$35,000 to \$44,999	54.7%	45.3%	62.7%	37.3%
\$45,000 to \$54,999	59.4%	40.6%	48.4%	51.6%
\$55,000 to \$64,999	60.5%	39.5%	51.3%	48.8%
\$65,000 to \$74,999	45.2%	54.8%	39.0%	61.0%
\$75,000 to \$84,999	62.2%	37.8%	39.6%	60.4%
\$85,000 to \$94,999 1/	--	--	42.9%	57.1%
\$95,000 to \$104,999 1/	--	--	40.6%	59.4%
\$105,000 to \$124,999 1/	--	--	35.7%	64.3%
\$125,000 and over 1/	--	--	15.3%	84.7%
\$85,000 and over 1/	21.3%	78.8%	29.0%	71.0%

Note: 1/ For 1990, income distribution was unavailable for income categories above \$85,000.

Source: 1990 and 2000 U.S. Department of Commerce, Bureau of the Census;
S. Patz & Associates, Inc.

Persons Per Household by Tenure. The Census data for 1990 and 2000, shown in Table A-7, present data on the number of persons in owner housing units. Following in Table A-8 is the number of persons in rental units. Trends for 2010 were not presented because the current Census data show a reversal of past trends in household size, so past trends are not now relevant for trending to 2010.

	<u>1990</u>		<u>2000</u>	
	<u>Households</u>	<u>% of Total</u>	<u>Households</u>	<u>% of Total</u>
1-Person Household	1,020	24.8	1,210	26.5
2-Person Household	1,570	38.1	1,770	38.9
3-Person Household	670	16.3	700	15.3
4-Person Household	580	14.1	550	12.1
5-Person Household	200	4.9	240	5.2
6-Person Household	50	1.2	60	1.2
7-Person Household	30	0.7	40	0.8
Total	4,120	100.0	4,570	100.0

Source: 1990 and 2000 Census, U.S. Bureau of the Census, U.S. Department of Commerce.

For owner households, in 2000, 26.5 percent were one-person households and another nearly 40 percent were two-person households. In 2000, over 65 percent of all owner households had one- or two-persons.

The percentage is higher for renters. In 2000, nearly 69 percent of all renter households were one- or two-person. Only 14+ percent of all renters had four or more persons. For owners, only 19± percent of all households had four or more persons.

These percentages will not change much for 2010 and only incomes in the number of persons in households is likely to be temporary. These data present a “clear picture” of the need for smaller size housing units in the City.

Table A-8 Trends of Renter Households by Household Size, Winchester City, Virginia, 1990 to 2010				
	1990		2000	
	Households	% of Total	Households	% of Total
1-Person Household	1,940	39.2	2,230	41.1
2-Person Household	1,420	28.6	1,500	27.6
3-Person Household	760	15.3	780	14.3
4-Person Household	500	10.1	500	9.2
5-Person Household	240	4.8	260	4.8
6-Person Household	60	1.3	100	1.8
7-Person Household	40	0.8	60	1.1
Total	4,960	100.0	5,430	100.0

Source: 1990, 2000 and 2010 Census, U.S. Bureau of the Census, U.S. Department of Commerce.

Economic Trends

In this section of the Technical Appendix, three factors related to the City’s and Region’s economic base and growth are presented. First is the City’s and Region’s job growth. This is followed by Labor Force and Employment data. The third subsection is a description of the current and evolving development activity in the City and in Frederick County.

At-Place Jobs

Prior to the recession in 2007, the City had a total of 30,160+ at-place jobs, or jobs located within the City. There was job growth during the first part of the 2000 decade, particularly in the industrial job categories of Retail Trade, Professional and Technical Services, Educational Services, Health Care, Accommodations/Food and Local Government.

Starting in 2007, at-place jobs within the City declined, by 2,000± in 2007, 1,000 in 2008 and 2,400 in 2009. 2009 was the peak job loss time frame for most communities across the country.

The City’s Health Care industry, Educational Services category and Accommodations/Food industry retained job growth throughout the recession, as did Local Government jobs to a lesser extent. Major losses were in the categories of Manufacturing, Retail Trade, Transportation and Warehousing and Administrative and Waste Services.

Table A-9 Trends in Average At-Place Employment, City of Winchester, Virginia, 2002-2009

	<u>2002</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Agric., Forestry, Fishing	ND	ND	ND	ND	ND
Utilities	ND	ND	ND	ND	ND
Construction	ND	ND	ND	ND	ND
Manufacturing	5,593	4,339	3,670	3,297	2,835
Wholesale Trade	577	533	482	476	454
Retail Trade	5,359	6,116	5,679	5,274	4,730
Transportation. & Warehousing	963	776	294	395	410
Information	410	386	311	264	273
Finance/Insurance	503	867	771	698	631
Real Estate	487	557	514	425	377
Professional/Technical Services	676	1,229	902	841	812
Management of Companies	82	64	201	194	181
Admin. /Waste Services	1,576	1,585	1,785	1,506	1,118
Educational Services	773	1,248	1,274	1,238	1,242
Health Care	5,118	5,828	5,926	6,072	6,183
Arts/Entertainment/Recreation	242	257	272	324	272
Accommodations/Food	2,255	2,752	2,485	2,500	2,432
Other Services	707	660	700	753	688
Local Government	1,310	1,451	1,476	1,481	1,489
State Government	188	201	205	191	197
Federal Government	<u>370</u>	<u>463</u>	<u>478</u>	<u>604</u>	<u>759</u>
Total	27,978	30,161	28,218	27,132	25,509

Source: U. S. Department of Labor, Bureau of the Labor Statistics

In general, the City's job totals "held up" during the recession, except for the Manufacturing sector. Of the net 2,500 loss in jobs during the 2002 to 2009 period, 2,800± were Manufacturing jobs. Without the major job losses in the Manufacturing category, the City's number of jobs would have increased during the 2000 decade. Manufacturing will be a difficult sector to "revive" in the short run, but overall the Winchester economy has remained relatively stable in terms of jobs.

For the catalyst development sites under study, industrial sites were shown to be future development opportunities. However, data in Table A-9 show stronger growth opportunities in office related fields, such as Insurance/Finance, Technical Services, Educational Services, etc. Retail Trade jobs are expected to increase with an improved economy, but this was a non-growth sector during the post-2007 period.

Identical data is presented in Table A-10 for Frederick County. The At-Place job trends in the County show great stability during the recession, with a modest loss of jobs of 1,300 for the post 2007 period.

Table A-10 Trends in Average At-Place Employment, Frederick County, Virginia, 2002-2009

	<u>2002</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Agric., Forestry, Fishing	ND	ND	ND	ND	ND
Utilities	ND	ND	ND	ND	ND
Construction	2,099	2,865	2,838	2,456	1,866
Manufacturing	4,560	4,827	4,909	4,483	3,988
Wholesale Trade	1,393	1,286	1,242	ND	ND
Retail Trade	1,470	1,972	2,459	2,524	2,603
Transportation. & Warehousing	ND	ND	ND	ND	1,230
Information	134	112	218	173	221
Finance/Insurance	362	400	497	551	630
Real Estate	110	173	205	190	192
Professional/Technical Services	614	592	627	762	761
Management of Companies	539	473	300	277	277
Admin. /Waste Services	999	1,047	848	828	763
Educational Services	49	60	71	69	54
Health Care	579	880	1,229	1,377	1,365
Arts/Entertainment/Recreation	269	259	246	253	218
Accommodations/Food	997	1,296	1,735	1,777	1,825
Other Services	463	566	609	641	577
Local Government	2,746	3,313	3,491	3,661	3,466
State Government	363	442	459	477	499
Federal Government	<u>60</u>	<u>255</u>	<u>376</u>	<u>426</u>	<u>545</u>
Total	18,834	21,996	23,939	23,730	22,603

Source: U. S. Department of Labor, Bureau of the Labor Statistics

The job losses realized in the market area for the post-2007 period are modest in comparison to many Virginia communities. However, while job losses were somewhat modest, job growth and development was also somewhat modest. Job growth and development was somewhat stagnant for the 2007 to 2009 period, as will be described below.

Labor Force and Employment. Employment refers to the number of residents of the City of Winchester who are employed, while at-place jobs are where the job is located. The fact that the number of jobs in the City is double the number of City residents who are employed means considerable in-commuting to the City, likely from Frederick County residents. This can be shown by the comparison of jobs and employment in the County, which is the reverse of the City’s comparison of jobs and employment.

The City has had a steady, but small, increase in Employment since 2000, and with Employment data now current to 2010, that trend has continued. The net increase in Employment in 2010 should be a prelude to some job growth also in 2010 in the City.

Labor Force has also increased over the past decade, meaning that residents expect to find a job. In terms of at-place jobs and employment, the overall trends for the City over the 2000 decade are stable. The one negative issue is the unemployment rate. The City’s unemployment ratio was under four percent for most of the decade. It increased to 4.5 percent in 2008 and 8.0 percent in 2009. In 2010, the unemployment rate decreased slightly to 7.2%.

Table A-11 Trends in Labor Force, Employment and Unemployment, City of Winchester, 2000-2009			
	Labor Force	Employment	% Unemployment
2000	12,835	12,551	2.2%
2001	13,031	12,615	3.2%
2002	13,313	12,788	3.9%
2003	13,505	13,010	3.7%
2004	13,789	13,346	3.2%
2005	13,831	13,407	3.1%
2006	14,271	13,858	2.9%
2007	14,469	14,011	3.2%
2008	14,345	13,694	4.5%
2009	14,400	13,246	8.0%
2010	14,450	13,405	7.2%
Net Change 2000-10	1,620	850	5.0%

Source: U. S. Department of Labor, Bureau of the Labor Statistics

Frederick County’s Labor Force and Employment trends are consistent with those of the City. The County’s total employment is nearly three times larger than the City’s. The net growth was 6,700+ over the 2000-decade. Over the past 10 years, the County had steady employment growth and a low unemployment rate. The 2010 data on Employment is larger than in 2009, consistent with the City’s trends for that period.

Active Development

In the paragraphs which follow, a brief description of current and proposed development activity in the market area is presented, separated by the City and County. These data are intended to highlight evolving trends, which are more current data compared with published data. They also are part of the basis for determining development opportunities at the identified study sites.

Winchester

There is current development activity in the downtown, as well as new companies moving into the City. A 50,000± square foot office building was started in 2010 on Jubal Early Drive, but construction was stopped and the property was taken back by the bank. Some of the City's active single-family subdivisions have restarted, but few lots are left to be developed. The City had two hotels built in 2009 and these are "functioning" well. The downtown is one of the City's stronger market places at this time, but the buildings under rehab are small and only a small number of residential units and a modest amount of retail space are being added. Some new retailers have opened in the City and a major expansion of the Winchester Medical Center was realized. The following summarizes some of the larger City development activity.

- **Best Buy** opened a new 30,000 square foot store in November, 2010 on Jubal Early Drive. The store has around 100 employees.
- **hhgregg** opened in a new store South Pleasant Valley Road in Winchester in March, 2010. The store currently employs about 50 employees.
- **ProBuild Holdings Inc.**, the nation's largest professional building materials supplier, announced in March, 2010, that it would open a new location. The location, formerly operated by Glaze Components, will expand the company's ability to serve the Washington and Baltimore markets. The company added 25 jobs.
- **O'Sullivan Films Inc.**, a German-owned company that makes polymer films for the building-products, consumer, health-care and automotive markets, announced in September, 2010 that it would invest over \$28 million to expand its Winchester manufacturing plant, creating 174 new jobs.

- **Mill Branch Industries**, a building component manufacture, opened an 84,000 square foot plant at 380 Battaile Drive in Winchester in mid-2010. Since moving to Winchester, the company has hired 40 new employees.
- **Sunshine's Pride Dairy**, a New York-based manufacturer of Salvadoran cheese products, rehabilitated the existing Rich Products Corporation's food processing plant at 801 North Kent Street. By August, 2010, the company had hired 150 new employees at the plant for manufacturing, production, and clerical positions to support the production of American style cheeses and cream sauces.
- In November, 2009, **Winchester Medical Center (WMC)** announced a \$178 million expansion plan. The expansion includes the construction of a six-level North Tower with an expanded emergency department and a 20-bed observation unit, a 48-bed critical-care unit, a newborn intensive care unit, and an expanded well-born nursery. In addition, the plan includes the construction of a one-story heart and vascular center, the renovation of the existing building, and space set for 139,000 square feet of shell space for future expansion. Construction began in the spring, 2009 and is slated for completion in 2012. Once completed, the project will add over 368,000 square feet of space to the medical center. 300 new physicians and nurses are also expected to be hired once construction is completed.
- **Shenandoah University** is nearing completion on the renovation of a three-story building at 142 North Loudon Street on the pedestrian mall in downtown Winchester. The university is converting the former Solenberger hardware store into a 33-unit student housing building for graduate and undergraduate students over the age of 21. The building will include studio, one-, two- and four-bedroom units that will include Wi-Fi access, kitchen facilities, furnishings as well as in-unit washers and dryers. Rent will also include water, electricity, sewage, and trash collection. Studio rates are expected to be \$450 per month, one-bedroom units \$650 per month, two-bedroom units \$475 per student/month and four-bedroom units will be \$450 per student/month. Construction is set for completion in August, 2011 with occupancy beginning in the Fall, 2011 semester
- **146-158 North Loudon Street** is the former site of the American Stock Company that most recently has been occupied by Blind Faith Guitar. Site plans have been submitted to the City and demolition work has started on the blighted property located on the pedestrian mall in the downtown. Once renovated, the three-story structure will include six residential units and two ground-floor retail units.
- **The Lovett Building** is the former name of a historic property located at 163-165 North Loudoun Street in the downtown. Originally built in 1881, restorations were completed in April, 2010 to convert the three-story, 7,010 square foot building into a mixed-use property with residential and retail space. The building consists of five residential units, one office/retail unit, and a common

courtyard/terrace in the back. The first floor includes the office/retail unit and an apartment while the second and third floors consist exclusively of apartment units. The retail space, currently occupied by Runner's Retreat, covers 1,630 square feet and is rented at a monthly rate of \$2,000. The residential units are one-bedroom/one-bath units with in-unit washers and dryer. They range in size between 705 and 1,042 square feet at monthly rates between \$850 and \$975, with no utilities included.

- **Yount Hyde & Barbour (YH&B)**, a local accounting firm, nearly doubled its office space in Winchester by moving about 75 employees from its human resources, internal accounting and other business divisions to a renovated property covering just over one acre at 302-308 South Loudon Street in downtown Winchester. A state-of-the-art training center that acts as a hub for classes and seminars is included in the facility. It can accommodate up to 70 people.
- **Taylor Hotel**. Renovations may begin as soon as July, 2011 on the 164-year-old Taylor Hotel at 119-129 North Loudoun Street. Renovation plans call for a 2,500 square foot ground-floor restaurant area, construction of retail space on the first floor in the rear of the property and five residential apartment or condominium units on the second floor of the property. Plans also include the demolition of the area in the center of the structure to clear way for a city-owned public pavilion. The upper stories will be reserved for future development related to the City's Economic Development Authority. The City, Economic Development Authority and a developer Lafayette Plaza LLC must secure financing before work can begin on the property. The City hopes to complete the renovation by 2013.

A chart presented below will summarize the total net new job growth in the market area based on the new company additions and expansions in the City and shown below for the County. These new jobs will likely show net growth once 2010 at-place job data are available.

Frederick County

Since 2009, Frederick County has had nine business expansion announcements and two new companies have launched operations. The following paragraphs describe the new job-related investments in Frederick County.

- In September, 2010, **Southern Scrap**, a recycling company, announced it would expand operations resulting in the addition of 12 new, full-time positions.

- In May, 2010, **Moxon Oak**, a company that processes oak for the winemaking industry, announced it would start operations in Frederick County resulting the in the hiring of 25 employees.
- **Kraft Foods Inc.** announced in March, 2010 that it would invest \$40 million to increase production of its Capri Sun beverage product at its Frederick County facility, creating 100 new jobs. Most of the jobs are full-time, hourly positions that involve employment for operators or technicians. All new employees were hired by November, 2010. The recent announcement follows the company's previous October, 2009 investment of \$10.2 million to expand operations at the same plant, resulting in the creation of 75 new jobs.
- **H.P. Hood Inc.**, a manufacturer of plastic bottles, announced in January, 2010 that the firm would invest \$6.5 million to expand operations in Frederick County and hire 74 new employees.
- **Annandale Millwork Corporation**, a local homebuilding supplier, announced in November, 2009 that it would invest \$7.5 million to develop a lumber reload and manufacturing facility off VA 37 near Shady Elm Road. The first phase involved the creation of a 2,700-foot rail spur. The second phase involved the construction of a 50,000-square foot facility to manufacture I-joists and wall panels. The expansion resulted in the hiring of 20 new employees.
- **Unwind Roasting Company** opened a coffee roastery and distribution center in Frederick County in November, 2009. Operating under the name Winchester Coffee Roasters, the company leased 16,000 square feet of space creating 10 new jobs.
- **Thermo Fisher Scientific Inc.**, a major science supply company, announced in October, 2009 that it would invest \$8.9 million to expand its Middletown plant creating 50 new jobs. As part of the expansion, the company added a new medical liquid formula line to its existing operations that had been producing clinical diagnostics products.
- In July, 2009, **Home Depot** expanded its retail distribution center, creating 30 new jobs.
- **Quad/Graphics**, a company in the commercial printing sector, announced plans to invest \$35.2 million to expand its Frederick County plant. The expansion resulted in the creation of 30 new jobs.
- **Blane-Chase Industrial Construction & Maintenance**, an industrial construction and maintenance company, announced in April, 2009 that it would invest \$1.26 million to expand operations in Frederick County and hire 28 new employees in 2010.

In addition to the above, construction began in September, 2010 on a third **Wal-Mart** in the County at the intersection of Front Royal Pike (U.S. 522) and Tasker Road. The new Wal-Mart will cover 150,000 square feet of space and feature a full grocery, garden center and pharmacy. Once completed in early-2012, the Wal-Mart will employ about 300 full-time employees.

The total number of new jobs from these company investments are summarized in the table below.

Table A-12 <u>Net New Job Growth at New and Expanding Businesses, Winchester Market Area, 2009-2011</u>		
<u>Company</u>	<u>Announcement Type</u>	<u>New Hires</u>
Best Buy	New	100
Southern Scrap	Expanding	12
O'Sullivan Films	Expand	174
Moxon Oak	New	25
Mill Branch Industries	New	40
Kraft Food	Expanding	100
Hhgregg	New	50
ProBuild Holdings	New	25
Sunshines Pride Dairy	New	150
H.P. Hood Inc.	Expanding	74
Annandale Millwork	Expanding	20
Winchester Coffee Roasters	New	10
Winchester Medical Center	Expanding	300
Kraft Food	Expanding	75
Thermo Fisher Scientific	Expanding	50
Home Depot	Expanding	30
Quad/Graphics	Expanding	30
Blane-Chase	Expanding	28
Total		1,293
Source: Virginia Economic Development Partnership		

Land Use Analyses

The final section of the Technical Appendix describes the current market for selected land uses in the City that were studied as part of the development opportunity sites. Data presented below represent the market research undertaken to determine the market support, both short-term and long-term, for the sites under study for new development, as described in the Economic Development Analysis and Master Plan

Downtown Winchester

Downtown Winchester was not an identified development site or area, but it is clearly a development node in the City. The historic area and historic buildings provide a unique setting in the City. Some buildings have already been upgraded and some are in active planning or development, as noted above.

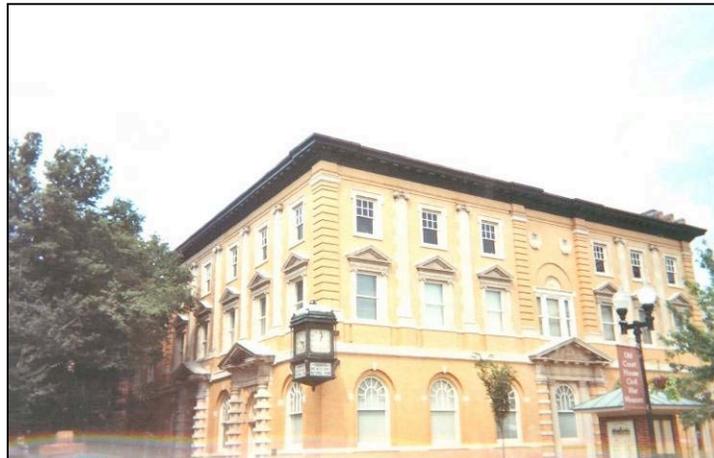
The list of buildings in Table A-13 show the magnitude of available space in the downtown that are available for lease or sale. The buildings and spaces are small. The magnitude of available space is large at over 100,000 square feet. The potential for assembly for larger developments are excellent, particularly as unique properties are being successfully converted to apartment units or possibly condo space in the future.

The market analysis proposed for the economic development section of the master plan shows an expanding market for new downtown housing in adaptive reuse projects. An expanded downtown population would be a catalyst for new retail space or expanded sales at existing retailers. The next land use under study, the Apartment Market Analysis, will show that the downtown currently has 120± “competitive” apartment units. The City has already undertaken studies on the potential market for new downtown housing. Continued City support is needed to attract continued investments.

Table A-13: Available Properties, Downtown Winchester, Virginia, 2010

	<u>Year Built</u>	<u>Size</u>	<u>Price</u>
Sale			
36 Cameron St.	1880	1,000	\$318,000
132 S Cameron Street	1880	1,710	\$285,000
25 E Boscawen Street	1950	5,640	\$749,000
126 N Braddock Street	1952	3,500	\$250,000
41 E Piccadilly St.	1850	3,215	\$340,000
39 Piccadilly St.	1850	2,039	\$340,000
129 S Loudoun St	1982	6,070	\$595,000
20 Braddock St.	1910	2,021	\$165,000
422 Cameron St. S.	1785	2,117	\$199,900
17 Boscawen St. E	1900	2,600	\$295,500
(Subtotal)		(29,912)	
Lease			
9 N. Loudon St	1900	3,168	\$11.00/SF
114 N Cameron Street	1860	2,500	\$10/SF
114 N Cameron Street	1860	2,500	\$10/SF
114 N Cameron Street	1860	1,200	\$10/SF
1821 - 1841 Plaza Drive	2005	2,004	\$11.50/SF
1821 - 1841 Plaza Drive	2005	1,070	\$14.50/SF
21 S Kent Street	1977	2,300	\$12.75/SF
21 S Kent Street	1977	1,875	\$12.75/SF
21 S Kent Street	1977	2,296	\$12.95/SF
186 N Loudoun Street	1930	1,200	\$12.75/SF
186 N Loudoun Street	1930	2,800	\$12.75/SF
42-44 S Cameron Street	1900	1,800	\$10.00/SF
1420 W Boscawen Street	1875	1,662	\$8.66/SF
807-821 N Loudoun Street	1989	5,000	\$10.00/SF
1420 W Boscawen Street	1875	1,015	\$10.58/SF
1420 W Boscawen Street	1875	900	\$11.40/SF
501 S Cameron Street	1955	5,452	\$10.00/SF
116 N Braddock Street	1931	3,600	\$12.00/SF
10 West Boscawen Street	1938	1,800	\$158.33/SF
15 E Boscawen Street	1900	1,345	\$125/SF
16 W. Boscawen St.	1875	900	\$79.17/SF
225 Pall Mall St. E	1950	900	\$8/SF
225 Pall Mall St. E	1950	3,450	\$8/SF
225 Pall Mall St. E	1950	4,350	\$8/SF
45 Boscawen St E	1900	2,511	\$10/SF
137 Boscawen St.	1891	4,190	\$12/SF
116 N Braddock St.	1931	3,600	\$12/SF
1 N Loudoun St.	1938	400	\$350
30 Braddock St.	1900	1,200	\$550
24 E Piccadilly St.	1900	300	\$750
24 E Piccadilly St.	1900	850	\$750
202 Loudoun S. N	1986	844	\$800
6 Boscawen St.	1938	1,800	\$1,200
28 E Piccadilly St.	1900	2,851	\$1,400
117 Boscawen St. W	1962	1,800	\$1,500
4244 Cameron St. S.	1900	1,800	\$1,500
(Subtotal)		(77,233)	
Total		107,145	
Source: Field and telephone survey by S. Patz & Associates, Inc.			

Examples of Quality Downtown Properties



Apartment Market Analysis

The one land use within the City that has the most immediate market support is the apartment market and market support exists for both new upscale units and new or renovated affordable units.

Data in Table A-14 show that, including units in the downtown, there are 800+ better/higher rent apartment units in the City and County, but most of these units are located within the City. The vacancy rate for these is approximately one percent. The newest property is the 64-unit Tasker Village which is currently at full occupancy. The most amenitized property is Stuart Hill, built in 2003, and also at or about full occupancy.

The City and market area have not realized new apartment unit construction since 2005, except for adaptive reuse units in downtown buildings. The success of the newer buildings, and the small number of higher income renters who occupy these properties, suggest a pent-up demand for new units. These can be in new development or additional adaptive reuse buildings in the downtown. Several of the study sites are shown with apartment unit demographic development.

Table A-14 Characteristics of Apartment Properties, Winchester Market Area, April, 2011		
	<u>Date Built</u>	<u>Total Units</u>
Better Apartments		
Melco Properties 1/	1995/05	116
Stuart Hill	2003	180
Tasker Village	2005	64
Peppertree	1987/89	194
Pemberton Village	1998	120
Limestone Court TH's	2001	20
Downtown Rehabs	1998	<u>120</u>
(Subtotal)		(814)
Affordable Rent		
Aikens Group 2/	1983-2005	238
Griffin Properties	--	71
DSS Enterprises	1950's-1970's	101
Molden Real Estate	--	400 3/
Pine Realty	Late-70's-Early 90's	<u>190</u>
(Subtotal)		(1,000)
Total		1,814
Notes: 1/ Includes Treetops, Summerfield and two more mature properties. 2/ Includes Tasker Village (64) and Shawnee Village (40), Pembleton Village and Atwell Apartments (14). 3/ North Landon Street, East Street, Gray Avenue, Clifford Street, Hillcrest Apartments, Braddock Street, Cavalier Apartments and Southwerk Street.		
Source: Field and telephone survey by S. Patz & Associates, Inc.		

Also listed in Table A-14 are the larger affordable rent properties. These represent a small number of the more mature rentals. The occupancy rate for these properties is also near 100 percent, and above 97 percent.

The City had a high vacancy rate for the mature properties during the recession in 2008 and 2009. The improved market has generated increased occupancy. The apartment market in late-2010 and early-2011 is much improved.

The City has an abundance of older rental units that need upgraded. There are a large count of moderate rent properties. The better properties primarily include some of the units owned and managed by Melco Properties and Stuart Hill Apartments. Market data show full support for new, quality rental housing.

Photos follow of two of the City’s higher rent properties. While attractive, they do not have the more contemporary designs of recently built apartment properties in other market areas.



Stuart Hill Apartments



Sunnyfield – Melco Properties

Current rents at a selected group of these properties are shown in Table A-15. For the newer properties, the high occupancy rate indicates that these rents are acceptable in the market area. Also shown is the large differential between the rents at the new and mature properties.

Table A-15 <u>Net Rental Rates 1/ at Apartment Properties, Winchester/Frederick County, April, 2011</u>			
	<u>One-Bedroom</u>	<u>Two-Bedroom</u>	<u>Three-Bedroom</u>
<u>Better Apartments</u>			
Melco Properties 3/	\$770-\$820	\$845-\$895	\$1,050 4/
Stuart Hill	\$875-\$900	\$1,010-\$1,030	\$1,145
Tasker Village	--	\$870 2/	--
Peppertree	\$725-\$740	\$780-\$860	\$905-\$910
Pemberton Village	--	\$800-\$825	\$920-\$945
Limestone Court TH's	--	\$900 4/	\$1,200
<u>Affordable Rent</u>			
Aikens Group	\$495-\$550	\$620-\$950 4/	\$950-\$1,200
Griffin Properties	\$600-\$700	\$700-\$800	--
DSS Enterprises	\$575-\$600	\$575-\$775	\$750
Notes: 1/ Rents exclude all utilities. 2/ Includes washer and dryer. 3/ Rents reflect market rate, but management offered rent specials in 2010. Rents are for Treetops and Summerfield. 4/ Excludes garage.			
Source: Field and telephone survey by S. Patz & Associates, Inc.			

The City has a large percentage of renters and a large number of low- and moderate- renters. Thus, there is far more low-rent apartment properties in the City compared with newer, upscale ones. These data “suggest” two issues for the City:

1. The upscale market has been successful to date but is still fully underserved. There are sites available or possibly available in the City, for new apartment unit development and ready developers exist for these properties if no impediments exist.
2. The City should encourage upgrades to some of the mature and low rent housing stock. In time, these could be problem properties without new investments.

For-Sale Housing Market

At present and for first quarter 2011, the for-sale housing market in the market area is still affected by the problems created by the sub-prime mortgage market. Only a few of the previous active subdivisions are open and expanding. New home prices at subdivisions that were built in 2008 or before have been reduced in price by as much as 50% in some instances.

This is one land use that the city “suffers” from significant competition from the County. The City has few sites left for development and these are modest in size. The County has an abundance of sites with site plan approvals and utilities in place.

Snowden Village by Brookfield Homes is a 2,200+ home development in the County. Currently, only singles are being built, but the developer has plans for active adult homes and townhomes in the future. After 3+ years, only 50+ homes have been sold. Only 15 homes were sold in 2009.

The developer will add 170 new homes in the next section with smaller lots and some towns. The following photos show the homes available at Snowden Village and the current price ranges for these homes. Existing homes include both larger and smaller models. The new singles in the next section will be priced below \$300,000; the townhomes will be priced in the \$180,000’s.

The developer is adding new homes in the next section after three-plus years. Sales are still slow.

Snowden Village Homes



Larger Model - \$300,000+



Smaller Model - \$200,000+

Red Bull Run is another active County subdivision near the City, off of Route 7, east of Winchester-Homes there, by Richmond American and Ryan, are priced from \$230,000 to \$310,000. The community opened in May, 2009 and only 20± homes have been sold.

County planners, estimate that there were 2,850 vacant, approved lots in subdivisions in 2008. Of these, 2,270± lots were for detached homes and 580± were for townhouse, duplex, or multiplex structures. Few new subdivisions were added since 2008. Comparing these totals to the 790 annual average number of units for which residential building permits were issued (which were not all built) between 2000 and 2008 show that there is a multi-year supply of lots available based on past demand levels.

Townhomes. Most new townhomes that have sold over the last couple of years were in the price range from \$220,000 to \$280,000. The reduction in home prices is evident with the sales price proposed for new towns at Snowden Village. An analysis of vacant lots in townhouse subdivisions, including subdivisions that are part of larger developments with a mix of detached and attached housing, show that there are only two fully “active” townhouse subdivisions - Fieldstone and Wakeland Manor. Combined, these communities have a total of 310± vacant lots and 125 developed lots improved. Most of the developed lots are at Wakefield Manor.

Apartment Condominiums. Frederick County has little apartment condominium development. Parkview Condominium, a garden apartment condominium located east of Winchester, on the south side of Valley Mill Road near its intersection with Brookland Lane, was built between 1999 and 2001, and has 77 units in six buildings. Two-bedrooms, two-bath units with 1,070 square feet of living area were listed for resale for \$130,000 to \$140,000.

The City has only a few single-family subdivisions and no new townhome communities. Current prices at two City active single-family developments are:

- Park Place - \$300,000 - \$350,000
- Rolling Estates - \$300,000 - \$420,000

Current prices are likely to be below these rates. However, the new home prices at these City subdivisions are equal or above the prices of new homes in County subdivisions.

Active-Adult Communities. As part of the new home market, the active adult market has evolved. To date, these subdivisions are located in Frederick County and not in the City. Currently, four properties are active, as shown in the chart to follow, but the sales program are largely stagnant at this time. The four active age-restricted properties opened over the 2003 to 2007 period, and 2,100± of the 2,400 planned units/lots are still for sale.

These communities offer a mix of zero lot line, single story towns or singles on small lots. The large Shenandoah at Lake Frederick is being built by Winchester Homes and, to date, includes all singles. There are also six active adult development proposals in planning with 1,340 units planned.

These data show a market that could be fully supplied, as only 350± homes at the active subdivisions are sold to date and if the proposed properties are started, a large supply of units/lots will become available. Also, Shenandoah at Lake Frederick is a very large subdivision. At present, these properties offer attractive new homes, but limited variety. The 2009 home prices are mostly above \$300,000.

<u>Characteristics of Active Age-Restricted For-Sale Housing in Frederick County</u>			
	<u>Year Started</u>	<u>Homes Planned</u>	<u>Prior Price Range</u>
<u>Active</u>			
Village at Harvest Ridge	2006	82	\$400,000±
Westbury Commons	2007	11	\$420,000±
Autumn Glen	2003	211	\$236,000±
Shenandoah at Lake Frederick	2007	<u>2,130</u>	\$340,000±
Total		2,434 1/	
Note 1/: Proposals:			
		<u>Homes Planned</u>	
	Orrick Commons	75	
	Snowden Bridge	739	
	Cedar Meadows	140	
	Crosspointe Center	200	
	Hiatt Run	47	
	Willow Run	<u>139</u>	
	Total	1,340	
Source: Frederick County Planning and Development			

Assisted Living Facilities (ALF's). The market area has five ALF's, with one that just opened in mid-2010 and is 70+ percent occupied. The others are full. Willows at Meadow Branch is in the City; the other four are located in the County. Spring Arbor has nearly 70 residents after opening in mid-2010.



Spring Arbor – Prior to Opening

This sector of the housing market is very strong and shows the potential for additional facilities. The expansion and quality of the Winchester Medical Center is a prime reason for the success of these facilities.

<u>Characteristics of Assisted Living Facilities, Winchester Market Area, April, 2011</u>		
<u>Market Area</u>	<u>Year Opened/ Expanded</u>	<u>Resident Capacity 1/</u>
Willows at Meadow Branch	1998	80
Hilltop House 2/	1985/90	61
Westminster Canterbury	1987	60
Amerisist-Stephens City	2002	41
Spring Arbor	2010	<u>80</u>
Total		322 3/
Notes: 1/ Number of beds 2/ Expansion with 35 private beds opened in Spring, 2008. 3/ Three other assisted living facilities in the market area -- Apple Manor, Bon Air Stephens City, and Royal Haven are mature and “affordable” ALF’s.		

Summary

Once the for-sale housing market returns to some level of pre-recession status, with active sales and stabilized home prices, the for-sale home market in the City should be able to attract new investments. These are likely to be for: (1) townhomes; (2) active-adult communities; (3) condos, especially in downtown adaptive reuse buildings; and (4) assisted living facilities.

A strong market for the City will be for townhomes, if units can be competitively priced compared with developments in the County. Current prices would need to be under \$200,000.

The active adult market is a key component for new housing in the City with Village at Harvest Ridge being an excellent “comp”.

The condo market in attractive adaptive reuse properties should be successful.

The market for new ALF’s will open up over the next few years.

Hotel Room Market

In terms of commercial development, new hotel rooms represent a near-term option. The market area overall occupancy rate for better facilities was over 60 percent in 2010, an increase from the recession year of 2009, but still below the 2008 market area average. Prior to the addition of new facilities during the post-2007 period and before the recession, market area occupancy excluded 70 percent and reached a high of 75 percent in 2006. Room rates fell by \$10 per night from 2008 to 2010, but are still above the pre-2005 period.

Annual Market Area Occupancy Rate Better Hotels	
2008	64.6%
2009	56.2%
2010	61.0%

Data in Table A-16 show that the City of Winchester has eight competitive hotels with a total of nearly 800 rooms. The two newest hotels opened in 2008. Prior to that, there were no hotel room additions in the City since 1990. The managers of the two new hotels report good occupancy levels. Clearly, a pent-up demand existed in 2007. The recession tempered that demand over the past few years.

Table A-16: Lodging Inventory in Winchester April, 2010		
	<u>Year Opened</u>	<u>Number of Rooms</u>
<u>Winchester City</u>		
Days Inn Winchester	1960	81
Best Western Lee Jackson	1970	139
Shoney's Inn Winchester	1986	98
Hampton Inn Winchester/Univ. Mall	1986	101
Wingate by Wyndham Winchester	1998	84
Hampton Inn Winchester North	1999	100
Wyndham George Washington Hotel	2008 1/	90
Hilton Garden Inn Winchester	2008 1/	<u>102</u>
Total		795
<p>Note: 1/ The Wyndham George Washington Hotel opened in April, 2008, and the Hilton Garden Inn Winchester opened October 21, 2008.</p> <p>Source: S. Patz & Associates field and telephone survey.</p>		



Wyndham George Washington Hotel



Hilton Garden Inn

There are 18 competitive hotels in the County, with a total of 1,600 rooms. Two opened in 2009, one new facility opened in 2008 and three hotels were placed on the market in 2007.

In total, since 2007, eight new hotels opened in the market area with a total of 799 rooms. The overall occupancies increased in 2008 but decreased in 2009 due to the recession, not from the additional room inventory.

Combined, the market area has 26 hotels with a total of 2,395 rooms. There are seven small, outdated hotels in the market area and a few “B & B’s”. Ten of the 26 hotels were built prior to 1990. With an improved economy, the market area will be able to support additional hotel rooms, due to commercial growth and transfer from the older facilities. City officials will need to find attractive sites for hotel development to remain competitive for this market.

Table A-17 Lodging Inventory in Frederick County, April, 2010		
	<u>Year Opened</u>	<u>Number of Rooms</u>
Frederick County		
Quality Inn Winchester	1965	120
Comfort Inn Winchester	1972	82
Travelodge Winchester	1983	149
Red Roof Inn Winchester	1985	113
Comfort Inn Stephens City	1986	60
Super 8 Winchester	1987	62
Econo Lodge North Winchester	1987	49
Holiday Inn Express Stephens City	1995	71
Super 8 Middletown	1999	49
Sleep Inn & Suites Winchester	2002	72
Fairfield Inn & Suites Winchester	2004	85
Holiday Inn Express & Suites Winchester	2004	81
Candlewood Suites Winchester	2007	70
Country Inn & Suites Winchester	2007	81
Courtyard Winchester Medical Center	2007	136
Holiday Inn Winchester	2008 3/	130
Aloft Hotel Winchester	Spring, 2009	100
La Quinta Inn	Fall, 2009	90
Total		1,600
Source: S. Patz & Associates field and telephone survey.		

Retail Space Analysis

The attached four tables present our analysis of the retail space market in the market area. As noted in the tables, we concentrated on the anchored shopping centers. This approach includes most of the grocery store sales, except for the 7 Eleven's and other small markets. We estimated sales at smaller stores within retail centers based on input from retail leasing agents. Any omitted stores/sales would represent a very small total within the market area and not affect the study conclusions.

Inflow sales estimates are difficult to calculate, but the figures used should be within the correct range, based on our research. Data on sales at anchor stores are based on industry-accepted averages and input from the real estate brokers who are marketing new space. The distribution of household expenditure potential by consumer category comes from a 2002 consumer survey by the U.S. Department of Commerce.

Income data comes from the IRS and are reported in current dollars for 2000 and 2010. While the 2000 to 2010 income and expenditure potential trends show an average annual increase in expenditure potential for that period of just under \$40,000,000, our short-term forecast uses a lower projection due to current and short-term expected economic conditions. 2010 data do not include stores that opened in 2010.

Food Stores. Data in Table A-18 show an available expenditure potential in 2010 for food sales for home consumption. The fact that an available expenditure potential is shown, means that stores are generating higher than “normal” sales due to pent-up demand. Total available expenditure potential supports a new major supermarket in the short term. There is a new Walmart under construction and the Martin's store at Apple Valley Marketplace is vacant due to the relocation of that store to Winchester Gateway. The surprising finding for the analysis of food store sales is that with a new super Walmart and new Martin's stores, the market will not be oversupplied with supermarket stores. Additional stores will take time to be feasible.

The supermarket “market” is served by three company’s- Martin’s, Super Walmart, and to a lesser extent, Food Lion. The Food Lion stores are mature and could be vulnerable to new, modern competition. Retailers report that Trader Joe’s and other specialty stores are not yet ready to locate in the Winchester area. Wegman’s is reported to be a potential new store.

Table A-18 Trends in Consumer Expenditure Potential for Retail Goods 1/, Winchester Market Area, 2000 and 2010 (current dollar values)			
	2000	2010	Net Change
Total Households	32,100	40,000	7,900
Median HH Income	\$49,700	\$59,800	\$10,100
Total HH Income (000’s)	\$1,595,460	2,933,200	\$1,337,800
% Retail Sales 1/ Expenditure Potential:			
Food at Home (6.2%)	\$98,925,000	\$181,860,000	\$82,940,000
Food Away (4.6%)	\$73,400,000	\$134,930,000	\$61,530,000
Household Goods (5.6%)	\$89,340,000	\$164,260,000	\$74,920,000
Apparel (3.5%)	\$55,840,000	\$102,660,000	\$46,820,000
Services/Misc. (3.0%)	\$47,860,000	\$87,996,000	\$40,136,000
Total Expenditure Potential for Retail Goods (000’s) (22.9%)	\$365,360,000	\$671,706,000	\$306,346,000
% Increase: 2000-2008	--	--	83.8%
Notes: 1/ Excludes:			
<ul style="list-style-type: none"> ▪ Housing and Utility costs ▪ Vehicle purchases ▪ Public transportation ▪ Life and personal insurance ▪ Health care ▪ Education ▪ Entertainment 			
Source: U.S. Department of Commerce, Consumer Expenditure Survey, 2002; and S. Patz and Associates, Inc.			

Other Retail Stores. Unless our estimate of inflow sales is too low, or unless our estimate of store sales is too high, the comparative goods market appears fully supplied at this time. The analysis of other stores includes restaurants and includes personnel serve stores –flower shops, nail and hair salons, spas, etc.

As noted in Table A-19, Target and Lowe's recently opened (2008) at Rutherford Crossing and Walmart opened a new store recently on Route 50 west and at Winchester Gateway. Creekside Station and phase one at Shoppes at Tevis are also new centers.

The market area had several large vacant stores that formerly housed Circuit City and Linen's and Things. Some of these spaces are now filled. There are several large retail center proposals:

- 100,000 square feet of expansion space at Rutherford Plaza
- Phase II at Shoppes at Tevis
- Super Walmart Under Construction
- Cross Point
- Regency

The market area currently has:

- Two Walmarts
- Two Targets
- Two Lowe's
- One Kmart
- Three department stores
- One Kohl's
- One Home Depot

Most of the big box stores are in the market area; Best Buy and Dick's are now in the market area. Wegman's is thought to be a potential tenant in the future. There are other retailers that are reportedly still interested in the market area and there are several large centers under study/planning, plus vacant and expansion space at existing centers. However, some challenges exist in the analysis of the retail space market:

1. Retaining existing stores in light of proposed new competition.
2. Understanding any new trends within the retail space market and determining how to attract this type of retail space to the City.
3. Attracting quality retailers to the subject sites under study, some of which are away from the large existing nodes within the market area.

Table A-19 Characteristics of Larger Winchester, Virginia Area Shopping Centers

	<u>Date Built</u>	<u>Gross Center Size 1/ (in Square Feet)</u>	<u>Anchor Stores</u>
Winchester Gateway	2006	232,000	Martin's
Stonewall Plaza	2007	122,000	Martin's
Apple Blossom Mall	1982	443,900	Belk's, JC Penney, Sears
Horizon Plaza	1975	80,000	Big Lots
Pleasant Valley Marketplace	1995	104,700	Food Lion, Staples
Sunnyside Plaza	1990	65,000	Food Lion
Rutherford Crossing	3/08	400,000 4/	Lowe's, Target
Apple Valley Marketplace	1979/96	80,000 2/	--
Super Walmart (Rt.50/37)	2008	225,000	Walmart
Apple Blossom Mall Area	1970+	1,000,000±	Super Walmart, Home Depot, Lowes, Costco, Food Lion, Kmart, Cinema, etc.
Apple Blossom Corners	1990	230,000	Kohl's, Martin's, Office Max
Creekside Station	2007	50,000	--
Shoppes at Tevis I	2006	100,000 2/	Best Buy, Michael's
Total		3,132,600 3/	

Notes: 1/ Excludes downtown space, small, mature unanchored centers, free-standing drug stores, etc.

2/ Excludes vacant stores and recently occupied stores which could add 200,000 square feet of competitive space and 100,000 square feet of vacant anchor space.

3/ Phase II has 100,000 square feet of space approved.

Source: Field survey by S. Patz and Associates, Inc.

Summary

The retail sales market remained relatively steady over the recession, except at selected small stores. The market has successfully “absorbed” new additions to the market. Walmart will add a third store, which is a very strong sign, and there are new additions and expansions to the market, as described in the Development Activity subsection.

The market area lacks a wide range of fashion and specialty stores and upscale retailers. Stores in Apple Blossom Mall are realizing transfer sales to newer “big box” stores. The market area will always attract new retail stores. City officials will have a

challenge accommodating new retailers in a very competitive market. However, this is an area where considerable effort is needed.

Table A-20 Comparison of Retail Sales Expenditure Potential by Category with Current Retail Sales, Winchester Total Market Area, 2010 (constant 2010 dollars)	
<u>Food Sales at Home</u>	
Market Area Expenditure Potential	\$181,860,000
Inflow Sales (at 3%)	\$5,500,000
Total Expenditure Potential	\$187,360,000
Current Store Sales 1/	\$140,000,000
Available Expenditure Potential	\$47,360,000
Annual Expenditure Potential Growth 2/	\$7,500,000
Available Expenditure Potential in 2013	\$84,860,000
<u>Comparison Goods 2/</u>	
Market Area Expenditure Potential	\$489,846,000
Inflow Sales (20%)	\$97,970,000
Total Expenditure Potential	\$587,816,000
Current Store Sales 1/	\$575,000,000
Available Expenditure Potential	\$12,816,000
Annual Expenditure Potential Growth 2/	\$20,000,000
Available Expenditure Potential in 2013	\$100,000,000
Notes: 1/ Excludes annual sales at existing recently opened stores. 2/ Conservative projection 3/ Includes restaurant sales and sales at personal service stores	
Source: Field survey by S. Patz and Associates, Inc.	

Office Space

Data in Table A-21 list many of the newer office buildings in the market area. The total space of nearly 900,000 square feet covers much of the better space but excludes older buildings, smaller buildings and some user buildings. Approximately 180,000 square feet of space is vacant, or approximately 20 percent.

Additionally, a 35,000± square foot building was started in 2009 and stopped due to a lack of demand. The property shown below, was “taken back” by the bank. Other new properties are still in lease-up.



Foreclosed Building on Jubal Early Drive

Table A-21: Characteristics of Selected Recently Built Office Buildings Winchester Market Area, April, 2011

	<u>Address</u>	<u>Year Completed</u>	<u>Office Area (Sq. Ft.)</u>
Winchester City			
Medical Office Bldg I	1870 Amherst St.	1988	90,000
629 Cedar Creek Grade	629 Cedar Creek	1998	34,000
County Office Building	107 N. Kent Street	1996	65,320
Brain and Spine Center	1818 Amherst Street	1998	12,710
Medical Office Bldg. II 1/	190 Campus Blvd.	1999	99,540
Jubal Early Professional Ctr.	1800 Plaza Drive	2003	10,000
Meadowbranch Condo	420 W. Jubal Early	2004	19,940
Meadowbranch Condo	500 W. Jubal Early	2004	14,820
Jubal Early Plaza II, Lot 9	1820 Plaza Drive	2004	17,200
Meadowbranch Condo	480 W. Jubal Early	2005	23,780
Jubal Early Plaza II, Lot 6	1825 Plaza Drive	2006	18,700
Opequon Center Condo	3042 Valley Ave	2006	50,200
2913 Valley Avenue	2913 Valley Ave.	2007	15,000
Park Heights Condominium	650 Cedar Creek Gr.	2007	34,580
817 Cedar Creek Grade	817 Cedar Creek Gr.	2008	15,000
905 Cedar Creek Grade	905 Cedar Creek Gr.	2008	15,000
1800 Harvest Drive	1800 Harvest Drive	2009	38,400
(Subtotal)			(574,190)
Frederick County			
U.S.A.C.E. Bldg.	201 Prince Frederick	1994	106,300
Pegasus Business Ctr.	500 Pegasus Court	1997	12,600
Pegasus Business Ctr.	600 Pegasus Court	1999	24,000
Valley Farm Credit Bldg.	125 Prosperity Dr.	2000	20,490
230 Costello Drive	230 Costello Drive	2007	14,580
Airport Commons 2/	Aviator Place	2008	7,800
FEMA	430 Market Street	2008	120,520
(Subtotal)			(306,290)
Total			880,480 3/
<p>Note: 1/ This building was converted to office condominiums in 2007 but ownership of most units has remained with the medical center. 2/ First two buildings; there will be 14 buildings total at build-out. 3/ Excludes the adaptive reuse of 27,600 square feet at the Oak Crest Building.</p> <p>Source: S. Patz & Associates field and telephone survey; City of Winchester and Frederick County assessment records.</p>			

Of all land uses in the City, the office space market is the most overbuilt and would generate the least amount of new development in the foreseeable future. Much

of the vacancy is in older space, but considerable new space is also available. Current demand is stagnant.

There are two key points regarding the office space market. One is that almost all of the demand is local and a considerable amount of that local demand is medical office space. Most of the office buildings are small, suburban-style buildings.

The City and Region has not yet attracted regional or national tenants. This is mostly due to the small regional market, and to a lesser extent, a lack of product. In the future, federal government expansion and relocation space could be a possibility.