

Chapter 3: Market Study

Land use markets (e.g., retail, office, housing, etc.) are always in flux, impacted by national, regional and local conditions and subject to dramatic variation in demand. The last decade is stark reminder of this fact. The Great Recession significantly impacted development and growth in most sectors of the real estate and development market; the recovery has been slow and changes in lender rules and borrower preferences are still affecting development patterns. Demographics are shifting both in Wisconsin and nationally, including a growing senior citizen population and a greater tendency for younger people and couples to delay or not have children. These population shifts affect housing needs and increases the desire for more varied types of housing developments.

This section considers the market potential for various new uses in the Anton Drive study area. The most heavily traveled highway in the City of Fitchburg, US 18/151, is adjacent to the study area and is a major factor in the consideration of any new uses here. The pending reconstruction of this highway and creation of grade-separated interchanges at the north and south ends of the study area will reduce visibility of existing parcels, but will also reduce congestion and increase traffic volume through this corridor.

3.1 Retail Market

Retail development is driven by a few basic fundamentals that should be considered when planning for retail use. First, retailers look for established markets with sustained traffic. Second, retailers generally focus on the statistical portrait of an area before moving to the location, including population/household density, population/household growth and demographic make-up of potential customers, to dictate the area's "buying power". Third, retail operators have been increasingly optimizing their market share by minimizing the number of stores; thus, maximizing profitability while reducing potential of "sales transfer" from one location to another. Lastly, retailers prefer to cluster with compatible merchants to increase their probability of drawing sufficient traffic vs. relying solely on their own a drawing power.

This section evaluates the current and future retail marketplace around the Anton Drive area. This analysis will also take in consideration the regional marketplace, as well as compare the Anton Drive marketplace with a comparable marketplace in the region.

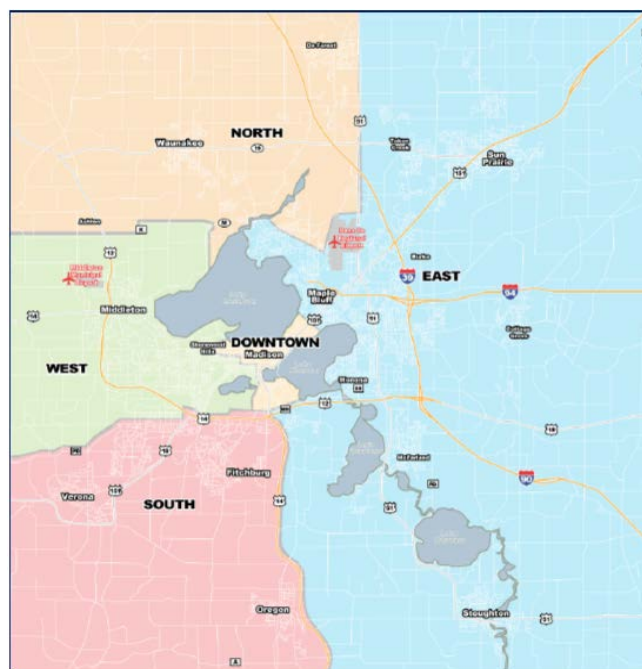
Madison Region Retail Marketplace

According to a Retail Market Report completed by Xceligent¹, the regional retail vacancy rate for the Madison area was 5.1% at the end of the fourth quarter of 2015. This was 0.3% lower than the previous quarter, but up 0.1% from the end of 2014. This slight increase in vacancy is primarily due to more than 140,000 square feet of new retail property throughout the region. Of this increased supply, the East submarket had the greatest increase in occupied retail space (70,813 square feet). The average regional asking rates are up \$1.54/SF from third quarter to \$13.44 at the end of 2015. This fourth quarter jump accounts for the majority of the increase over 2014, which rose by \$1.62/SF from the \$11.82/SF reported at the end of 2014.

¹ <http://broadwing-advisors.com/xceligent-has-published-their-2015-q4-quarter-reports/>

As indicated in Figure 3.1, the Anton Drive study area is part of the South submarket within the Madison Metro area. In the fourth quarter of 2015, the South submarket saw the largest drop in available retail space in the region, with absorption of 4,345 square feet. The vacancy rate for this submarket, as of the end of 2015, is at 4.4%, which is lower than the regional vacancy rate of 5.1%. The asking rates in this submarket have averaged from \$12.01-\$13.57 over the last year, which is on par with the regional trends. The Anton Drive study area is part of a larger commercial center that includes retail and service businesses south of McKee Road off of Fitchrona, Hardrock and Nesbitt roadways. The combined area could be considered a power center shopping district. In general, a power center is an unenclosed shopping center with a typical range of 250,000 square feet to 600,000 square feet of gross leasable area that usually contains big box retailers and various smaller retailers with a common parking area shared among the retailers. As indicated in Table 3.1 (below), the power centers make up 50% of retail space in the South submarket, and have only a 2.8% vacancy rates. This is much lower than the rates found in the South submarket as whole (4.1%) and the Madison regional marketplace (5.1%). Yet, the power centers' asking rates in the South submarket dropped from \$12.71 in the fourth quarter of 2014 to \$11.16 in the fourth quarter of 2015.

Figure 3.1: Madison Regional Retail Submarkets



Source: Xceligent Retail Market Report, 4th Quarter

Table 3.1: South Submarket Summary

	Power Center	Neighborhood Center	Convenience / Strip Center	General
Retail Stock				
# of Buildings	20	9	21	16
Inventory (SF)	1,175,173	466,144	445,144	246,448
Total Available (SF)	63,543	53,633	12,916	7,612
Net Absorption				
2015 Q4	0	-3,485	0	-860
2015 Total	2,173	-15,419	-6,800	11,947
Vacancy				
2014 Q4	2.9%	5.9%	1.4%	6.1%
2015 Q4	2.8%	10.5%	2.9%	3.1%
% Change (2014-2015)	-0.1%	4.6%	1.5%	-3.0%
Asking Rate				
2014 Q4	\$12.71	\$14.72	\$16.49	\$11.71
2015 Q4	\$11.16	\$15.88	\$13.61	\$20.00
% Change (2014-2015)	-12.2%	7.9%	-17.5%	70.8%

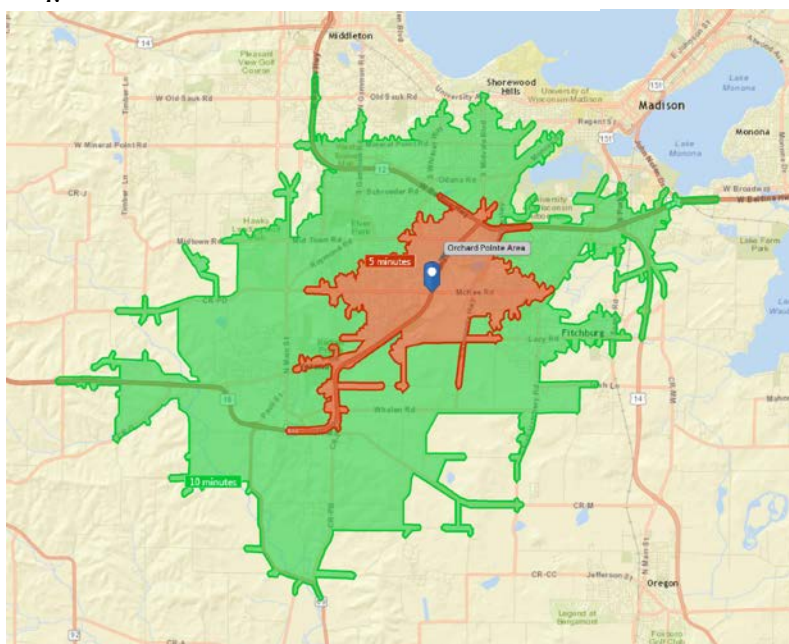
Source: Xceligent Retail Market Report, 4th Quarter 2015

Retail Trade Areas

A trade area is the geographic region that generates the majority of customers to a shopping area. A trade area can vary depending on the type of business; however, in general retail spending is broken into two trade areas - Convenience Trade Area and Destination Trade Area (see descriptions below). These trade areas are resident-based, and therefore do not account for commuters and tourist purchases. Typically, a trade area is generalized based on drive time or distance from a single point. However, there are other factors that can impact where consumers shop, such as business/retail mix, store types, and accessibility. For this reason, a larger shopping center will result in a larger consumer trade area than a smaller shopping center due to its greater pull factor. For example, West Towne Mall (regional center) would be able to pull from greater population than the Prairie Towne Center (power center) off of Junction Road; and therefore, would have a larger convenience and destination trade areas.

- A convenience trade area (CTA) is the geographic area from which most consumers are coming in order to make regular purchases. Shopping convenience / proximity is the major driver, especially on purchases that are made frequently (e.g. gas and groceries).
- A destination trade area (DTA) is a larger geographic area from which customers are drawn to due to comparison shopping, brand loyalty, and price point. The DTA also includes consumers in rural areas who, out of necessity, drive further to get their convenience-type shopping (as none are located closer).

Figure 3.2: Orchard Pointe Trade Areas



Source: ESRI Business Analyst

The retail potential of the Anton Drive study area is greatly impacted by the drawing power of the commercial areas on the south side of McKee Road (CTH PD), especially the anchor tenants in the Orchard Pointe shopping center. Therefore, for the purposes of this analysis, the Anton Drive planning area’s marketplace will be defined by Orchard Pointe; however, it is inclusive of the commercial properties south of McKee along Fitchrona, Hardrock, and Nesbitt roadways. For the purposes of this study, the trade area will be referred to as the Orchard Pointe trade area, and it is centered on the area’s major transit node, US 18/151 (Verona Rd) and CTH PD (McKee Rd). Verona Road carries on average roughly 40,000 vehicles per day, while McKee Road carries on average 18,000 vehicles per day. Using a 5-minute drive time shed, Orchard Pointe’s CTA has just over 27,000 people in 11,360 households with an average household income of \$81,938. Orchard Pointe’s DTA expands to a 10-minute drive time shed, and includes nearly 100,000 people in 44,086 households with an average household income of \$83,047.

Supportable Square Footage

This basic analysis quantifies the amount of retail space that could be supported by the buying power of the residents in the Orchard Pointe trade area. The following methodology describes the analysis shown in Tables 3.2 and 3.3 (on the next pages).

Methodology: To evaluate the buying power of Orchard Pointe's Convenience Trade Area (CTA) and Destination Trade Area (DTA), the number of households is multiplied by the average household income. Based on the Census of Retail Trade, consumers spend an average of 27.1% of total household income on five key merchandise categories², listed below. Due to the shopping habits for "Food at Home" (grocery stores), this merchandise category is excluded in the DTA analysis.

- **Food Away from Home** (fast food, sit-down restaurants and bars): Households typically spend about 4.7% of their annual incomes on food away from home.
- **Convenience Goods** (household cleaning supplies, pet food supplies, etc.): Households typically spend about 4.7% of their annual incomes on convenience retail goods.
- **Food at Home** (groceries and alcoholic beverages): Households typically spend about 5.0% of their annual incomes on food at home.
- **Personal Services** (hair and nail salons, dry cleaning and laundry, etc.): Households typically spend about 0.7% of their annual incomes on personal services.
- **Shoppers' Goods** (apparel, cosmetics, jewelry, appliances, TVs, books, furniture, etc.): Households typically spend about 12.0% of their annual incomes on shoppers' goods.

These predictable spending habits described above can be applied to the total household income to quantify the trade area's consumer spending in these five key merchandizing categories. This consumer spending is then divided by typical sales per square foot ("sales productivity") to reach at the total building square footage per category. This is based on the typical 5-15% rent-to-sales ratio². Therefore, a \$175 per square foot sales productivity was used meeting the general lease rates in the South submarket (i.e., \$8.75-\$26.25 per square foot).

This initial part of the analysis is based on the trade area's household income, and does not include those outside the trade area, nor does it include transient motorists. However, since Orchard Pointe's marketplace is adjacent to two major thoroughfares, in particular US 18/151 with 40,000 vehicles a day, one would expect significant amount of sales beyond the trade area, including by transient motorists. Thus, a "sales inflow" is incorporated in the tables as a percentage increase in the spending factor for both the CTA (at 25%) and the DTA (at 10%). Per industry standards, these are aggressive capture rates; however, it is warranted by the strength of the two retail anchors (Target and Hyvee), and the shopping center's proximity to US 18/151. The capture rate is lower for the DTA because it is a larger area that includes the place of residence for many people that drive by on Verona Road (for example, the entire City of Verona is within the DTA).

Lastly, it is important to not only provide a snap shot of today's market condition, but to consider future market conditions. There are undeveloped growth areas within both the 5-minute CTA and 10-minute DTA, including lands within the Anton Drive study area. We have projected 2020 and 2030 total households in the trade areas using WI DOA and historical Census data. For simplicity, all numbers are shown in 2015 dollars and ignore inflationary change. This additional information provides an approximation of additional purchasing power for future retail growth in 2020 and 2030 due to growth within the trade area.

² Alvarez & Marsal Real Estate Advisory Services, LLC; 2011; Penn Daw Market Feasibility Analysis; P25.

Table 3.2: Orchard Pointe CTA – Retail Potential by Category

CONVENIENCE TRADE AREA (5 MIN)		2015	2020	2030
Households *		11,360	12,191	13,647
Average Household Income (2015)		\$81,938	\$81,938	\$81,938
Total Household Income		\$930,815,680	\$998,895,175	\$1,118,184,349
Spending Factors (Trade Area Only)		% of Household Income Captured		
Shoppers' Goods	12.0%	\$111,697,882	\$119,867,421	\$134,182,122
Convenience Goods	4.7%	\$43,748,337	\$46,948,073	\$52,554,664
Food at Home	5.0%	\$46,540,784	\$49,944,759	\$55,909,217
Food Away from Home	4.7%	\$43,748,337	\$46,948,073	\$52,554,664
Services	0.7%	\$6,515,710	\$6,992,266	\$7,827,290
Total Spending Factor (Includes Sales Inflow)		Adjustment to account for spending from outside the trade area		
Shoppers' Goods	+25%	\$139,622,352	\$149,834,276	\$167,727,652
Convenience Goods	+25%	\$54,685,421	\$58,685,092	\$65,693,331
Food at Home	+25%	\$58,175,980	\$62,430,948	\$69,886,522
Food Away from Home	+25%	\$54,685,421	\$58,685,092	\$65,693,331
Services	+25%	\$8,144,637	\$8,740,333	\$9,784,113
Square Footage (Per Sales Productivity)		% of Spending Captured within Orchard Pointe trade area		
Shoppers' Goods (\$175/SF)	20%	159,568	171,239	191,689
Convenience Goods (\$175/SF)	25%	78,122	83,836	93,848
Food at Home (\$350/SF)	70%	116,352	124,862	139,773
Food Away from Home (\$350/SF)	25%	39,061	41,918	46,924
Services (\$175/SF)	75%	34,906	37,459	41,932
TOTAL RETAIL SQUARE FOOTAGE		428,009	459,313	514,165

* Based on 2013 WI DOA population projections and a 1% decline in average household size per decade

Table 3.3: Orchard Pointe DTA – Retail Potential by Category

DESTINATION TRADE AREA (10 MIN)		2015	2020	2030
Households *		44,086	46,981	52,591
Average Household Income (2015)		\$83,047	\$83,047	\$83,047
Total Household Income		\$3,661,210,042	\$3,901,621,915	\$4,367,557,948
Spending Factors (Trade Area Only)	% of Household Income Captured			
Shoppers' Goods	12.0%	\$439,345,205	\$468,194,630	\$524,106,954
Convenience Goods	4.7%	\$172,076,872	\$183,376,230	\$205,275,224
Food Away from Home	4.7%	\$172,076,872	\$183,376,230	\$205,275,224
Services	0.7%	\$25,628,470	\$27,311,353	\$30,572,906
Total Spending Factor (Includes Sales Inflow)	Adjustment to account for spending from outside the trade area			
Shoppers' Goods	+10%	\$483,279,726	\$515,014,093	\$576,517,649
Convenience Goods	+10%	\$189,284,559	\$201,713,853	\$225,802,746
Food Away from Home	+10%	\$189,284,559	\$201,713,853	\$225,802,746
Services	+10%	\$28,191,317	\$30,042,489	\$33,630,196
Square Footage (Per Sales Productivity)	% of Spending Captured within Orchard Pointe trade area			
Shoppers' Goods (\$175/SF)	10%	276,160	294,294	329,439
Convenience Goods (\$175/SF)	25%	270,407	288,163	322,575
Food Away from Home (\$350/SF)	15%	81,122	86,449	96,773
Services (\$175/SF)	25%	40,273	42,918	48,043
TOTAL RETAIL SQUARE FOOTAGE		667,962	711,823	796,830

* Based on 2013 WI DOA population projections and a 1% decline in average household size per decade

As concluded in Table 3.5, there is enough buying power to support up to approximately 790,000 square feet of retail in the Orchard Pointe trade area, inclusive of roughly 115,000 square feet of “Food at Home” (per the CTA table – as it’s excluded from DTA). Table 3.4 lists the current make-up of the Orchard Pointe marketplace, which includes commercial properties in the study area, as well as properties south of McKee Road off of Fitchrona, Hardrock and Nesbitt roadways.

Table 3.4: Orchard Pointe Marketplace – Retail Summary

Orchard Pointe Marketplace Retail Summary (as of 4/2016)	Square Footage	% of Area
Shoppers' Retail Goods	213,737	32.8%
Convenience Retail Goods	102,225	16.5%
Food at Home	163,056	17.2%
Food Away from Home	65,510	11.5%
Personal Services	154,455	22.0%
Total	698,983	100.0%

Per the results of this analysis, there is enough market for an additional 90,000 square feet of retail as of 2015 with a potential for a total of 230,000-240,000 additional square feet by 2030 based on population projections. Note that the negative “retail potential” under the “Food at Home” (primarily grocery stores) and “Personal Services” categories, suggesting a surplus of retail space. As a speculative retail space tool, this does not suggest the businesses within these merchandise categories are not sustainable in the Orchard Pointe trade area, but rather the marketplace is succeeding beyond the general norms. Marketing, brand loyalty, shopping habits, etc. all impact the true market for/against demand for retailers selling wares in one of these categories. The conclusion from this analysis is there is existing opportunity for additional retail development in the Orchard Pointe trade area, and as the trade area continues to have residential growth so will the demand for retail space – potentially up to 150% times the current demand for retail space.

Table 3.5: Orchard Pointe DTA – Retail Potential by Category

POTENTIAL RETAIL SQUARE FOOTAGE	DTA (10 Minute)		Exiting Development	Retail Potential	
	2015	2030		2015	2030
Shoppers' Goods	276,160	329,439	213,737	62,423	115,702
Convenience Goods	270,407	322,575	102,225	168,182	220,350
Food at Home (CTA only) *	116,352	139,773	163,056	-46,704	-23,283
Food Away from Home	86,449	96,773	65,510	20,939	31,263
Services	42,918	48,043	154,455	-111,537	-106,412
TOTAL RETAIL SF	792,285	936,603	698,983	93,302	237,620

* Grocery shopping is only considered a convenience item; therefore, the square footages is based on the CTA only

Business Type Gap Analysis

Retail gap is the difference between the demand (potential) sales and actual retail sales. The demand is the expected amount spent by consumers at retail establishments, and the total supply is the estimated sales to consumers by establishments. The surplus/leakage factor ranges from -100 to +100 with -100 being a total surplus (i.e., customers are drawn in from outside the trade area) and +100 being a total leakage (i.e., customers go outside the trade area to make purchases).

Based on data available through ESRI Business Analyst (see Table 3.6 below for more information), Orchard Pointe’s CTA marketplace is seeing more than \$230 million in sales leakage (more demand than supply), but the larger DTA is seeing a \$500 million surplus (more supply than demand). This dramatic difference between the CTA and the DTA is due to additional comparable shopping centers in close proximity to the study area that are pulling from the Orchard Pointe trade area as well. The shopping center with greatest impact on the Orchard Pointe retail gap is West Towne Mall, which is within five miles of the study area. This regional center is home to approximately 830,000 square feet of retail in over 110 stores (including four anchor stores)³ and provides additional drawing power for the surrounding retail stores outside the mall footprint. This is a major challenge facing the Orchard Pointe marketplace, especially since some major retailers that might be desirable here already have a presence within the 10-minute DTA. Therefore, the retail opportunities for the Orchard Pointe marketplace are in the demand gap in convenience-oriented business in the CTA (e.g., those who shop purely based on convenience), or a business that is not present in the larger DTA area including West Towne Mall.

Based on ESRI Business Analyst, the Orchard Pointe marketplace has retail gaps in several business categories; however, a positive retail gap and leakage/surplus factor does not necessarily equate to an adequate retail potential (demand) to support a new business. Table 3.7 (on the next page) compares the average US Sales Data (2012) per business/store to the retail gap to estimate the number of potential businesses that may be supported. This number of businesses is relative, as it is not assumed a business can capture a 100% of the sales, nor can it be safeguarded against a competing business opening up within the same trade area. Therefore, this number should be used only as an indication of likely opportunity, especially when the numbers suggest demand for 2+ additional stores. Those in the Orchard Pointe marketplace CTA that meet this threshold are highlighted in blue text; the most likely candidates are food services and drinking places, miscellaneous store retailers, and general merchandise.

Table 3.6: Orchard Pointe Retail Gap Summary

Retail Market (Industry Summary)	Convenience Trade Area (5 min)	Destination Trade Area (10 min)
Retail Trade (NAICS 44-45)		
Demand	\$449,207,878	\$1,767,192,334
Supply	\$244,283,153	\$2,322,491,743
Retail Gap	\$204,924,725	-\$555,299,409
Surplus/Leakage Factor	29.5	-13.6
Number of Businesses	104	649
Food & Drink (NAICS 722)		
Demand	\$48,276,897	\$190,109,795
Supply	\$22,522,641	\$141,025,378
Retail Gap	\$25,754,256	\$49,084,417
Surplus/Leakage Factor	36.4	14.8
Number of Businesses	45	251
Retail Trade and Food & Drink (NAICS 44-45, 722)		
Demand	\$497,484,775	\$1,957,302,129
Supply	\$266,805,794	\$2,463,517,122
Retail Gap	\$230,678,981	-\$506,214,993
Surplus/Leakage Factor	30.2	-11.5
Number of Businesses	149	900

³ <http://www.cblproperties.com/pag.nsf/CorpSiteByAlphaWeb/West+Towne+Mall?opendocument>

Table 3.7: Orchard Pointe - Business Demand (CTA)

NAICS	Business Type	U.S. Sales Data	Convenience Trade Area (5 min)		
		Average Sales / Store	Retail Gap	Leakage / Surplus Factor	# of Businesses* (relative)
44111000	New car dealers	\$ 31,614,997	\$ 83,055,517	100.0	2.4
44112000	Used car dealers	\$ 2,807,851	included in New Car Dealers		
44121000	Recreational vehicle dealers	\$ 5,412,980	\$ 12,734,645	91.2	1.5
44122000	Motorcycle, boat, & other motor vehicles	\$ 2,813,701	included in Recreational Vehicle Owners		
44130000	Automotive parts, accessories, & tire stores	\$ 1,437,129	\$ 4,335,474	51.7	3.0
44210000	Furniture stores	\$ 2,060,605	\$ 4,894,878	41.4	2.4
44220000	Home furnishings stores	\$ 1,443,586	\$ 1,651,714	22.3	1.1
44310000	Electronics and appliance stores	\$ 2,123,245	\$ (2,525,485)	(4.5)	-1.2
44400000	Building material and garden equipment and supplies	\$ 3,587,059	\$ (8,858,368)	(16.8)	-2.5
44510000	Grocery stores**	\$ 6,043,286	\$ 27,590,252	25.8	4.6
44520000	Specialty food stores	\$ 790,264	\$ 2,648,900	33.9	3.4
44530000	Beer, wine, & liquor stores	\$ 1,322,900	\$ 787,935	14.3	0.6
44611000	Pharmacies & drug stores	\$ 5,307,817	\$ 4,582,368	7.9	0.6
44612000	Cosmetics, beauty supplies, perfume	\$ 958,793	included in Pharmacies & drug stores		
44613000	Optical goods stores	\$ 758,317	included in Pharmacies & drug stores		
44619000	Other health and personal care stores	\$ 844,325	included in Pharmacies & drug stores		
44710000	Gasoline stations	\$ 4,852,276	\$ 20,008,252	40.6	4.1
44800000	Clothing and clothing accessories stores	\$ 1,578,857	\$ 4,441,583	12.2	2.8
45100000	Sporting goods, hobby, musical instrument, and book stores	\$ 1,684,299	\$ (14,892,646)	(38.3)	-8.8
45200000	General merchandise stores	\$ 13,022,934	\$ 56,330,534	49.7	4.3
45300000	Miscellaneous store retailers	\$ 917,688	\$ 4,880,242	17.6	5.3
72200000	Food services and drinking places	\$ 861,490	\$ 25,754,256	36.4	29.9

* The number of potential businesses is relative and should not suggest the exact number of businesses that will thrive in the Orchard Pointe marketplace, rather it indicates the business types that are highly marketable.

** Data precedes the development of HyVee; therefore, this number is skewed from current market conditions

Table 3.8: West Towne Mall - Business Demand (DTA)

NAICS	Business Type	U.S. Sales Data	Destination Trade Area (20 Minutes)		
		Average Sales / Store	Retail Gap	Leakage / Surplus Factor	# of Businesses (Demand)
44111000	New car dealers	\$ 31,614,997	\$ (75,686,000)	1.8	-2.2
44112000	Used car dealers	\$ 2,807,851	included in New Car Dealers		
44121000	Recreational vehicle dealers	\$ 5,412,980	\$ 75,434,422	35.4	9.2
44122000	Motorcycle, boat, & other motor vehicles	\$ 2,813,701	included in Recreational Vehicle Owners		
44130000	Automotive parts, accessories, & tire stores	\$ 1,437,129	\$ 39,409,105	40.2	27.4
44210000	Furniture stores	\$ 2,060,605	\$ 13,971,049	8.3	6.8
44220000	Home furnishings stores	\$ 1,443,586	\$ (39,720,047)	(28.9)	-27.5
44310000	Electronics and appliance stores	\$ 2,123,245	\$ (67,835,562)	(10.6)	-31.9
44400000	Building material and garden equipment and supplies	\$ 3,587,059	\$ (675,099)	(0.0)	-0.2
44510000	Grocery stores	\$ 6,043,286	\$ 26,646,523	1.9	4.4
44520000	Specialty food stores	\$ 790,264	\$ 12,373,082	12.3	15.7
44530000	Beer, wine, & liquor stores	\$ 1,322,900	\$ (3,233,727)	(4.5)	-2.4
44611000	Pharmacies & drug stores	\$ 5,307,817	\$ 35,527,195	5.5	4.5
44612000	Cosmetics, beauty supplies, perfume	\$ 958,793	included in Pharmacies & drug stores		
44613000	Optical goods stores	\$ 758,317	included in Pharmacies & drug stores		
44619000	Other health and personal care stores	\$ 844,325	included in Pharmacies & drug stores		
44710000	Gasoline stations	\$ 4,852,276	\$ 175,097,069	30.6	36.1
44800000	Clothing and clothing accessories stores	\$ 1,578,857	\$ (28,294,188)	(6.1)	-17.9
45100000	Sporting goods, hobby, musical instrument, book stores	\$ 1,684,299	\$ (67,636,509)	(20.7)	-40.2
45200000	General merchandise stores	\$ 13,022,934	\$ 138,670,787	8.2	10.6
45310000	Miscellaneous store retailers	\$ 917,688	\$ (3,830,541)	(1.1)	-4.2
72210000	Food services and drinking places	\$ 861,490	\$ 2,610,596	0.3	3.0

Since there are several competing shopping centers in the Orchard Pointe marketplace's DTA (e.g., West Towne Mall, Greenway Station, Hilldale Mall, South Towne Mall, and Prairie Towne Center), the better analysis is to review where there is a nexus between significant gaps in the West Towne Mall DTA (20 minute drive) and in the Orchard Pointe marketplace. Based on Table 3.8, the following business types have potential marketability in the study area: Recreational Vehicle Dealers, automotive parts/accessories/tire stores, furniture stores, specialty food stores, general merchandise stores, and food service and drinking places. Based on this analysis, some potential retailers include Good Year Auto Service Center, O'Reilly Auto Parts, Crate & Barrel, The Container Store, Penzy's, Oilerie, and Trader Joe's.

Orchard Pointe Comparative Study

The prior sections discussed Orchard Pointe's quantitative opportunities, and identified potential retail gaps in its trade areas. It did not fully consider the potential impact of the clustering of businesses to fuel retail success. A current retail success story in the Madison Metro market is the Prairie Lakes development in Sun Prairie. This section compares the Prairie Lakes development with the Orchard Pointe marketplace.

Like Orchard Pointe, Prairie Lakes is a relatively new retail center, it is part of larger regional shopping center trade area (less than 5 miles from East Towne Mall), it has direct access to a County highway, and is adjacent to US 151.

The largest difference in the current development conditions is that Prairie Lakes is growing rapidly and has four strong anchor tenants (i.e., Target, Costco, Cabela’s, and Woodman’s). These anchors have attracted auxiliary liner shops and outlot commercial development. Much like business clustering, critical mass is important aspect to establishing the necessary drawing power for shopping traffic. Two ways to achieve critical mass: 1) clustering compatible merchants in one area; and 2) locate near a major anchor tenant(s). In general, power and regional shopping centers have at least a 1:1 ratio of small shops to anchor space. The more anchor tenants the greater probability that the marketability of retail space can surpass the demand of the typical trade area. This is the case in Prairie Lakes, where the buying powering is significantly lower than is found around Orchard Pointe between the total household income in the Prairie Lakes / East Towne trade areas, as compared to Orchard Pointe / West Towne Mall.

Prairie Lakes has developed over 104 acres with approximately 30 acres still available. As of April 2016, it is estimated to have nearly 630,000 square feet of retail. Based on information available on the developer’s website it is possible that the shopping area, when fully leased, could see around 1 million square feet of retail. This means Prairie Lakes is only 60% or so built out. Yet, the gap analysis suggests the shopping center has met and has exceeded its demand within the trade area (see Table 3.10 on the next page).

Figure 3.3: Prairie Lakes & Orchard Pointe Trade Areas

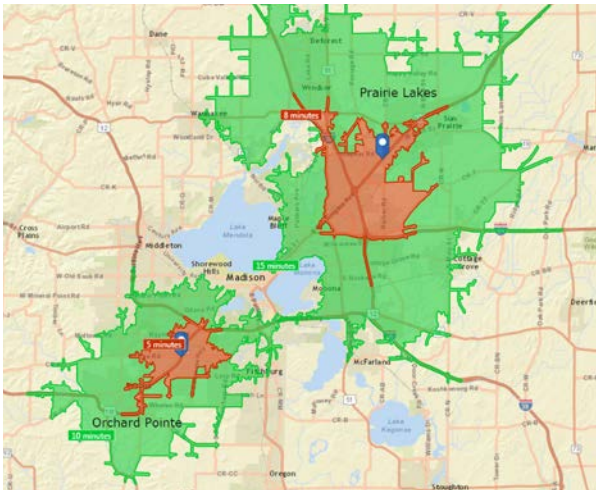


Figure 3.4: Prairie Lakes Site Plan



Table 3.9: Shopping Center Comparisons

Shopping Center Comparison	CTA			DTA		
	Households	Median Household Income	Total Household Income	Households	Median Household Income	Total Household Income
Orchard Pointe	11,360	\$81,938	\$930,815,680	99,539	\$83,047	\$8,266,415,333
Prairie Lakes	10,635	\$71,665	\$762,157,275	63,737	\$72,572	\$4,625,521,564
West Towne Mall	85,857	\$81,845	\$7,026,966,165	120,499	\$79,586	\$9,590,033,414
East Towne Mall	72,842	\$72,235	\$5,261,741,870	107,690	\$69,306	\$7,463,563,140

* Prairie Lakes trade areas are bit larger (8-/15-minute, as compared to 5-/10-minute for Orchard Pointe, due to the lack of shopping center competition and the number of anchor stores present at Prairie Lakes.

It should be noted that there are other factors that have contributed to Prairie Lakes' success, including the lack of competing shopping centers outside of East Towne Mall. And at that, East Towne Mall does not draw the same population as West Towne Mall due to the types and quantities of retailer present at each mall is different. Also Prairie Lakes is a greenfield development whereas Orchard Pointe is a more compact infill site. Nonetheless, there are many parallels between the two areas with the key difference being fewer anchor stores in the Orchard Pointe area, suggesting an opportunity to raise the profile of this area with another anchor retailer.

Table 3.10: Prairie Lakes Retail Gap Summary

Retail Market (<i>Industry Summary</i>)	Convenience Trade Area (<i>8 min</i>)	Destination Trade Area (<i>15 min</i>)
Retail Trade and Food & Drink (NAICS 44-45, 722)		
Demand	\$414,745,341	\$2,486,229,246
Supply	\$1,532,649,229	\$3,337,139,191
Retail Gap	(\$1,117,903,888)	(\$850,909,945)
Surplus/Leakage Factor	-57.4	-14.6
Number of Businesses	428	1305

Takeaways from the Retail Market Analysis

- In the fourth quarter of 2015, the South submarket saw the largest drop in available space of any submarket in the Metro area. The vacancy rate for this submarket, as of the end of 2015, is at 4.4% (regional vacancy rate was at 5.1%).
- The Anton Drive / Orchard Pointe marketplace is considered a power retail center. Power Centers makes up 50% of retail space in the South submarket and only a 2.8% vacancy rates.
- There is roughly 700,000 square feet of retail and service space currently in the Orchard Pointe marketplace. Based on the buying power in the trade area, there are opportunities for additional retail development in the Orchard Pointe trade area right now (potentially up to 90,000 square feet) with greater retail potential as the residential population continues to grow in the trade area– potentially up to 150% times the current demand for retail space based on current projections.
- Per the retail gap analysis, there is demand for the following business types: Recreational Vehicle Dealers, automotive parts/accessories/tire stores, furniture stores, specialty food stores, general merchandise stores, and food service and drinking places. Potential businesses include Good Year Auto Service Center, O'Reilly Auto Parts, Crate & Barrel, The Container Store, Penzy's, Oilerie, Trader Joe's and chain/local restaurants.
- Based on a comparison with Sun Prairie's Prairie Lakes development, the Orchard Pointe area should have strong potential to attract and sustain retailers. The addition of another larger, anchor retailer would help drive the overall success of this area as a Power Center.

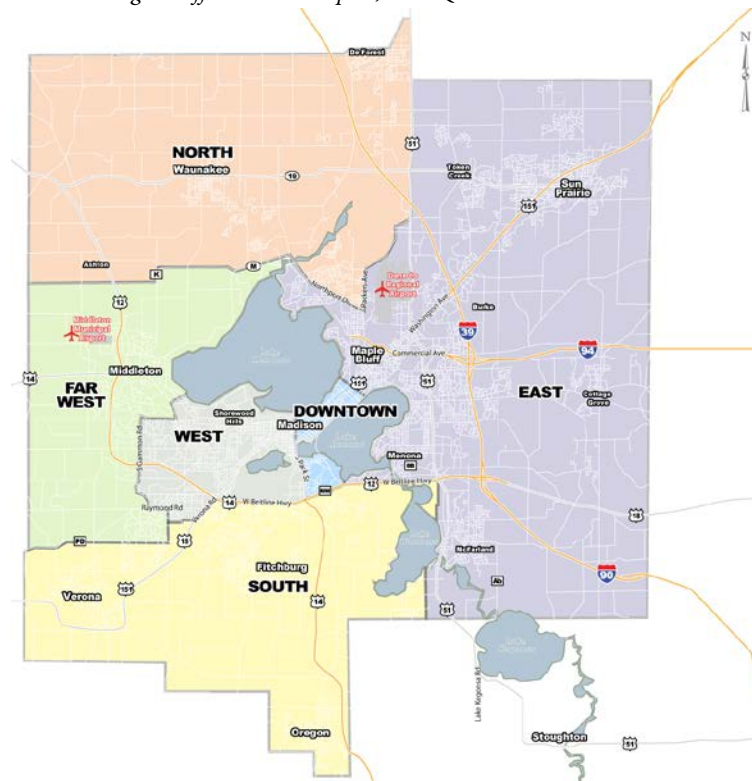
3.2 Office Market

The office market in the Madison region is starting to show signs of recovery. Vacancy rates have been decreasing and some new office construction has been occurring within the region (three projects in 2015 Q4) despite tighter restrictions on lending. Plus, office space continues to be absorbed, especially over the past several quarters. Within the Madison region, over the past year, average to high quality office space (Classes A and B) has been the most highly absorbed. When looking more specifically at the Anton Drive Study Area, and the “South” region in which it resides, the office market has been weaker – including increased vacancy of Class B office space and little or no absorption of Class A and Class C office space. This lack of absorption could be partially explained by the lack of new office buildings being built in the area – in 2015 there were no new office buildings built in the City of Fitchburg.

Xceligent, a company that specializes in commercial real estate information, puts out a quarterly report for Office Market conditions by region. Based on their latest report, the study area resides on the edge of the South and West submarkets with Verona Road establishing the dividing line between the two submarkets (see Figure 3.5 below).

Figure 3.5: Madison Office Market Map

Source: Xceligent Office Market Report, 2015 Q4



Madison Region Office Marketplace

According to Xceligent, through the fourth quarter of 2015 the Madison office market had a net absorption of 201,192 square feet of office space. The vacancy rate improved in 2015 Q4 by 0.2% to 11.0%. Year-to-date the Madison office market had a net absorption of 429,014 square feet with a vacancy rate down 2.1% from the end of 2014. The largest positive absorption of the quarter was in the West submarket with 122,258 square feet and the greatest negative absorption of the quarter was in the Far West submarket with -41,296 square feet. See the Historical Vacancy Rate and Net Absorption for the entire Madison region displayed in Figure 3.6 (on the next page).

Figure 3.6: Historical Vacancy Rate & Net Absorption

Source: Xceligent Office Market Report, 2015 Q4



Office space is typically divided into three different classes:

- **Class A:** Buildings have high quality standard finishes, state of the art systems, and exceptional accessibility and visibility. These buildings are prestigious and typically have rents above the market average.
- **Class B:** Building finishes are fair to good and systems are adequate. Rents are average and there are a variety of users looking to use these buildings.
- **Class C:** Rents are below average. These buildings cater to users who are looking for simple, functional office space.

In the fourth quarter of 2015, Class B office space was the best performer in the Madison region having the highest absorption at 185,741 square feet. Class C office space had a 26,187 square foot absorption and Class A had a -10,736 square foot absorption. Year-to-date Class B had the highest net absorption in the Madison region at 131,509 square feet, followed by Class A at 131,509 and Class C at 68,101 square feet. See Figure 3.7 (on the next page) for historical net absorption by class.

Looking at the existing inventory of each class of office space, Class B offers the greatest total amount of square footage in both South and West submarkets with 1,419,245 square feet in the West submarket and 1,010,458 square feet in the South submarket. The available square footage in the West submarket is 378,650 square feet of Class B office space. In the South submarket, the greatest available square footage is Class A office space with 96,793 square feet available. The overall vacancy rate for all classes of office space in the West submarket is 15.7%. The overall vacancy rate for all classes of office space in the South submarket is 6.7%. The year-to-date net absorption in the West submarket is 143,929 square feet compared with -1,996 square feet in the South submarket.

Figure 3.7: Historical Net Absorption by Class

Source: Xceligent Office Market Report, 2015 Q4



Table 3.11 (below) provides the Q4 2015 rent levels by class. Class A office space rents for between \$21.35/SF in the South submarket to \$25.10/SF in the South submarket. The more popular Class B office space rents between \$17.39/SF in the South submarket to \$19.99 in the West submarket.

Table 3.11: Asking Rates Per Square Foot

Source: Xceligent Office Market Report, 2015 Q4

	2015 Q4 Asking Price/SF
West Subregion	\$19.21
Class A	\$25.10
Class B	\$19.99
Class C	\$13.31
South Subregion	\$19.17
Class A	\$21.35
Class B	\$17.39
Class C	\$10.95

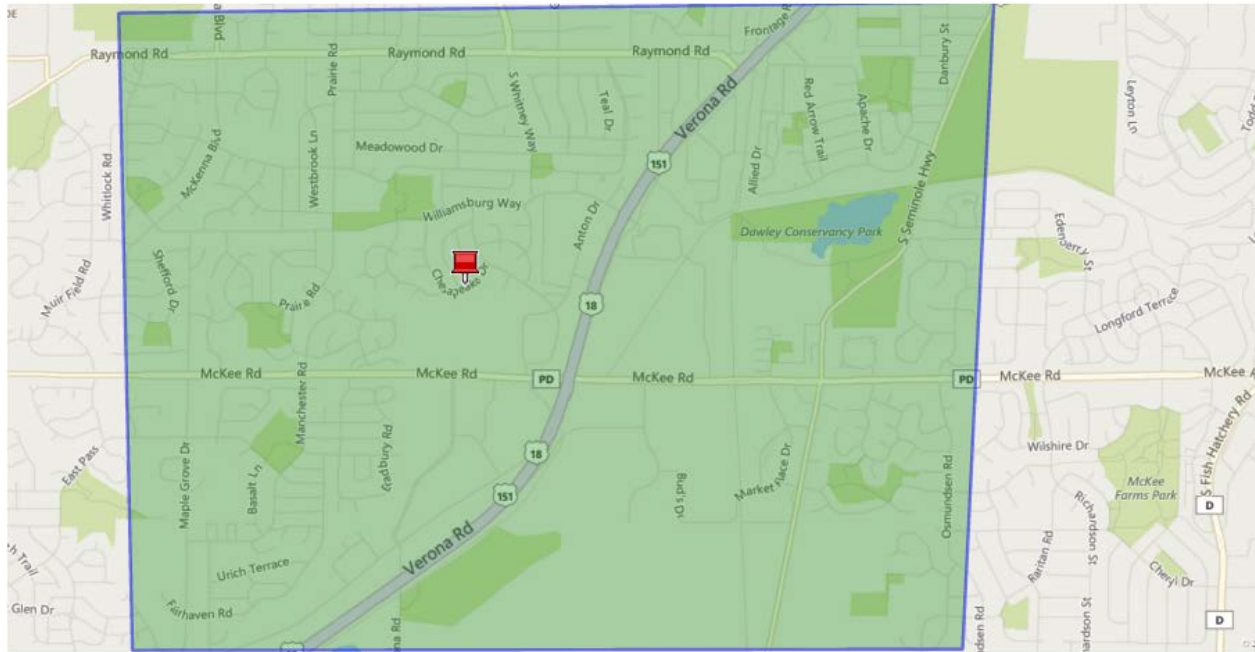
Presently, within the entire Madison, Class B office space is the highest absorbed space in the office market. This is also true in the West submarket. Yet, in the South submarket Class A office space had the highest year-to-date absorption with Class B having a net increase in vacancy of 18,563 square foot. Class C office space is showing least absorption rate within the Madison region.

Local Office Market

A similar analysis was also completed for an area more focused on the Anton Drive Study Area. This review included office properties within a mile of the Verona Road (US 18/151) and McKee Road (CTH PD) intersection (see Figure 3.8 below).

Figure 3.8: Anton Drive Study Area Office Market Map

Source: CBRE



There are twenty-seven office buildings in this area, totaling 410,477 square feet of office space. As of April 2016, there was a 12.1% office vacancy rate with 49,698 square feet available. This is slightly higher than the Madison region’s office market vacancy rate (11.0% as of 2015 Q4).

When looking at office space performance by class in 2015 Q4, the area had a positive net absorption of 5,271 square feet of Class B space and a positive net absorption of 3,200 square feet of Class C space. There was no change to Class A space as there is only one building (fully occupied) in the Anton Drive market area. For the quarter, vacancy rate was 13.2% for Class B office space and 2.3% for Class C office space. A majority of the office buildings in the Anton Drive study area fall into the Class B category.

Table 3.12: 2015 Q4 Office Space by Class in Anton Drive Study Area

Source: CBRE

	Building Count	Total Bldg SF	Vacancy %	Absorption SF
Class A	1	22,043	0%	0
Class B	20	302,234	13.2%	5,271
Class C	6	86,200	2.3%	3,200

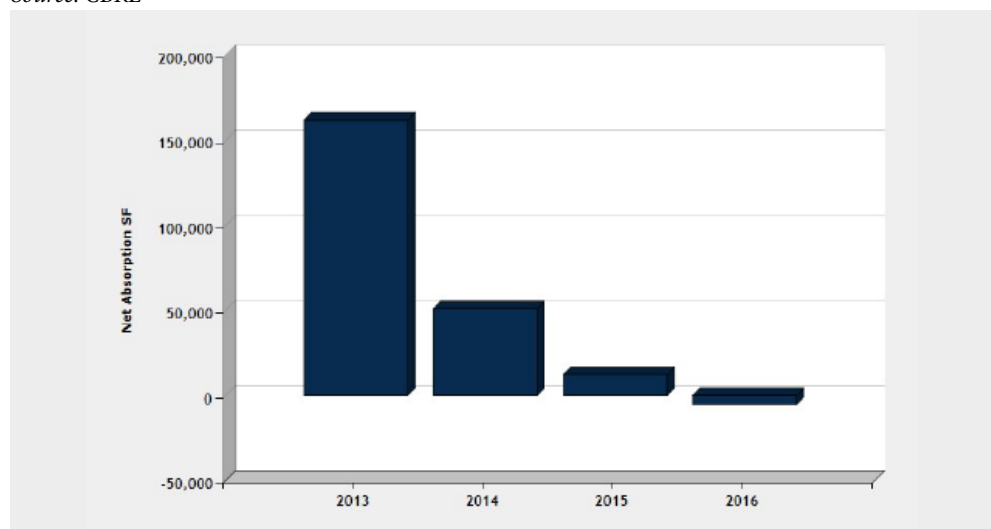
For Class B office space, approximately 47,698 square feet is available across five buildings. For Class C office space, approximately 2,000 square feet is available (all in one building). Overall there are 49,698 square feet of office space available in the Anton Drive Study Area and is primarily Class B. The average asking rate for Class B space ranges

from \$12.50 - \$19.60 per square foot. The average asking rate in the one Class C space is available at a lease rate of \$12.00 per square foot.

Over the past year, the Anton Drive Study Area has seen an overall negative net absorption of 22,950 square feet. There was a 645 square foot absorption of Class C space and no change in Class A space. As shown in Figure 3.9 (below), annual net absorption has slowed greatly in the Anton Drive Study Area since 2013. This could be partially explained by the lack of new office construction in the area. According to the City of Fitchburg’s Business Retention & Expansion Annual Report 2015, none of the 682 construction permits issued during the year were for office buildings. However, there is a 3-story, 55,000 square foot office building planned for the corner of Verona Road and McKee. The owner/developer intends to add a second, similar building on an adjacent parcel after the Verona Road project is finished.

Figure 3.9: Net Absorption by Year for Anton Drive Study Area

Source: CBRE



Takeaways from Office Market Analysis

- Although Class B office space had the highest net absorption (131,509 SF) in the Madison region over the past year, it did not perform as well within the Anton Drive Study Area (-22,950 SF).
- Nearly three-quarters (74%) of existing office space in the Anton Drive Study Area is classified as Class B office space. This is comparable to the percentages of Class B found in the South and West submarkets.
- Net absorption has nearly come to a halt in the Anton Drive Study Area. This may have less to do with the desirability of the location and more to do with the lack of new office construction in the area.
- Asking prices for office space in the Anton Drive Study Area are similar to those found in the rest of the South and West submarkets.
- Generally, throughout the Madison region, Classes B office space appears to be most secure and reliable. Class A space is underrepresented in the Anton Drive area. If new office space is to be constructed in the Anton Drive Study Area, both of these classes should be considered, with highway visibility a key consideration on Class and price point.

3.3 Multi-Unit Residential Market

The City of Fitchburg, as with the entire Madison region, has seen a dramatic increase in the number of multi-unit buildings being constructed over the past several years, tied to strong demand for these units. Fitchburg currently has one of the highest percentages of renters (49%) in the Madison region. This section discusses supply, demand and trends related to multi-unit housing in the study area.

Note that there is not a separate section in this market study focused on demand for single-family homes. It is assumed that only a small portion of the planning area, west of the new Fitchrona Road extension, would be considered for single-family housing, and it is further assumed that the number of homes that could be built on that land could be easily absorbed by the market if that use were to be selected/recommended.

Madison Region

Understanding the housing market in the Madison region is important to get an idea of trends in the area, as there are many factors that homebuyers and renters look at when choosing to buy a home and compare between different housing markets. According to the Capital Region Sustainable Communities (CRSC) consortium (of which the Capital Area Regional Planning Commission, or CARPC, is the backbone), between 1990 and 2010 there were 70,612 building permits issued for single-family, two family and multi-unit homes⁴. Approximately 44% of these permits were for multi-unit homes. Fitchburg falls into the category of a “small city” for which there were a total of 18,048 building permits between 1990 and 2010. Of the 18,048 total building permits, approximately 44% were for multi-units. According to CRSC, multi-units were concentrated primarily in Madison and in small cities.

CARPC hired a real estate market consultant in 2013 to do a real estate analysis for Dane County ~~and~~ the study estimated that demand for multi-units would rise by 59% between 2015 and 2035. Using this estimate, CRSC projected what unit construction would look like in Dane County between 2010-2035 (see Table 3.13 below). Since small cities and Madison are where a majority of the multi-units are already located and there is projected to be an increase in the number of new multi-units in the future, small cities and Madison are projected to see the greatest total number of new units by the year 2035. More recently, between 2010 and 2014 there were 12,286 building permits issued in Dane County, of which 65% were for multi-unit homes. Of these units, the majority were constructed in Madison and small cities.

Table 3.13: Projected Unit Construction in Dane County, 2010-2035

Source: CRSC

	Single-Family	Two-Family	Multi-Unit	Total
Towns	4,294	18	790	5,102
Villages	4,451	192	2,763	7,406
Small Cities	4,447	153	7,182	11,783
Madison	5,207	91	16,952	22,250
Dane County	18,399	454	27,687	46,540

⁴ <http://www.capitalregionscrpg.org/?p=2141>

New residential construction and real estate values have been on the rise. An April article in the Wisconsin State Journal titled “Madison’s average single-family home value reaches historic high” discussed the rebounding home market in the Madison area. After the recession (2007-2009), real estate values declined for several years until they began increasing again in 2012. The value of apartment buildings with 50 or more units has risen 15.8% and buildings with 17-50 units have risen 9.6% in value over the past year. Even the condo market has seen a 5.1% increase in real estate values over the past year, driven primarily by rising prices of units in downtown Madison. The housing market is hot in the Madison area and the area is seeing high demand for single-family and condos in particular. With high prices in existing downtown condos in Madison and a preference for multi-unit living for households in the 53719 zip code (according to ESRI Business Analyst), additional condos could be developed in the Anton Drive study area to meet some of this demand.

Fitchburg Rental Market

According to the 2009-2013 American Community Survey, the total population in the City of Fitchburg was 25,620, with 9,962 households and 10,446 housing units. The average rent in the City was \$806. The vacancy rate for the City was 6.7% in the 2010 U.S. Census (note that MG&E’s quarterly vacancy rates are typically much lower than Census data). According to the 2009-2013 American Community Survey, the median household income in the City was \$61,482 and the average household income was \$86,556.

In 2014 the City of Fitchburg completed a Housing Assessment. Figure 3.12 (on page 21) shows the percentage of rental units in each part of the City. The lighter green indicates a higher frequency of rental units. The Anton Drive study area is in the upper left-hand corner of the map. The Housing Assessment concluded that Fitchburg has the widest variety of housing types and largest percent non-single-family homes of any comparable community in the County (excluding the City of Madison). Additionally, Fitchburg has the highest percentage of renters in the region. According to 2012 American Community Survey data used in the Assessment, the homeownership rate in Fitchburg at the time was 51.2%. The City of Madison had the lowest rate of home ownership across the region at 50.1%. Median rent was the second lowest in Fitchburg (\$840) when compared to all comparable communities (i.e., DeForest, Middleton, Monona, Sun Prairie, Verona and Waunakee).

According to 2012 American Community Survey data, just under half of rental units in Fitchburg had rents between \$750 and \$999. Twenty-seven percent (27%) of units have rents between \$500 and \$749. It should also be noted that Fitchburg has one of the highest rates of cost burden (households paying 30% of their income in rent) in the region (47%).

The Assessment also looked at housing by planning area (see Figure 3.11 on the next page). The Anton Drive area roughly falls into the Jamestown planning area. In this planning area, 55% of units are apartment units, 28% are single-family homes, 9% are duplexes and 8% are condos. Jamestown has one of the highest percentages of apartments in the City of Fitchburg, coming in just behind Fish Hatchery (91%) and Dunn’s Marsh (70%).

Fitchburg’s Housing Assessment shows additional detail on the history of building permits within the City and what percentage of those units are multi-unit vs. single-family (see Figure 3.12 on page 20). In the last year reported (2013), a majority of the building permits were for multi-unit construction. After a sharp decrease in multi-unit construction in 2010, things finally started to pick back up in 2012. Whereas pre-recession construction trends had generally included more single-family units than multi-family, recent years have seen dramatic growth in multi-family units while single-family construction remained stagnant.

Figure 3.10: Total units Permitted by Unit Type (Building Inspection Annual Report, 2010)

Source: Fitchburg Housing -Assessment

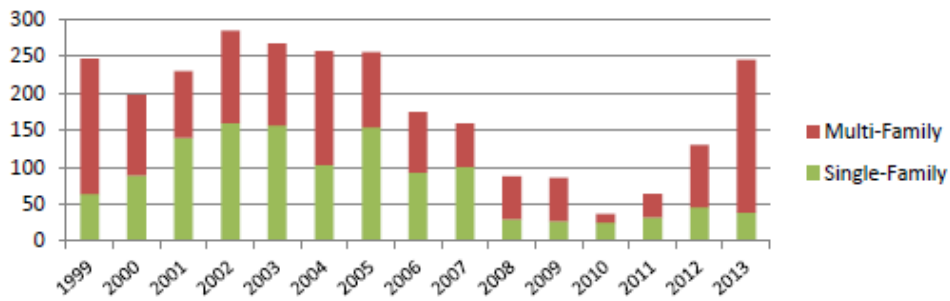


Figure 3.11: Housing Assessment Planning Areas

Source: Fitchburg Housing Study

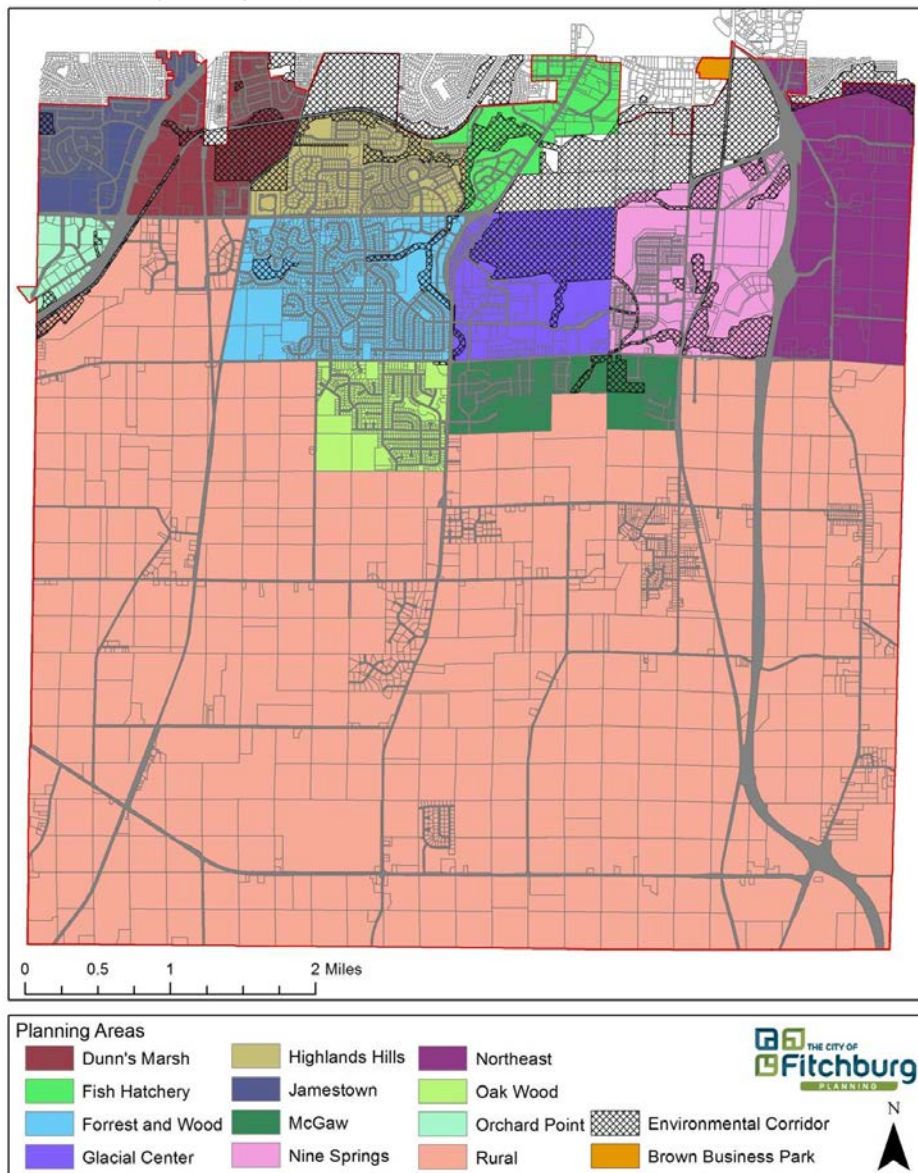
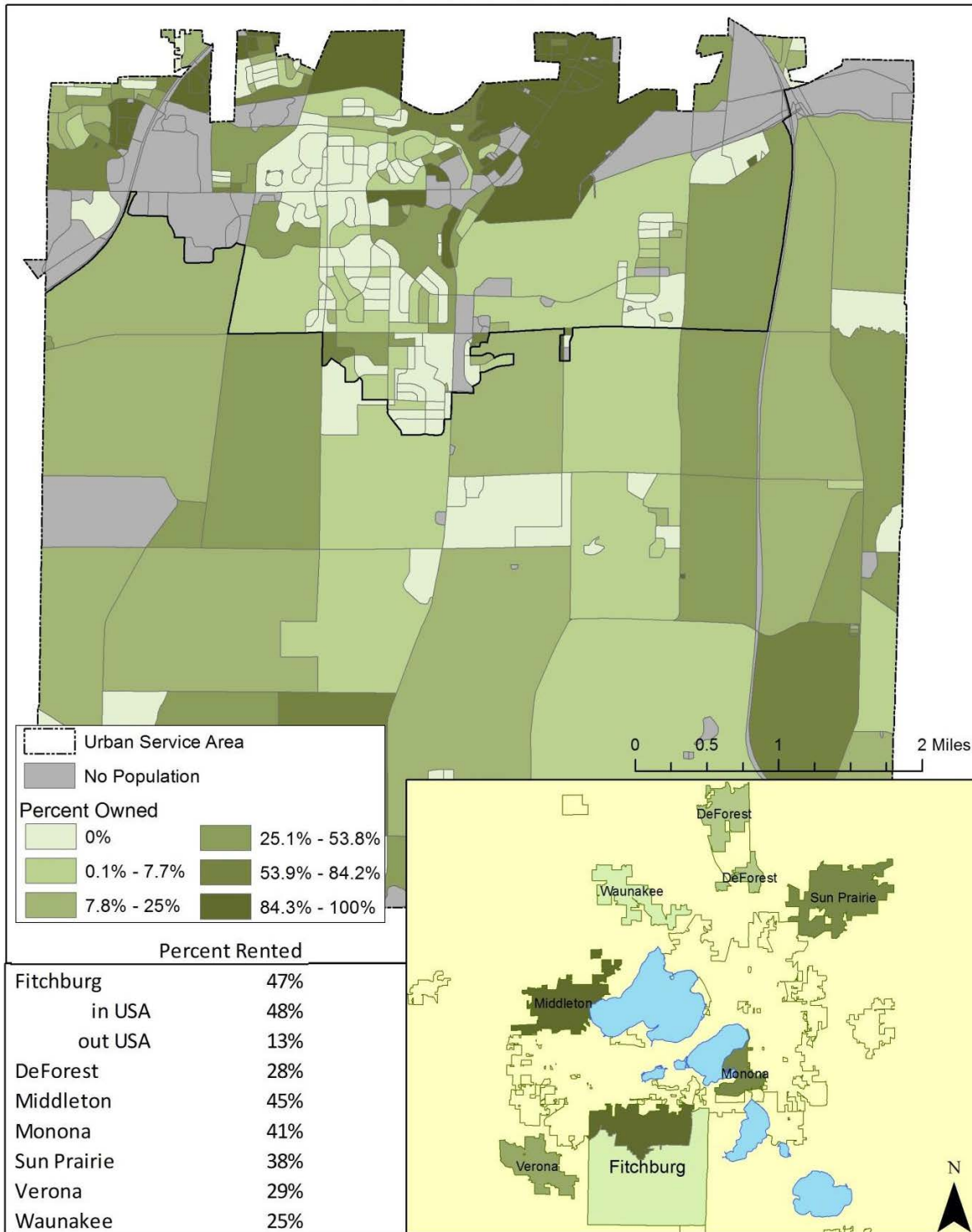


Figure 3.12: Percent Rental Units in the City of Fitchburg

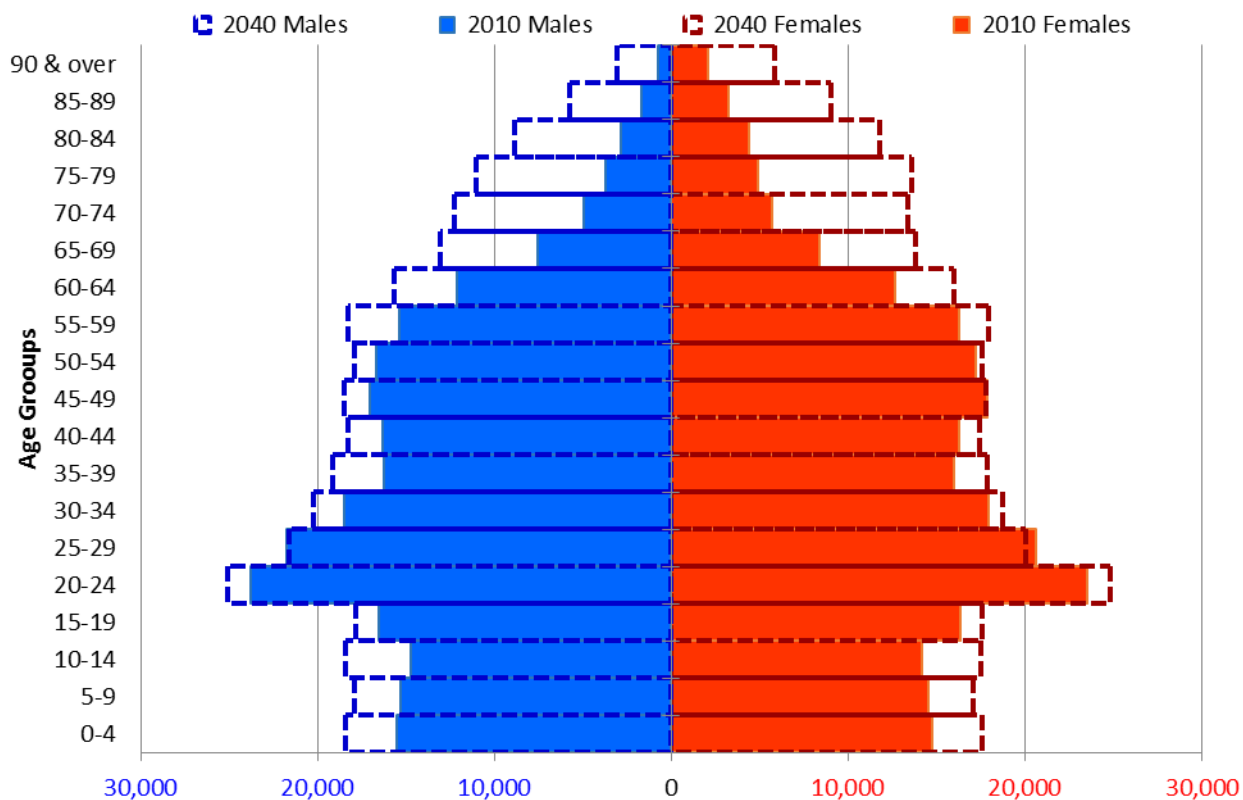
Source: Fitchburg Housing Study



The Wisconsin Department of Administration (WI DOA) projects that the City of Fitchburg will grow in population by 29.3% between 2010 and the year 2040. This surpasses the rate of growth that the City of Madison (20.6%) and Dane County (24.3%) are projected to see during the same time period. The WI DOA also breaks down the projected 2010-2040 population growth by age. As you can see from Figure 3.13 below, the greatest increases will be in the age group of those 65+. The cohort of those age 65+ is projected to increase by 142.2% between 2010 and 2040. According to 2009-2013 ACS estimates, the current percentage of the total population residing in the 53719 zip code that is 65 years or older is 8%. Similar to Madison, Fitchburg and Dane County; this number is also expected to grow rapidly in the coming years in the 53719 area.

Figure 3.13: Dane County Population Growth by Age Group, 2010-2040

Source: WI DOA



Demographic Trends

The City of Fitchburg’s Housing Assessment also discussed age group distribution and tenancy characteristics. The Assessment found that as the population moves into the 75 plus category, ownership rates decline and the rental rate rises. As the population ages in the City of Fitchburg, the shift from single-family units to multi-units will need to be considered.

ESRI Business Analyst also categorizes current households by tapestry segment. Tapestry segments divide the population into 67 segments based on demographic and socioeconomic characteristics. This categorization can shed more light on households’ lifestyle choices, what they buy, where they live, and how they spend their free time. The 53719 zip code (which includes the study area and most of the southwest areas of the City of Madison) is primarily

made up of the 3 segments (as of 2015) listed below. General Characteristics of each segment are listed in Table 3.14 (below).

- **Enterprising Professionals** (4,887 households, or 36%)
- **Metro Renters** (2,634 households, or 19%)
- **Young and Restless** (1,888 households, or 14%)

All three tapestry segments include at least some households in multi-unit rentals; the 33% of households that fall into “Metro Renter” and the “Young & Restless” generally prefer multi-unit rentals.

Table 3.14: Tapestry Segments for Households in Zip Code 53719

Source: ESRI Business Analyst

	Enterprising Professionals	Metro Renters	Young & Restless
Household Type	Married Couples	Singles	Singles
Median Age	35	32	29
Employment	Prof; Mgmt	Prof; Mgmt	Svcs; Prof
Education	College Degree	College Degree	College Degree
Income	\$77,000	\$52,000	\$36,000
Race/Ethnicity	White	White	White; Black
Housing Type	Multi-Units; Single Family	Multi-Unit Rentals	Multi-Unit Rentals

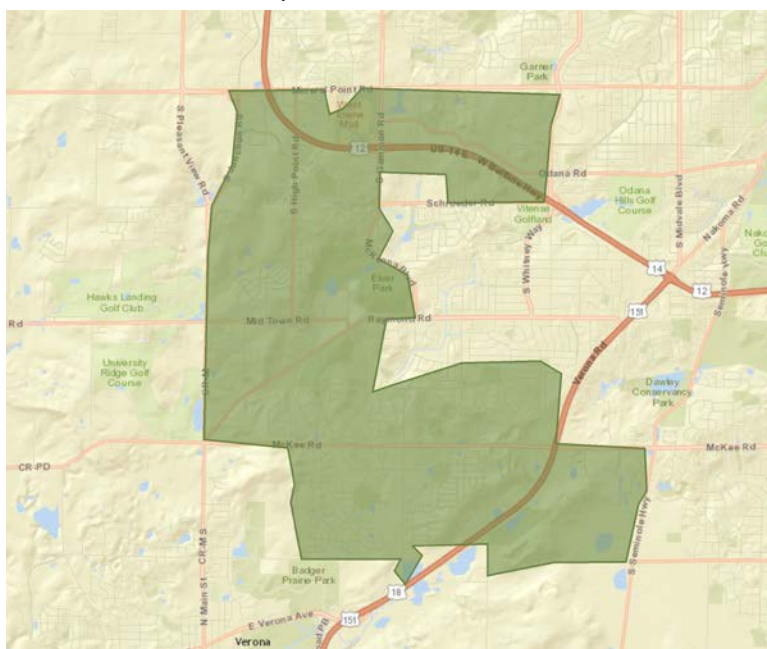
Local Market Area

Using the 53719 zip code, a more localized review of the multi-unit market is reviewed in this section. The 53719 zip code focuses on the higher concentrations of multi-unit buildings nestled between US 12/14 and US 151/18 west and northwest of the study area (see Figure 3.14).

According to the 2009-2013 American Community Survey, the total population within the 53719 zip code was 30,416 with 13,398 households and 13,954 housing units. The total number of renter-occupied units in the area is 6,821, or approximately 49% of the total housing stock. The median rent in the area was \$880 in 2013. Madison Gas and Electric, the local utility provider, keeps data on multi-unit rental vacancy rates by zip code. MG&E estimates the number of vacant units based on electric services being moved out of an owner’s name. For the fourth quarter of 2015 the rental vacancy rate for zip code 53719 was 2.87%. Typically a healthy rental

Figure 3.14: Multi-Unit Housing Analysis (Zip Code 53719)

Source: ESRI Business Analyst



vacancy rate is around 5%. A low rental vacancy rate can cause higher rental rates (low supply, high demand) and can signal insufficient housing stock which makes it hard for renters to shop around.

Table 3.15: Projected Total Multi-Units supported in 53719 (low estimates)

Source: U.S Census, ACS estimates, Wisconsin Department of Administration Projections and MSA calculations

	2030 Forecast
Number of Households in Market*	14,871
% Renters in Market**	49%
Number of Renter Households in Market	7,287
Multi-Unit Monthly Rental Rate Range***	\$900-\$1,750
Minimum Household Income for Rental Range****	\$36,000
% of Household Incomes in Income Qualification Range*****	78%
Number of Renter Households in Income Qualification Range	11,599
Moderate Suburban Market Capture Rate: 1%	116
Low Suburban Market Capture Rate: 0.25%	29
Total Number of New Units Supported	29-116

*Household estimate based on the percentage change in Households for City of Madison during the same time period

**Assuming the percentage of renters stays the same as 2009-2013 ACS estimates

***Using the rent ranges where majority of households (90%) fell into from 2009-2013 ACS estimates, numbers used were adjusted for an annual 2% inflation

****Households do not pay more than 30% of their monthly income on rent

*****Using the same percentage of households who fell into the 2009-2013 ACS estimate ranges

Table 3.16: Projected Total Multi-Units supported in 53719 (high estimates)

Source: U.S Census, ACS estimates, Wisconsin Department of Administration Projections and MSA calculations

	2030 Forecast
Number of Households in Market*	15,544
% Renters in Market**	49%
Number of Renter Households in Market	7,617
Multi-Unit Monthly Rental Rate Range***	\$900-\$1,750
Minimum Household Income for Rental Range****	\$36,000
% of Household Incomes in Income Qualification Range*****	78%
Number of Renter Households in Income Qualification Range	12,124
Moderate Suburban Market Capture Rate: 1%	121
Low Suburban Market Capture Rate: 0.25%	30
Total Number of New Units Supported	30-121

*Household estimate based on the percentage change in Households for City of Fitchburg during the same time period

**Assuming the percentage of renters stays the same as 2009-2013 ACS estimates

***Using the rent ranges where majority of households (90%) fell into from 2009-2013 ACS estimates, numbers used were adjusted for an annual 2% inflation

****Households do not pay more than 30% of their monthly income on rent

*****Using the same percentage of households who fell into the 2009-2013 ACS estimate ranges

Tables 3.15 and 3.16 (on the previous page) use 2009-2013 ACS data, US Census Data, Wisconsin Department of Administration projections and MSA calculations to determine the percentage of renters that a new multi-unit development in the Anton Drive Study Area (completed around 2030) could potentially pull from the 53719 zip code. It is estimated that a new multi-unit building could be built by the year 2030. Table 3.15 uses a low household projection rate for 2030 based on household growth in the City of Madison. Table 3.16 uses a high household projection rate for 2030 based on the household growth in the City of Fitchburg. Looking at both tables, the estimated number of households that could be pulled from the rental market to a new multi-unit building, per 2030 projections, is approximately 29-121 households. The capture rates used in the table below (0.25% and 1%) are conservative.

8,684 units in 1,140 parcels

For our analysis, the City of Madison provided data on multi-unit buildings and properties in southwest Madison. The City was unable to provide data for the 53719 zip code, but had data including and surrounding the Anton Drive study area based on a location bounded by the beltline on the north, Meadow Road on the west, Cross Country Road on the south and Fish Hatchery Road on the east. In total, there are 8,684 units on 1,140 parcels within the study area shown in Figure 3.15 below. Figure 3.16 (on the next page) shows a breakdown of multi-unit buildings by unit size in the southwest area. A majority of the parcels have large unit buildings, ranging in size from 51-100 to 100+ units. At the other end of the spectrum, there is also a good supply of 2- and 4-family units. There are a limited number of mid-size buildings/complexes in the study area.

Figure 3.15: Analysis Area for Composition of Multi-Units in southwest Madison

Source: City of Madison

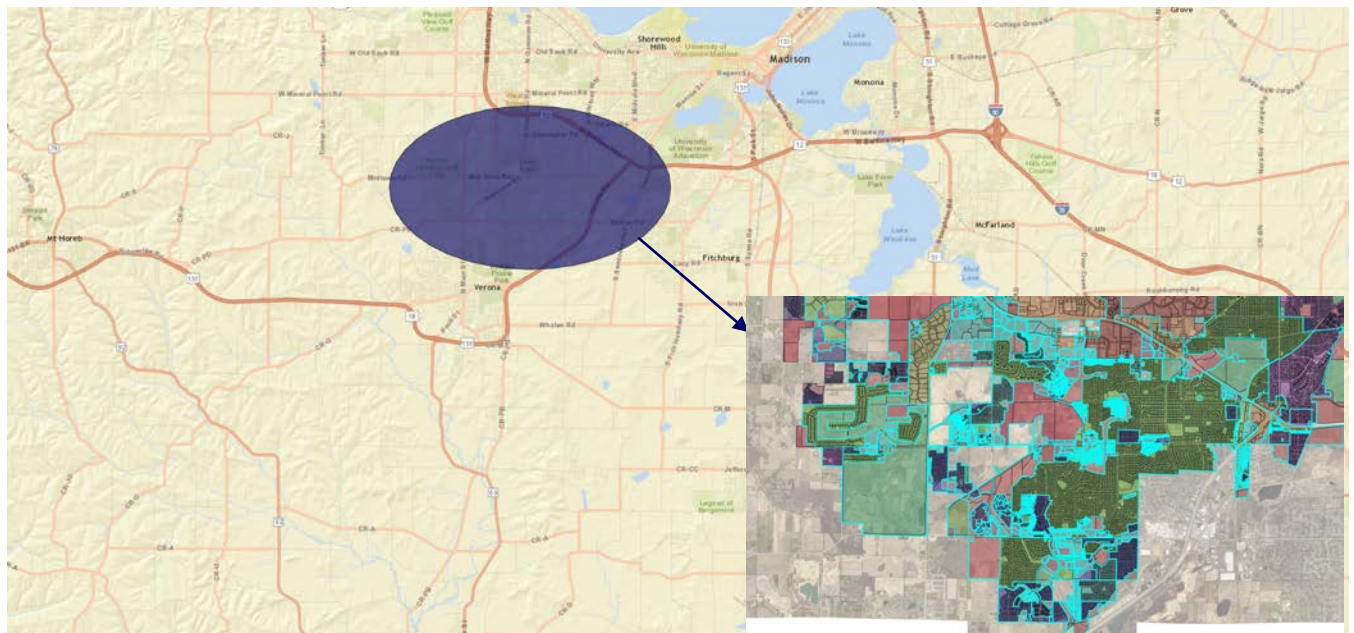
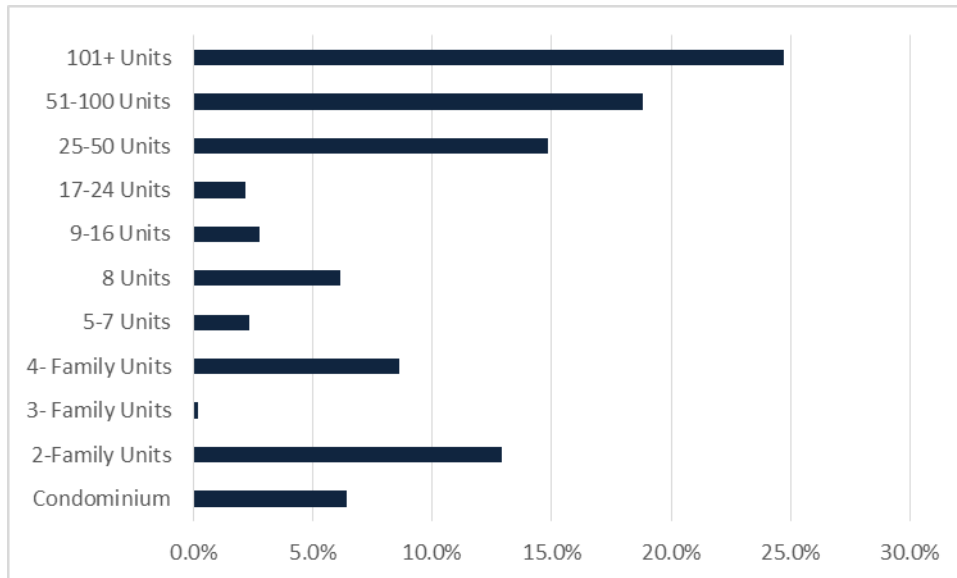


Figure 3.16: Composition of Multi-Unit Parcels in southwest Madison

Source: City of Madison



Takeaways from Multi-Unit Housing Market Analysis

- Fitchburg currently has the highest rates of renters in the region (49%), excluding the City of Madison. It is estimated that this rate will increase in the future if current trends continue and changing demographics do impact housing-type preference.
- In the year 2030, it is estimated that 29-121 multi-unit rentals could be supported in the Anton Drive Study Area, pulling from existing renters in the 53719 zip code.
- The Anton Drive Study Area could also support condo development provided that condo values in the downtown Madison continue to rise. Condo construction at the periphery of the Madison would offer supply to those who wish to live in a condo surrounded by retail, food & drink and entertainment options, but need to “drive until they qualify”.

3.4 Hotel Market

City officials have expressed interest in a hotel in the vicinity of the McKee Road/Verona Road interchange, and specifically a mid-market facility that appeals to business customers. It is assumed that such a facility would serve visitors to businesses on the west side of the City, including those in the study area and in the Fitchburg Commerce Park and Arrowhead area across Verona Road. It is further assumed that this facility could help meet the extensive demand for hotel rooms generated by Epic Systems in Verona, which has been supporting hotel occupancy rates throughout the Madison metro area.

A hotel of this type was proposed in the Orchard Pointe development south of McKee Road in early 2016. If approved, this facility would be a Staybridge Suites property featuring 100 rooms in a full-service format. Based on

current rates at Staybridge Suites properties in Middleton and East Madison, room rates would likely range from \$120-200+ per night.

Figure 3.17 offers a snapshot of current properties in Fitchburg, Verona, and south and southwest Madison that can reasonably be considered business hotels, all 2-star to 3.5-star facilities. Room rates are based on a review of available rooms for a specific date (May 11, 2016) as of April 13, 2016, using Hotels.com as the source. This snapshot leads to several noteworthy observations:

- There are 628 rooms in the five facilities near West Towne Mall, compared to 69 (and soon 169) around Orchard Pointe and the Anton Drive Study Area. Hotels benefit from proximity to retail and restaurant businesses, which have likely reached critical mass in the Orchard Pointe area to support more lodging.
- The Verona properties appear to be doing well – room rates are relatively high and vacancy is low. The largest and most expensive hotel in Verona (Holiday Inn) had no rooms available on the selected snapshot date (May 11, 2016), nor on many other days selected. This is assumed to reflect corporate bookings by Epic, and it suggests the potential to add more rooms to the market
- It would be prudent to monitor performance of one new hotel near the Study Area before building a second facility, but the market indicators are strong and suggest capacity for more rooms in the Verona Road corridor. Space for a second hotel site should be considered in the Anton Drive Plan.

Figure 3.17: Business Hotels in Fitchburg, Verona, and South/Southwest Madison

