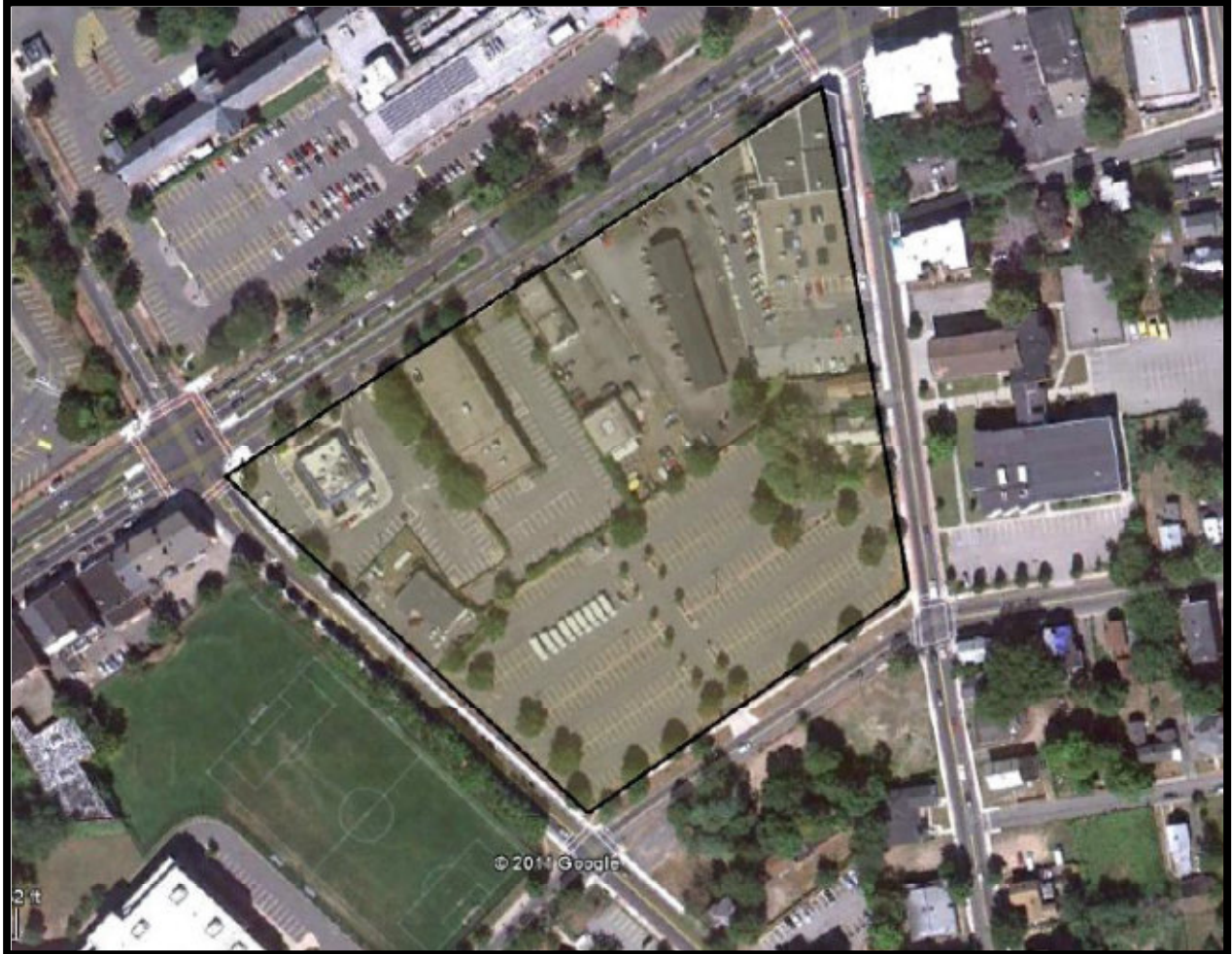


# Supermarket Feasibility Analysis of State Street Development Site Springfield, MA

---



**Prepared by:**

***JTD Retail Strategies, LLC***

407 Highland Street

Milton, MA 02186

612 850 6576

[johntdomino@gmail.com](mailto:johntdomino@gmail.com)

**October 13, 2011**

## **Overview:**

This report presents the findings by John Domino, of JTD Retail Strategies, LLC based upon his analysis of the site characteristics, and his tour of the State Street site and the surrounding Springfield market in October 2011. The purpose of the report is to assess the opportunity to develop and operate a new full-service supermarket at the site. The findings in this report are based on a high level analysis of the supermarket competition, site characteristics and sales potential for the trade area.

## **State Street Site Overview**

The 7.7 acre site sits approximately a mile east of downtown Springfield on the south side of State Street and is bordered by Walnut Street to the west, Oak Street to the east and Union Street to the south. The site currently hosts a number of different uses including a Burger King, car wash, dental clinic, parking lot, and multi-family residential units. At 7.7 acres, the site can easily accommodate a 40,000 – 70,000 sf grocery store development along with some ancillary retail. Given typical supermarket and retail parking ratios, it is realistic to target a total development of 80,000-90,000 square feet.

Access to the site from the neighborhood is very good from State Street with a traffic light off of Oak Street. State Street is a four lane road that connects downtown Springfield with neighborhoods to the east and northeast. The road continues to undergo upgrades to a divided boulevard layout. Since the site is in the middle of an urban area and State Street is not a major regional artery, it is unlikely that the site will easily attract customers from outside the immediate 2-3 mile neighborhoods.

The site benefits from the Springfield Technical Community College (STCC) which is located across State Street to the west of Walnut Street and the STCC Technology Park which is immediately across State Street from the site. Both properties are large and in excellent condition, and bring 750 employees and 6,300 students to the immediate area. The buildings on the south side of State Street, to the west of the site, are run-down and in need of significant redevelopment. As you head east of the site along State Street there are a CVS, Walgreen's, Family Dollar and McDonald's. All of these are in very good condition and appear to be strong and thriving businesses. The high school to the west and the residential buildings and Community Center to the east of the site are in good condition and an overall benefit to the site. However, the residential homes to the south of the site tend to be run down and detract from the site.

## **Trade Area Overview**

The immediate trade area is predominantly older small single family and multi-family housing stock and a lower to lower middle income population. There are 30,900 people within a 1 mile radius of the site with an average household income of \$31,600 and there are 139,200 people with an average household income of \$46,400 within a 3 mile radius of the site. Exhibit A shows a map of the City of Springfield with the supermarket trade area identified, along with

the major supermarket competition serving the trade area. This trade area represents a 5 to 7 minute drive time to the site and a total of 107,551 people.

The income levels in the trade area are quite low with a high percentage of people at or below the poverty level. Of the 107,551 people in the trade area there are 25,326 people (26.0%) with incomes at or below the poverty rate. The 12 census tracts closest to the site have the highest poverty rates at an average rate of 36.5%. While there are some areas with moderate incomes and nicely maintained small to medium-sized single families homes, there are no higher income neighborhoods within the trade area.

The City of Springfield's populations is 55% white, 25% black/African American and 20% Hispanic.

### **Existing Supermarket Competition**

Table 1 identifies the 14 supermarkets that service the trade area population. The 14 stores are comprised of 4 limited assortment/value-focused stores; 2 ethnic/Hispanic-focused independently operated stores, 7 full-service Stop & Shop and Big Y supermarkets and a large Walmart supercenter. 5 of these supermarkets are located within the trade area boundaries and the remaining 9 stores are located less than a mile outside of the trade area.

This configuration of stores is quite common in urban areas. Most larger, chain retailers tend to congregate together in large shopping centers on the perimeter of the market. This allows the retailers to benefit from the combined retail draw from the other retailers and also attract lower income shoppers to the larger and apparently safer large shopping centers. This appears to be the case with two or more stores grouped together along Boston Road near the Eastfield Mall in Wilbraham, in West Springfield across the river, near the Chicopee line on the north edge of the trade area and close to East Longmeadow to the southeast of the trade area. The only stores in the heart of the trade area are the two Hispanic, independently operated stores.

**Limited Assortment Stores:** The four value/limited assortment stores (Price-Rite, Save-A-Lot and Aldi) fill an important place in the market by providing private label groceries and basic perishable products at very low prices. These stores offer the high number of low and moderate income households in the trade area the opportunity to stretch their food dollars as much as possible.

**Hispanic Stores:** The two independently-owned stores are the NSA and Food Zone. Both stores have a large focus on Hispanic foods and merchandise, with the NSA store presenting aggressive prices and a value-focused image. While the stores are not fancy and most of the equipment is relatively old, they both appear to be clean, well-run and safe. These stores also appear to be important assets to the neighborhoods; especially the high percentage of Hispanic residents in the area of the site. These stores are independent businesses and are serviced by large supermarket wholesalers. The Food Zone store is serviced by Krasdale, which has a strong presence in the NY metro area and is based in White Plains, NY. The NSA store is serviced by C&S, the largest grocery wholesaler in the US (they also service the Stop & Shop stores,) based in Keene, NH.

**Big Y:** The three Big Y stores, while clean and well-run, are not representative of the newer World Class Markets that the chain runs in other areas. The St. James Ave. store is smaller than their other stores at 36,000 sf, but has the potential for significant expansion. The store in West Springfield is sufficiently large and referred to as a World Class Market, but the decor and the variety of their perishable food offerings are not at the level of a typical Big Y World Class Market.

**Stop & Shop:** Stop & Shop has 4 stores serving the market. All four are in strong shopping centers and are in very good condition and representative of their stores across New England.

**Walmart:** The Walmart Supercenter appears to be quite new and offers a wide selection of groceries, fresh/perishable foods and dry goods at aggressive prices. While this store is located outside of the trade area on Boston Road, it's location with Price-Rite, Aldi, and Stop & Shop attracts a high percentage of supermarket shoppers out of the trade area for their shopping needs.

### **Sales Potential Analysis**

The 107,551 people within the trade area are assumed to spend \$33 per person per week in grocery stores. Typical ranges for per capita grocery expenditures range from \$30 to \$40 per person. Given the high percentage of people below the poverty level and the lower incomes, \$33 is a good estimate for the trade area. Table 2 provides a detailed analysis of sales potential by census tract within the trade area. This estimates a total supermarket sales potential of all people within the trade area of \$3.5 million.

Table 3 is an analysis of the amount of supermarket space serving the trade area. It looks at the size of each store (only supermarket portion of the Walmart Supercenter) and estimates the percentage of its sales that come from within the trade area. This table estimates that there are currently 297,600 square feet of supermarket space serving the trade area, which equates to a ratio of 2.77 square feet per person. This metric tends to range from 3.0 to 4.0 in other metropolitan areas around the northeast. The table also looks at the trade area's weekly sales potential per square foot of supermarket space. The market averages approximately \$11.93 per square foot per week in supermarket sales. The range for other metropolitan markets throughout the northeast is \$8.50 to \$10.00 per square foot.

Both of these metrics from Table 3 suggest that the trade area surrounding the State Street site have less supermarket space than a typical metropolitan market and have the opportunity for additional supermarket space. The addition of a 50,000 sf at the site would change the metrics to 3.23 square feet of supermarket space per person and \$10.21 of supermarket sales per person. Both of which continue to be well in the normal range for metropolitan markets.

The State Street trade area is comprised of 27 different census tracts. Table 2 also estimates the market share of a new store in each of the different census tracts in the trade area. The market share estimates consider income level in the trade area, proximity to the State Street site and proximity to other competing supermarkets. It is based on the attraction of a typical conventional supermarket similar to Big Y, Stop & Shop, Shaws or Price Chopper. The market share multiplied by the total supermarket sales potential in the census tract provides the sales

that a new store is likely to attract from that census tract. The sum of the sales from all of the census tracts in the trade area is \$453,659. A supermarket at this location is likely to garner 5-10% of its sales from customers from outside the trade area, most likely workers and students to the STCC facilities. This would suggest a store volume of \$475,000 to \$500,000 per week.

The target sales for a supermarket corporation to invest the \$4,000,000 in new equipment and fixtures and commit to a new 20 year lease with annual lease, common area maintenance and real estate tax costs in excess of \$1,000,000 per year for a new conventional 50,000 to 60,000 sf supermarket is likely to be \$450,000 to \$550,000 per week. Therefore, the site does have the sales potential to attract and support a new conventional supermarket.

### **Impact of a New Store**

A new 50,000 sf store at the State Street site will provide an anchor to the retail along State Street and will build upon the STCC facilities to strengthen the neighborhood. The overall supermarket square footage per person ratio for the trade area will go from a slightly underserved ratio of 2.77 to a more balanced 3.23. It will also bring the sales potential per square foot of supermarket space for the trade area from \$11.93 to \$10.21. \$10.21 is still very strong for a metropolitan trade area.

A new store at this site is likely to place economic pressure on the NSA and Food Zone stores which are closest to the site today. Both of these independently-owned supermarkets do a nice job serving the local population. While both of the stores have a strong focus on Hispanic foods and customers, they also offer a wide variety of conventional foods for the non-Hispanic residents in the neighborhood, and provide jobs for nearby residents. While there may be significant demand for a new full-service chain store, maintaining these two current businesses will be important to providing the diversity of grocery shopping options that the trade area requires.

### **Site Development Plan**

The site requires an assemblage of a number of separate parcels in order to develop the entire 7.7 acre site. If the site is to attract a full-sized, 50,000 sf to 65,000 sf, supermarket the development will require the STCC parking lot parcel. The Burger King is in good shape and can stay "as is", but access to Burger King parking lot should be available from the new site parking lot. The current development plans show a 55,000 sf supermarket and an additional 55,000 to 62,000 sf of additional development. This is too much density for the site. If the site is going to be successful in attracting a major supermarket, it is going to have a 5 per 1,000 sf parking ratio typical of suburban developments. The current plans also show significant development in the front of the site, which breaks the site lines to the grocery store building. Developing out-buildings on the corners of the site allows for some additional density, but does not block the visibility and presence of the anchor store.

Under all circumstances, this site is a marginal opportunity for most large supermarket chains. In order to be successful in attracting a store, the developer should be able to demonstrate that he can move quickly to develop the site. That will require having all of the parcels under agreement and all local and state zoning, traffic and environmental permits in place. The

\$15/sf rent, used in the Develop Springfield site feasibility analysis, is at the high end of the market rents for an anchor tenant in this type of location. In order to get a major chain to take on the added costs associated with the higher shrink, higher security and higher staff training needs typical of urban locations, the developer will have to offer a more attractive economic deal.

Site security will be a major factor in attracting shoppers from many of the neighborhoods in the trade area beyond the immediate vicinity of the site. One of the reasons that so many of the larger chains locate on the perimeter of the trade area, is that shoppers view the large suburban style shopping centers as a safe shopping experience. For many shoppers, even those who live in tougher urban neighborhoods, a safe shopping experience is the most important factor they consider when selecting a store. Many urban developments have added a local police substation as part of the site development to drive a feeling of safety for shoppers and to reduce security costs for the retailers.

### **Potential Supermarket Anchors**

**Big Y:** Big Y has 3 stores serving the trade area, but only one within the trade area. Their target demographic for their stores is middle income to upper middle income households. This site does not fit their target. While Big Y is headquartered in the City of Springfield and very active in the community, they are unlikely to locate a store at this location. However, the Big Y locations that do serve the area are not in the same physical condition or have the same merchandising as some of their newer, more suburban stores. The City of Springfield should encourage Big Y to invest in and upgrade their existing stores

**Stop & Shop:** Stop & Shop has four stores serving the trade area with only one store located within the trade area. Their target demographic is very wide and they have built stores in the Boston market in similar neighborhoods to the State Street trade area. However, since they do cover the trade area well with their existing stores, they are also unlikely to add a new store at the State Street site.

**Price-Rite/Save-A-Lot/Aldi:** In discussions with Develop Springfield and Brian Connors from the City of Springfield, they felt that the residents of the neighborhood were looking for a conventional supermarket at the State Street site and not one of these three limited assortment stores that are already serving the trade area. However, these stores provide great value to their customers and are a good fit for the demographics of the trade area. However, all three of these chains already cover the trade area and are unlikely to see the need to add another store. However, an Aldi with the addition of a produce market or another Hispanic focused store at the site would be an interesting alternative to a conventional supermarket and would do a good job of serving the local residents.

**Market Basket/Price-Chopper:** These two conventional supermarket chains are not currently in the greater Springfield market area, but are located in adjacent market areas. These two chains are unlikely to enter the Springfield market for just one store. Of the two, Market Basket would be more likely to enter the market, but their newest stores tend to be 80,000 – 90,000 sf and the site would be too small to accommodate them. They also would most likely want to locate their store in a more regionally accessible location, such as the Eastfield Mall area.

**Shop Rite:** Shop Rite is a brand that is owned by Wakefern, the owner of Price-Rite and a major grocery wholesaler in the northeast. However, the stores are independently owned and there are many Shop-Rite operators who are very successful and interested in opening new locations. Jeff Brown, a Shop-Rite operator based in Philadelphia, has opened a number of very successful stores in inner city locations. Shop Rite, like Market Basket, would most likely prefer to enter the market with a big store located on the perimeter of the trade area near the Eastfield Mall. However, the developer may be able to generate some interest by marketing the site to successful inner city Shop Rite operators.

**Walmart:** While Walmart has the large supercenter on Boston Road near the Eastfield Mall, they have developed a smaller, 40,000-50,000 sf urban format that would be a great fit with this site. They have one under development in Somerville, MA and may be looking to add other similar stores throughout New England. A Walmart Urban store may be the best opportunity to bring a new conventional supermarket to the site.

**Hispanic Independents:** There are already two independently owned Hispanic stores in the trade area. This site offers an opportunity for one of these two operators. NSA is in an under-sized location a half-mile east of the site. If the City of Springfield and/or Develop Springfield can bring some additional economic development funds to the project, there is an opportunity to assist NSA in building a new, larger store at the State Street site. The Food Zone store is large enough, but they may be interested in opening a second location to better cover the northern portions of the trade area. By working with large wholesalers in the area, C&S and Krasdale, the developers may be able to identify other independent operators who would a good fit for the site.

### **Summary/Recommendations**

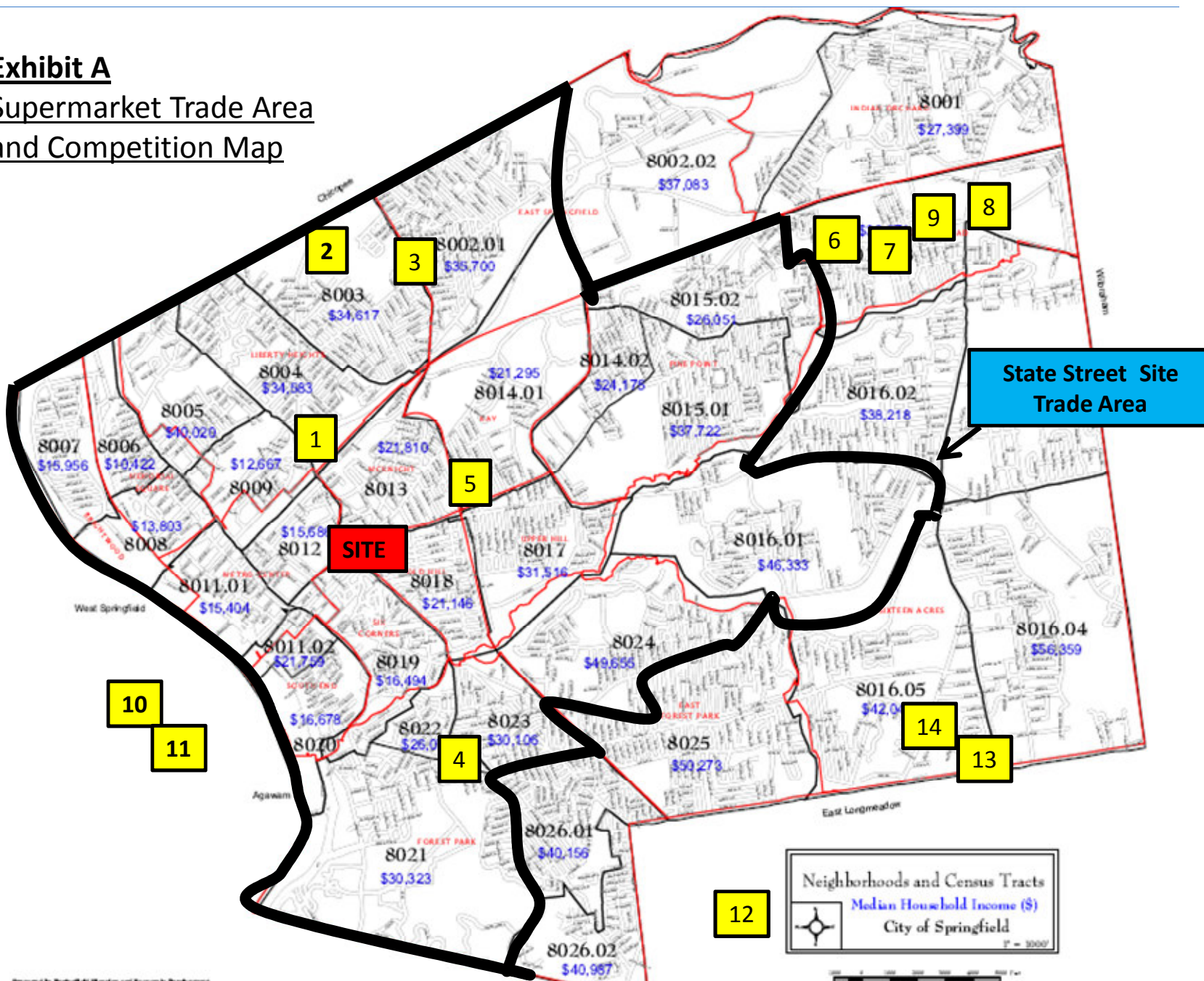
- The trade area consists of 107,551 people with low to moderate incomes and has a 26.0% poverty rate. The lower income population is located closest to the State Street site.
- The trade area is served by 14 supermarkets, only 5 of which are located within the boundaries of the trade area.
- The trade area has an average of 2.77 square feet of supermarket space per person and an average supermarket sales potential per square foot of supermarket space of \$11.93. Both of these ratios, when compared to similar large metropolitan areas in the northeast, suggest that the trade area is underserved by supermarkets and that there is an opportunity for an additional store.
- The sales potential for a new conventional 50,000 - 60,000 sf conventional supermarket similar to Big Y or Stop & Shop is \$475,000 to \$500,000 per week. This level of sales is at the low end of the range that a major chain would require to open a new store.

- It will be difficult to attract a new conventional chain supermarket to the site because of the low incomes in the immediate trade area, the lack of regional access to the site, and the retail draw from the other retail development around the perimeter of the trade area.
- In order to attract a new store to the site, the developer will need to be able to move quickly with the development of the site by controlling all of the parcels required to assemble the site and having all development permits in place. The developer will need to obtain sufficient economic assistance to offer an attractive, below market rent to the supermarket operator.
- The most likely supermarket operators to locate at the site are a Walmart Urban store, a relocation of the NSA store or a second Food Zone store, and possibly a Shop Rite operator that currently has other inner city locations.



# Exhibit A

## Supermarket Trade Area and Competition Map



Prepared by Market4All Planning and Economic Development

**Table 1**  
**Springfield Supermarket Competition**

<b>Map Key</b>	<b>Store</b>	<b>Size (sf)</b>	<b>Comments</b>
1	Save-A-Lot	16,000	Limited assortment store in excellent condition
2	Stop & Shop	70,000	Full-service store in strong shopping center in good condition.
3	Big Y	36,000	Full-service store in neighborhood center in good condition. Not as big or nice as newer World Class Market stores.
4	Food Zone	40,000	Hispanic/Asian focused full-service stand-alone store in fair to good condition.
5	NSA	10,000	Small Hispanic focused store; with strong value image in fair to good condition.
6	Price-Rite	36,000	Value focused store in larger center in good to very good condition.
7	Walmart Supercenter	180,000	Large supercenter with limited adjacent retail. New store in excellent condition.
8	Stop & Shop	70,000	Full-service store in large power center in very good condition.
9	Aldi	16,500	Limited assortment store, stand alone site in excellent condition.
10	Price-Rite	35,000	Value-focused store in medium sized center in good condition.
11	Big Y	63,000	Stripped down, lackluster World Class format in power center. Good condition.
12	Stop & Shop	60,000	Full service store in very good condition.
13	Stop & Shop	60,000	Full service store in very good condition.
14	Big Y	65,000	Full-service World Class Market in very good condition.

**Table 2**  
**State Street Site, Springfield, MA**  
**Sales Potential Analysis**

<b>Census Tract</b>	<b>Med HH Income</b>	<b>Population</b>	<b>PCW</b>	<b>Sales Potential</b>	<b>Mkt Share</b>	<b>Sales</b>
8002.01	\$35,700	6,334	\$33	\$209,022	5%	\$10,451
8002.02	\$37,083	1,333	\$33	\$43,989	5%	\$2,199
8003	\$34,617	4,395	\$33	\$145,035	10%	\$14,504
8004	\$34,583	6,726	\$33	\$221,958	10%	\$22,196
8005	\$40,020	3,366	\$33	\$111,078	20%	\$22,216
8006	\$10,422	2,620	\$33	\$86,460	10%	\$8,646
8007	\$15,956	4,000	\$33	\$132,000	10%	\$13,200
8008	\$13,803	2,098	\$33	\$69,234	20%	\$13,847
8009	\$12,667	4,136	\$33	\$136,488	15%	\$20,473
8011.01	\$15,404	1,862	\$33	\$61,446	20%	\$12,289
8011.02	\$21,759	1,537	\$33	\$50,721	25%	\$12,680
8012	\$15,686	2,638	\$33	\$87,054	20%	\$17,411
8013	\$21,810	4,636	\$33	\$152,988	20%	\$30,598
8014.01	\$21,295	3,992	\$33	\$131,736	20%	\$26,347
8014.02	\$24,175	2,016	\$33	\$66,528	15%	\$9,979
8015.01	\$37,722	5,361	\$33	\$176,913	5%	\$8,846
8015.02	\$26,051	3,412	\$33	\$112,596	5%	\$5,630
8016.01	\$46,333	5,067	\$33	\$167,211	5%	\$8,361
8017	\$31,516	7,577	\$33	\$250,041	10%	\$25,004
8018	\$21,146	4,279	\$33	\$141,207	25%	\$35,302
8019.01	\$16,494	3,938	\$33	\$129,954	20%	\$25,991
8019.02		3,614	\$33	\$119,262	20%	\$23,852
8020	\$16,678	2,849	\$33	\$94,017	20%	\$18,803
8021	\$30,323	6,075	\$33	\$200,475	10%	\$20,048
8022	\$26,078	3,308	\$33	\$109,164	15%	\$16,375
8023	\$30,106	6,838	\$33	\$225,654	10%	\$22,565
8024	\$49,665	3,544	\$33	\$116,952	5%	\$5,848
		<b>107,551</b>		<b>\$3,549,183</b>		<b>\$453,659</b>

**Table 3**  
**State Street Site, Springfield, MA**  
**Supermarket Square Footage Analysis**

<b>Map #</b>	<b>Store</b>	<b>Size (sf)</b>	<b>% w/i Trade Area</b>	<b>SF w/i Trade Area</b>
1	Save A Lot	16,000	75%	12,000
2	Stop and Shop	70,000	65%	45,500
3	Big Y	40,000	60%	24,000
4	Food Zone	40,000	75%	30,000
5	NSA	10,000	100%	10,000
6	Price Rite	36,000	65%	23,400
7	Walmart SC *	60,000	60%	36,000
8	Stop and Shop	70,000	50%	35,000
9	Aldi	16,000	60%	9,600
10	Price Rite	36,000	35%	12,600
11	Big Y	65,000	25%	16,250
12	Stop & Shop	60,000	20%	12,000
13	Stop & Shop	60,000	25%	15,000
14	Big Y	65,000	25%	16,250
				297,600
* Only includes the space dedicated to food				
<b>Market Metrics Today</b>				
Supermarket Square Footage Per Person				2.77
Supermarket Sales Potential per sf of Space				\$ 11.93
<b>Market Metrics with new 50,000 sf Store</b>				
Supermarket Square Footage Per Person				3.23
Supermarket Sales Potential per sf of Space				\$ 10.21