connecting purple line communities

Purple Line TOD Study

Part 2: Market Analysis

May 2013

The Maryland-National Capital Park and Planning Commission

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1. Introduction

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Overview

Prince George's County, as part of the thriving metropolitan Washington, D.C., region, continues to gain momentum. As Prince George's County has grown and matured into a housing and employment center, challenges remain as growth outside the suburban core in rural sections of the county stretches resources and pressure mounts to increase development inside the Beltway (I-495) in communities with existing infrastructure. As a priority planning principle for the county, smart growth in these inner Beltway communities focuses on enhancing commercial and residential strengths. Prince George's County benefits from extensive transit service, including, but not limited to, bus and a variety of different rail services (Metro, MARC, and Amtrak). Recently the Maryland Transit Administration (MTA) proposed the creation of a new east–west, high capacity light rail transit line to link Prince George's and Montgomery Counties. This new light rail line, the Purple Line, would serve 16 miles with 11 stations in Prince George's County. Those communities along the proposed Purple Line are well-positioned within the I-495 Beltway and major highways to enjoy geographic access to the District of Columbia and major institutional anchors, including the University of Maryland at College Park.

In an effort to capitalize on this major infrastructure improvement, The Maryland-National Capital Park and Planning Commission of Prince George's County contracted a multidisciplinary consultant team headed by Design Collective Inc. to work with area stakeholders and develop future land use plans for four of the key transit station areas along the Purple Line. This work includes a review of existing market conditions by Partners for Economic Solutions. The planning effort focused on the Riverdale Road (Beacon Heights), Riverdale Park, M Square (River Road) and the College Park-UMD stations.

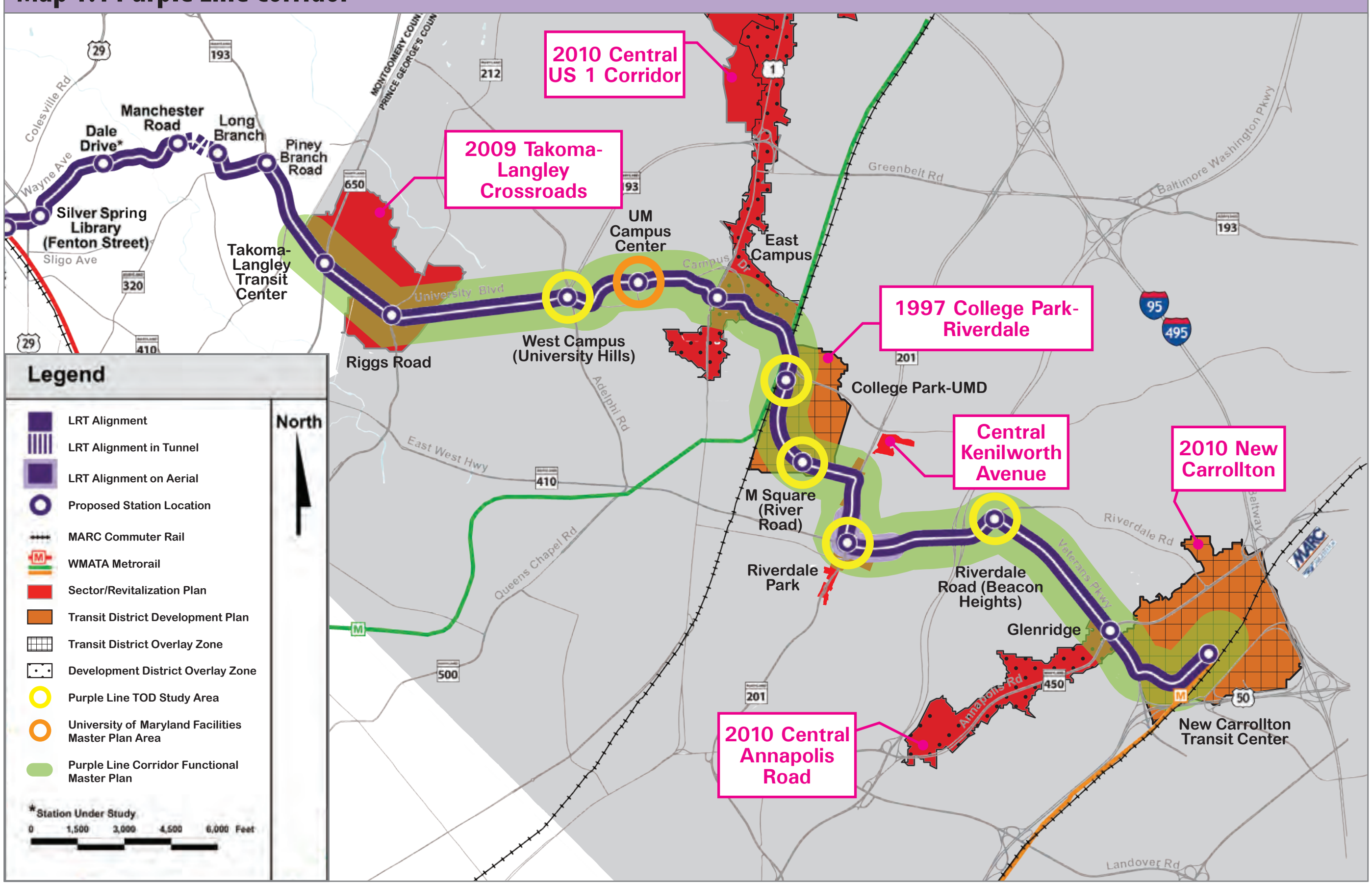
As these Purple Line communities embark on this planning process to accommodate the introduction of the new light rail transit system into their development futures, consideration must be given to the built-out nature of each community, existing development patterns of the area, and the potential to meet community needs while maintaining integrity of the individual station area's identity. Locations along the proposed Purple Line present opportunities for additional infill development and redevelopment within established communities. Some of the station areas also benefit from high levels of existing transit access, such as College Park-UMD, with access to Metro's Green Line. Other station areas represent built-out automobile-oriented residential neighborhoods near major highways such as the Beacon Heights neighborhood at the proposed Riverdale Road station. The dynamics of each station area present unique challenges and opportunities to build on the market realities of today and the potential of future market shifts.

1.1 Purpose of Market Analysis

This market analysis explores the areas' past demographic, economic, and real estate market trends as well as regional forecasts in order to estimate future market-supportable development along sections of the proposed Purple Line. The region's economic outlook, competing urban and suburban centers throughout the region, and the push to add substantial new housing and commercial development at the University of Maryland's M Square Research Park campus create a new market reality.

In addition to analyzing market factors, this planning process will test scenarios for redevelopment along the proposed Purple Line that expand on traditional estimates of market support. These market recommendations extend beyond current build-out estimates, relating land supply and density rather than relying solely on market trends and the historic nature of development. This market analysis considers opportunities to expand development capacity along the proposed Purple Line to accommodate future demand generated by this major transit infrastructure upgrade.

Map 1.1 Purple Line Corridor



2. Demographic Profile

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Overview

The following section profiles recent demographic and economic trends in the region, Prince George's County, and the communities along the proposed Purple Line, examining current real estate market conditions and assessing future market demand for office, housing, local-serving retail, and hotels.

For this portion of the analysis, the boundaries for each station area include a half-mile radius around the proposed station location. Following this demographic profile, the market analysis sections by land use define unique trade areas based on characteristics of potential customers. The larger area is principally defined by its primary transportation corridors—US 1, MD 201 (Kenilworth Avenue), MD 410 (East West Highway) and the MD 295 (Baltimore-Washington Parkway). For context, the demographic section also reviews Prince George's County and the Suburban Maryland area (Prince George's and Montgomery counties) to understand how these demographics compare or contrast with other geographies. An understanding of the regional market dynamics provides further insight and direction for market conclusions by land use.

2.1 Regional Economic Overview

The Metropolitan Washington region continues to remain stable after several decades of strong economic growth, resulting from the increased federal procurement captured within the region, advances in numerous technology sectors, and population growth. The Washington regional economy demonstrates remarkable diversity and vitality, especially in leading technology sectors. For example, according to the Bureau of Labor Statistics in November 2011, the Greater Washington metropolitan area had the lowest rate of unemployment, 5.4 percent compared to the other 10 largest metropolitan regions, many of which remained above 10 percent. According to *The Economist*, while most of America frets over a jobless recovery, the Greater Washington's economy is booming. Washington's unemployment rate is easily the lowest among America's large metropolitan areas. Employment in Greater Washington has risen by about 84,000 jobs over the past year—roughly six percent of America's total job growth in a region with just two percent of its population.[1] Households within the Greater Washington region have the second highest household income at $85,168.[2] Home values reflect the strength of the Greater Washington economy with the Case-Shiller Home Price Index giving Metropolitan D.C. the highest level of housing appreciation at more than four percent during 2011. The Greater Washington Initiative attributes much of this strength in job growth to federal government spending.

Prince George's County as a whole represents a stable part of the Greater Washington regional economy. Since 2001, Prince George's County has increased the total number of business establishments from 14,352 to 15,667 as shown in Figure 2.1. From 2001 to 2007, total employment grew by 3.9 percent in Prince George's County with 1.1 percent of job growth in the private sector, according to a report on workforce trends.[3] As with much of the nation, Prince George's County suffered job loss and business closures as a result of the economic downturn. Bureau of Labor Statistics data show that from 2008 to 2010 Prince George's County lost 16,771 jobs or 5.3 percent of all jobs, while the State of Maryland and Metropolitan Washington area declined more slowly losing 3.7 and 2.0 percent, respectively. During the same period, the unemployment rate in Prince George's County rose from 4.5 percent in 2008 to an estimated average of 7.0 percent in 2011, based on data from the Maryland Department of Labor, Licensing and Regulation. This mirrors the trends in Maryland, where the unemployment rate increased from 3.6 percent in 2007 to 7.0 percent in 2011, down from 7.5 percent in 2010.

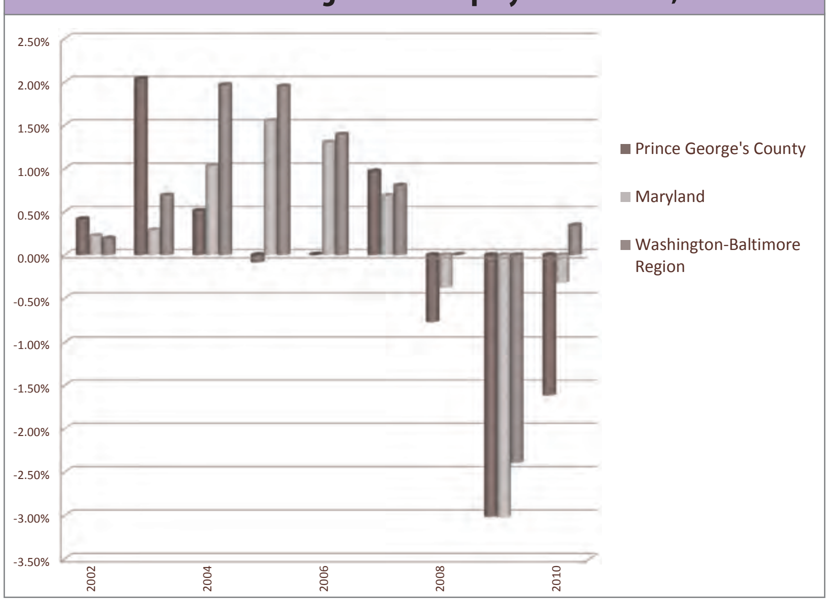
Data from the 2000 census show the types of industries and jobs that area residents hold. This distribution does not quantify the type of industries or jobs available locally but rather the occupations of existing residents. These residents may work locally in Prince George's County or elsewhere. As other metropolitan D.C. communities can attest, the presence of the federal government greatly impacts job opportunities. The majority of jobs for Prince George's County residents are in the service sector, government, and retail trade, based on the 2000 census at place of employment. Data provided by ESRI for 2010 show that both M Square (River Road) and College Park-UMD station areas had a high concentration of white-collar jobs with 74.1 and 83.5 percent of employment. A review of the Riverdale Park station area revealed only 46.2 percent white-collar jobs compared to 59.1 percent for residents

1 *The Economist*, Washington, D.C.'s, economy "Blooming: Boom times in the capital" April 14, 2011, www.economist.com/node/18561085.

2 Florida, Richard, The Atlantic Cities, "D.C., the Economic Superstar" June 6, 2011, www.theatlantic.com.

3 Battelle Technology Partnership Practice, Jacob France Institute at the University of Baltimore. "Technical Report: A Study of Occupational Shifts and Workforce Characteristics for Prince George's County," December 2011.

Figure 2.1: Employment Trends, 2001-2010



in the Riverdale Road (Beacon Heights) station area. It is expected that the West Campus station area also has a high concentration of white-collar jobs.

2.2 Demographic Profile

Within the five station areas, data from the 2010 U.S. Census Bureau provide a scale of the size of each community and the nature of the residents that live in these neighborhoods. Along the eastern end of the proposed Purple Line, the Riverdale Road (Beacon Heights) station area is home to 6,169 residents within one-half mile of the station (see Table 2.1 below). This station area gained 982 new residents over the last decade, while the College Park-UMD station area added 713 new residents. The growth in the College Park-UMD station area can be attributed to the expansion of housing opportunities for University of Maryland students. In comparison, the M Square (River Road) station area realized a small amount of growth with the addition of 86 new residents, while the Riverdale Park station area lost 92 residents. In 2010, 2,035 residents lived within a one-half mile radius of the proposed West Campus station. From 2000 to 2010, the area's population has grown by 542 persons, an increase of 36.6 percent over the ten-year period. This equates to an annual growth rate of 3.15 percent.

Appendix Table A-1 on page 319 shows the distribution of the population by age groups. In the College Park-UMD station area, college age students represent 48 percent of the population. In both the Riverdale Road station area and Riverdale Park, those between the ages of 25 to 44 years represented 33.3 percent and 36 percent of the population, respectively. The age distribution in the M Square (River Road) station area mirrors the characteristics of Prince George's County and Suburban Maryland. In all three instances the dominant age cohort is 25 to 44 years of age, representing roughly 29 percent. Those over 65 account for 9 to 11 percent of the population. One in five residents within the M Square (River Road) station area is under 20 while a higher proportion of the Prince George's County population (27.4 percent) is under 20 years of age. When examining the distribution of the population by age cohorts for the West Campus station, the impact of the University of Maryland is noticed immediately. Persons between the ages of 20 to 24 years represent 27.9 percent of the population in the area but only 8.2 percent in the county. There is also a relatively high percentage of persons between the ages of 24 to 29, resulting in a total percentage of persons between 20 to 29 years of 44 percent. Those 65 and over account for 6.4 percent of the population.

Table 2.2 and Appendix Table A-3 on page 321 show households by tenure and number of persons per household in 2010 as well as vehicle ownership. Tenure statistics provide information on the number of renters and homeowners. Along the proposed Purple Line, dynamics shift between the station areas under review with rental communities at the College Park-UMD and Riverdale Park station areas, representing between 66 and 63 percent of occupied units, respectively. In the Riverdale Road (Beacon Heights) neighborhood, the tenure splits almost evenly with 51 percent owner households. A larger share of households close to the proposed M Square (River Road) station area own their homes, estimated at 73 percent in 2010. The household tenure patterns within a one-half mile of the West Campus station differ from the county as a whole. In 2010 the homeownership rate for the county in the area around the station was 43.5 percent. Conversely, the area had a higher rental rate of 56.5 percent. In comparison, Prince George's County owner households represent 62.8 percent of the occupied units and 65 percent in the Suburban Maryland area.[4]

In terms of household size, the majority of households in all areas were evenly distributed between one- or two-person households and three or more persons in a household. In the Riverdale Park station area more than two-thirds of households had three or more persons. This is reflected in its 2010 average household size of 3.76 persons in the half-mile radius around

4 Suburban Maryland includes the jurisdictions of Prince George's and Montgomery Counties.

Table 2.1: Population Trends, 2000-2010

	Riverdale Road (Beacon Heights) Station Area	Riverdale Park Station Area	M Square (River Road) Station Area	College Park-UMD Station Area	West Campus Station Area	Prince George's County	Suburban Maryland
Population							
2000	5,187	9,109	802	1,249	1,493	801,473	1,674,856
2010	6,169	9,017	888	1,962	2,035	863,420	1,793,857
2000-2010 Change	18.9%	-1.0%	10.7%	57.1%	36.6%	7.7%	7.1%
Median Age							
2010	29.8	28.0	33.1	22.9	25.5	35.0	37.3
Source: ESRI, 2012; Partners for Economic Solutions, 2012.							

Table 2.2: Household Size, Tenure, and Vehicle Ownership, 2010							
	Riverdale Road (Beacon Heights) Station Area	Riverdale Park Station Area	M Square (River Road) Station Area	College Park-UMD Station Area	West Campus Station Area	Prince George's County	Suburban Maryland
Percent of Households by Household Size							
One Person	18.6	16.0	22.5	25.0	22.9	24.1	24.3
Two Persons	20.7	17.5	28.2	30.2	39.4	29.0	30.3
Three to Four Persons	33.6	34.4	28.2	22.6	26.1	33.8	33.2
Five or More Persons	27.1	32.2	21.8	22.3	11.6	13.1	12.1
Average Household Size							
Average Household Size	3.52	3.76	3.13	2.20	2.90	2.78	2.73
Household Tenure							
Percent Owner	48.9	39.9	73.2	33.4	43.5	62.8	65.4
Percent Renter	51.1	60.1	26.8	66.6	56.5	37.2	34.6
Vehicle Ownership, 2000							
Vehicles Owned per Household	1.6	1.3	1.8	1.9	1.5	1.6	1.7
Source: ESRI, 2012; Partners for Economic Solutions, 2012.							

the proposed Riverdale Park station. As would be expected, one in four households in the College Park-UMD station area are one-person households. This area's student population impacts household formation, and as a result, the households in the half-mile radius support the fewest number of families with per household average size of 2.2 persons. In comparison, Prince George's County and Suburban Maryland had average household sizes of 2.78 and 2.73 persons, respectively. Riverdale Road (Beacon Heights) and M Square (River Road) had an average of 3.52 and 3.13 persons per household, respectively. The West Campus station area had an average household size of 2.9. In Riverdale Park the more transient nature of residents and the underground economy mean that the estimated median household income may underestimate this income due to unreported cash payments for service. The national trend indicates upticks in household size with the increase in multigenerational homes or young adults living with their parents for longer periods of time before forming their own households. Finally, Appendix Table A-2 shows that, according to the 2000 census, the majority of households in all areas own one or more vehicles. Seventeen percent of the Riverdale Park station area residents did not own vehicles.

Appendix Table A-4 on page 323 shows household income distribution for each of the four station areas, Prince George's County, and Suburban Maryland. Over one in five households make between $50,000 and $74,999 for all four station areas; in fact, in the community surrounding the Riverdale Road (Beacon Heights) station 29 percent earned between $50,000 and $74,999 in 2010. The M Square (River Road) station area consists of moderate-income households with a median household income of $60,921 and 45.4 percent of households earning between $30,000 and $74,999. The income distribution highlights the presence of University of Maryland students who receive minimal income with approximately one-third of all College Park-UMD station area households earning less than $25,000. The Riverdale Park community has a median household income of $49,891, only $615 more than the median household income for College Park-UMD station area households. The income disparity in College Park-UMD's households remains significant with 5.5 percent of householders earning more than $150,000 annually. In comparison the Riverdale Park station area households include 19.5 percent earning less than $25,000 and only 2.3 percent earning more than $150,000.

3. Residential Market

3.1 Housing Stock 127

Overview

The following section provides data on the residential market along the Purple Line Corridor in Prince George's County. Internet research and direct interviews with residential real estate professionals (including brokers/agents, housing builders, and developers) about current housing market characteristics augments information from the 2010 census and the U.S. Department of Housing and Urban Development to characterize current, local housing trends.

In some instances aggregated information provides more detail and insight into housing conditions. At times information available for a larger geography or neighborhood segment provides market insight even when the boundaries exceed the immediate vicinity of the proposed Purple Line Corridor.

3.1 Housing Stock

The most recently available data from the 2000 U.S. Census Bureau break down the number of housing units in each of the market areas by the number of units within each structure, as shown in Appendix Table A-6 on page 325. More than two-thirds of housing units around the proposed Riverdale Road (Beacon Heights) station are single-family detached houses and townhouses. In Riverdale Park, 40 percent of housing units are single-family homes, and almost 60 percent are multifamily. There is a notable rental population that makes up 57 percent of households, according to recent 2010 census estimates for the half-mile radius around the proposed Riverdale Park station area. The proposed M Square (River Road) Purple Line station area captures most of the residential neighborhoods in the Town of Riverdale with 85 percent of housing units in single-family homes. Closer to the University of Maryland, the dynamics of the housing units shift as the student population impacts the housing supply. In the half-mile radius around the College Park-UMD and West Campus stations, 37 and 36 percent respectively of all units are multifamily in buildings with five or more units.

The vast majority of housing is older stock. In all five station areas more than 70 percent of the existing housing was built at least 40 years ago, according to the 2000 census. In fact, the median year built ranges from 1949 in the College Park-UMD station area to 1961 in both Riverdale Park and the Riverdale Road (Beacon Heights) station areas and to 1965 in the West Campus station area. This compares to the M Square (River Road) station area's median year built of 1950, and the larger Suburban Maryland area's median year built of 1972.

Appendix Table A-7 shows owner-occupied housing by value in 2010. Overall, the Riverdale Road, Riverdale Park, and M Square (River Road) station areas' housing tend to have much lower values than Prince George's County as a whole. This is reflected in the median housing value of $245,427 for M Square (River Road), $217,439 for Riverdale Road (Beacon Heights), and Riverdale Park at $207,472 compared with $270,668 for Prince George's County and $318,201 for Suburban Maryland. Approximately 40.2 percent of housing in the West Campus station area was valued between $300,000 and $499,999, and the area had a median housing value of $307,900. The College Park-UMD station area has the largest group of higher-priced housing—approximately 64.9 percent of its stock was valued between $300,000 and $499,999. The median housing value was $368,557 for College Park-UMD with 15 percent of the housing stock valued in excess of $500,000.

The U.S. Census Bureau provides data on the new housing units authorized by annual building permits by the number of units in the structure. Appendix Table A-8 on page 327 shows new housing units from 2002 to 2010 in Prince George's County. The county had more than 19,362 new housing units authorized by building permits from 2002 through 2010, slightly less than 10 percent of which were multifamily units. As in most markets, new construction slowed from peak records. Prince George's County's highest level for permits was in 2005 with 3,425 units permitted, and the low point for permit activity reached 707 units in 2010.

Figure 3.1: Housing Units by Year Built, 2000

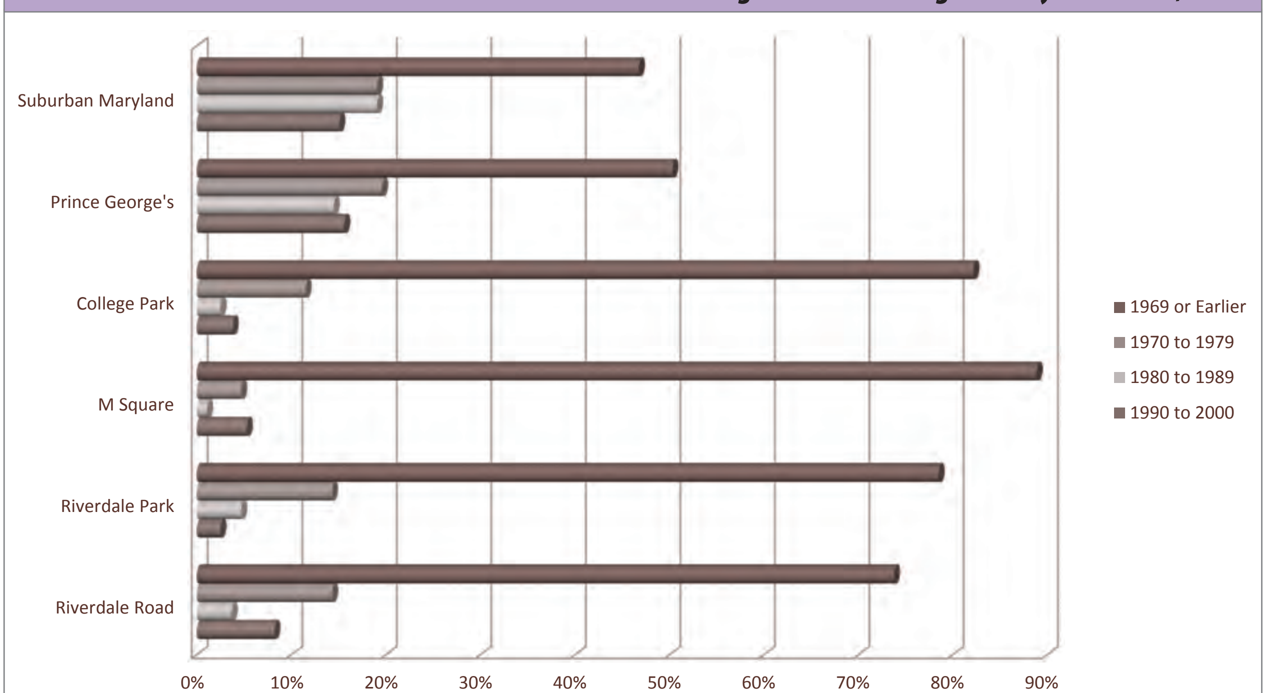
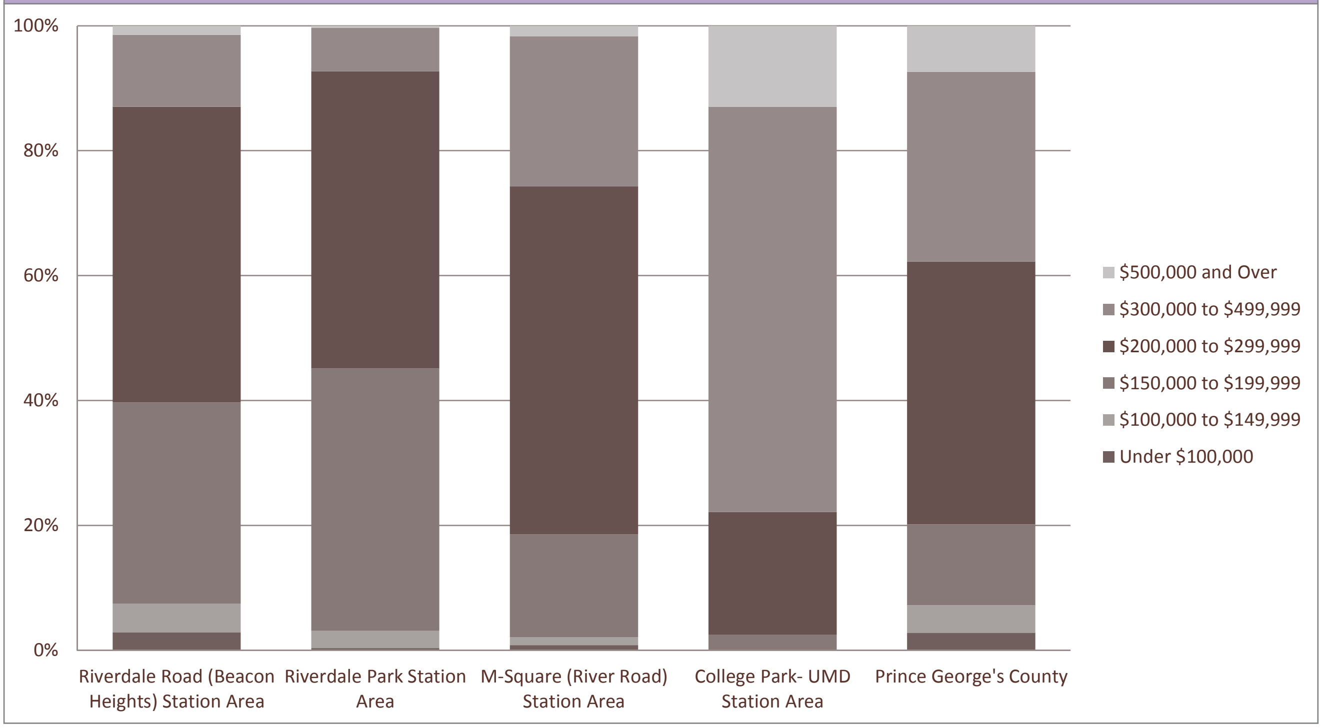


Figure 3.2: Value of Owner-Occupied Housing, 2010



For-Sale Housing

There are many factors involved in the decision to purchase a home. Although monetary considerations are typically primary, physical and social factors also play a determining role. Neighborhood conditions, proximity to retail and services, community amenities, religious institutions, schools, public transit options and highway access are among the most influential factors.

Recent residential sales activity data were compiled using internet research, interviews with local real estate agents, and Redfin and Metropolitan Regional Information System (MRIS) data to profile the sales activity.

A review of home sales across Prince George's County showed 710 sales for December 2011—a drop of approximately three percent in sales volume from the same month the previous year. The average sales price for homes rose a little over the course of the last year, with an average price of $185,900 in December 2011. In the Riverdale zip code of 20737, MRIS reports an estimated 17 homes sold in December 2011 with an average sales price of $110,635. This level of activity is down slightly from December 2010 when 20 homes were sold. The more interesting statistic is the rise in contingent contracts, which represent those homes sold as a part of foreclosure or as short sales that almost doubled compared to the previous year, reaching 46 for December 2011.

The number of home sales shows not only the balance between supply and demand in any given market but also the ability of individuals to purchase new homes. It is important to note that the federal tax credit incentives for first-time home buyers dramatically increased the number of homes sold during the first two quarters of 2010; comparisons to year over year numbers by month reflected a dramatic drop. In Prince George's County the sales volume decreased in 2011, reflecting the impact of the 2011 tax credit to stimulate demand for new homes. Perhaps a more telling sign of demand is the amount of supply available in the county in November 2011 compared to the previous November, which shows a drop from 10.5 months of supply to 6 months, according to Long & Foster. The available supply represents the current inventory divided by the current sales to determine how many months would be needed to sell all available inventory based on the current rate of demand.

As homeowners across the country struggle with high unemployment rates, economic displacement, and the recent housing crisis, those neighborhoods along the proposed Purple Line reflect this hardship. Current information on home foreclosures was obtained from RealtyTrac and Redfin for zip code 20737, which represents the majority of the study area. During the course of 2011, almost one in five home sales represented distressed activity (short sales or foreclosures). In total there are currently 257 bank-owned properties in the 20737 zip code.

Prince George's County's inner-Beltway communities tend to have a large supply of affordable housing, which is an attractive draw for first-time homebuyers and others in the ownership market, though much of the affordable housing needs significant investment and repair. Because the larger region suddenly has a lot more affordable housing, the competition for this market has increased. The Riverdale Park and Riverdale Road (Beacon Heights) station areas show promise as pioneering locations for infill residential development and renovation of existing housing. The average list price in Riverdale Road, estimated at $121 per square foot or a $140,000 total price, represents a reasonable price for those interested in purchasing a home. In the Riverdale Park station area, the average list price increased to $200,000, and the broader zip code of 20737 lists homes for an average price of $135 per square foot.

In the broader market area, there is evidence of demand for newly built single-family detached and attached housing with high-end finishes. For example, the Hyattsville Arts District offers newly constructed products between $300,000 to $350,000. Newly constructed townhomes in Westphalia and plans for new stacked townhouse products in nearby Lanham show the interest in newly constructed housing. Unfortunately, the condominium market continues to struggle for market penetration. The county's unproven condominium market and stock of affordable single-family housing make it more challenging to market condominiums. Even sales of condominiums at popular new developments like the signature National Harbor project reflect a slow pace of demand. The 300-acre National Harbor mixed-use development enjoys water views within a newly built community. This project included 423 condominiums in the first phase of residential development and pre-sold approximately 80 percent within the development's initial 18 months; unfortunately, only 60 percent of these sales were completed with the downturn in the national economy. Plans for this large-scale development shifted away from condominium products to $500,000 luxury townhouses. While this type of development does not represent the anticipated price point for the proposed Purple Line station areas, it indicates the lack of demand for condominiums even in a more attractive setting.

Competitive Residential Projects

Overall economic conditions in the national and regional marketplace are impacting local development and real estate investment. There are limited residential construction projects in Prince George's County. The majority of new residential endeavors consists of previously planned greenfield projects in suburban neighborhoods outside the Beltway (I-495). A number of planned and proposed developments are currently underway in these areas or will be on-line over the next 12 months.

1. The Willows—This residential project started in 2006 with the purchase of 11 acres off of MD 450 by Ryland but stalled with pending approvals from the county's Planning Board and an Adequate Public Facilities moratorium. Now proceeding, this project will include 156 two-over-two condominium units, akin to a stacked townhouse development.
2. Fairview Manor—This development along Church Road and MD 50 continues to build out with recent upticks in home builder activity. Craftmark Homes is constructing homes, and Lonergan Homes plans a second phase of development with home sales prices starting at $777,900.
3. Westphalia Row—The long-planned and proposed Westphalia residential development off of Ritchie Marlboro Road just inside the Beltway presents an opportunity for new single-family development. Richmond American began its Westphalia Row project with a 20-foot wide, 1,740 square-foot home selling for $279,900. This initial phase will include 39 homes.
4. Marlboro Ridge—This Toll Brothers' project near FedEx Field represents the largest townhomes in the area with units ranging from 2,500 to 3,700 square feet. These large homes offer two-car garages and many community amenities, including a club house, pool, fitness centers, tennis courts, playgrounds, jogging trails, and picnic areas. These townhomes start as low as $330,000 up to $400,000.

Rental Housing

Data on recent apartment trends were obtained from Reis, Inc. (a national data provider), for the Hyattsville and College Park/Greenbelt submarkets and direct interviews with local rental and property management officials within the proposed Purple Line study area.

The Hyattsville rental submarket most closely relates to the proposed Riverdale Road (Beacon Heights) and Riverdale Park station areas. See Map 3.1 on page 130 for rental apartment statistic boundaries.

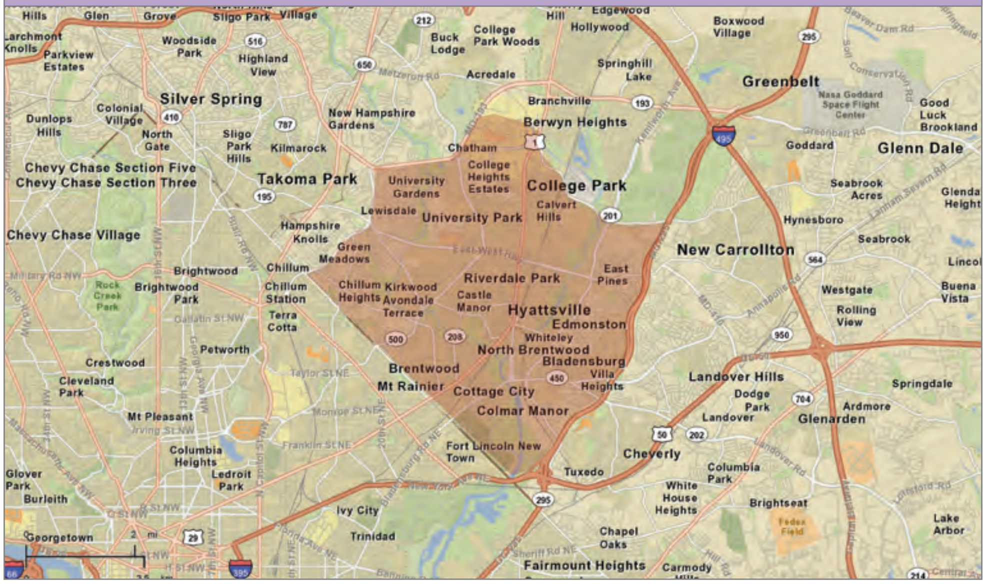
This submarket, in close proximity to the proposed Purple Line, reflects the nature of apartment housing in this broader community. The majority of the apartment complexes in the area are older stock—85 percent were built prior to 1970. In terms of unit mix, 51.2 percent are two-bedroom units, followed by 42.3 percent one-bedroom units, 4.0 percent three-bedroom units, and only 2.5 percent efficiency/studios units.

For the entire Hyattsville submarket, rents vary from $1.50 to $1.90 per square foot on average. The average rents by unit type are as follows for the Hyattsville submarket: $888 for a studio/efficiency; $1,032 for a one-bedroom unit; $1,270 for a two-bedroom unit; and $1,560 for a three-bedroom unit. A survey of sample apartment complexes in the Riverdale Road (Beacon Heights) community suggests slightly lower rents on average between $1.20 to $1.50 per square foot, with two to three months of free rent offered as a concession to new tenants.

Statistics from REIS for the Hyattsville submarket highlight a successful 3.3 percent overall vacancy rate and show a higher vacancy of 7.6 percent for multifamily rental units built since 2009. Occupancy rates are well over 95 percent at all of the selected apartment complexes.

The College Park/Greenbelt submarket reaches north of the Beltway (I-495), capturing rental communities often within the search area for University of Maryland College Park related students, staff, and employees. The average rents in the College Park/Greenbelt submarket tended to be higher than the Hyattsville submarket with an average monthly rent of $1,314. In general, the higher vacancy rate of seven percent shows the recent additions to the rental market community and presence of older multifamily buildings. Multifamily units built before 1970 represent 84 percent of the stock, similar to Hyattsville. One-half of the multifamily units have two bedrooms.

Map 3.1 Rental Submarket



There are a few examples of planned or proposed rental housing products:

1. Beltway Plaza—The redevelopment of Beltway Plaza currently includes an additional 700 rental apartment units.
2. Cafritz Property Redevelopment—The Cafritz property located along US 1 in College Park is proposed for a mixed-use development with 995 residential units. While plans for this development do not specify the price points or housing type, it is anticipated that some portion of these units would be rental apartments.
3. Book Exchange Redevelopment—The redevelopment of the Book Exchange property along US 1 in College Park is proposed to include 341 rental apartments over first-floor retail. The project, led by the development team of Freedom Tower Developer and Josef Mittleman, is designed to redevelop the site while incorporating 14,300 square feet of retail.

Residential Demand

In general, demand for new residential development relates to the projected growth in households. With assistance from county staff, the Metropolitan Washington Council of Governments (MWCOG) prepares population and household projections.

The MWCOG growth projections indicate an addition of 3,810 households by 2025, representing only a modest 289 households added annually over the next 15 years for all five of the proposed Purple Line station areas (see Table 3.1 on page 131)[1]. Table 3.1 highlights that much of the growth is anticipated at the College Park-UMD station area with many of the other long-standing nearly built-out neighborhoods unable to accommodate construction of new housing. However, these estimates do not account for the creation of place likely to occur along the proposed Purple Line. There are likely to be other new households attracted to the area as renovation of the existing housing continues. Some of the more modest products for first-time homebuyers could be upgraded to provide move-up housing alternatives. Along the proposed Purple Line, the existing communities offer homebuyers limited choices when purchasing a newly constructed home, which results in a steady pace of sales for new developments where land is available. For-sale demand appears strongest for single-family attached homes due to the built-out nature of these neighborhoods and the price point for homebuyers in this section of Prince George's County.

Over the mid- to long-term future, escalating transportation costs and traffic congestion are likely to support continued strong demand for infill housing in close-in, first-ring suburban areas. The vibrancy of neighborhoods with convenient access to Metro and other alternative transportation as well as walkable, amenity-filled urban environments, such as D.C.'s Columbia Heights and Arlington, Virginia's Clarendon neighborhoods, demonstrates the potential for this type of transit-oriented housing.

Segments of the millennials generation (the population age cohort born between 1982 and 2002) are now forming new households. The National Association of Realtors conducted a study in 2011 to better understand

1 Transportation analysis zones include the following for each proposed station area: Riverdale Road (Beacon Heights): 1001, 1002, 1004; Riverdale Park: 990, 992, 993, 994, 1006; (M Square) River Road: 983,984, 985, 994; and College Park-UMD: 915,981,982, 996.

this market segment's housing preferences. Survey results suggest these new millennial households prefer urban neighborhoods with walkable communities, smaller housing units, and easy access to transit.

Target Markets

The proposed Purple Line Corridor within Prince George's County will attract private investment to match the public infrastructure investment. These investors and current property owners hoping to capitalize on the trends for transit-oriented housing will search for opportunities at each station area. As the corridor expands its mix of housing choices, new market segments will be attracted to the area seeking an optimal housing alternative that will diminish their reliance on the automobile and provide a unique quality of life, taking advantage of the existing communities' amenities and features.

The market segments attracted to the Purple Line Corridor include a mix of several target groups: students; young professionals and couples without children; beginner families; empty-nesters wanting a closer-in location to the urban core of D.C.; and those employed locally, looking for a close-by residential community. Supportable prices/rents shift between areas.

The target clientele for new residential development in the Riverdale Road (Beacon Heights) and Riverdale Park station areas includes several potential customer types, including, but not limited to, young singles and couples as well as beginner families. The prices for new townhouses in this community likely attract price-sensitive consumers interested in purchasing their first homes.

In the M Square (River Road), College Park-UMD, and West Campus station areas, customers may include those in the other two station areas and university affiliates (students, faculty, and staff). The customer base is slightly larger, and new residential developments along a new light rail line would offer a prime location for students, faculty, and staff interested in a short commute to classes or work at the University of Maryland College Park. They can also take advantage of good Metro access.

The best mix of floor plans, given current demographic trends, prevailing household incomes, and neighborhood attributes unique to the broader community suggests predominantly one- and two-bedroom units. Because of the success of rental communities in the local area and the limited supply of newly constructed rental options, Partners for Economic Solutions (PES) recommends a mixture with more rental as the optimum tenure for all five of the proposed Purple Line stations. Given the success of townhouses and plans for new projects within the broader community, new townhouse products are recommended for any new for-sale construction in the near-term. Once the creation of place is complete and residential infill starts, the for-sale market for more risky ventures such as condominium products may be offered at the stations closest to the University of Maryland. As the housing market accelerates again over the mid-term, the economics of moderate-density residential development close in to the station areas will become more feasible.

Our estimates suggest that new residential development could include one to two new moderate-density apartment complexes (75 to 150 units per building) at each station area except College Park-UMD and West Campus, which might support more extensive rental apartment development with up to 3,120 new apartment units by 2025. It is important to note that the higher density residential products are likely relevant only in the College Park-UMD and West Campus areas. The housing recommendations for the eastern end of the proposed Purple Line by the Riverdale Road and Riverdale Park stations focus on new rental housing alternatives, which represent two-thirds of the total new housing units (or 640 units) by 2025. The existing residential community occupies much of the existing land area in both Riverdale Road (Beacon Heights) and Riverdale Park, but there are several opportunities to redevelop the existing shopping centers and create mixed-use alternatives that incorporate rental housing.

Table 3.1: Purple Line Projected Household Growth, 2025

Station Areas	2010 Households	Projected 2025 Households	Increase in Households	Share of County Growth (%)
Riverdale Road (Beacon Heights)	4,567	4,582	15	0.044
Riverdale Park	7,418	7,935	517	1.501
M Square (River Road)	553	731	178	0.517
College Park/UMD	1,352	4,202	2,850	8.273
West Campus	579	829	250	0.726
Total Purple Line Area	**14,469**	**18,279**	**3,810**	**11.061**
Prince George's County	306,006	340,456	34,450	
Region	2,488,170	2,996,854	508,684	

Source: Metropolitan Washington Council of Governments, Round 8.0, 2011; Partners for Economic Solutions, 2012.

The projected growth would result in a total demand of 19 percent owner-occupied units and 81 percent new rental units for the five station areas reviewed in this analysis, allowing for vacancies of one percent among owner-occupied units and five percent among rental units. Many of these more dense residential apartments in these station areas should locate within a quarter-mile of the proposed Purple Line transit stops. The target audience for new types of residential over retail and more dense townhome developments will be attracted from outside the region to these station areas, representing approximately 10 percent of total demand. These audiences tend to be less risk averse and willing to accept new residential housing types in emerging markets. The following table details the demand for residential housing based on tenure and product type.

Achieving the full level of development supported by the market demand will require the creation of a true neighborhood place at each station area, building on the assets of the existing communities.

While many of the new residential units will be built to take advantage of the proposed transit line, the new development of housing on sites formerly used for commercial development allow for residential development and mixed-use development. The following chapter provides a snapshot of the residential development potential for these redevelopment opportunities.

Table 3.2: Residential Potential Demand 2010-2025

	Riverdale Road (Beacon Heights)		Riverdale Park		M Square River Road)		College Park/ UMD		West Campus		Total Units
Product Type	**Units**	**Percent**	**Units**	**Percent**	**Units**	**Percent**	**Units**	**Per-cent**	**Units**	**Percent**	
Rental Residential											
Apartments	170	65	228	60	350	80	2,673	90	500	87	3,921
Townhouses	90	35	152	40	90	20	297	10	75	13	704
Subtotal	**260**		**380**		**440**		**2,970**		**575**		**4,625**
For-Sale Residential											
Single Family	50	56	30	14	20	11	20	6	5	2	125
Townhouses	40	44	190	86	100	53	160	50	15	6	505
Condominiums	0	0	0	0	70	37	140	44	230	92	440
Subtotal	**90**		**220**		**190**		**320**		**250**		**1,070**
Total	**350**		**600**		**630**		**3,290**		**825**		**5,695**

Source: Metropolitan Washington Council of Governments, Round 8.0 Forecast, 2011; Partners for Economic Solutions, 2012.

4. Commercial Market

4.1 Office 135

Overview

This section evaluates market opportunities for commercial development—office, retail, and hotel. Employment trends are key indicators for commercial and residential demand. Jobs are integral to where people reside, what they can afford, and how much they are willing and able to pay for housing.

4.1 Office

The analysis considers the market support for office space based on review of historic absorption and development data for the region, Prince George's County, and each of the five station areas. This assessment considers each station area's ability to compete for office development based on its competitive advantages and disadvantages, including access, proximity to major employment centers, workforce, office environment, cost, support services, and other factors.

The office market does not consist of one type of office space; rather, distinct users create the need for space that varies greatly in character and construction type, impacting the rents and location. For the purpose of this analysis, the office market assessment includes general office market insights, focusing on a review of research and development (R&D) office space related to University of Maryland M Square Research Park and neighborhood-serving office.

The Greater Washington region's office market supported by federal government activity stabilized more quickly than other metropolitan regions in recent years, showing growth as vacancy rates declined steadily. Prince George's County did not participate fully in the region's office market growth; the county's total office inventory of approximately 26 million square feet of office space enjoyed only a one-percent increase in rent from 2010 to 2011 as much of the older office stock struggled to maintain and increase its occupancy levels. Prince George's County's office vacancy rate reached its highest point at 17.2 percent in 2011 compared to the metropolitan region with an office vacancy rate of 13.2 percent, according to CoStar. Typically, healthy office market vacancy rates range from 8 to 10 percent. Office market key indicators reflect obstacles for new speculative development in Prince George's County due to the slow rate of employment growth and competitive offerings in the regional marketplace. While vacancy rates remained high in 2011, reported construction of new office space in Prince George's County remained stable with plans for approximately 270,000 square feet.

Along the proposed Purple Line Corridor, the nature of office space varies dramatically from those within the M Square Research Park to typical suburban office park development and neighborhood-serving office space along major thoroughfares or on the ground level of other commercial buildings. The office or R&D space offers rents from $32 to $36 per square foot, depending greatly on amenities and features of each space, and is more often located close to the University of Maryland College Park if not within the M Square Research Park campus. More price-sensitive office users or those in need of office space close to the neighborhood customers they serve find office spaces within existing shopping centers or stand-alone buildings along Kenilworth Avenue, MD 410 (East West Highway) or Riverdale Road. Rents average $16 per square foot for neighborhood-serving office space up to $24, depending on the nature of the space, age of the shopping center, and other lease term options. These rents do not support the cost of constructing new office space.

The proposed Purple Line section within Prince George's County crosses several distinct office submarkets, including Takoma Park, College Park, Hyattsville and New Carrollton. Map 4.1 delineates the proposed Purple Line submarket for office space. This area reflects the boundaries of the College Park/Takoma Park submarket as defined by REIS. These data only provide a snapshot of office activity and do not capture activity in single tenant or government buildings.

Within the Purple Line office market area, single tenant or government buildings account for approximately 2.6 million square feet of space. To understand the office market conditions for all of the office space, CoStar data that captures government and single tenant buildings are shown in Table 4.1 on page 136. Office rents average approximately $20 per square foot according to these data. A closer review shows that some of the Class C office space or older office space constructed in the 1960s and 1970s rents for as little as $9 up to $13 per square foot. These rents tend to reflect industrial office space rates as opposed to traditional office space. Flex space within the area includes single-story or low-density structures with a combination of office, warehouse, and/or showroom space. Rental rates in the flex portion of office buildings at M Square range from $15 to $18 per square foot. This flex/office space does not provide Class A office space but rather offers lower rents, easy access and surface parking within less than a half-mile of the University of Maryland Metro Station.

Map 4.1 Purple Line Office Market Area

Conversations with local brokers revealed that tenants willing to pay office rents from approximately $30–$35 per square foot tend to locate in the M Square Research Park or other newly constructed adjacent buildings but not elsewhere in the proposed Purple Line submarket area. The less conventional office space located in mixed-use buildings or adaptive reuse buildings along major thoroughfares tends to rent for $18 to $22 per square foot, similar to rents in commercial shopping centers. Neighborhood-serving office users need to be located close to their customer base and tend to pay for visibility along major traffic routes with dedicated parking for customers.

Vacancy rates for office space in this submarket area have varied over time, dipping to a low of 8.9 percent in the second and third quarter of 2002.

The submarket held on and inched up slightly over the next several years with the addition of new office space, reaching 11 percent vacancy rate in 2005. Unfortunately, market pressures from the economic recession and past additions to the office supply impacted occupancy levels, and the vacancy rate jumped to 15 percent in 2006. This submarket continues to gain momentum as space fills in the M Square Research Park and a few other key properties renovate to keep existing tenants. Annual construction averaged 58,000 square feet from 2000 through 2010 as absorption averaged 57,000 square feet. In Prince George's County, the annual absorption of office space fell from a positive absorption of 480,000 square feet in 2008 to a negative absorption of 1,260 square feet in 2011. CoStar reports vacancy rates in 2011 from 12 to 13 percent for the Purple Line submarket. Despite fluctuations in construction and absorption of office space in the proposed Purple Line office market area, a historical view of this submarket compared to the total office inventory in Prince George's County shows that the submarket maintained a relatively stable niche throughout the past decade. In Prince George's County, the vacancy rate climbed from 12.5 percent in the second quarter of 2007 to 17.3 percent for the fourth quarter of 2011.

More specific data from REIS offers a perspective on private multitenant office space in the College Park/Takoma Park submarket, which shares the same boundaries as the CoStar proposed Purple Line submarket area. The submarket's average rent for private office space (excluding single-tenant and government buildings) ranges from $21 to $23 per square foot with a vacancy of 20.5 percent, which peaked at 22 percent in the third quarter of 2010. Within this submarket approximately 49 percent of the office space was constructed before 1980.

Table 4.1: Office Space Trends, Purple Line Submarket Area, 1993-2011

Year	Total Sq. Ft.	Vacant Sq. Ft.	Occupied Sq. Ft.	Occupancy Rate (%)	Average Rent
1993	3,303,069	379,115	2,923,954	89	$15.70/fs
1994	3,640,569	634,040	3,006,529	83	$14.86/fs
1995	3,640,569	705,970	2,934,599	81	$15.05/fs
1996	3,801,161	672,318	3,128,843	82	$16.15/fs
1997	3,801,161	615,832	3,185,329	84	$16.26/fs
1998	3,811,161	653,015	3,158,146	83	$16.98/fs
1999	3,811,161	610,480	3,200,681	84	$16.93/fs
2000	3,822,341	564,919	3,257,422	85	$18.61/fs
2001	3,822,341	388,951	3,433,390	90	$19.86/fs
2002	4,000,791	500,822	3,499,969	87	$20.82/fs
2003	4,000,791	426,017	3,574,774	89	$20.45/fs
2004	4,081,468	474,365	3,607,103	88	$20.35/fs
2005	4,081,468	460,725	3,620,743	89	$20.48/fs
2006	4,081,468	643,064	3,438,404	84	$22.94/fs
2007	4,279,952	674,945	3,605,007	84	$23.33/fs
2008	4,279,952	585,971	3,693,981	86	$22.87/fs
2009	4,279,952	580,708	3,699,244	86	$22.44/fs
2010	4,402,952	575,698	3,827,254	87	$21.73/fs
2000-2010 Change					
Amount	580,611	10,779	569,832	2	$3.12/fs
Note: Full service average rent, including taxes, utilities, and janitorial.					
Source: CoStar, 2011; Partners for Economic Solutions, LLC, 2012.					

Table 4.2: Office Space Trends, Prince George's County, 2007-2011					
Year	Total Sq. Ft.	New Construction	Vacant Sq. Ft.	Vacancy Rate (%)	Annual Net Absorption
Annual					
2007 2Q	25,553,516	n/a	n/a	12.5	
2007 3Q	25,572,836	0	3,593,814	14.1	
2007 4Q	25,764,609	186,560	3,653,518	14.2	
2008 1Q	25,788,405	23,796	4,102,954	15.9	
2008 2Q	25,952,497	164,092	4,182,046	16.1	
2008 3Q	26,067,797	115,300	4,278,729	16.4	
2008 4Q	26,167,797	100,000	4,257,622	16.3	403,188
2009 1Q	26,383,950	283,277	4,178,814	15.8	-
2009 2Q	26,373,356	0	4,255,688	16.1	-
2009 3Q	26,378,356	5,000	4,568,250	17.3	-
2009 4Q	26,454,572	9,092	4,671,421	17.7	286,775
2010 1Q	26,520,091	144,000	4,646,541	17.5	-
2010 2Q	26,517,747	0	4,570,914	17.2	-
2010 3Q	26,517,747	0	4,662,305	17.6	-
2010 4Q	26,601,515	62,768	4,569,056	17.2	146,943
2011 1Q	26,601,515	0	4,408,533	16.6	-
2011 2Q	26,601,515	0	4,676,141	17.6	-
2011 3Q	26,601,515	0	4,615,994	17.4	-
2011 4Q	26,600,255	0	4,607,679	17.3	(1,260)
Current Qtr	26,869,017	268,762	4,916,153	18.3	
2007-2011 Change					
Amount	1,046,739		1,013,865		
Percent	4.0%		28.2%		

Note: Full service average rent, including taxes, utilities, and janitorial.

Sources: CoStar; Partners for Economic Solutions, 2012.

Within the station area submarket, 46 percent of the office space is Class B office space. In comparison 49 percent of Prince George's County's office space consists of Class B office space and 18 percent Class C office space. Classing of commercial space helps to properly evaluate existing supply by differentiating buildings by physical condition and operating performance. Class A represents those buildings that command the highest rents, and Class C represents those properties in average condition receiving lower than average rents. According to data from CoStar, one-third of the office space in Prince George's County could be characterized as Class A space, compared with 37 percent in the proposed Purple Line office submarket area. Within the proposed Purple Line submarket, Class A office space remains the bright spot with more than 45 percent of the 1.5 million square feet of Class A space built since 1990. The review of the inventory by year built for the proposed Purple Line submarket areas suggests that a large portion of the existing office space may be in buildings that have reached their useful life with approximately 36 percent of the space constructed before 1970.

Office Demand

Traditional office demand forecasts rely on the expected growth in the number of employees who need a place to work. Industries that use office

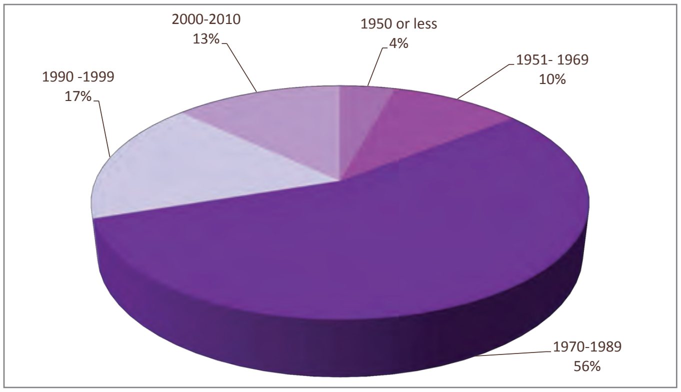


Figure 4.1: Prince George's County Office Space by Year Built

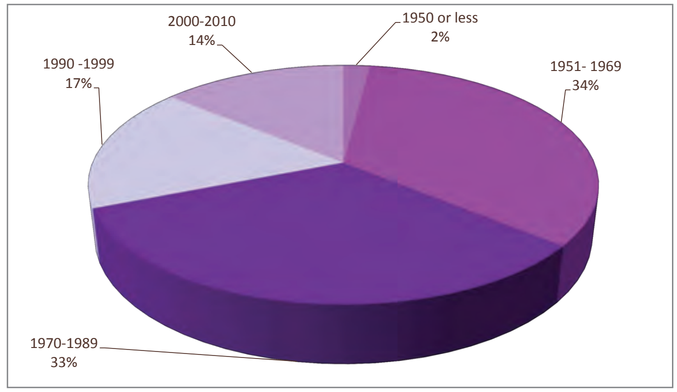


Figure 4.2: Proposed Purple Line Office Space by Year Built

space most heavily include information; finance and insurance; professional, scientific and technical services; health care and social assistance; other services; and government. Typically the first three are most important for the general occupancy office market. It should be noted that state educational institutions, such as the University of Maryland College Park, are captured as public administration or government positions.

Prince George's County has a distinct mix of industry sectors creating jobs in the marketplace. The major industry sectors identified with Maryland Department of Labor and License data suggest that construction, government, transportation/distribution, medical (health and hospitals), and retail rank as the top five industries for Prince George's County based on employment.

Data provided by CoStar and Delta Associates show that from 2006–2010 the percent of space leased by government institutions grew as the tech and telecom industries reduced the amount of space leased. In the third quarter 2011 Transwestern Outlook Report for Suburban Maryland, government leasing increased by eight percent from 2009 to 2010, reaching 22 percent of all 2010 leasing deals. In Prince George's County, office demand is led by the federal government and, to a lesser extent, the health services, technology, and biosciences industry sectors.

Though the technology industry is expanding around the world, it has shown great propensity for clustering in a select set of geographic locations. This clustering is driven largely by the need for a specialized labor pool, advanced science, industry experience, and financing. Human capital is the most critical resource; it is important to be in a location that can attract the talent, offering a good quality of life, good employment opportunities among other similar firms, continuing education opportunities, and other amenities. Most competitive clusters of technology companies have developed near major research universities for access to researchers, graduate students, and specialized equipment. The University of Maryland M Square Research Park offers an opportunity to build on this trend and capitalize on the federal institutions present.

To project future employment growth and office demand, PES used the MWCOG Round 8.0 projections as a base and estimated the changing share of jobs within the metropolitan area. The MWCOG projections provide a snapshot of expected growth based on historic trends, available land, existing zoning, and projects in the pipeline. The proposed Purple Line area would gain 2,903 new jobs over the next 15 years based on these projections, which represents seven percent of all Prince George's County employment growth. While these boundaries capture activity in areas along the proposed Purple Line, the demarcation between station areas does not accurately portray office development patterns. New development may occur within either the M Square (River Road) or College Park-UMD area reflecting the availability of land and/or opportunity to expand a current office product. Almost two-thirds of the employment growth will happen within the M Square (River Road) station area, and the College Park-UMD station area will capture another 491 new jobs.[1] In total the M Square (River Road) and College Park-UMD area represent the majority of all office growth for the proposed Purple Line. This employment growth reflects the anchor institution's popularity and the cluster of office activity in the immediate area. Both the Riverdale Park and Riverdale Road (Beacon Heights) communities will gain minimal new jobs related to the existing office market, which serves area residents with neighborhood-serving office space.

The jobs data were adjusted further by estimating the share of jobs in each industry that requires office space as opposed to hospital, retail, or industrial facilities. Those estimates ranged from 20 percent of other services jobs to 100 percent of finance jobs. Growth in office-using jobs is projected to total 550,000 new metropolitan area jobs by 2025 with more than 24,000 new jobs in Prince George's County. Table 4.3 on page 139 delineates the expected growth within the proposed Purple Line area. Assuming an average of 225 square feet per employee and a stabilized occupancy rate of 95 percent, the projected growth would suggest annual demand for 35,000 to 41,000 square feet of office space by 2025. It should be noted that trends suggest a decline in the amount of office space per employee for general office space as a result of several factors that include the increased popularity of telecommuting, decreased need for storage, and improved efficiency of space layout.

Plans for the development of the M Square Research Park project growth exceed the MWCOG projections with a total of 2 million square feet at

1 M Square (River Road) area includes transportation analysis zones 983,984, 994

Table 4.3: Purple Line Projected Employment Growth, 2025				
Station Areas	**2010 Employment**	**Projected 2025 Employment**	**Increase in Jobs**	**Share of County Growth (%)**
Riverdale Road (Beacon Heights)	1,629	1,767	138	0.335
Riverdale Park	2,946	3,368	422	1.023
M Square (River Road)	5,752	7,604	1,852	4.490
College Park/UMD	3,661	4,152	491	1.190
West Campus	1,834	2,159	325	0.788
Total Purple Line Area	**15,822**	**19,050**	**3,228**	**7.826**
Prince George's County	358,385	399,635	41,250	
Region	4,012,116	4,921,093	908,977	
Source: Metropolitan Washington Council of Governments, Round 8.0, 2011; Partners for Economic Solutions, 2012.				

Table 4.4: Baseline Office Demand Based on Employment Growth, 2025						
Station Areas	**Increase in Jobs**	**Office Allocation (%)**	**Office Jobs**	**Office Demand (SF)**	**Years**	**Annual Increase (SF)**
				Jobs	**Jobs**	
Riverdale Road (Beacon Heights)	138	30	41	9,810	15	654
Riverdale Park	422	40	169	39,980	15	2,665
M Square (River Road)	1,852	90	1,667	394,770	15	26,318
College Park/UMD	491	80	393	93,030	15	6,202
West Campus	325	80	260	61,572	15	4,105
Total Purple Line Area	**3,228**		**2,530**	**599,162**		**39,944**
Source: MWCOG, Round 8.0, 2011; Partners for Economic Solutions, 2012.						

buildout. At this time the M Square Research Park provides office space for elite federal government tenants and institutions, including FDA Center for Food Safety and Applied Nutrition, Center for Advanced Study of Language (CASL), American Center of Physics, Raytheon, and National Oceanic and Atmospheric Administration's Joint Climate Change Research Center. It should be noted that these University of Maryland growth plans for the M Square Research Park area rely on many single-user decisions for build-to-suit office development as opposed to speculative office construction. This pattern of development will not match the annual office demand projections as the buildings typically encompass several years' worth of office space growth at one point in time. In fact, the projected development at M Square may extend beyond this study's horizon date of 2025.

The College Park-UMD and M Square (River Road) station areas remain the key office location within the proposed Purple Line submarket with access to Metro. Other growing submarkets compete strongly in Prince George's County for new office tenants. These locations include New Carrollton and Greenbelt.

In order to compete, the area needs to create a better office environment that is more pedestrian oriented and mixed use in nature. The future of the office market reflects not only trends in the types of jobs available but also the workers and how they will work in the future. Over one-half of the American workforce will be millennials (born 1982 to 2002) in the near future, as baby boomers retire. Many of these workers are tech-enabled, transit-oriented individuals interested in working in green, efficient buildings with easily accessible amenities. To capture these future workers, employers will seek office space in places that offer future incentives to attract talent. The M Square Research Park offers an opportunity to expand the current projections for the office market by creating an attractive place for workers and residents. With the creation of a mixed-use environment with access to public transit and amenities, including restaurants, public open space, and some residential options that enliven the space after the business day, projected growth could increase by 40 percent in the M Square (River Road) and College Park-UMD station areas. This increase would result in approximately 45,000 to 50,000

Table 4.5: Demand Summary Based on Employment Growth, 2025					
	Baseline		Creation of Place		Leveraged Demand
Type of Space	**Annual**	**Total**	**Annual**	**Total**	
Office	35,800	537,000	48,800	732,000	195,000
Flex/Industrial	6,500	97,500	6,500	97,500	n/a
Total	**42,300**	**634,500**	**55,300**	**829,500**	
Source: MWCOG, Round 8.0, 2011; Partners for Economic Solutions, 2012.					

square feet of annual demand for office space or 730,000 to 745,000 square feet by 2025.

In addition to traditional office buildings, office space also exists in industrial and flex/office buildings. Flex users in incubator space have focused around the College Park/UMD station area but other pockets of flex office space exist around the M Square station area. For flex office space, the employee density per square foot varies based on the type of industry. This requires a variation for the inputs to calculate the baseline demand for flex/industrial space. Flex office users tend to need employee densities estimated at one manufacturing employee per 400 to 450 square feet, one transportation/warehousing employee per 1,250 square feet, and one wholesale trade employee per 1,000 square feet. After a review of existing zoning, development patterns, and market conditions, PES divided the projected employment from MWCOG's Round 8.0 projections into categories for flex/industrial demand. This does not include the growth in jobs expected in service industrial (auto repair) or those office users (insurance agents) that will locate in shopping center retail spaces. In total, 129 jobs could be categorized as flex/industrial. These new jobs account for approximately 98,000 square feet of future space demand, the majority of which would be located in the M Square station area.

Retail

The potential performance of new retailers in the neighborhoods along the proposed Purple Line depends on their ability to compete for and "capture" the expenditures of trade area residents and to attract "inflow" from residents of other areas. For each cluster of retail within the different communities in Prince George's County there exists a distinct trade area from which retailers expect to draw the bulk of their customers. In some instances these trade areas extend into neighboring jurisdictions, such as the District of Columbia or Montgomery County.

Competitive Framework

To better understand the competitive retail environment for the five station areas along the proposed Purple Line, PES examined the existing supply of shopping centers and other commercial retail in this section of the Purple Line.

Much of the study area's retail stock consists of older commercial strip centers built before 1970. Neighborhood shopping centers with less than 30,000 square feet dominate the landscape, followed by community shopping centers in excess of 100,000 square feet with a junior or discount department store as an anchor. This retail format caters to smaller, neighborhood-sized market areas. These centers, which include Wildercroft Shopping Center, West Lanham Shopping Center, East Pines Shopping Center, Riverdale Plaza, and Belcrest Plaza, offer an array of neighborhood goods and services from grocers to beauty salons to dry cleaners. For the slightly larger neighborhood centers, grocery stores or pharmacy operations anchor the retail destination.

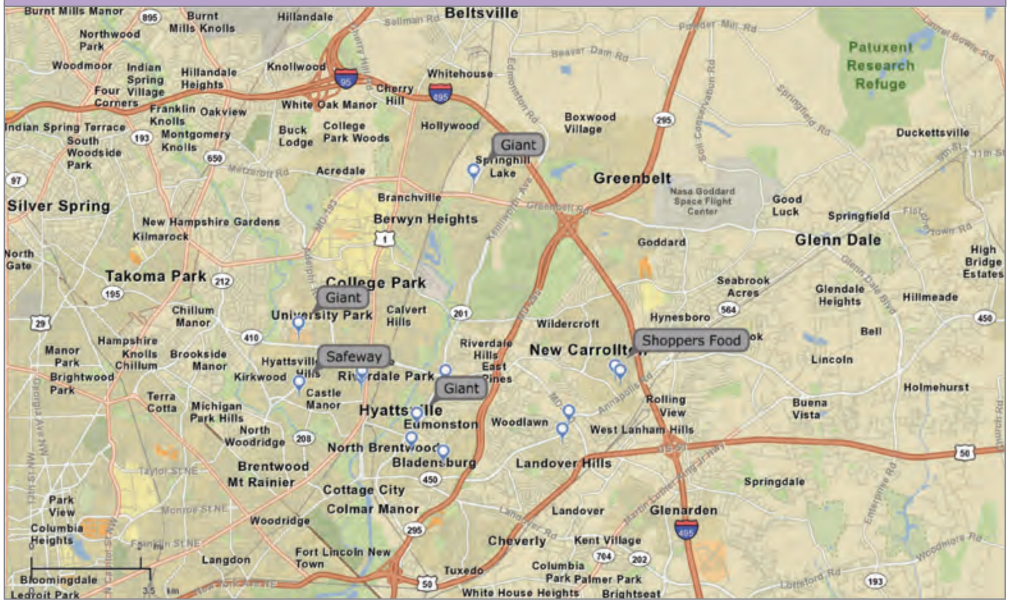
Map 4.2 on page 141 highlights the national chain grocery stores that operate in the broader Purple Line market area. In addition to these operations and Walmart, area residents have access to more than eight specialty grocers such as YES! Organic Market in the Hyattsville Arts District and Selena International Supermarket, Periyar Asian Grocery, La Grande Supermarket, and others throughout the Riverdale, Hyattsville, New Carrollton, and Landover Hills communities. These independent stores are noted with blue markers on the map.

Larger scale big box community shopping centers, which tend to include national chains, such as Home Depot, Lowe's, Target, and Kohl's, draw a larger customer base. These community shopping centers tend to rent out space between $24 and $28 per square foot and include the Shops at New Carrollton, Glenridge Shopping Center, and University Town Center.

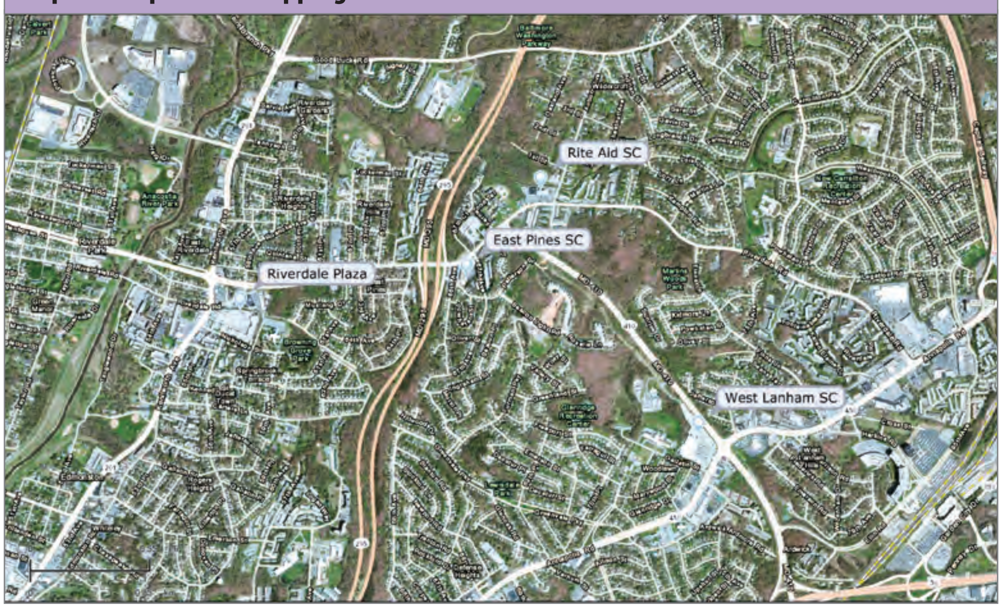
Many residents travel outside the five station areas to patronize nearby shopping centers that offer a wider variety of stores. This includes The Mall at Prince Georges, Beltway Plaza, and Capital Plaza Mall shopping center, anchored by Walmart along Annapolis Road at the intersection with MD 295. These larger scale community shopping centers outside the immediate neighborhoods that surround the five station areas present competitive locations with recently upgraded or newly constructed retail shopping centers.

Individual storefront and freestanding retailers outside of shopping centers include national chain carry-out or fast food operations, stand-alone banks, and miscellaneous service and entertainment providers. Most of these stores are fully occupied with very little change in tenancy over time. Additional retail space exists along major routes/thoroughfares; the building stock is mature with many structures built for residential use and then converted to commercial uses over time.

Map 4.2 Purple Line Grocery Stores



Map 4.3 Purple Line Shopping Centers



Map 4.4 Purple Line Shopping Centers

PES reviewed the value of each commercial shopping center's improvements or building in comparison to the value of the total property. This assessment, along with a review of the age for shopping centers, helped to assess the potential for reinvestment or redevelopment for these retail centers. It should be noted that this is only one of a series of indicators to be considered when determining the feasibility of redeveloping shopping centers. For example, a separate surface parking lot without structures would reflect a value disparity, but it may be linked to a neighboring shopping center, serving as necessary parking. Within the M Square (River Road) and College Park-UMD station areas, there is a limited amount of commercial retail property. Map 4.5 on page 143 highlights those properties in red and orange that may be viable for redevelopment and should be reviewed more closely in the Riverdale Road (Beacon Heights) and Riverdale Park station areas.

Table 4-6 on page 144 summarizes retail expenditures of station area residents by retail category and shows the potential expenditures captured by area retailers (i.e., retail sales). Leakage (shown as a positive number) represents the dollars that area residents spend outside the area. The negative values represent inflow or categories for which retailers' sales exceed the spending of area residents by attracting shoppers from outside the area. In these instances the area has retail stores that capture the market potential from area residents. The table shows many dollars being spent outside the area (positive values), which should be expected given the incomplete retail offerings within the station areas and the presence of highly competitive big box retailers nearby. In some markets it may be possible to reposition stores and the merchandising mix to better align with customers' needs and stop some of the leakage of retail spending. However, some types of stores, such as apparel stores or general merchandise stores, prefer to locate in shopping malls or risk competing directly with Walmart. Walmart presents such a formidable challenge that many retailers cannot and should not attempt to compete with this national retailer. In some instances, such as the Riverdale Road (Beacon Heights) station area, an electronics and appliance store could capture retail dollars from local residents, but these types of stores typically require large-format lifestyle shopping centers with high visibility and accessibility for auto-dependent customers. The locations potentially available in the Beacon Heights community could not compete for these types of retailers.

To date, the U.S. Census Bureau and related agencies do not collect or distribute information regarding the population or concentration of unauthorized immigrants. Consequently, retail expenditures by undocumented immigrants are not officially estimated or known.

The following factors have been identified as indicators of an informal economy:

- A concentration of foreign-born immigrants.
- A preponderance of the stores and restaurants in the area named in a language other than English and regularly conducting business in another language.
- An absence of traditional banking centers coupled with an infusion of check cashing and/or money transfer outlets.
- A significant percentage of households declaring that conversations in the home are conducted in a language other than English.

When the Riverdale Park station area's demographic conditions are evaluated against these criteria, the area is considered likely to include a significant number of residents participating in an informal economy. A windshield survey of area retail surrounding the Riverdale Park station area shows an interesting trend for retail operations. One of every ten retail stores and

Map 4.5 Commercial Improvements as Percent of Value

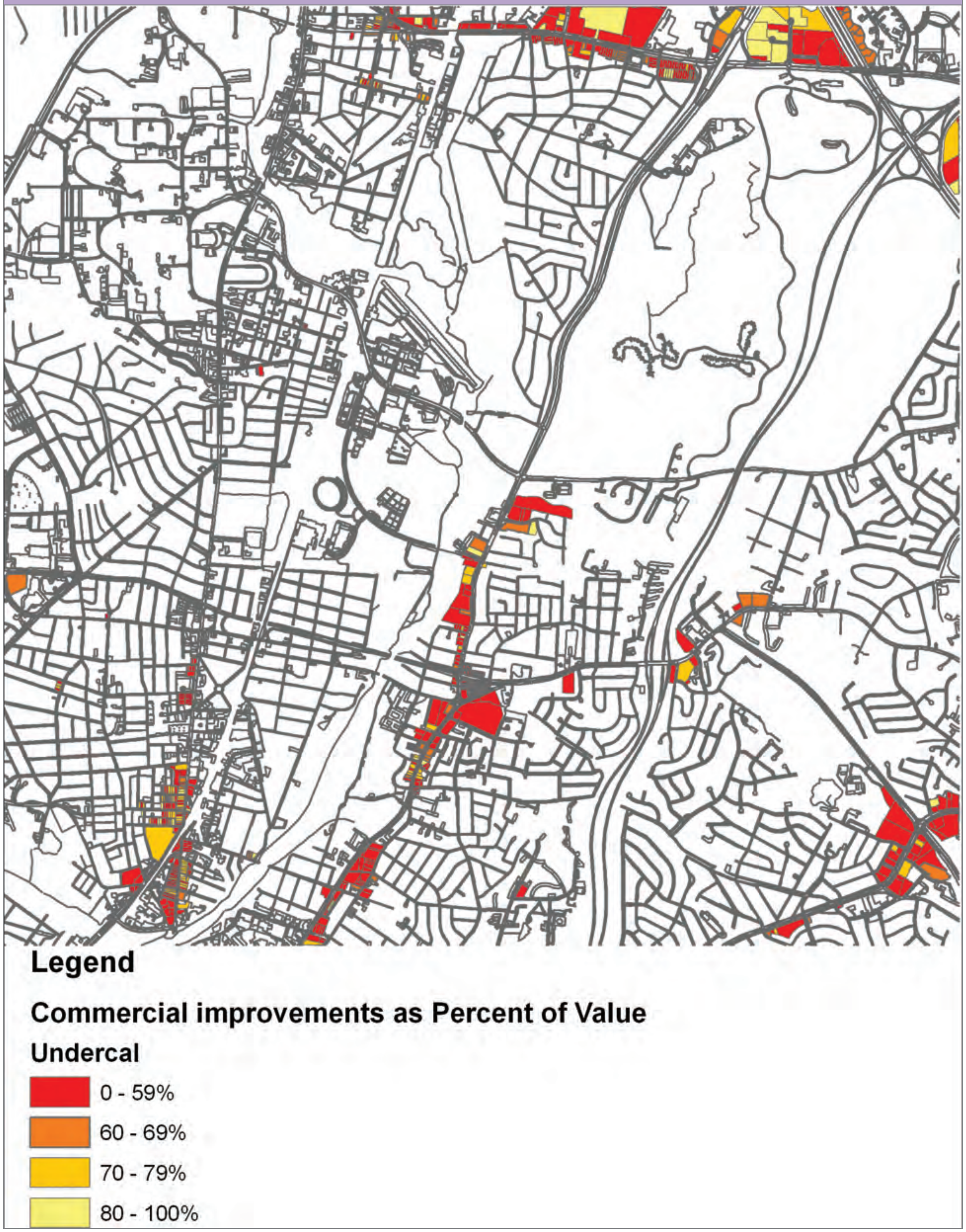


Table 4.6: Retail Leakage/Surplus by Industry Group, 2011			
Industry Group	College Park-UMD & M Square (River Road) Primary Market Areas	Riverdale - East Pines (Beacon Heights) Primary Market Area	Riverdale Park Primary Market Area
Motor Vehicle & Parts Dealers (NAICS 441)	$770,672	-$79,099,349	$15,025,686
Furniture & Home Furnishings Stores (NAICS 442)	$825,153	-$92,638	$2,753,870
Electronics & Appliance Stores (NAICS 443/NAICS 4431)	-$1,082,867	$5,424,122	$2,327,842
Bldg Materials, Garden Equip. & Supply Stores (NAICS 444)	-$386,078	$320,549	-$1,049,285
Food & Beverage Stores (NAICS 445)	$4,836,775	-$17,800,606	$17,548,491
Health & Personal Care Stores (NAICS 446/NAICS 4461)	-$979,149	$694,399	$798,605
Gasoline Stations (NAICS 447/NAICS 4471)	-$4,136,563	-$4,539,188	-$13,309,728
Clothing and Clothing Accessories Stores (NAICS 448)	$1,014,822	$561,453	$5,423,802
Sporting Goods, Hobby, Book, and Music Stores (NAICS 451)	-$20,240,909	$3,139,351	-$14,477,382
General Merchandise Stores (NAICS 452)	$2,683,851	$15,333,241	$13,277,865
Miscellaneous Store Retailers (NAICS 453)	$64,385	$1,673,302	$722,394
Nonstore Retailers (NAICS 454)	$575,938	$5,727,587	$2,402,178
Food Services & Drinking Places (NAICS 722)	-$15,274,368	$15,013,163	-$7,477,027
Source: ESRI Business Analyst, 2011; Partners for Economic Solutions, 2012.			

restaurants is Spanish-named or has Spanish-speaking operators. For every traditional banking center, three to four check cashing or money transfer outlets are present.

In the M Square (River Road) station area, the current and future daytime population changes the dynamics for retail development. The consultant team conducted a survey aimed at this population with questions regarding current retail spending habits during the workday and commuter activity related to transit usage. These questions helped to engage the area workers and expand the understanding of this critical market for area retailers. Appendix B provides a summary of the survey and results.

For the retail analysis, the retail spending of those 178 respondents included estimates of weekly spending on breakfast, lunch, dinner, and social drinking after work hours. On average, those respondents that purchased food items within the building where they worked spent $33 a week compared to $88 for food items purchased outside the building within close walking proximity. Estimates of annual spending suggest the potential to capture an additional $20 million in food and beverage sales, assuming a capture rate of 20 percent for future new workers interested in eating within the immediate area.

Retail Potential

In conclusion, the retail analysis for each of the five station areas determined that:

- Riverdale Road (Beacon Heights) station area does not have sufficient unmet retail demand at this time to support new retail development.
- In Riverdale Park, the current configuration of older shopping centers should be adapted to incorporate mixed-use alternatives and a contraction of retail offerings. The Town of Riverdale Park may be able to assist existing retail offerings with loans or grants for façade upgrades. Efforts should be made along the Kenilworth Avenue Corridor to keep key destination retail anchors, such as Rinaldi's Riverdale Bowl, which attract customers from outside the immediate neighborhoods.
- M Square (River Road) and College Park-UMD have retail potential for ancillary restaurants and service providers to serve the daytime population. While additional retail may be appropriate within a mixed-use environment at the M Square Research Park campus, this retail should be tailored to meet the needs of the daytime population while not cannibalizing the retail in the nearby commercial corridors.
- West Campus station area does not have sufficient unmet retail demand at this time to support new retail development.

Hotel

As an industry, lodging relates to business travelers and visitors to a region for a variety of reasons (e.g., passing through on a longer trip to visit family, tourists, visiting higher education facilities). The hospitality industry links closely with the economy and follows its highs and lows, especially as it relates to business travel.

Hotel development needs close proximity to its customer base and tends to locate on well traveled routes (roadways, rail lines, and waterways) or near employment centers and tourist attractions, depending on the market segment of the particular hotel. Visibility from the highway, aesthetics of the area, and perceived safety also rank top in factors considered when selecting a location. For these reasons interstate hotels, unlike resort hotel operations, cluster around highway exits with easy access. Collocation with retail, restaurants, and entertainment operations enhances a hotel's appeal to potential customers. Prince George's County hotels benefit from high visibility and proximity to generators of room-night demand.

Hotel Market Conditions

The majority of hotel developments within northern Prince George's County center on employment hubs and interstate travel. The separation among the hotels reflects both the year built and specific location within the county. Most of Prince George's County's hotels cluster around I-495, MD 295 (Baltimore-Washington Parkway) exits, and major institutional anchors, such as the University of Maryland College Park. The presence of the University of Maryland near the proposed Purple Line attracts hotel patrons. Visitors to the university, business travelers, area visitors/tourists, and those traveling to downtown D.C. in search of more affordable lodging are the area hotels' major client groups. Table 4.7 provides a hotel inventory organized by areas close to the University of Maryland in College Park and those along major roadways and interstates that shows the segmentation of the market focused along the MD 295 (Baltimore-Washington Parkway). This inventory includes more than 1,350 hotel rooms with two independently run operations. The remaining hotels consist of national hotel chains with four economy class, two midscale, and seven upper midscale and upper upscale hotels.

The majority of the inventoried hotels— 57 percent of all rooms— were built in the 1960s with only the Holiday Inn's 220 rooms built in 1971. In the 1990s, 299 rooms were constructed, rounding out the offerings and spurring many of the existing national chains to upgrade their existing hotels. Construction slowed, and only three new hotels entered the market in 2000, adding 165 new rooms. As indicated by this age distribution, much of the hotel inventory is

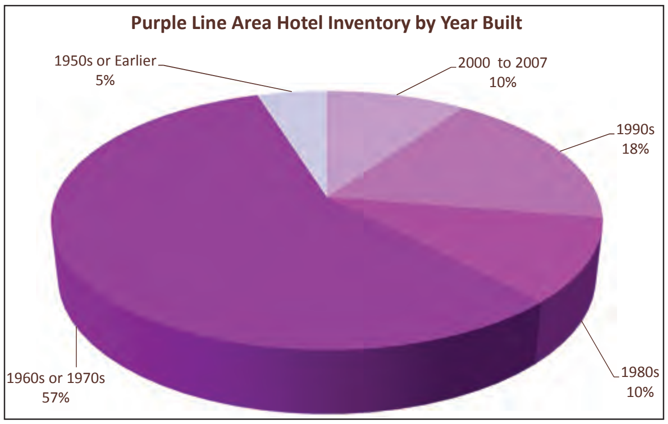
Table 4.7: Hotel Inventory, Proposed Purple Line Area, 2011

Property Name	Number of Rooms	Year Opened	Type
College Park Cluster			
Marriott Inn & Conference Center University of Maryland University College	237	1862	Upper Upscale
Ramada Limited College Park	82	1941	Midscale
Quality Inn & Suites, College Park, MD	169	1962	Midscale
Clarion Inn, College Park	118	1964	Upper Midscale
Days Inn College Park MD Washington DC	68	1967	Economy
Holiday Inn Washington College Park	220	1971	Upper Midscale
Comfort Inn & Suites, College Park, MD	125	1985	Upper Midscale
Super 8 College Park Washington, D.C. Area	51	1988	Economy
Econo Lodge (College Park, MD)	30	1990	Economy
Courtyard Greenbelt	152	1991	Upscale
Howard Johnson Express Inn College Park	29	1998	Economy
Budget Inn (College Park, MD)	45	2000	Independent
Hampton Inn College Park, MD	80	2000	Upper Midscale
B-W Parkway (295)			
Howard Johnson Inn Washington DC North/B-W Parkway	151	1963	Economy
Holiday Inn Express Washington DC B-W Parkway	88	1990	Upper Midscale
Deluxe Motel	40	2000	Independent

Source: STR Global, 2011; Partners for Economic Solutions, 2012.

concentrated in older hotels along US 1. Though several have been renovated, these hotels are on small sites that limit expansion potentials. The auto orientation does not compete well with newer hotels on larger mixed-use sites that offer a walkable environment and access to restaurants.

To better understand the potential for a hotel close to the University of Maryland, the analysis focused on the performance of five upper midscale hotels. This cluster of hotels draws clients due to its close proximity to the University of Maryland and is not reflective of the broader hotel market. Review of these five hotels offers a perspective on the existing market conditions for those College Park lodging operations. The other US 1 hotel offerings, excluded from this review, compete based on price and benefit from demand surges for University of Maryland events.



Source: STR Global, 2011; Partners for Economic Solutions, 2012.

Hotel Performance

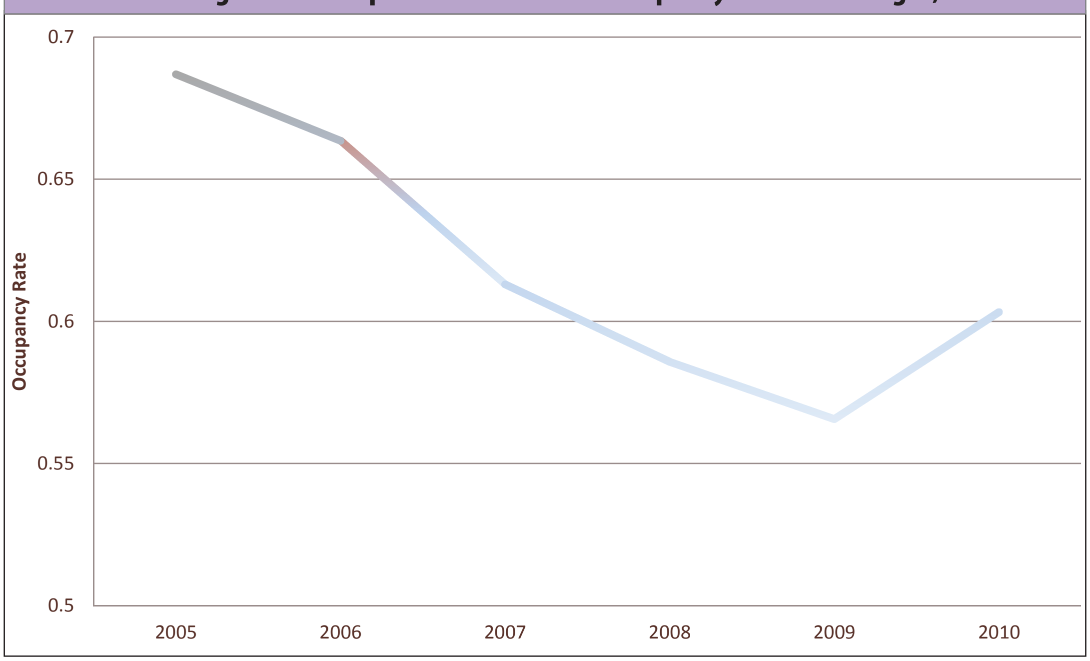
Hotel occupancy rates fluctuate based on the economy. Most hotels require a minimum of slightly more than 60 percent annual occupancy to remain financially viable. These five hotels within the College Park cluster dropped in occupancy from a high of 68.7 percent in 2005 to a low of 56.6 percent in 2009. Fortunately, occupancy began to rise again in 2010. Recent articles in the *Washington Business Journal* suggest the potential for an additional hotel planned for US 1 in the near-term. The proposed 50-room Garden Suites is a Best Western suites hotel product.[2]

The day of the week information from STR Global for the College Park hotel cluster (shown in the Table 4.8 on page 147) suggests that business travelers during the middle of the week boost occupancy rates. A closer look at the data shows relatively high tourist-related occupancy rates on Friday and Saturday evenings, reflecting a customer base that mixes business travelers and visitors to the university and the region.

The hotels in close proximity to the University of Maryland ranged from $85 per single room to a $150 per double room with limited amenities. The Marriott Inn & Conference Center, University of Maryland University College, located at 3501 University Boulevard offers single occupancy rooms starting at $179 up to $219 for double occupancy. Data from STR Global indicate that the average daily rate, which is the total room revenue divided by the number of rooms occupied, grew from 2005 to 2007 by more than $10, reaching $101. After

2 Sernovitz, Daniel, *Washington Business Journal* "Commercial Real Estate Extra: Road Map College Park," November 18–24, 2011, p 19.

Figure 4.3: Purple Line Area Hotel Occupancy Annual Averages, 2005-2010



Source: STR Global, 2011; Partners for Economic Solutions, 2012.

Table 4.8: Day of Week Hotel Occupancy			
	Year Ending		
	Sep-09	Sep-10	Nov-11
Day of the Week			
Monday	42.1%	46.6%	43.2%
Tuesday	56.5%	58.6%	57.3%
Wednesday	63.4%	66.0%	61.7%
Thursday	64.8%	66.8%	64.0%
Friday	58.1%	60.2%	58.2%
Saturday	56.4%	59.4%	56.2%
Sunday	58.3%	59.7%	57.5%
Total	57.1%	59.6%	56.9%

Source: STR Global, 2011; Partners for Economic Solutions, 2012.

the economic downturn, the average daily rate dropped $91 and then began to slowly climb in 2010 and 2011 reaching $94.

Future Hotel Potential

Though performing better than hotels in many other sections of Prince George's County, the College Park hotel cluster is still below optimal occupancy and room rate levels, reflecting the overall economy. The expansion of activity at the M Square Research Park has benefited hotels in the College Park hotel cluster. Growth in the M Square area's employment base and the overall economy will improve the College Park hotel submarket conditions.

The College Park submarket is prime for the addition of a new hotel with a walkable environment within a mixed-use development. Ideally the College Park-UMD station area will offer both direct access to the university campus via the proposed Purple Line and access to Washington via the Metro. With expansion of the M Square Research Park and related activity, additional demand will be generated for visitors to the park's institutions and businesses.

The key competition for the demand would be a hotel developed as part of the East Campus mixed-use development. With economic recovery, the College Park-UMD station area could support a hotel of 100 to 150 rooms between 2015 and 2025, particularly if restaurants are developed within close proximity.