



## **Market Analysis for Potential Land Uses at the South-Of-Monroe (SOMO) Site in Sylvania, Ohio**

Prepared For:  
The City of Sylvania  
Sylvania, OH

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**SELECTED HIGHLIGHTS FOR CITY COUNCIL**

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## 1. INTRODUCTION

- The City of Sylvania Was Averaging 5 New Commercial Developments / 28 Commercial Additions Until Recession Hit in 2007
- As a Result, 5.5 Acre SOMO Site Will Be First Major New Commercial Development in Sylvania in Several Years
- The Objectives of This Report Is To Identify the Most Desirable Mix of Uses at the SOMO Based on Market Conditions, Site Constraints and Locations, Financial Attractiveness (for Both City and Developer), and Ease of Execution
  - It is **Not** a Land Use Plan Nor Does It Address Physical/Engineering/Architectural Issues
- The Findings In This Report Are Based on Several Key Inputs:
  - 22 In-Person Interviews with Sylvania Stakeholders (Mayor, Council, CIC, Hospital, School District, Lourdes, Hotel, Downtown Merchants, Root Learning, Both Parks and Rec Districts)
  - Feedback at Public Meeting Held 1/24/11
  - Numerous Meeting/Discussions/Charettes With Mayor, Bill Sanford, Jim Moan, Mark Leutke, Poggemeyer, JJR, and Others
  - Reviews of Past Plans, Reports, Demographic/Employment/Real Estate Data, Articles, Internet Searches, Industry Directions, and Other Publications
  - Extensive Review of Failed Creekside Project in Gahanna, OH
  - Field Observations from Several Visits Since December 2010
  - 50 Years of Consulting Experience Between the 2 of Us



## 2. OUR RECOMMENDATIONS FOR SOMO SITE

- We Believe That The Highest and Best Uses at the SOMO Site Are Office and Restaurants
- Therefore, We Are Recommending:
  - 50,000 Square Feet of Office Space, with Enough Contiguous Space for 20,000 Square Foot Anchor
  - 3 Dining and Entertainment Venues (15,000 Square Feet) with Creekside Views
    - Upscale Fine Dining Featuring Steaks/Seafood/Wines
    - Laid-back Family-Oriented Grill and Pub with Burgers/Oversize Sandwiches/Wings/Fish & Chips/Craft Beers, Big Screen TVs
    - Lively, Upbeat Lounge with Fun/Trendy Appetizers/Cocktails, Large Outdoor Patio/Balcony
  - If the Hotel Expresses Interest in Expanding, It Should Be Considered, If It Will Enhance Marketability of Office Space
  - Future Phases May Include Upgraded Convenience Retail Goods & Services (Examples: Dry Cleaners, Copy/Mail/Pack/Ship Center, Coffee Shop) on Monroe, and/or Empty-Nester Condos or High-End Apartments Near Creek
  - We Also Endorse Ideas of Plenty of Green Space, Public Access to Waterfront, and Minimal Structured Parking
  - The Goal Is To Create an Extension of Downtown, While Connecting to Lourdes College
  - The City Stands to Conservatively Gain about \$150,000 per Year in Income Taxes and Another \$10,000 in Property Taxes per Year from SOMO, If It is Developed and Leased as Outlined Above (Not Including Hotel Expansion or Future Phases)
  - The Developer Could Reasonably Anticipate Double-Digit Cash-on-Cash ROI (Rough Estimate of 14%)



### 3. DEMOGRAPHIC/LIFESTYLE HIGHLIGHTS

- City of Sylvania (2010 Population of 18,965) Primarily Consists of Large Stable Owner-Occupied Households with Traditional Families
  - But Empty Nesters Are Closing In (29% vs. 31% for Traditional Families)
  - High Levels of Education (45% with College Degree), White Collar Occupations (75%)
  - Median HH Income of \$70,000 (46% Above Lucas County Median)
- Sylvania Township (2010 Population of 29,522) Is Still One of Fastest Growing Areas of Lucas County (+400 Persons Per Year Since 1990)
  - More Empty Nesters Than In City But Otherwise Fairly Similar Demographically
- Top 3 Tapestry Lifestyle Clusters:
  - In-Style: Taste for Cosmopolitan City Life in Suburbs
  - Suburban Spender: Upper Middle Class Baby Boomers with Busy Families
  - Retirement Communities: Active Seniors Not Interested in Moving to Florida



#### 4. EMPLOYMENT PATTERNS

- City's Employment Base (Estimated 9,264 Private Sector Workers) Is Dominated by Healthcare Sector (3,500 Employees, 37.4% of Total), Including Flower Hospital (1,500+ Employees)
  - There Are About 1,200 Fewer Retail/Accommodations/Food Service Sector Workers Than Expected Based on City's Population/Buying Power
  - Otherwise, High % of Employment in Services Industries -- Education, Commercial Services, Recreation, Finance/Insurance
  - Long-term, City of Sylvania Is Adding 70 New Jobs (vs. 28 New Residents) Each Year
- Largest Sector in Township is Retail (3,400 Workers); It Has 750 More Retail/Restaurant Workers Than Expected Based on Its Size
  - High Percentage of Small Professional Services Firms/Self Employed Due to No Income Tax
  - City Wages 11% Higher Per Job on Average Than Township (Due to Large Medical/Educational Sectors)



## 5. PEER GROUP ANALYSIS

- Sylvania's Peers Are Widely Considered to Be Perrysburg and Maumee
- Perrysburg (2010 Population of 20,623) Is Growing Much Faster Than Sylvania and Maumee and Is Slightly More Upscale in Terms of Education, Occupation, and Income
  - It Has More Young Dual Income White Collar Families
  - Perrysburg Is More of a Bedroom Community With Only 0.8 Jobs Per Household (vs. 1.3 in Sylvania and 3.2 in Maumee)
  - It Has Strong Retail, Restaurant, Hotel, and Commercial Services Sectors and About 350 Manufacturing Jobs
- Maumee Has More Jobs (19,639) Than Perrysburg and Sylvania Put Together
  - Maumee Has Large Diverse Economy with Strong Retail, Foodservice, Wholesale Trade, Finance/Insurance, and Manufacturing Sectors (1,500 Employees)
  - Maumee (2010 Population of 14,286) Is Losing Population
  - It Is Somewhat More Downscale Than Perrysburg or Sylvania with Large Contingent of Renters
- Stakeholders Told Us That Sylvania Compares to Its Peers as Follows:

### **BETTER**

- Parks and Recreation
- Senior Amenities
- Quality of Life
- K-12 Schools
- Medical Facilities

### **WORSE**

- Amount of Available Space/Land
- Availability of Tax Incentives
- Shopping and Entertainment Options
- Quality of Available Space
- Job Opportunities

## 6. RETAIL/RESTAURANT MARKET ANALYSIS SUMMARY

### POSITIVE FACTORS

- Large, Growing, Affluent Trade Area
  - . \$582 Million/Year Market Including Both City and Township
- Perfect Profile for Lifestyle Retail (Dining & Entertainment Anchors with Specialty Boutiques Mixed In)
  - . Lifestyle Retail Works Best in Open, Energized Public Space with Amenities and Green Space
- Desire for More Upscale, Niche Retailers in Sylvania, Especially Downtown, Among Stakeholders
  - . "Art and Design Focus"
- Relatively Few Sit-Down Restaurants in City of Sylvania
  - . Unanimous Consensus Among Stakeholders That Sylvania Can Use More Restaurants
- Restaurants with Creekside Views Have Performed Well in Downtown Gahanna
  - . Topography Not Favorable for Retail Except at Edges

### NEGATIVE FACTORS

- Fragile Downtown Business Environment
  - . New Initiatives Still Taking Root
- Toledo Retail Vacancy Rate Hits All-Time High of 15.2%, Rents Depressed (\$8.30/\$sq. ft.)
  - . Sylvania Submarket Not Much Better with (14.4% Vacancy Rate, \$10.30/sq. ft. Rent)
- High Level of Competition in Lifestyle Segment in Toledo Region
  - . Levi's Commons, The Shops at Fallen Timbers, Warehouse District, Mayberry Shoppes, Monroe
- Lifestyle Retail Requires Ongoing Promotion, Event Scheduling, Maintenance, Security, Parking, Technology Updates, Etc., Etc.
  - . Public/Private Partnerships Are Usually Required to Defray Costs
- Long-term Trends Indicate Need for Less (Not More) Retail Space in the Future
  - . E-Commerce, Demographic Shifts Will Decrease Need for Traditional Retail Space
- Retail and Restaurant Wages Are One-Third to One-Half of Medical/Educational Wages
  - . The City of Sylvania Counts on Income Tax for 48% of Funding



## 7. HOTEL/BANQUET SPACE MARKET ANALYSIS SUMMARY

### POSITIVE FACTORS

- Wingate Hotel Apparently Has Done Well In Spite Unusual Location
  - . Occupancy Levels and Room Rates Both Believed to Exceed Toledo Market
- More Hotel Rooms in Sylvania Would Support the City's Full Calendar of Events, Serve Lourdes, Hospital, and Business Visitors, and Provide More Customers for Downtown Retailers/Restaurants
  - . More Affordable Rooms for Families?
- Need for 60+ Seat Banquet Facility with Dedicated T-1 Line Suitable for Video Conferencing Identified by Stakeholder
  - . Lourdes Facilities Will Not Be As Available to the Community, As In The Past

### NEGATIVE FACTORS

- One of Nation's Worst Hotel Markets in 2009 (43% Occupancy Rate) Before Rebounding In 2010 (48% Occupancy Rate)
  - . Still Below National and State Averages - Average Room Rate of \$68.50, 13% Below Ohio Average





## 8. OFFICE MARKET ANALYSIS SUMMARY

### POSITIVE FACTORS

- Toledo Office Market Is Fairly Stable (Not Overbuilt Like Most Places)
  - . Suburban Vacancy Rate of 15% vs. 18% Nationally
- Pent-Up Demand for New Class A Office Space As Economy Thaws
  - . Average 225,000 Sq. Ft. Absorption/Year, 2001-2006; Average 60,000/Year, 2006-2010; 150,000/Year Forecast, 2011-2015
- Sylvania/West Toledo Is One of Toledo's Top Office Submarkets
  - . 13% Vacancy Rate, \$17-\$22 Per Square Foot for Class A Space
- SOMO Site Has Potential to Tap Into Emerging Office Trends
  - . These Include Mixed-Use, Amenity-Rich Environments with Plenty of Parking and Paths
- Office Rents Are Roughly Double Retail Rents in the Toledo Region, Including Sylvania
  - . Office Wages Average \$45,000 per Job, or \$675 per Year in City Income Taxes Per Employee

### NEGATIVE FACTORS

- Competition From Township, Perrysburg, Maumee, Downtown Toledo For Office Users
  - . Recruitment May Need to Include Tax Incentive Package



## 9. MEDICAL/EDUCATIONAL MARKET ANALYSIS SUMMARY

### POSITIVE FACTORS

- Flower Hospital and Lourdes College Are Growth Engines in Sylvania Economy
  - . Both Will Have Growing Facilities Needs in the Future
- Possibility of R&D Spin-offs in Medical/Educational/High Tech Field is Intriguing But Not Worth Chasing)
  - . Formidable Competition From University of Toledo, City of Toledo, University of Michigan/Ann Arbor

### NEGATIVE FACTORS

- However, Both Have Plenty of Room for Expansion On and Near Respective Campuses
  - . Regionally, Toledo is Well-Served in Medical and Higher Education Fields

## 10. RESIDENTIAL MARKET ANALYSIS SUMMARY

### POSITIVE FACTORS

- Only 19 More Vacant Housing Units in 2010 vs. 2010 vs. 2000 (8% Increase vs. 55% Increase State-Wide)
  - . Housing in Sylvania Holds Value Due to Schools, Quality of Life Factors, Control Over Sprawl
- Housing Stock Is Older (86% Over 20 Years Old) Compared to Township, Perrysburg
  - . Neighborhoods Near Downtown Beginning to Show Age
- Apartment Market Runs Counter-Cyclical to For-Sale Market as Vacancy Rate Plunges
  - . "Lifestyle" Renters Represent High End of Market (11%)
- Stakeholders See Need for Greater Range of Housing Options
  - . Empty Nester Condos, Young Professional Apartments, Student Housing, and Various Forms of Senior Housing in Pet-Friendly Environments Within Walking Distance of Amenities

### NEGATIVE FACTORS

- The Housing Crisis Is Not Over As Median Sales Price Hovers at 2003 Levels
  - . Not Expected to End Before 2014
- Condos Were Largest Flop in Gahanna Creekside Failure
  - . Price Must Be Reasonable
- Housing Generally Is a Net Loser From Tax vs. Services Municipal Viewpoint
  - . But Retail Serves Rooftops So More/Better In-Town Housing Would Help Downtown Merchants