



Memorandum

From: Thomas Point Associates, Inc.
To: Department of Development, City of New Bern, North Carolina
Date: July 15, 2013
Subject: New Bern Gateway/Five Points Grocery Project

1. Introduction

In a recent study of the Gateway/Five Points area (2012), the City of New Bern and its planning team identified the need for a new grocery store in this area. As part of its effort to implement this recommendation, the City retained Thomas Point Associates, Inc. (“TPA”) to provide services to support the City’s efforts to attract a supermarket to a targeted location.

TPA undertook the following tasks:

- Determination of the best site for supermarket location.
- Evaluation of potential to attract supermarket operator to a selected site.
- Preparation of a marketing package to interest appropriate chains and developers.
- Prepared draft conclusions and marketing materials, and discussed with City Development Dept. and City Manager (July 1, 2013)

In the course of this work TPA visited the area and inspected each potential site. We reviewed earlier studies and met with City staff and other interested parties.

2. Store Location Analysis

The City identified three sites in the Gateway/Five Points that are available for redevelopment and that are appropriate candidates for commercial development:

1. Day’s Inn: vacant hotel at intersection of Broad and Queen Sts.
2. Sutton St.: properties along Sutton St. between Broad and Queen Sts.
3. First St.: vacant land along First St. at Broad St.

These sites are all in the area known as Gateway/Five Points, a part of the City west of the downtown that has been the subject of a recent redevelopment planning effort. The City is now implementing a redevelopment program with the goal of improving the area with new housing and commercial development.

In our experience there are seven key issues in evaluating sites for the development of a site as a supermarket:

- Location
- Site size and features.
- Access
- Traffic
- Acquisition issues and site preparation.
- Surroundings.
- Price.

With respect these evaluation factors:

- All three sites are centrally located with respect to a potential market area. The First St. site is best in its access to the highway, the First St. and Broad St. intersection, and proximity to commercial development along Neuse Boulevard.
- The three sites are comparable in size and all three could meet a minimum requirement of three acres for a small supermarket. The Sutton St. site is less desirable than the other two because it offers less frontage on the major road, Broad St.
- Acquisition issues and site preparation appear to be much more complicated for the Day's Inn and Sutton Avenue sites. There could be lengthy real estate and environmental issues at those locations.
- The sites are all similar in the character of their immediate surroundings. Each one is part of the commercial scene on Broad St. However, the Sutton Ave. site is more closely integrated into a residential neighborhood, a factor that could impose constraints on a commercial development.

Exhibit 1 presents traffic data relevant to all three sites. The most important factor that distinguishes the three sites is the pattern of traffic in the area. The traffic on Broad St. in both the downtown and the Five Points area is light and there are signs of decline in the numbers in recent years. The best site from the traffic perspective is the corner of First and Broad Sts., at the intersection of Neuse Boulevard, a location that is easily accessible to the interchange of Routes 17/71 and the large traffic volumes on Neuse Boulevard in the vicinity of the County Hospital. It is a site of this quality that can interest Aldi's and Walmart.

Exhibit 1							
Traffic Counts, Selected Locations, City of New Bern, N.C.							
AADT*, 2006-2011							
<i>Map</i>	<i>At:</i>	<i>2011</i>	<i>2010</i>	<i>2009</i>	<i>2008</i>	<i>2007</i>	<i>2006</i>
Broad St.							
1	East of Hancock (Downtown)	8,200	8,900		9,400	13,000	8,900
2	West of Hancock (Five Points)	7,700	8,800		9,200		8,500
Neuse Blvd. (Business 70)							
3	West of SR 55	22,000	21,000	23,000	21,000	24,000	21,000
4	Hospital Drive	18,000	16,000	18,000	13,000	12,000	15,000
Route 17/70							
5	East of SR 55	56,000	60,000	61,000	56,000	60,000	54,000
6	North of MLK Interchange		30,000				31,000
SR 55 (First St.)							
7	Betw. 17/70 and Broad		12,000		11,000		11,000
MLK Blvd							
8	Degraffenreid Ave.	9,400	8,900	9,600	8,900	11,000	9,200
Source: North Carolina Dept. of Transportation							
*Average Annual Daily Traffic							

Overall the top site is the property on First St. at Broad. This rated highest due to traffic and location. Other sites may be better from a community development perspective but the First St. site is the best from the commercial development viewpoint. We believe that a store at this location would have good prospects for success.

3. Supermarket Feasibility

The City has moved ahead in its effort to attract a supermarket based on the recommendation of an earlier study that there is market support for a food store of 20,000 square feet in the Five Points area. In the current work we have taken another look at whether it is reasonable to expect that a supermarket would be interested in a location in the area.

In this analysis we have applied the following five criteria to the determination:

- Competitive location.
- Site control.
- Strength of demand.
- Community support.
- Price.

It is our view that the situation is favorable on two of these factors (competitive location and community support) and negative on two (site control and strength of demand). We have not

evaluated land prices as negotiations to acquire sites are yet to take place. It is our understanding that the City will take the lead role in acquiring the selected property, and will transfer it to a developer or corporation under terms that would facilitate development.

Strength of demand for a store in a near downtown location in New Bern appears to be weak, according to the Nielsen- Claritas model of retail demand (Exhibit 2). There should be more favorable data to attract a supermarket. On the basis of the retail opportunity gap figures in the Exhibit, it appears that there is no “excess demand” in the defined areas. This means that shoppers are not leaving the area to buy groceries. In fact the opposite is happening. A new supermarket can be justified but it could only gain market share by taking sales away from a store or stores already in the area.

However, we have spoken with several supermarket realtors, and there is an interest in the New Bern market. We believe that the City’s effort to attract a store is reasonable and can be effective, and we have tailored the data package (in the “Marketing Materials” Appendix) to support this representation. Any strong data to make the case for a supermarket location that is available from earlier but still relevant studies on this subject should be substituted into the marketing materials in order to make a convincing case for the location.

Exhibit 2

**Retail Opportunity Gap 1/, 2013, Five Points Area, New Bern, North Carolina
By 5-, 10-, and 15-Minute Drive Times from Broad and Queen Sts. Intersection**

Retail Stores	Gap by Drive Time		
	5-Min.	10-Min.	15-Min.
Total Retail Sales Incl Eating and Drinking Places	(166,462,328)	(435,805,238)	(399,542,922)
Motor Vehicle and Parts Dealers-441	(25,734,115)	(153,567,686)	(239,355,413)
Furniture and Home Furnishings Stores-442	(7,084,973)	(15,876,811)	(16,163,831)
Electronics and Appliance Stores-443	2,663,541	5,525,055	9,254,953
Building Material, Garden Equip Stores -444	4,308,802	(51,417,871)	(51,967,251)
Food and Beverage Stores-445	(12,623,717)	(49,799,033)	(23,875,811)
Grocery Stores-4451	(14,506,147)	(54,174,691)	(33,076,185)
Supermarkets, Grocery (Ex Conv) Stores-44511	(15,214,259)	(56,177,000)	(36,398,595)
Convenience Stores-44512	708,112	2,002,309	3,322,410
Specialty Food Stores-4452	510,297	1,274,998	3,765,367
Beer, Wine and Liquor Stores-4453	1,372,132	3,100,659	5,435,007
Health and Personal Care Stores-446	(62,174,348)	(94,121,450)	(83,864,743)
Pharmacies and Drug Stores-44611	(59,265,633)	(88,463,123)	(81,720,405)
Cosmetics, Beauty Supplies, Perfume Stores-44612	(1,146,330)	(3,700,402)	(2,434,849)
Optical Goods Stores-44613	359,725	716,794	1,436,549
Other Health and Personal Care Stores-44619	(2,122,109)	(2,674,719)	(1,146,038)
Gasoline Stations-447	(47,530,515)	(78,228,854)	(81,933,882)
Clothing and Clothing Accessories Stores-448	2,547,446	1,117,064	12,486,830
Sporting Goods, Hobby, Book, Music Stores-451	(4,137,265)	(6,388,089)	(2,996,865)
General Merchandise Stores-452	(9,390,700)	5,516,490	28,981,557
Miscellaneous Store Retailers-453	(10,108,348)	(18,324,109)	(12,573,439)
Non-Store Retailers-454	11,256,337	28,632,016	50,371,280
Foodservice and Drinking Places-722	(8,454,478)	(8,871,962)	12,093,692
Full-Service Restaurants-7221	(1,852,622)	4,713,148	16,889,628
Limited-Service Eating Places-7222	(7,559,386)	(18,138,163)	(12,939,722)
Special Foodservices-7223	657,704	2,893,191	5,148,460
Drinking Places -Alcoholic Beverages-7224	299,826	1,659,861	2,995,325
GAFO *	(15,009,309)	(14,612,973)	28,870,927

Source: Nielsen Inc.: Thomas Point Associates, Inc.

1/ Gap is difference betw. actual sales and demand; positive figure represents sales gap.

2/ Department store sales, not included in specific categories.

4. Marketing Package

These materials in the Appendix to this report are intended for use in a marketing package that can be distributed to real estate representatives of targeted organizations.

Appendix: Marketing Materials

1. Introduction

The New Bern market area is a growing economic center of eastern North Carolina. The Census Bureau recently designated the New Bern Micropolitan Statistical Area, a place anchored by the City of New Bern that takes in three counties in the Inner Banks region of eastern North Carolina: Craven, Jones and Pamlico. The City of New Bern is the County seat of Craven County. As of the 2000 census, the area had a population of 114,751; in 2011 the estimated population was 128,003.

2. Market Area Demographics

The figures in the following tables summarize demographic characteristics of population by drive-time from the intersection of Broad and Queen Sts, the center of the Five Points area. Population in the 10-minute drive area is 35,884 (Exh. 1). This is expected to increase by 3.2% over the next 5 years.

Exhibit 1.

Demographic Snapshot by Drive Time*: New Bern Market Area Population

Population	Population by Drive Time ⁸					
	5 Minutes	%	10 Minutes	%	15 Minutes	%
2018 Projection	16,147		37,027		55,948	
2013 Estimate	16,048		35,884		53,660	
2010 Census	16,085		35,323		52,429	
2000 Census	15,513		31,231		43,953	
Growth 2013-2018	0.61%		3.19%		4.26%	
Growth 2010-2013	-0.23%		1.59%		2.35%	
Growth 2000-2010	3.69%		13.10%		19.28%	
Pop by Single Race	16,048		35,884		53,660	
White	8,204	51.1	23,057	64.3	37,427	69.7
Black/Afr.- American	6,282	39.1	9,766	27.2	12,031	22.4
Median Age	39.7		41.5		41.2	

Source: The Nielsen Company

*Drive time from Broad and Queen St. Int., New Bern, N.C.

Average household income in the market area (Exh. 2) is estimated at \$60,194. Population growth has been approximately the same in the 10-minute market area as in the US in recent years, while the rate of household growth has been greater in the New Bern area, 2.4% in 2010-2013, compared to 2.1% in the US; this more rapid growth of households is projected to continue over the next five years, at 4% in New Bern compared to the national figure of 3.5%.

Exhibit 2.

**Demographic Snapshot by Drive Time*:
Household Income, New Bern Market Area**

	<i>Population by Drive Time*</i>					
	5 Minutes	%	10 Minutes	%	15 Minutes	
Households by Income	6,914		15,478		22,656	
< \$15,000	2,106	30.5	3,407	22.0	4,395	19.4
\$15,000 - \$24,999	894	12.9	1,939	12.5	2,749	12.1
\$25,000 - \$34,999	883	12.8	2,117	13.7	3,197	14.1
\$35,000 - \$49,999	1,032	14.9	2,385	15.4	3,450	15.2
\$50,000 - \$74,999	749	10.8	2,128	13.7	3,359	14.8
\$75,000 - \$99,999	532	7.7	1,492	9.6	2,389	10.5
\$100,000-124,999	285	4.1	797	5.1	1,329	5.9
\$125,000 - \$149,999	69	1.0	310	2.0	512	2.3
\$150,000 - \$199,999	68	1.0	237	1.5	392	1.7
\$200,000 - \$249,999	62	0.9	186	1.2	272	1.2
\$250,000 - \$499,999	126	1.8	298	1.9	398	1.8
\$500,000+	109	1.6	181	1.2	214	0.9
2013 Est. Average Household	54,799		60,194		60,869	
2013 Est. Median Household	30,181		36,737		39,290	

Source: The Nielsen Company

*Drive time from Broad and Queen St. Int., New Bern, N.C.

By comparison, the population of the City of New Bern is estimated at 30,216 in 2013, and average household income in the City is \$52,312.

There is an important segment of the population that would be close enough to the site that these residents would walk to the supermarket. This population (within one mile of the site) is estimated at 6,876 in 2013 and has an average household income of \$49,197. This includes surrounding neighborhoods and the nearby New Bern Historic District.

3. Grocery Store Sales and Competition

Exhibit 3 summarizes sales in grocery and related categories.

Exhibit 3

**Grocery and Related Sales/, 2013, Five Points Area, New Bern, North Carolina
By 5-, 10-, and 15-Minute Drive Times**

Retail Stores	Drive Time		
	5-Minute	10-Minute	15-Minute
Food and Beverage Stores	42,923,102	121,499,276	132,045,667
Grocery Stores	40,741,122	116,184,426	126,636,819
Supermarkets, Grocery (Ex Conv) Stores	40,136,736	115,083,142	125,262,064
Convenience Stores	604,386	1,101,284	1,374,755
Specialty Food Stores	1,641,475	3,791,069	3,885,067
Beer, Wine and Liquor Stores	540,506	1,523,781	1,523,781
Health and Personal Care Stores	77,641,643	131,059,130	138,869,348
Pharmacies and Drug Stores	71,617,167	117,969,760	125,651,572
Cosmetics, Beauty Supplies, Perfume Stores	2,259,230	6,357,232	6,384,080
Optical Goods Stores	247,469	729,645	732,800
Other Health and Personal Care Stores	3,517,776	6,002,493	6,100,896

Source: Nielsen Inc.: Thomas Point Associates, Inc.

There are several grocery stores within three miles of the proposed site, including a Food Lion, a Piggly-Wiggly and a Harris Teeter. It is the view of the City leaders, the Development Department and its consultants that a new supermarket would capture a significant share of the \$115 million in annual sales and would be highly successful at the proposed site.

4. The Proposed Site

The property that the City will acquire and make available for the project is a 3.65 acre site at the intersection of First St. and Broad St., in the center of the Five Points area, one mile west of the historic downtown and one-half mile east of the County Medical Center. This package includes the site plan showing store-sized footprints (Attachment 1) and an aerial photo of the site and vicinity.

For additional information, please contact:

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Attachments (not included here):

1. Site photo showing 20,000 and 40,000 sf footprints.
2. Aerial photo of site and surroundings.