



Market Analysis

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Ronkonkoma Hub Transit-Oriented Land Use & Implementation Plan and GEIS

Prepared For:

The Town of Brookhaven

Prepared By:



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August 2010

Executive Summary

Overview

The Ronkonkoma TOD District area offers strong opportunities from a market perspective. The station is the most active of all rail stations in Long Island, with over 14,000 daily riders.¹ Market trends in surrounding market areas are positive, with households, household spending, and employment projected to grow – all key ingredients for residential, retail and restaurant, and office development.

Opportunities Identified by the Market Analysis

BBP LLC performed an evaluation of demand and supply characteristics of multifamily housing, retail and restaurant uses, and office uses in areas and jurisdictions surrounding the TOD District area over the next nine year period based upon the theoretical full build and theoretical maximum build out plan prepared by VHB.² The full build and maximum build out concepts prepared by VHB identified opportunities for:

Full Build Concept

- **Residential development** – 615 housing units.
- **Retail and restaurant development** –80,875 square feet (including 60,875 square feet of retail space and 20,000 square feet of restaurant space).
- **Office development** –49,375 square feet

Maximum Build Out Concept

- **Residential development** – 808 housing units.
- **Retail and restaurant development** –112,275 square feet (including 102,275 square feet of retail space and 10,000 square feet of restaurant space).
- **Office development** –49,375 square feet

The market analysis suggests there is support for the uses identified by the full build and maximum build out concepts.

In addition, both plans call for a two-story, 30,000 square foot health club. This type of use is not evaluated in residential, retail/restaurant, or office analyses, and has not been analyzed quantitatively given the scope of work focus on residential, retail/restaurant and office evaluations. However, from a qualitative perspective, having a health club in the TOD District area will provide synergies to support other development. The health club will be an added amenity for future residents and employees, and could bring additional visitors to the area who may then patronize retail shops and restaurants.

¹ Regional Plan Association, *Places to Grow*, January 2010.

² The Theoretical Full Build considers only the Brookhaven side, while the Maximum Build Out takes into consideration the Islip side as well.

Key Findings by Market Sector

The market analysis revealed a number of key findings by market sector.

Residential Market Key Findings

- The TOD District area is situated within a primary and secondary market area: the Towns of Brookhaven and Islip (the primary market) and Suffolk County (the secondary market). It is assumed that the majority of demand for new housing will emerge from the primary market area, with the next largest source of demand coming from the secondary market area.
- The target market of households most likely to prefer multi-family housing near transit includes households earning \$35,000 to \$150,000. This income range includes households that can afford current market rate rents and purchase prices. BBP LLC estimates that the majority of demand will emerge from the middle two-thirds of this range (households earning between approximately \$50,000 to \$130,000).
- There were an estimated 337,000 target market households in the primary and secondary study areas in 2009. By 2019, it is projected that nearly 11,000 households will be added in these areas.
- Top tapestry segments (i.e. socioeconomic groups) in the market areas include "Pleasant-ville," "Sophisticated Squires," "Wealthy Seaboard Suburbs," and "Up and Coming Families." These groups are similar in that most households are relatively affluent; consists of married couples; are headed by empty nesters, couples without children, and baby boomers; live in older single-family homes; commute; and enjoy shopping, dining out, and outdoor activities.
- The TOD District area could capture a modest 6 to 7 percent of household growth in the primary and secondary market areas through 2019. Such capture would support the development of the 615 residential units identified in the theoretical full build plan or the 808 units identified in the maximum build out plan.
- To appeal to the target demographic, new units should offer a broad range of amenities. These include both in-unit amenities (e.g. architecturally distinctive features, private entries, gourmet kitchens, etc.) and community/station area amenities (e.g. convenient services such as child care, pet care, and auto care, as well as destination shops and restaurants).
- Developers of new housing units may look to the proximate Fairfield at Ronkonkoma development, a rental townhouse community situated to the east of the transit station, as a model for relatively higher density housing catering to the needs and preferences of target market households. This community offers a variety of amenities, including recreational facilities, landscaping, optional detached garages, and gourmet kitchen and designer bath features. The development has enjoyed an extremely high occupancy rate and high rental rates (in the range of \$1,875 to \$2,480), which suggest demand is strong for this type of housing near the train station.

Retail and Restaurant Market Key Findings

- Two classifications of retail goods and services may be offered in the TOD District area: convenience (e.g. food stores, limited service eating places, etc.) and shoppers goods (e.g. clothing, home furnishings, etc.). The TOD area is situated within four associated trade areas: the convenience goods primary trade area (3-mile radius, roughly equal to a 5-minute drive), the convenience goods secondary trade area (Suffolk County), the shoppers goods primary trade area (5-mile radius, roughly equal to a 10-minute drive), and the shoppers goods secondary trade area (Suffolk County).
- Retail spending in each trade area is strong and projected to grow as disposable income rises.
- Estimated 2009 retail spending levels on convenience goods were as follows: \$439 million in the convenience goods primary trade area and nearly \$8 billion in the convenience goods secondary trade area. By 2014, these figures are projected to increase to \$463 million in the primary trade area and nearly \$8.6 billion in the secondary trade area.
- In 2009, shoppers goods retail spending levels were as follows: nearly \$1.6 billion in the shoppers goods primary trade area and over \$10.6 billion in the shoppers goods secondary trade area. By 2014, spending is projected to rise to nearly \$1.7 billion in the primary trade area and \$11.4 billion in the secondary trade area.
- Future retail spending could support over 51 million square feet of convenience and shoppers goods retail space in the primary and secondary trade areas (in retail store group categories conducive to downtown development). The TOD District area could capture a modest 0.16 to 0.22 percent of this supportable space over the next nine years. Such capture would support the development of the 80,875 square feet identified in the theoretical full build plan or the 112,275 square feet identified in the maximum build out plan.
- New retailers in the TOD District area will face competition from other retailers currently located in the trade areas. An analysis of retail leakage was undertaken to understand which categories of retail are underrepresented, as illustrated by retail sales “leaked” beyond the trade area, indicating unmet demand for goods and services. Such retail types may offer relatively stronger potential for success in the TOD District area given their underrepresentation elsewhere.
- Retail store groups with current sales leakage include: beer, wine and liquor stores; office supplies, stationary, and gift stores; taverns; auto parts, accessories and tire stores; furniture stores; clothing stores; shoe stores; jewelry, luggage and leather goods stores; book, periodical and music stores; used merchandise stores; full-service restaurants; and special food services.
- Factors beyond retail leakage will impact the odds of success of any particular store, including quality of products, customer service, marketing, and the experience offered to customers. A savvy entrepreneur that

offers superior products, service, marketing and/or experience may succeed in opening a type of store that is already well-represented in the trade areas by being a strong competitor.

- Future households, employees and transit riders generated by new development in the study area will also offer potential sources of demand for retail, but have been omitted from the analysis because it is important that the future retail uses are self-sufficient (and not reliant on the success of other types of new development). These other sources of demand instead should be viewed as an important additional source of sales that will enhance their opportunity to thrive, but not be the primary reason for such success.

Office Market Key Findings

- A new or expanding business considering Suffolk County or Long Island is likely to consider Ronkonkoma; therefore the primary and secondary market areas have been defined as Suffolk County and Long Island, respectively.
- Existing office uses are few within the TOD District area, and represent a very small proportion of the office uses present in Suffolk County and Long Island.
- Top industry clusters in Long Island include: back office and outsourcing; biomedical; communications, software and media services; financial services; front office and producer services; and information technology services.
- Office-based employment and associated demand for office space is projected to grow in Suffolk County and Long Island by 2014.
- Office supply is also projected to grow based on past trends in supply.
- To support the 49,375 square feet of office space called for in both the theoretical full build and maximum build out plans, the TOD District area will have to capture either 2 percent of the office space supported by office employment trends or 4 percent of the office space supported by supply trends.
- Businesses in growth industries that are compatible with downtown settings should be considered targets for office space in the TOD District area. Such industries include: real estate, rental and leasing; professional, scientific and technical services; management; and administrative support.



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Section 1 Introduction

1.1 Study Purpose

The market analysis is designed to review trends in the residential, retail and office markets in order to identify opportunities for development in the TOD District area. The evaluation includes review of the proposed conceptual plans for the area to determine whether market trends support the level of development in the theoretical full build as well as maximum build out plans.

1.2 Work Completed

The market analysis was developed through the completion of several tasks, including:

1. Economic and demographic profile – examination of existing and projected demographic and economic factors for the TOD District area and surrounding market areas. These factors are interwoven into the residential, retail and office market analysis sections of this report.
2. Residential market analysis – evaluation of demand, supply, and opportunities for transit-oriented housing development (e.g. multifamily dwellings).
3. Retail and restaurant market analysis – evaluation of demand, supply and opportunities for various types of retail uses and restaurants.
4. Office market analysis – assessment of demand, supply and opportunities for office space to accommodate different types of office-based industries.
5. Analysis of development potential – review of theoretical full build and maximum build out concepts and comparison to market opportunities to identify whether market trends support the concepts. This review and assessment is included in the residential, retail and office market analysis sections of this report.

Section 2 Residential Market Analysis

2.1 Market Area Definition

The Ronkonkoma Transit-Oriented development ("TOD") District area is situated at the border of the Towns of Brookhaven and Islip, two of many municipalities that comprise the Long Island residential market of Suffolk and Nassau Counties.

Consistent with the market analysis undertaken in 2008 as part of the *Ronkonkoma Hub Transit-Oriented Planning Study*, BBP LLC has assumed that the majority of demand for new housing will emerge from residents of local jurisdictions. An industry rule of thumb states that "between 50 to 75 percent of the buyers or renters in a new development come from the local community" (Urban Land Institute).

Using this reasoning, BBP LLC has defined the primary residential market area for the TOD District area (i.e. the geographic zone from which the majority of demand for new housing will emerge) as the Towns of Brookhaven and Islip. BBP LLC has also identified a secondary study area (i.e. the geographic zone from which the next highest proportion of demand for new housing will emerge) as the remainder of Suffolk County. This zone captures those households which currently drive to the Ronkonkoma Hub station and travel toward Manhattan via express rail service.

2.2 Target Market Profile

The target market includes households likely to reside in multi-family housing units near transit. To identify these households, BBP LLC examined the current supply of multi-family housing in the Towns of Brookhaven and Islip, including recently constructed multi-family housing in the TOD District area.

Through a reconnaissance survey of current housing supply, BBP LLC has determined that:

- The majority of rental multi-family housing units are one- and two-bedroom units;
- The average rental rate for a one-bedroom unit was \$1,370, while a two-bedroom unit was \$1,680 as of first quarter 2010;
- Newly constructed rental complexes in Suffolk County have been found to command a premium, with average rental rates roughly one-third higher than average rental rates for all multi-family units (according to the Suffolk County Department of Planning *Demographic, Economic and Development Trends* report dated November 2008);
- Market rental rates for multi-family housing in the two towns range, on average, from \$1,110 for a studio apartment up to \$2,400 for a three-bedroom unit;
- The majority of new for-sale multi-family housing units have two to three bedrooms;
- List prices for new for-sale condominiums range from approximately \$270,000 to \$470,000;
- The median list price of residential property in the area surrounding TOD District area was \$380,000 in 2010;

- Households earning approximately \$40,000 to \$100,000 can afford current rental rates, assuming gross monthly housing costs (e.g. monthly rent and utilities) does not exceed 30 percent of gross income; and
- Households earning approximately \$80,000 to \$150,000 can afford currently listed new condominium units, assuming monthly housing costs (e.g. monthly mortgage, taxes, utilities, and HOA fees) do not exceed 30 percent of gross income and assuming a 5 percent down payment is made.

Given these current conditions, BBP LLC has identified the target market for new multi-family housing in the TOD District area as households earning \$35,000 to \$150,000 annually, which spans the range of households that can afford current rental rates up through current for-sale prices. We believe the majority of demand within this range will come from the middle two-thirds of the range (approximately \$50,000 to \$130,000).

2.3 Market Area Demographics

To evaluate the depth of potential demand for multi-family housing in the TOD District area, BBP LLC performed an overview demographic analysis of estimated existing and projected future households in the primary and secondary market areas.

Key questions addressed through the demographic analysis include:

- How many estimated existing households meet the target market definition (e.g. how many earn \$35,000 to \$150,000 annually)?
- How many projected future households meet the target market definition in the short-term (e.g. 5 years)? How many in the long-term (e.g. 10 years)?
- What lifestyle and housing preferences do these households share?

Existing and Future Households

In 2009, there were an estimated 337,000 “target market” households earning \$35,000 to \$150,000 in the primary and secondary market areas. By 2014, total households meeting the target market definition could rise to 342,000 households if households are added at an annual rate of 0.15% to 0.45%, as current projections suggest (the lower growth rate is projected for the secondary market area, while the higher growth rate is projected for the primary market area). If this annual growth continues at the same pace through 2019, target market households could increase to a total of nearly 348,000 households, as illustrated in the following table.

Existing and Future Households
Target Market: Earning \$35,000 to \$150,000
TOD District Market Areas

Market Area	Total			Net Increase	
	2009	2014	2019	2009-2014	2014-2019
Primary	191,592	195,973	200,454	4,381	4,481
Secondary	145,111	146,171	147,239	1,060	1,068
Total	336,702	342,144	347,693	5,442	5,550

1/ BBP LLC projected 2019 households using 0.45% annual growth rate for the primary market area, and 0.15% annual growth rate for the secondary market area, in accordance with compound growth rates projected by ESRI for the target market areas from 2009 to 2014
2/ Secondary market area excludes primary market area to avoid double-counting
Source: ESRI Business Information Solutions, BBP LLC, 2010

Given these current growth projections, the TOD District primary and secondary market areas could add a net 5,442 households earning \$35,000 to \$150,000 from 2009 to 2014 and another 5,550 households earning at this income range from 2014 to 2019. Therefore, the total potential market demand for multi-family housing could be up to 10,991 households.

Top Tapestry Segments

To identify the lifestyle characteristics and housing preferences of local residents, BBP LLC performed an evaluation of top household tapestry segments. ESRI Business Information Solutions uses demographic information such as labor force characteristics, median income, age, and spending habits to categorize neighborhoods according to a trademarked Community Tapestry classification system.³ The following table identifies the top tapestry segments in the TOD District market areas, with tapestry segments grouped by common traits.

³ ESRI is a subscription-based market research and analysis service.

TOD District Market Areas (Top Tapestry Segments)			
	Towns of Brookhaven and Islip		Suffolk County
High Society	25.7%		30.5%
Top Rung		0.6%	1.5%
Suburban Splendor		1.8%	2.6%
Connoisseurs		1.8%	4.6%
Boomburbs		0.7%	0.4%
Wealthy Seaboard Suburbs		10.1%	15.2%
Sophisticated Squires		10.4%	5.8%
Exurbanites		0.3%	0.4%
Upscale Avenues	43.3%		40.7%
Urban Chic		0.7%	3.0%
Pleasant-Ville		37.7%	34.6%
In Style		3.0%	2.0%
Enterprising Professionals		1.4%	0.8%
Green Acres		0.1%	0.0%
Cozy and Comfortable		0.4%	0.3%
Family Portrait	17.4%		7.7%
Up and Coming Families		12.6%	0.7%
Milk and Cookies		1.4%	1.9%
Urban Villages		3.4%	5.1%
Senior Styles	5.7%		6.5%
Prosperous Empty Nesters		0.8%	1.1%
Silver and Gold		0.4%	1.1%
Retirement Communities		2.3%	2.7%
The Elders		1.4%	0.7%
Senior Sun Seekers		0.2%	0.2%
Heartland Communities		0.2%	0.1%
Simple Living		0.2%	0.5%
Social Security Set		0.2%	0.1%
Traditional Living	6.5%		5.6%
Main Street USA		6.0%	5.1%
Midlife Junction		0.5%	0.5%
TOTAL	98.6%		91.0%

Source: ESRI Business Information Solutions, BBP LLC, 2010

The "Pleasant-ville" tapestry segment, one of several "Upscale Avenues" tapestry types, is the dominant segments in the Towns (37.7 percent) and Suffolk County (34.6 percent). "Upscale Avenues" households comprise over 40 percent of all households in the Towns and County. "High Society" tapestry types are the next most prevalent, with 25.7 percent of all Brookhaven and Islip households, and 30.5 percent of all Suffolk County households, identified as

such. The two top tapestries in this group are “Sophisticated Squires” (10.4 percent and 5.8 percent of the Towns and County households, respectively) and “Wealthy Seaboard Suburbs” (10.1 percent and 15.2 percent of the Towns and County households, respectively). The “Up and Coming Families” segment is also prevalent in the Towns, representing 12.1 percent of all households.

“Pleasant-ville” households are characterized as affluent households comprised primarily of middle-aged married couples with children; about half of households are empty nesters. Though one fifth of households receive retirement income, the majority of residents work in a variety of industries. Commuting rates are high in this tapestry segment, and an estimated 12 percent commute an hour or more. Most households currently live in single-family residences built in the decades following World War II. Favorite leisure time pursuits include dining out, watching sporting events, and traveling.

“Sophisticated Squires” households include many “baby boomer” married-couple families, including empty nesters. These households are among the most affluent tapestry segments identified by ESRI (grouped collectively as “High Society”). Residents are employed primarily in white-collar occupations, and many have long commutes to work. The majority of households reside in single-family structures, most of which were built between 1970 and 1989. Leisure time activities include playing sports, bicycling, photography, playing golf, and gardening.

“Wealthy Seaboard Suburbs” neighborhoods are characterized as affluent, married-couple families living in older communities in coastal metropolitan areas. Just under half of households have children. Approximately 25 percent of households collect retirement income, while most of the employed residents work in management or professional occupations. Of the 65 tapestry segments identified by ESRI, “Wealthy Seaboard Suburbs” residents are among the top five most likely to commute to work (including commuting out-of-state to work). Most households live in older neighborhoods comprised of single-family homes built prior to 1970. Leisure time is spent shopping, traveling, skiing, ice skating, and going to the theater. Popular retail destinations include Macy’s, Nordstrom, and warehouse clubs.

“Up and Coming Families” are young and affluent with younger children. Household incomes are higher than the national median, and labor force participation is high, with many dual-income households. Most households live in new single-family housing built in the past 10 years. Leisure time activities include playing sports, dining out at family restaurants, traveling, and shopping.

Common characteristics of the tapestry segments profile above include:

- Households are relatively wealthy;
- Most households consist of married couples;
- Many households are empty nester or couples without children (with the exception of “Up and Coming Families”);
- Many households are headed by baby boomers;
- Most households live in older single-family homes (with the exception of “Up and Coming Families”);
- Many households commute long distances to work; and
- Most households enjoy shopping, dining out, and outdoor activities.

Since many households commute long distances, live in older homes, and are either empty nesters or couples without children, some of these households may be interested in “downsizing” from their older single-family homes to smaller homes near transit. Such relocation would afford residents more convenient access to transit and reduce the level of maintenance required on their property, freeing up more leisure time. The baby boomer segment (age 55 and older) was highlighted, along with young adults (age 25 to 34), as a group more likely than other age groups to live in downtowns across Long Island in a recent study.⁴

2.4 Potential Market Capture

Living near transit in downtown settings is becoming more desirable in Long Island and throughout the nation. This desirability is emerging in part from demographic trends, including the aging of baby boomers and the preference of younger adults for mixed-use environments.⁵ These trends are borne out in Long Island, where most downtowns are comprised of slightly more baby boomers (residents over age 55) and more young adults (residents aged 25-34).⁶

The success of recent housing development at the TOD District area bodes well for future transit-oriented, multi-family housing around the station. When Fairfield at Ronkonkoma Hub was constructed in 2007, the project was quickly leased, and occupancy has remained high through 2010, indicating strong demand for multi-family housing in the area (particularly luxury rental housing).

The Ronkonkoma Hub station is also the busiest commuter train stations in Long Island, with an average daily ridership of over 14,600 riders.⁷ Offering the easternmost express trains to Manhattan on the Main Line, The station has attracted tens of thousands of daily commuters from the surrounding area and eastern Suffolk County. These commuters should be targeted as one market segment for multi-family housing in the TOD District area.

Demographic trends in the Towns of Brookhaven and Islip and Suffolk County suggest households in the target market (i.e. those earning \$35,000 to \$150,000) will grow over the next five and ten year periods. Growth of these households could serve as a key source of demand for multi-family housing in the station area.

Given the strong commuter activity in the TOD District area, the recent successful multi-family housing development in the area, and the growth of households in surrounding towns and Suffolk County, there are strong opportunities for new multi-family housing in the TOD District area.

To support the 615 residential units identified in the theoretical full build plan, the TOD District area will need to capture a modest 6 percent of the household growth that occurs in the primary and secondary market areas over the next ten years. An additional 1 percent of this growth will need to be captured to support the 808 residential units identified in the maximum build out plan (for a total capture rate of 7 percent). BBP LLC believes these relatively

⁴ Regional Plan Association, *Places to Grow*, January 2010.

⁵ Urban Land Institute, “Higher-Density Development: Myth and Fact,” 2005.

⁶ *Places to Grow*, January 2010.

⁷ Ridership data provided in *Places to Grow*, January 2010.

modest capture rates are achievable in the TOD District area given the area's many strengths identified as part of the residential market assessment.

Proposed Residential Development and Required Capture of Household Growth			
TOD District Area			
Concept	Residential Units	Net Increase in HH (2009-2019, Primary and Secondary Market Areas)	Required Capture Rate
Full Build	615	10,991	6%
Maximum Built Out	808		7%

Source: ESRI Business Information Solutions, BBP LLC, 2010

BBP LLC recommends that these units include a balanced mix of rental and owner-occupied units. To offer a competitive edge and appeal to target households, BBP LLC recommends that new units and the surrounding TOD District area provide a rich array of amenities. According to the Urban Land Institute, households interested in transit-oriented lifestyles seek amenity-rich living environments couples with the convenience of proximity to transit. Households prefer: neighborhoods with urban-style amenities (even in suburban settings); proximity to restaurants, shops, and cultural and sporting venues; historic or architecturally unique buildings; and smaller lots.

According to the National Multi Housing Council, amenities found in innovative new housing developments include:

- Architecturally distinctive features
- Compact lots
- Private entries
- Direct-entry garage parking
- Nine-foot ceilings
- Bay windows and skylights
- Two-level units
- Gourmet kitchens
- Deluxe master baths
- Full-sized laundry facilities
- Keyless entry systems
- Units wired for integrated telephone, cable, and internet service
- In-wall speaker systems with theater-quality sound
- Business centers, conference facilities
- Media rooms
- Community gardens
- Car wash and car detailing facilities
- Daycare and children's activities
- Pet daycare and dog walking services

The TOD District area already offers several community amenities found in innovative new housing developments, including auto care and daycare services. Additional services and retail offerings would enhance the appeal of the

area to new residents. Destination shops and restaurants in particular are a type of use not well-represented in the area that would complement the existing convenience retail stores and services in the area.

2.5 Summary

The TOD District area offers a strong opportunity for multi-family housing development oriented to transit. Market trends in the surrounding towns and county are favorable, with short- and long-term household growth of the target demographic (e.g. households earning \$35,000 to \$150,000) projected through 2014, and from 2014 to 2019. Such growth should fuel demand for new housing units focused around the transit station in the TOD District area.

Key findings from the housing demand and opportunities analysis include:

- The TOD District area is situated within a primary and secondary market area: the Towns of Brookhaven and Islip (the primary market) and Suffolk County (the secondary market). It is assumed that the majority of demand for new housing will emerge from the primary market area, with the next largest source of demand coming from the secondary market area.
- The target market of households most likely to prefer multi-family housing near transit includes households earning \$35,000 to \$150,000. This income range includes households that can afford current market rate rents and purchase prices. BBP LLC estimates that the majority of demand will emerge from the middle two-thirds of this range (households earning between approximately \$50,000 to \$130,000).
- There were an estimated 337,000 target market households in the primary and secondary study areas in 2009. By 2019, it is projected that nearly 11,000 households will be added in these areas.
- Top tapestry segments (i.e. socioeconomic groups) in the market areas include "Pleasant-ville," "Sophisticated Squires," "Wealthy Seaboard Suburbs," and "Up and Coming Families." These groups are similar in that most households are relatively affluent; consists of married couples; are headed by empty nesters, couples without children, and baby boomers; live in older single-family homes; commute; and enjoy shopping, dining out, and outdoor activities.
- The TOD District area could capture a modest 6 to 7 percent of household growth in the primary and secondary market areas through 2019. Such capture would support the development of the 615 residential units identified in the theoretical full build plan or the 808 units identified in the maximum build out plan.
- To appeal to the target demographic, new units should offer a broad range of amenities. These include both in-unit amenities (e.g. architecturally distinctive features, private entries, gourmet kitchens, etc.) and community/station area amenities (e.g. convenient services such as child care, pet care, and auto care, as well as destination shops and restaurants).

- Developers of new housing units may look to the proximate Fairfield at Ronkonkoma development, a rental townhouse community situated to the east of the transit station, as a model for relatively higher density housing catering to the needs and preferences of target market households. This community offers a variety of amenities, including recreational facilities, landscaping, optional detached garages, and gourmet kitchen and designer bath features. The development has enjoyed an extremely high occupancy rate and high rental rates (in the range of \$1,875 to \$2,480), which suggest demand is strong for this type of housing near the train station.

Section 3 Retail and Restaurant Market Analysis

3.1 Trade Area Definition

A trade area is the geographic area from which the majority of a retail establishment's customers originate. Trade areas differ based on the type of products offered at the retail establishment. For example, the trade area for a convenience good such as milk is typically smaller than the trade area for a shoppers good, or "comparison" good, such as furniture or apparel. The distance a consumer will travel to buy a gallon of milk is significantly shorter than the travel distance tolerated to buy a new sofa.

Another factor affecting the trade areas for convenience and shoppers goods is comparison shopping. To purchase a gallon of milk, one generally does not need to compare brands or stores. To purchase a piece of furniture, consumers are willing to travel further distances to compare various merchandise.

These factors impact the designation of trade areas for the TOD District area, which currently offers a small cluster of convenience goods oriented to commuters. This current mix of stores does not, however, preclude the TOD District area from eventually adding shoppers goods. Therefore, **two primary trade areas** have been established for the TOD District area:

1. **Convenience goods primary retail trade area** – defined as all the land within a 3 mile radius of the train station, and roughly equal to an easy 5-minute drive of the train station (which is the typical drawing area of neighborhood-oriented convenience retail establishments, which often include food stores, drug stores, personal service establishments such as dry cleaning and beauty parlors, takeout food businesses, and small sit-down restaurants).
2. **Shoppers goods primary retail trade area** – defined as all the land within a 5 mile radius of the train station, and roughly equivalent to a 10-minute driving distance (which is the typical drawing area of community-oriented retail destinations, which often include destination restaurants, clothing and apparel stores, home furnishings and specialty stores).

Not all sales to TOD District area retail establishments (both existing and future) will draw from these primary trade areas. Establishments situated around the train station already take advantage of the high volume of commuters that patronize the station, including those that reside beyond a 5-mile radius of the station. Most of these commuters reside in eastern areas of Suffolk County; therefore, Suffolk County may be viewed as a **secondary trade area** for both convenience and shoppers goods.

3.2 Household Spending Profile

Convenience Goods

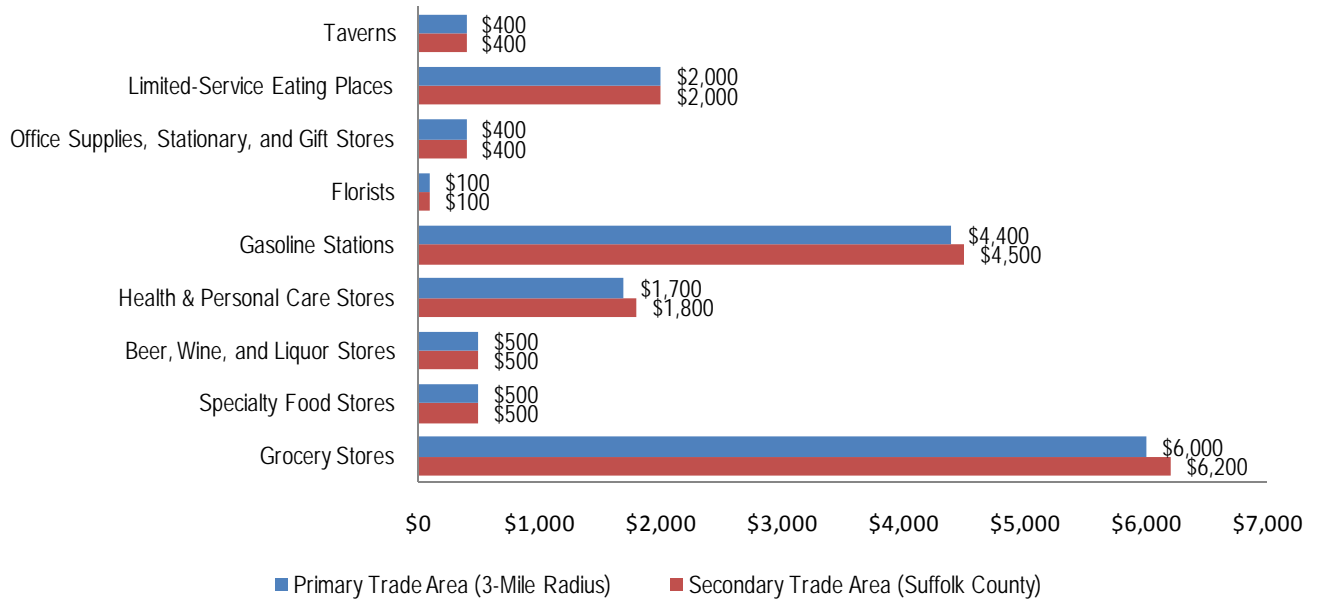
Residents of the convenience goods primary and secondary trade areas surrounding the TOD District area offer strong disposable income to support convenience retailers. Within a 3-mile radius of the station, approximately 27,500 households offer \$439 million in annual convenience goods retail spending potential (\$16,000 per household). Residents of Suffolk County, which total over 488,000, offer a combined nearly \$8 billion in annual convenience goods retail spending potential (\$16,400 per household).

Trade Area Household Spending Profile				
Convenience Goods, 2009				
	Primary Trade Area (3-Mile Radius)		Secondary Trade Area (Suffolk County)	
	Households:	27,514	Households:	488,298
	Total Expenditures	Spending Per Household	Total Expenditures	Spending Per Household
Grocery Stores	\$166,000,000	\$6,000	\$3,010,000,000	\$6,200
Specialty Food Stores	\$14,000,000	\$500	\$260,000,000	\$500
Beer, Wine, and Liquor Stores	\$14,000,000	\$500	\$261,000,000	\$500
Health & Personal Care Stores	\$47,000,000	\$1,700	\$870,000,000	\$1,800
Gasoline Stations	\$121,000,000	\$4,400	\$2,197,000,000	\$4,500
Florists	\$2,000,000	\$100	\$36,000,000	\$100
Office Supplies, Stationary, and Gift Stores	\$10,000,000	\$400	\$174,000,000	\$400
Limited-Service Eating Places	\$55,000,000	\$2,000	\$1,000,000,000	\$2,000
Taverns	\$10,000,000	\$400	\$186,000,000	\$400
TOTAL	\$439,000,000	\$16,000	\$7,994,000,000	\$16,400

Source: ESRI, BBP LLC, 2010

Top spending categories of households in both the convenience goods primary and secondary trade areas include: groceries, health and personal care products, gasoline, and limited-service eating places.

Convenience Goods Spending Per Household, 2009



Source: ESRI, BBP LLC, 2010

These residents' purchasing power may offer potential to support new convenience goods establishments in the TOD District area. Small-scale versions of these stores will be the most appropriate fits for the downtown scale and character envisioned for the TOD District area.

Shoppers Goods

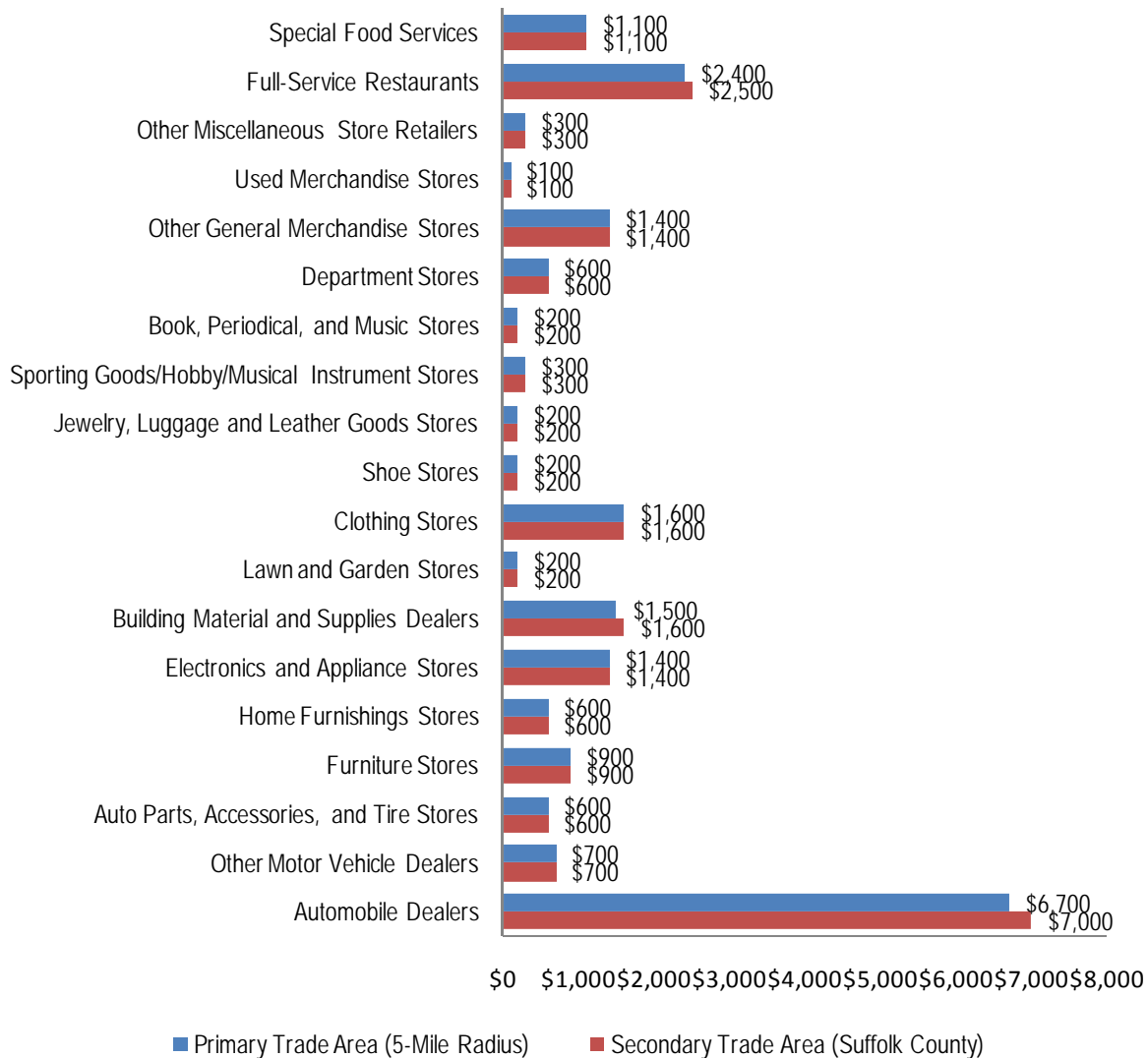
The buying power of households for shoppers goods in the shoppers goods primary and secondary trade areas surrounding the TOD District area is also substantial. The nearly 76,000 households living within a 5-mile radius of the train station (the primary trade area) offer a combined nearly \$1.6 billion in annual retail spending potential for shoppers goods (\$21,000 per household). The 488,000 households in Suffolk County offer an annual potential for \$10.6 billion in shoppers goods expenditures (\$21,500 per household).

Trade Area Household Spending Profile				
Shoppers Goods, 2009				
	Primary Trade Area (5-Mile Radius)		Secondary Trade Area (Suffolk County)	
	Households:	75,702	Households:	488,298
	Total Expenditures	Spending Per Household	Total Expenditures	Spending Per Household
Automobile Dealers	\$508,000,000	\$6,700	\$3,418,000,000	\$7,000
Other Motor Vehicle Dealers	\$50,000,000	\$700	\$350,000,000	\$700
Auto Parts, Accessories, and Tire Stores	\$44,000,000	\$600	\$295,000,000	\$600
Furniture Stores	\$65,000,000	\$900	\$441,000,000	\$900
Home Furnishings Stores	\$45,000,000	\$600	\$299,000,000	\$600
Electronics and Appliance Stores	\$106,000,000	\$1,400	\$707,000,000	\$1,400
Building Material and Supplies Dealers	\$114,000,000	\$1,500	\$760,000,000	\$1,600
Lawn and Garden Stores	\$17,000,000	\$200	\$114,000,000	\$200
Clothing Stores	\$121,000,000	\$1,600	\$797,000,000	\$1,600
Shoe Stores	\$15,000,000	\$200	\$97,000,000	\$200
Jewelry, Luggage and Leather Goods Stores	\$16,000,000	\$200	\$108,000,000	\$200
Sporting Goods/Hobby/Musical Instrument Stores	\$24,000,000	\$300	\$156,000,000	\$300
Book, Periodical, and Music Stores	\$15,000,000	\$200	\$102,000,000	\$200
Department Stores	\$46,000,000	\$600	\$306,000,000	\$600
Other General Merchandise Stores	\$104,000,000	\$1,400	\$692,000,000	\$1,400
Used Merchandise Stores	\$4,000,000	\$100	\$28,000,000	\$100
Other Miscellaneous Store Retailers	\$25,000,000	\$300	\$170,000,000	\$300
Full-Service Restaurants	\$184,000,000	\$2,400	\$1,212,000,000	\$2,500
Special Food Services	\$84,000,000	\$1,100	\$554,000,000	\$1,100
TOTAL	\$1,587,000,000	\$21,000	\$10,606,000,000	\$21,500

Source: ESRI, BBP LLC, 2010

Households in both the shoppers goods primary and secondary trade areas offer the most potential spending on the following types of shoppers goods: automobiles, full-service restaurants, clothing, building materials, and other general merchandise.

Shoppers Goods Spending Per Household, 2009



Source: ESRI, BBP LLC, 2010

Given the downtown character of the TOD District area, small-scale specialty shops and sit-down restaurants may be the most appropriate means through which to capture a portion of the spending power of primary and secondary trade area households. These types of businesses can fit within a downtown scale and character more appropriate than, for instance, large automobile dealers or department stores.

3.3 Future Households, Income, and Retail Spending

Convenience Goods

In addition to existing households, future households offer potential to support new retail establishments in the TOD District area. Based on recent demographic trends, by 2014 there will be 27,250 households located within a 3-mile radius of the transit station (which does not take into account other, additional households that may locate in the TOD area). With a median projected income of over \$94,000 in 2014, future residents offer potential to spend an average of \$17,100 annually on convenience retail goods and services for a combined total of \$463 million annually.

Trade Area Household Spending Profile				
Convenience Goods, 2014				
	Primary Trade Area (3-Mile Radius)		Secondary Trade Area (Suffolk County)	
	Households:	27,250	Households:	489,782
	Total Expenditures	Spending Per Household	Total Expenditures	Spending Per Household
Grocery Stores	\$175,000,000	\$6,400	\$3,231,000,000	\$6,600
Specialty Food Stores	\$15,000,000	\$600	\$279,000,000	\$600
Beer, Wine, and Liquor Stores	\$15,000,000	\$600	\$280,000,000	\$600
Health & Personal Care Stores	\$49,000,000	\$1,800	\$934,000,000	\$1,900
Gasoline Stations	\$127,000,000	\$4,700	\$2,358,000,000	\$4,800
Florists	\$2,000,000	\$100	\$39,000,000	\$100
Office Supplies, Stationary, and Gift Stores	\$11,000,000	\$400	\$187,000,000	\$400
Limited-Service Eating Places	\$58,000,000	\$2,100	\$1,073,000,000	\$2,200
Taverns	\$11,000,000	\$400	\$200,000,000	\$400
TOTAL	\$463,000,000	\$17,100	\$8,581,000,000	\$17,600

Source: ESRI, BBP LLC, 2010

In 2014, there are projected to be nearly 490,000 households in Suffolk County with a median projected income of nearly \$92,000. These households bring with them potential annual spending of \$17,600 per household on convenience retail goods and services for a total of over \$8.6 billion per year. Such increase in potential spending offers potential to support new convenience goods establishments in the TOD District area.

Shoppers Goods

Projected increases in buying power for shoppers goods may also offer support for new shoppers goods businesses in the TOD District area. By 2014, households in the primary goods shoppers goods trade area (5-mile radius surrounding the train station) are projected to spend nearly \$1.7 billion per year on shoppers goods. Households in the secondary trade area (Suffolk County) are projected to spend nearly \$11.4 billion per year.

Trade Area Household Spending Profile				
Shoppers Goods, 2014				
	Primary Trade Area (5-Mile Radius)		Secondary Trade Area (Suffolk County)	
	Households:	75,670	Households:	489,782
	Total Expenditures	Spending Per Household	Total Expenditures	Spending Per Household
Automobile Dealers	\$542,000,000	\$7,200	\$3,669,000,000	\$7,500
Other Motor Vehicle Dealers	\$53,000,000	\$700	\$376,000,000	\$800
Auto Parts, Accessories, and Tire Stores	\$47,000,000	\$600	\$317,000,000	\$600
Furniture Stores	\$69,000,000	\$900	\$473,000,000	\$1,000
Home Furnishings Stores	\$48,000,000	\$600	\$321,000,000	\$700
Electronics and Appliance Stores	\$113,000,000	\$1,500	\$759,000,000	\$1,500
Building Material and Supplies Dealers	\$122,000,000	\$1,600	\$816,000,000	\$1,700
Lawn and Garden Stores	\$18,000,000	\$200	\$122,000,000	\$200
Clothing Stores	\$129,000,000	\$1,700	\$855,000,000	\$1,700
Shoe Stores	\$16,000,000	\$200	\$104,000,000	\$200
Jewelry, Luggage and Leather Goods Stores	\$17,000,000	\$200	\$116,000,000	\$200
Sporting Goods/Hobby/Musical Instrument Stores	\$26,000,000	\$300	\$167,000,000	\$300
Book, Periodical, and Music Stores	\$16,000,000	\$200	\$109,000,000	\$200
Department Stores	\$49,000,000	\$600	\$328,000,000	\$700
Other General Merchandise Stores	\$111,000,000	\$1,500	\$743,000,000	\$1,500
Used Merchandise Stores	\$4,000,000	\$100	\$30,000,000	\$100
Other Miscellaneous Store Retailers	\$27,000,000	\$400	\$182,000,000	\$400
Full-Service Restaurants	\$196,000,000	\$2,600	\$1,301,000,000	\$2,700
Special Food Services	\$90,000,000	\$1,200	\$595,000,000	\$1,200
TOTAL	\$1,693,000,000	\$22,300	\$11,383,000,000	\$23,200

Source: ESRI, BBP LLC, 2010

3.4 Supportable Retail Space

The level of retail space that may be supported in the TOD District area is a function of how many sales can be captured from the retail spending of residents in the primary and secondary trade areas. In conducting the analysis of supportable retail space based on this function, BBP LLC omitted several types of retail goods that were not consistent with the types of fine-grain uses contemplated for the downtown area. These include: gasoline stations, automobile dealers, other motor vehicle dealers, and department stores. All of these uses require larger spaces than those envisioned for the area.

Convenience Goods

Retail spending in the primary and secondary trade areas is projected to total nearly \$6.6 billion in retail store group categories by 2014, consistent with Ronkonkoma's downtown character. Such spending would support nearly 19.2 million square feet of convenience space in the primary and secondary trade areas.

Future Trade Area Expenditures and Supportable Square Feet, 2015					
Convenience Goods, 2014					
	PTA Expenditures	STA Expenditures	Combined Expenditures	Sales Per SF	Supportable SF
Grocery Stores	\$175,000,000	\$3,231,000,000	\$3,406,000,000	\$473	7,200,846
Specialty Food Stores	\$15,000,000	\$279,000,000	\$294,000,000	\$151	1,947,020
Beer, Wine, and Liquor Stores	\$15,000,000	\$280,000,000	\$295,000,000	\$396	744,949
Health & Personal Care Stores	\$49,000,000	\$934,000,000	\$983,000,000	\$430	2,286,047
Florists	\$2,000,000	\$39,000,000	\$41,000,000	\$226	181,416
Office Supplies, Stationary, and Gift Stores	\$11,000,000	\$187,000,000	\$198,000,000	\$120	1,650,000
Limited-Service Eating Places	\$58,000,000	\$1,073,000,000	\$1,131,000,000	\$246	4,597,561
Taverns	\$11,000,000	\$200,000,000	\$211,000,000	\$358	589,385
TOTAL	\$336,000,000	\$6,223,000,000	\$6,559,000,000	-	19,197,224

Source: ESRI, Urban Land Institute, BBP LLC, 2010

Shoppers Goods

In the shoppers goods category, retail spending by 2014 is projected to total over \$8 billion. Such spending would support over 31.8 million square feet of shoppers goods space in the primary and secondary trade areas.

Future Trade Area Expenditures and Supportable Square Feet, 2014

Shoppers Goods, 2014

	PTA Expenditures	STA Expenditures	Combined Expenditures	Sales Per SF	Supportable SF
Auto Parts, Accessories, and Tire Stores	\$47,000,000	\$317,000,000	\$364,000,000	\$173	2,104,046
Furniture Stores	\$69,000,000	\$473,000,000	\$542,000,000	\$156	3,474,359
Home Furnishings Stores	\$48,000,000	\$321,000,000	\$369,000,000	\$216	1,708,333
Electronics and Appliance Stores	\$113,000,000	\$759,000,000	\$872,000,000	\$302	2,887,417
Building Material and Supplies Dealers	\$122,000,000	\$816,000,000	\$938,000,000	\$388	2,417,526
Lawn and Garden Stores	\$18,000,000	\$122,000,000	\$140,000,000	\$265	528,302
Clothing Stores	\$129,000,000	\$855,000,000	\$984,000,000	\$269	3,657,993
Shoe Stores	\$16,000,000	\$104,000,000	\$120,000,000	\$222	541,353
Jewelry, Luggage and Leather Goods Stores	\$17,000,000	\$116,000,000	\$133,000,000	\$303	438,944
Sporting Goods/Hobby/Musical Instrument Stores	\$26,000,000	\$167,000,000	\$193,000,000	\$183	1,057,534
Book, Periodical, and Music Stores	\$16,000,000	\$109,000,000	\$125,000,000	\$246	508,130
Other General Merchandise Stores	\$111,000,000	\$743,000,000	\$854,000,000	\$167	5,101,553
Used Merchandise Stores	\$4,000,000	\$30,000,000	\$34,000,000	\$206	165,049
Other Miscellaneous Store Retailers	\$27,000,000	\$182,000,000	\$209,000,000	\$206	1,014,563
Full-Service Restaurants	\$196,000,000	\$1,301,000,000	\$1,497,000,000	\$358	4,181,564
Special Food Services	\$90,000,000	\$595,000,000	\$685,000,000	\$335	2,042,431
TOTAL	\$1,049,000,000	\$7,010,000,000	\$8,059,000,000	-	31,829,098

Source: ESRI, Urban Land Institute, BBP LLC, 2010

The theoretical full build and theoretical maximum build out plans call for 80,875 and 112,275 square feet of retail space, respectively (including restaurant space). Future retail spending patterns could support over 51 million square feet in the primary and secondary market areas, as based on spending projections for 2014. BBP LLC estimates that such demand could be absorbed in the market area by 2019. The TOD District area would therefore need to capture a modest 0.16 to 0.22 percent of this total supportable space to support the 80,875 or 112,275 square feet identified in the plans. Given the TOD District area's strong current visitation by transit riders, BBP LLC believes such modest capture rates are possible, and will only be further supported by the addition of new residents and employees to the area.

Proposed Retail Development and Required Capture of Supportable Square Feet
TOD District Area

Concept	Retail and Restaurant Square Feet	Supportable Square Feet (2009-2019, Primary and Secondary Market Areas)	Required Capture Rate
Full Build	80,875	51,026,322	0.16%
Maximum Built Out	112,275		0.22%

Source: ESRI Business Information Solutions, BBP LLC, 2010

3.5 Retail Supply

New retailers in the TOD District area can take advantage of the spending power of primary and secondary trade area residents, and even with very modest capture rates, such new businesses can be successful. However, it is important to note that these new stores will compete with other retailers in the trade areas. Given this issue, BBP LLC has performed an evaluation of retail supply, focusing on **retail leakage** in the trade areas (i.e. retail sales that are “leaked” beyond the trade areas) to understand which categories of retail are underrepresented, indicating unmet demand for retail goods and services. This analysis is meant to help focus in on which types of retail may be best positioned to succeed in the TOD District area given their underrepresentation elsewhere.

Convenience Goods

As illustrated in the following table, convenience goods are well-represented in most categories in the primary trade area, with retail sales exceeding retail spending in most categories. However, leakage does appear in three categories: beer, wine and liquor stores (\$4 million in spending is leaked beyond this trade area); office supplies, stationary and gift stores (\$3 million in spending is leaked); and taverns (\$3 million in spending is leaked). These three categories may offer relatively stronger potential for success in the TOD District area given their underrepresentation in the primary trade area.

Trade Area Household Spending Profile						
Convenience Goods, 2009						
	Primary Trade Area (3-Mile Radius)			Secondary Trade Area (Suffolk County)		
	Total Expenditures	Total Sales	Leaked Sales	Total Expenditures	Total Sales	Leaked Sales
Grocery Stores	\$166,000,000	\$258,000,000	\$92,000,000	\$3,010,000,000	\$3,036,000,000	\$26,000,000
Specialty Food Stores	\$14,000,000	\$15,000,000	\$1,000,000	\$260,000,000	\$190,000,000	(\$70,000,000)
Beer, Wine, and Liquor Stores	\$14,000,000	\$10,000,000	(\$4,000,000)	\$261,000,000	\$198,000,000	(\$63,000,000)
Health & Personal Care Stores	\$47,000,000	\$72,000,000	\$25,000,000	\$870,000,000	\$792,000,000	(\$78,000,000)
Gasoline Stations	\$121,000,000	\$136,000,000	\$15,000,000	\$2,197,000,000	\$1,808,000,000	(\$389,000,000)
Florists	\$2,000,000	\$2,000,000	\$0	\$36,000,000	\$32,000,000	(\$4,000,000)
Office Supplies, Stationary, and Gift Stores	\$10,000,000	\$7,000,000	(\$3,000,000)	\$174,000,000	\$105,000,000	(\$69,000,000)
Limited-Service Eating Places	\$55,000,000	\$63,000,000	\$8,000,000	\$1,000,000,000	\$1,040,000,000	\$40,000,000
Taverns	\$10,000,000	\$7,000,000	(\$3,000,000)	\$186,000,000	\$87,000,000	(\$99,000,000)
TOTAL	\$439,000,000	\$570,000,000	\$131,000,000	\$7,994,000,000	\$7,288,000,000	(\$706,000,000)

Source: ESRI, BBP LLC, 2010

In the convenience goods secondary trade area, more sales are leaked in almost every category, indicating that residents are underserved in many retail categories. Since this trade area was drawn to capture the residence locations of commuters from around Suffolk County that patronize the Ronkonkoma Hub station, this leakage indicates that convenience goods in the TOD District area catering to commuters should be expanded to take advantage of the relative undersupply of such goods near the homes of many commuters.

Shoppers Goods

In the shoppers goods category, several categories of retail sales are being leaked beyond the primary trade area. These underserved retail store groups include: auto parts, accessories and tire stores (\$3 million leaked); furniture stores (\$22 million leaked); clothing stores (\$60 million leaked); shoe stores (\$7 million leaked); jewelry stores (\$6 million leaked); book, periodical and music stores (\$4 million leaked); used merchandise stores (\$1 million leaked); full-service restaurants (\$71 million leaked); and special food services (\$27 million leaked).

Trade Area Household Spending Profile

Shoppers Goods, 2009

	Primary Trade Area (5-Mile Radius)			Secondary Trade Area (Suffolk County)		
	Total Expenditures	Total Sales	Leaked Sales	Total Expenditures	Total Sales	Leaked Sales
Automobile Dealers	\$508,000,000	\$721,000,000	\$213,000,000	\$3,418,000,000	\$3,616,000,000	\$198,000,000
Other Motor Vehicle Dealers	\$50,000,000	\$84,000,000	\$34,000,000	\$350,000,000	\$468,000,000	\$118,000,000
Auto Parts, Accessories, and Tire Stores	\$44,000,000	\$41,000,000	(\$3,000,000)	\$295,000,000	\$234,000,000	(\$61,000,000)
Furniture Stores	\$65,000,000	\$43,000,000	(\$22,000,000)	\$441,000,000	\$421,000,000	(\$20,000,000)
Home Furnishings Stores	\$45,000,000	\$204,000,000	\$159,000,000	\$299,000,000	\$392,000,000	\$93,000,000
Electronics and Appliance Stores	\$106,000,000	\$162,000,000	\$56,000,000	\$707,000,000	\$778,000,000	\$71,000,000
Building Material and Supplies Dealers	\$114,000,000	\$130,000,000	\$16,000,000	\$760,000,000	\$996,000,000	\$236,000,000
Lawn and Garden Stores	\$17,000,000	\$24,000,000	\$7,000,000	\$114,000,000	\$157,000,000	\$43,000,000
Clothing Stores	\$121,000,000	\$61,000,000	(\$60,000,000)	\$797,000,000	\$617,000,000	(\$180,000,000)
Shoe Stores	\$15,000,000	\$8,000,000	(\$7,000,000)	\$97,000,000	\$74,000,000	(\$23,000,000)
Jewelry, Luggage and Leather Goods Stores	\$16,000,000	\$10,000,000	(\$6,000,000)	\$108,000,000	\$60,000,000	(\$48,000,000)
Sporting Goods/Hobby/Musical Instrument Stores	\$24,000,000	\$26,000,000	\$2,000,000	\$156,000,000	\$308,000,000	\$152,000,000
Book, Periodical, and Music Stores	\$15,000,000	\$11,000,000	(\$4,000,000)	\$102,000,000	\$67,000,000	(\$35,000,000)
Department Stores	\$46,000,000	\$142,000,000	\$96,000,000	\$306,000,000	\$670,000,000	\$364,000,000
Other General Merchandise Stores	\$104,000,000	\$157,000,000	\$53,000,000	\$692,000,000	\$884,000,000	\$192,000,000
Used Merchandise Stores	\$4,000,000	\$3,000,000	(\$1,000,000)	\$28,000,000	\$26,000,000	(\$2,000,000)
Other Miscellaneous Store Retailers	\$25,000,000	\$39,000,000	\$14,000,000	\$170,000,000	\$227,000,000	\$57,000,000
Full-Service Restaurants	\$184,000,000	\$113,000,000	(\$71,000,000)	\$1,212,000,000	\$885,000,000	(\$327,000,000)
Special Food Services	\$84,000,000	\$57,000,000	(\$27,000,000)	\$554,000,000	\$357,000,000	(\$197,000,000)
TOTAL	\$1,587,000,000	\$2,036,000,000	\$449,000,000	\$10,606,000,000	\$11,237,000,000	\$631,000,000

Source: ESRI, BBP LLC, 2010

In the shoppers goods secondary trade area, the same categories that are underrepresented in the primary trade area are undersupplied, with substantial retail sales being leaked beyond the trade area. Such leakage of these categories in both trade areas suggests their introduction in the TOD District area may prove more successful than other shoppers goods store types since they would fulfill an unmet need in the trade areas. However, it is important to note that many of these types of goods benefit from critical mass of co-location. For example, having several stores offering similar goods - such as clothing, shoes and jewelry - located together will have stronger collective drawing power for customers, since the area will become known as a destination for finding those items.

3.6 Retail Opportunities

Based on the evaluation of the current retail competition in the convenience goods and shoppers goods trade areas, we have identified a set of retail categories that have better chances for success in the TOD District area given their undersupply in the trade areas. These retail store groups are identified in the following table.

Retail Categories with Strong Potential for Success Given Current Retail Leakage
<i>Convenience Goods, 2014</i>
Beer, Wine, and Liquor Stores
Office Supplies, Stationary, and Gift Stores
Taverns
<i>Shoppers Goods, 2014</i>
Auto Parts, Accessories, and Tire Stores
Furniture Stores
Clothing Stores
Shoe Stores
Jewelry, Luggage and Leather Goods Stores
Book, Periodical, and Music Stores
Used Merchandise Stores
Full-Service Restaurants
Special Food Services
<i>Source: BBP LLC, 2010</i>

Additionally, retail leakage is but one indicator of the potential success of future stores. Other factors, including quality of products, customer service, marketing, and the experience offered to customers also impact the odds of success. For these reasons, a savvy entrepreneur could still open a shop in a retail category that is already well-represented in the trade areas surrounding the TOD District area (and thus faces more competition) but succeed because of the superior products, service, marketing and/or experience offered in the store.

Finally, the above analysis does not take into account the retail spending potential presented by future households of the multi-family units recommended for the study area as based on the residential analysis, nor does it include future office employees or additional transit riders generated by new development in the study area. We have omitted these potential sources of demand because we want to make sure the future retail uses will be self-sufficient (and not reliant on other new uses for their success). That being said, the presence of new residents, employees and additional transit riders that could be located in the study area could provide substantial benefits to retailers in terms of an additional local source of retail sales, thereby further encouraging retail success.

3.7 Summary

Strong opportunities exist for new retail goods and services in the TOD District area. Trends in the primary and secondary trade areas are positive, with household spending projected to increase by 2014.

Key findings from the analysis of retail demand and opportunities include:

- Two classifications of retail goods and services may be offered in the TOD District area: convenience (e.g. food stores, limited service eating places, etc.) and shoppers goods (e.g. clothing, home furnishings, etc.). The TOD area is situated within four associated trade areas: the convenience goods primary trade area (3-mile radius, roughly equal to a 5-minute drive), the convenience goods secondary trade area (Suffolk County), the shoppers goods primary trade area (5-mile radius, roughly equal to a 10-minute drive), and the shoppers goods secondary trade area (Suffolk County).
- Retail spending in each trade area is strong and projected to grow as disposable income rises.
- Estimated 2009 retail spending levels on convenience goods were as follows: \$439 million in the convenience goods primary trade area and nearly \$8 billion in the convenience goods secondary trade area. By 2014, these figures are projected to increase to \$463 million in the primary trade area and nearly \$8.6 billion in the secondary trade area.
- In 2009, shoppers goods retail spending levels were as follows: nearly \$1.6 billion in the shoppers goods primary trade area and over \$10.6 billion in the shoppers goods secondary trade area. By 2014, spending is projected to rise to nearly \$1.7 billion in the primary trade area and \$11.4 billion in the secondary trade area.
- Future retail spending could support over 51 million square feet of convenience and shoppers goods retail space in the primary and secondary trade areas (in retail store group categories conducive to downtown development). The TOD District area could capture a modest 0.16 to 0.22 percent of this supportable space over the next nine years. Such capture would support the development of the 80,875 square feet identified in the theoretical full build plan or the 112,275 square feet identified in the maximum build out plan.
- New retailers in the TOD District area will face competition from other retailers currently located in the trade areas. An analysis of retail leakage was undertaken to understand which categories of retail are underrepresented, as illustrated by retail sales “leaked” beyond the trade area, indicating unmet demand for goods and services. Such retail types may offer relatively stronger potential for success in the TOD District area given their underrepresentation elsewhere.
- Retail store groups with current sales leakage include: beer, wine and liquor stores; office supplies, stationary, and gift stores; taverns; auto parts, accessories and tire stores; furniture stores; clothing stores; shoe stores;

jewelry, luggage and leather goods stores; book, periodical and music stores; used merchandise stores; full-service restaurants; and special food services.

- Factors beyond retail leakage will impact the odds of success of any particular store, including quality of products, customer service, marketing, and the experience offered to customers. A savvy entrepreneur that offers superior products, service, marketing and/or experience may succeed in opening a type of store that is already well-represented in the trade areas by being a strong competitor.
- Future households, employees and transit riders generated by new development in the study area will also offer potential sources of demand for retail, but have been omitted from the analysis because it is important that the future retail uses are self-sufficient (and not reliant on the success of other types of new development). These other sources of demand instead should be viewed as an important additional source of sales that will enhance their opportunity to thrive, but not be the primary reason for such success.

Section 4 Office Market Analysis

4.1 Market Area Definition

The TOD District area is located at the western fringes of the Eastern Suffolk County office market area, a broad geography that includes the County east of Central Islip. The TOD area is also located close to the neighboring Western Suffolk County office market area to the west, and is likely to be influenced by market dynamics in this area as well as Eastern Suffolk County. A new or expanding office-based business considering either the Western or Eastern Suffolk County market areas is likely to consider the Ronkonkoma area as a possible location as well.

Therefore, the primary market area for the office sector has been defined as Suffolk County to include both of these market areas. To include firms that may be seeking a Long Island location and have not identified a requirement for either Nassau or Suffolk County, the secondary market area has been defined as Long Island.

4.2 Office-Based Employment Profile

Only a handful of office-based businesses are located in the TOD District area at present. These employers together employ approximately 90 individuals. In surrounding Suffolk County, office-based businesses employ nearly 120,000 employees, and in Long Island as a whole, such businesses employ nearly 280,000 individuals. The most dominant industry in terms of employment is the professional, scientific and technical services industry, which employs the largest proportion of office-based workers in the TOD District area, Suffolk County, and Long Island. Finance and insurance is also a top employer in Suffolk County and Long Island, though not well-represented in the TOD District area. Administrative support (which includes back office functions) is a major source of employment in Long Island but less dominant in Suffolk County and in the TOD District area.

Office-Based At Place Employment, 2009

Industry	TOD District Area	Suffolk County	Long Island
Information	1	18,637	29,443
Finance & Insurance	1	24,241	60,775
Real Estate, Rental & Leasing	37	13,880	18,951
Professional, Scientific & Technical Services	40	42,780	76,015
Management of Companies & Enterprises	0	447	18,064
Administrative Support, Waste Management	9	19,257	74,373
TOTAL	88	119,242	277,621

1/ 2009 office-based employment estimated based on most recent available employment data and projected rates of growth from NYS Department of Labor

Source: ESRI, NYS Department of Labor, BBP LLC, 2010

To gain a stronger sense of the types of office employers that comprise Long Island's economy – and thereby learn about the types of businesses that may be candidates for locating in the TOD District area – BBP LLC evaluated industry clusters provided by the NYS Department of Labor for the island. An industry cluster is a grouping of many sub-industries that are highly interrelated in the goods and services they provide. Six industry clusters comprised of at least some office-based industries are located in Long Island. These include: back office and outsourcing; biomedical; communications, software and media services; financial services; front office and producer services; and information technology services.

Long Island Office-Based Industry Clusters, 2008			
Industry Cluster	Associated Office Industries	Employment	Location Quotient
Back Office & Outsourcing Cluster	Administrative Support, Waste Management	18,800	0.54
Biomedical Cluster	Professional, Scientific & Technical Services	15,200	1.68
Communications, Software & Media Services Cluster	Information	32,300	1.04
Financial Services Cluster	Finance & Insurance; Real Estate, Rental & Leasing; Management of Companies & Enterprises	47,000	0.89
Front Office & Producer Services	Professional, Scientific & Technical Services; Management of Companies & Enterprises	73,200	1.06
Information Technology Services	Information; Professional, Scientific & Technical Services	10,100	0.54
TOTAL	-	196,600	-

Source: NYS Department of Labor, Quarterly Census of Employment and Wages, BBP LLC, 2010

These industry clusters are represented in varying degrees on Long Island, with some featuring relatively higher levels of employment compared to the industry's employment nationwide; such industries are identified by higher location quotients. Industry clusters with the highest location quotients on Long Island include: biomedical; front office and producer services; and communications, software and media services.

The biomedical cluster contains the laboratories and research offices of firms; some of these scientific researchers may opt to locate in specialized office spaces. The front office and producer services cluster includes a variety of business and environmental services (lawyers, accountants, graphic designers, architects, engineers, etc.). This cluster also includes the headquarters of companies and organizational offices of business and professional associations. The communications, software and media services cluster includes businesses and organizations engaged in publishing, broadcasting and telecommunications.

4.3 Future Employment

Employment growth in office-based industries is an important factor contributing to demand for new office space. Long Island is projected to add office-based jobs over the next six years at an annual rate of less than 1 percent, although some office-based industries will grow more rapidly than others (and some will shrink as businesses downsize).

The most job growth is projected in the administrative support industry, which is part of the back office cluster (one of the six office-based clusters present in Long Island). Professional, scientific and technical service jobs are also projected to increase; this industry is part of several of Long Island's office-based clusters: biomedical, financial services, front office and producer services, and information technology. Real estate, rental and leasing and management of companies are projected to add jobs as well. Both of these industries are represented in the financial services cluster; the management industry is also represented in the front office and producer services cluster.

Projected Changes in Office Employment by Industry Sector, Long Island, 2006 to 2016

Industry	Employment (2006)	Projected Employment (2016)	Total Employment Change	Annual Rate of Change
Information	29,740	28,760	(980)	-0.33%
Finance & Insurance	61,450	59,230	(2,220)	-0.37%
Real Estate, Rental & Leasing	18,110	21,070	2,960	1.53%
Professional, Scientific & Technical Services	74,040	80,830	6,790	0.88%
Management of Companies & Enterprises	17,420	19,660	2,240	1.22%
Administrative Support, Waste Management	71,000	82,880	11,880	1.56%
TOTAL	271,760	292,430	20,670	0.74%

Source: NYS Department of Labor, BBP LLC, 2010

Assuming Suffolk County and Long Island add jobs at the rates identified by the NYS Department of Labor, over the next four years each area will add office-based jobs, including over 3,800 jobs in Suffolk County and nearly 8,300 jobs in Long Island.

Projected Changes in Office Employment by Industry Sector, 2009 to 2014

Industry	Suffolk County		Long Island	
	Employment (2014)	Employment Change (2009-2014)	Employment (2014)	Employment Change (2009-2014)
Information	18,327	(310)	28,953	(489)
Finance & Insurance	23,799	(442)	59,667	(885)
Real Estate, Rental & Leasing	14,971	1,091	20,442	1,201
Professional, Scientific & Technical Services	44,699	1,919	79,424	2,739
Management of Companies & Enterprises	475	28	19,190	906
Administrative Support, Waste Management	20,806	1,549	80,355	4,822
TOTAL	123,077	3,835	288,031	8,295

Source: ESRI, NYS Department of Labor, BBP LLC, 2010

4.4 Supportable Office Space

Based on the office-based employment growth projected over the next five years, Suffolk County could support the net addition of over 900,000 square feet of office space, while Long Island as a whole could support the net addition of over 1.9 million square feet of office space.

Supportable Office Space, 2014				
Industry	Suffolk County		Long Island	
	Total Space	Net New Space	Total Space	Net New Space
Information	3,665,472	0	5,790,676	0
Finance & Insurance	4,759,819	0	11,933,498	0
Real Estate, Rental & Leasing	2,994,281	218,281	4,088,324	240,219
Professional, Scientific & Technical Services	8,939,719	383,719	15,884,785	547,840
Management of Companies & Enterprises	94,974	5,574	3,838,013	181,288
Administrative Support, Waste Management	4,161,159	309,759	16,070,947	964,410
TOTAL	24,615,424	917,333	57,606,243	1,933,757

Source: ESRI, NYS Department of Labor, BBP LLC, 2010

4.5 Office Supply

Of course, office-based employment growth projections are but one source of future estimates of space. Another method of projecting future space in Suffolk County and Long Island involves using projections of new supply that could be added based on past trends in the marketplace. REIS, a company which monitors commercial real estate in Long Island as well as across the nation, provides such projections. By 2014, REIS has projected that Suffolk County could add a net over 350,000 square feet of office space, while Long Island could add over 900,000 net square feet of office space.

Projected Growth of Office Inventory, 2009 to 2014				
Year	Suffolk County		Long Island	
	Total Space	Cumulative Net New Space	Total Space	Cumulative Net New Space
2009	17,760,000	-	43,494,000	-
2010	17,760,000	0	43,494,000	0
2011	17,760,000	0	43,514,000	20,000
2012	17,881,000	121,000	43,815,000	321,000
2013	18,002,000	242,000	44,115,000	621,000
2014	18,117,000	357,000	44,396,000	902,000

Source: REIS, BBP LLC, 2010

4.6 Office Opportunities

Both the theoretical full build and maximum build out plans call for 49,375 square feet of office space. To support this level of development, the TOD District area must capture 2 percent of the office space growth supportable in the primary and secondary areas as based on employment growth, or 4 percent of the office space growth supportable in the primary and secondary areas as based on supply growth. BBP LLC believes these relatively modest capture rates are achievable for the TOD District area given the area’s strengths as a busy commuter hub (with access to a large labor force), and that such office development opportunities will only be further supported by the introduction of new housing, retail and restaurant choices that will make the area an even better place to conduct business.

Proposed Office Development and Required Capture of Employment and Supply Growth					
TOD District Area					
Concept	Office Square Feet	Net Increase in Square Feet (2009-2019, Primary and Secondary Market Areas)		Required Capture Rates	
		Employment Growth Basis	Supply Growth Basis	Employment Growth Basis	Supply Growth Basis
Full Build	49,375	2,851,090	1,259,000	2%	4%
Maximum Built Out	49,375			2%	4%

Source: NYS Department of Labor, REIS, BBP LLC, 2010

Suggested Target Office Users

Employment growth projections tell us that real estate, rental, leasing, professional, scientific, technical, management, and administrative support firms all may grow in the next several years. These types of businesses also happen to be compatible with downtown settings, as many firms in these industries are small in scale. Therefore, such businesses should be considered potential targets for new office spaces in the TOD District area.

4.7 Summary

Employment (demand) and supply trends in the TOD District area’s primary and secondary market areas show promise for office development opportunities over the next several years. The TOD District area could be a participant in such office growth.

Key findings from the analysis of the office market include:

- A new or expanding business considering Suffolk County or Long Island is likely to consider Ronkonkoma; therefore the primary and secondary market areas have been defined as Suffolk County and Long Island, respectively.

- Existing office uses are few within the TOD District area, and represent a very small proportion of the office uses present in Suffolk County and Long Island.
- Top industry clusters in Long Island include: back office and outsourcing; biomedical; communications, software and media services; financial services; front office and producer services; and information technology services.
- Office-based employment and associated demand for office space is projected to grow in Suffolk County and Long Island by 2014.
- Office supply is also projected to grow based on past trends in supply.
- To support the 49,375 square feet of office space called for in both the theoretical full build and maximum build out plans, the TOD District area will have to capture either 2 percent of the office space supported by office employment trends or 4 percent of the office space supported by supply trends.
- Businesses in growth industries that are compatible with downtown settings should be considered targets for office space in the TOD District area. Such industries include: real estate, rental and leasing; professional, scientific and technical services; management; and administrative support.