

Village of Chatham, NY

Comprehensive Plan Update

Appendix D – Preliminary Market Analysis

Section 1. Introduction

Preparing a market analysis can help inform the planning process by identifying short-term development opportunities. A market analysis is a tool typically employed by the private sector to test where there is sufficient opportunity in a given trade area to warrant investment. In an effort to begin the process of understanding the Village's market conditions, a preliminary market analysis was conducted.

The preliminary market analysis was conducted using data obtained from ESRI Business Analyst in September 2014. ESRI's data is compiled from a combination of data sources including the U.S. Census Bureau, the Bureau of Labor Statistics, and private data collectors. Forecasts were calculated by ESRI.

This preliminary market analysis is not intended to replace a full market analysis which would be necessary to obtain a more detailed understanding of potential new economic development opportunities.

Section 2. Trade Area

The first step in evaluating economic development opportunities is to define the boundaries of the Village's trade area. A trade area is the geographical area from which a community generates the majority of its customers and often may represent 75 % of current customers.

Generally, communities have convenience and destination trade areas. The convenience trade area represents an area in which people purchase products and services needed on a regular basis such as gasoline and groceries. The destination trade area is based upon the purchase of larger products such as appliances, furniture or products that are deeply discounted. Customers are more likely to travel longer distances for larger ticket items, do comparison shopping or shop in bulk at large retail centers.

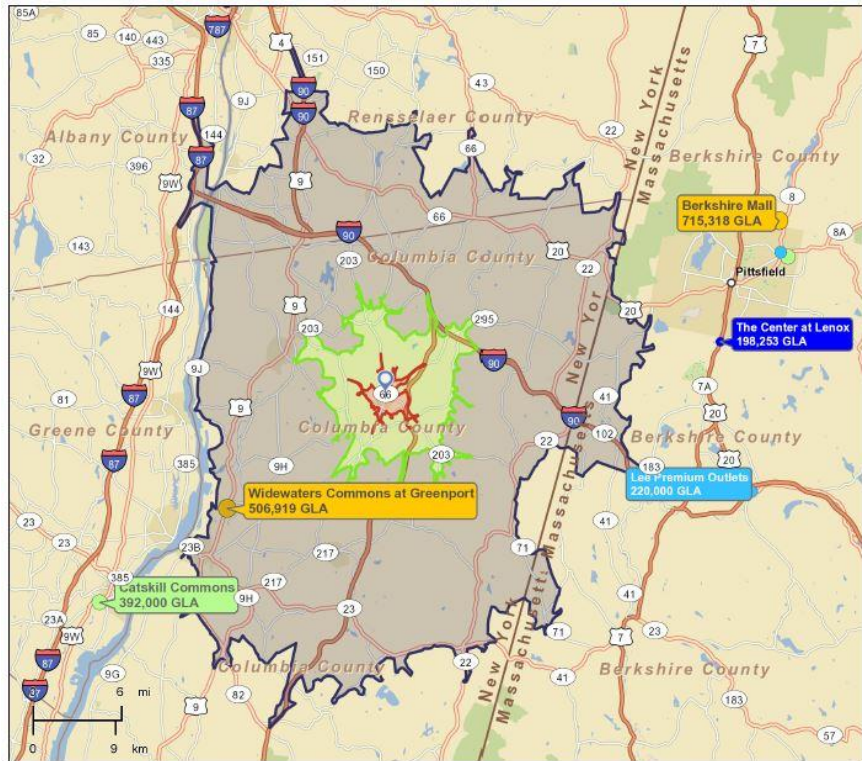
Knowing the size and shape of each trade area allows for the measurement of the number of potential customers, their demographics and associated spending potential. Together, this information provides key details about the Village of Chatham's customer base and allows for the estimation of potential demand for new stores, products and services.

For the Village of Chatham, trade areas were identified by first evaluating the locations of the region's major grocery and retail centers. The next step was to identify and map other community downtowns such as the City of Hudson, the Villages of Kinderhook, Valatie, Nassau, and Philmont, as well as West Stockbridge in Massachusetts. Knowing the location of surrounding community downtowns is key to understanding Chatham's competition as it continues to enhance its own downtown. Once these important destination were identified, 5, 10 and 25 minute drive times were chosen.

Based upon these steps, the Village's convenience and destination trade areas were identified and depicted on *Figure 1 Village of Chatham Trade Areas*. The 5 and 10 minute trade areas are considered the convenience trade areas with the 25 minute being the destination trade area.

Figure 1
Village of Chatham Trade Areas

The destination trade area covers a wide geography reaching north to Nassau in southern Rensselaer County, West Stockbridge to the east, the Village of Philmont, Claverack and Hillsdale to the south, the City of Hudson, Villages of Kinderhook and Valatie to the west. The extent of this trade area is also influenced by the regional road network that includes the Taconic State Parkway, the NYS Thruway, County Route 66, and NYS Rt. 9, all allowing residents and visitors from these outlying areas to easily travel into Chatham.



The 5 minute convenience trade area includes the Village of Chatham and limited portions of the Towns of Chatham and Ghent along the Village borders. The 10 minute convenience trade area covers a large section of northeastern Ghent and southeastern Chatham and reaches out to the Villages of Valatie and Kinderhook, along with the western section of the Town of Austerlitz.

Trade Area Demographics and Economic Base

The market for the Village of Chatham must be placed in the broader context of local and regional trends. While plans and regulations can help shape a community’s future, it is ultimately the market that dictates its direction. The market analysis focuses on trends analysis in the three major areas in order to provide a context in which to assess the potential form and shape of Chatham and its downtown. These are:

- Demographics – population, households, incomes and other demographic-based indicators have significant influence over real estate development and urbanization.
- Economy – the direction of the economy has a noticeable influence over the rate and type of development that occurs in any community.
- Travel Patterns – Local and regional travel patterns can influence the direction of local economic development and represents an important factor for Chatham.

Existing and Projected Demographics

In order to understand the market forces that will form the context of a long-term economic development strategy, it is essential to understand the basic demographic trends at work, at both the local and regional

levels. Many of the trends seen from economic and real estate perspectives are directly related to demographics. Further, both historic and projected data help to increase market understanding. The following demographic analysis takes into consideration the three trade areas (5, 10 and 25 minute trade areas).

As depicted in Table 1, ESRI’s 2014 data calculated a population ranging from just under 3,000 within 5 minutes of Chatham’s downtown, to almost 7,500 at 10 minutes and up to approximately 66,800 at 25 minutes (the 10 and 25 minute trade areas are cumulative calculations).

Between 2014 and 2019, the growth rate for all trade areas is expected to be flat, with the largest increase projected for the 10 minute trade area of about ¼ of a %, statistically insignificant. While the projected population increases are not relative, the important finding is the large population and potential customers within a relatively short drive of the Village.

Year	5 Minute	10 Minute	25 Minute
2014	2,966	7,437	66,786
2019	2,962	7,525	66,992
Annual Growth Rate	-0.03%	0.24%	0.06%

As depicted in Table 2 – Trade Area Housing Characteristics, the number of owner occupied homes increase a notable amount from the 5 to 10 minute drive times, with a slight increase at the 25 minute drive time. The 2014 number of renter occupied units decrease by 10 % from the 5 to 10 minute trade area and by about 8 % at the 25 minute trade area.

Projections for 2019 show slight increases in the number of housing units, 1.7 % growth in the 5 minute area, 2.4 % in the 10 minute and 1.4 % in the 25 minute trade area. The ratios of owner vs. renter occupied units are projected to remain fairly constant.

Key information from this data includes the higher percentage of owner occupied homes within the 10 minute trade area, signifying a larger population with higher incomes. The number of vacant housing units do increase with distance from the Village. This is notable as a portion of these units are likely seasonal or vacation homes, suggesting an additional population, albeit part-time residents, with higher amounts of disposable incomes.

Year	5 Minute	10 Minute	25 Minute
2014 Housing Units	1,536	3,876	33,573
Owner Occupied Housing Units	57.3%	62.6%	59.7%
Renter Occupied Housing Units	31.4%	21.6%	23.1%
Vacant Housing Units	11.3%	15.9%	17.2%
2019 Housing Units	1,564	3,971	34,063
Owner Occupied Housing Units	56.5%	62.1%	59%
Renter Occupied Housing Units	31.1%	21.5%	23.2%
Vacant Housing Units	12.5%	16.4%	17.8%

Table 3			
Trade Area Median Household Income			
Year	5 Minute	10 Minute	25 Minute
2014	\$50,641	\$64,194	\$62,462
2019	\$60,347	\$77,699	\$73,838
Percent Change	16%	17%	15%

As shown in Table 3, the median household income is highest within the 10 minute trade area and is projected to increase by 17 %. Notable increases are also projected for the 5 and 25 minute trade areas.

Table 4			
2014 Trade Area Educational Attainment			
Attainment	5 Minute	10 Minute	25 Minute
Bachelor’s Degree	14.8%	17.9%	15.9%
Graduate/Professional Degrees	15.6%	16.2%	13.8%

Educational attainment is consistent with median household incomes, with the 10 minute trade area having the highest rates. The 5 minute trade area has a higher rate of Graduate and Professional Degrees than the 25 minute area.

Table 5			
2014 Trade Area Employment by Occupation			
Attainment	5 Minute	10 Minute	25 Minute
Management/Business/Financial	18.3%	20%	14.3%
Professional	22.9%	25.7%	26.2%

Another characteristic that can help the community understand the trade area, including customer purchasing power and interests is employment occupation. As expected, within the 10 minute trade area, almost 46% of residents are employed in management/business/financial or professional occupations. This compares to 41.2 % in the 5 minute area and 40.5% in the 25 minute area.

Table 6			
Total Business and Employees by Trade Area			
	5 Minute	10 Minute	25 Minute
Total Businesses	311	664	4,863
Total Daytime Employees	1,208	2,343	25,761

In addition to the residential population for each trade area, it is important to understand the total number of employees. Daytime employees especially are a target market for downtown Chatham to consider. The figures represented in Table 6, demonstrates that a notable amount of daytime employees work within each trade area. While a portion of these employees also live within each trade area, the

figures represent significant market potential for local businesses: restaurants and retail stores specifically.

Section 3. Target Market

Based upon the above findings, the full 0 to 25 minute destination trade area is considered the primary geography from which the Village is likely to attract the majority of customers. The 0 to 10 minute trade areas should be the main focus for attracting existing residents, visitors and employees of local businesses. This trade area is important for restaurants along with general retail stores that provide daily shopping needs.

The demographics of the 0 to 10 minute trade areas are attractive due to the larger percentage of residents with advanced degrees, higher median incomes and home ownership rates along with a notable second and seasonal home populations. Collectively, this area provides the Village of Chatham with significant purchasing power to draw from.

Beyond 10 minutes, daily shopping needs may not be the primary attraction of the population. The attraction of daytime employees is also likely to be more limited. The farther out from Chatham, reasons for traveling into the Village are more likely for visiting a specific or unique store or restaurant. In addition, these customers are more likely to want to visit more than one store or other destination including taking in a movie. As a result, strategies for marketing to this population will be different than the convenience trade area.

Beyond the destination trade area, the Village is expected to attract additional visitors. These visitors, however, will likely be looking to spend even more time in the area. As a result, multiple activities, unique stores, restaurants and other attractions may be needed to continue building on Chatham's existing strengths. Furthermore, additional lodging choices could be considered which will provide visitors with more opportunities to extend their stay.

Market Potential

The above discussion focuses on the Village's potential customer base and where marketing efforts could be focused to capitalize on local strengths. The following is an analysis of the Village's different market strengths.

Retail Leakage and Surplus Analysis

Getting an understanding of current supply and demand for retail in the trade areas is an important first step. The Retail Leakage and Surplus Analysis (also known as a gap analysis) was conducted to examine the quantitative aspect of the Village's retail opportunities. The retail gap represents the difference between retail potential and retail sales. This analysis can assist the Village with the following:

- Determining how well retail needs of local residents are being met;
- Uncovering unmet demand and possible opportunities;
- Understanding the strengths and weaknesses of the local retail sector; and
- Measuring the difference between actual and potential sales.

Retail Sales Leakage: If the analysis signifies a retail sales leakage, it means local demand is exceeding local supply, requiring residents to leave the trade area for their purchases. This could mean existing stores are unable to meet the demand or the type of product residents are looking for are not provided in the trade area. As a result, there may be the opportunity for new businesses or expansion of existing ones to meet demand.

Retail Sales Surplus: A retail surplus occurs when sales in a specific industry sector exceeds the local demand, indicating customers are traveling from outside the trade area to shop in the community. A surplus does not necessarily mean the community would be able to support additional businesses. Many communities have developed strong clusters of stores that have broad geographic appeal. Examples of these type of retailers include: sporting goods stores, home furnishing stores, restaurants, and other specialty operations that become destination retailers and draw customers from outside the trade area.

The industry groups evaluated in this study are categorized according to the North American Industry Classification System (NAICS) which is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. While there are several individual industry groups, the gap analysis identified 7 groups that are relevant for the trade areas evaluated. These industry groups are defined below:

Grocery Stores (NAICS 4451): Primarily engaged in retailing a general line of food, such as canned, dry and frozen goods; fresh fruits and vegetables; fresh and prepared meats, fish, poultry, dairy products, baked products, and snack foods. This group does not include convenience stores.

Specialty Food Stores (NAICS 4452): Primarily engaged in retailing specialized lines of food, including, but not limited to: meat markets, fish and seafood markets; fruit and vegetable markets; baked goods stores, and confectionary stores.

Health and Personal Care Stores (NAICS 446, 4461): This industry group comprises establishments primarily engaged in retailing health and personal care products. Drug stores, pharmacies, cosmetics, beauty supplies and perfume stores, optical goods stores, food (health) supplement stores and health appliance stores are included.

Clothing Stores (NAICS 4481): Primarily engaged in retailing new clothing.

Sporting Goods/Hobby/Musical Instr. Stores (NAICS 4511): This industry group includes stores primarily engaged in retailing new and used sporting goods, games and toys; and musical instruments.

Office Supplies, Stationery and Gift Stores (NAICS 4532): This industry group comprises establishments primarily engaged in one or more of the following: (1) retailing new Stationery, school supplies, and office supplies; (2) retailing a combination of new office equipment, furniture, and supplies; (3) retailing new office equipment, furniture, and supplies in combination with retailing new computers; and (4) retailing new gifts, novelty merchandise, souvenirs, greeting cards, seasonal and holiday decorations, and curios.

Full Service Restaurants (NAICS 7221): This industry group comprises establishments primarily engaged in providing food services to patrons who order and are served while seated (i.e., waiter/waitress service) and pay after eating. Establishments that provides this type of food service to patrons with any combination of other services, such as take-out services, are classified in this industry.

Trade Area Gap Analysis

A gap analysis was conducted for 5, 10 and 25 minute trade areas to provide the Village with a better understanding of the differences between the trade areas and where to focus future economic efforts.

Industry/Business Sector	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Grocery Stores	\$5,967,044	\$6,019,685	-\$52,641	-0.4	3
Specialty Food Stores	\$322,654	\$378,952	-\$56,298	-8.0	4
Health & Personal Care Stores	\$3,318,827	\$2,124,208	\$1,194,619	21.9	3
Clothing Stores	\$1,788,057	\$425,411	\$1,362,646	61.6	3
Sporting Goods/Hobby/Musical Instr. Stores	\$726,032	\$337,746	\$388,286	36.5	4
Office Supplies, Stationery & Gift Stores	\$244,417	\$53,716	\$190,701	64.0	2
Full-Service Restaurants	\$1,761,750	\$1,993,069	-\$231,319	-6.2	5

Referring to Table 7, within the 5 minute trade area, grocery stores, specialty food stores and full service restaurants all have sales exceeding the local demand, meaning that sales are being made to customers traveling from outside the area.

Businesses that are seeing potential customers leaving the trade area include health and personal services; clothing stores, sporting goods, hobby and musical instrument stores; and office supply, Stationery and gift stores. It is important to note that many of the products sold in these categories are readily available in large-scale retailers. This fact may partially explain why local stores are not capturing all of the local demand as customers may be choosing to shop elsewhere, possibly due to cheaper prices, better selection and/or convenience. Examples these larger stores include Walmart, Target, Best Buy, Dicks Sporting Goods, and other similar retailers.

Industry/Business Sector	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Grocery Stores	\$16,256,130	\$7,634,134	\$8,621,996	36.1	5
Specialty Stores	\$881,210	\$798,943	\$82,267	4.9	5
Health & Personal Care Stores	\$9,054,047	\$2,395,120	\$6,658,927	58.2	5
Clothing Stores	\$5,013,129	\$601,557	\$4,411,572	78.6	5
Sporting Goods/Hobby/Musical Instr. Stores	\$2,008,172	\$470,588	\$1,537,584	62.0	5
Office Supplies, Stationery & Gift Stores	\$675,256	\$58,138	\$617,118	84.1	2
Full-Service Restaurants	\$4,912,046	\$3,504,120	\$1,407,926	16.7	7

Moving out to the 10 minute trade area indicates a growing potential for certain industries. Clothing stores and office supplies, Stationery and gifts stores are experiencing the largest leakage of sales to retailers outside the trade area. Specifically, over four million dollars of sales at clothing stores are occurring

outside the 10-mile area, while more than \$600,000 worth of sales in the office supply, Stationery and gift category are occurring elsewhere. The sporting goods/hobby/musical instr. stores are also experiencing notable sales outside the trade area. Again, these sales are likely being made at large scale retailers.

With that said, there may be sufficient demand for certain clothing stores and those that are able to offer competitive pricing. Specialty clothing stores may be more likely to succeed in the trade area by filling a certain niche. Alternatively, a specialized higher end clothing store may be successful by drawing on seasonal residents and other visitors with higher amounts of disposable income.

The Village does have a couple of clothing stores that are likely already taking advantage of the apparent demand in the region. Opportunities for additional clothing stores may exist, although continued diversification in their offerings is recommended along with affordable options to avoid saturating the market.

Full service restaurants may also be able to take advantage of the apparent leakage, as approximately \$1,400,000 worth of sales are leaving the trade area annually. In an attempt to clarify the types of restaurants local customers are more likely to frequent, a Restaurant Market Potential analysis was conducted. This analysis measures the relative likelihood of adults in the specific trade area to exhibit certain customer behaviors or purchasing patterns compared to the remainder of the United States. Based upon this analysis, customers in the 10 mile trade area are considered more likely to frequent family restaurants for both lunch and dinner and more so on weekdays.

The style of restaurants include, but are not limited to Applebee's, Cracker Barrel, Longhorn Steakhouse, and Ruby Tuesday. These examples do not imply that chain or franchise restaurants are in demand, only that the style, menu selections and price range of these restaurants may be of more interest to customers in the trade area.

The potential increased demand for additional restaurants does not necessarily mean that the trade area can support new restaurants. Only that additional demand does exist and that one or more restaurants of a particular style or format may succeed within the trade area. The success of new restaurants will likely be closely tied with a broader economic development strategy which would increase the number of visitors from outside the trade area.

The gap analysis also shows increased demand for grocery stores. It should be noted however, that these results are likely not taking into account sales from the newly constructed Price Chopper on the Village's border with Ghent. This store is larger than the previous store at Chatham Plaza and therefore, would be expected to have higher sales. While there is likely a limited market for another grocery, this high demand within the trade area should be capitalized upon by the Village.

Specifically, this large demand means a significant amount of residents within the trade area would be expected to shop at the new Price Chopper. The key is to provide other opportunities for shoppers to stay in Chatham for their additional shopping needs. This may include restaurants and specialty stores.

In addition, the increased number of customers travelling to the area would be expected to translate into higher sales for existing businesses in the Village. It will be important for these existing stores to properly market to this customer base. Furthermore, because Price Chopper is located at the edge of the Village, customers traveling from the south will need to be informed of the shopping and restaurant opportunities within the Village and downtown. Additional signage directing people into downtown may be needed. A

partnership with Price Chopper for non-competing shopping opportunities downtown may also be an option.

Industry/Business Sector	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap	Leakage/Surplus Factor	Number of Businesses
Grocery Stores	\$127,748,148	\$72,011,037	\$55,773,111	27.9	43
Specialty Stores	\$6,931,291	\$11,173,178	-\$4,241,887	-23.4	31
Health & Personal Care Stores	\$70,658,108	\$104,804,253	-\$34,146,145	-19.5	25
Clothing Stores	\$41,335,647	\$8,431,037	\$32,904,610	66.1	18
Sporting Goods/Hobby/Musical Instr. Stores	\$16,146,619	\$2,650,511	\$13,496,108	71.8	30
Office Supplies, Stationery & Gift Stores	\$5,440,848	\$5,718,070	-\$277,222	-2.5	11
Full-Service Restaurants	\$40,176,841	\$22,821,350	\$17,355,491	27.5	39

Within the 25 minute trade area, customers traveling these distances are more likely to purchase a significant amount of goods at one time, making large scale retailers more attractive. In addition, some customers may also look to visit multiple stores, services and/or eat out. With grocery stores continuing to have leakage, the Village should expect to attract customers from within the 10 and 25 mile trade area. Anticipating this, marketing efforts should be targeted accordingly.

Within this trade area, clothing stores and sporting goods/hobby/musical instr. stores continue to have leakage. Certain specialized stores within these industries may be in demand and could be supported through the increased grocery store customer base. Full service restaurants also continue to have leakage and this demand may be supported in the Village with specialty restaurants and others that draw customers from greater distances.

Section 4. Key Findings

Trade Area Demographics

- The demographics of the 0-5 and 0-10 minute trade areas are more attractive due to the large percentage of residents with advanced degrees, higher median incomes and home ownership rates along with notable second and seasonal home populations. Collectively, within 10 minutes of Chatham’s downtown represents a key area of significant purchasing power to draw from.
- Beyond 10 minutes, daily shopping needs may not be the primary attraction of the population. Those traveling to the Village from farther out, are more likely to visit more than one store or destination. Perhaps, even taking in a movie.
- Strategies for marketing to the population beyond 10 minutes should be different than the population within 10 minutes of the Village. Therefore, multiple activities, unique stores, restaurants and other attractions may be needed to contribute building Chatham’s existing strengths.

- New lodging choices are suggested to provide visitors traveling long distances with the opportunity to extend their stay during their visit.

Market Potential

5 Minute Trade Area

- Grocery stores, particularly specialty food stores and full service restaurants all have sales exceeding the local demand, meaning that sales are being made to customers traveling from outside the 5 minute area.
- Additional demand may exist for health and personal services, sporting goods, hobby and musical instrument stores. It must be noted however that many of these products and services are readily available at large-scale retailers.

10 Minute Trade Area

- There may sufficient additional demand within the 10 minute trade area for additional clothing stores provided the appropriate target market is served. While the Village currently has clothing stores, additional diversification and avoiding saturation of existing products may allow for new stores to be competitive.
- Full service restaurants may also be able to take advantage of an apparent leakage.
- Family restaurants are in demand for both lunch and dinner with a higher demand seen on weekdays.
- The data does not necessarily mean that there is sufficient local demand for additional restaurants, only that demand does exist for one or more restaurants of a particular style or format. This success will likely be closely tied to the success of a broader economic development strategy which would increase the number of visitors from outside the trade area.
- The new Price Chopper is expected to be drawing in additional customers to the Village that should be capitalized upon. Providing other opportunities for shoppers to stay in the Village for their additional shopping needs, which may include restaurants and specialty stores.
- The increased number of customers traveling to the area would be expected to translate into higher sales for existing businesses in the Village.
- Additional signage directing people into downtown could be installed.
- A partnership with Price Chopper for non-competing shopping opportunities downtown could also be considered.

25 Minute Trade Area

- Customers traveling up to and in excess of 25 minutes are more likely to purchase a significant amount of goods during their trip, making large-scale retailers more attractive.
- Grocery stores continue to have leakage in the 25 minute trade area, and the Village should expect to see a growing number of customers traveling to the new Price Chopper.
- With this increased customer base, Village businesses should target their marketing efforts accordingly.
- Opportunities may include specialized stores, diversified clothing stores and full service, specialty and family restaurants.