

Land-Use Impacts Post Covid-19:

Preparing the Comp Plan for Near- and Long-term Trends



ECONOMIC AND REAL ESTATE ANALYSIS FOR SUSTAINABLE LAND USE OUTCOMES™

What We'll Cover

How are major land-uses, likely, to fundamentally change over the near- and long-term:

- Housing
- Retail
- Restaurants and Entertainment Venues
- Office
- Light Industrial
- Recreation

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Pre-pandemic Trends



Housing: The housing market had been quite robust over the past eight years, led by the development of multi-family rental in core urban areas and first ring suburbs.

- Recovery in prices for single-family homes
- Development of luxury apartments and townhomes
- An increase in rental versus owner-occupied units
- Studios, one- and two-bedroom units
- Housing near transit and in walking distance to amenities

Pre-pandemic Trends

Retail: Major sectors in retail (comparison category, specifically) were already struggling and many were on the precipice of bankruptcy.

- The oversupply correction was still underway
- “Clicks” challenged “Bricks”
- Boomer’s influence on shopping culture has been waning
- Younger Gen Xers and Millennials are experience oriented

Pre-pandemic Trends

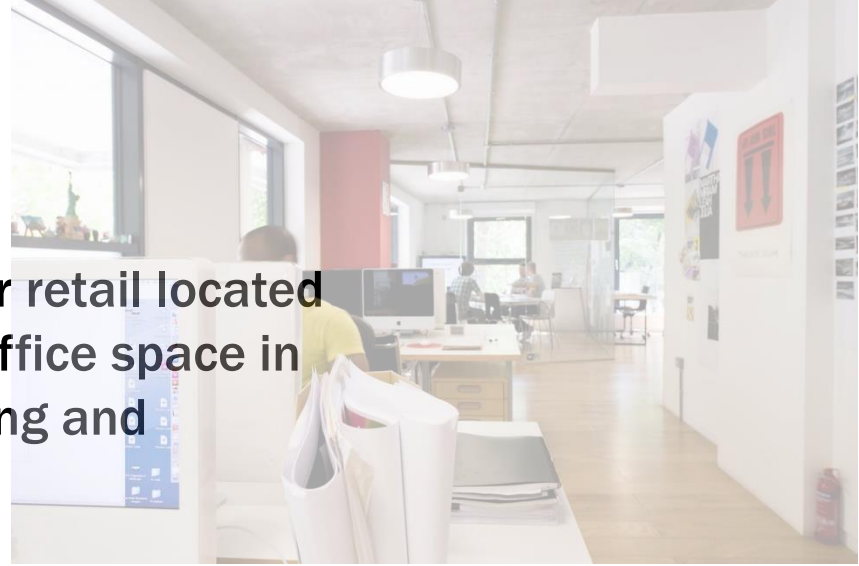
Restaurants & Entertainment Venues: Since just before the Great Recession of 2007 to 2009, restaurants, bars and certain entertainment venues (dance clubs and bowling alleys) were the drivers of non-residential development and adaptive reuse activity in the U.S.



- “Eat your way to revitalization”
- Rise of the “Third Place”
- Discretionary income spending drove the movement

Pre-pandemic Trends

Office: Like much of the brick and mortar retail located in major shopping centers, demand for office space in suburban settings, specifically, was waning and vacancies markedly rising.



- Millennials “the talent” wants an urban work environment
- Technology and remote work has influenced softening demand
- More workers per 1,000 s.f. has meant less space needed
- Medical office space has exhibited dramatic growth due to the rise an expanded healthcare delivery system

Pre-pandemic Trends

Light Industrial: Perhaps the strongest performing real estate class over the past dozen years, due in large measure to the growing demands of e-commerce and one- to two-day delivery expectations.

- Amazon and Walmart have driven the demand
- Sites within 50- to 100-miles of major population centers
- Highly mechanized facilities have required less labor



Pre-pandemic Trends

Recreation: A consumer culture shift has been underway since the last recession and it continues to tilt, increasingly, towards the consumption of experiences and not things.



- Outdoor recreation has seen explosive growth
- Biking, hiking, birding and camping are increasingly popular
- Cultural and heritage tourism driven by Baby Boomers

LIKELY NEAR-TERM LAND-USE IMPACTS – NEXT 36 MONTHS



Next 36 Months



Housing: Demand and values within this land-use class will be uneven, based on location and housing type (renter- vs. owner-occupied; luxury vs. “affordable”).

- Market areas dominated by retail and restaurant employment will see depressed residential values
- Homes in first ring suburban communities are likely to see rising values
- Bank foreclosures will rise, but may not be as severe as 2007-2009 recession
- Reduced demand for studios and one-bedrooms rentals

Next 36 Months

Retail: Marginally performing retailers will shutter permanently and those which are more financially sound will reduce their physical footprint.

- Anchor retailers such as J.C. Penney's, Nordstrom's, Macy's and Sears have or are about to go dark
- Perhaps as much as 50 percent of the mom and pop retailers will permanently close their doors
- Uncertainty regarding long-term employment will reduce discretionary retail spending, further challenging the viability of brick and mortar retail
- Tax appeal activity will dramatically rise for shopping center properties

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Next 36 Months

Restaurants & Entertainment Venues: Chain restaurants will experience dramatically reduced sales but are expected to weather the storm; small independent restaurants having little cash cushion will be decimated.

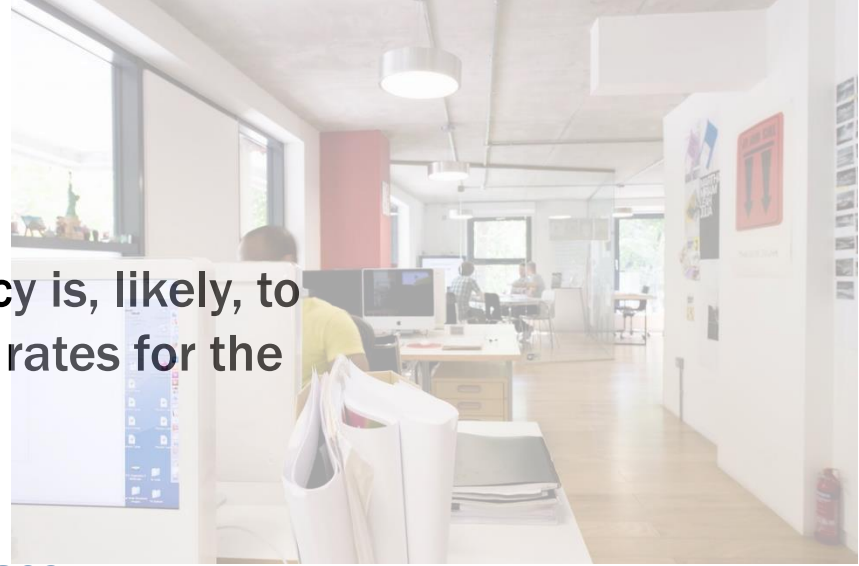
- Urban downtowns will feel the greatest pain
- Suburban shopping centers will see a dramatic rise in restaurant related vacancies
- Permanent closures for bowling alleys and cinemas will be dramatic and will impact suburban areas, in particular
- Dining establishments, which offer outside seating and/or are conducive to take out service, will fare better than establishments that lack these offerings



Next 36 Months

Office: Suburban and urban office vacancy is, likely, to rise dramatically and remain at elevated rates for the foreseeable future.

- The exception will be for medical office space
- Tax appeals for this asset class will rise
- Based on the location and type of office building, some developers will look to adaptively reuse the property for multi-family rental



Next 36 Months

Light Industrial: The performance of the consumer goods industry will have the greatest influence over this sector (inclusive of retail and auto sector).

- Lease demand for new space in the near-term will likely be weak
- However, applications for the development of new space will likely continue, if not increase, in anticipation of strong demand
- Owners of small office parks may seek zoning variances to redevelop these sites as light industrial parks



Next 36 Months

Recreation: As Covid-19 and related employment uncertainties persists, and consumers pull back on discretionary retail spending, demand for free and low-cost outdoor recreational activities will markedly increase.



- Municipal, county and state park recreational facilities will see a spike in users
- Purveyors of outdoor sports and exercise equipment will also experience a spike in demand

LIKELY LONG-TERM LAND-USE IMPACTS – BEYOND 36 MONTHS



Beyond 36 Months



Housing: Demand for two- and four-family housing units, and rental units containing three- and four-bedrooms, will likely rise.

- First ring suburban communities which offer urban style amenities (coffee shops, restaurants, personal service and boutique retail businesses in walking distance to clusters of housing) will see strong demand
- A range of affordable (read: “Missing Middle”) housing types will be well received in urban and suburban areas
- Local zoning will need to recognize the increased shift of work-from-home arrangements

Beyond 36 Months

Retail: Well capitalized and savvy developers and entrepreneurs will acquire shuttered or underperforming shopping center sites and retail buildings for redevelopment.

- Property owners will petition planning boards for overlay and form-based code zoning, to permit market receptive redevelopment of economically obsolescent retail sites
- Some former retail anchors will become fulfillment centers for on-line retail purchases
- Developers will look to create mixed-use residential development on former community shopping center sites, preserving key retail businesses such as grocery and liquor stores

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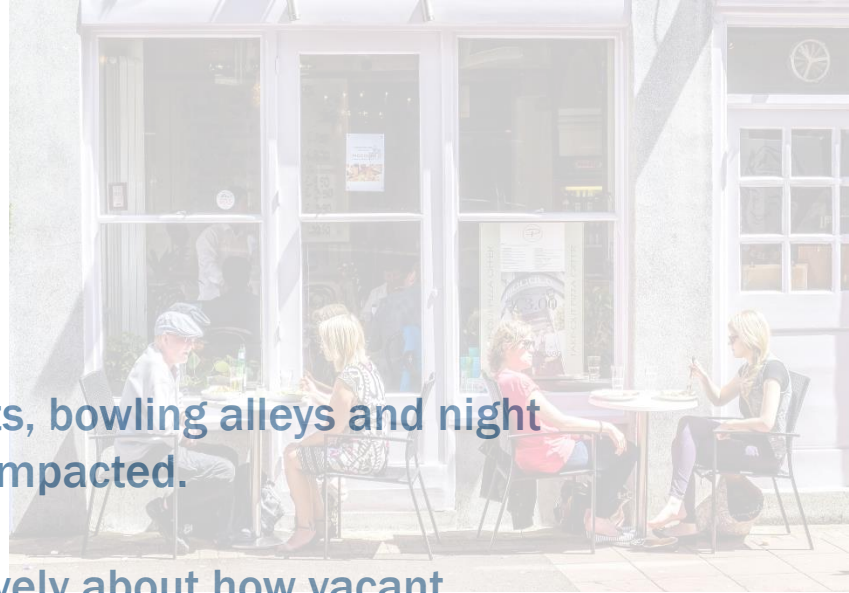
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Beyond 36 Months

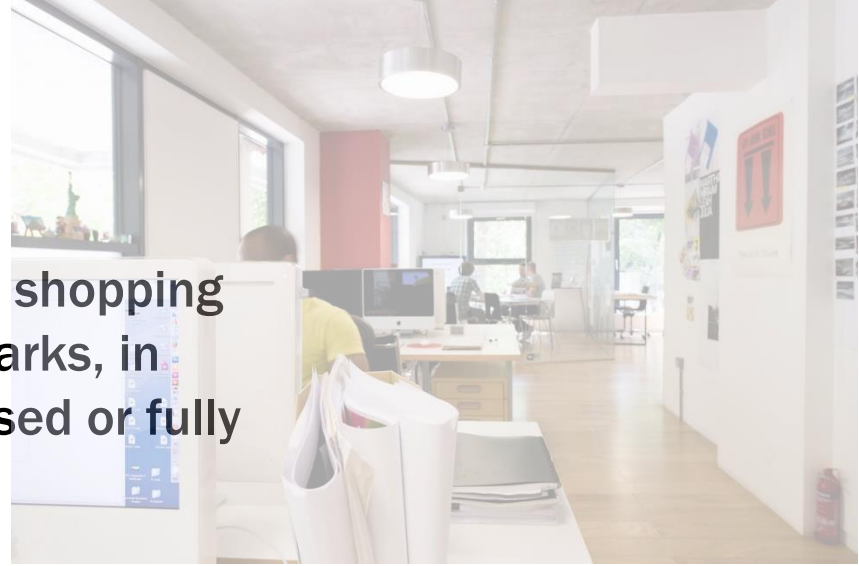
Restaurants & Entertainment Venues:

- There will be fewer independent restaurants, bowling alleys and night clubs, with urban areas most significantly impacted.
- Land-use planners will need to think creatively about how vacant restaurant and entertainment venue spaces will be adaptively reused
- “Pop-Up” restaurant activity, similar to “Pop-Up” retail, may come into vogue, where former chefs and restaurateurs offer a periodic dining experience in one or more shuttered dining establishments



Beyond 36 Months

Office: Like many regional mall and local shopping center sites, office buildings and office parks, in particular, will need to be adaptively re-used or fully redeveloped.

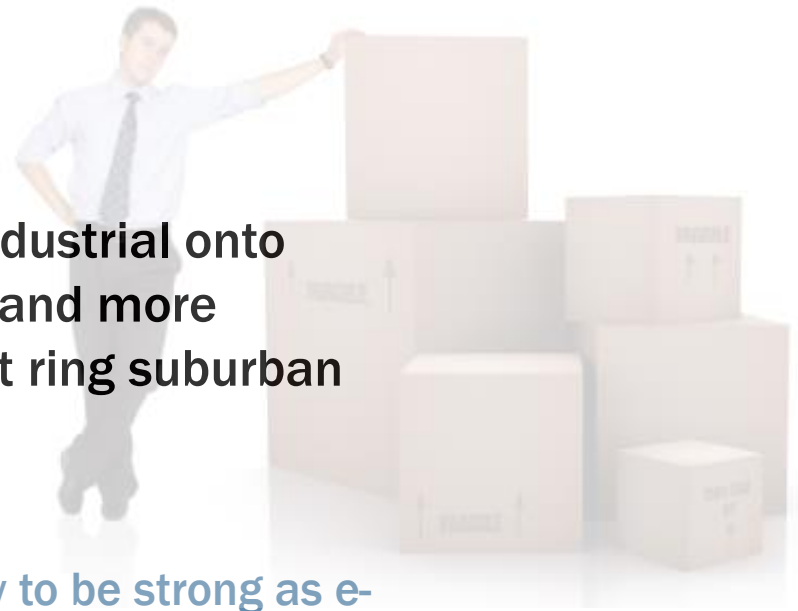


- Adaptive re-use activities (mostly converting from office to residential) will continue to be an attractive alternative for property owners
- Wholesale redevelopment of office sites and parks will occur, where a smaller footprint of professional and medical office space will remain

Beyond 36 Months

Light Industrial: The expansion of light industrial onto former office building sites will increase and more warehousing space will be located in first ring suburban communities.

- Development and leasing demand is likely to be strong as e-commerce related activity increases
- Communities within close proximity to two or more interstates will see the greatest demand for light industrial development and leasing
- Vacant shopping center sites will be eyed for storage and distribution space



Beyond 36 Months

Recreation: The increase in public space patronage during the first three-years is likely to remain for the foreseeable future



- Municipal, county and state park recreational facilities will, likely, remain in popular demand and require larger operating and maintenance budgets
- New forms of outdoor recreation and entertainment that can be accommodated in municipal and county open spaces will emerge – creating opportunity for public-private partnerships

Takeaways for South Whitehall Twp.



Takeaways

Housing

- Zoning for “Missing Middle” housing typology should be anticipated
- Zone to facilitate live/work housing arrangements
- Consider permitting accessory dwelling units

Takeaways

Retail

- Create overlay zoning for economically obsolescent shopping center sites
- Revisit use restrictions within existing retail zoning districts
- Identify the retail locations that would best be suited for either light industrial conversion or mixed-use residential conversion

Takeaways

Restaurants & Entertainment Venues

- Allow for more outside seating in the near-term and revisit this zoning change 36 months out
- Permit commercial kitchen operations for shuttered restaurants
- Permit and encourage pop-up drive ins in the parking lots of large vacant shopping plazas

Takeaways

Office

- Identify office park sites which are best suited to be converted to light industrial or mixed-use residential (including institutional residential, such as assisted living and skilled nursing facilities).
- Create a streamlined variance process in advance of a wholesale zoning change.

Takeaways

Light Industrial

- Identify economically obsolescent shopping center properties as potential adaptive reuse or redevelopment sites for light industrial purposes
- Review existing parking requirements for light industrial zoning areas, as these businesses require far less labor than in years past

Takeaways

Recreation

- As more households hold back on consumer spending, they will seek relatively low-cost recreational activities, such as local and regional parks and trails. This will offer opportunities for revenue generation (and public/private partnerships) in support of park maintenance and capital improvements
- Municipally sponsored outdoor ice rinks, rock climbing walls and mountain bike trails will, likely, be well received.



thank you

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