activity (library as example)
- Public space surrounded by mixed-use development (create vitality)
- Comprehensive multi-modal facility
- Bus stop at Allen and College being more attractive and well-designed
- More public art (with an organized initiative)
- Cultural/art center (with or without shared art space, cohesive, brings people together)
- Community photo lab (family-oriented)

5. Name a downtown you love and why...

- Ithaca, NY: lots of people, places to go shopping, eating; pedestrian center, open air food shops, public art
- Asheville, NC: eclectic, easy to navigate
- Austin, TX: people-friendly, easy to navigate, lots of outdoor stuff and food shops
- Madison, WI: weekend farmers market, State Street
- Ann Arbor, MI: multi-block core, no chain stores
- Dubuque, IA: events
- Santa Barbara and Ventura, CA: wider sidewalks, 2-hour parking
- Lancaster, PA: arts corridor, First Friday events, good linkages, building on local artists, gallery row, painted pianos
- Norwich, VT: town committee to mitigate emissions and develop building code
- Bloomington, IN: farmers market, coffee shop that serves out of the window
- Portland, OR; Washington, DC; New York, NY: bike-friendly in the core
- Oak Park, IL: bike share, strong buy-local campaign

6. The Downtown Master Plan: Whatever you do…

Do this:
- Emphasize pedestrian scale and funky character of Calder Way
- Provide more outdoor seating
- Use plants native to PA
- Incorporate West College Avenue into commercial area
- Improve wayfinding to garages
- Explore business incentives
- Add more bike racks
- Make downtown cohesive
- Create events that allow student and town populations to mingle
- Increase safety between 2 and 6 AM
- Increase pedestrian lighting on Locust Lane
- Consider an energy impact assessment in conjunction with any recommendations
- Be visionary (and practical)
- Decide for whom downtown will be (student/tourist/family/young professional/other?)
- Create an environment that many people enjoy (balance)
- Be transparent/open for feedback
- Get the University to participate in the improvement of downtown

Do not do this:
- Encourage more chain stores/restaurants
- Continue to create barriers /battles between students and residents
- Do not use the students as excuses for not doing things
- Try to be everything for everyone

Market Assessment

Understanding the market and economic conditions of Downtown State College is a fundamental underpinning of any recommendations for downtown whether they are physical, marketing, or policy oriented. Furthermore, the market report helps the partners better understand how to position downtown amidst the retail growth occurring throughout the greater Centre region and as a destination for students, visitors and residents.

This market study explores the overall economic health of downtown that will further enhance its appeal to local, regional and visiting shoppers and diners. This report presents the findings of the market research for State College and provides a baseline that can be used to recruit business, help existing businesses target customers and implement the marketing and branding strategy developed as part of the downtown master plan. The goal is to continue to position State College for success amidst the changes happening both in the region and nationally.

The market assessment is divided into a retail market report, and an office, hotel and housing market report.

Retail Market Report

The following retail report is divided into three parts: Part one is State College's market definition based on zip code survey work completed by businesses in the community. It also provides insight into the trade area demographics for State College's primary and secondary trade areas.

Part two presents demographic information about the State College trade areas and State College itself that give insight into the changing customer base for the community.

Part three presents the retail market analysis that shows the amount of retail sales either "leaking" or "gaining" from the primary and secondary trade areas. This information is based on the most recent data available and is a reliable source for understanding overall market patterns. This section concludes with some key opportunities for retail that could be used to both enhance existing businesses and recruit additional businesses to the community.

Part One: Retail Market Definition

Introduction to State College's Retail Market
State College is part of the Centre regional market, which has a large rural base that covers many jurisdictions. Downtown State College was once the primary retail center for the region attracting shoppers for basic and specialty goods. Like many communities, State College experienced the typical migration of basic retail out of downtown to suburban locations.

More important to the Borough of State College is that the suburban migration has occurred in other jurisdictions: Nittany Mall and its retail node in College Township and more recent development along North Atherton in Patton Township. Consequently, the economic health of downtown remains a key component of the fiscal well-being of the Borough itself.

Fortunately, downtown State College has remained a vibrant specialty shopping, dining and nightlife district that remains the center of culture, public uses, gatherings and entertainment for the region. Moreover, the district is a key companion to the look and feel of a college town that is important to recruit and retain students, staff, faculty, alumni and visitors.

The State College Trade Area
As already mentioned, State College serves a trade area that extends beyond the limits of the borough itself into the surrounding area. To determine the trade area for State College's downtown, businesses participated in a zip code survey of customers. Unlike other techniques that tend to use arbitrarily picked boundaries for customer trade zones (radial definitions, drive time studies and Reilly's model), the method used for market definition in State College is based on actual customer shopping patterns as determined by zip code tracking. While every trade area definition method has its flaws, zip code surveys provide the best way to define a market trade area based on actual customer shopping patterns. Furthermore, zip code tracking provides insight into local versus visitor traffic, cross shopping among shops and patterns with regard to shop types. Once the trade areas are defined, a whole host of demographic data can be gathered and trade patterns studied.

For State College, shopping patterns will change throughout the year so a "pivot" period covering move-in weekend for Penn State students was selected to conduct the survey. The planning team acknowledges that the visitor patterns in downtown may change throughout the year based on events and activities at Penn State University, but the regional shopping patterns are unlikely to significantly shift during the course of a year.

State College had twenty-four businesses participate in the zip code survey during a fourteen-day period in August and September of 2012. Businesses were provided with a form to record customer zip codes and asked to keep the log for all customers during the survey period. In all 2854 individual customer visits were recorded during the survey.

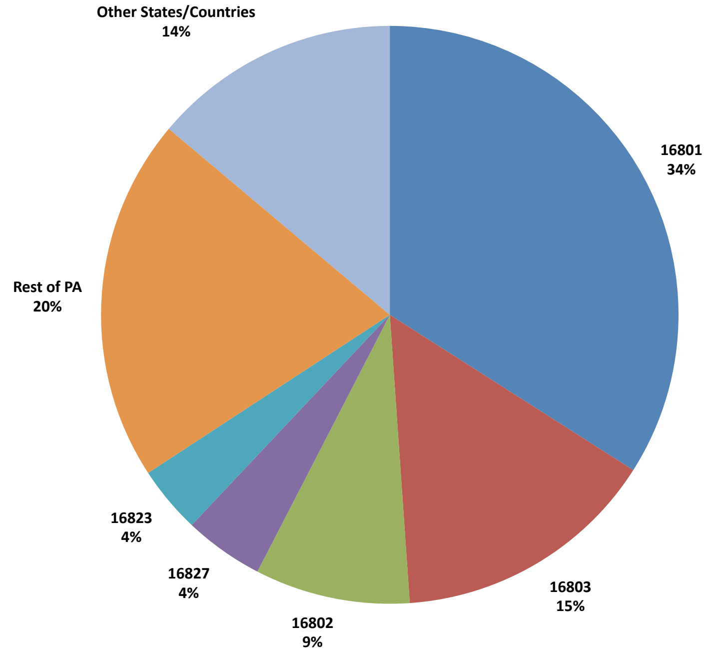
Zip Code Results
The results of the zip code survey are listed below:

- State College businesses recorded customers from 599 unique American zip codes representing thirty-four states, DC and Puerto Rico, as well as fourteen foreign countries.
- 46.6% of the customers reported that they lived in one of the two State College zip codes of 16801 and 16803.
- 16801 itself accounted for nearly one-third of customer visits with 32.4% of the customers from this zip code. (16803 accounted for 14.2%)
- 8.3% of the customers identified the Penn State Campus (the 16802 zip code) as their place of residence.
- Of the overall visits, Boalsburg and Bellefonte represented 4.2% and 3.6% of the total customer traffic, respectively.
- In total, Centre County zip codes accounted for over two thirds of the customer visits to downtown State College (67.4%).
- Nearly one in every five customers is from other parts of Pennsylvania (19.4%).
- This leaves other states, territories and countries accounting for 13.2% of the customer traffic to downtown.

Figure 1 depicts the information outlined above.

Information by Business
The preceding information examined how the participants

Figure 1. Zip Code Survey Trade Area.



did in aggregate when all results are combined into one "pot" of figures. This section looks at the results by retail store to determine if there are any anomalous figures that emerge with particular stores. To protect the confidentiality of the individual store results, the names of the stores are not included in the charts. Twenty-four businesses participated in the zip code survey. They are represented in the figures on the following pages by #1-24 along the bottom of the figures. Each number along the bottom represents a unique business that participated in the survey. The vertical bar represents the percentage of visitors and the red bar represents that average percentage.

Figure 2 (opposite page) illustrates that overall 46.6% of the customer traffic is from State College residents from the 16801 and 16803 zip codes (represented by the red bar). Ten businesses had over this amount with one business reporting over 80% of their traffic as residents from one of the two zip codes. Eleven businesses reported fewer than 40% of their traffic from the zip codes with three businesses reporting fewer than 20% or less (it is important to note that the businesses reporting such low local numbers did not have a large sample size of customers).

Figure 3 illustrates customer visits from the 16802 zip code. This is the on-campus zip code for Penn state University. Overall, 8.3% of the visits were from the Penn State Campus. The on-campus student customer highly varied with seven businesses reporting no on-campus students and four businesses reporting over 30% of their customers as on-campus students. The high on campus percentage stores tended to be apparel stores.

Figure 4 (following page) illustrates the customer visits from Centre County. Clearly, downtown State College is an attractor from the entire region with two thirds of the traffic (67.4%) from inside the County. In fact, of the twenty-four participants in the survey only five reported less than half of their customers from Centre County and fourteen businesses reported over 75% of their customers from within the county.

Figure 5 (following page) shows customer visits that qualify as “visitors.” This number may include regional traffic from other counties that might be regular customers to downtown. Overall 13% of the customers were from outside of the county and the visits covered a wide area. Nearby states (Maryland, New York, New Jersey and Virginia) represented a large percentage of these visits. The businesses with very high percentage visitor rankings (over 60%) did not record as many zip codes as did peer businesses so their data is somewhat skewed toward visitors. However, visitor traffic is essential to the health of downtown State College and only one business reported no traffic from outside of Centre County.

Visitor traffic also provides a way to examine customer browsing patterns; there were over two dozen incidents where a customer zip code from an out of state locale showed up in multiple destinations. While different customers may have coincidentally been from the same zip code, we can safely assume that most are the same customer being captured in different stores. In nearly every

Figure 2. Percent 16801 and 16803 Resident By Business.

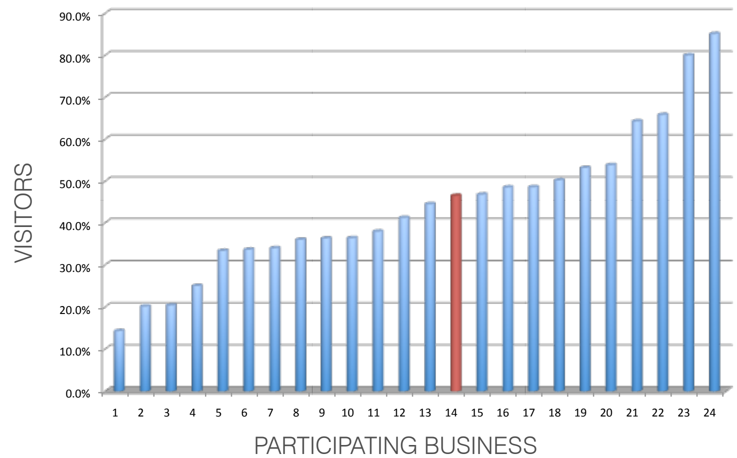
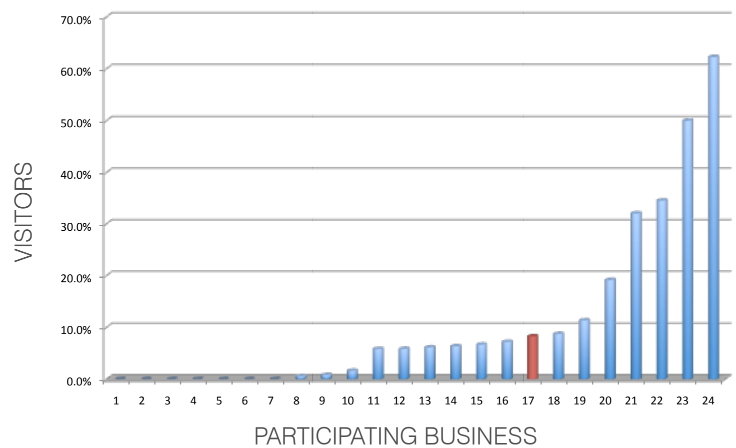


Figure 3. Percent Penn State Campus Student By Business.



case, the customer zip code showed up in a restaurant and a shop rather than a series of shops.

The survey instrument attempted to discern the number of off-campus students who were patrons of the stores and restaurants. Many forms were turned in that did not indicate the number of off campus students and others were incomplete or incorrect. We will be taking the reliable

Figure 4. Percent Centre County Residents by Business.

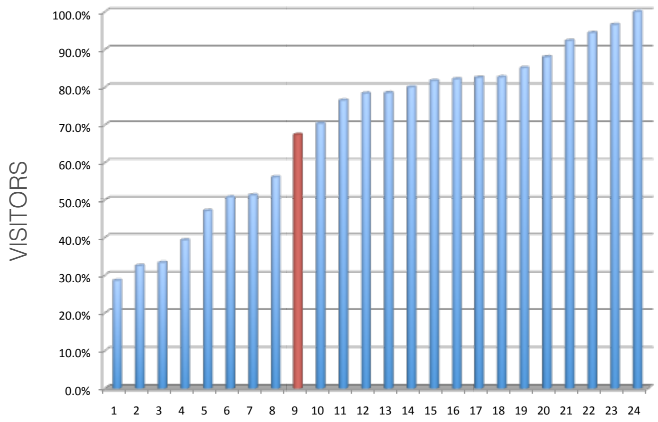
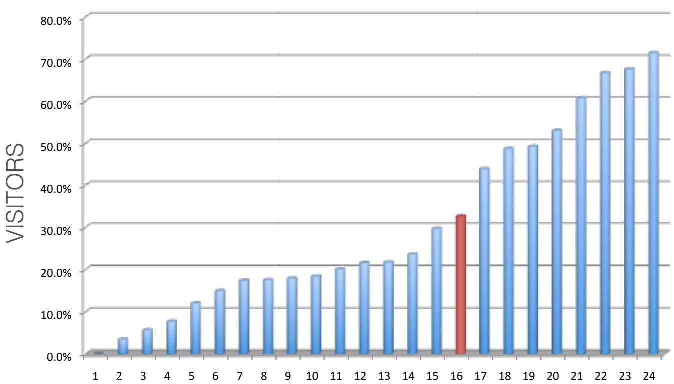


Figure 5. Percent "Visitor" (Outside of Centre County) Traffic by Business.



data and studying it further to determine if we can draw any conclusions about the off campus student market in downtown.

Trade Area Definitions

The number of visits provides an overall viewpoint of where customers come from which is a market area. A more precise way to evaluate customer loyalty in the market is by looking at the trade areas for a community, which involves defining market penetration rather than just market area. To get to the trade area definition, customer visits are tracked by the number of visits in relation to the population of each zip code. This corrects for zip codes that have exceedingly large or small populations that might skew the market penetration data. By this measure, the Primary and Secondary trade areas for downtown State College can be established. The Primary trade area is the geography where the most loyal and frequent customers to State College reside. The Secondary trade area represents an area where State College businesses can rely on customers but to a lesser degree. Figure 6 shows customer visits per 1,000 people for each of the highest representative visits.

Determining the primary and secondary trade areas can sometimes be more "art" than science. At times, significant breaks in customer visits are not obvious. However, in State College's case the division of for the primary trade area is reasonably clear. Five zip codes, indicated in orange in

Figure 6. Customer Visits Per Thousand Residents in Participating Retailers.

Zip Code	Area	Population	Visits	Visits/1000 Pop
16827	Boalsburg	4,556	121	26.56
16802	Penn State Ca	12,342	236	19.12
16801	State College	49,726	925	18.60
16683	Spruce Creek	415	6	14.46
16803	State College	28,286	404	14.28
16870	Port Matilda	6,872	47	6.84
16865	Pennsylvania	2,490	15	6.02
16823	Bellefonte	27,206	112	4.12
16877	Warriors Marl	2,210	9	4.07
16828	Centre Hall	4,408	10	2.27
16611	Alexandria	2,670	5	1.87
16875	Spring Mills	3,926	6	1.53
16648	Hollidaysburg	14,090	15	1.06
16866	Philipsburg	10,455	10	0.96
16652	Huntington	17,329	8	0.46
16602	Altoona	30,144	13	0.43
16686	Tyrone	11,734	5	0.43

Figure 6, had visits of over ten per thousand residents. The smaller populated Boalsburg actually "jumped" to the most loyal customers in downtown State College while Penn State on campus students were almost as loyal. 16801 residents were more likely to shop downtown than 16803 residents though both are in the primary trade area. Spruce Creek is also included in the primary trade area because it is a geographic area, but its estimated population of slightly more than 400 makes it fairly insignificant in both retail demand and supply.

The secondary trade area for State College is more difficult to determine. Port Matilda and Pennsylvania Furnace each had over five visits per thousand residents (indicated in yellow in Figure 6 (previous page). The Bellefonte zip code had over four visits per thousand but is not included in the secondary trade area for downtown in order to provide a more conservative estimate of consumer buying power.

Part Two: Market Demographics

Population

Market demographics play a critical role in understanding the potential business growth for State College. When examined in a vacuum, the Borough of State College itself has rebounded from a decade of moribund growth to witness a growth rate that is triple that of Pennsylvania. This singular view, however, is not representative of the overall growth occurring in the trade area that State College serves. In fact, the population of the primary trade area indicated above stood at 84,564 in 2010 and experienced 15.2% growth in the decade between 2000 and 2010. This represents a growth rate that is five times faster than Pennsylvania and 50% higher than that of the United States as a whole. The growth rate is expected to temper through 2016, but still outpace the region.

The secondary trade area is growing at an even faster pace though the population is just one-tenth of that of the primary trade area. Other regional centers such as Bellefonte have actually declined in population during this same time period.

Population and household growth trends for the trade areas as well as other local communities, counties, Pennsylvania and the nation are shown in Figures 7 and 8 (following page).

Income

Like many college towns, there is a substantial income gap between State College residents and residents of nearby communities. Indeed, the Borough's median household income is $20,810 which is less than half that of the county, the state and the country. The Primary Trade area jumps to a median household income of $39,701 but still lags Centre County by $5,000 and the state by $10,000. The low median household income of the Borough and Primary Trade Area is to be expected and shouldn't be a major factor in evaluating the spending levels of the community. Students' disposable income is much more a factor in downtown spending than their income levels.

By contrast, downtown's secondary trade area that includes Port Matilda and Pennsylvania furnace is the highest median household income in the region at $71,668.

Figure 9 (page 25) illustrates a variety of income, housing value/rent and additional demographic information including median age, household size and travel time to work for the Borough, the trade areas and surrounding areas as compared with Pennsylvania and the United States.

Part Three: Market Analysis

Downtown State College is a retail center serving the primary and secondary markets defined above. In this section the retail market of these areas will be examined to identify potential opportunities for new retail development by examining retail trade patterns. This will allow the community to assess what kind of additional stores might be attracted to downtown State College as a whole and more specifically to downtown. This data will also help individual existing businesses understand how they might diversify product lines to be attractive to more customers. This is both a retention and recruitment tool.

	Population							
	Total Population			Percent Growth		Projected Growth		
	1990	2000	2010	1990-2000	2000-2010	2011	2016	2011-2016
US	248,709,873	281,421,906	308,745,538	13.15%	9.71%	310,704,322	321,315,318	3.42%
Pennsylvania	11,881,643	12,281,054	12,702,379	3.36%	3.43%	12,736,128	12,916,198	1.41%
PTA	65,968	73,411	84,564	11.28%	15.19%	87,401	91,252	4.41%
STA	6,535	7,158	8,686	9.53%	21.35%	8,774	9,149	4.27%
Borough of S.C.	38,927	38,420	42,034	-1.30%	9.41%	42,099	43,805	4.05%
16802	630	11,714	12,342	1759.37%	5.36%	12,373	12,474	0.82%
Centre CO	123,786	135,758	153,990	9.67%	13.43%	155,088	161,745	4.29%
Clinton CO	37,182	37,914	39,238	1.97%	3.49%	39,249	39,499	0.64%
Union CO	36,176	41,624	44,947	15.06%	7.98%	45,125	46,262	2.52%
Mifflin CO	46,197	46,486	46,682	0.63%	0.42%	46,802	47,126	0.69%
Huntingdon CO	44,164	45,586	45,913	3.22%	0.72%	45,979	46,223	0.53%
Blair CO	130,542	129,144	127,089	-1.07%	-1.59%	127,372	127,536	0.13%
Clearfield CO	78,097	83,382	81,642	6.77%	-2.09%	81,750	81,085	-0.81%
Boalsburg	3,271	3,578	3,722	9.39%	4.02%	3,771	3,925	4.08%
Bellefonte	6,358	6,395	6,187	0.58%	-3.25%	6,152	6,237	1.38%
Port Matilda	669	638	606	-4.63%	-5.02%	603	611	1.33%
Houserville	1,583	1,809	1,814	14.28%	0.28%	1,859	1,993	7.21%
Centre Hall	1,203	1,079	1,265	-10.31%	17.24%	1,271	1,305	2.68%

Figure 7. Population growth trends for the State College Primary and Secondary Trade Areas as compared with local, regional, statewide and national trends. Source: United States Census and Neilson, Inc.

	Households							
	Total Households			Percent Growth		Projected Growth		
	1990	2000	2010	1990-2000	2000-2010	2011	2016	2011-2016
US	91,947,410	105,480,101	116,716,292	14.72%	10.65%	117,457,661	121,712,803	3.62%
Pennsylvania	4,495,966	4,777,003	5,018,904	6.25%	5.06%	5,032,107	5,121,169	1.77%
PTA	21,680	25,735	30,472	18.70%	18.41%	30,926	32,855	5.06%
STA	2,356	2,564	3,215	8.83%	25.39%	3,244	3,408	6.24%
Borough of S.C.	10,939	12,024	12,610	9.92%	4.87%	12,652	13,404	5.94%
16802	160	473	594	195.63%	25.58%	597	613	2.68%
Centre CO	42,683	49,323	57,573	15.56%	16.73%	58,034	61,289	5.61%
Clinton CO	13,844	14,773	15,151	6.71%	2.56%	15,156	15,261	0.69%
Union CO	11,689	13,178	14,765	12.74%	12.04%	14,838	15,417	3.90%
Mifflin CO	17,697	18,413	18,743	4.05%	1.79%	18,792	18,974	0.97%
Huntingdon CO	15,527	16,759	17,280	7.93%	3.11%	17,308	17,496	1.09%
Blair CO	50,332	51,518	52,159	2.36%	1.24%	52,279	52,678	0.76%
Clearfield CO	29,808	32,785	32,288	9.99%	-1.52%	32,334	32,299	-0.11%
Boalsburg	1,232	1,344	1,523	9.09%	13.32%	1,541	1,629	5.71%
Bellefonte	2,657	2,796	2,837	5.23%	1.47%	2,817	2,879	2.20%
Port Matilda	260	257	262	-1.15%	1.95%	261	268	2.68%
Houserville	625	691	734	10.56%	6.22%	755	829	9.80%
Centre Hall	484	491	548	1.45%	11.61%	550	561	2.00%

Figure 8. Household growth trends for the State College Primary and Secondary Trade Areas as compared with local, regional, statewide and national trends. Source: United States Census and Neilson, Inc.

	Employment/Income					Demographics		
	2010					2010 Miscellaneous		
	Employ	MHI	Per Cap	Unit Value	Med Rent	Med Age	HH Size	Travel Time
US	139,033,928	$50,046	$26,059	$179,900	$855	37.20	2.58	25.30
Pennsylvania	5,755,001	$49,737	$26,678	$152,300	$566	40.10	3.02	25.40
PTA	34,610	$39,701	$21,413	$214,014	$733	24.10	2.30	n/a
STA	4,629	$71,668	$35,917	$209,368	$725	40.70	2.70	n/a
Borough of S.C.	13,800	$20,810	$12,966	$231,000	$730	22.50	2.30	14.30
16802	234	$13,625	$5,086	-	$789	19.30	3.14	n/a
Centre CO	65,775	$45,959	$22,949	$167,200	$692	28.80	2.38	19.30
Clinton CO	16,242	$39,198	$19,318	$95,800	$460	38.40	2.42	23.70
Union CO	17,220	$44,246	$21,023	$137,200	$458	38.30	2.43	19.70
Mifflin CO	18,941	$36,369	$18,733	$90,800	$372	42.40	2.46	21.80
Huntingdon CO	18,412	$41,078	$20,430	$101,000	$369	41.20	2.39	27.60
Blair CO	55,867	$40,673	$21,982	$94,600	$417	42.00	2.37	19.70
Clearfield CO	34,147	$36,470	-	$80,200	$373	42.90	2.37	24.00
Boalsburg	1,778	$71,350	$40,215	$206,500	$815	42.50	2.44	n/a
Bellefonte	2,992	$48,484	$24,957	$158,800	$510	39.40	2.10	n/a
Port Matilda	313	$33,864	$17,384	$99,000	$367	39.90	2.31	n/a
Houserville	1,024	$58,934	$27,989	$162,100	$900	38.50	2.47	n;a
Centre Hall	642	$50,375	$25,083	$161,800	$555	42.70	2.31	21.70

Figure 9. Household employment/income and demographic comparison for State College Trade Areas as compared to the region, state and nation. Source: United State Census and Neilson, Inc.

It is important to recognize, however, that pent up retail demand is but *A* reason why a store might be successful in a setting, there are *many* reasons why a store may succeed or fail beyond market forces alone. This research should be used as a resource to incorporate into a thorough business plan for store expansions or new store locations. It is also important to note that the figures shown below represent a macro view of the market forces at work and should be used to look beyond the current economic challenges facing the nation today.

Having said that, the opportunities presented below represent a conservative look at retail market potential for State College for two important reasons. First, these figures examine local customers' trade patterns and not the potential for State College to attract regional customers and visitors from elsewhere which it is already doing very successfully. Second, this information is a "snapshot" in time and does not account for the ongoing (albeit modest) growth the community is expected to enjoy in the coming years.

Retail Leakage in the Primary Trade Area

"Retail Leakage" refers to the difference between the retail expenditures by residents living in a particular area and the retail sales produced by the stores located in the same area. If desired products are not available within that area, consumers will travel to other places or use different methods to obtain those products. Consequently, the dollars not spent in local stores in the designated area are said to be "leaking." If a community is a major retail center with a variety of stores it may be "attracting" rather than "leaking" retail sales. Even large communities may see leakage in certain retail categories while some small communities may be attractors in certain categories.

Such an analysis is not an exact science and should be viewed as one tool to evaluate trade potential. In some cases large outflow may indicate that money is being spent elsewhere (drug store purchases at a Wal-Mart or apparel purchases through mail-order). It is important to note that this analysis accounts best for retail categories where households (rather than businesses) are essentially the only consumer groups. For example, lumberyards may have business sales that are not accounted for in consumer expenditures. Stores such as jewelry shops and clothing stores are more accurately analyzed using this technique. For State College the market data as supplied by Claritas Inc. (one of two leading market analysis companies in the United States).

With these considerations understood, the following shows the snapshot of the retail trading patterns for State College by Claritas, Inc. (see *Figure 10,* page 26-28):

- Primary trade area retailers in selected store types sold $1.49 billion in goods in 2011.
- Consumers in the same trade area spend $1.30 billion per year in retail goods.

Consequently, the State College primary trade area is *gaining* $184.7 million annually overall each year. Much of this market gain is happening in big box store categories such as building material and home centers, department stores, general merchandise stores. Other gains are related to the presence of Penn State University such as bookstores, restaurants and beer/wine/liquor sales.

Interestingly, the secondary trade area, while small, nearly compensates for the leakage in the primary trade area with a leakage of $136.3 million each year. Combined, the primary and secondary trade areas still leak gain sales but only to the tune of $48.4 million per year.

In spite of this gain, there are some compelling categories where the overall market is leaking sales. This represents a significant opportunity for downtown State College to grow its retail base. These categories include specialty food stores, cosmetics and beauty supplies, family clothing stores, clothing accessories, home furnishings and sporting goods.

Retail shares for State College will also be examined to study whether there are opportunity gaps not evident in the initial leakage study.

Opportunity Gap - Retail Stores	PTA		
	Consumer Expenditures	Retail Sales	Leakage (Inflow)
Total Retail Sales Incl. Eating and Drinking Places	1,304,728,031	1,489,438,726	(184,710,695)
Motor Vehicle and Parts Dealers-441	228,714,956	168,245,869	60,469,087
Automotive Dealers-4411	206,245,937	146,633,053	59,612,884
Other Motor Vehicle Dealers-4412	6,019,807	2,584,569	3,435,238
Automotive Parts/Accsrs., Tire Stores-4413	16,449,212	19,028,247	(2,579,035)
Furniture and Home Furnishings Stores-442	22,538,528	31,383,792	(8,845,264)
Furniture Stores-4421	12,034,747	21,943,098	(9,908,351)
Home Furnishing Stores-4422	10,503,781	9,440,694	1,063,087
Electronics and Appliance Stores-443	31,233,196	45,056,385	(13,823,189)
Appliances, TVs, Electronics Stores-44311	22,487,652	36,069,324	(13,581,672)
Household Appliances Stores-443111	4,539,254	2,933,362	1,605,892
Radio, Television, Electronics Stores-443112	17,948,398	33,135,962	(15,187,564)
Computer and Software Stores-44312	7,475,407	7,845,358	(369,951)
Camera and Photographic Equipment Stores-44313	1,270,137	1,141,703	128,434

Continued on page 27...

Figure 10: Retail leakage data chart for Downtown's Primary Trade area. Source: Neilson Inc. and Arnett Muldrow & Associates.

Opportunity Gap - Retail Stores	PTA		
	Consumer Expenditures	Retail Sales	Leakage (Inflow)
Building Material, Garden Equip Stores -444	103,216,878	153,051,652	(49,834,774)
Building Material and Supply Dealers-4441	93,888,361	145,920,320	(52,031,959)
Home Centers-44411	37,827,468	78,886,602	(41,059,134)
Paint and Wallpaper Stores-44412	2,216,757	626,680	1,590,077
Hardware Stores-44413	9,705,656	652,249	9,053,407
Other Building Materials Dealers-44419	44,138,480	65,754,789	(21,616,309)
Building Materials, Lumberyards-444191	18,945,891	25,710,132	(6,764,241)
Lawn, Garden Equipment, Supplies Stores-4442	9,328,517	7,131,332	2,197,185
Outdoor Power Equipment Stores-44421	755,849	0	755,849
Nursery and Garden Centers-44422	8,572,668	7,131,332	1,441,336
Food and Beverage Stores-445	173,082,329	213,948,627	(40,866,298)
Grocery Stores-4451	155,310,885	162,745,653	(7,434,768)
Supermarkets, Grocery (Ex Conv) Stores-44511	147,232,177	157,750,937	(10,518,760)
Convenience Stores-44512	8,078,708	4,994,716	3,083,992
Specialty Food Stores-4452	4,936,416	2,837,745	2,098,671
Beer, Wine and Liquor Stores-4453	12,835,028	48,365,229	(35,530,201)
Health and Personal Care Stores-446	55,571,546	51,373,502	4,198,044
Pharmacies and Drug Stores-44611	47,632,445	46,215,817	1,416,628
Cosmetics, Beauty Supplies, Perfume Stores	1,880,980	757,400	1,123,580
Optical Goods Stores-44613	2,478,122	2,485,373	(7,251)
Other Health and Personal Care Stores-44619	3,579,999	1,914,912	1,665,087
Gasoline Stations-447	128,201,486	54,023,258	74,178,228
Gasoline Stations With Conv Stores-44711	95,985,583	30,032,287	65,953,296
Other Gasoline Stations-44719	32,215,903	23,990,971	8,224,932
Clothing and Clothing Accessories Stores-448	67,057,963	63,748,997	3,308,966
Clothing Stores-4481	48,349,157	47,713,133	636,024
Men's Clothing Stores-44811	3,428,213	4,388,135	(959,922)
Women's Clothing Stores-44812	12,887,913	19,550,474	(6,662,561)
Children’s, Infants Clothing Stores-44813	1,781,171	1,669,850	111,321
Family Clothing Stores-44814	25,704,517	20,168,896	5,535,621
Clothing Accessories Stores-44815	1,225,418	485,505	739,913
Other Clothing Stores-44819	3,321,925	1,450,273	1,871,652
Shoe Stores-4482	9,243,059	8,255,087	987,972
Jewelry, Luggage, Leather Goods Stores-4483	9,465,747	7,780,777	1,684,970
Jewelry Stores-44831	8,718,501	7,780,777	937,724
Luggage and Leather Goods Stores-44832	747,246	0	747,246

Continued on page 28...

Opportunity Gap - Retail Stores	PTA		
	Consumer Expenditures	Retail Sales	Leakage (Inflow)
Sporting Goods, Hobby, Book, Music Stores-451	31,318,744	78,558,493	(47,239,749)
Sporting Goods, Hobby, Musical Inst Stores-4511	17,184,022	13,108,598	4,075,424
Sporting Goods Stores-45111	9,114,321	7,556,658	1,557,663
Hobby, Toys and Games Stores-45112	5,231,338	3,060,396	2,170,942
Sew/Needlework/Piece Goods Stores-45113	988,001	1,116,775	(128,774)
Musical Instrument and Supplies Stores-45114	1,850,362	1,374,769	475,593
Book, Periodical and Music Stores-4512	14,134,722	65,449,895	(51,315,173)
Book Stores and News Dealers-45121	11,174,038	57,709,807	(46,535,769)
Book Stores-451211	10,818,339	50,389,242	(39,570,903)
News Dealers and Newsstands-451212	355,699	7,320,565	(6,964,866)
Prerecorded Tapes, CDs, Record Stores-45122	2,960,684	7,740,088	(4,779,404)
General Merchandise Stores-452	168,859,056	289,347,456	(120,488,400)
Department Stores Excl Leased Depts-4521	82,053,238	169,528,250	(87,475,012)
Other General Merchandise Stores-4529	86,805,818	119,819,206	(33,013,388)
Miscellaneous Store Retailers-453	34,670,835	61,256,488	(26,585,653)
Florists-4531	2,210,436	5,547,816	(3,337,380)
Office Supplies, Stationery, Gift Stores-4532	14,397,940	29,197,514	(14,799,574)
Office Supplies and Stationery Stores-45321	8,360,973	21,039,471	(12,678,498)
Gift, Novelty and Souvenir Stores-45322	6,036,967	8,158,043	(2,121,076)
Used Merchandise Stores-4533	3,580,445	3,381,803	198,642
Other Miscellaneous Store Retailers-4539	14,482,014	23,129,355	(8,647,341)
Non-Store Retailers-454	102,264,599	79,281,863	22,982,736
Foodservice and Drinking Places-722	157,997,915	200,162,344	(42,164,429)
Full-Service Restaurants-7221	72,179,004	110,967,084	(38,788,080)
Limited-Service Eating Places-7222	65,506,630	70,781,319	(5,274,689)
Special Foodservices-7223	12,802,489	2,561,045	10,241,444
Drinking Places -Alcoholic Beverages-7224	7,509,792	15,852,896	(8,343,104)

Retail Share Analysis

Unlike a retail leakage analysis, a retail shares analysis benchmarks the primary trade area for Downtown State College against a larger region. The primary trade area's percentage of overall sales in the greater region becomes the benchmark that each retail store type is compared with. In the case of State College's primary trade area the benchmark is 17.8% of sales in a seven county region that includes the counties of: Centre, Blair, Clearfield, Clinton, Huntington, Mifflin, and Union.

When the percentage of sales far exceeds the benchmark (such as bookstores, convenience stores, restaurants, and bars); State College has a strong business cluster in this retail category. This can be viewed as a strength that can continue to build over time. It is very likely that State College will remain a dining and entertainment destination for the region.

When the percentage of sales is far below the benchmark, this also could represent a "missed opportunity" for downtown State College. Not all store types that fall below the benchmark are suitable candidates for downtown State College. Those that are, however, are highlighted in the detailed table below. Among the most interesting are specialty food, personal care, cosmetics and beauty supply, and special food services (typically preparation of food for off-site consumption).

Figure 11: Retail Shares comparing downtown State College's Primary Trade Area with a Seven County region. Source: Neilson Inc. and Arnett Muldrow & Associates.

Retail Shares Retail Shares Downtown State College			
Area ZIP Codes (see appendix for geographies), Total Retail Stores	PRIMARY TRADE AREA 2013 Supply (Retail Sales)	7 COUNTY REGION 2013 Supply (Retail Sales)	SHARE
Total Retail Sales Incl Eating and Drinking Places	1,344,917,496	7,574,611,515	17.80%
Motor Vehicle and Parts Dealers-441	186,846,783	1,397,290,410	13.40%
Automotive Dealers-4411	163,171,373	968,937,719	16.80%
Other Motor Vehicle Dealers-4412	7,977,964	345,783,440	2.30%
Automotive Parts/Accsrs, Tire Stores-4413	15,697,446	82,569,251	19.00%
Furniture and Home Furnishings Stores-442	41,264,669	163,019,177	25.30%
Furniture Stores-4421	28,136,303	104,629,162	26.90%
Home Furnishing Stores-4422	13,128,366	58,390,015	22.50%
Electronics and Appliance Stores-443	21,294,656	107,501,408	19.80%
Appliances, TVs, Electronics Stores-44311	19,010,433	81,325,581	23.40%
Household Appliances Stores-443111	293,981	8,716,413	3.40%
Radio, Television, Electronics Stores-443112	18,716,452	72,609,168	25.80%
Computer and Software Stores-44312	2,241,973	25,241,563	8.90%
Camera and Photographic Equipment Stores-44313	42,250	934,264	4.50%

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Retail Shares Retail Shares Downtown State College			
Area ZIP Codes (see appendix for geographies), Total Retail Stores	PRIMARY TRADE AREA 2013 Supply (Retail Sales)	7 COUNTY REGION 2013 Supply (Retail Sales)	SHARE
Building Material, Garden Equip Stores -444	141,896,661	922,552,560	15.40%
Building Material and Supply Dealers-4441	131,839,223	808,728,878	16.30%
Home Centers-44411	52,662,629	389,316,752	13.50%
Paint and Wallpaper Stores-44412	0	9,988,660	0.00%
Hardware Stores-44413	0	54,607,976	0.00%
Other Building Materials Dealers-44419	79,176,594	354,815,490	22.30%
Building Materials, Lumberyards-444191	30,958,044	138,732,810	22.30%
Lawn, Garden Equipment, Supplies Stores-4442	10,057,438	113,823,682	8.80%
Outdoor Power Equipment Stores-44421	0	13,914,461	0.00%
Nursery and Garden Centers-44422	10,057,438	99,909,221	10.10%
Food and Beverage Stores-445	216,431,725	932,685,758	23.20%
Grocery Stores-4451	165,056,074	560,541,121	29.40%
Supermarkets, Grocery (Ex Conv) Stores-44511	157,328,174	544,777,357	28.90%
Convenience Stores-44512	7,727,900	15,763,764	49.00%
Specialty Food Stores-4452	6,631,440	276,120,945	2.40%
Beer, Wine and Liquor Stores-4453	44,744,211	96,023,692	46.60%
Health and Personal Care Stores-446	36,911,596	386,593,952	9.50%
Pharmacies and Drug Stores-44611	30,262,793	318,239,172	9.50%
Cosmetics, Beauty Supplies, Perfume Stores-44612	1,192,756	19,071,269	6.30%
Optical Goods Stores-44613	2,353,880	15,105,780	15.60%
Other Health and Personal Care Stores-44619	3,102,167	34,177,731	9.10%
Gasoline Stations-447	70,092,110	1,256,526,479	5.60%
Gasoline Stations With Conv Stores-44711	53,353,175	788,307,105	6.80%
Other Gasoline Stations-44719	16,738,935	468,219,374	3.60%
Clothing and Clothing Accessories Stores-448	62,426,108	211,789,587	29.50%
Clothing Stores-4481	47,112,541	161,572,020	29.20%
Men's Clothing Stores-44811	1,195,434	4,778,737	25.00%
Women's Clothing Stores-44812	2,171,808	8,484,811	25.60%
Children's, Infants Clothing Stores-44813	3,775,589	9,679,546	39.00%
Family Clothing Stores-44814	35,166,537	113,915,316	30.90%
Clothing Accessories Stores-44815	668,803	3,345,622	20.00%
Other Clothing Stores-44819	4,134,370	21,367,988	19.30%
Shoe Stores-4482	1,993,236	9,604,068	20.80%
Jewelry, Luggage, Leather Goods Stores-4483	13,320,331	40,613,499	32.80%
Jewelry Stores-44831	13,320,331	40,613,499	32.80%

Continued on page 31...

Retail Shares Retail Shares Downtown State College			
Area ZIP Codes (see appendix for geographies), Total Retail Stores	PRIMARY TRADE AREA 2013 Supply (Retail Sales)	7 COUNTY REGION 2013 Supply (Retail Sales)	SHARE
Sporting Goods, Hobby, Book, Music Stores-451	96,866,237	251,321,889	38.50%
Sporting Goods, Hobby, Musical Inst Stores-4511	37,268,179	162,065,056	23.00%
Sporting Goods Stores-45111	21,189,488	79,216,881	26.70%
Hobby, Toys and Games Stores-45112	9,286,729	43,505,731	21.30%
Sew/Needlework/Piece Goods Stores-45113	1,278,157	21,257,907	6.00%
Musical Instrument and Supplies Stores-45114	5,513,805	18,084,537	30.50%
Book, Periodical and Music Stores-4512	59,598,058	89,256,833	66.80%
Book Stores and News Dealers-45121	59,354,202	88,021,073	67.40%
Book Stores-451211	57,524,825	86,135,128	66.80%
News Dealers and Newsstands-451212	1,829,377	1,885,945	97.00%
Prerecorded Tapes, CDs, Record Stores-45122	243,856	1,235,760	19.70%
General Merchandise Stores-452	249,325,343	1,186,497,770	21.00%
Miscellaneous Store Retailers-453	43,495,754	228,621,603	19.00%
Florists-4531	592,762	9,689,544	6.10%
Office Supplies, Stationery, Gift Stores-4532	16,922,791	49,091,668	34.50%
Office Supplies and Stationery Stores-45321	9,652,159	29,895,361	32.30%
Gift, Novelty and Souvenir Stores-45322	7,270,632	19,196,307	37.90%
Used Merchandise Stores-4533	3,613,942	17,789,370	20.30%
Other Miscellaneous Store Retailers-4539	22,366,259	152,051,021	14.70%
Foodservice and Drinking Places-722	178,065,854	530,210,922	33.60%
Full-Service Restaurants-7221	99,783,629	265,812,002	37.50%
Limited-Service Eating Places-7222	62,271,133	210,423,540	29.60%
Special Foodservices-7223	2,219,836	25,063,660	8.90%
Drinking Places -Alcoholic Beverages-7224	13,791,256	28,911,720	47.70%

Downtown Retail Opportunities

Downtown State College can capitalize both on its existing strengths and on the “missing pieces” to create a more rounded out retail offering that will enhance downtown’s appeal to the local, regional, and visiting shopper and diner. Some of the existing strengths of downtown as a dining and entertainment district will remain stable and expand as the population grows. Other categories represent opportunities to fill an unmet need in the market. The following categories represent the best opportunities for growth in downtown State College:

- Home Furnishings: This category represents an interesting combination in that a unique home furnishings store (home accessories not furniture) can be appealing to the student population as well as the local and regional customer. Evidence of this success is that Urban Outfitters has a location in downtown State College. This store has a home furnishings section that occupies roughly 20% of the store’s footprint. Additional stores might cater more to young professionals, families, and graduate students while also being appealing to visitors.

- Special Food Services and Specialty Food: State College both leaks sales in specialty food and is a poor regional performer in these categories. Specialty food stores are rapidly becoming more popular nationally as people eschew traditional large format supermarkets for all of their grocery shopping in favor of local markets, specialty grocers, and individual stores for food types (the butcher, the baker, and so forth). This category is especially interesting in that the Farmers Market is successful in downtown, it relates closely with the Land Grant heritage of Penn State, and the region provides a wealth of agricultural and specialty food options that could be sold in downtown.
- Health, Personal Care, Beauty, Cosmetics: This category covers a wide range of products and infers a need for accompanying services such as day spas. Again, this is a category that can be appealing both to students, young professionals, and visitors.
- Clothing and Clothing Accessories: While clothing represents a strong share of the regional market, the local market still leaks sales in the clothing categories. This is an indicator that the entire region is leaking sales in clothing categories. Most store types that would locate in downtown State College will be highly tailored to the local customer base but will not require significant space.

Each of the categories above can be uniquely tailored to appeal to a student, permanent resident, and visitor market. In fact, the most successful stores will strive toward this broad approach in order to counteract the seasonality of a student market.

Office, Hotel and Housing Report

Office Market

State College lacks a sufficient amount of speculative office space to complete a comprehensive analysis of the overall office market. Office rental rates hover in the $15 per square foot range downtown and are up to $20 per square foot in Innovation Park, which provides more class A space. Furthermore, Innovation Park offers much more flexible space sizes.

Downtown State College has little class A office space available with most of it ranging from 1000-2000 square feet according to LoopNet the leading commercial real estate database online. National trends indicate a desire for companies (particularly those that are technological) to locate in downtowns. This trend is extending to university communities as well. Blacksburg, Virginia is a prime example of this trend. Both Modea an online marketing firm and Rackspace a cloud computing company have located their corporate headquarters away from the Corporate Research Center to downtown.

One national trend that is gaining traction is co-working where solo entrepreneurs share space and common areas. Many university communities are opening both incubators and co-working space in their downtowns. Northwestern, University of Alabama, Bucknell, University of Louisville, and the University of Missouri have all opened incubators or co-working space within the last year or two in downtown locations.

Many of these spaces range between 10,000 to 20,000 square feet and are a partnership between the University and local entities to bring entrepreneurship into the downtowns of their partner communities.

Hotel Market

National trends in the hotel industry continue to be impressive according to the major hotel research companies (PKF and PwC) as well as hotel holding companies such as Pyramid Hotel Group. The outlook for the future is that nationally, hotel revenue per available room (REVPAR) will continue to increase in most markets.

In State College, the hotel market is marginally healthy when compared to the state as a whole according to the November year over year reporting for the State of Pennsylvania by Smith Travel Research.

The occupancy rate declined slightly from November 2011 to November 2012 from 63% to 60% (the national average is 61%). Meanwhile, the average daily rates (ADR) for hotels increased from $102.77 to $104.02 which is the fourth highest ADR in the state's fourteen reporting areas. Only Pittsburgh, Philadelphia, and the Poconos have higher ADR's.

The Revenue Per Available Room (RevPAR) for State College declined between 2011 and 2012 though it remains among the highest in the Commonwealth at 5th out of the fourteen reporting areas.

In the decade between 1997 and 2007 (the most recent census data), accommodations revenue in Centre County increased by 50% from $40.2 million to $62.2 million. While 2012 data is not yet available, the national trends and the state trends indicate that despite a decline in 2012, the long-term outlook for hotels in the region is positive.

Several "Select Service" hotels are not yet in the market (Aloft by Westin and Hyatt Place by Hyatt) each represent good opportunities. Full service hotels may also be ready for a comeback in the market over the coming years.

Having said this, the downturn in overall occupancy rates that has happened in the region has existing hoteliers concerned about the prospect of any new product coming on line in the near future. While downtown State College benefits from several existing properties, no new hotel construction has happened in the downtown in decades and recent trends indicate that new downtown hotel properties are able to charge a premium due to their proximity to dining and shopping options.

The master plan should take a long-term look at opportunities to foster future hotel development in downtown although it may take several years for the market to realize these developments. As with many downtown projects, a hotel should be part of a mixed use development that may involve a public private partnership to help the development through the more complex site development and parking requirements in an urban environment...

Housing Market

Population
As illustrated in the retail market report, the population for the Borough of State College, the primary and secondary trade areas for downtown, and Centre County all increased between 2000 and 2010. The Borough actually reversed its trend of a relatively stable population between 1990 and 2000 to grow by 3,600 people (9.4%) between 2000 and 2010 to grow to 42,034.

According to Neilson, the population has grown by another 500 people since 2010 and is expected to continue to grow (see Figure 12).

As the Borough is "landlocked" and for the most part built out, the reversal in population growth is an indicator that the community is redeveloping underutilized properties. Of course, the rate of population growth is slower than the surrounding municipalities and Centre County as a whole as they have more space to build.

Figure 12: Population growth in State College Borough. Source: Neilson.

Population	
2018 Projection	43,495
2013 Estimate	42,503
2010 Census	42,034
2000 Census	38,344
Growth 2013-2018	2.33%
Growth 2010-2013	1.12%
Growth 2000-2010	9.62%

Student Population

The average student enrollment growth per year has been 340 Students per year over the past 25 years attending the University Park campus of Penn State (Source: Penn State University Budget Office Historical Fall Headcount Enrollment at University Park Campus). The 2012 enrollment headcount at University Park stood at 45,351 this past fall, an increase of 157 students over 2011.

It is important to understand that the student population growth and the Borough population growth are very different things, as student growth will be accommodated on the campus at University Park, in the Borough itself, and in surrounding municipalities . This has varied by year but represents a significant growth over time. There are no indications that this growth is going to slow in the future.

Households

There are clear indications, however, that the increase in student population is greatly affecting the composition of the Borough's population. While population in the borough has increased, the number of family households has decreased during the same time period from 3,289 to 3,069 (see Figure 13). This mirrors the findings of the State College Borough Sustainable Neighborhoods Report of 2012 that indicates that student rental in single family houses has increased as a percentage of overall single family housing from between 10 and 12 percent in 1990 to between 19 and 20 percent in 2012.

Housing Units

The number of housing units in State College Borough is estimated at 12,712 in 2013. Rental housing comprises nearly 80% of the housing stock (see Figure 14).

Single-family housing units still comprise one fifth of the housing units in the borough. Multi-family housing in large complexes of over 50 units is also about one fifth of the housing stock (see Figure 15).

As to be expected, the housing stock in the Borough is older relative to the surrounding jurisdictions with a median year built estimated at 1972. In fact less than 10% of the housing

Figure 13: Household growth in State College Borough. Source: Neilson.

Family Households	
2018 Projection	3,099
2013 Estimate	3,095
2010 Census	3,069
2000 Census	3,289
Growth 2013-2018	0.13%
Growth 2010-2013	0.85%
Growth 2000-2010	-6.69%

Figure 14: Housing Tenure in State College Borough. Source: Neilson.

2013 Est. Tenure of Occupied Housing Units	12,712	
Owner Occupied	2,562	20.15
Renter Occupied	10,150	79.85

Figure 15: Housing unit by type in State College Borough. Source: Neilson.

2013 Est. Housing Units by Units in Structure	13,117	
1 Unit Attached	1,003	7.60%
1 Unit Detached	2,809	21.40%
2 Units	402	3.10%
3 or 4 Units	555	4.20%
5 to 19 Units	3,115	23.70%
20 to 49 Units	2,263	17.30%
50 or More Units	2,913	22.20%
Boat, RV, Van, etc.	4	0.00%

stock in the borough has been constructed since 2000 with the major increase in housing occurring during the decade of the 1970's where 21% of the housing stock was built coinciding with significant growth in the enrollment at Penn State.

According to HUD's State of the Cities Data System reporting, State College has had relatively few building permits issued in the last five years with the most occurring in 2012. The total of 196 represents only 8% of the building permits issued in all of Centre County which equals 2341 in the past five years (2012 was also a banner year for building permits in the County with 862 building permits issued.

Housing Market Conclusions

- Downtown State College has had little residential construction geared toward the non-student population. There is likely pent up demand for one or two residential projects that would cater to this demographic and be of limited size. Based on allocating household growth and the amount of building permits issued outside the Borough, Arnett Muldrow estimates that 24-36 units of housing that is geared toward the non-student population for a total of 48 to 72 units is likely to be supportable in the short-term horizon. Over the next five to ten years, an additional 100 units could be likely if the initial concept takes hold.
- The products would need to be of high quality, offer excellent amenities, and be marketed aggressively.
- The non-student housing is likely to be contingent on the Borough providing some level of incentive to facilitate this kind of development whether through parking provision (techniques might include a waiver, shared parking, certificate of participation, development agreement). Another way for non-student housing to succeed in downtown State College is for the housing trust fund
- Even though growth has been slow with building permits, the borough does need to address multi-family student housing proximate to the university to forestall the increasing encroachment of students into single-family neighborhoods. If the Borough absorbed a minimum of 20% of the enrollment growth in students it would result in demand for about 17 units per year that house 4 students per unit.
- A high quality student housing development with the right design and amenities inside the Borough could "trump" some of the significant suburban growth in student residential development in adjacent townships because of its proximity to campus. This, combined with significant student housing projects in adjacent jurisdictions, is likely to sap up demand and soften the market for the weakest (most out of date and deteriorating) housing products.
- A larger product with the right design and amenities would "trump" suburban growth in residential outside the borough because of proximity to the campus.