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Valuing the impact of tourism and second-home ownership on Cape Cod retail demand

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Cape Cod has a large and diverse demand for retail shops, but at first glance the Cape's demographic characteristics may seem puzzling to some retailers trying to stay within a specific set of demographic criteria. The Cape is a peninsula composed of 15 towns separated from the "mainland" of Massachusetts by a canal, and accessed by two bridges. Because the Cape is long and narrow, the population is not clustered in easily defined and quantified radiuses, nor do the areas of densest population necessarily contain the most viable trade areas or retail centers.

Although the Cape's 215,000 full-time residents are spread out among those 15 towns, many are highly mobile, and routinely drive beyond 3, 5 or 10 miles to shop. Even many of the 26,000 permanent residents of Martha's Vineyard and Nantucket shop on Cape Cod, and further adding to those mobile consumers are the more than four million annual visitors to the Cape and thousands of second-home owners attracted to the Cape's 560 miles of shoreline, spectacular beaches, abundance of art and culture, recreation and entertainment, hospitality and dining.

An impressive 35% of all homes on Cape Cod are second-homes, with 58% of them owned by Massachusetts residents able to travel to their Cape vacation homes frequently. In fact, the typical second-home owner spends over 140 days per year on the Cape, and 92.5% of them have household incomes over \$50,000, with 80% over \$75,000. A report from the UMass Donahue Institute further elaborates that among the more than 56,000 second-homes, over 85% of the owners have college degrees, and 67% have incomes over \$100,000. Further, the on-going conversion of second-homes to full-time homes results in additional locally purchased goods and services. For instance, 71% second-home owners currently purchase the clothes they use on Cape at the Cape, but that kicks up to 93% after conversion.

Unfortunately, these attractive numbers usually don't show up in population counts or other demographic statistics, despite the fact that Cape Cod Chamber of Commerce research indicates that the the number one activity for those four million plus visitors is shopping! Not surprisingly, these extra customers have the benefit of fueling not just the November/December shopping bounce, but a second bounce from June through September, with some shops seeing more than a 50% surge in sales.

The Cape's full-time residents can boast below average unemployment, above average incomes, and a high level of education. Of the 3,141 counties in U.S., Cape Cod ranked in the top 3.2% in per capita personal income and the top 3.3% in the number of adult residents with college degrees. A recent study conducted for the Cape Cod Commission indicates the emerging industries on Cape Cod include arts, entertainment, recreation, educational services, finance and insurance, information, professional, scientific and technical services - bringing well-paying jobs that will help add to retail demand.

The Cape has few dense clusters of modern retail stores, but Mashpee, where South Cape Village Shopping Center is located, is an exception, making it an attractive location for local, regional, and national retailers. Mashpee's natural trade area of Sandwich, Bourne, Falmouth, Mashpee, and Barnstable represents over 130,000 full-time residents. Add to that the Cape's millions of visitors and an additional 35% second-home ownership and it's easy to understand why standard demographics based on circles around a potential location don't tell the whole story. Thus, national and regional chains would be prudent to factor in part-time residents and visitors when evaluating the Cape Cod retail market.

A recent article in Business Week, citing a Reis Inc. report, stated that in the fourth quarter of 2011 U.S. shopping centers had their first gain in occupied space in four years. At the same time, average rents on Cape Cod have remained well below the national average, with prime space available at very reasonable rates, enhancing the "value equation" and reducing the percentage of overall operating costs retailers spend on real estate. At the same time, Cape Cod is investing in new infrastructure, including a \$32 million high speed internet pipeline for commercial and government use, and a more favorable business climate is being created through improved zoning and permitting and other sensible policy changes.

Mashpee is the fastest growing town on Cape Cod, well-located, with high value new retail space at reasonable rents.

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