



re :

# MACON ACTION PLAN

## commercial market profile



NOVEMBER 2014

# overview

The purpose of this analysis is to examine the commercial real estate market dynamics and trends in Macon's Urban Core, and determine how they may impact the potential for development and redevelopment. Both the positive and negative influences affecting the Urban Core are considered in this analysis for the purpose of identifying opportunities to capitalize on positive trends and to enhance declining areas.

This document has five sections.

**EXECUTIVE SUMMARY:** Summary of key real estate market dynamics unique to Macon's Urban Core, a brief synopsis of each of the property sectors' performance and potential opportunities.

**PROPERTY TAX PROFILE:** Reviews Macon's Urban Core property tax market values and revenues.

**RETAIL MARKET ANALYSIS:** Reviews Macon's Urban Core performance, regional characteristics, and national trends related to retail development.

**OFFICE MARKET ANALYSIS:** Reviews Macon's Urban Core performance, regional characteristics, and national trends related to office development.

**INDUSTRIAL MARKET ANALYSIS:** Reviews Macon's Urban Core performance, regional characteristics, and national trends related to industrial development.

# executive summary

## SUMMARY :: KEY REAL ESTATE DYNAMICS

While this market assessment looks at the retail, office, and industrial markets in Macon's Urban Core separately and in depth, there are several key market dynamics that cut across these sectors and influence the Urban Core as a whole.

### Regional Position

Over decades, the commercial uses that were concentrated downtown dispersed throughout the region. The "center" did not relocate, instead the dispersal resulted in a dilution and weakening of the region's economic performance as a whole. Efforts to add new housing in Macon's Urban Core are an important component of improving the quality of life in the area and improving outsiders' perceptions of Macon's Urban Core. However, the residents of this new housing will not be able to support enough businesses to fill a downtown that was built as the commercial hub for the entire region. The current focus on government-related and local-serving office will not provide for significant new office development or upgrades to current office buildings. The primary destination-related reason to go downtown currently is medical care.

## Supply-Demand Mismatch

In all three sectors, but especially in the retail market, there is much more space than there is demand. From the City's founding until the 1970s, Downtown Macon was the center for all types of commerce for both the City of Macon and the larger region. Over the last several decades, several hundred thousand square feet of space were built to accommodate those businesses. However, a significant number of commercial uses have now migrated to the suburbs. There are no longer enough commercial tenants to fill the downtown buildings. This "slack" in the market has resulted in high vacancy rates, low rental rates, a lack of reinvestment in buildings, and a significant number of marginal, and likely unsustainable, retail businesses drawn to the area.

## Barriers to Entry

Macon's Urban Core has several attributes that should point towards a successful commercial real estate market, including interstate access, a location central to the regional market, and a deep stock of historic buildings. Unfortunately, several issues in Downtown Macon have hindered progress. According to local business owners, negative perceptions keep away potential customers, retail tenants, and office tenants. These perceptions include that parking is unavailable or inconvenient and that the area is unsafe. In addition, many building owners have not viewed the area as worthy of reinvestment for their properties, creating a lack of competitive space for more successful retailers and for corporate office tenants.

## Static Status

In many ways, downtown Macon has been mothballed. Many buildings, and even businesses, are in the same state as when people started leaving downtown for the mall and suburbs. The disinvestment that has occurred over the last several decades is deep. In some cases, a "de facto" preservation of sorts has occurred by the lack of use. However, many buildings are in disrepair as a result. Buildings, and many businesses, have not been actively adapting and transforming as the commercial development and consumer landscape has changed across the country. There seems to still be an understanding of downtown as only a need-based location, such as for the medical and government employment, which is very outdated. However, there has not been a strong or well-developed push for the want-based users for downtowns – residents, creative and knowledge businesses, destination shoppers, and entertainment customers – to date.

## SUMMARY :: RETAIL

### Current Situation

There is limited competitive retail remaining in Macon's Urban Core; with some strong, relevant individual businesses that prove the destination retail market still can exist for downtown. The regional retail migrated with the residents, as they moved to the suburbs. The retail market has split into smaller nodes to the north and south, weakening the regional draw area overall. There are significant vacancies and low rental rates for retail in the Urban Core.

### opportunity :: retail

Downtown's location is prime to be the central, regional destination with larger draw area. Increased programming and diversity of businesses would increase destination customer capture.

## SUMMARY :: OFFICE

### Current Situation

There is some office still remaining in Macon's Urban Core. Medical- and government-related uses are the current anchors. There are few major corporate users left outside of these industries. The office market dispersed into the region, developing on a smaller scale in areas spread out and closer to residents. The office market appears soft in terms of vacancies and rental rates for the Urban Core.

### opportunity :: office

Downtown's location is an asset for regional office in all sizes. Increased amenities and growing or attracting key users could make downtown a viable and relevant business hub.

## SUMMARY :: INDUSTRIAL

### Current Situation

There are few industrial users in Macon's Urban Core as a proportion of commercial development. There is significant vacancy and even open land, as most industrial users have moved to the outskirts of the region, near the airport, or into designated industrial parks. There are a handful of artisan production businesses, as well as some adaptive re-use of industrial buildings with updated tenants. There are significant vacancies and low rental rates for industrial in the Urban Core.

### opportunity :: industrial

Downtown's location and the character of the available industrial space are a fit for a potential niche in small-scale / artisan / value-add manufacturing and adaptive re-use for commercial purposes.

# property tax profile

It is typical for downtowns to have a concentration of high property values. There are generally greater infrastructure assets and higher property tax revenues. Macon's Urban Core does deliver both higher property values and tax revenues in comparison to the rest of Macon-Bibb County.

There is a total estimated market value of \$1.0 billion for properties in Macon's Urban Core, generating approximately \$7.6 million in tax revenue, as demonstrated in the adjacent table. Approximately \$530.5 million in property value, equaling 52% of the total market value, is exempt from taxation.

To better understand the Urban Core's role and property positioning, looking at market values and tax revenues by a per acre value is critical. Making comparisons on a per acre basis, instead of total value, helps to demonstrate the potency of properties. It also captures the return on investment for the property.

Macon's Urban Core has a per acre market value of \$469,765 and a per acre tax revenue of \$3,470 annually. The rest of Macon-Bibb County has a per acre market value of \$48,510 and a per acre tax revenue of \$710 annually. The Urban Core's per acre market value is nearly ten times the rest of the city-county, even with 52% of its market value being tax exempt. The Urban Core's per acre tax revenue is nearly five times the rest of the city-county.

**PROPERTY TAX BASE, MACON'S URBAN CORE, 2014**

PROPERTY TYPE	MARKET VALUE	TAX REVENUE
Commercial & Industrial	\$362.8 M	\$5.7 M
Residential	\$111.4 M	\$1.6 M
Historic	\$19.1 M	\$171 K
Exempt	\$530.5 M	\$ 0
<b>TOTAL</b>	<b>\$1.0 B</b>	<b>\$7.6 M</b>

*Source: Macon-Bibb County Urban Development Authority and Re:Posit Strategies.*

# retail

## RETAIL :: NATIONAL CONTEXT

### Current Situation

The retail market is never static. It is always shifting to react to changing consumer preferences and lifestyles. Until the mid-twentieth century, downtowns were the center of retail commerce. By the 1950s and 1960s, retailers began to follow their customers to the new suburban neighborhoods in outlying areas. At first, this suburban retail consisted mainly of stores selling convenience items close to home. Large shopping trips still took place downtown.

But soon even the large downtown department stores were opening branches on the outskirts of town. The advent of the enclosed mall spelled the end of downtown's retail dominance. These shopping centers provided all of the stores and services previously found in the downtown, but did so in a climate-controlled environment with expansive and easy parking.

For several decades, the dominance of the regional mall seemed unshakable. However, by the 1980s, there was a new phenomenon on the retail scene, large stores specializing in a niche product area. Often referred to as "category-killers" or big box retailers, these stores took what had been one individual department of a larger store and created a superstore with a deeper product selection. These stores began to group together in large, outdoor shopping centers, which came to be known as "power centers." Over time, this led to a migration of non-fashion tenants out of the enclosed malls. Most department stores also gradually dropped their hard lines, focusing almost entirely on clothing and "soft" home goods. The growing competition from new retailers

led to a massive consolidation in the department store industry, with the local department store all but disappearing.

Just as power centers pulled away the discount and variety retailers from the enclosed malls, a fairly new phenomenon, the "lifestyle center," has begun to compete for the higher-end specialty shops. Lifestyle centers are outdoor shopping centers consisting largely of the fashion retailers who were previously found only in enclosed malls. Sometimes these centers include a department store anchor, but often they do not. This new format provides a lower-cost alternative for the retailer and an easier, quicker shopping experience for the customer. These new lifestyle centers have led to an erosion in the stores available to fill small shop space in the regional malls.

While the indoor regional mall is still a strong force in retail, the market dynamics mentioned above are likely to cause a sizeable reduction in the number of these centers. Over the next decade, it is likely that only the strongest will survive and thrive. If current trends continue, many small and mid-sized metro areas may no longer have an enclosed mall.

While enclosed malls represented one segment of the suburbanization of retail, stores selling everyday convenience items also abandoned downtowns for outlying areas. During the 1960s and 1970s, discount stores and grocery stores blanketed the country. At first, these stores were typically managed by regional chains, with a few national players. Over time, one regional discounter, Walmart, began to overtake its rivals and to gradually dominate this market segment, along with Kmart and Target. Consolidation also took place in the grocery segment as regional chains merged and weaker competitors faltered. Whereas many metropolitan areas once had at least four or five grocery chains, most now have only one or two large-scale chains competing with Walmart.

The retail market in the United States continues to face enormous pressures. Declining incomes from the Great Recession led to a pullback on discretionary purchases. In addition, growing Internet retail sales are pulling customers away from "brick-and-mortar" stores. The result has been failing regional malls, vacant strip center space, and a decline in the number of competitors in the big box retail market. Examples can be seen in the liquidation of chains.

Overall, it is expected that the bricks and mortar retail sector will continue to shrink. Most large-box stores are losing market share to online retailers and many are moving their own sales model towards an online direction. Even profitable retailers are looking at closing marginal stores and moving to smaller prototypes. At the higher end of the market, the explosion in lifestyle centers seems to be tapering off as the most desirable trade areas have been largely built-out.

A new trend is emerging of retail developments as part of mixed-use projects and encompassing a wide variety of tenants who would have previously not co-located in the same center. An example of this trend would be a mixed use development with housing and/or office on upper floors and restaurants, a small number of high-end boutiques, and convenience retail, such as a chain drug store. This is a model based on convenience with a diverse mix of goods and services, harkening back to the original downtown and neighborhood-scale retail districts.

In terms of performance statistics, the national retail vacancy rate has steadily declined over the past four quarters. In the third quarter of 2014, the vacancy rate had fallen to 6.3%. The rate was 6.4% at the end of the second quarter and was 6.6% at the end of 2013. Rental rates ended the third quarter at \$14.84, an increase of 0.2% over the previous quarter and an increase of 1.68% since the end of 2013.<sup>1</sup>

## RETAIL :: GREATER MACON REGION

The City of Macon is at the center of a much larger nine-county region that is designated as the Macon-Warner Robins-Fort Valley CSA.<sup>2</sup> Historically, most of the large-scale retail to serve this region was located in the City of Macon, first in downtown Macon, and then later at the Macon Mall. Retailers providing convenience items, such as grocery stores and drug stores, were located throughout the region, wherever the local population could support them.

As is typical in most U.S. cities, the City of Macon, and to some extent the entire region, has a great deal of older, obsolete retail space that is difficult to tenant with new retailers. This is especially true along some of the major corridors that first developed commercially in the 1950s through the 1970s. While there is no complete database of available retail properties, an online survey of available retail properties in the City of Macon showed an average retail asking rate of \$9.80 per square foot per year.<sup>3</sup> This average is a great deal lower than the national average of \$14.84 in the third quarter of 2014.<sup>4</sup>

## Regional Retail Nodes

Retailers selling everyday items or convenience goods are typically located close to consumers' homes. At the other end of the spectrum, retailers selling specialty or luxury items tend to locate in a central location in close proximity to each other in order to draw customers from a wider region. When grouped together, these regional retailers can create a very strong economic engine and amenity for residents.

From the City's founding until the mid-1970s, downtown Macon was the major retail center for the City and the surrounding region. In the 1950s, suburban shopping centers began to siphon off some of the retail trade from downtown Macon. Even so, the downtown shopping district continued to dominate the area until the opening of Macon Mall in 1975.

When Macon Mall opened, it quickly displaced downtown Macon as the center of regional retail in the metro area. An expansion of the mall in 1997 made it the largest in Georgia (until the opening of the Mall of Georgia) and created a center with the ability to draw customers from an even wider area. However, the opening of the Shoppes at River Crossing in 2008 marked the beginning of a major downturn for Macon Mall.

The decline of Macon Mall has created a regional retail market that is very fragmented. The majority of regional retail is splitting off to the northern fringes of the City of Macon and to the Warner Robins area to the south. Having these two smaller retail nodes instead of the much larger Macon Mall node has weakened the metro area's ability to draw retail consumers from a larger area. Further, new big box centers located throughout the region have changed shopping patterns, siphoning

off a great deal of the drawing power of the malls and lifestyle centers.

Yet, enclosed malls and outdoor lifestyle centers are still considered to be the strongest draws from a regional level. In addition, each of these centers is surrounded by a great deal of big box retail development, creating a critical mass of retailers and thus, an even stronger draw. Currently, the three regional retail centers in the region are: Macon Mall, The Shoppes at River Crossing, and the Houston County Galleria. However, in its current state, Macon Mall's status as a regional retail center is debatable because of its extremely high vacancy rate. Downtown Macon would no longer be considered a regional retail node, but it was one historically, and its location at the heart of the region could be conducive to its becoming one once again.

**MAJOR REGIONAL RETAIL CENTERS, GREATER MACON REGION, 2014**



Source: Re:Posit Strategies

## **MACON MALL**

Macon Mall opened in 1975 as a two-level mall with just over 1.0 million square feet of space and four anchor stores: Sears, JCPenney, Davison's, and Belk Matthews. After a 400,000 square foot expansion in 1997, Macon Mall was, for a time, the largest mall in Georgia, with over 1.4 million square feet and six anchor stores: Sears, JCPenney, Macy's, Belk, Parisian, and Dillard's. The decline of the mall began in 2007 when the Parisian chain was purchased by Belk and the Macon Mall Parisian location was shuttered. The situation worsened in 2008 when the Shoppes at River Crossing opened in the far northern fringes of Bibb County. Dillard's immediately left Macon Mall for River Crossing. Since Dillard's and Parisian were the two anchors for the 1997 mall expansion to the east of JCPenney, this entire section of the mall immediately went into steep decline. Belk also opened a store at River Crossing in 2008, but kept the Macon Mall store open for a while, finally closing it in 2012. Sears also closed their store at the mall in 2012, leaving only JCPenney and Macy's as anchors today.

Macon Mall was purchased by Hull Storey Gibson in 2010. In an attempt to return the mall to profitability, the 1997 expansion was demolished and the original mall was renovated. However, with the loss of Belk and Sears from the original mall and only two anchors remaining, the smaller retailers continued to leave the

downsized center. The mall owners have been successful in attracting three new junior anchors: Smokin' Pig BBQ, B. Turner's, and Dry Falls Outfitters. Even with the renovations and the new junior anchors, it is unlikely that Macon Mall will ever become the dominant shopping center in the region again. In fact, it is highly possible that the center will not survive at all, because department store consolidation and downsizing has left very few potential anchors for the two still vacant department store spaces.

## **THE SHOPPES AT RIVER CROSSING**

The Shoppes at River Crossing is the newest of the three regional shopping centers. Unlike the other two, it is not an enclosed mall, but rather an outdoor lifestyle center with tenants who formerly only located inside enclosed malls. In fact, many of its tenants relocated to the center from Macon Mall. Opened in 2008, River Crossing has 750,000 square feet of retail space, with two department store anchors: Belk and Dillard's.

The Shoppes at River Crossing is considered by many to be the most upscale shopping center in the region, with specialty retailers such as Coach, Talbot's, and White House/Black Market. The center appears to be fairly successful, but it does have almost 15 vacant retail spaces out of approximately 75 small shop spaces. While its location in the northern section of Bibb County puts it

close to higher income households, it is not as centrally located as downtown Macon and Macon Mall, making it more difficult to attract customers from the entire region.

## **HOUSTON COUNTY GALLERIA**

The Houston County Galleria is a 494,000 square-foot enclosed mall that opened in 1994. Currently, the mall is anchored by a movie theater and three department stores: Belk, Sears, and JCPenney. Even at its peak, the Galleria struggled to compete with the much larger Macon Mall, and vacancy has been an ongoing problem for the center. After closing in 2009, the former Goody's department store space has never been refilled with another anchor store, and a vacant pad designated for an additional department store was never developed.

While the Galleria currently has a great deal of small shop vacancy, the existing department stores appear to perform fairly well. Both the Sears and JCPenney stores have avoided the recent closures that have taken place across their chains. In addition, after closing its Macon Mall store, Belk renovated and greatly expanded the Galleria location. Because enclosed malls have lost favor with many customers and retailers, and the Galleria does not currently have a strong tenant line-up, it is likely that this center's retail strength and drawing power will lessen over time without a major redevelopment.

## Regional Retail Center Comparison

Given how differing local perceptions are of these shopping areas, they share remarkably similar market characteristics. The table below compares the potential trade areas<sup>5</sup> of the three regional retail centers and downtown Macon. The shopping area widely considered as the most upscale, The Shoppes at River Crossing, has the smallest market size and lowest income levels. The three other nodes considered here only vary between two and three percent in market profile characteristics.

Given the distance between these retail nodes, the overall similarities among their regional trade areas is surprising. Both the Macon Mall and Houston County Galleria trade areas have slightly more people than downtown Macon's potential trade area, but the difference is minimal. Downtown Macon has approximately 314,000 residents within a 30-minute drive, while the figure is 321,000 for Macon Mall and 319,000 for

the Galleria. However, the population within a 30-minute drive of The Shoppes at River Crossing is significantly smaller at 236,000.

Population growth over the last five years has ranged from a low of 1.3% in the River Crossing trade area to a high of 3.4% in the Galleria trade area, with the Downtown Macon and River Crossing trade areas falling in the middle, at 2.1% and 2.5%, respectively. Over the next five years, the rate of population growth is projected to increase in each of the four trade areas, with the strongest growth in the Galleria trade area at 4.5% and the weakest in the River Crossing trade area at 2.6%. As in the previous five years, the growth rates for the Downtown Macon and Macon Mall trade areas are projected to fall in the middle of the range, at 3.3% and 3.7%, respectively.

**MAJOR REGIONAL RETAIL CENTERS, KEY DEMOGRAPHICS, GREATER MACON REGION, 2014**

REGIONAL RETAIL CENTER	2014 POPULATION	POP. CHANGE 2010-2014	POP. CHANGE 2014-2019	AVERAGE HOUSEHOLD INCOME	2014 EMPLOYMENT
Downtown Macon	314,000	2.1%	3.3%	\$54,500	136,000
Macon Mall	321,000	2.5%	3.7%	\$54,900	138,000
River Crossing	236,000	1.3%	2.6%	\$53,900	98,000
Houston Co. Galleria	319,000	3.4%	4.5%	\$55,500	141,000

Note: Statistics from 30-minute drive time around each retail center.

Source: Claritas and Re:Posit Strategies.

The average household income is very similar for all four areas studied, ranging from a low of \$53,900 for the Shoppes at River Crossing to a high of \$55,500 for the Houston County Galleria. Downtown Macon and Macon Mall fall in the middle, with average incomes of \$54,500 and \$54,900, respectively.

The number of employees is largest in the Galleria trade area, at approximately 141,000. The Macon Mall and Downtown Macon trade areas have slightly fewer employees, at 138,000 and 136,000, respectively. The employee count in the River Crossing trade area is significantly smaller, at 98,000.

The racial breakdowns are very similar for the four trade areas as well, with the Caucasian population ranging from 50.6% in The Shoppes at River Crossing trade area to 52.7% in the Macon Mall trade area. The African-American population is also very similar for the four trade areas, ranging from 40.9% in Macon Mall's trade area to 44.1% in The Shoppes at River Crossing's trade area.

## RETAIL :: URBAN CORE

### General Character

The core of the historic shopping district in Macon's Urban Core is located along Cherry Street, Poplar Street, Mulberry Street, and the cross streets between them. In this area, most buildings are multi-story, and most streets are pedestrian-friendly and have continuous street fronts with relatively few vacant lots or parking lots. However, just outside of this core, the development pattern quickly becomes more car-oriented, and the proportion of vacant properties increases markedly.

Until the opening of Macon Mall, downtown Macon was the dominant retail node for the region. The area included department store anchors, such as Belk, Davison's, and the Joseph N. Neel Company. Downtown Macon was also home to smaller specialty shops, restaurants, and several movie theaters. While there are many buildings in the core of downtown Macon that have been renovated in recent years, many others appear to be untouched since the opening of Macon Mall and the resulting exodus of retailers. While there are negative aspects to this lack of downtown investment, one positive result is that many of these buildings are still present, whether carefully preserved or severely neglected.

There is also a much smaller pedestrian-friendly retail node in the Urban Core, adjacent to Mercer University, known as Mercer Village. Most of the retailers in this area cater to Mercer University students or faculty, though many area residents and employees frequent the businesses as well. Tenants in this area include Jittery Joe's Coffee Shop, Barnes and Noble Campus Bookstore, Margarita's Mexican Grill, and Fountain of

Juice. Construction on Phase IV of the Lofts at College Hill is underway, between Hardeman Avenue and Georgia Avenue. This project will add approximately 12,000 square feet of retail space. There are also plans for a fifth phase of development that would bring a hotel, restaurant, and retail space along Mercer University Drive near I-75, directly across from campus.

Riverside Drive is a major retail corridor for the City of Macon, stretching from downtown into northern Bibb County. Inside Macon's Urban Core boundaries, most of the retail businesses along Riverside Drive are fast food chain restaurants or automobile-related businesses.

While there is no comprehensive database of available retail space for Macon, an online survey of available retail properties within the Central Business District showed an average asking rental rate of \$7.90 per square foot annually.<sup>6</sup> This figure is in line with information from local brokers that rental rates tend to range from \$2.00 to \$12.00 per square foot, generally averaging around \$6.00 to \$7.00. This is somewhat lower than the average rental rate for the City of Macon overall. The low rental rates combined with high vacancies show a weak retail market currently for Macon's Urban Core.

## Central Business District<sup>7</sup>

Within the historic Central Business District (CBD), there are approximately 220 first-floor commercial spaces. At the present time, roughly 34% of these spaces are vacant. Of the occupied first-floor spaces, approximately 82% are retail or service uses, while 18% are used by office tenants. Of the retail and service businesses, just over 18% are restaurants or nightclubs. The CBD is home to a dozen hair salons or barber shops, representing almost 7% of all of the retail or service businesses.

It is important to note that the furniture retailers make up a fairly large percentage of the CBD retail square feet even though the overall number of furniture businesses is small. The Bert Maxwell furniture store has a fairly large building. Union Furniture uses two floors of the former Belk department store. Blair's Furniture is located in multiple floors of both the former W.T. Grant variety store space and the former Joseph N. Neel Department Store.

While the tenant mix has changed a great deal from the days before suburban retail development, the CBD of Macon still has a few businesses left from the days before Macon Mall, including Rader's Jeweler's and Bert Maxwell Furniture. Many of the tenants that have opened during the past three decades have served a local, instead of regional, consumer. However, there are a number of new retailers with the potential for a regional draw, such as Robinson Home and Travis Jean. Restaurants such as the Rookery, Tic Toc Room, Nu-Way Weiners, and the Downtown Grill have maintained a downtown presence and consistently drawn customers throughout the changing market conditions, serving as an anchor for the area as traditional retail departed for the suburbs.

## Potential Customer Base

Fundamentally, retail trade requires available dollars. This can mean a large number of people with a little disposable income or a few people with a lot of disposable income. However, income level affects consumer preferences greatly, with more focus on specialty items as incomes rise. Thus, a highly populated area with lower incomes will have more convenience retail, while an area with a smaller population, but higher incomes, will have more specialty or luxury retail.

Macon's Urban Core has several potential sources for retail customers, including residents from within the Urban Core, employees, college students, residents from the surrounding neighborhoods, residents of the larger region, and visitors. Each of these consumer groups will represent a somewhat unique purchasing profile.

**RESIDENTS, URBAN CORE ::** **SIZE:** 8,100  
**TYPICAL DOWNTOWN SPENDING:**  
 some food & beverage, some convenience items, limited specialty, some entertainment

Approximately 8,100 people reside within the Urban Core boundaries. Currently, there is significant loft development taking place in the historic core, and the population figure is projected to increase to almost 8,400 by 2019. While this population growth is a positive development, the Urban Core will still have a fairly small population base and will not be able to support significant retail in a downtown that was originally built to serve the entire greater Macon region. In addition, the overall average household income within the Urban Core is fairly low at \$34,780, compared to \$53,070 for the Macon MSA (still only equaling 74% of national average).

**EMPLOYEES ::** **SIZE:** 25,000  
**TYPICAL DOWNTOWN SPENDING:**  
 mostly food & beverage, some convenience items, limited specialty, limited entertainment

There are just under 25,000 people working within the Urban Core. Approximately 52% of employees in the urban core work in the Health Care and Social Assistance fields. The other notable sectors, in terms of size are Public Administration (13%), Educational Services (8%), and Professional, Scientific, and Technical Services (6%). Clearly, Health Care Services is the largest employment sector by far. Government-related services is the next largest sector, accounting for almost 20%; which is a combination of Public Administration and Professional Services, as these are largely attorneys in the Urban Core. Educational Services represents private-sector education institution jobs.

While this is a significant source of potential retail customers, most of their purchases will be limited to a defined lunch break or after work. Restaurants are the businesses that typically receive the greatest positive impact from office workers. However, hospital employees often have non-traditional hours and are much more tied to their location.

**COLLEGE STUDENTS ::** **SIZE:** +/- 5,000  
**TYPICAL DOWNTOWN SPENDING:**  
 mostly food & beverage, some convenience items, limited specialty, some entertainment

The main campus of Mercer University is located within Macon’s Urban Core, and it has an enrollment of approximately 4,000 students, including law and medical students. Georgia College’s Center for Graduate and Professional Learning in downtown Macon has approximately 500 students enrolled annually.

Wesleyan College is located just outside of the Urban Core, with almost 700 students on its campus. In addition, Middle Georgia State College has a significant presence in the region, although it is not located in the Urban Core. Typically, college students have lower proportionate disposable income and purchases by college students skew greatly towards everyday convenience items, restaurants, and entertainment.

**RESIDENTS, SURROUNDING NEIGHBORHOODS ::** **SIZE:** 21,700  
**TYPICAL DOWNTOWN SPENDING:**  
 mostly food & beverage, limited convenience items, some specialty, some entertainment

Within a five-minute drive from the heart of downtown Macon, there are approximately 21,700 residents. The average household income for this area is \$31,980, which is significantly lower than the Macon MSA average of \$53,070 (still equaling only 74% of national average). Lower incomes mean less money for discretionary spending and a retail profile that would tend to lean heavily towards convenience items. While the population is significant, it is likely that most convenience purchases will be made at shopping centers just outside Macon’s Urban Core, at retailers such as Kroger and Walmart, leaving relatively few dollars to support merchants within the Urban Core.

**RESIDENTS, GREATER MACON REGION ::** **SIZE:** 314,000  
**TYPICAL DOWNTOWN SPENDING:**  
 more food & beverage, limited convenience items, more specialty, some entertainment

Within a 30-minute drive of downtown Macon, there are approximately 314,000 residents with an average household income of \$54,500, which is the highest of the resident areas reviewed (though still only 76% of the national average). In 2014, it is estimated that the population within this trade area will make just under \$4.5 billion in retail purchases. While it is unlikely that downtown Macon will capture a large share of this retail trade, even a fairly small percentage could support dozens of downtown retail and restaurant establishments. Customers tend to make purchases of convenience items closer to home and there is an abundance of shopping centers with these kind of tenants in the region. Thus, it is likely that the regional customer would mostly purchase specialty or luxury items in a downtown environment. However, these items must be available in a highly-appealing setting to that customer in order to attract even a small percentage of those sales.

**VISITORS ::** **SIZE:** 600,000 +  
**TYPICAL DOWNTOWN SPENDING:**  
 more food & beverage, limited convenience items, some specialty, more entertainment

For many downtowns, visitors and hotel guests provide a significant source of retail customers. According to the U.S. Travel Association, every dollar spent by domestic and international travelers in the U.S. in 2013 led to another \$1.35 of economic activity in other industries.

Macon has a significant market of visitors because of its location at the intersection of two major interstates, I-75 and I-16. More than 600,000 people came into Macon’s two visitors centers -- on Interstate 75 and downtown

**VISITORS :: [CONT'D]**

-- during 2013-2014.<sup>8</sup> In 2012, traveler expenditures contributed \$311.60 million to Macon's economy; ranking Bibb County as 10th of 159 Georgia counties for tourism expenditure levels. Clearly, the location of one of the CVB's visitor centers being downtown puts it within Macon's Urban Core, which is a great asset.

At this time, the Georgia Sports Hall of Fame, the largest state hall of fame in the U.S., is the primary museum that is open in Macon's Urban Core. The Harriet Tubman Museum of African American History is slated to come online in mid-2015. The Ocmulgee Indian Monument park is also a destination for visitors. The closings of the Georgia Music Hall of Fame and the Georgia Children's Museum have somewhat dampened this market in downtown Macon.

The Macon Centreplex Convention Center is the largest in the State of Georgia outside of metro Atlanta and hosts many conventions. It is attached to the Coliseum, a venue able to seat over 9,000. The Grand Opera House and the Cox Capital Theater are also notable performance venues in the Urban Core.

Additionally, there are significant events and festivals that bring many visitors to Macon's Urban Core, including, but not limited to: Cherry Blossom Festival, Bragg Jam, Second Sunday Concerts, Middle Georgia Christmas Parade, PraiseFest, and the Thriller parade.

Mercer has an NCAA Division I athletic program that has eight men's and ten women's sports teams. Moyer Complex, Mercer's football stadium, has a capacity of approximately 10,000. Hawkins Arena, Mercer's basketball arena, seats about 3,500. Obviously, there is a significant potential for game attendees beyond students and Macon residents, including visitors such as visiting team and fans, players' family and friends, and alumni.

**MAJOR HOTELS**

The Macon-Bibb area has approximately 5,700 hotel or motel rooms.<sup>9</sup> Findings from a study commissioned by the Georgia Department of Economic Development shows that Macon-Bibb's lodging industry has been underperforming relative to other communities in the Southeast.

The most significant hotel in the Urban Core is the Macon Marriott City Center. It has approximately 220 rooms and is located adjacent to the Macon Centreplex Convention Center. The Hilton Garden Inn Macon/Mercer University hotel has 101 rooms and is located on Mercer University's campus.

Another significant hotel property is the former Ramada Plaza Hotel, which is slated to become a Park Inn by Radisson. It has been vacant for some time but is currently under renovation with plans to reopen in the coming months. The reopening of this property will add almost 300 hotel rooms to the Urban Core, providing more options for Interstate travelers, conventioners, and other visitors to stay in downtown Macon.

## RETAIL :: CONSUMER SPENDING & SALES

RETAIL SPENDING & SALES, MACON'S URBAN CORE, 2014

RETAIL CATEGORY	EXPENDITURES	SALES	GAP/SURPLUS
Furniture & Home Furnishings	\$1.74	\$4.81	\$(3.07)
Electronics & Appliances	\$2.54	\$7.71	\$(5.16)
Garden Ctr. & Bldg. Materials	\$9.06	\$16.56	\$(7.49)
Grocery & Beverages	\$14.11	\$33.65	\$(19.54)
Health & Personal Care	\$5.53	\$8.90	\$(3.37)
Clothing & Accessories	\$5.46	\$16.84	\$(11.37)
Hobby, Books, Music & Sporting Goods	\$2.82	\$34.84	\$(32.01)
General Merchandise	\$13.38	\$3.20	\$10.18
Miscellaneous	\$3.50	\$3.74	\$(0.24)
Restaurants	\$12.18	\$23.31	\$(11.14)
<b>TOTAL</b>	<b>\$109.70</b>	<b>\$219.61</b>	<b>\$(109.92)</b>

Note: Shown in millions of dollars.

Source: Claritas.

The adjacent table outlines consumer expenditures by those living within Macon's Urban Core and compares these expenditures to actual retail sales within the Urban Core. There are 10 major categories of retail spending relevant for a downtown area, with about 60 sub-categories constituting the major groupings shown.

### Retail Surplus & Opportunity Gap

When consumer expenditures within an area are greater than the retail sales within that area, retail dollars are "leaking" out of a community. Conversely, when retail sales are higher than local consumers' expenditures, retail dollars are flowing into the community.

There is a surplus of sales to spending in Macon's Urban Core. This is not unusual for a centrally located, urban retail district, attracting customers outside of immediate area residents. However, the saturation of sales extends from the Urban Core through the primary, secondary, and tertiary trade areas in this case. There is not a point where it comes into balance, indicating that the Greater Macon Region is over-retailed. This is an issue that many communities in America are struggling with, particularly in the South.

In Macon's Urban Core, there is a surplus that is almost double the expenditures. Even when considering the spend/sales profiles of the

larger trade areas surrounding the Urban Core, the sales are higher than spending. This circumstance, combined with the high vacancy rates and low rental rates determined through field work, points to low-tier tenants and businesses. In fact, a high volume of discount retailers to account for the proportion of sales. People report feeling underserved by businesses downtown, though numbers alone evidence the opposite. Taking all these characteristics together demonstrates a real supply and demand mismatch occurring in Macon's Urban Core.

Overall, there is very little retail leakage from Macon's Urban Core. The General Merchandise category is the only major retail sector in which Urban Core residents spend more than is spent within the Urban Core. This is not surprising as there are no major department stores within the Urban Core. However, since there is not potential for department stores to locate in a downtown environment with today's retail landscape, this is not a potential category to target, despite dollars "leaking."

There are other opportunity gaps in the retail sub-categories for Macon's Urban Core. The retail sub-categories where spending is less than sales include: appliances, electronics, hardware, garden, grocery, beauty, family clothing, shoe, music, office supplies, and gift/novelty items. Most of these goods are what Americans now commonly purchase at big box retailers. This is particularly likely to be the case for consumers in the greater Macon area, since the average household income ranges between 50% and 70% of the national average. The one category where a leakage exists that is also directly relevant for downtown retail is in the gift, novelty, and souvenir stores category, which currently has a leakage of \$211.4 million.

**DEFINING RETAIL SATURATION**

**sales + spending + occupancy + rent = destination OR saturation**

More sales than spending often translates to a strong regional retail destination. If examining Macon's Urban Core and the 30-minute trade area for downtown was only done by sales and spending comparison alone, it would appear to be a thriving retail district.

Market	Sales	Spending
Urban Core	\$26,980	\$13,470
Downtown Macon (30 min)	\$21,450	\$14,320
US	\$16,470	\$16,470

*Source: Claritas*

The comparison table shows the Urban Core and the downtown trade area have much higher sales than spending -- at ratios of 2 times and 1.5 times, respectively. The US retail market is in balance.

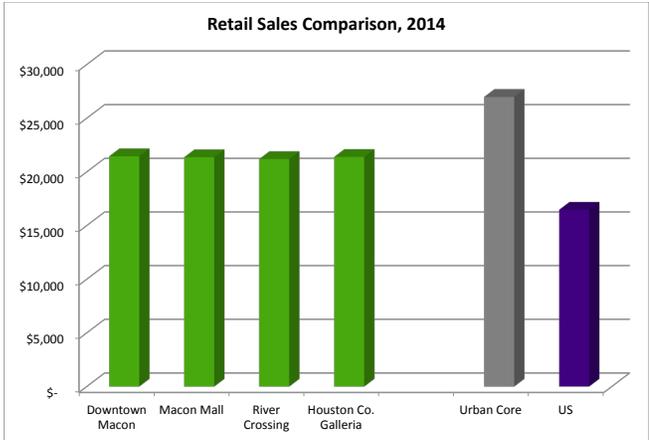
Taking the sales/spend statistics in concert with the high vacancies, low rental rates, mixed quality of retailers, and potential customers saying they do not have any reason to go downtown or that they are underserved, points to an over-retailed area.

The total context for Macon's retail markets show saturation and a need to reduce total retail space in order to ultimately increase retail quality, customers, and positive economic impact.

## Retail Sales Comparisons

When comparing the average annual retail sales per capita, the four regional trade areas delineated in the Regional Retail Center Comparison section are similar in performance. There is only one percent difference among the average retail sales for the regional trade areas.

The lowest average sales is in the area within a 30-minute drive of the Shoppes at River Crossing at approximately \$21,190 per person. The highest retail sales can be found within the trade area surrounding Downtown Macon, at \$21,450. The Houston County Galleria and Macon Mall trade areas fall in the middle, at \$21,390 and \$21,360, respectively.

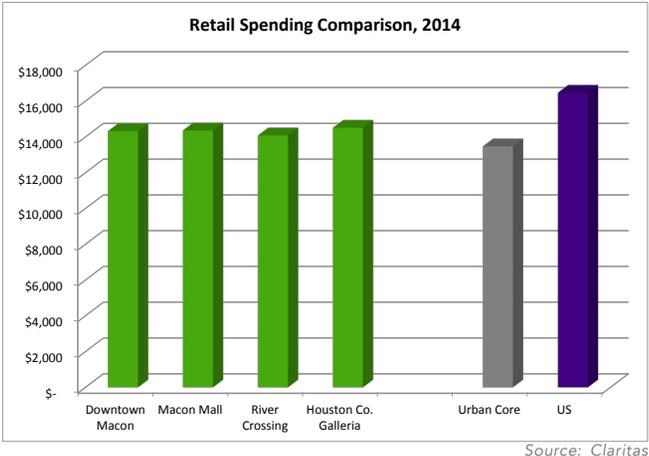


The average retail sales per person for those living within Macon's Urban Core is the highest of any of the regional trade areas, at \$26,980 per person per year, but that is primarily because of the small size of resident population. All of the trade areas considered in the greater Macon region are well above the national average of \$16,470, demonstrating the saturation of retail in the regional trade areas.

## Retail Spending Comparisons

When comparing the average annual retail expenditures per capita, the four regional trade areas delineated in the Regional Retail Center Comparison section are similar in performance. There is a difference of only three percent among the regional trade areas.

The lowest average expenditures can be found in the area within a 30-minute drive of the Shoppes at River Crossing at approximately \$14,080 per person. The highest consumer expenditures can be found within the trade area surrounding the Houston County Galleria, at \$14,510. The Downtown Macon and Macon Mall trade areas fall in the middle, at \$14,320 and \$14,360, respectively.



The average retail spending per person for those living within Macon's Urban Core is the lowest of any of the regional trade areas, at \$13,470 per person per year. All of the trade areas considered in the greater Macon region are well below the national average of \$16,470, demonstrating the lower income levels in the regional trade areas.

# RETAIL :: FUTURE DEMAND

## retail :: "best case" demand profile

**REQUIRES:**

strong repositioning strategy; proactive business attraction effort; proactive customer attraction effort; renovation incentives; strategic pruning

**5-YEAR:**

currently vacant or underutilized space absorbed once updated

**10-YEAR:**

new, updated, competitive space built and beginning to absorb

The future demand for retail space in Macon's Urban Core will depend a great deal on the success of efforts to attract consumers from the larger region. Currently, there is a great oversupply of retail space, which has led to significant vacancy, depressed rents, and a lack of reinvestment. The new residents in the downtown lofts, while a great asset, will not be able to create enough demand to fill this existing retail space. A strategic and careful removal of some retail space will be required in order to make the remaining space more competitive and relevant to consumer preferences today.

If leaders are able to leverage Downtown Macon's central location and historic resources to elevate it to the status of a regional retail center, it is likely that all of the currently vacant or underutilized space could be absorbed within the next five years. With continued growth in the

residential and office sectors, there could be a demand for new retail space over the next ten years, which would need to be met with updated, competitive commercial space.

Most of the retail tenants attracting the regional consumer will require space with high-quality interior build-outs that respect and highlight the historic attributes of the buildings. Demand for "white box" space, similar to that found in suburban shopping centers, will be much more limited.

## Potential Direction

In order to support the large amount of retail space in Macon's Urban Core, the area must attract the regional customer and better leverage visitors. There is simply not enough population or income within or directly surrounding Macon's Urban Core to support many viable retailers, particularly those dependent only on local customers. Some removal of square footage that is not updated nor competitive will be necessary to spur a healthier retail market. A strategy that successfully attracts the regional consumer will also enhance the perception of downtown Macon, creating a virtuous cycle that will bring additional residential and commercial development. Attracting the regional retail customer and more visitors to Macon's Urban Core, while creating a more competitive and relevant retail environment, will require many focused and proactive efforts simultaneously.

# office

## OFFICE :: NATIONAL CONTEXT

Historically, most office uses were located in downtowns. As the nation began to follow a suburban, car-oriented development pattern in the mid-twentieth century, office uses moved with retail and residential development to the fringes of cities. Office tenants serving local residents, such as banks, real estate agents, and insurance agents, typically located in areas interspersed with retail uses, often in the same buildings. Large-scale office tenants serving the region or nation often located in office parks that were physically separated from other uses. In recent years, a significant number of office tenants have begun to look for office buildings that are located in a setting that also includes retail and residential uses. This is a result of changing demands from office employees, especially the younger “millennial” generation and those working in creative industries. The result is a demand for office space in new mixed-use developments and in revitalized historic business districts.

The United States office market was greatly impacted by the economic downturn of the past several years, with massive increases in unemployment driving down the demand for office space. With fewer employees, many companies also downsized their space to cut expenses. The result was weak demand for new office space in most areas of the nation. Fortunately, job growth has returned. In 2013, approximately 2.2 million net new jobs were created in the national economy, causing the unemployment rate to decline from 7.9% to 6.7% over the course of the year. By September 2014, the unemployment rate had fallen to 5.9%.<sup>10</sup> More important for the office sector, office-using jobs increased by 721,000 during 2013.<sup>11</sup> This trend has continued in 2014, with the addition of 673,000 office-based jobs in the first three quarters.<sup>12</sup>

While the office employment outlook continues to improve, this job growth has not resulted in a proportionate increase in demand for office space. This is largely the result of a major shift in the way that companies use their office space. According to a recent global survey, the amount of office space per worker was 225 square feet in 2010. By 2013, the figure had dropped to 150 square feet or less. This rapid decrease in the amount of space per employee was achieved through teleworking, space-on-demand, and co-working. In the survey, more than 80% of the respondents stated that their company had moved in the direction of open space floor plans with fewer assigned cubes and fewer assigned individual offices. While the change has been dramatic, it is likely that the ability to further downsize space is somewhat limited. Approximately 43% of survey respondents say that they now have more collaborative space than private space where employees can focus.<sup>13</sup>

Developers are aware of the changing dynamics of the office market and have held back in adding supply, even in the face of increasing office employment. This has allowed the somewhat weak demand to still outstrip the increases in supply. The result has been significant improvement in market conditions. Nationally, the vacancy rate for office space peaked at 13.5% in the first quarter of 2011, and has been gradually decreasing ever since. By the third quarter of 2014, the vacancy rate had fallen to 11.2%. While this is an improvement, it is still higher than the pre-recession vacancy rate of 10.6% in 2006. Rental rates ended the third quarter at \$22.38, an increase of 0.7% over the previous quarter.<sup>14</sup>

## OFFICE :: GREATER MACON REGION

Historically, most office uses in Macon were located in the core of the City. However, just as with retail, a great deal of the office market has moved to the suburbs over the past several decades. Many times, the location decision for an office user is driven by proximity to the decision-maker's residence. As higher-end residential growth in Macon has largely moved to the suburbs, it is not surprising that office has tended to follow.

Major office tenants in the Macon area include GEICO Insurance, Georgia Farm Bureau Federation, AT&T, GE Capital, Birch Communications, and Cox Communications.<sup>15</sup> Most major office tenants are located in the suburbs, in areas such as the Bass Road corridor in north Macon. GEICO is the largest of the major office employers. With plans to add over 500 positions in Macon this year, the company will employ more than 5,700 people in its offices in the Ocmulgee East Business Park in eastern Bibb County.<sup>16</sup>

While there is no comprehensive database of office properties in Macon, a survey of online listings shows an average office rent in the City of Macon of \$12.70 per square foot annually, which is a decrease of 3.8% over the past year. This compares to an average of \$15.30 for the State of Georgia, representing a 0.1% increase over the past year.<sup>17</sup>

## OFFICE :: URBAN CORE

Office uses are scattered throughout Macon's Urban Core, but there is a concentration of larger, multi-story office building located along Mulberry Street. There is also a significant amount of medical office located near the Medical Center, Navicent Health, the Coliseum Medical Center, and some in the College Hill area near I-75.

Most of the larger, non-government and non-medical office buildings are located in or near the Mulberry Street corridor. There is also a notable amount of second floor office space located throughout the Urban Core. The major private sector general office buildings in Macon's Urban Core are listed in the adjacent table. The largest of these major office buildings is the 11-story Fickling and Company building, followed by the 8-story BB&T tower. Most of the buildings in this area are older, with a few exceptions, such as Gateway Plaza and the Capital City Bank building.

While the major private sector office buildings are not government buildings, most of the tenants in these buildings are somehow related to local or state government functions or serve local needs. There are very few corporate tenants in Macon's Urban Core. Typical tenants include law firms, accounting offices, and government offices.

Most of the buildings in downtown Macon are dominated by the public sector or are owner-occupied. This lack of a corporate office sector leads to outdated office space because of a lack of

**MAJOR PRIVATE SECTOR OFFICE BUILDINGS, MACON'S URBAN CORE, 2014**

PROPERTY NAME	ADDRESS	YEAR BUILT	# OF FLOORS	TOTAL SQUARE FEET
Fickling and Co. Building	577 Mulberry Street	1968	11	160,000
BB&T Tower	201 Second Street	1972	8	110,000
Gateway Plaza	394 Mulberry Street	2004	6	130,000
389 Mulberry	389 Mulberry Street	1908	4	30,000
United Way of Central Georgia	301 Mulberry Street	1994	3	30,000
Capital City Bank	325 Fifth Street	2010	3	20,000

*Source: Macon-Bibb County Board of Tax Assessors and Re:Posit Strategies*

regular turnover and re-tenanting. The combination of these characteristics results in a high vacancy rate in general office, between approximately 20% and 25%, depending on the type and location of office space.

While there is no comprehensive database of available office space for Macon, an online survey of active office listings in the Urban Core shows an average asking rate of \$13.00 per square foot annually.<sup>18</sup> This represents a range from approximately \$8.70 to \$18.00 per square foot. This average is in line with information from local brokers that rental rates tend to range from \$10.00 to \$15.00 per square foot, generally averaging around \$12.00 per square foot. This is basically on par with the average rental rate for the City of Macon overall. The low rental rates combined with high vacancies show a weak general office market currently for Macon's Urban Core.

## Medical Office

There are two significant hospitals within Macon's Urban Core boundaries: the Medical Center, Navicent Health and the Coliseum Medical Center. The Medical Center, Navicent Health is a major regional hospital with 637 beds; it is the second largest hospital in the State of Georgia. Coliseum Medical Center is a much smaller facility with just over 300 beds. Navicent has approximately 6,000 employees in the Urban Core, and Coliseum has around 1,000.

Historically, medical office has been one of the biggest drivers of the downtown Macon office market. While medical office will continue to be one of the biggest office users downtown, future growth may be

curtailed by changes in health care models, which is happening nationally. Increasingly, hospital systems are pushing medical office out into the community and away from large central campuses. This is especially true of primary care offices, while specialty practices typically continue to locate closer to the main hospital facility.

Navicent Health Systems has approximately 400,000 square feet of medical space, with the majority located in the Urban Core. Currently, their medical office buildings have an occupancy rate greater than 90%, with most of the vacant space held off the market intentionally. Rental rates for general medical office range from \$14.00 to \$22.00, full service. Hospital officials expect some future increase in medical office space downtown, but most of the growth will be further out in the community.

Coliseum Medical Center has about 150,000 square feet of medical office space in four buildings on its downtown campus. Most of this space was built in the 1970s or 1980s, and the occupancy rate for the buildings ranges from 76% to 100%. There are no current plans to add additional medical office space on the downtown Coliseum campus.

In addition to the medical office space affiliated with the two hospitals, there is significant space held by medical practices or individual doctors. Mercer University's School of Medicine has recently converted the former Georgia Music Hall of Fame building into medical office space. The 43,000 square-foot building now provides office space for over 40 physicians.

## OFFICE :: FUTURE DEMAND

### office :: "best case" demand profile

**REQUIRES:**

strong, proactive business attraction effort;  
renovation incentives

**5-YEAR:**

currently vacant or underutilized space absorbed once updated

**10-YEAR:**

new, updated, competitive space built and beginning to absorb

Currently, there does not appear to be a significant demand for additional office space within Macon's Urban Core. However, if the retail amenity base is improved, there could be demand for new office space over the next five years. This demand would most likely be for smaller, infill buildings. Over the longer-term, downtown Macon has the ability to attract large corporate users once the retail and residential markets more fully revitalize and mature and the overall "quality of life" in the downtown area has improved. This could lead to demand for several hundred thousand square feet of space, demanding renovated and updated space, and perhaps some additional new space.

## Potential Direction

The office market in downtown Macon is heavily weighted towards local-serving tenants, such as attorneys, accountants, and physicians. These uses typically do not bring in dollars from outside of the community. In the case of Navicent Health, its large regional reach is the exception and does bring in outside dollars. Otherwise, there is very little corporate presence. In order to have a healthy office market, Macon must attract companies providing services on a regional, national, or international level. Creating a Class A office market is fairly difficult. Office users tend to cluster together in existing office nodes. Attracting these companies to Macon's Urban Core will require many focused and proactive efforts simultaneously.

# industrial

## INDUSTRIAL :: NATIONAL CONTEXT

At the end of World War II, the United States was one of the few industrialized nations to escape with its infrastructure largely intact. The result was a competitive advantage that led to several decades of robust growth in both manufacturing production and employment. However, by the 1970s and 1980s, much of this advantage began to dissipate, and other nations began to offer strong competition.

Since that time, there has been much concern about the decline of the United States manufacturing sector. While it is true that manufacturing has declined dramatically as a share of the nation's GDP, the overall dollar value of manufactured goods has largely continued to increase, reaching a high point in 2007. The Great Recession did cause a decrease in manufacturing output, but the nation had recovered these losses by the end of 2013 and reached new highs in early 2014.

Employment in manufacturing has seen steep losses. Between 2000 and 2010, the nation lost 5.7 million manufacturing jobs, representing 33% of the total manufacturing employment. Between 2010 and the third quarter of 2014, just over half a million of those jobs have been regained.<sup>19</sup> These job losses stem from several factors, including increased productivity of American industry and the movement of labor-intensive industries to other nations with lower labor costs.

Until recently, the loss of manufacturing employment to lower-cost nations seemed irreversible. However, a new trend has emerged with a small, but steadily increasing number of companies moving production back to the United States. Often referred to as "reshoring," the repatriation of manufacturing has a variety of causes including: a need for reduced lead times, a desire for lower

inventories, a greater ability to control quality, a reduction in red tape, and a decrease in shipping costs. In addition, rising labor costs in formerly developing nations are making the American worker more competitive. "Manufacturing employment is forecast to stabilize between 2010 and 2020 with growth in fabricated metals, plastics and rubber, nonmetallic mineral, wood, and furniture product manufacturing industries. In the aggregate, manufacturing employment will stabilize, instead of continuing the contraction posted during the previous two decades."<sup>20</sup>

After suffering through several years of poor economic conditions, the national industrial real estate market is beginning to rebound. While manufacturing uses are showing signs of growth, a great deal of the recovery is driven by national retailers and third-party logistics companies who need large, modern distribution space. For first quarter 2014, the national vacancy rate was 7.8%, which represented the lowest vacancy since 2008. Quoted rental rates have been increasing since 2011, reaching \$5.47 by third quarter 2014.<sup>21</sup>

While a great deal of the industrial market has been moving towards very large-scale operations in massive buildings, there has also been strong growth at the opposite end of the spectrum. Designers, inventors, artisans, and engineers are creating more localized and customized goods and services on a small scale. This trend has come to be called the "Makers Movement." The Makers Movement describes a return of sorts to American manufacturing, innovation, and ingenuity. It is a subculture of "do-it-yourselfers" powered by technology who see life through an open-source lens. The term maker today is intended to be widely encompassing, including artisans, craftsmen, innovators, engineers, and creators of everything from foods to multi-media to home

goods to computer applications. "Makers tap into an American admiration for self-reliance and combine that with open-source learning, contemporary design and powerful personal technology like 3-D printers. The creations, born in cluttered local workshops and bedroom offices, stir the imaginations of consumers numbed by generic, mass-produced, made-in-China merchandise."<sup>22</sup>

In the past, industry in general was perceived as "dirty" and often relegated to the fringes of the community. However, with a move towards "clean" industry, many industrial uses are locating closer to goods and services for their employees, and are even included in some mixed-use developments, particularly in an urban context.

## INDUSTRIAL :: GREATER MACON REGION

The greater Macon area has been successful over the years in attracting industrial development. There are several reasons for this. Two major interstates, I-16 and I-75, merge just north of downtown Macon. Hartsfield-Jackson International Airport is located just 75 minutes to the north. The Port of Savannah is readily accessible by both rail and highway. Land is available and inexpensive, and there is an available and affordable work force. Major industrial employers in the area include YKK, Bass Pro Shops Distribution Center, Academy Sports Distribution, Ricoh USA, Northrop Grumman, Boeing, Armstrong World Industries, Engelhard Corporation, and Frito-Lay.

There are eight major industrial parks, in Bibb County, with a total of over 5,700 acres, as detailed in the table below. Of this total, just under 1,600 acres are available for development. With the exception of the Ocmulgee East Park in eastern Bibb County and the Downtown District, all of the industrial parks are located in the southern portions of Bibb County.

**MAJOR INDUSTRIAL PARKS, MACON-BIBB COUNTY, 2014**

<b>INDUSTRIAL PARKS</b>	<b>TOTAL ACRES</b>	<b>AVAILABLE ACRES</b>	<b>MAJOR TENANTS</b>
Airport East	264	184	Kohl's
Airport South	346	114	Nichiha Fiber Cement, Aspen Products
Airport West	20	20	N/A
Airport Central	1,730	25	Boeing, Panaprint
Downtown District	1,700	500	Ferguson Waterworks, Schnitzer Steel
I-75 Business Park	489	220	Yancey, Hillshire, Tractor Supply
Ocmulgee East	647	120	GEICO, YKK
Sofkee Industrial	583	430	Kumho Tires

*Source: Macon Economic Development Commission.*

## **INDUSTRIAL :: URBAN CORE**

Most of the industrial uses in Macon's Urban Core are located across the railroad tracks from the downtown core and bounded by 7th Avenue, Walnut Street, and Edgewood Avenue. Within this area, there is a great deal of vacant land, but there are also approximately 40 structures of varying sizes. These buildings range from office buildings to warehouse space. While most of the buildings are small, there is an approximate total of over 350,000 square feet of space. Many of the buildings are vacant or used only for storage, but there are several active businesses.

There is no comprehensive database of available industrial space for Macon, an online survey of active industrial listings in the Urban Core shows an average asking rate of \$2.45 per square foot annually.<sup>23</sup> This represents a range from approximately \$2.20 to \$3.10 per square foot. This average is in line with information from local brokers that rental rates tend to range from \$1.50 to \$3.00 per square foot. These available spaces range in size from 400 square feet to 23,000 square feet. The low rental rates combined with high vacancies show a weak industrial market currently for Macon's Urban Core.

### **Types of Businesses**

Most industrial businesses in the Urban Core are small-scale industrial tenants serving the local community. The majority of these businesses are related to the construction, manufacturing, and wholesale trade industries. Businesses located in this area include: Mayer Electric Supply, Ferguson Waterworks, Baker Distributing Company, Middle Georgia

Paper Company, Sanco Products Company, Willingham Sash & Door Company, Trading Post Moving & Storage, American Piping Supply, and CMC Supply Inc.

There are also businesses that have adaptively reused existing industrial buildings, such as Rush Fitness and the Daybreak Center. Several of the businesses in the area are examples of the move towards small-scale production by craftsmen or artisans, such as Prodigy Woodworks and the Macon Beer Company.

In addition, there is a notable number of smaller industrial buildings scattered throughout the Urban Core. Many of these are automobile-related uses.

## INDUSTRIAL :: FUTURE DEMAND

### industrial :: “best case” demand profile

**REQUIRES:**

strong repositioning strategy; proactive business attraction effort

**5-YEAR:**

currently vacant space rehabilitated and beginning to absorb

**10-YEAR:**

currently vacant space rehabilitated and absorbed

It is unlikely that there will be a demand for large-scale industrial uses in Macon’s Urban Core in the foreseeable future. However, it is likely that there is a demand from entrepreneurs and makers for space in rehabilitated historic industrial buildings. Overall, demand for industrial space in the Urban Core will most likely be from small-scale manufacturers and artisans.

### Potential Direction

Because there is a great deal of affordable land available for industrial uses in both Bibb County and in the surrounding counties, it is unlikely that the industrial district in Macon’s Urban Core will be competitive for most of the larger industrial uses, especially large-scale distribution facilities. However, the Urban Core has an opportunity to develop a niche industrial market for small-scale manufacturing. Trends indicate that this kind of small-scale, customized production will be a meaningful component of future value-added manufacturing in the United States. Attracting these companies to Macon’s Urban Core will require many focused and proactive efforts simultaneously.

# endnotes

1. Source: *The CoStar Retail Report*, National Retail Market; Third Quarter 2014.
2. Macon-Warner Robins-Fort Valley Combined Statistical Area (CSA) includes the following counties: Bibb, Crawford, Houston, Jones, Monroe, Peach, Pulaski, Twiggs, and Wilcox.
3. Source: LoopNet.
4. Source: *The CoStar Retail Report*, National Retail Market; Third Quarter 2014.
5. For each retail node, a 30-minute drive time was used as the boundary for the regional trade area.
6. Source: LoopNet.
7. Re:Posit Strategies defines the Central Business District as bounded by 1st Street, Walnut Street, 5th Street, and Plum Street.
8. Source: Macon Convention and Visitors Bureau.
9. Source: Georgia Department of Economic Development.
10. Source: US Bureau of Labor Statistics.
11. Source: Cassidy Turley Commercial Real Estate Services.
12. Source: *U.S. Office Trends Report*, 3rd quarter 2014; Cassidy Turley Commercial Real Estate Services.
13. Source: CoreNet Global.
14. Source: *The CoStar Office Report*, National Office Market; Third Quarter 2014.
15. Source: Macon Economic Development Commission.
16. Source: "GEICO to Add About 520 Workers in Macon This Year." *The Macon Telegraph*; April 16, 2014.
17. Source: LoopNet.
18. Source: LoopNet.
19. Source: US Bureau of Labor Statistics.
20. Source: "Stabilization of the U.S. Manufacturing Sector and Its Impact on Industrial Space." *NAIOP Research Foundation*; June 2013.
21. Source: *The CoStar Industrial Report*, National Industrial Market; Third Quarter 2014.
22. Source: "Which Big Brands Are Courting the Maker Movement, and Why." *AdWeek*; March 17, 2014.
23. Source: LoopNet.