Chapter Three

Summary Of Market Analysis And Demographics

A key component of the Park Hills Dixie Study was the preparation of a market analysis to assist the City of Park Hills in identifying strengths and weaknesses related to potential future land uses. The following summary is provided by Gem Public Sector Services the consultants for the market analysis. A full version of this market analysis including extensive appendices that provide background data is available from the Northern Kentucky Area Planning Commission or online at nkapc.org.

Definition of the Study Area

The Park Hills Dixie Study area consists of a segment of the Dixie Highway corridor within the boundaries of the City of Park Hills, Kentucky. The study area comprises approximately 110 acres of land demised into approximately 63 separate parcels.

The City of Park Hills contains 0.8 square miles and is located in northwestern Kenton County. Two of the City's major attributes are its proximity to downtown Cincinnati as well as its access to a wide array of suburban venues in Northern Kentucky via I-71/75.

Demographic Highlights

While there are a number of demographic measures that shed light on the make-up and growth trends in a community, there is a short list of key measures that are used as foundation blocks for a market analysis of the community. Among the key measures that will be discussed below are: population, households, the most basic indicators of urban growth and demand for consumer goods and services. Next in importance are household income and consumer expenditures; basic measures of the well being of a community and its ability to purchase goods and services. Other key demographics include estimates of workforce participation of community residents and employment in the community; these measures offer an idea of how self-sufficient a community is in providing employment opportunities for its residents. All of the measures cited above are parts of prerequisite research into the market demand for real estate, and/or land uses.

The median population age and income is increasing in the City of Park Hills. With these increases, City residents want to maintain the City's vitality and seek opportunities for growth, without compromising the small town character of Park Hills. It is essential that Park Hills create a sense of destination on the Dixie Highway corridor in order to attract merchants.

Population

As a result of the current crisis in mortgage lending and the current recession, proprietary data sources have been inaccurate in estimating population and households for 2008 and projected for 2013. Population and household dynamics have both been influenced by current economic and market conditions. The City of Park Hills is no exception to this observation regarding proprietary data. Based on proprietary information supplemented by other data available from public sources, the estimated 2008 population in the City of Park Hills was 2,743 and households totaled 1,285. The projected population for 2013 for Park Hills is 2,628 and households will total 1,233. Both the proprietary 2008 estimate and the 2013 projection anticipate more attrition in the population and households than appears evident from other data sources. The average number of persons per household is trending downward from 2.15 persons per household in 2000 to a projected 2.13 persons per household in 2013. Proprietary sources indicate approximately 2.13 persons per household in 2008 for the City of Park Hills. This suggests that the population of the City is becoming more aged overall since children typically force the average population per household higher. Additional evidence of an aging population is provided by the trend of the median age of the population, as seen in Figure 3.1 below. The median age of the population is increasing and the population in all age brackets younger than age 45 is projected to decrease while the population the age brackets of 45 and over is projected to grow. The overall decrease in persons per households appears to be a function of an increase in the number of single adults living in households.

PARK HILLS, KENTUCKY, POPULATION TRENDS; 1990-2013									
	1990		2000		2008		2013		TOTAL
									CHANGE
Total Population	3,308		2,960		2,743		2,628		(680)
Total Households	1,443		1,375		1,285		1,233		(210)
Persons per Household		2.29		2.15		2.13		2.13	(0.16)
Female Population	1,814	54.84%	1,544	52.16%	1,425	51.95%	1,363	51.86%	(451)
Male Population	1,494	45.16%	1,416	47.84%	1,319	48.09%	1,264	48.10%	(230)
Age									
Age 0 - 4	6.7%	221	6.0%	177	5.8%	158	4.7%	124	(97)
Age 5 - 14	9.7%	322	10.8%	320	9.8%	269	9.6%	253	(69)
Age 15 - 19	5.0%	165	4.9%	146	5.1%	140	4.7%	122	(43)
Age 20 - 24	8.9%	296	7.2%	212	6.8%	186	7.4%	193	(103)
Age 25 - 34	21.0%	695	17.0%	504	14.0%	385	13.0%	343	(352)
Age 35 - 44	15.4%	509	16.1%	476	13.9%	382	12.7%	333	(176)
Age 45 - 54	10.1%	334	14.0%	414	15.5%	424	14.5%	381	48
Age 55 - 64	8.5%	282	9.3%	276	14.0%	385	16.1%	423	141
Age 65 - 74	8.3%	274	7.5%	221	7.4%	202	9.5%	249	(26)
Age 75 - 84	5.1%	169	5.2%	155	5.2%	142	5.3%	140	(30)
Age 85 +	1.2%	40	2.0%	60	2.6%	71	2.5%	66	26
Median Age	34.2		37.5		41.1		43.5		9.3

Figure 3.1
Park Hills, Kentucky, Population Trends 1990 - 2013

Households

Household details indicate that only 23 percent of Park Hills' households have children and only 36 percent of Park Hills' households are married couples. Approximately 8 percent of Park Hills' households are single adults with children: approximately three of every four single adult households with children are single female householders. Of households without children, 73 percent are householders without spouses. Single person households comprised 43.6 percent of all households in the City at the end of 2008 and this percentage is projected to increase slightly to 44.6 percent by the end of 2013. Since many households are occupied by single adults, or unmarried adults the make-up of households directly affects the nature of the housing inventory, at present and in the future. The data indicates that a substantially higher percentage of households in Park Hills are renters than in the context market areas, the surrounding cities, included in this study. The composition of the households in the City is likely to directly influence the composition of household occupancy styles for the foreseeable future.

Household Income

The household income statistics for the City of Park Hills exceed all of the City's context markets in all measures except median household income which trails slightly behind the context markets.

Similar to the context areas of which the City of Park Hills is a part, households appear to have made "real income gains" between 1990 and 2000 and they appear to have outpaced inflation since 2000. Higher household incomes in the City of Park Hills have led to local residents spending significantly more per household on household expenditures and retail expenditures. This statistic is important in evaluating the market for retail enterprises in Park Hills. An important observation from the household and consumer expenditure data is that resident households in the City of Park Hills have similar buying habits and more spending capacity than households in the context geographies included in this study.

Housing Market Observations and Conclusions

Recent experience suggests that the Park Hills housing market will be affected in the same way the national housing market is being affected by the tumult in the housing and credit markets. It is likely that there will be a short-run imbalance between homes offered for sale and qualified buyers. This imbalance is likely to persist and new home construction is likely to be non-existent through 2009 and possibly 2010. It is likely that by 2010 some vitality will return to the housing markets, albeit at a reduced pace from that witnessed in recent years.

Based on an analysis of the City of Park Hills housing market, the following ten (10) market observations and recommendations are offered:

- Park Hills is likely to become less of a "home-owners community" with minimal additions to the housing inventory and a large rental component, it is possible for the City to become more defined as a "renters community" and that could shape the direction of housing for the long-term in Park Hills.

- Because the City is essentially "land locked", the City must focus on maintenance code enforcement of its entire housing inventory. Emphasis should be placed on maintaining the base of owner-occupied housing through the encouragement of regular updates of housing in the inventory and efforts to preserve and protect housing values in the resale market.

- Based on the inventory of housing units in Park Hills, annual freestanding single-family housing additions between zero homes and ten homes is likely with an average annual addition to the housing inventory between three homes and five homes per year.

- The projected rate of freestanding, single-family housing additions is well below the pace needed for a "normal replacement rate" for old existing housing units coming out of the inventory. A replacement rate between 15 units and 30 units per year essentially says that a home in Park Hills can be expected to last between 50 and 100 years. Some homes may survive longer, but deterioration and obsolescence will render the majority of old housing units obsolete and ready for demolition. Of course, casualty losses will claim a small percentage of the housing inventory as well. Some housing units remain on the landscape and are counted in the inventory although they may not have been occupied for some years before they either collapse or are demolished.

- A total of approximately five new single-family homes are projected to enter the housing inventory in Park Hills between the end of 2008 and the end of 2013. The rate of growth between 2008 and 2013 is reduced from a "normal" rate of additions to the housing inventory because of the current mortgage lending crisis and general economic conditions. An average of approximately three units to five units per year could be anticipated in a more normal economic environment, although the City could be challenged to find the land for even this minimal addition of units year after year.

- The projected housing growth of only five units through the end of 2013 would likely consume between one acre and two acres. The densities cited are typical of suburban development. These densities will not be sufficient to introduce meaningful numbers of new housing to the inventory in Park Hills in the future. Higher densities and attached single-family products will be necessary to significantly refresh the housing inventory. This will likely mean the introduction of condominium products to the housing inventory in Park Hills.

- In analyzing the population of Park Hills, it appears that there would be a market for more owner-occupied, "attached dwelling" products than are currently available. These products are envisioned to be of two types; condominiums for empty nesters who no longer want the maintenance burden of freestanding single-family homes as well as residential communities offering extended services to senior citizens. The senior products could be for sale (condominiums) or for rent (apartments). Ease of access and convenience to healthcare services should be factors in the design and location(s) of these projects. This makes sites in close proximity to the I-71/75 corridor more likely with proximity to the new medical center in the vicinity. Similarly, sites in close proximity to the I-71/75 corridor could be developed for a modern condominium community with easy access to the highway for workday commuting to Cincinnati.

- The income characteristics of the City suggest that housing products should be in the mid-range of new housing prices. It is likely that the overall market will be more attracted to condominium units of moderate price ranges of the marketplace in the future as a result of higher household expenses in the future and other economic factors including commuting expenses for work.

- While it is too early to label recent housing market activity as a trend, there is some indication that the average sizes of new homes may have peaked and may actually be declining. This is not inconsistent with the demographics of households in which aging "baby boomers" who are now "empty nesters" are gravitating to smaller, more carefree homes. These demographics appear to be at work in Park Hills.

- The rental housing market in Park Hills has a very small non-traditional component in the form of single-family homes that have transitioned into the rental market at the present time. Slightly over three percent of housing units in the rental inventory are freestanding single-family homes and slightly more than six percent of the rental inventory is comprised of attached single-family units. The addition of new units to the rental inventory in recent years appears negligible. Demand for rental housing in the local market is evident. Since the composition of occupancy styles in Park Hills is more heavily weighted to the rental housing than is typical of the market, the City must be cognizant of any transitions of owner-occupied housing to rental housing. It will not take much of a shift in occupancy styles to find the majority of housing in Park Hills is rental housing. This is not envisioned as a positive outcome for housing in the City, or for the City's overall vitality, should this housing shift take place.

Office Market Observations and Conclusions

Park Hills does not appear to have much of a competitive market supply of existing office or service business buildings to address any potential market demand that comes its way.

Based on an analysis of the City of Park Hills office market, the following 13 market observations and recommendations are offered:

- Park Hills will never retain all of the indigenous demand its residents generate for services, but the trade-off between residents going elsewhere for services and the influx of non-residents to well located businesses in Park Hills, particularly in the Dixie Highway corridor in close proximity to the I-71/75 corridor, will hopefully balance, or be skewed, in favor of Park Hills based businesses in the future. In essence, more independence rather than dependence on goods, services and employment opportunities located outside of the City.

- A worthy long-term goal would be for the City to better balance employment opportunities within the larger context markets.

- It appears that City residents want to maintain the City's vitality and seek opportunities for growth, but this vitality maintenance and growth cannot compromise the small town character of the Park Hills.

- Concentrating future urban development on sites along the Dixie Highway study corridor in close proximity to the I-71/75 corridor could serve to accomplish both goals of Park Hills' residents. This favorable balance is dependent on recruiting the "right" businesses to the "right" locations in the City. Much of this direction will be to new improvements on existing or newly developed sites. Managing the development process will be crucial to the outcome for the City.

- The I-71/75 corridor is the "front door" to Park Hills. It is a convenient means of ingress and egress for residents, but it is also a major point of access for non-residents who come to Park Hills as frequently as daily to the private schools located at the south end of the study area. There are potential office-based uses that could serve to extend the time non-residents spend in Park Hills and expand the employment base of the City.

- Based on current market conditions and what appear to be possible future market opportunities, the City may wish to position itself to address market opportunities when presented through cooperative relationships with property owners who understand and embrace the desires of the City to enhance employment opportunities while not just yielding to development pressure to build any project that comes along anywhere a developer wants to locate a project.

- The make-up of employment opportunities in the context markets suggests that there could be demand for between 13,000 and 24,000 square feet of office space in Park Hills if the City aggressively attempts to recruit employers in "Health and Medical Services", "Other Business Services", and "Social Services" categories of office based service businesses. The potential demand is described in square feet of additional space for the array of uses in the categories indicated. Whether this space is new space or existing, but currently vacant space, will be up to the operators of businesses within the categories identified to determine on the basis of their specific requirements.

- Within the category of "Health and Medical Services" a potential market for medical practices involved in sports medicine (based on proximity to the schools and their athletic programs), physical rehabilitation (based both on the schools and the demographics of Park Hills), senior care (based on the demographics of Park Hills), and diagnostic imaging (based on the interrelationship of this service to the specialties described above).

- Within the category of "Other Business Services" are such enterprises as copy centers (based on convenience to the interstate highway and proximity to schools) and express mail services (based primarily on convenience of access). This is a very broad category with numerous possible specialty areas most of which would be small space consumers and small-scale employers.

- The category of "Social Services" spans both the public and private sector of employers and jobs. In the public sector, the needs are more likely to be directed at support services for senior citizens (based on the demographics of Park Hills). In the private sector the term "Social Services" could be broadly interpreted to include a variety of private services such as home cleaning services, home maintenance services, and transportation and delivery services.

- Consumer services in specialized space or retail storeroom venues could contribute to demand for between 6,200 and 8,500 square feet of space in Park Hills. The square footage range is estimated based on the potential employment additions indicated by the analysis and a market based range of employment densities.

- The vision created through the study area plan currently in progress can only be implemented with the understanding and cooperation of property owners and business operators in the study corridor today.

- The City currently has limited resources to make redevelopment a staff driven implementation process. A City driven approach to development will be necessary in order to manage the growth and future development of Park Hills to retain as much of the current "small town feel" of the community as possible while it continues to grow and evolve.

Retail Market Observations and Conclusions

Based on an analysis of the City of Park Hills retail market, the following 17 market observations and recommendations are offered:

- It is essential that Park Hills create a sense of "destination" on the Dixie Highway corridor in order to attract merchants who can utilize this sense of place to build a solid neighborhood business with the potential to draw consumer dollars into the City.

- The creation of a "destination" will also assist in capturing more retail expenditure dollars from students and parents from the two private schools at the south end of the study area. These people represent non-residents who visit Park Hills on a daily basis. They are already in the vicinity, but they are not likely to be spending any money in Park Hills' stores today. The objective is to get these non-residents to spend more time and money in Park Hills. This will also serve to broaden the market footprint of Park Hills because these are non-residents who will return home and, hopefully, tell others about their dining, and shopping experiences in Park Hills "Business District".

- While a concentration of retailers brings consumers and money into the local market, there is a danger in these retail business concentrations. If there is a primary retailer who closes or moves to serve a dynamic market, the "retail gravity" of the merchant cluster can be lost. The retail venue can experience high percentages of vacancy and ultimately languish in the marketplace. It is far beyond the capacity of many small communities to address the land use redevelopment issues that this type of scenario presents.

- In essence, a word of caution is offered to Park Hills in attracting or promoting any more intense retail development in the City; there is a delicate balance of supply and demand to maintain.

- The retail market in the City of Park Hills captures a little less than 30 percent of the indigenous market demand generated by resident households. The primary problem with improving the percentage of market demand captured by existing, or new, Park Hills' retail businesses is the array of competitive merchants within convenient travel times from the City.

- The analysis estimates that as much as 70,000 square feet of "new" retail space could be needed if all of the unmet market demand in the categories indicated could be captured in Park Hills; approximately 61,000 square feet of retail storerooms and approximately 9,000 square feet of restaurant space. It is unlikely that the City will be that successful in capturing additional market share; therefore, a capture rate of 50 percent will be applied reducing the "new" retail space estimate to 35,000 square feet. This space could be allocated to approximately 30,000 square feet of retail storerooms and approximately 5,000 square feet of restaurant space. Whether all of this space is "new" or simply a new use of existing space is dependent on the available inventory of space at the time it is demanded in the marketplace.

- Among the underserved categories in the local market were "Auto Dealers and Gas Stations". This category appears to be a need in search of a site that does not appear to fit in the study area. It should be noted that much of the demand for gas stations is also found in conjunction with convenience stores. While there are no convenience stores in Park Hills, the number of competitors in close proximity to the City strongly suggest that there sufficient existing competitors in the marketplace to absorb the local market demand.

- The category of "Building Materials, Hardware and Garden" stores is a category that could represent multiple opportunities for the study corridor. This potential is due in part to the aging housing stock within the City. While there are several "big box home improvement stores" in close proximity to Park Hills, it is the small-scale, neighborhood hardware store that is likely to be the best fit for Park Hills. These stores are usually affiliated with a specific supplier; e.g., "Do It Best". They typically require between a minimum of 5,000 square feet and 15,000 square feet and offer a broad range of goods for older, existing home maintenance and repairs.

- Although part of the category cited above a "Garden Store" could be an extension of a flower shop or a specialty all on its own. In Park Hills, this could be a retail storeroom based business that also offers home gardening and landscaping services. The size range could be quite broad. The only concern regarding this category of business is the potential need for outdoor storage and the use of trucks in the normal course of business.

- "Clothing Stores" represent another category of retailer that is envisioned in some niche forms in Park Hills. Small-scale merchants with local name recognition would be the best candidates. These niche retailers may only need storerooms between 1,000 square feet and 5,000 square feet with the typical storeroom comprising 2,000 square feet.

- The category of "Food Stores" is likely to be made up of specialty merchants. The City already has a small concentration of merchants who fit this category. The objective would be to build the range of merchants into a specialty food based destination that would draw consumers from outside Park Hills. Merchants in the specialty food categories can be used to get the non-Park Hills residents who are in the vicinity every day to stop and take something home for a meal. This can be a convenience based need that is founded on the local name recognition of the merchants.

- "Furniture Stores" are envisioned to be more in the realm of decorator shops with some merchandise to sell. Once again, the objective is not to compete with large-scale retailers or "big box" furniture stores, but to focus on the business base that appears to be represented in the demographics of Park Hills.

- "General Merchandise Stores" represent another category of retailing that spans a very broad range. Not unlike the observation regarding auto dealers, this may be a category of underserved market demand, but not a retail uses that can be readily accommodated in the study area.

- “Restaurants” represent a category with many niches. There are already competitors in Park Hills, but the market can support more competition. This is a category of retail (service) use that works better with more competitors in close proximity to one another. The scope of this study identified an underserved market. This is another category where it is more likely the City could attract a local vendor, or vendors, with name recognition. Typical restaurants require from 5,000 square feet to as much as 10,000 square feet with some rare exceptions occupying even larger spaces. This category continues to build on the basic theme of “destination” creation.

- “Specialty stores” represent another category of merchants better described as “all other types of retailers”. These merchants are more likely to in-fill small spaces in the context of the study corridor. These merchants are likely to be followers rather than leaders in the creation of a destination in Park Hills. They will be small space consumers with minimal employment.

- There are three categories of retail businesses that appear to be bringing dollars into Park Hills; these are “Bars”, “Other Food Service”, and “Other Food Stores”. The specific sources of revenue for the three categories of retailers bringing dollars into the City are difficult to identify. In all three categories of businesses it appears that the magnitude of their market influence may be driven by their proximity to I-71/75 and Dixie Highway that traverses the City of Park Hills.

- The success of some businesses in capturing consumer expenditures from outside of the City suggests that a stronger base of retail businesses in Dixie Highway corridor could extend the market reach of Park Hills and serve to bolster employment as well as the market perception of Park Hills as a “destination”.

Based on current market conditions and what appear to be possible future market opportunities, the City may wish to position itself to address market opportunities when presented. This may best be accomplished through cooperative relationships with property owners who understand and embrace the desires of the City to enhance employment opportunities while not yielding to development pressure to build any project that comes along anywhere a developer wants to locate a project. The vision created through the corridor plan can only be implemented with the understanding and cooperation of property owners and business operators in the study corridor