

Pascagoula Riverfront Market Analysis

Pascagoula, Mississippi



PREPARED FOR



The City of Pascagoula

PREPARED BY



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1.0 Introduction

1.1 Overview

With major manufacturing activities such as Northrop Grumman and Chevron, and the presence of the Lakeside Naval Support Facility, Pascagoula is already a destination for employment. However, the City has lost population since Hurricane Katrina, and has not also served as a major center for living, shopping, dining and recreating. Pascagoula’s Riverfront presents a unique opportunity for the introduction of new uses that will enliven the area and that could serve as a destination for existing residents and employees.

1.2 Study Purpose

The purpose of the market evaluation was to test possible support for new uses along Pascagoula’s Riverfront, including office, lodging, residential and retail uses, and to delineate a market-supported program for potential development.

1.3 Summary Findings

Based on analysis of existing economic and demographic trends and real estate markets, BBPC has delineated scenarios for development along the Riverfront. Three scenarios were identified for each use, including a low-case, mid-case, and high-case scenario.

**Exhibit 1.1: Pascagoula Riverfront Summary Development Program
Based on Market Analysis**

	Low-Case	Mid-Case	High-Case
Lodging (Units)	124	146	168
Residential (Units)	16	18	21
Retail (SF)	44,200	52,000	59,800

Source: BBPC

The recommended types of uses include a lodging facility catering primarily to temporary crewmembers from the Lakeside Naval Support Facility as well as corporate-related travel, rental residential units catering to a small share of the City’s many in-commuters, and retail space to provide room for a grocery store, small-shop convenience retail, a fitness center, day spa(s) and a full-service restaurant overlooking the water.

2.0 Economic and Demographic Overview

2.1 Overview and Analysis Areas

To understand the economic and market conditions in which the Pascagoula riverfront is situated, a baseline economic and demographic profile was prepared which examines existing demographic and economic factors for the City of Pascagoula and surrounding geographic areas. Analysis areas included:

- City of Pascagoula
- Peer Communities: Moss Point and Ocean Springs
- Jackson County
- Regional Commuted: all the land within a 50-mile radius of Pascagoula, which includes Mobile to the east and Gulfport to the west

These analysis areas are depicted in the following maps.

Exhibit 2.1: Analysis Areas



Source: ESRI Business Solutions

Regional Commuted: 50-Mile Radius of Pascagoula



Source: ESRI Business Solutions

Characteristics and trends of households and employment within Pascagoula, Moss Point, and Ocean Springs were then compared to each other as well as to similar characteristics within the broader geographies of Jackson County and the Regional Commuted.

2.4 Demographic and Economic Profile

To evaluate the depth and characteristics of potential demand presented by households and firms for commercial uses, an assessment of the demographic and economic conditions of the City of Pascagoula and its impacted market areas was performed.

Compared to surrounding geographies, the City of Pascagoula has:

- 16.5 percent of Jackson County’s population, and 2.7 percent of Regional Commuted’s population, which represents a larger share of the County and Regional Commuted population than the population share present in Moss

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- Point (11.4 and 1.8 percent, respectively), and in Ocean Springs (12.7 and 2 percent, respectively)
- 14.8 percent of the County's labor force, and 2.3 percent of the Regional Commuted's labor force, which is higher than the share of the County and Regional Commuted labor force found in Moss Point (10.1 and 1.5 percent, respectively) and Ocean Springs (13.6 percent and 2.1 percent, respectively)
- Lower median household income (\$33,541) compared to Moss Point (\$35,401), Ocean Springs (\$51,289), County (\$42,907) and Regional Commuted (\$41,343)
- Smaller average household size (2.48 people per household) compared to Moss Point (2.7), Ocean Springs (2.55), County (2.68), and Regional Commuted (2.57)
- Younger population (median age of 34.3) compared to Moss Point (38.6), Ocean Springs (40.2), County (36.6), and Regional Commuted (36.6)
- Significantly more at-place employees (23,111) than households (8,979), indicating many more employees live outside of Pascagoula and commute to the City for employment than vice versa
- Nearly half of all the jobs in the County (23,111 out of 46,581 jobs in the County) and 7 percent of jobs in the Regional Commuted (343,516 jobs)
- More affordable home values (\$105,048) compared to Ocean Springs (\$151,032), Jackson County (\$117,757), and the Regional Commuted (\$120,386) but higher than Moss Point (\$92,540)

Exhibit 2.2: Demographic & Economic Profile (2008)

	Pascagoula	Moss Point	Ocean Springs	Jackson County	Regional Commuted*
Population	22,956	15,845	17,622	138,985	864,747
Households	8,979	5,851	6,864	51,457	329,360
Average Household Size	2.48	2.7	2.55	2.68	2.57
Labor Force	8,162	5,578	7,516	55,087	360,617
At-Place Employment	23,111	4,644	7,498	46,581	343,516
Median Household Income	\$33,541	\$35,401	\$51,289	\$42,907	\$41,343
Per Capita Income	\$18,148	\$16,836	\$25,325	\$19,734	\$20,286
Median Age	34.3	38.6	40.2	36.6	36.6
Median Home Value	\$105,048	\$92,540	\$151,032	\$117,757	\$120,386

Source: ESRI Business Solutions
 *Equivalent to a 50-mile radius of Pascagoula

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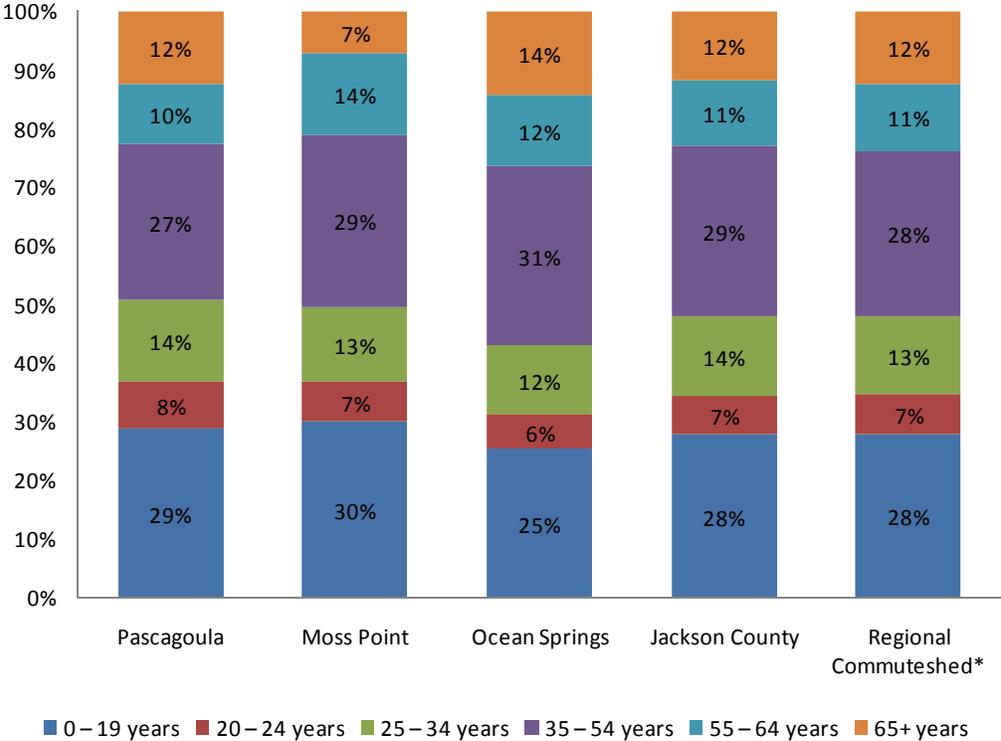
The distribution of Pascagoula residents by age cohort is similar to that of surrounding geographies: the two dominant age cohorts are 0-19 years and 35-54 years in Pascagoula as well as in Moss Point, Ocean Springs, Jackson County and the Regional Commuteshed, indicative of the presence of many families with parents in their peak working years.

Exhibit 2.3: Age Cohorts (2008)

	Pascagoula	Moss Point	Ocean Springs	Jackson County	Regional Commuteshed*
0 – 19 years	6,589	4,373	4,458	38,630	241,265
20 – 24 years	1,883	982	1,040	9,032	57,938
25 – 34 years	3,191	1,885	2,097	18,759	115,011
35 – 54 years	6,084	4,277	5,391	40,576	244,724
55 – 64 years	2,365	2,028	2,114	15,702	97,717
65+ years	2,823	1,045	2,537	16,118	107,229

Source: ESRI Business Information Solutions
 *Equivalent to 50-mile radius of Pascagoula

Exhibit 2.4: Percentage Mix of Age Cohorts by Geographic Area



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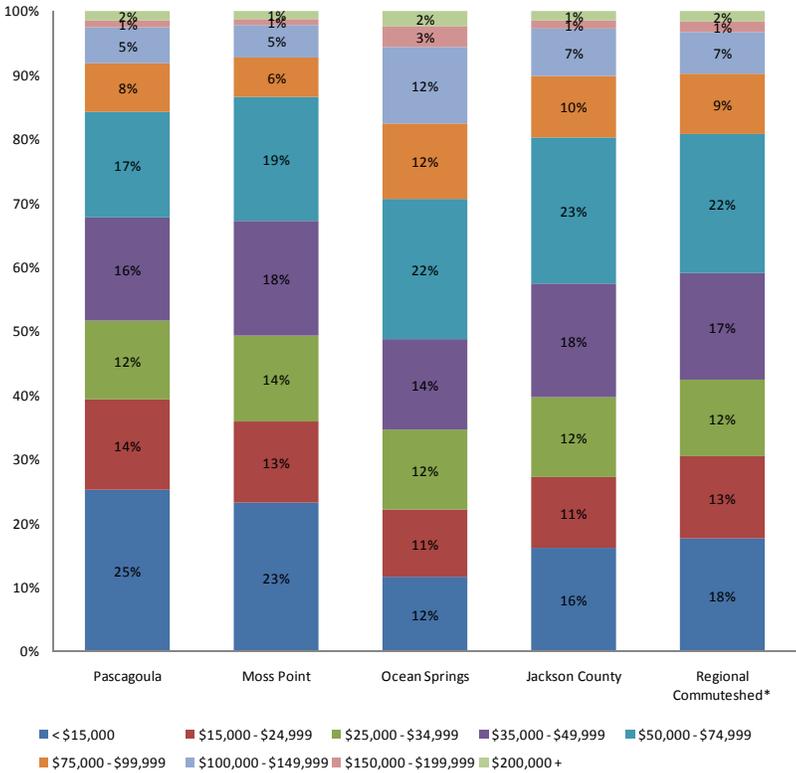
The median household income (\$33,541) of the Town is 22 percent less than that of the County (\$42,907) and 19 percent less compared to the Regional Commuteshed (\$41,343). More than half of Pascagoula households earn less than \$35,000 (close to the median household income) compared to 40 percent for the County and 42 percent of the Regional Commuteshed. Approximately 8 percent of Pascagoula households earn more than \$100,000 compared to 10 percent in the County and Regional Commuteshed.

Exhibit 2.5: Households by Income (2008)

	Pascagoula	Moss Point	Ocean Springs	Jackson County	Regional Commuteshed*
< \$15,000	2,262	1,352	796	8,285	57,967
\$15,000 - \$24,999	1,275	743	721	5,712	42,158
\$25,000 - \$34,999	1,104	790	858	6,432	39,523
\$35,000 - \$49,999	1,454	1,048	968	9,108	54,674
\$50,000 - \$74,999	1,490	1,129	1,503	11,784	71,800
\$75,000 - \$99,999	682	363	817	4,991	30,960
\$100,000 - \$149,999	494	299	817	3,756	21,738
\$150,000 - \$199,999	99	47	220	720	4,940
\$200,000 +	135	76	165	720	5,599

Source: ESRI Business Solutions
 *Equivalent to 50-mile radius of Pascagoula

Exhibit 2.6: Households by Income (2008)



Source: ESRI Business Solutions

Households within the City of Pascagoula are comprised of more families than in surrounding geographies, and contain a higher proportion of people over the age of 65. On average, 75 percent of Pascagoula’s 8,979 households are families compared to 69 percent for the County and 67 percent for the Regional Commuteshed. Households with persons age 65+ (2,282) comprise 25 percent of households in the City compared to 19 percent for the County and 22 percent for the Regional Commuteshed.

Exhibit 2.7: Households by Type (2008)

	Family	Non-Family	Households with Persons 65+
Pascagoula	6,727	3,151	2,282
Moss Point	4,228	1,486	1,457
Ocean Springs	4,688	1,962	1,536
Jackson County	35,709	11,967	9,917
Regional Commuteshed*	221,987	89,792	71,086

Source: ESRI Business Solutions
 *Equivalent to 50-mile radius of Pascagoula

To identify the lifestyle characteristics and housing preferences of local residents, an evaluation of top household tapestry segments was performed. *ESRI Business Solutions* uses demographic information such as labor force characteristics, median income, age, and spending habits to categorize neighborhoods according to a trademarked Community Tapestry classification system.

The following table identifies the top tapestry segments in the City of Pascagoula.

Exhibit 2.8: Top Tapestry Segments (Pascagoula)

Tapestry Name	Percent	Households
Home Town	18.8%	1,688
Simple Living	12.7	1,140
Rustbelt Retirees	9.6	862
Heartland Community	8.3	745
Rustbelt Tradition	7.9	709

Source: ESRI Business Solutions

The top five tapestry segments by households in Pascagoula are described below in terms of their demographic and psychographic profiles at the national level:

- Home Town (18.8%, or 1,688 Pascagoula households) - residents are a mix of married-couple families, singles who live alone and single-parent families. The manufacturing, retail trade, and service industry sectors are the primary sources of employment, and households earn moderate income (\$32,155 at the national level). Most households (73 percent at the national level) reside in single-family dwellings,

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with a median home value for this tapestry at the national level of \$68,647. Across the nation, the typical home town neighborhood exhibits little new construction because population is not rapidly growing in these communities. Households in these communities typically buy apparel at discount departments stores (such as Wal-Mart) as well as at department stores in small local malls.

- Simple Living (12.7%, or 1,140 Pascagoula households) - Simple Living residents consist primarily of singles who live alone or share housing. Most employed residents work in the health care, retail trade, manufacturing, educational services, and accommodation/food services industry sectors. At the national level, more than half the households rent, and forty-two percent of housing is single-family dwellings. The median home value for owner-occupied dwellings at the national level is \$113,051. They enjoy many leisure activities, and buy their essentials at discount stores.
- Rustbelt Retirees (9.6%, or 862 Pascagoula households) - residents consist of families with no children and singles that live alone, and many are settled and have lived in the same house for years. At the national level, approximately 17% of residents are veterans, and 60% of employees work in professional, management, sales or office/administrative support positions. The median household income at the national level is \$50,977, just below that of the U.S. median. The median net worth at the national level is \$131,002, slightly above the U.S. value. Residents watch their pennies, looking for bargains at discount stores and warehouse clubs, and use coupons frequently. They dine out at family restaurants, such as Perkins and Friendly's, and would rather rent a movie on DVD than go out to the theater.
- Heartland Community (8.3%, or 745 Pascagoula households) - Heartland Community residents have a distinctly country lifestyle. They are slightly older compared to other U.S. residents, with a median age at the national level of 41.7 years. About half of these households at the national level are already retired, and nearly one-third are aged 65 years or older. The median household income at the national level is \$35,006. Two-thirds of the households earn wage and salary income, and 39 percent receive Social Security benefits at the national level. The majority of housing consist of single-family dwellings, and the median home value at the national level is \$85,240. Residents enjoy shopping at discount department stores and dining out at family restaurants.
- Rustbelt Traditions (7.9%, or 709 Pascagoula households) - residents consist of a mix of married-couple families, single-parent families and singles who live alone. The median age at the national level is 36.1 years, and most residents at the national level live in modest single-family homes. Homeownership is at 76 percent at the national level, and the median home value is \$107,222. Half of the employed residents work in white-collar jobs, predominantly in the service, manufacturing and retail trade industries. The median income at the national level is \$49,579. Residents have lived, worked, spent and played in the same area for years. They watch their pennies, using coupons frequently, especially at discount warehouse clubs such as Sam's Club. Favorite recreational activities include attending auto races, country music shows and ice hockey games.

Summary characteristics of these five top tapestry segments include:

- Segments represent a mix of household types, including families, singles and older couples
- Single-family dwellings are preferred to multi-unit housing
- Households across the segments earn moderate incomes
- Value-conscious shopping (e.g. at discount department and warehouse clubs) is popular across tapestry segments, as is dining at family restaurants

2.5 Labor and Industry

In 2008, Pascagoula’s labor force (i.e. working residents over age 16, which are either employed in the City or outside the City) totaled 8,162 employed residents representing 14.8 percent of overall Jackson County labor force (55,087 employed residents). The service industry dominates the labor force (42.1 percent) in Pascagoula, followed by the manufacturing industry (19.5 percent) then the retail trade industry (11.1 percent).

Exhibit 2.9: Labor Force by Industry (2008)

	Pascagoula Employees	Percent	Jackson County Employees	Percent	Pascagoula % of County
Agriculture	196	24%	1,047	1.9%	0.3%
Construction	759	93%	5,564	10.1%	1.4%
Manufacturing	1,592	19.5%	9,089	16.5%	2.9%
Wholesale Trade	196	2.4%	1,047	1.9%	0.3%
Retail Trade	906	11.1%	6,170	11.2%	1.6%
Transportation/Utilities	204	2.5%	1,818	3.3%	0.4%
Information	65	0.8%	441	0.8%	0.1%
Finance/Insurance/Real Estate	384	4.7%	2,369	4.3%	0.7%
Services	3,436	42.1%	24,569	44.6%	6.2%
Government	433	5.3%	2,920	5.3%	0.8%
TOTAL	8,162	100%	55,087	100%	14.8%

Source: ESRI Business Solutions

In contrast to labor force, the share of at-place employment (i.e. jobs located in Pascagoula which are filled by both City residents and non-city residents) in the services industry within Pascagoula is lower than in surrounding areas, while manufacturing employment is higher, with large concentrations of manufacturing employment at companies such as Northrop Grumman Ship Systems and Chevron USA, Inc.. Generally speaking, Pascagoula contains more at-place employees (23,111) than residents employed in the labor force (8,162), suggesting the City is a destination for in-commutes.

Exhibit 2.10: At-Place Employment (2008)

	Pascagoula Employees	Percent	Jackson County Employees	Percent	Pascagoula % of County
Agriculture	122	0.5%	376	0.8%	0.3%
Construction	1,802	7.8%	3,467	7.4%	3.9%
Manufacturing	10,426	45.1%	12,249	26.3%	22.4%
Wholesale Trade	241	1%	1,989	4.3%	0.5%
Retail Trade	3,003	13%	8,394	18%	6.4%
Transportation/Utilities	335	1.5%	995	2.2%	0.7%
Information	63	0.3%	145	0.3%	0.1%
Finance, Insurance, Real Estate	538	2.3%	1,631	3.5%	1.2%
Services	4,992	21.6%	14,343	30.8%	10.7%
Government	1,589	6.9%	2,992	6.4%	3.4%
TOTAL	23,111	100%	46,581	100%	49.6%

Source: ESRI Business Solutions

The top ten major employers in Jackson County, according to Jackson County Economic Development Foundation, include manufacturers, health care, education, retail and call centers. Employers include:

- Northrop Grumman Ship Systems (naval shipbuilding): 12,300 employees
- Singing River Hospital System (healthcare): 2,250 employees
- Chevron USA, Inc. (petrochemical): 1,300 employees
- Pascagoula Public Schools (education): 1,150 employees
- Jackson County School District (education): 1,100 employees
- V.T. Halter Marine (commercial shipbuilding): 890 employees
- Signal International (oil rig manufacturing): 620 employees
- Omega Protein (chemical for food industry): 615 employees
- Wal-Mart in Ocean Springs (retail): 520 employees
- AT&T Mobility Center (inbound call center): 475 employees

Retail trade and services are among the larger at-place employment categories in Pascagoula, respectively representing 22 and 13 percent of all at-place employment. Of the County’s 22,737 retail and service workers, approximately 35 percent (7,995 jobs) are located in Pascagoula. The mix of retail and service businesses in Pascagoula includes 10.9 percent of all the County’s auto dealers/gas station jobs, 7.4 percent of the County’s general merchandise jobs and 6.7 percent of the County’s health-related jobs.

Exhibit 2.11: At-Place Employment: Retail & Services (2008)

	Pascagoula	Jackson County	Pascagoula % of County
Retail Trade			
Home Improvements	129	558	1.5%
General Merchandise	621	1,342	7.4%
Food Stores	167	730	2%
Auto Dealers/Gas Stations	918	1,521	10.9%
Apparel & Accessory Stores	49	137	0.6%
Furniture & Home Furnishings	65	241	0.8%
Eating & Drinking Places	758	2,829	9%
Miscellaneous Retail	296	1,036	3.5%
TOTAL	3,003	8,394	35.7%
Services			
Hotels & Lodging	33	378	0.2%
Automotive Services	117	457	0.8%
Motion Pictures & Amusements	31	496	0.2%
Health Services	965	3,412	6.7%
Legal Services	273	438	1.9%
Education & Institutions & Libraries	774	3,417	5.4%
Other	2,799	5,745	19.5%
TOTAL	4,992	14,343	34.7%

Sources: ESRI Business Solutions

2.6 Summary Conclusions

Key observations and findings from the economic and demographic profile for the City of Pascagoula include:

- Pascagoula is a major employment center compared to other parts of Jackson County, with nearly half of the County’s jobs located in Pascagoula
- Many of the workers that hold jobs in Pascagoula do not live in the City and commute to work; while 22,311 jobs are located in the City, the City’s labor force is just 8,162 residents
- Pascagoula residents may be characterized as younger and slightly less affluent than residents of surrounding geographies
- Most residents fall into one of two age cohorts: 0-19 years and 35-54 years, indicating Pascagoula contains many families with parents at peak working age

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- Pascagoula has a higher share of residents over the age of 65 than in surrounding areas
- Homes in the City exhibit lower values than homes in surrounding geographies
- Tapestry segmentation analysis suggest that City residents prefer single-family homes to multi-unit buildings and are value-conscious shoppers that patronize discount department stores and warehouse clubs
- Pascagoula's industries provide jobs primarily in the manufacturing, services, and retail trade sectors; top employers include Northrop Grumman, Chevron, and Pascagoula Public Schools
- A substantial proportion of the County's retail and service jobs (35 percent) are located in Pascagoula; this share is higher than the proportion of County residents that live in Pascagoula (16.5 percent) indicating Pascagoula retail and service businesses draw customers from beyond the City

3.0 Office Market Analysis

3.1 Overview

With the bulk of Pascagoula's jobs located in non-office based industries (e.g. manufacturing, hospital-based health care, education and retail), Pascagoula does not have a large market for office space; most commercial properties consist of one-story facilities catering primarily to industrial rather than office users. Possible expansions at the City's largest private employers (Northrop Grumman and Chevron) would increase need for industrial rather than office facilities.

3.2 Office Supply Characteristics

As revealed through discussions with commercial brokers and review of office property characteristics, the current supply of office spaces in Pascagoula contains the following features:

- Most properties are one to four stories in height, with small properties offering less than 2,500 square feet and larger properties in realm of 25,000 square feet
- Many properties can accommodate general commercial and industrial uses (such as storage) in addition to office uses
- Office properties generally sell for \$100,000 to \$300,000
- Rental rates for office properties range from \$6.50 to \$14.00 per square foot, with the highest rents paid by medical companies (\$13.00 to \$14.00 per square foot)
- Pascagoula is considered a relatively weak office market relative to Biloxi and Gulfport but stronger than Moss Point and Ocean Springs; for example, a local broker suggested an office property under construction in Gulfport has already secured tenants for \$12 per square foot under a 12-year lease

The characteristics of selected office properties currently advertised as available for sale or lease in Pascagoula, Moss Point and Ocean Springs were also reviewed to provide a sampling of the local office supply. They include:

- Two four-story office complexes - one in Pascagoula's business financial district, and one across from City Hall - are currently advertising 26,000 square feet each for lease at \$8.50 per year
- One 2,000 square foot property at Watts Way in Pascagoula for sale for an advertised price of \$180,000
- One 2,400 square foot property in Moss Point for sale for an advertised price of \$175,000
- No office properties advertised in Ocean Springs

Exhibit 3.1: Selected Area Office Properties – Pascagoula, Moss Point and Ocean Springs

Name	Address	Locality	Square Feet Available	Lease/Sale/Sold	Asking Rate/Sale Price
Pascagoula					
Office Complex - 4 stories	Business Financial District	Pascagoula	26,000	Lease	\$8.50/SF/year
Office Complex - 4 stories	Across from City Hall	Pascagoula	26,000	Lease	\$8.50/SF/year
	727 Watts Way	Pascagoula	2,000	Sale	\$180,000
Moss Point					
	8735 Ms-613	Moss Point	2,400	Sale	\$175,000

Source: Loopnet; Sawyer Commercial

In comparison, properties in the Biloxi and Gulfport office markets currently advertised for sale or lease exhibit higher asking lease rates and sale prices, consistent with the suggestion by local Pascagoula brokers that these markets are stronger than the office market in Pascagoula, Moss Point and Ocean Springs. Characteristics of selected office properties in Biloxi and Gulfport include:

Biloxi:

- Available square feet ranging from small spaces (500 square feet) to relatively large spaces (39,200 square feet)
- Properties situated either downtown or along major roadways or interchanges
- Asking lease rates primarily in the \$14.00 to \$24 per square foot range

Gulfport:

- Available square feet ranging from small spaces (approximately 700 square feet) to relatively large spaces (45,000 square feet)
- Properties situated either downtown, along major roadways or interchanges, or near Memorial Hospital
- Asking lease rates in the \$10.50 to \$22.00 per square foot range
- Asking sale prices ranging from \$150,000 to \$1.2 million
- One property under construction (Plaza 25 at 25th Avenue)

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Exhibit 3.2: Selected Biloxi and Gulfport Office Properties

Name	Address	Locality	Square Feet Avail.	Year Built	Lease/Sale/ Sold	Asking Rate/Sale Price
Biloxi						
Casino Zoned Lot	202 & 208 3rd St. 15202 - 15224 Lemoyne Road	Biloxi	39,200		Lease	\$3.00/SF/Year
	120 Rodenberg Ave	Biloxi	7040	1973	Sale	\$3,200,000
	1989 Pass Road	Biloxi	1000		Sale	\$3,490,000
					Lease	\$15.00/Sf/Year
Gulfport						
The Cadillac Building	Northwest corner of 25th Avenue & 13th Street	Gulfport	1,200 - 7,600	1903	Lease	\$18.50/SF/Year
The Hewes Building	Southside of 14th St just West of U.S. Hwy 49	Gulfport	1,100 - 22,750	Early 1900's	Lease	\$21.50/SF/Year
West Creosote Retail Center	Off Hwy 49 at I-10	Gulfport	1,200-25,800	Under construction	Lease	\$21.50/SF/Year
Big Box Retail Building	1.4 Miles North of the MS Gulf Coast's largest mall	Gulfport	13,544-27,108	1990	Lease	\$14.00/SF/Year
Hwy 49 & Community Rd. Corner	Hwy 49 at Community Rd. West Side	Gulfport	60,000		Lease	\$130,000/ year
Oceanfront Lot	Hwy 90 and Woodward Ave.	Gulfport	24,000		Lease	\$2,900/mth
Campanile Court	360 Courthouse Rd	Gulfport	1,600		Lease	\$16.00/SF/Year
Handsboro Square	1307-1355 East Pass Road	Gulfport	1,500		Lease	\$12.00/SF/Year
Bayou Bernard Shopping Ctr	Hwy 49 & Dedeaux Road	Gulfport	2,500		Lease	\$13.50/SF/Year
Bayou Bernard Shopping Ctr	SE corner of Hwy 49 and Dedeaux Road	Gulfport	2,500-10,000	Under construction	Lease	\$15.00/SF/Year
Phase III						
1103 Broad Avenue		Gulfport	2,500		Sale	\$200,000
15080 Creosote	Less Than One Mile to I-10	Gulfport	6,400		Sale	\$375,000.00
11072 Highway 49	Corner Location on Highway 49	Gulfport	54,233		Sale	\$1,200,000.00
	3200 11th Street	Gulfport	3,380		Sale	\$750,000.00
	1220 Pass Road	Gulfport	4,024		Sale	\$400,000.00
	9471 Three Rivers Road	Gulfport	2,000		Lease	\$17.73/SF/Year
	11324 Dye Road	Gulfport	1,560		Sale	\$3,500,000.00

Source: Loopnet; Sawyer Commercial; CoStar

3.3 Office Demand Characteristics

The presence of expanding office-based employers generally drives opportunities for the development of new office space. Based on this assumption, a review of existing quantitative data regarding employment in office-based industries and qualitative discussions with commercial brokers was conducted in order to assess need for office space in Pascagoula.

Quantitative Considerations

The review of employment data included evaluation of employment estimates and projections for the Pascagoula Metropolitan Statistical Area (the smallest geographic area for which projections are provided by the Mississippi Department of Employment Security, and equivalent to Jackson and George Counties). As projected by the Mississippi Department of Employment Security, office-based employment in the Pascagoula Metropolitan Statistical Area (MSA) is projected to grow at a compound annual rate of 1 percent per year through 2014, from an estimated 8,580 employees in 2004 to 9,440 in 2014. The most rapid growth in jobs is anticipated in the fields of computer science (3 percent growth per year), architecture and engineering (2.3 percent per year), and legal services (2.1 percent per year).

**Exhibit 3.3: Projected Growth in Office Employment by Industry Sector
Pascagoula Metropolitan Statistical Area, 2004-2014**

	Employment (2004)	Projected Employment (2014)	Total Employment Change	CAGR Compound Annual Growth Rate
Management	3,730	4,340	610	1.5%
Business and Finance	1,820	2,170	350	1.8%
Computers and Mathematics	530	710	180	3.0%
Architecture and Engineering	3,230	4,040	810	2.3%
Legal	300	370	70	2.1%
Office and Administrative Support	8,580	9,440	860	1.0%

Source: Mississippi Department of Employment Security

**Pascagoula MSA is equivalent to Jackson and George Counties*

Assuming such growth rates have held true from 2004 to 2008, the Pascagoula MSA is estimated to currently house approximately 8,914 office-based workers. Within the City of Pascagoula, there are an estimated 1,939 office-based workers based on analysis of typical office-based industries (e.g. information, finance and insurance, real estate, professional services which include legal, management, and administrative services). Therefore, the City of Pascagoula is estimated to currently comprise 22 percent of the office-based employment located in the Pascagoula MSA.

Exhibit 3.4: Estimated Office Employment by Industry Sector – City of Pascagoula (2008)

Information	207
Finance and Insurance	413
Real Estate, Rental & Leasing	282
Professional, Scientific & Tech Services	754
Management	0
Administrative	283
TOTAL	1,939
MSA OFFICE EMPLOYMENT	8,914
City Share of MSA	22%

Source: ESRI Business Solutions

Projecting growth of office employment forward over the next several years, and assuming the growth rates identified for the 2004-2014 period hold true through 2012 (1 percent increase per year), the Pascagoula MSA’s estimated 8,914 office-based jobs in 2008 would swell by 347 jobs by 2012 to 9,261 jobs.

It is possible that the City of Pascagoula may capture a portion of those new jobs, should they be realized in the larger MSA. For the potential market capture analysis, estimated low-case, mid-case and high-case market scenarios have been provided. The mid-case scenario is based on the assumption that the City maintains its current share of office-based employment relative to the MSA. The low-case scenario represents a 15 percent decrease from the mid-case scenario. Conversely, a high-case scenario assumes stronger market conditions and represents a 15 percent increase from the mid-case scenario.

Exhibit 3.5: Projected Office Employment Growth (2008-2012) Pascagoula MSA Office Employment

2008	8,914		
2012	9,261		
Net New Jobs (2008-2012)	347		
Current City Share of MSA Office Jobs	22%		
	Low Case (1/)	Mid Case (2/)	High Case (3/)
City Share of MSA Office Jobs	18%	22%	25%
City Office Job Net Demand	64	76	87
City Projected Net Office Demand (SF)	16,048	18,880	21,712

1/ Assumes share of MSA office job growth is 15 percent less than current share
 2/ Assumes share of MSA office job growth is the same as current share
 3/ Assumes share of MSA office job growth is 15 percent higher than the current share
 4/ Assumes 250 square feet per office employee commensurate with national standards

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Between 2008 and 2012, potential office job growth in the Pascagoula MSA could result in the addition of 347 new jobs. Assuming the City of Pascagoula continues to capture 22 percent of the MSA office jobs (the mid-case scenario), the City would capture 76 additional jobs between 2008 and 2012, which would result in demand for approximately 19,000 square feet of office space (based on a national industry standard of 250 square feet per employee).

In contrast, under the low-case scenario, the City would capture 18 percent of new MSA office jobs (15 percent less than the mid-case scenario), which would result in the capture of 64 net new jobs and resulting demand for approximately 16,000 square feet of office space. Under the high-case scenario, the City would capture 25 percent of new MSA office jobs (15 percent higher than the mid-case scenario), which would result in the capture of 87 net new jobs and resulting demand for approximately 22,000 square feet of office space.

Qualitative Considerations

Conversations with commercial brokers and review of prior market evaluations for Pascagoula provided insight into the dynamics of the existing office market and its potential for office development (or lack thereof). Summary considerations - identified as a result of these conversations and document review - include:

- Office/industrial properties currently on the market have recently taken at least a year to sell (some properties have been on the market for two to three years)
- Developers are currently not building office space because development costs far exceed that which can be recovered by a lease (rental rates are in the \$6.50 to \$14.00 per square foot range)
- The predominate use for newly leased or sold space is warehouse/storage space for industrial users rather than office-based firms
- Business owners rather than investors are currently purchasing properties (currently there are just under one dozen investment properties for sale, some of which have been on the market for two to three years)
- No office developments are in the pipeline according to local brokers
- Relative to other coastal communities, Pascagoula is considered a relatively weak office market compared to the office markets in Biloxi and Gulfport
- Office development has been suggested as a potential use at the Live Oak Site east of downtown (approximately 20,000 to 40,000 square feet of second-story office space was suggested in alternative development schemes prepared as part of the Urban Land Institute's 2007 Advisory Services Panel Report)

These considerations, coupled with the national economic downturn which could stifle office-based employment growth, suggest demand for office space in Pascagoula is relatively weak.

3.4 Conclusions: Office Space and the Riverfront

Based on the evaluation of the current supply of and demand for office space in the City of Pascagoula, BBPC does not recommend office space as a programmatic component for the riverfront. Considerations that led to this conclusion include:

- A relatively modest level of office space is projected to be demanded in the City over the next several years (from 16,000 to 22,000 square feet City-wide from 2008 to 2012)
- Such demand for office space would more appropriately be accommodated by existing vacant space or at potential development of the Live Oak Site
- With office properties currently on the market taking upwards of a year to sell or lease, and with a void of planned office developments, existing demand for office space in Pascagoula is relatively weak
- The national economic downturn reduces the likelihood for office-based firm expansion and resulting need for office-space in the near term

In conclusion, BBPC does not recommend an office component as part of the Pascagoula Riverfront development program at this time. However, while the near-term market is not favorable for office development, it may be possible for office tenants, should demand emerge over the longer-term future, to occupy general commercial (e.g. ground floor retail) space as it becomes available over time. Considerations and conclusions regarding the retail market are provided in Section 6. A summary of Pascagoula’s strengths, constraints and opportunities with regards to the office market is provided below.

Exhibit 3.6: Pascagoula Office Market Summary

Strengths	Constraints	Opportunities
<ul style="list-style-type: none"> • Lower lease rates than Biloxi and Gulfport which may offer ease of entry for firms into the market over time • Longer-term potential for office-based employment growth 	<ul style="list-style-type: none"> • Lack of near-term demand for office space to accommodate office firms • Long sale/lease time on recently available properties • Several relatively large office complexes currently vacant/available for lease • Lack of developer and investor interest in new construction 	<ul style="list-style-type: none"> • Accommodate future need for office space first in existing vacant properties • Over long term, allow office uses to fill retail spaces at the riverfront if/when spaces become available and the office market strengthens

4.0 Lodging Market Analysis

4.1 Overview

The lodging market analysis evaluates the current lodging market in Pascagoula and surrounding areas, specifically Jackson County and the Pascagoula Regional Commuteshed, which is equivalent to a 50-mile radius of Pascagoula. This broad region is included because it encompasses the lodging markets in both Gulfport and Mobile, which currently compete with Pascagoula for visitors. The analysis evaluates lodging characteristics in these areas in order to understand potential opportunities for lodging development along Pascagoula’s Riverfront. In particular, measures such as average daily rates, occupancy, and revenue per available room are profiled for the broader 50-mile region, while supply by type is evaluated in detail for Jackson County.

4.2 Lodging Supply Characteristics

Lodging Classification

To frame the description of lodging supply in Pascagoula and surrounding geographies, it is useful to define the various types of lodging facilities found nationwide. Depending on local market demand and economic features of a given location, several lodging inventory types exist. Lodging inventory product types are available in several types based on quality of accommodations and service desired, ranging from economy scale to luxury scale with average daily rate (ADR) prices ranging from \$50 to \$250+ in the national market.

Exhibit 4.0: Lodging Industry Product Types

Hotel Type	ADR Range	Amenities	Brand Examples
Luxury	\$250+	Multiple restaurants, fitness center, business center, pool, spa, meeting space, room service	The Ritz Carlton, The Four Seasons, Fairmont
Upper Upscale	\$150 - \$250	Multiple restaurants, fitness center, business center, pool, spa, meeting space, room service	The Westin, Hyatt Regency, Hilton, Marriott
Upscale	\$100 - \$175	Restaurant, fitness center, business center, pool, room service	Courtyard Marriott, Hilton Garden Inn, Four Points, Hyatt Place
Midscale	\$75 - \$125	Limited food & beverage, fitness center	Best Western, Holiday Inn
Economy	\$50 - \$90	N/A	Super 8, Quality Inn, Budget Inn, Econo Lodge

Source: Smith Travel Research

Pascagoula Riverfront - Market Analysis

The Jackson County lodging market within which Pascagoula is situated does not offer the full range of hotel types, as described below.

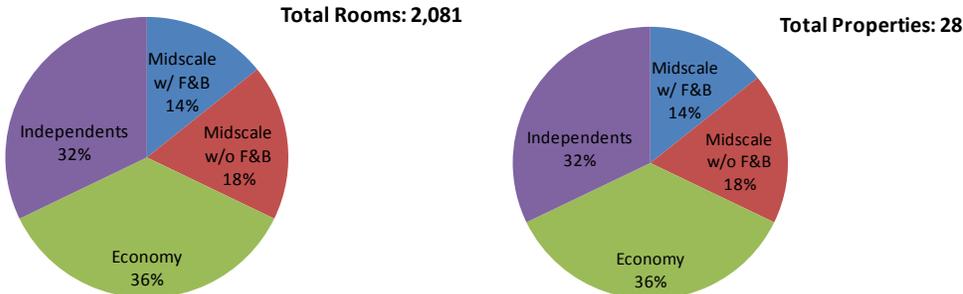
Inventory

In Jackson Count as of December 2008, there were 28 hotels offering 2,081 rooms situated in Ocean Springs, Moss Point and Pascagoula. These rooms represented 18 percent of the 11,301 rooms located in 110 properties in the Pascagoula Regional Commuteshed lodging market (with the majority of the regional market’s supply located in Mobile, Gulfport and Biloxi).

Of the lodging properties and rooms located in Jackson County, more than 50 percent are classified either as economy or independent with nine midscale (with or without food and beverage or F&B) hotels. Key observations include:

- Majority (38 percent) of the County hotel room supply consists of economy rooms (795)
- 35 percent (10 properties) of the County hotel properties are economy scale
- Midscale (with F&B) hotels represent only 14 percent of the County hotel properties and 14 percent of the County hotel room supply
- Independent hotels represent 21 percent of the County hotel properties and 14 percent of the County hotel room supply
- There are no luxury or upper luxury hotels present in the County

Exhibit 4.1: Lodging Rooms and Properties, Jackson County, 2008



Source: Smith Travel Research, 2008

In terms of location, nearly 70 percent of the existing hotels in the County are located in Moss Point and Ocean Springs, approximately 10 to 15 miles from Pascagoula.

In terms of hotel flags, Wyndam Hotels (e.g. Days Inn, Super 8, Howard Johnson) has the largest presence with 6 properties, followed by Choice Hotels (e.g. Quality Inn, Econo Lodge) with 3 properties, Best Western and Studio 6 with 2 properties, Intercontinental Hotels (Holiday Inn Express), Hilton (e.g. Hampton Inn), Carlson (e.g. Country Inn &

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Suites), La Quinta, Comfort Inn, and Suburban Extended Stay, each with 1 property. The remaining 9 are independently owned properties.

Exhibit 4.2: Existing Hotel Inventory – Jackson County (2008)

Hotel Name	Location	# Rooms	SF Meeting Space	Date Opened	Type
Best Western Flagship Inn	Moss Point	78	3000	August 1988	Mid F/B
Best Western Magnolia	Gautier	42		July 2000	Mid F/B
Quality Inn Ocean Springs	Ocean Springs	65		December 1995	Mid F/B
Quality Inn Moss Point	Moss Point	114		April 1986	Mid F/B
Comfort Inn Pascagoula	Moss Point	82		May 1995	Mid w/o F&B
Country Inn & Suites	Ocean Springs	64	126	July 1999	Mid w/o F&B
Hampton Inn Moss Point	Moss Point	77	600	May 2001	Mid w/o F&B
Holiday Inn Express	Moss Point	102	576	September 1995	Mid w/o F&B
La Quinta Inn Moss Point	Moss Point	50	400	February 2000	Mid w/o F&B
Days Inn Ocean Springs	Ocean Springs	62		October 1997	Economy
Days Inn Moss Point/Pascagoula	Moss Point	54		August 1991	Economy
Econo Lodge Moss Point	Moss Point	50		February 2000	Economy
Howard Johnson Express	Ocean Springs	78	120	March 1995	Economy
Studio 6 Pascagoula	Pascagoula	113	650	May 2000	Economy
Studio 6 Ocean Springs	Ocean Springs	121		June 1997	Economy
Suburban Extended Stay	Gautier	127		April 1999	Economy
Super 8 Pascagoula	Pascagoula	42	200	May 2003	Economy
Super 8 Moss Point	Moss Point	56		March 1996	Economy
Super 8 Ocean Springs	Ocean Springs	92	400	September 1996	Economy
Executive Inn	Pascagoula	50		June 1984	Independent
Gulf Hills Resort	Ocean Springs	53	3,750	June 1927	Independent
La Font Inn	Pascagoula	192	4,104	May 1963	Independent
Kings Inn	Pascagoula	103		June 1956	Independent
Shular Inn	Moss Point	49		July 1995	Independent
Indian Head Station	Ocean Springs	60	300	July 1997	Independent
Deluxe Inn & Suites	Moss Point	41		October 1999	Independent
Chandeleur Lodge	Pascagoula	44		October 2000	Independent
Economy Inn	Ocean Springs	20		June 1986	Independent

Source: Smith Travel Research

Pipeline Development

In addition to the existing 28 hotels currently present in Jackson County, a new hotel in Ocean Springs is under construction and is projected open in mid- to late- 2009 providing an additional 117 rooms to the hotel supply. Another hotel in Ocean Springs is in the planning phase (the number of rooms has not yet been identified), and will be an independent hotel.

Exhibit 4.3: Hotel Pipeline Development – Jackson County

Hotel Name	Location	# Rooms	Opening Date	Status	Type
Comfort Inn	Ocean Springs	117	July 2009	In Construction	Mid w/o F&B
Unnamed @ Santa Rosa	Ocean Springs	—		Planning	Independent

Source: Smith Travel Research

When added to the existing inventory, the new hotels under construction and planned in Ocean Springs will bring the total Jackson County lodging supply from 28 properties with 2,081 rooms to 30 properties and at least 2,198 rooms.

Exhibit 4.4: Lodging Supply Existing & Proposed – Jackson County

	Existing	Rooms	Under Construction		Planned	
	Properties		Properties	Rooms	Properties	Rooms
Luxury	0	0				
Upper Upscale	0	0				
Upscale	0	0				
Midscale	9	674	1	117		
Economy	10	795				
Independent	9	612			1	

Source: Smith Travel Research

Lodging Market Performance

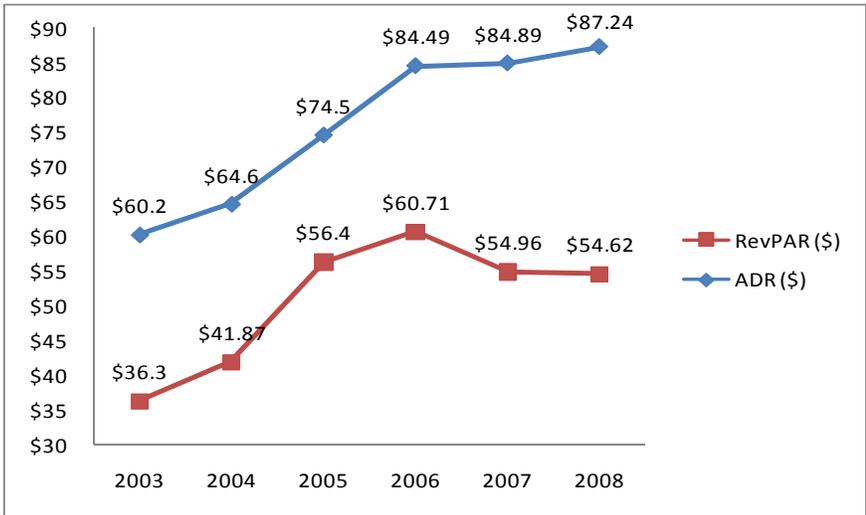
In the Pascagoula Regional Commuteshed (e.g. 50 mile radius of Pascagoula), with demand for hotel rooms and the cost of goods and services steadily increasing over the years, the average daily rate (ADR) of a hotel room has increased approximately \$27 since 2003 from \$60.20 to \$87.24 in 2008. Likewise, revenue per available room (RevPAR) for a hotel in the county has increased to \$54.62, an \$18 increase since 2003's \$36.34.

Exhibit 4.5: Pascagoula Regional Commuteshed* Hotel Market ADR (\$) and RevPAR (\$)

Year	ADR	RevPAR
2003	60.2	36.34
2004	64.6	41.87
2005	74.54	56.37
2006	84.49	60.71
2007	84.89	54.96
2008	87.24	54.62

Source: Smith Travel Research
 *Equivalent to a 50-mile radius of Pascagoula
 1/ADR (Average Daily Room Rate): Room revenue divided by room sold
 2/RevPAR (Revenue per Available Room): Room revenue divided by rooms available

Exhibit 4.6: Hotel ADR (\$) – Pascagoula Regional Commuteshed



Source: Smith Travel Research

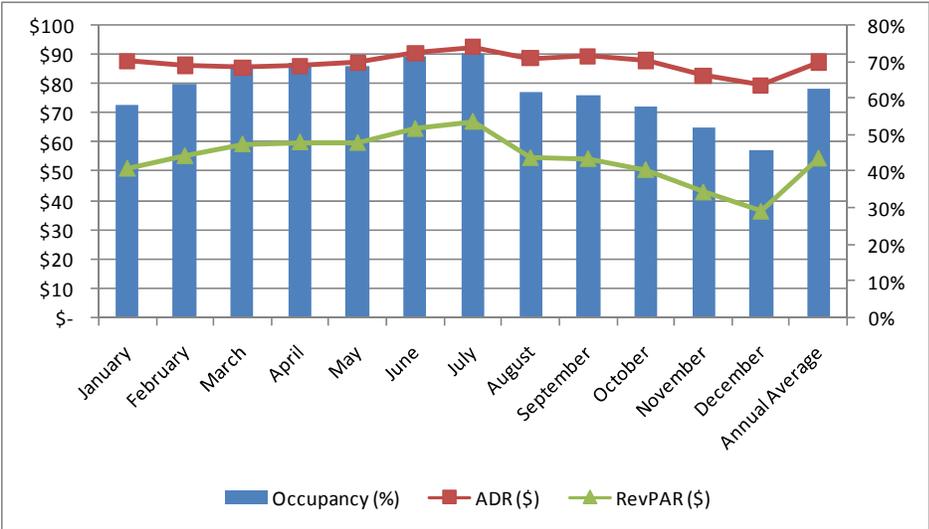
Pascagoula Riverfront - Market Analysis

Historically, the summer months of June and July, as well as February through May, represent the most active time of year for hotels in the Pascagoula Regional Commuteshed. The average annual occupancy for hotels in this region in 2008 was 62 percent; however between June and July, occupancy levels were much higher ranging from 70 percent to 73 percent.

Due to increased demand during the summer months, the average daily rate and revenue per available room are highest in these months than each respective annual average. Conversely, winter months between November and January result in reduced activity for hotels where occupancy levels range from 45 to 58 percent. As a result, the average daily rate and revenue per available room during those months is below the annual average.

Exhibit 4.7: Occupancy, ADR (\$) & RevPAR (\$) –

Pascagoula Regional Commuteshed



Source: Smith Travel Research

4.3 Lodging Demand Characteristics

Demand for lodging in Jackson County and the Pascagoula Regional Commuteshed is primarily driven by three market segments:

- Military Personnel
- Corporate/Business Travelers
- Leisure Travelers

Currently, military, corporate/business, and leisure travelers may be underserved in Pacasgoula given the City’s limited lodging supply, which currently includes only economy and independent hotels. The demand evaluation describes, through a combination of quantitative data and qualitative observations, these potential sources of

Pascagoula Riverfront - Market Analysis

demand in order to test the possibility for a new lodging product to be located along the Riverfront.

However, this evaluation is tempered by knowledge of dismal trends in the broader national lodging market, which include (Urban Land Institute, 2009):

- Hotel occupancy rates decreased by 6.5 percent in 2008 compared to 2007
- Demand for lodging nationwide is expected to decline by 2 percent in 2009 as a result of the recession - the largest decline since 2001 (September 11 attacks and resulting impact on travel)
- Forecasters expect the general economy to perform poorly through 2010
- Luxury hotels and resorts and upper-upscale hotel types are expected to be most impacted by the downturn
- Virtual meeting alternatives, such as web-based meetings and conference calls, are growing more popular as an alternative to in-person business trips
- Businesses are less likely to expand travel budgets when facing poor or uncertain future performance
- Consumers are less likely to spend money on vacations when anxious over the general economy or potential layoffs

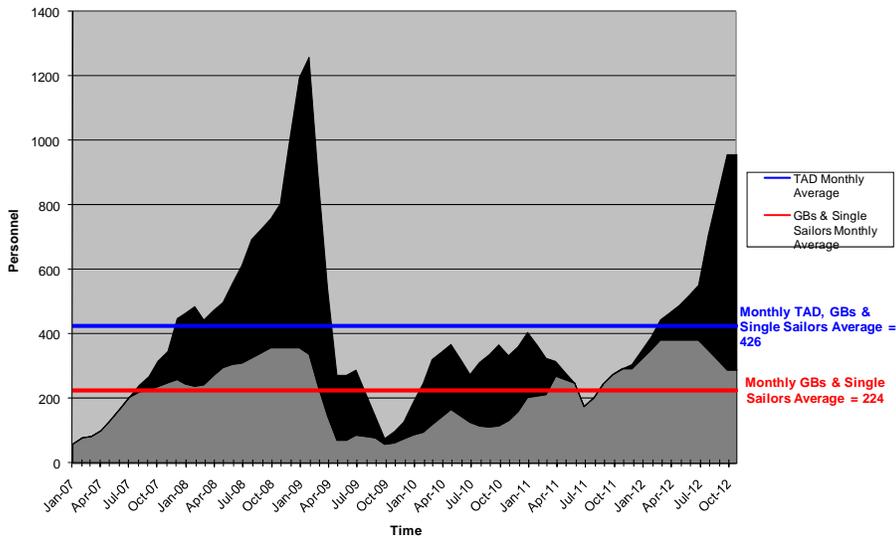
Therefore, the evaluation focuses conservatively on sources of demand known to be underserved by the current market, with particular attention paid to the military personnel segment which is less impacted by the economic downturn than the corporate/business and leisure segments.

Military Personnel

In the region surrounding Pascagoula, visitation driven by military personnel may provide demand for lodging. The Lakeside Naval Support Facility in the City of Pascagoula in particular offers potential to drive demand for accommodations, namely because of the influx of temporary sailors which will be brought to the facility for three months at a time before being deployed. Consider the following:

- Through the year 2035, the periodic influx of these temporary sailors will create temporary surges (i.e. times when the Lakeside Naval Support Facility will not be able to accommodate all sailors at the Lakeside facility). The following chart provides a snapshot into the periodic influxes of crewmembers that has occurred and will occur through 2012.

Exhibit 4.8: Projected Personnel in Pascagoula 2007-2012



- Over the long-term time period (2007-2035), the monthly average number of temporary crewmembers that will be brought to the Lakeside Facility is 202.
- In addition to the demand for lodging created by temporary surges, people that live (e.g. permanent crewmembers) at the Lakeside Facility also are given the option to elect to live at Lakeside or elsewhere. The monthly average number of permanent crewmembers at the Lakeside Facility over the long-term time period is 224.
- If a crewmember chooses to live outside the Lakeside Facility, a base allowance is provided for housing (BAH).
- Those military personnel given stipends (BAHs) use the check to find housing, which typically consists of local hotels.
- Senior personnel are given priority to choose first whether to stay at the Lakeside facility or to locate in an off-facility housing or lodging facility. A typical ship is comprised of 25 percent senior people and 75 percent junior people.

Given these conditions, it is reasonable to assume a strong proportion of permanent crewmembers as well as most temporary crewmembers will prefer to live in accommodations outside the Lakeside Facility, particularly if given more luxurious housing with amenities nearby.

- Assuming that half of permanent crewmembers would opt for off-facility lodging, and that 80 percent of temporary crewmembers would do the same, nearly 100,000 room nights (99,864 to be precise) would be demanded off-facility.
- At 75 percent occupancy (the assumed occupancy level needed for investors to pursue hotel development), such demand would support 365 hotel rooms.
- If only room nights demanded by temporary crewmembers is counted (i.e. the surge), those sailors unable to be accommodated at the Lakeside Facility (estimated at 80 percent) would support a 215 room hotel.

Exhibit 4. 9: Lakeside Generated Lodging Demand (2007-2035)

	Monthly Average 2009-2035	Potential Percent Demanding Off-Facility Lodging	Number Demanding Off-Facility Lodging	Projected Room Nights Demanded	Supportable Hotel Rooms at 75% Occupancy
Permanent Crewmembers	224	50%	112	40,880	149
Temporary Crewmembers	202	80%	162	58,984	215
Total Crewmembers	426	64%	274	99,864	365

Source: BBPC

Of course, not every crewmember that chooses off-facility lodging will opt to stay at a Riverfront hotel. Given this assumption, BBPC has prepared three scenarios for the Riverfront: low-case, mid-case, and high-case.

- The mid-case scenario assumes that by offering a product more appealing to existing offerings in Pascagoula, a Riverfront hotel would capture approximately 30 percent of Lakeside generated lodging demand (roughly double the level it would capture if such demand were evenly distributed among it and the other six existing lodging facilities in Pascagoula), which would support a 109 room hotel at 75 percent occupancy
- The low-case scenario assumes that the Riverfront hotel captures 15 percent less than the mid-case scenario, which would support a 93 room hotel at 75 percent occupancy
- The high-case scenario assumes that the Riverfront hotel captures 15 percent more than the mid-case scenario, which would support a 126 room hotel at 75 percent occupancy

Therefore, lodging demand presented by both Lakeside permanent and temporary crewmembers (i.e. the surge) would support an approximately 93 to 126 room hotel at 75 percent occupancy.

Exhibit 4.10: Projected Lakeside Generated Lodging Demand

Supportable Hotel Rooms at 75% Occupancy	365		
	Low Case (1/)	Mid Case (2/)	High Case (3/)
Riverfront Share of Lakeside Generated Lodging Demand	26%	30%	35%
Riverfront Projected Room Nights at 75% Occupancy	93	109	126

1/ Assumes share of Lakeside generated lodging demand is 15 percent less than mid-case scenario

2/ Assumes share of Lakeside generated lodging demand is roughly thirty percent

3/ Assumes share of Lakeside generated lodging demand is 15 percent higher than mid-case scenario

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However, there are several important considerations to note regarding the prospects for a Riverfront hotel which would primarily be supported by Lakeside personnel.

- Given the Navy's housing privatization program, it is likely that a private party will take over responsibilities for providing housing at the Lakeside Facility and the same private party would likely be able to provide off-site lodging at the Pascagoula Riverfront site. Therefore, the surge presents a unique opportunity to leverage City-owned property and the Navy's housing privatization needs to attract a developer to provide both housing at the Lakeside Facility and lodging along the Riverfront.
- During the next 27 years (2009 to 2035), there will be five years in which no surge is projected: years 2013, 2014, 2018, 2019 and 2020. In those years, occupancy at the lodging facility could drop, but if the same private party controls both the on-facility housing and off-facility lodging, it could absorb the loss.
- The lodging facility would likely be available to anyone to rent, thereby offering public access.
- Sailors would likely require some cooking ability but not a full apartment. Desirable amenities to co-locate alongside the hotel would include a fitness center, grocery store, neighborhood retail, and on-site restaurant(s).

Corporate/Business Travelers

A recent study has shown a relationship between the hospitality and commercial real estate market - hotels proximate to office buildings and corporations tend to capture business travelers, one of the three major sources of hotel demand.

- An analysis by HVS International analyzed the relationship between corporate and business employment and hotel demand.¹
- This analysis examined the historical growth in employment in relation to historical hotel supply and demand trends and found a strong correlation between employment growth and hotel supply, which provides the ability to link changes in employment to changes in hotel supply and demand.
- A ratio of 1:14 was found, in which for every one corporate or business job created, 14 annual room nights are generated.

This type of evaluation is appropriate for Pascagoula because of the City's strong corporate presence, particularly to test whether or not the City's existing employment base has been underserved by local lodging offerings. To capture the corporate and business employment in the City, the analysis focuses on jobs in the manufacturing sector with the knowledge that activities at companies such as Northrop Grumman and Chevron will be most likely to generate business trips.

¹ The HVS Employment-Hotel Growth Index: A New Tool for Projecting Hotel Room Night Demand, HVS International, December 2008 [<http://www.hospitalitynet.org/news/4037078/print>]

Pascagoula Riverfront - Market Analysis

Pascagoula’s manufacturers generate business travel that is not currently satisfied in the local market. Consider the following:

- Pascagoula contains 10,375 manufacturing jobs, 85 percent of the 12,207 manufacturing jobs in Jackson County
- Despite its high share of County-wide manufacturing employment, Pascagoula does not offer midscale hotels appealing to the business class, and only offers 544 hotel rooms in six properties (26 percent of all rooms County-wide), including two economy hotels (Super 8 Pascagoula and Studio 6 Pascagoula and four independent hotels)
- Assuming that each manufacturing job in Pascagoula results in demand for 14 annual room nights (based on the HVS Index), these jobs generate 145,250 annual room nights
- If all of this demand was captured in one hotel at 75 percent occupancy (the occupancy level generally needed for investors to consider a new development project), such demand would support a 298 hotel rooms, which would represent 14 percent of all the rooms currently located in Jackson County (2,081)

Exhibit 4.11: Estimated Corporate and Business Employment by Industry Sector - City of Pascagoula (2008)

Manufacturing Employment - 2008	10,375
HVS Index: Employment to Hotel Room Nights	1:14
Employment Generated Room Nights	145,250
Room Nights at 75 percent occupancy	108,938
Employment Generated Hotel Rooms Needed	298
Total Rooms in Jackson County	2,081
Employment-Generated Rooms as Percent of County Rooms	14%

Source: ESRI Business Solutions, BBPC

Currently, this demand is satisfied by business-oriented hotels in the broader Pascagoula Regional Commuteshed, including Mobile and Gulfport which offer significantly more lodging choices than Pascagoula. Therefore, there is potential for a new hotel product to satisfy a portion of the currently unmet demand presented by business travelers. Given this assumption, BBPC has prepared three scenarios for the Riverfront: low-case, mid-case, and high-case.

- The mid-case scenario assumes that by offering a product more appealing to business travelers than the lodging choices currently offered in Pascagoula, a Riverfront hotel would conservatively capture approximately 10 percent of employment generated lodging demand, which would support a 36 room hotel at 75 percent occupancy
- The low-case scenario assumes that the Riverfront hotel captures 15 percent less than the mid-case scenario, which would support a 31 room hotel at 75 percent occupancy

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- The high-case scenario assumes that the Riverfront hotel captures 15 percent more than the mid-case scenario, which would support a 42 room hotel at 75 percent occupancy

Therefore, lodging demand presented by existing corporate manufacturing employment not presently served in the market could support an approximately 31 to 42 room hotel at 75 percent occupancy.

Exhibit 4.12: Projected Corporate and Business Generated Lodging Demand

Supportable Hotel Rooms at 75% Occupancy	298		
	Low Case (1/)	Mid Case (2/)	High Case (3/)
Riverfront Share of Employment Generated Lodging Demand	9%	10%	12%
Riverfront Projected Room Nights at 75% Occupancy	31	36	42

1/ Assumes share of Lakeside generated lodging demand is 15 percent less than mid-case scenario
 2/ Assumes share of Lakeside generated lodging demand is roughly thirty percent of market
 3/ Assumes share of Lakeside generated lodging demand is 15 percent higher than mid-case scenario

Leisure

The leisure market segment consists of individuals and families who are spending time in the area or passing through en route to other destinations. Their travel purposes include attending regional sporting events, visiting gaming facilities, recreation, visiting friends and relatives, and other non-business activities. Leisure demand is strongest Friday and Saturday nights and weekdays during holiday periods and the summer months. Leisure travelers are the most price sensitive segment of the lodging market and often select accommodations that include complimentary amenities such as continental breakfast. Proximity to tourist attractions and retail centers are important considerations for this segment.

In Pascagoula, sporting events are a popular annual leisure activity that draws overnight travelers to the area.

- Every year, at least one State or District sports tournament is held in Pascagoula (e.g. baseball, soccer, etc.)
- Such events bring anywhere from 12 to 31 teams to the City
- During the Little League World Series, 12 teams came to Pascagoula for the week-long series, resulting in demand for 200 room nights the first several days, then tapering down each day as teams were eliminated and left the City (according to the City of Pascagoula). Assuming a 20 percent decrease in need for rooms in days 4 through 7 of the week-long series, and need for 200 rooms in the days 1 through 3, the event is estimated to have resulted in need for 1,000 room nights

Exhibit 4.13: Little League World Series – Potential Room Nights Per Day

Day	Room Nights
1	200
2	200
3	200
4	160
5	120
6	80
7	40
TOTAL	1,000

Source: City of Pascagoula, BBPC

- Since the City hosts at least one major State or District tournament every year, it is reasonable to assume that every year participants and their families provide demand for 1,000 room nights

Clearly, such modest and periodic demand is not sufficient to support a new lodging facility. However, this segment does offer a potential niche to modestly supplement the demand presented by the military personnel and corporate/manufacturing related travel. Since Pascagoula currently does not provide a midscale option with food and beverage (which would appeal to cost-conscious families seeking accommodations with continental breakfast), that type of facility would best respond to this market segment as well as appeal to business travelers.

4.4 Conclusions: Lodging and the Riverfront

Based on the evaluation of various demand segments (e.g. military personnel, corporate/business travel, and leisure), BBPC believes there is potential for a Riverfront hotel catering primarily to military personnel, followed by a small proportion of corporate/business travelers and a modest leisure segment.

Three scenarios have been presented based on different assumptions about the Riverfront’s ability to capture a portion of the demand presented by military personnel and corporate/business travelers. In summary, a hotel in the range of 124 to 168 rooms has been identified.

Exhibit 4.14: Riverfront Lodging Facility Under Three Scenarios

	Hotel Rooms		
	Low Case	Mid Case	High Case
Lakeside Generated Demand (Military Personnel)	93	109	126
Corporate/Business Travel	31	36	42
TOTAL	124	146	168

Source: BBPC

This lodging facility would ideally be positioned as a midscale offering with food and beverage service to respond to cost-conscious military personnel, corporate/business travelers, and families traveling for sporting events. To respond to the needs of military personnel, rooms would also offer some cooking ability (but not serve as full apartments), and convenient services (e.g. grocery, neighborhood retail) and on-site restaurant(s) would be offered nearby. A summary of Pascagoula’s strengths, constraints and opportunities with regards to the lodging market is provided below.

Exhibit 4.15: Pascagoula Lodging Market Summary

Strengths	Constraints	Opportunities
<ul style="list-style-type: none"> • Demand for lodging presented by permanent and temporary crewmembers at the Lakeside Naval Support Facility • Unsatisfied demand for business travel in immediate area from Pascagoula’s corporate manufacturers • Modest demand presented by annual sports tournaments • Increasing regional average daily rates (ADR) and revenue per available room (RevPAR) 	<ul style="list-style-type: none"> • Lack of Pascagoula supply catering to military personnel and business travelers • Lack of major recreational draws beyond sports tournaments (e.g. gaming, etc.) • Broader national economic downturn, which has reduced hotel occupancies nationwide 	<ul style="list-style-type: none"> • Riverfront hotel with 124 to 168 rooms primarily oriented to military personnel but supplemented by business travelers and to a modest extent leisure travelers • Co-locate desirable amenities near the hotel, such as a fitness center, grocery store, on-site restaurant and neighborhood-serving retail

5.0 Residential Market Analysis

5.1 Overview

The residential market analysis evaluates housing supply and demand characteristics in Pascagoula and surrounding areas in order to understand potential opportunities for housing development along the Riverfront. Since Pascagoula is a major employment center with many in-commuters (e.g. employees of Pascagoula businesses that do not also live in the City) particular attention is paid to testing the opportunity to offer housing appealing to a portion of those in-commuters.

5.2 Residential Supply Characteristics

Pascagoula’s housing supply consists of an estimated 10,684 residential units, including 4,974 ownership units (46.6 percent of all units), 4,004 rental units (37.5 percent of all units), and 1,706 vacant units (16 percent of all units). Pascagoula’s vacancy rate, estimated at 16 percent, is higher than each surrounding community analyzed: Moss Point (10.6 percent), Ocean Springs (8.6 percent), Jackson County (10.5 percent), Biloxi (13.3 percent) and Gulfport (9.3 percent). The share of ownership units, at 46.6 percent, is also lower than most other communities, where ownership units comprise roughly 65 percent of all units (Moss Point, Ocean Springs and Jackson County).

Exhibit 5.1: 2008 Pascagoula Area Residential Markets

Market/Submarket	Ownership Units		Rental Units		Vacant Units		Total Units
	#	% of Total	#	% of Total	#	% of Total	
Pascagoula	4,974	46.6%	4,004	37.5%	1,706	16.0%	10,684
Moss Point	4,189	64.0%	1,662	25.4%	697	10.6%	6,548
Ocean Springs	4,903	65.3%	1,961	26.1%	642	8.6%	7,506
Jackson County	38,181	66.4%	13,276	23.1%	6,054	10.5%	57,511
Biloxi	8,371	42.4%	8,759	44.3%	2,627	13.3%	19,757
Gulfport	16,092	52.5%	11,719	38.2%	2,836	9.3%	30,647

Source: ESRI Business Solutions

Pascagoula Riverfront - Market Analysis

To better understand how Pascagoula’s ownership units compare to units in surrounding communities, a survey of selected homes for sale was completed. With an average listing price of approximately \$150,000, Pascagoula homes have the lowest average listing price of all areas surveyed; average list prices in Ocean Springs (approximately \$240,000), Biloxi (approximately \$350,000) and Gulfport (approximately \$250,000) were substantially higher.

Exhibit 5.2: Selected Sales Activity – Ownership Units (2008)

Growth Area/Submarket	Ownership Units	% of Total	Total Units for Sale	Average Listing Price
Pascagoula	10,684	8.1	78	\$154,120
Moss Point	6,548	4.9	70	\$169,126
Ocean Springs	7,506	5.7	662	\$240,526
Jackson County	57,511	43.4	1,017	\$212,841
Biloxi	19,757	14.9	511	\$345,221
Gulfport	30,647	23.1	716	\$253,525

Source: Trulia

Like the selected ownership units surveyed, selected rental units analyzed in Pascagoula also exhibited lower asking rates compared to units in surrounding communities. Selected rental properties in Pascagoula were listed for rent at between \$575 and approximately \$700 per month, lower than the rental range documented in the other communities: Moss Point (\$538 to \$1,083); Ocean Springs (\$548 to \$1,031); Jackson County (\$597 to \$986); Biloxi (\$710 to \$1,000); and Gulfport (\$700 to \$998). The lower rental rates in Pascagoula are in part linked to smaller sizes of selected properties in the City (approximately 600 to 1,000 square feet) compared to properties in surrounding communities (approximately 700 to 1,600 square feet).

Exhibit 5.3: Rental Residential Markets (2008)

Growth Area/Submarket	Rental Units	Median Rent (\$)			Average Square Feet		
		1BR	2BR	3BR	1BR	2BR	3BR
Pascagoula	4,004	575	639	691	638	889	977
Moss Point	1,662	538	1,050	1,083	950	1,475	1,544
Ocean Springs	1,961	548	1,031	685	675	1,007	0
Jackson County	13,276	597	787	986	763	871	1,154
Biloxi	8,759	710	695	1,000	864	1,072	1,397
Gulfport	11,719	700	750	998	748	956	1,253

Source: Zillow

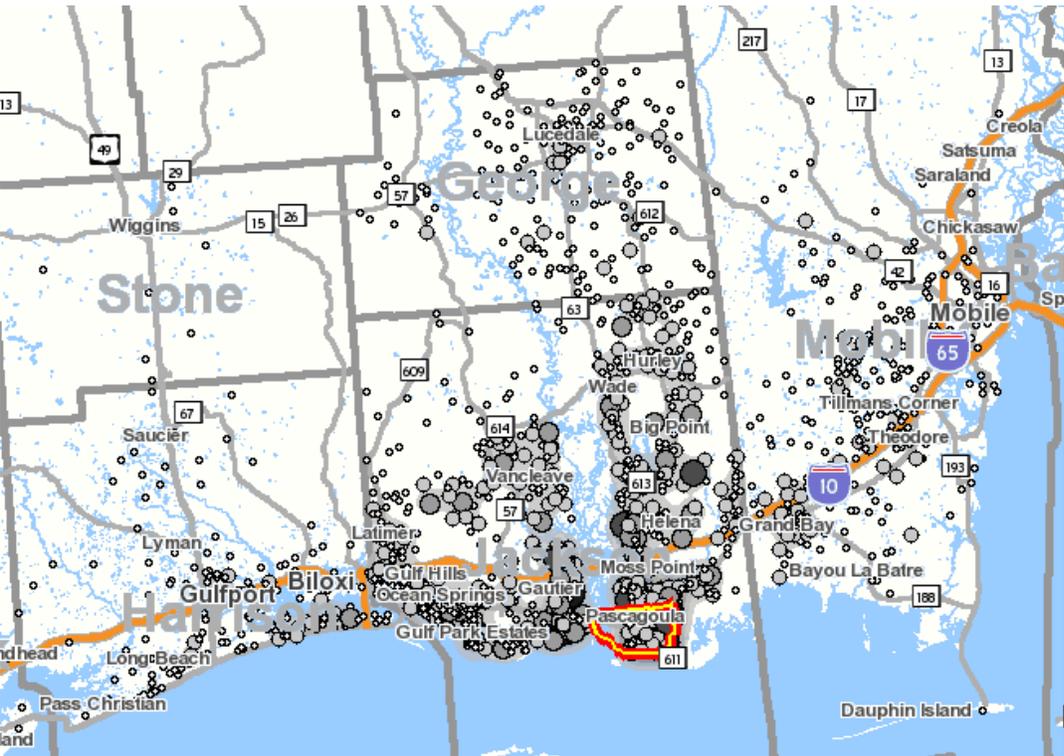
5.3 Residential Demand Characteristics

Demand for housing in Pascagoula will be primarily driven by the attraction of in-commuters who work in the City but presently live elsewhere. Pascagoula has long served as a destination for in-commutes, which was only increased after Hurricane Katrina, after which rising insurance costs and reluctance to purchase homes along the water reduced demand for ownership housing south of Interstate 10.

Quantitative Considerations

The U.S. Census tracks the residence locations of employees through its longitudinal employer-household dynamics program; the most recently available data for Pascagoula (2005) is provided in the following exhibits.

Exhibit 5.4: Residence Locations of Employees that Work in Pascagoula, 2005



Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics, 2005 (Most Recent Year for which Data is Available)

Exhibit 5.5: Residence Locations of Pascagoula Workers, 2005

	Number	Percent
Pascagoula, MS	5,339	21.4%
Moss Point, MS	2,726	10.9%
Gautier, MS	2,395	9.6%
Mobile, AL	915	3.7%
Ocean Springs, MS	863	3.5%
Gulfport, MS	679	2.7%
Vancleave, MS	606	2.4%
Escatawpa, MS	560	2.2%
Biloxi, MS	518	2.1%
Gulf Park Estates, MS	418	1.7%
All Other Locations	9,932	39.8%
TOTAL	24,951	100%

Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics, 2005

As the exhibits illustrate, approximately 21.4 percent of Pascagoula’s employees lived in Pascagoula in 2005. Census data regarding the percent of employees that also live in the City for 2008 is not available. However, population trends over the past several years indicate Pascagoula’s total population has declined, suggesting that the share of employees living in the City has also likely declined.

Exhibit 5.6: Population Decline, 2000-2008

	City of Pascagoula
Population, 2000	26,200
Population, 2008 estimate	22,956
Population Compound Annual Growth Rate (CAGR), 2000-2008	-1.6%

Source: ESRI Business Solutions

From 2000 to 2008, the City’s population is estimated to have decreased 1.6 percent per year from 26,200 residents in 2000 to 22,956 residents in 2008. It is reasonable to assume that the proportion of workers that live in Pascagoula decreased at a similar rate. In 2008, Pascagoula’s employers are estimated to employ 23,111 workers. Assuming that the share of these workers that also live in the City decreased by 1.6 percent per year from 2005, that share is estimated to have fallen from 21.4 percent to 20.4 percent by 2008. Using this logic, the number of Pascagoula workers that also live in the City is estimated at 4,707 in 2008, down 632 from 5,339 in 2005.

Exhibit 5.7: Estimated Residence Locations of Pascagoula Workers, 2008

Pascagoula, MS	4,707	20.4%
All Other Locations	18,404	79.6%
TOTAL	23,111	100.0%

Source: BBPC
 1/ Assumes the percentage of residents that live and work in Pascagoula decreased 1.6 percent per year, in line with population loss from 2000 to 2008

BBPC believes the City has potential to re-capture some of the workers (632) that moved from a City residence in 2005 to 2008, including the other workers that live elsewhere in surrounding region (18,404 in 2008, including the 632 workers that moved from the City since 2005). Assuming that the City can attract a modest 1 percent of these 18,404 workers back to the City, this group would present demand for 184 residential units in the City.

Exhibit 5.8: Potential City Re-Capture In-Commuters

Estimated In-Commuters, 2008	18,404
Projected Possible Percent Capture	1.0%
Projected Possible Number Capture	184

Source: BBPC

This modest capture is based on qualitative considerations regarding the overall residential market in Pascagoula, as described below.

Qualitative Considerations

Many factors impact Pascagoula’s housing market and the City’s ability to attract new residents that would support housing development. Qualitative considerations regarding the market include:

- High insurance costs - Pascagoula, like other communities along the Mississippi Gulf Coast, is subject to higher home insurance costs which increase the overall cost of owning a home in the City. While major initiatives to address insurance costs are underway, such as a wind hazard mitigation program, reduced rates as a result of such initiatives are estimated to be two to three years away.
- National credit crisis - with the nation’s lenders tightening credit standards for borrowers in the fallout of the national credit crisis, the ease with which both potential homeowners and developers to secure loans for housing has diminished.
- Buoyant employment sectors - Pascagoula benefits from the presence of industries such as shipbuilding and manufacturing that have proven resilient

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against the national economic downturn. The continued resilience of these industries is an important factor supporting the employment and therefore potential demand for housing provided by the region’s residents.

- Lengthy time on market of for-sale properties - housing is slow to sell in the City (local brokers estimate it takes an average of 6 to 8 months for homes to sell).

These trends dampen the prospects for owner-occupied housing, and prevent challenges toward attracting new residents to the City. However, rental apartments focused on capturing a modest share of the City’s many in-commuters could present an opportunity for Riverfront development, particularly given that the City is a more affordable alternative to other surrounding communities.

5.4 Conclusions: Residential Units and the Riverfront

Given current residential market conditions in Pascagoula and surrounding communities, BBPC believes there may be some market support for a modest level of rental residential development along the Riverfront (e.g. apartments). These units would cater primarily to in-commuters that work in the City and are seeking housing close to work in an affordable environment. To boost appeal for these units, the addition of amenities, such as supportive retail and restaurant space, will be crucial.

Three scenarios have been delineated that make different assumptions about the share of the City’s in-commuters that may be attracted to Riverfront living. A low-case, mid-case, and high-case scenario are presented. The mid-case scenario assumes that the Riverfront will capture 10 percent of the potential demand for City living presented by an estimated 184 workers that currently do not live in the City. This capture would result in support for 18 residential units. The low-case scenario assumes a 15 percent lower capture of the demand presented by 184 units (e.g. 9 percent), and results in support for 16 units. The high-case scenario assumes a 15 percent higher capture of the demand (12 percent capture) for a total of 21 market-supported units. In summary, BBPC believes the Pascagoula Riverfront could offer 16 to 21 rental units.

Exhibit 5.9: Potential Riverfront Residential Units

Projected City Re-Capture of In-Commuters	184		
	Low Case (1/)	Mid Case (2/)	High Case (3/)
Projected Riverfront Share of City Re-Capture	9%	10%	12%
Projected Riverfront Residential Units	16	18	21

1/ Assumes Riverfront share of projected City re-capture of in-commuters is 15 percent less than mid-case scenario

2/ Assumes Riverfront share of projected City re-capture of in-commuters is 10 percent

3/ Assumes Riverfront share of projected City re-capture of in-commuters is 15 percent higher than mid-case scenario

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The 16 to 21 rental units would ideally be co-located with a hotel and convenient services, such as a grocery store and neighborhood retail services. An on-site restaurant would also enhance the site’s appeal to prospective renters. A summary of Pascagoula’s strengths, constraints and opportunities with regards to the residential market is provided below.

Exhibit 5.10: Pascagoula Residential Market Summary

Strengths	Constraints	Opportunities
<ul style="list-style-type: none"> • Recession-proof industries (e.g. shipbuilding and manufacturing) that provide employment to many residents in the region • Large base of in-commuters, some of which may demand housing closer to work 	<ul style="list-style-type: none"> • Relatively high vacancy rate in City (16 percent) • Lower list prices of ownership units compared to surrounding communities, suggesting less demand for housing • High insurance costs for housing, which raises overall cost of ownership units • National credit crisis, which reduces ease of access for households and developers • Lengthy time on market of for-sale ownership properties 	<ul style="list-style-type: none"> • Rental residential development along the Riverfront (e.g. apartments) catering to a modest share of the City’s many in-commuters • Addition of amenities to increase demand for housing, such as co-location of supportive retail and restaurant space

6.0 Retail Market Analysis

6.1 Overview

Though the City of Pascagoula serves as an employment center for residents in the region, the City is not a major retail center. Pascagoula residents as well as residents of surrounding retail trade areas are underserved in terms of retail goods and services, and these residents must travel outside the City for shopping and dining. If the City can provide appealing retail and dining options, there is potential to re-capture many of these currently “leaked” sales.

6.2 Retail Supply Characteristics

As revealed through discussions with commercial brokers and review of retail property characteristics, the current supply of retail spaces in Pascagoula may be described in terms of the following features:

- Most spaces are small, offering less than 2,500 square feet, and there are no large-format retailers (i.e. “big box” retailers) in the City
- Rental rates are in the \$6.50 to \$12 per square foot range
- Retail space is slow to lease, and when leased, most businesses will only commit to a year-long lease
- Most businesses leasing space are independent retailers rather than national chains
- Similar to its office market, Pascagoula’s retail market is considered relatively weak compared to the offerings available in Biloxi and Gulfport

The characteristics of selected retail properties currently advertised for sale or lease in Pascagoula, Moss Point and Ocean Springs were also reviewed to provide a sampling of the local retail supply. They include:

- Several for-sale properties, including two in Pascagoula, listed at asking prices of \$125,000 to \$1.5 million (with most advertised between \$125,000 and \$295,000). Three properties for sale in Moss Point also were surveyed (asking prices from \$125,000 to \$295,000).
- Several rental properties, including three in Pascagoula, listed at asking lease rates of \$6.50 to \$17 per square foot per year. One property for lease in Ocean Springs also was surveyed (asking lease rate of \$14 per square foot per year).

Exhibit 6.1: Selected Pascagoula Area Retail Properties for Sales

Name	Address	Locality	Square Feet Avail.	Year Built	Lease/Sale/Sold	Asking Rate/Price/Sold Price
Pascagoula						
1	Strip Center	Corner of Hospital Rd/Hwy 90	Pascagoula	1,500	Lease	\$16-17/SF/year
2	Strip Center	Hwy 90	Pascagoula	1,500	Lease	\$16-17/SF/year
3		1824 Denny Ave	Pascagoula	24,450	Sale	\$1,500,000
4		4905 Chicot Street	Pascagoula	1,800	Sale	\$175,000
5		3501 Denny Ave	Pascagoula	3,000-47,300	Lease	\$6.50-\$14.00/SF/Year
Moss Point						
1			Moss Point	1,204	Sale	199,500
2			Moss Point	8,058	Sale	295,000
3			Moss Point	1,600	Sale	125,000
Ocean Springs						
	Bienville Landing Plaza	3827 Bienville Blvd, Suite 3	Ocean Springs	1,250 - 30,140	2007 Lease	\$14.00/SF/Year

Source: Loopnet; Sawyer Commercial

In comparison, selected properties in the Biloxi and Gulfport retail markets currently listed for sale or lease generally feature higher asking sales prices and lease rates. In Biloxi, sales prices ranged from \$3.2 to \$3.5 million. In Gulfport, selected properties featured sales prices from \$130,000 to \$3.5 million. Rental rates were primarily in the \$12 to \$21.50 per square foot range.

Pascagoula Riverfront - Market Analysis

Exhibit 6.2: Selected Biloxi and Gulfport Retail Properties for Sale

	Name	Address	Locality	Square Feet Avail.	Year Built	Lease/Sale/ Sold	Asking Rate/Asking Price/Sold Price
Biloxi							
1	Casino Zoned Lot	202 & 208 3rd St. 15202 - 15224	Biloxi	39,200		Lease	\$3.00/SF/Year
2		Lemoyne Road	Biloxi	1000	1973	Sale	\$3,200,000
3		120 Rodenberg Ave	Biloxi	7040		Sale	\$3,490,000
4		1989 Pass Road	Biloxi	1000		Lease	\$15.00/Sf/Year
Gulfport							
1	The Cadillac Building	Northwest corner of 25th Avenue & 13th Street	Gulfport	1,200 - 7,600	1903	Lease	\$18.50/SF/Year
2	The Hewes Building	Southside of 14th St just West of U.S. Hwy 49	Gulfport	1,100 - 22,750	Early 1900's	Lease	\$21.50/SF/Year
3	West Creosote Retail Center	Off Hwy 49 at I-10 1.4 Miles North of the MS Gulf Coast's largest mall	Gulfport	1,200-25,800	Under construction	Lease	\$21.50/SF/Year
4	Big Box Retail Building	MS Gulf Coast's largest mall	Gulfport	13,544-27,108	1990	Lease	\$14.00/SF/Year
5	Hwy 49 & Community Rd.	Hwy 49 at Community Rd. West Side	Gulfport	60,000		Lease	\$130,000/ year
6	Corner Oceanfront Lot	Hwy 90 and Woodward Ave.	Gulfport	24,000		Lease	\$2,900/mth
7	Campanile Court	360 Courthouse Rd	Gulfport	1,600		Lease	\$16.00/SF/Year
8	Handsboro Square	1307-1355 East Pass Road	Gulfport	1,500		Lease	\$12.00/SF/Year
9	Bayou Bernard Shopping Ctr	Hwy 49 & Dedeaux Road	Gulfport	2,500		Lease	\$13.50/SF/Year
10	Bayou Bernard Shopping Ctr	SE corner of Hwy 49 and Dedeaux Road	Gulfport	2,500-10,000	Under construction	Lease	\$15.00/SF/Year
11	Phase III 1103 Broad Avenue		Gulfport	2,500		Sale	\$200,000
12	15080 Creosote	Less Than One Mile to I-10	Gulfport	6,400		Sale	\$375,000.00
13	11072 Highway 49	Corner Location on Highway 49	Gulfport	54,233		Sale	\$1,200,000.00
14		3200 11th Street	Gulfport	3,380		Sale	\$750,000.00
15		1220 Pass Road	Gulfport	4,024		Sale	\$400,000.00
16		9471 Three Rivers Road	Gulfport	2,000		Lease	\$17.73/SF/Year
17		11324 Dye Road	Gulfport	1,560		Sale	\$3,500,000.00

Source: Loopnet; Sawyer Commercial; CoStar

6.3 Retail Demand Characteristics

Demand for retail goods is primarily a function of the spending habits of nearby residents within defined market areas, or “trade areas,” defined as the geographic areas wherein the majority of customers live. To analyze retail opportunities for the City of Pascagoula, retail trade areas have been defined based on consideration of the following factors:

- Travel time to and from the City
- Presence of physical and psychological barriers (major roadways or boundary lines that customers do not cross)
- Location of competitive facilities
- Type of retail goods and services (e.g. convenience vs. shoppers/destination goods)

Based on this knowledge, BBPC has defined two retail trade areas for the City of Pascagoula, described on the following pages.

Pascagoula Riverfront - Market Analysis

- 1. **Convenience Goods Retail Trade Area** - the area wherein the majority of customers for everyday products and services live (e.g. groceries, health and personal care, limited service dining, beer and wine, etc.). BBPC has defined this retail trade area as all the land conveniently located within an easy 10-minute drive of the City. This area includes the City proper and extends west to Gautier and north to Moss Point. The trade area does not cross Interstate 10 to the north, based on the knowledge that this roadways is a major barrier that customers for everyday items will likely not cross.

Exhibit 6.3: Pascagoula Convenience Goods Retail Trade Area



Source: ESRI Business Solutions

- 2. **Shoppers Goods Retail Trade Area** - the area wherein the majority of customers for goods that are periodically purchased or serve as destinations live (e.g. furniture, electronics, automobiles, clothing, department stores and full-service restaurants). BBPC believes that this trade area includes much of the area within which Pascagoula’s employees live (including the many in-commuters that work but do not live in the City). Because these employees are exposed to Pascagoula on a day-to-day basis, there is potential for them to patronize destination-type businesses with their families and friends on the weekends, particularly if the City offers unique retail stores and restaurants not available near the employees’ place of residence. Based on the geographic distribution of Pascagoula’s employees, BBPC has defined the shoppers goods retail trade area as all the land within a 30 minute drive of the City.

Exhibit 6.4: Pascagoula Shoppers Goods Retail Trade Area



Source: ESRI Business Solutions

Pascagoula Riverfront - Market Analysis

To quantify the depth of demand for both convenience and shoppers retail goods and the possible future capture of this demand in Pascagoula, an analysis of current capture rates and retail leakage [a comparison of current retail goods demanded by residents (expenditures) of each respective trade area with current retail supply (sales made at businesses) within the City proper] was performed.

Convenience Goods Analysis

When comparing expenditures of convenience goods retail trade area residents with Pascagoula sales in convenience goods categories, expenditures (demand) exceed sales (supply) in many categories. Grocery stores in particular exhibited a high retail gap, indicating sales are currently leaked (residents must travel to other areas to purchase groceries). A retail gap was also found in the categories of: sporting goods/hobbies, books/periodicals/music, used merchandise, miscellaneous retail, limited-service dining, special food services and drinking places. With demand exceeding supply in these categories, there may be opportunities for new retail stores and/or enhanced sales within existing City of Pascagoula stores.

Exhibit 6.5: Retail Gap, Convenience Goods Trade Area, 2008

Store Group	Demand (Expenditures)	Supply (Sales)	Retail Gap	Capture Rate
Grocery Stores	\$26,928,342	\$3,157,079	(\$23,771,263)	12%
Specialty Food Stores	\$612,346	\$892,095	\$279,749	146%
Beer, Wine & Liquor	\$1,898,714	\$5,154,839	\$3,256,125	271%
Health & Personal Care	\$9,302,671	\$18,495,499	\$9,192,828	199%
Sporting Goods & Hobbies	\$791,004	\$171,146	(\$619,858)	22%
Books, Periodicals & Music	\$2,189,730	\$516,981	(\$1,672,749)	24%
Florists	\$301,221	\$423,009	\$121,788	140%
Office Supplies	\$2,277,974	\$2,634,265	\$356,291	116%
Used Merchandise	\$690,710	\$91,100	(\$599,610)	13%
Miscellaneous Store Retailers	\$1,773,790	\$651,860	(\$1,121,930)	37%
Limited-Service Dining	\$21,797,450	\$18,998,805	(\$2,798,645)	87%
Special Food Services	\$2,008,770	\$578,036	(\$1,430,734)	29%
Drinking Places	\$3,345,499	\$965,196	(\$2,380,303)	29%
TOTAL	\$73,918,221	\$52,729,910	(\$21,188,311)	71%

Source: ESRI Business Solutions

In total, City of Pascagoula retailers are capturing 71 percent of the demand for convenience goods presented by residents of the convenience goods retail trade area. However, several retail store group categories are underrepresented, with local supply proportionally much lower than demand. For these store groups, the current capture rate is well below 71 percent. If these store group categories in particular could increase their current capture to meet the average of the other store group categories (and capture 71 percent of demand), the City would have opportunity to add new retail space.

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BBPC has assumed that each underserved category could potentially increase its capture rate to the current average (71 percent). Further, in the limited-service dining category, BBPC assumes that the capture rate would be higher, since it is already above the average at 87 percent; the capture rate has conservatively been increased 5 percent for this group.

Exhibit 6.6: Potential Pascagoula Future Capture of Retail Demand in Underserved Categories

Store Group	Demand (Expenditures)	Retail Gap	Current Capture Rate	Future Capture Rate	Future Sales
Grocery Stores	\$26,928,342	(\$23,771,263)	12%	71%	\$19,119,123
Sporting Goods & Hobbies	\$791,004	(\$619,858)	22%	71%	\$561,613
Books, Periodicals & Music	\$2,189,730	(\$1,672,749)	24%	71%	\$1,554,708
Used Merchandise	\$690,710	(\$599,610)	13%	71%	\$490,404
Miscellaneous Store Retailers	\$1,773,790	(\$1,121,930)	37%	71%	\$1,259,391
Limited-Service Dining	\$21,797,450	(\$2,798,645)	87%	92%	\$19,948,745
Special Food Services	\$2,008,770	(\$1,430,734)	29%	71%	\$1,426,227
Drinking Places	\$3,345,499	(\$2,380,303)	29%	71%	\$2,375,304

Source: ESRI Business Solutions, BBPC

These enhanced capture rates would result in a total of nearly \$21 million in net new sales at City retail businesses. To translate these net new sales to supportable new retail space in square feet, BBPC has divided sales by national standard sales per square foot levels for different retail categories, which resulted in market support for approximately 50,000 square feet of convenience retail space. BBPC then analyzed the typical range in square feet for a store in each respective convenience retail category to determine if the new sales would support one or more new stores.

Exhibit 6.7: Supportable Square Feet Under Future Capture of Retail Demand

	Current Sales	Future Sales	Net New Sales	Sales Per Square Foot	Square Feet	Low SF/Store	High SF/Store	Store Opportunity?
Grocery Stores	\$3,157,079	\$19,119,123	\$15,962,044	\$472	33,818	26,825	60,024	Yes
Sporting Goods & Hobbies	\$171,146	\$561,613	\$390,467	\$221	1,767	2,593	55,008	No
Books, Periodicals & Music	\$516,981	\$1,554,708	\$1,037,727	\$246	4,218	2,528	28,453	Yes
Used Merchandise	\$91,100	\$490,404	\$399,304	\$206	1,938	1,100	11,629	Yes
Miscellaneous Store Retailers	\$651,860	\$1,259,391	\$607,531	\$206	2,949	1,100	11,629	Yes
Special Food Services	\$578,036	\$1,426,227	\$848,191	\$193	4,395	1,349	5,323	Yes
Drinking Places	\$965,196	\$2,375,304	\$1,410,108	\$358	3,939	2,020	7,751	Yes
TOTAL	\$6,131,398	\$26,786,770	\$20,655,372	-	53,024	-	-	

Source: ESRI Business Solutions, Urban Land Institute, BBPC

As a result of this analysis, BBPC determined there is market support for the following types of convenience retail in the City of Pascagoula:

- One grocery store at approximately 33,000 square feet or less

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- One book/periodical/music store at approximately 4,200 square feet or less
- One used merchandise store at 1,900 square feet or less
- Two miscellaneous retail stores (e.g. gift shops and other eclectic merchandise) at approximately 1,400 or less per store
- Several special food services operations (i.e. food kiosks) at a combined total of 4,300 square feet or less
- One drinking place (i.e. pub or tavern) at approximately 3,900 square feet or less

In total these retail stores would represent approximately 50,000 square feet of convenience retail space.

Shoppers Goods Analysis

Similar to the convenience goods category, when expenditures (demand) of retail trade area residents (i.e. residents of the 30-minute driveshed surrounding Pascagoula) in the shoppers goods category are compared to sales (supply) made at businesses in the City, expenditures exceed sales in all categories. The highest retail gap is found in the following categories: department stores (\$71 million in leaked sales); electronics and appliances (\$18.5 million in leaked sales); clothing (\$11.5 million in leaked sales); full-service restaurants (\$11.1 million in leaked sales); and furniture (\$11.1 million in leaked sales). There may be opportunities for new retail stores and/or enhanced sales within existing City of Pascagoula stores in these categories.

Exhibit 6.8: Retail Gap, Shoppers Goods Trade Area, 2008

Store Group	Demand (Expenditures)	Supply (Sales)	Retail Gap	Capture Rate
Furniture	\$13,060,032	\$1,955,439	(\$11,104,593)	15%
Home Furnishings	\$8,802,076	\$1,920,254	(\$6,881,822)	22%
Electronics & Appliances	\$20,679,259	\$2,154,048	(\$18,525,211)	10%
Building Materials	\$24,726,586	\$15,751,023	(\$8,975,563)	64%
Garden Materials	\$3,585,541	\$964,360	(\$2,621,181)	27%
Clothing	\$16,451,733	\$4,945,875	(\$11,505,858)	30%
Shoes	\$4,333,707	\$1,113,463	(\$3,220,244)	26%
Jewelry, Luggage & Leather Goods	\$3,460,386	\$543,245	(\$2,917,141)	16%
Department Stores	\$107,850,697	\$36,541,593	(\$71,309,104)	34%
Other General Merchandise Stores	\$40,827,505	\$36,531,273	(\$4,296,232)	89%
Full-Service Restaurants	\$25,802,757	\$14,679,032	(\$11,123,725)	57%
TOTAL	\$227,038,912	\$111,069,864	(\$115,969,048)	49%

Source: ESRI Business Solutions

Altogether, City of Pascagoula shoppers goods retailers are capturing 49 percent of the demand for shoppers goods presented by residents of the shoppers goods retail trade area. Many store groups are capturing less than this average. BBPC has assumed that each underserved category could increase its capture rate to the current average (49 percent), and that categories that are capturing more than the average 49 percent but nonetheless still leaking sales also could modestly enhance their respective capture rates (by a conservative 5 percent).

Exhibit 6.9: Potential Pascagoula Future Capture of Retail Demand in Underserved Categories

Store Group	Demand (Expenditures)	Retail Gap	Current Capture Rate	Future Capture Rate	Future Sales
Furniture	\$13,060,032	(\$11,104,593)	15%	49%	\$6,399,416
Home Furnishings	\$8,802,076	(\$6,881,822)	22%	49%	\$4,313,017
Electronics & Appliances	\$20,679,259	(\$18,525,211)	10%	49%	\$10,132,837
Building Materials	\$24,726,586	(\$8,975,563)	64%	67%	\$16,538,574
Garden Materials	\$3,585,541	(\$2,621,181)	27%	49%	\$1,756,915
Clothing	\$16,451,733	(\$11,505,858)	30%	49%	\$8,061,349
Shoes	\$4,333,707	(\$3,220,244)	26%	49%	\$2,123,516
Jewelry, Luggage & Leather Goods	\$3,460,386	(\$2,917,141)	16%	49%	\$1,695,589
Department Stores	\$107,850,697	(\$71,309,104)	34%	49%	\$52,846,842
Other General Merchandise Stores	\$40,827,505	(\$4,296,232)	89%	94%	\$38,357,837
Full-Service Restaurants	\$25,802,757	(\$11,123,725)	57%	60%	\$15,412,984

Source: ESRI Business Solutions, BBPC

Enhancing current capture rates in these underserved shoppers goods retail categories would result in the total capture of \$40.5 million in net new sales which are currently being leaked to other areas. To translate these net new sales to supportable new retail space in square feet, BBPC has divided the new sales by national standard sales per square foot levels for different retail categories. This analysis resulted in the identification of nearly 240,000 square feet of new shoppers goods retail space. BBPC then evaluated the typical range of square feet for a store in each respective shoppers goods retail category to determine if the new sales would support one or more stores.

Exhibit 6.10: Supportable Square Feet Under Future Capture of Retail Demand

	Current Sales	Future Sales	Net New Sales	Sales Per Square Foot	Square Feet	Low SF/Store	High SF/Store	Store Opportunity?
Furniture	\$1,955,439	\$6,399,416	\$4,443,977	\$156	28,487	3,269	34,746	Yes
Home Furnishings	\$1,920,254	\$4,313,017	\$2,392,763	\$216	11,078	2,108	28,722	Yes
Electronics & Appliances	\$2,154,048	\$10,132,837	\$7,978,789	\$413	19,319	1,912	14,700	Yes
Building Materials	\$15,751,023	\$16,538,574	\$787,551	\$388	2,030	2,380	134,192	No
Garden Materials	\$964,360	\$1,756,915	\$792,555	\$388	2,043	2,380	134,192	No
Clothing	\$4,945,875	\$8,061,349	\$3,115,474	\$269	11,582	3,100	25,000	Yes
Shoes	\$1,113,463	\$2,123,516	\$1,010,053	\$190	5,316	1,929	10,080	Yes
Jewelry, Luggage & Leather	\$543,245	\$1,695,589	\$1,152,344	\$303	3,803	943	3,128	Yes
Department Stores	\$36,541,593	\$52,846,842	\$16,305,249	\$116	140,562	54,709	269,299	Yes
Other General Merch.	\$36,531,273	\$38,357,837	\$1,826,564	\$152	12,017	8,386	47,744	Yes
Full-Service Restaurants	\$14,679,032	\$15,412,984	\$733,952	\$358	2,050	2,020	7,751	Yes
TOTAL	\$117,099,605	\$157,638,876	\$40,539,271	-	238,287	-	-	

Source: ESRI Business Solutions, Urban Land Institute, BBPC

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As a result of this analysis, BBPC determined that there is market support for the following types of shoppers good retail businesses in the City of Pascagoula:

- One or more furniture stores at approximately 28,000 square feet or less
- One or more home furnishings stores at approximately 11,000 square feet or less
- One or more electronics and appliance stores at approximately 19,000 square feet or less
- One or more clothing stores at approximately 11,000 square feet or less
- One or more shoe stores at approximately 5,000 square feet or less
- One or more jewelry/luggage/leather goods stores at approximately 3,000 square feet or less
- One or more department stores at 140,000 square feet or less
- One general merchandise store (non-department store) at 12,000 square feet or less
- One full-service restaurant at 2,000 square feet or less

In total these retail stores would represent approximately 230,000 square feet of shoppers goods retail space.

Qualitative Considerations

While the retail gap analysis indicates there are many opportunities for the City to recapture some of the leaked sales made by trade area residents in other areas, the City's ability to realize the addition of these retail business types depends on many factors. These qualitative considerations include:

- Brokers report that retail space is slow to lease, and that tenants are reluctant to commit to leases beyond a one-year term
- Developers are currently not building retail space because development costs exceed what can be recovered by a lease, with rental rates in the \$6.50 to \$12 per square foot range
- Certain types of shoppers goods - in particular furniture and clothing, which is heavily subject to comparison shopping - require critical mass (clustering of like retailers) to attract shoppers, and such critical mass is currently lacking in the City
- Relative to other coastal communities, Pascagoula is considered a relatively weak retail market compared to the retail markets in Biloxi and Gulfport

Despite these constraints, the sales leakage in many categories is high enough to present opportunities for new retail space, particularly if new retail is co-located with other uses (i.e. lodging and residential) that provide an internal source of demand.

6.4 Conclusions: Retail Space and the Riverfront

Based on current retail market conditions in Pascagoula, BBPC believes there are opportunities for retail development along the Riverfront. In particular, convenient neighborhood-oriented goods and services, including a grocery store and small shop space for smaller stores. In the shoppers goods category, BBPC believes the Riverfront could attract a full-service restaurant which would take advantage of the site’s waterfront amenities. However, other shoppers goods retail space, such as furniture/home furnishings, clothing/accessories, and department stores/general merchandise is not recommended because of the site’s relatively small size and need for critical mass of many retailers (and therefore large spaces) for these categories.

Three scenarios have been defined for the Riverfront that make different assumptions about how much space in the convenience retail and shoppers retail categories may be supported. Scenarios presented include a low-case, mid-case and high-case scenario. The mid-case scenario assumes that the Riverfront attracts all of the net new retail space in the grocery, convenience retail (small shops), and full-service restaurant categories that may be supported in the City. The low-case scenario assumes the level of space attracted is 15 percent lower than the mid-case scenario. The high-case scenario assumes that 15 percent more space is attracted, which would require the site to draw from slightly larger retail trade area(s) as well as be supported by other uses on site. Therefore, the high-case scenario is recommended only when lodging and residential is contemplated for the site.

Exhibit 6.11 Potential Riverfront Retail Space

City Program		Low-Case (1/)	Mid-Case (2/)	High-Case (3/)
Convenience Retail				
	Grocery Store	28,050	33,000	37,950
	Convenience Retail Small Shops	14,450	17,000	19,550
	SUB-TOTAL	42,500	50,000	57,500
Shoppers Retail				
	Full-Service Restaurants	1,700	2,000	2,300
	TOTAL	44,200	52,000	59,800

1/ Assumes Riverfront attracts 15 percent less space than the mid-case scenario
 2/ Assumes Riverfront attracts grocery store, convenience retail and full-service restaurant, and space performs at industry standard sales per square foot levels
 3/ Assumes Riverfront attracts 15 percent more space than mid-case scenario

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In summary, BBPC believes the Pascagoula Riverfront could offer approximately 40,000 to 60,000 square feet of retail space, including a grocery store, small shop space for convenience retailers and a full-service restaurant. In addition to convenience retailers, the small shop spaces could also accommodate services for which the lodgers and tenants of hospitality and residential space would patronize in addition to visitors. These services could be oriented to the health-conscious, and include a fitness center overlooking the water and day spas. A summary of Pascagoula’s strengths, constraints and opportunities with regards to the retail market is provided below.

Exhibit 6.12: Pascagoula Retail Market Summary

Strengths	Constraints	Opportunities
<ul style="list-style-type: none"> • High retail leakage indicating City residents are underserved and there is possible room for expansion • Market support for lodging and residential space, which would provide internal sources of support for retail goods and services • Waterfront location providing an appealing setting for a restaurant, fitness center and/or day spa(s) 	<ul style="list-style-type: none"> • Existing retail space is slow to lease, and tenants are reluctant to commit to a lease beyond one year • Development costs are not supported by prevailing retail lease rates • Certain types of shoppers goods – in particular, furniture and clothing – require critical mass/clustering of stores and therefore large sites, as do department stores (which may exist stand-alone but still require large sites) 	<ul style="list-style-type: none"> • Grocery store • Small-shop convenience retail • Full-service restaurant • Fitness center and day spas overlooking the water