

# Market Potential

**P**ascagoula's leaders have an opportunity to create a catalytic project at the heart of the city. Although the panel believes that significant market demand exists, officials must balance development priorities at the waterfront, downtown, and elsewhere in the city with development at the Live Oak Site. Careful consideration of how these sites, and others in the city, complement one another will foster revitalization throughout the city.

## Market Context

The Live Oak Site's location and condition are conducive to new development. Currently, an estimated 54,000 cars per day pass close to the site on U.S. Highway 90 and Market Street. Because of the city's proactive efforts, the site is cleared, free of known environmental issues, and under cooperative ownership. The site is conveniently accessible to most parts of the city and directly connected to the downtown and waterfront by Live Oak Avenue.

Pascagoula offers market conditions friendly to new development. The lack of national retail and restaurant chains may present an opportunity for businesses seeking to enter the local market. Additionally, Pascagoula has an unmet demand for housing for middle managers and their families. Very significantly, the LIFE Foundation appears ready to assist the city to plan, finance, and implement new development at the site.

The city must address several challenges to promote successful development at the site. Most important, existing frontage lots on U.S. Highway 90 and Market Street must be acquired to increase the site's visibility. The existing HUD restriction may limit development of market-rate housing. The city must also overcome the current tendency to invest north of Interstate 10 (I-10) and in other

areas of Jackson County. Design and marketing efforts can mitigate other issues, including the site's irregular shape, an active freight rail line along the southern edge, and negative public perception of the site and its history.

## Residential Market

Residential development faces a long-term trend toward stagnation and new financial challenges raised by Hurricane Katrina. Since 1980, Pascagoula has experienced limited residential growth, with an average of 22 single-family units and six multifamily units built per year. Since Hurricane Katrina, development has increased because of rebuilding; however, 95 percent of the 32 new housing developments currently being developed in Jackson County are located north of I-10. Most future growth in the county is expected to occur outside the city, particularly in areas north of I-10.

Pascagoula must increase its housing diversity and amenities to retain and attract middle- and upper-income residents. Currently, many buyers purchase homes outside the city to find diverse housing types, size, and price points. Additionally, the city lacks the quality-of-life amenities needed to retain and attract affluent homebuyers. The thousands of commuters who travel into Pascagoula each day offer a ready-made market for new, desirable housing options and amenities. In planning future development, the city should also address the effect of increased insurance costs in making housing less affordable south of I-10.

The panel believes that the current market offers opportunities for attached single-family townhomes with garages on the first floor in the price range from \$150,000 to \$200,000 and higher-quality rental apartments above ground-floor retail.

## **Retail, Restaurant, and Entertainment Markets**

Pascagoula can improve the quality of life and capture retail sales leaking to adjacent markets by creating attractive retail, restaurant, and entertainment options. Current retail underserves the population; the city's current six to ten square feet of retail space per capita is less than half the national average of 26 square feet per capita. The greatest retail sales leakage within a five-mile radius occurs in grocery stores (\$23.1 million), building materials (\$18.6 million), department stores (\$11.9 million), furniture and home furnishings (\$9.5 million), electronics and appliances (\$7.8 million), clothing (\$5.8 million), and sporting goods (\$4.8 million). Many residents reported that they regularly travel 40 miles to Mobile, Alabama, for shopping and entertainment.

Development at the Live Oak Site, riverfront, and downtown can capitalize on the lack of retail, entertainment, and restaurant options. The limited presence of national chains creates a friendly environment for local entrepreneurs. New retailers could target local market demand for sporting goods, family-oriented entertainment, and building supplies. The city can encourage retail growth by addressing the effect of insurance costs on tenants' ability to pay rent and marketing to local retailers. A recent expression of interest in the Live Oak Site from a national homebuilding supply chain demonstrates that national retailers are interested in Pascagoula. The panel also recommends recruiting a national sporting goods retailer, such as a Bass Pro Shop.

Among other uses, the panel believes the current market may support the following retail, entertainment, and restaurant options: one or two pioneering coffee shops or family-oriented chain restaurants and one higher-quality, sit-down, family-style restaurant; 20,000 square feet of small retail stores, including clothing, shoes, sporting goods, hardware, and convenience; a 40,000- to 50,000-square-foot full-service supermarket; and a family bowling center.

## **Office Market**

Pascagoula does not have significant demand for new office development. Currently, Pascagoula's office market is small and dominated by medical offices supporting Singing River Hospital. A proposed three-story medical office building will absorb the hospital's expected growth over the next five to seven years. Northrop Grumman's need for additional office space will likely be accommodated at Naval Homeport Pascagoula on Singing River Island.

The Live Oak Site may be able to capture a small market for small office uses, likely less than 1,000 square feet. As the hospital continues to expand in the future, so too will the demand for medical support and physician office space.

## **Hospitality Market**

The strong corporate presence in Pascagoula may offer demand for hospitality not currently met in the local market. Before Hurricane Katrina, local hotel occupancy rates were less than 55 percent. Since August 2005, occupancy levels have risen to 72 percent, still less than the occupancy rates of 70 to 75 percent typically expected for investors to consider new hotel development. The rise in hotel occupancy is largely a function of increased demands from displaced residents and contractors. The low hotel occupancy rate may reflect a limited supply of business-quality hotel rooms in Pascagoula rather than a lack of demand. Residents reported that business travelers often stay in Mobile, Alabama.

In the panel's opinion, market demand may exist for a 100- to 120-room, limited-service, business-class or extended-stay hotel with access to meeting and small conference facilities to support local corporations and their visitors.

## **Civic and Community Uses**

The Live Oak Site offers significant potential for new civic amenities, as the city planned when it leased the site from the LIFE Foundation. Residents reported that Pascagoula needs more community amenities—including parks, recreational facilities, and community centers—to compete

with surrounding areas for residents and businesses. Improved amenities will also help the city reshape its image into that of a hardworking community that reinvests in quality-of-life amenities for its residents and visitors.

On the basis of its interviews with residents and city officials, the panel suggests that the site could accommodate the following community amenities: a 50,000- to 60,000-square-foot community and performing-arts center with a center for seniors and meeting space; a 40,000-square-foot YMCA or fitness center; and a family bowling center.