
5. ECONOMIC PROFILE

In conjunction with preparation of the 2005 Plan of Conservation and Development a detailed study was made of the Town's tax base, labor force, employment trends, occupational characteristics, commuting trends, major local and area employers, job sector employment projections and market conditions. The results of this study, available under separate cover, are summarized below.



SOUTHINGTON TAX BASE ANALYSIS

- Southington's grand list has grown modestly since 2001 averaging 1.6% a year, for a total increase of 4.9% in the three years. Like many towns throughout Connecticut, the town grand list was essentially flat in 2003 but rebounded in 2004, in large part due to gains in motor vehicles and personal property assessment which had declined in value the previous tax year.
- Southington has witnessed a growing reliance on its residents to support its tax base. Between 2001 and 2004, residential property assessment grew from 79.8% to 81.4% of total real estate and or in terms of overall tax base: 67% to 70%. When adding motor vehicles (largely associated with households), the shift is even more dramatic jumping from 77% to 80.4% in three years.
- Meanwhile commercial real estate dropped a full percentage point between 2001 and 2004 from 13.3% to 12.3% and personal property (most often associated with taxable business property) declined in share of tax base from 5.9% in 1999 to 4.9%.

- According to a comparative tax study by Connecticut Policy and Economic Council, Southington's Equalized Mill Rate of 17.34 for 2002-2003 is competitive in the region, with only Cheshire and Berlin reporting lower rates.
- Equalized Grand Lists per capita are used in the Education Cost Sharing formula and is used as indicator of wealth. For 2001, Southington ranked only below Berlin and Cheshire among area towns with \$91,941 per capita.
- Southington's per capita local government spending ranked lowest in the region with the exception of Bristol.
- Property tax burden in Southington on a per capita basis was well below its suburban neighbors in 2003 at \$1,576 but above urban communities of Bristol, Meriden and Wolcott.
- Southington relies far more on property taxes for total revenue as compared to area towns with 74.3% in 2003. In part this is influenced by Southington's low per capita state aid (\$481) relative to the region with only Berlin reporting lower aid.
- Southington ranked near the bottom in the region in business assessment as percent of Grand List with 20.6% in 2003.

LABOR FORCE AND EMPLOYMENT TRENDS

- Based on commuter data, Southington's residents have strong ties with two significant labor force market areas: Hartford and New Haven Labor Force market. Combined, the area represents a labor force market of 878,800 people. Southington's labor force is 21,435 in 2004 or a modest 2.1% increase from 1998.
- The town of Southington reflects a slightly higher unemployment rate than area suburban towns but substantially below nearby urban centers of Meriden, New Britain and Bristol. Present unemployment stands at 4.6%, which is equal to the region and the state.

- Manufacturing jobs rank high accounting for 13.9% of Southington's resident job base as compared to 11.8% for the region and 11.6% for state. This reliance on manufacturing jobs, however, has slipped considerably in the last decade from 20.8% in 1997 to its current level.
- Despite a relatively diverse employment base, overall job growth (non-farm employment) in Southington for the period 1997 to 2001 (the last year local data was tabulated) was negative with major losses in goods producing employment and only slight expansion in service jobs.
- Finance, Insurance and Real Estate sector reflects an important job source for Southington, in large part due to The Hartford Insurance Company accounting for 11.9% of Southington's job base as compared 14.7% for the Hartford region, and 10.7% for the state.
- Southington functions as both a bedroom community and a jobs center, with an edge going to the bedroom community profile according to commuting patterns in 2000. At that time, there were 9,624 inbound and 14,909 outbound commuters, *not* including 6,111 Southington residents who worked in town.
- Based on Location Quotient analysis which measures an area's economic strength in industry sectors, the Hartford Labor Market ranked highest in production of fabricated metals, transportation equipment, and industrial machinery and computer equipment. Significant strength was found in insurance carriers followed by health, legal and education services.

INDUSTRY CLUSTERS AND EMPLOYMENT FORECAST

- Connecticut has identified nine cluster industries of importance to the state of which four — Agriculture, Insurance and Finance, Metal Manufacturing and Tourism — are represented in Southington. This has implications for Southington economic development strategy which can link to state initiatives and programs for supporting and promoting these industries.

- Projections for Connecticut Employment 2000 to 2010 indicate
 - slow job growth of less than 1% a year on average,
 - manufacturing decline of more than 11,000 jobs, although plastics and stone production are expected to increase,
 - service growth of more 105,000 jobs, concentrated most in business and health and education
 - modest growth in retail and wholesale trade adding 21,000 jobs
 - construction jobs expected to grow by a healthy 9.3%.

MARKET ASSESSMENT

❖ Office

- Despite signs of improvement, the office market on a regional and state-wide basis is still in recovery mode from the collapse that followed the internet-high tech bust that occurred in 2000 and the sluggish economy that followed. Moreover, while there are encouraging signs of job growth in Connecticut beginning in 2005, according to a recent FDIC report, the state's employment growth is the slowest in the nation during the current economic expansion. Hartford's regional office market has been particularly hard hit by slow employment growth with vacancy rates still hovering in the 18 to 20% range.
- Farmington and to a lesser extent Avon and Simsbury, command much of the demand for high end multi-tenanted office space in the western region of Hartford area. Overall, these three towns account for more than 650,000 sf of available office space in the submarket, with Farmington commanding 78% of that space. Until such supply is meaningfully absorbed, office development will be minimal.
- Such office demand that exists in Southington is likely to be confined largely to smaller configurations associated with professional office and small businesses of under 5,000 square feet. The recent development of Clocktower Square capitalized on this demand with its 17,000 square feet office park. Users seeking larger floor plates of 5,000 to 10,000 square feet will gravitate towards Farmington, Avon or Hartford.

- While demand for limited amount of new professional office space is demonstrated in Southington much of it will be derived locally, producing the residual impact of vacancies in the lower end of the market — converted homes and Class C office space.
- One of the few office submarkets to see growth in the last three to four years is health centers, medical office space and diagnostic centers, where proximity to market is important. The presence of Bradley Hospital in Southington and nearby MidState Medical Hospital in Meriden provides some focus for this type of office growth as already witnessed by the proposal for medical office space in the downtown. Financial and professional services is also expected to be a good source.

❖ Retail

- Although there are extensive signs of over-retailing (increased vacancies, liquidations, consolidations, saturated markets), the retail market continues to gain strength from consumer spending that has not let up in the last five years despite a recession, jobless recovery and more recently high oil prices and rising interest rates.
- Southington's five-mile trade area is fairly substantial representing \$932 million in retail potential. While there is relative balance in supply and demand, an analysis of the market suggests a *local* capacity for additional space of between 150,000 to 300,000 square feet based on a 75% capture rate. This capacity could increase based on change in demand locally, with population in the trade area expected to increase by 5% in the next five years and median household income jumping from \$66,000 to \$77,500. This capacity for additional retail is exclusive of destination regional retail stores that could locate in Southington capable of pulling from markets as far as 10 to 15 miles.
- Southington's three interchanges on Interstate 84 with easy on and off access (Exits 28, 31, and 32) are presently the focus of strong regional retail interest that exemplifies Southington's strategic location in the middle of the state, within a relatively affluent market base and access to highway with 70,000 to 100,000 cars daily. Retail development pressures in these areas are likely to mount, primarily from big boxes, due to the lack of good sites

elsewhere in the region as well as the continued need for such chains to expand market penetration into the relatively untapped western Hartford region.

- Hotels and restaurants also seek out interchange locations and are appropriate, if not strong, candidates for sites around the interchanges noted above. Presently there are five motels, mostly low budget, located around the interchanges in Southington. The recent addition of Marriott's Residence Inn in 2002 raises the bar on the type of hotel supported in Southington. A potential market exists for an expanded hotel and conference center at either Exit 31 or 28. Notably, Comfort Suites is slated for development along with Applebee's on a parcel off Interstate 84 at Exit 28.
- Queen Street, which once served a regional market stretching from Cheshire to Farmington, is the center of much of the retail in Southington. However, with the expansion and re-configuration of retail in the region in the last ten years that has included the development of Brass Mill Center (Waterbury), Connecticut Commons in Plainville, growth of retail along Route 6 in Bristol, and expansion of Westfield Meriden Center, portions of Queen Street retail, mostly south of the Interstate 84 to Flanders Street, has begun to revert to discount and low rent space. Further softening of this section of Queen Street can be expected over the next several years as regional retail growth continues at its active pace with major projects planned for Bristol, Meriden and West Hartford.
- An expanding dining and entertainment opportunity, inclusive of specialty retail, exists for the downtown, which consists of 155 establishments representing a well-balanced mix between services, convenience, food and specialty retail. The town center is anchored by seven banks and financial service centers, a library, town hall, a full service YMCA, museum and post office. The downtown has benefited from a \$2 million dollar public investment in sidewalks, curbs, lighting and street furniture which has stimulated interest in available buildings or space from a number of businesses, particularly restaurants.
- Based on analysis of potential spending in the trade area, retail and commercial opportunities may exist for Southington in food away from home, electronic and appliance stores, apparel and shoes, sporting goods stores and auto related stores.

❖ Industrial

- Southington has always been a significant player in the regional industrial market. Proximity to I-84 and Route 691 provide easy access, especially in the industrially zoned northern tier. Advantages include competitively priced land and space, 4 interchanges off I-84 and two off Route 691, and a strategic location in the historically industrial center of the state, with very good access to labor force.
- Regionally and statewide, industrial growth and investment has witnessed a prolonged period of stagnation and decline in the last three years that has just recently begun to improve. Future growth potential for industrial uses in Southington and the region is expected to modestly improve with an economic rebound.
- In Southington, more than 28% of total employment was in manufacturing in the 1990s, compared to 19% for the rest of the state providing strong evidence of the town's linkage to industry. The percentage still hovers around 25% of total employment in manufacturing. Over 60% of Southington's manufacturing employment is in fabricated metals and aircraft - specializing in high-skilled precision manufacturing.
- Southington's aggressive pursuit of additional industrial land, combined with the reasonably healthy market for space make the town a very competitive location. Regional-national trends that include continued consolidation of much of the manufacturing industry are working in Southington's favor due to the availability (after re-zoning) of land for expansions and new development.
- The expansion of public water and sewer up West Street represents an asset for Southington in efforts to attract larger industry to the area. It is less of a marketing advantage for smaller users.
- Ready to build lot inventory for industrial uses is less than 50 acres and consists of under 10 lots in Southington, which could be absorbed in two to three years. Much of what remains zoned industrial is problematic in terms of land constraints or assemblage issues.

❖ Housing

- Due largely to historically low interest rates, the housing market regionally and nationally has been nothing short of extraordinary over the last five years.
- Southington's housing market has been extremely active averaging 380 single-family sales and 178 condo sales a year since 2000. Since 2003, the pace has accelerated even further averaging 500 single-family sales and 235 condo sales a year.
- The recent housing market surge has also impacted the cost of housing in Southington with median single-family home values appreciating by 47% between 2000 and 2004. Price appreciation has continued into 2005 with the most recent median sales price for single-family homes in June 2005 at \$280,000 up from \$163,000 in 2000 according to Warren Data reports.
- Housing production in Southington has been exceptional averaging 207 permits a year since 1997. Moreover, since 2000, Southington has led the region in production of new housing inventory with nearly 1,000 units, with Berlin and Farmington a distant second.
- While recent housing development activity in Southington has been prodigious, the peak of home construction in town was in 1999 with 265 permits and has dropped steadily since to 180 in 2004. Contributing to this decline was the inevitable reduction in supply of good sites available for housing.
- The proliferation of new single-family communities in Southington has had a significant effect on raising the price threshold in town with new construction prices close to \$500,000. Meanwhile, condo prices on new attached product are beginning to test absorption capacity at the \$300,000+ price level.
- Despite the rise in housing prices, Southington continues to be an attractive, if not competitive market for potential buyers seeking housing a step below Farmington and Cheshire but offering the advantages of good access to employment centers, a suburban setting and supporting a well

regarded school system. This would suggest Southington will continue to be a target for home developers seeking land sites for development even when the housing market eventually cools.

- Southington has already demonstrated its capacity to support age restricted, ownership housing targeting affluent move-down or empty nesters. Spring Lake Village constitutes one of the largest such age restricted projects in Connecticut with over 700 units where sales in 2004 have pushed past \$300,000. Recent entries into the age-restricted market include Ridgeview Estates off West Street with 60 units ranging in price from \$280,000 to \$360,000. The more successful developments are association-maintained communities configured as single-family homes on small lots, which translate into a sizable net fiscal benefit to the town.
- In part due to the strength of the current housing market environment and in part due to the town's effort to upgrade and beautify the downtown, an opportunity for supporting ownership housing in the town center exists. The presence of ownership housing downtown would likely infuse new activity and demand for services and retail that could have a dramatic impact on the vitality of this area.
- Luxury rental housing generally results in positive net fiscal benefit to the host community due to the fact most households who rent lack children. Southington, however, would not appear to be a logical place for new market-rate rental housing which typically needs to be in areas of concentrated employment where a transient, younger working population is in demand. However, exceptions do exist as was demonstrated by Manchester's growth of luxury rental housing as an alternative to Hartford. Southington may also be subject to such interest particularly along West Street if it were to be further developed into retail, which links well with rental. For the moment, however, the rental housing market is in a slump that has lasted more than three years due to the flight of renters to ownership housing, and the lack of job growth that often generates rental housing needs. This market should improve by 2007 in part due to a boomlet market (15 to 25) coming of age and creating new rental demand.

