

A faded background image of a residential street scene. In the foreground, there's a stone wall and a paved area. In the middle ground, a white car is parked on the street. In the background, there are several houses, including a prominent two-story house with a chimney. The sky is overcast.

Market Summary

prepared by FXM Associates

Introduction

In order to provide a context for planning within the North Canal Neighborhood Corridor, the consultant team researched population demographics, general market conditions for various types of residential and commercial development, and potential of certain buildings for redevelopment. This economic research has provided a context for plan recommendations described later in the master plan.

FXM Associates determined general market conditions by analyzing relevant secondary source data on population and business characteristics, interviewing local real estate brokers and property managers, and by researching assessor's records and property listings for sale or rent in the city and the neighborhood. This review should not be considered as a full market analysis, but as a guide to suggest the most appropriate general land uses. The analysis was undertaken in conjunction with other aspects of the planning process. The information included in this market summary was used as background for discussion during the planning process. None of the information included in this section reflects the views of the Working Group.

General Population and Business Characteristics

Demographic characteristics such as age, income, marital status and level of education tend to influence preferences in type of housing, retail outlets and employment. The type of land uses that will be recommended by the plan should be guided by the needs and desires of existing neighborhood residents. Except in the cases of neighborhood gentrification or massive redevelopment, planners should anticipate that new residents moving into the area will exhibit similar demographic characteristics as the existing population.

Study Area Demographics

An estimated 868 persons live in 416 dwelling units located in the study area. The median age of this population is 38 and more than half are not married. One-person households account for 43% of total, and two-person households comprise 31%. Average household size is 2.08, and more than half are non-family households. Average household size is smaller than in Salem as a whole, median age is similar to that of the total Salem city population, while the proportion of non-family households is considerably higher (53%) than the city-wide average (44%). These characteristics suggests a more independent and mobile adult population than in the city overall, and one that is likely to prefer condominiums or rental apartments to single-family housing. Interviews with local brokers confirm this observation for this neighborhood.

One-third of this group hold college degrees and 20 percent did not finish high school, similar to statewide statistics for adults over 25 and for the city of Salem overall. Per capita income is estimated to be \$37,000 in 2002; median household income is \$51,000 and average household income is over \$76,000. The large disparity between median and average household income indicates that there are a number of relatively higher income households within the study area. Median household income within the study area is 16% higher than citywide median household income (\$44,000), and per capita income in the study area is 55% higher than in Salem overall (\$24,000).

An estimated 42% of the households in this area are owner-occupied, with 58% renter occupied. Estimated median value of owner-occupied housing is \$232,432 in 2002. Approximately one-fourth of the units are within single-family detached houses, 28% of the units are contained in duplexes, and 39% of the units are located within buildings containing 3 to 19 units. Less

¹ Source: Claritas, Inc. Site Reports

² Op. cit., Claritas, Inc.

than five percent are larger than 19 units. Three-quarters of the housing in this area was built before 1940. These figures also indicate that a planning decision to encourage development of residential condominiums on properties that about the existing residential area would not be out of character with the neighborhood as long as building size, massing and design were also compatible with existing development.

There are 109 businesses located within the study area, employing 845 persons and grossing an estimated \$87 million in annual sales. Twenty of these businesses are manufacturers, five of which employ 20 or more workers. Eighteen are retail, employing 162 workers. plans for this corridor.

General Real Estate Market Conditions

Rental Apartment Market

The apartment rental market in this area appears to be remarkably strong, but may be temporarily saturated by the Jefferson at Salem Station development located immediately east of the study area. This development offers 236 one and two bedroom units and 30 townhouses of 815 to 1,538 square feet that rent for \$1,275 to \$2,085 per month. In the 12 months since opening, 155 units, or 58% of total, have rented. Surprisingly, management estimates only five percent of tenants work in Boston, with most working in the Route 128 and 95 corridors.

Residential Condominium Market

The demographics of the study area population indicate the strong presence of single-person households with relatively high incomes. While more than half are renters, the age and income characteristics indicate that this group is a primary market for residential condominiums. Brokers interviewed by FXM confirm

that the condominium market in Salem is brisk, with many first time buyers. They report that buyers often move from Boston, Cambridge and Somerville. They say that buyers typically want two-bedroom units of 1,000 square feet or larger, and that they look for “charm”, which includes fireplaces, traditional design, courtyards or decks, and off-street parking.

There are currently close to 100 units available in Salem, ranging in price from \$100,000 to \$570,000. Most units are conversions of older buildings, and range in size from 550 to 2,700 square feet. In the past 12 months 93 two-bedroom townhouse or row house condominiums sold in Salem. Average time on the market was 37 days. Actual sale prices ranged from \$196,000 to \$370,000 and averaged \$283,975.⁵ There appears to be little product available for high quality new construction in this neighborhood, although market demographics indicate a strong potential for such units may exist.

Single-Family Dwelling Market

The market for single-family dwellings remains strong in Salem, as well as in the rest of the Boston metropolitan area. There is the opportunity within the study area for single family custom homes to built on limited sites, however, the general market would indicate that there is a preference for the development of multi-family units.

Office Market

There appears to be surplus capacity in office properties in Salem generally and in the study area in particular. This situation could change in the future, especially if the North River canal and park is developed into a more desirable location to live and work. There are currently more than 70 office properties for rent or sale in

³ Source: Claritas, Inc. Site Reports

⁴ *ibid.*

⁵ Source: Multiple Listing Service

Salem, ranging in size from 200 to 75,000 square feet. Within the study area there is a recently rehabbed office building on Mason Street with 6,300 square feet available for rent.

Commercial Market Characteristics

To test the market potential for commercial development at the intersection of Boston and Bridge Streets, FXM examined the demographic data and retail trade potential for the area within a two-minute drive time of the site. This examination found approximately 15,500 persons living in 6,800 households in this area. Median age of all residents is 38 years and approximately half are married. About 28% have college degrees and 22% did not finish high school. Average household size is 2.24 persons. More than half are family households.

Per capita income in this area is estimated to be \$28,885 in 2002; median household income is \$51,092 and average household income is \$64,221. Approximately 35% of the households are single person; two thirds of the households are one or two person in size. About 46% of the dwellings are owner-occupied, with 54% renter-occupied. Median owner-occupied housing value is \$232,276. An estimated 28% are single-family detached, 24% are duplexes and 32% have between 3 and 19 units in the building. About 62% were built before 1940.

Total retail spending by households living within this two-minute drive time is estimated to be in excess of \$205 million, approximately equal to the \$203 million in gross sales experienced by the 300 retail establishments in the area.⁶ A closure examination of resident spending potential and current establishment sales within this area indicates that establishments selling building materials, household furnishings, and eating and drinking establishments are now capturing considerable sales from outside the local market area. This excess of sales compared to local

market potential may suggest opportunities to build on competitive clusters, particularly with eating and drinking establishments. Sales at general merchandise establishments, grocery stores, and apparel stores within the two-minute market area, are, by contrast, considerably below local market potential. This indicates that local residents are now spending for these retail purchases at establishments outside the two-minute drive time of the study area. There may be an opportunity for new stores within the study area to capture some of this “leakage”.

Hotel Market

Hotel development is not likely to be feasible within the study area. Current plans for development of a new downtown hotel will meet likely demand for hotel rooms for the foreseeable future.

Building Reuse Observations

F.W. Webb Building

The F.W. Webb building is a five-story brick warehouse occupied by a plumbing supply wholesaler. It appears from the outside to be structurally sound, with straight roof and window lines, and no apparent structural cracking in the brick walls. Relatively new replacement windows indicate the likelihood of good maintenance elsewhere. The size, massing, and location of this building make it a strong candidate for conversion to loft-style dwellings, either rental or condominium, with adequate room for on-site parking. This type of housing typically requires minimum interior partitioning and appeals to artists as work/living space.

Flyn-Tan Building

This former tannery appears from the outside to have little if any potential for redevelopment. Sagging roof and window lines indicate poor

⁶ Op. cit., Claritas, Inc.

structural integrity. Asbestos shingles on the exterior would be extremely expensive to remove and suggest the presence of additional asbestos inside. The City should proceed with its plans to clear and clean this site for future redevelopment. Its location, abutting residential, retail and industrial uses, as well as both Mack and Canal parks, lends itself to reuse for office, laboratory, manufacturing, retail or residential use.

Salem Suede

The brick lower section of this building may have some potential for redevelopment into office or industrial use. The remainder of the structure suffers the same deficiencies as the Flynn-Tan building, however, with sagging roof and window lines and asbestos (Transite board) siding under the aluminum or vinyl clapboards. This building also blocks the future extension of Commercial Street to Flint Street. As with the Flynn-Tan building, redevelopment of this property represents a key step in enhancing the character of the area.

Planning Suggestions

Rehabilitation of Existing Buildings Compared to New Construction

While detailed comparisons of revenue potential and construction versus rehabilitation costs have not been made as part of this market overview, a cautionary note must be stated for certain types of market uses being considered by study participants. There is a strong desire to encourage artist live/work space, and possibly related retailing. Such uses would be appropriate to the diverse character of the neighborhood, and may represent an opportunity to establish a competitive market niche and destination for the study area. The relatively favorable market prospects for rental and condominium housing appear supportive in this regard, as do opportunities for specialty retail sales. However, the rents or pur-

chase prices that typically accompany artist live/work/retail space are not likely to support new construction. The selective and careful rehabilitation of existing structures may be more likely to yield competitive rental and purchase opportunities for the artist-related submarket.

Park

Canal Park appears to be underutilized. It also appears to lack a sense of purpose and needs better connections to the surrounding neighborhoods. If the park and its surrounding residential neighborhoods were better connected, and if the canal were improved as an amenity, the canal and park could serve as a catalyst for redevelopment of the entire study area.

Bridge Street

There are several small commercial properties along Bridge Street. Most of these are single-story buildings housing automotive repair or parts businesses, and are assessed for less than \$300,000. These properties could support two or three story residential structures, housing four units each, with a combined value of \$800,000 to \$1 million. Even with the adjustment for difference in tax rates, replacing the small commercial uses with more valuable residential units, and building out vacant parcels, could substantially increase the City's tax revenue from this neighborhood.

If Bridge Street is rebuilt, it should be designed as a parkway, which could still serve as a connector with adequate capacity, but be more compatible in design with residential uses. Several pedestrian overpasses could connect the residential neighborhood with the park and canal. Sidewalks should be improved on both sides of the street.

Commercial Street

Commercial Street serves primarily as access to the abutting industrial uses. Commercial Street should be connected to either Flint Street or Mason Street to enable better access to the properties that front along Mason Street and to the park. Its primary purposes would remain access to the park and to parking and loading areas at the rear of Mason Street properties.

Boston at Bridge Site

The vacant parcel at the southeasterly corner of the intersection of Boston and Bridge Streets appears to be ideally located, from a market perspective, for a neighborhood center of retail and service office uses, such as neighborhood grocery, convenience, bakery/deli, grooming shops, dentists, lawyers, accountants and other service businesses. This type of development should not be extended along Bridge Street, however, but concentrated at the intersection, with adequate off-street parking located behind the buildings. Although the neighborhood appears to have adequate retail businesses, this site might be suitable for consolidation of existing retail and service shops, as well as for stores and services that are not currently available in the neighborhood.

