ENSURING A VIBRANT DOWNTOWN RETAIL DESTINATION

MEETING WITH DCC AND BID BOARD

MADISON, WI / AUGUST 18, 2016

AGENDA

- Project Status
- Market Analysis and Trends
- Retail Vitality Assessment
- Case Studies
- Key Findings and Strategic Focus Areas
- Discussion
- Next Steps

PROJECT STATUS

WHERE ARE WE?

Information

Surveys, Focus Groups, Interviews

Existing Reports

Case Studies

Analysis

Market Analysis & Trends

Retail Vitality Assessment

Outcome (so far)

Key Findings &
Areas of Strategic Focus

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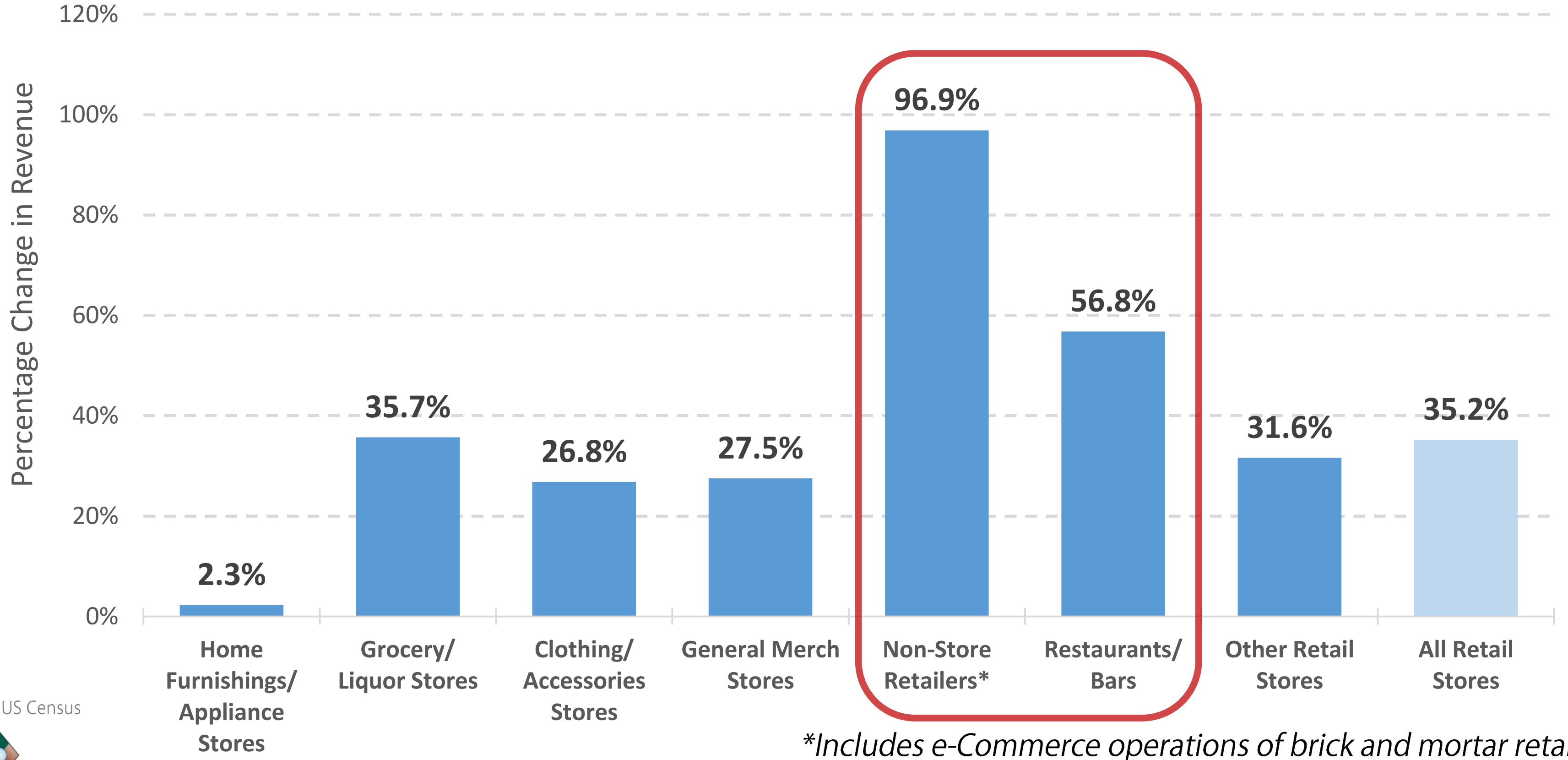
MARKET ANALYSIS AND TRENDS

RETAIL TRENDS RECAP

GROWTH IN RETAIL REVENUE (US) 2005-2015



Source: US Census

**Includes e-Commerce operations of brick and mortar retailers*

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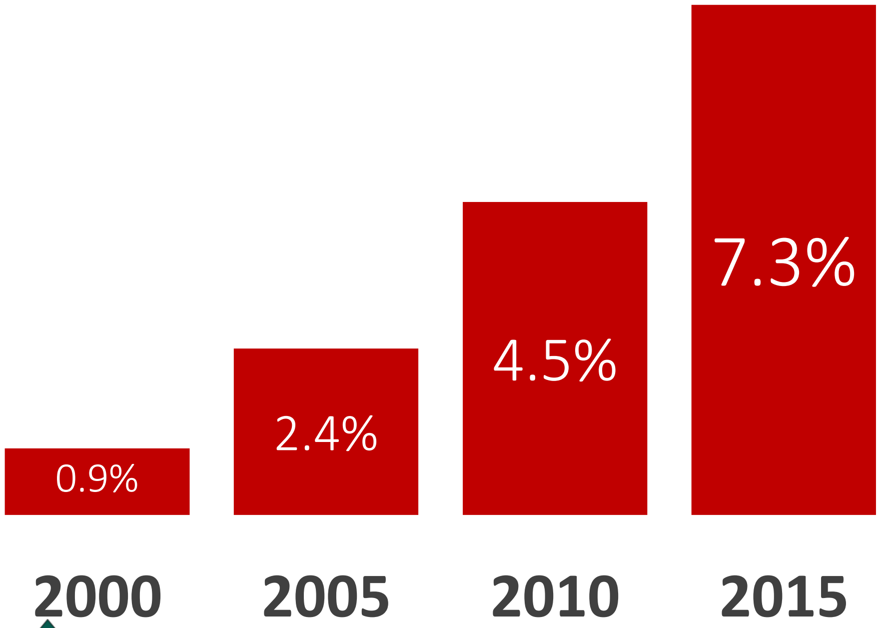
E-COMMERCE

PERCENT OF ALL RETAIL SALES



Source: US Census

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SHARING ECONOMY

19%

US adult population that has engaged in the sharing economy

83%

Agree it makes life more convenient and efficient

Source: Price Waterhouse Coopers, *Consumer Intelligence Series: The Sharing Economy*

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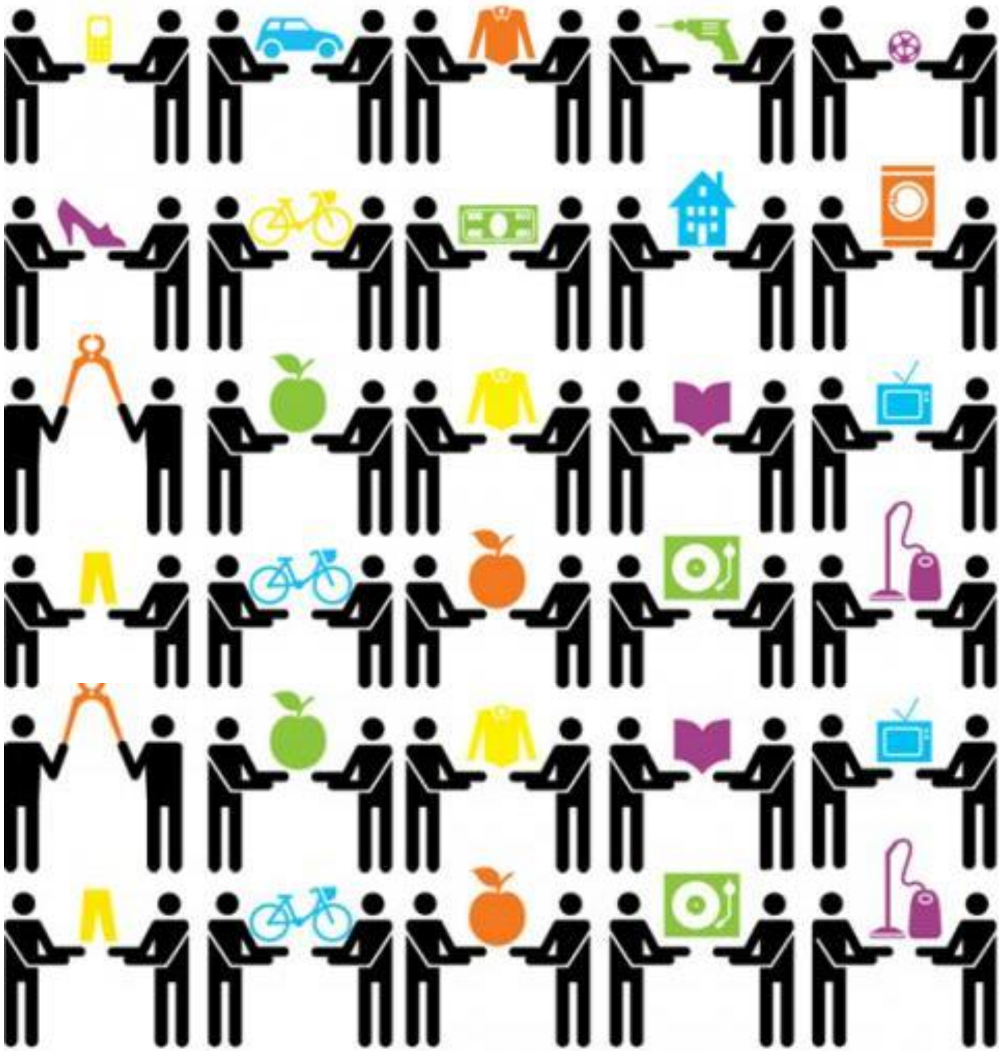

BRICKS-AND-MORTAR STORES ARE NOT GOING AWAY, BUT THEY ARE CHANGING…

- Store sizes are shrinking
- Stores are becoming multipurpose places (e.g., eating, community gatherings, wellness, etc.)
- Stores are at the center of a NON-VIRTUAL experience
- For national chains, stores are about reinforcing a brand
- For independent retailers, stores are about community building

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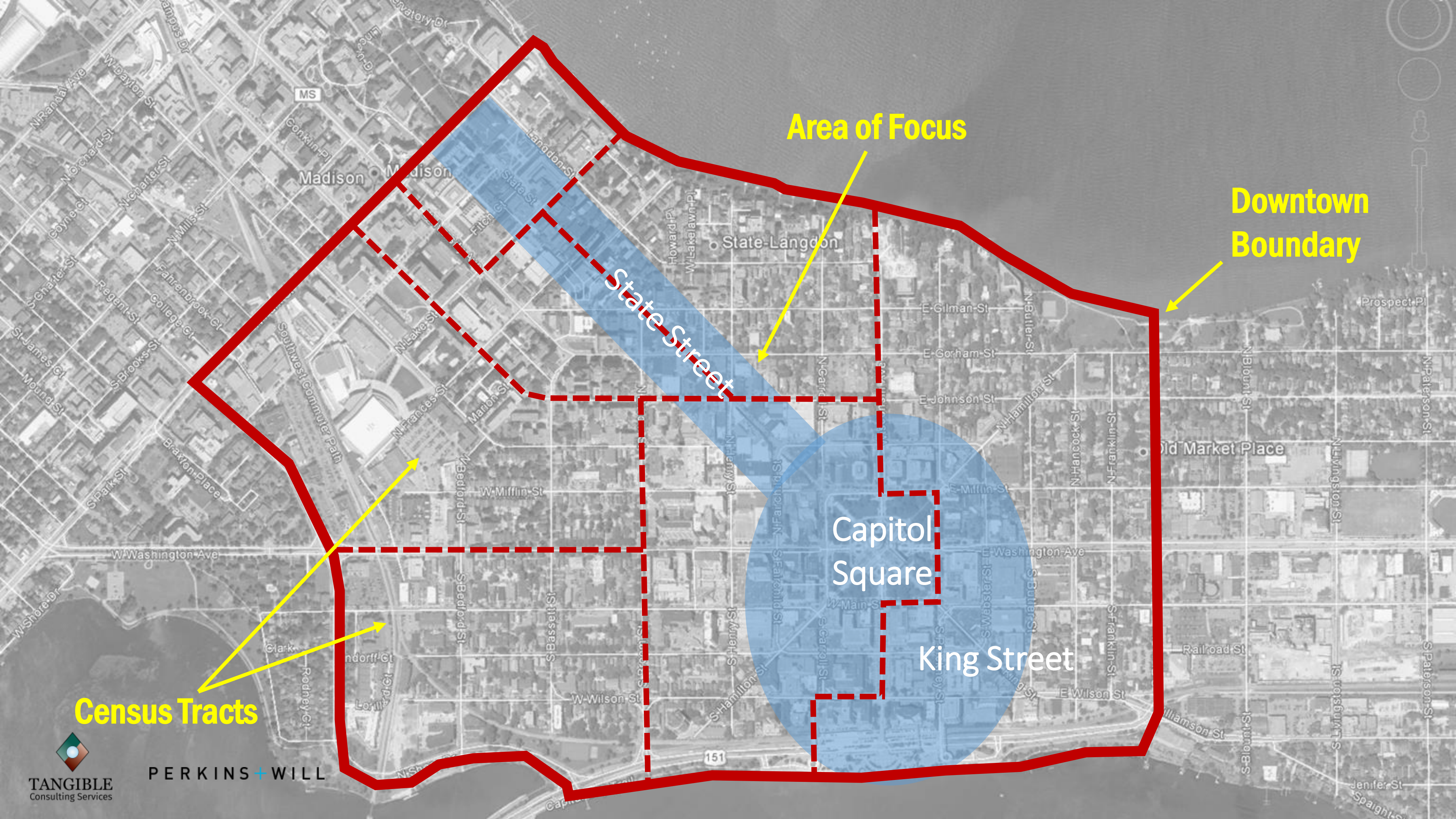
CONSUMER PROFILE:
DOWNTOWN RESIDENTS


Area of Focus
Downtown Boundary
State Street
Capitol Square
King Street
Census Tracts
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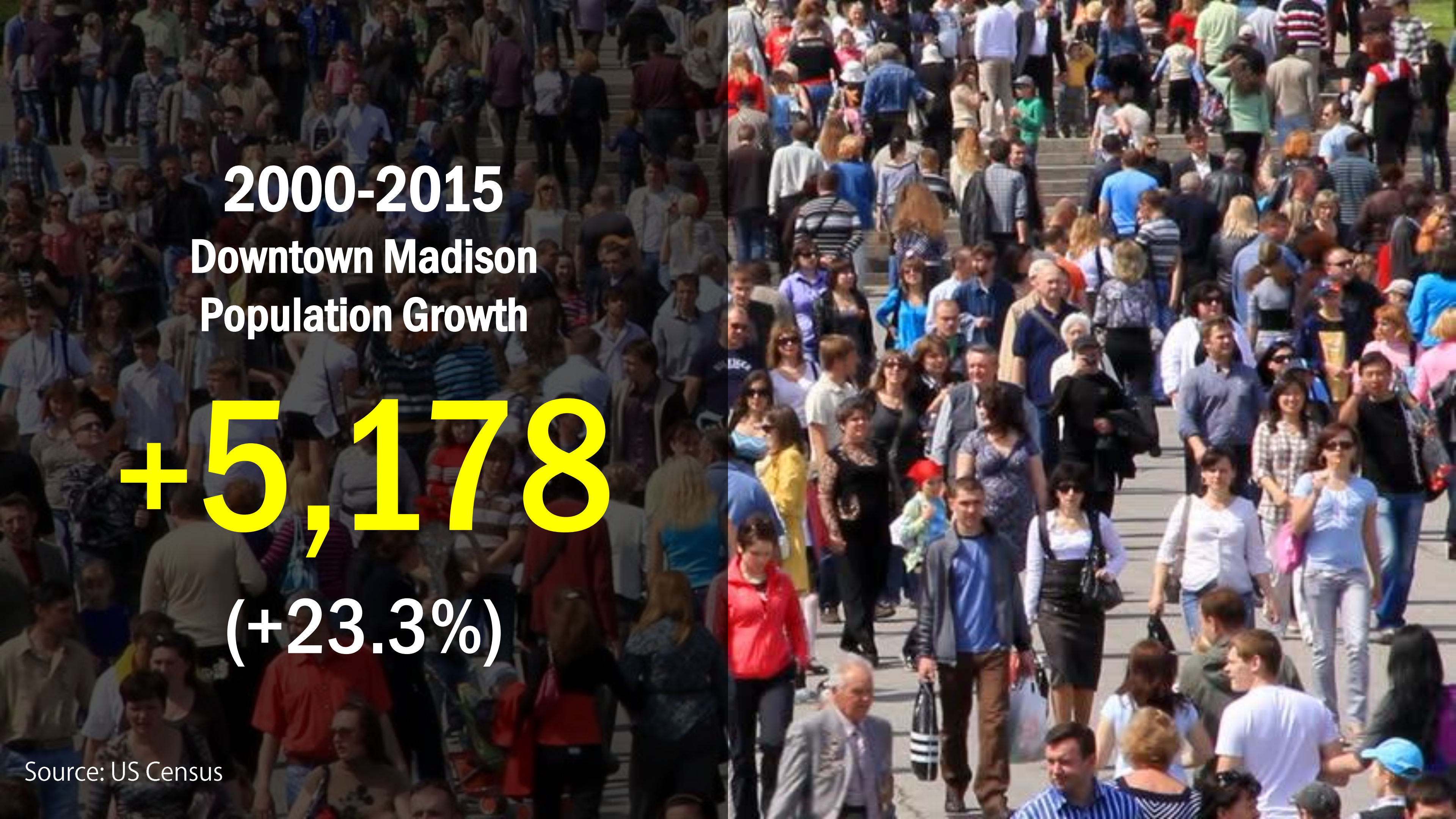
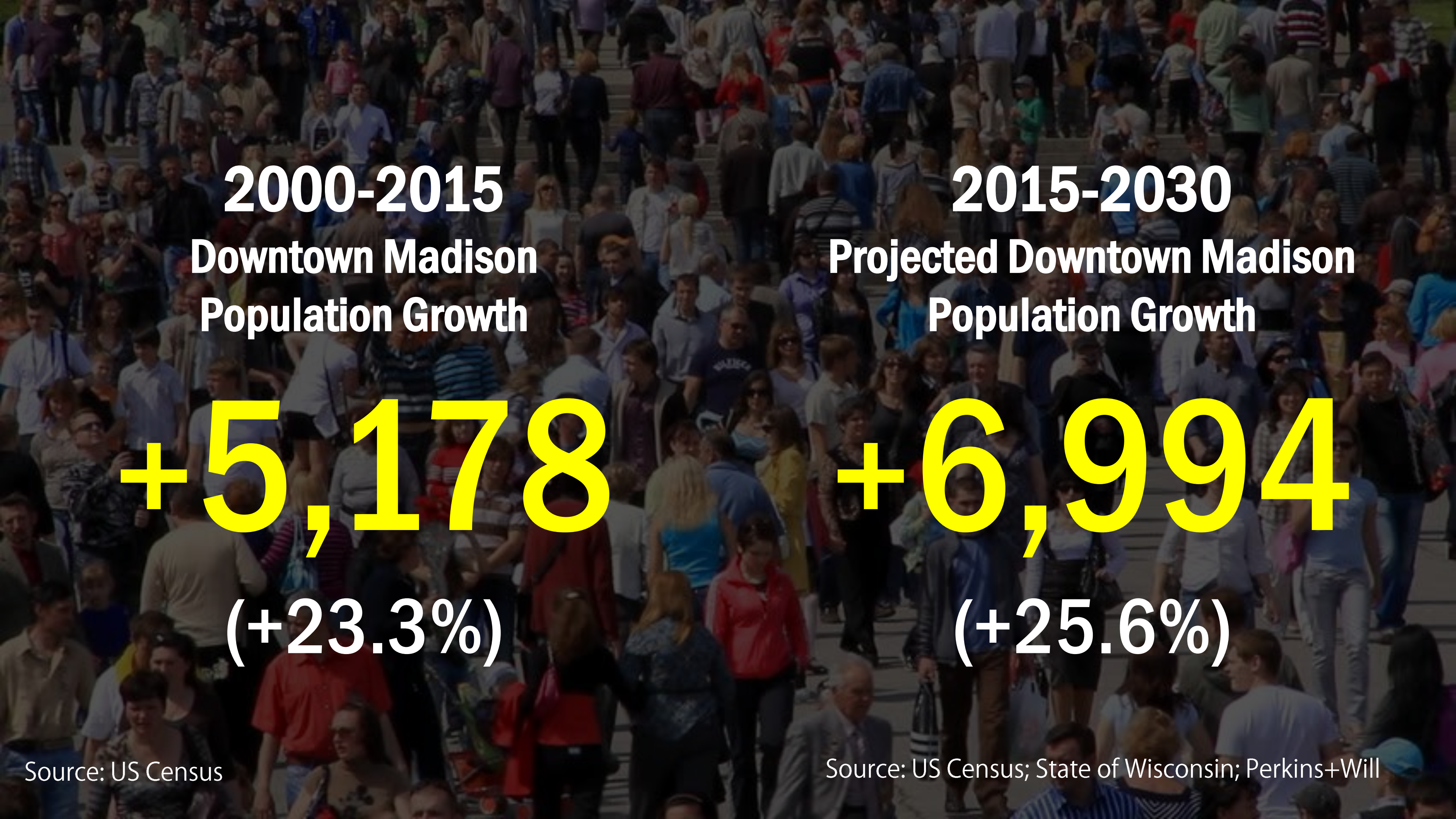
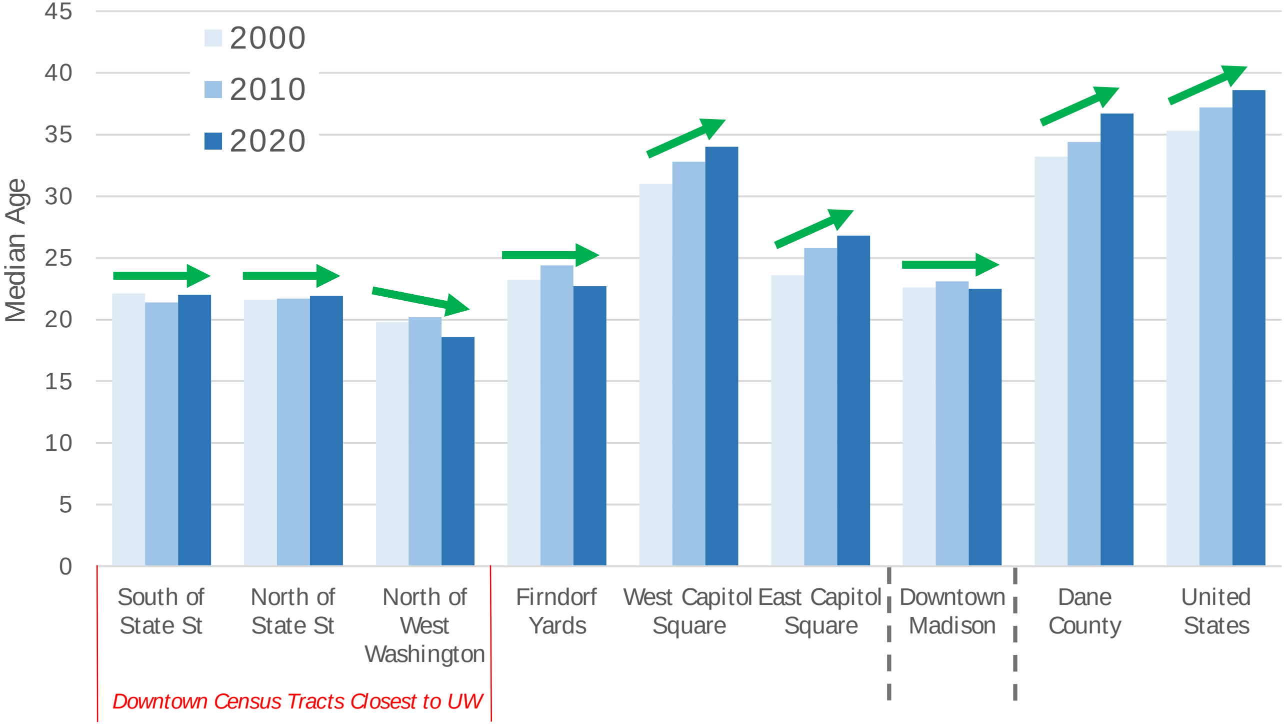

2000-2015
Downtown Madison
Population Growth
+5,178
(+23.3%)
Source: US Census


2000-2015
Downtown Madison
Population Growth
+5,178
(+23.3%)
Source: US Census
2015-2030
Projected Downtown Madison
Population Growth
+6,994
(+25.6%)
Source: US Census; State of Wisconsin; Perkins+Will

MEDIAN AGE

- UW keeps median age consistently young near the campus, but the broader trend is an aging population



Sources: US Census; Wisconsin Department of Administration; Perkins+Will

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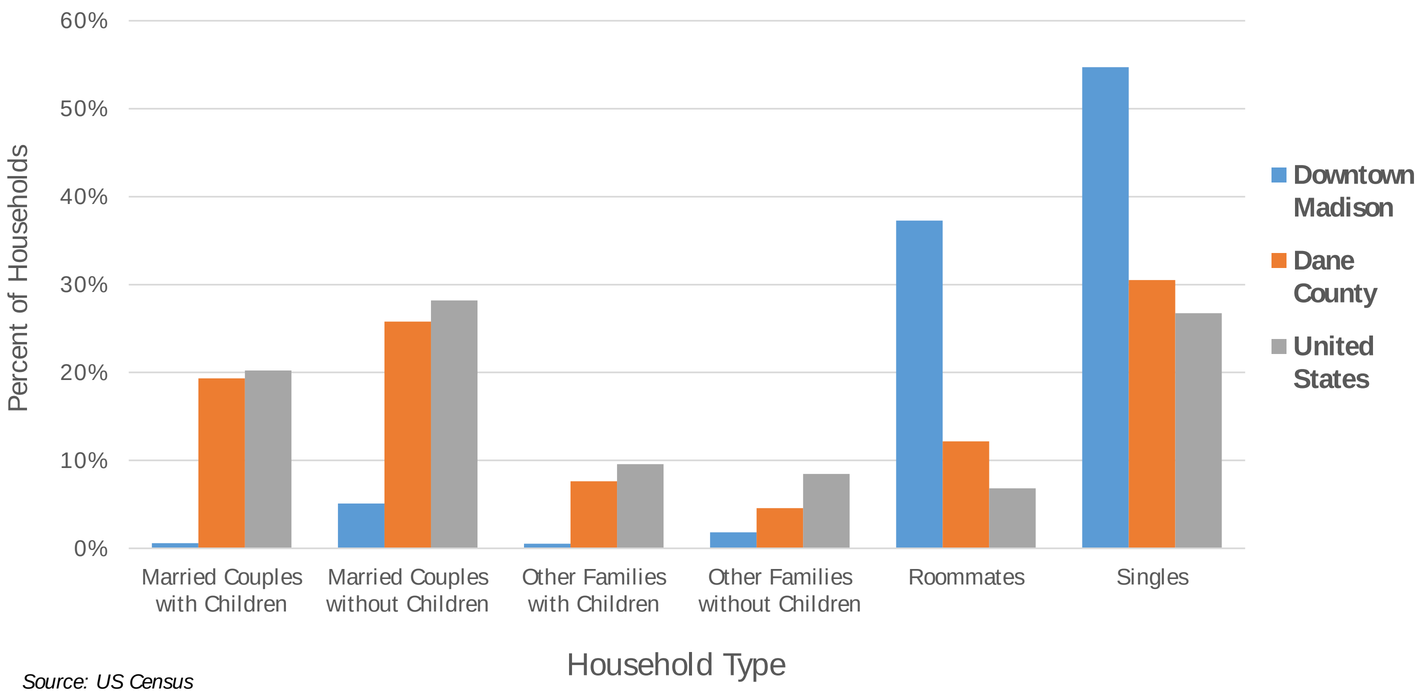
HOUSEHOLD TYPE (2010)

- **92%** of Downtown HHs are singles or roommate situations
- Families of all types, especially those with children, are almost non-existent in the Downtown



Source: US Census

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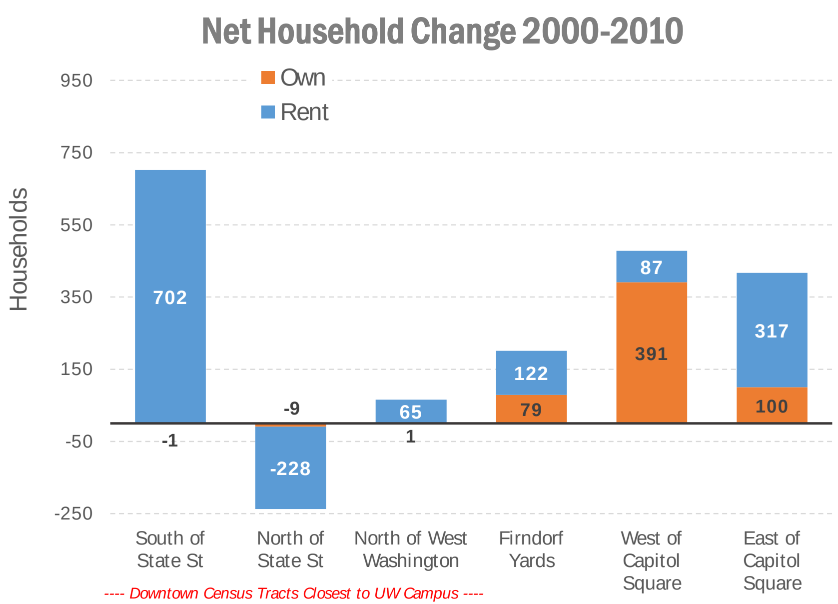
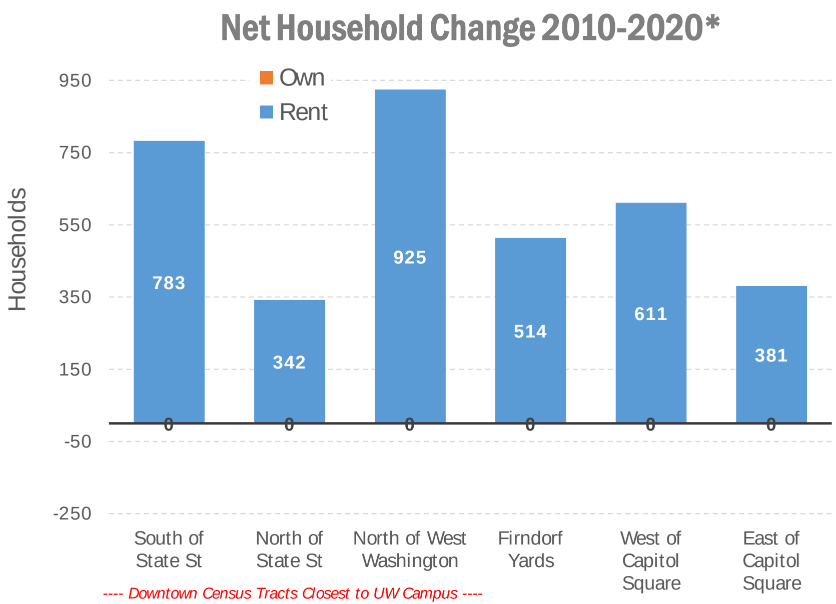
TENURE



Source: US Census



** Projection of tenure is based on housing development 2010-2015, which has been 100% rental properties*

Source: US Census

- Growth in owner-occupied households essentially stopped in the mid-2000s
- All recent development has been rental housing, which will further cement the downtown as being overwhelmingly renter-occupied

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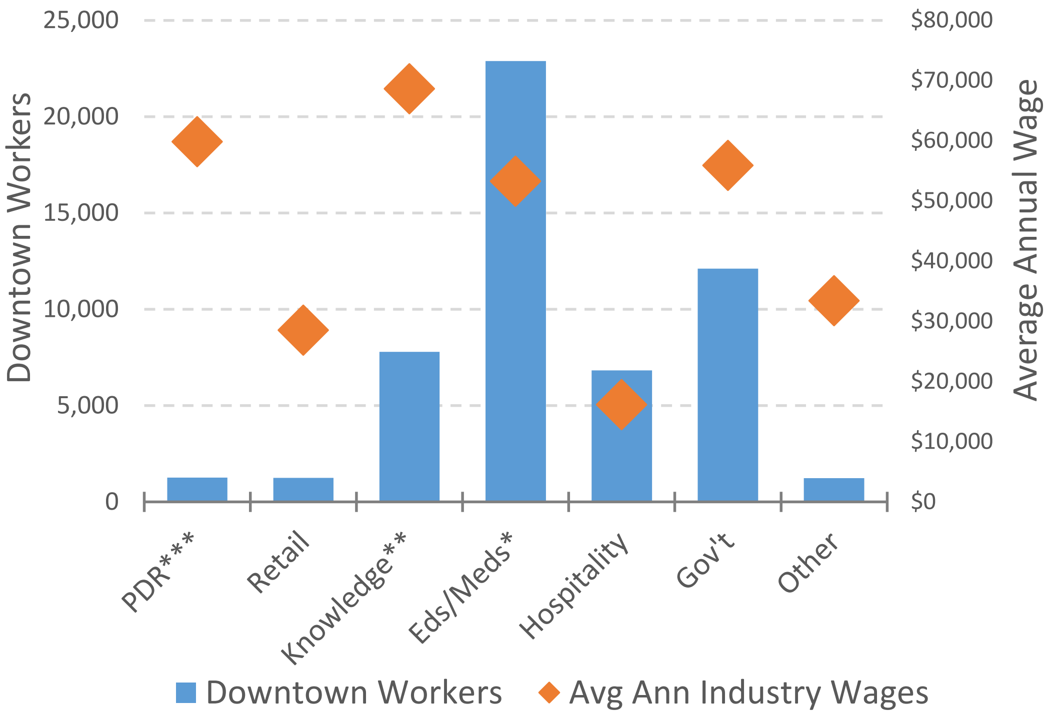
CONSUMER PROFILE:
DOWNTOWN WORKERS

WORKERS AND WAGES BY INDUSTRY 2015

- **53,000** downtown workers (incl. UW-Madison)
- Ed/Meds and Government dominate the workforce
- Downtown workers generate **$2.7 billion** in annual wages



** Includes UW-Madison employees*
** Knowledge = "Knowledge-based" sectors, such as Information, Finance, and Professional Svcs/Mgmt*
*** PDR = Production, Distribution, and Repair industry sectors (i.e., Mfg, Const, Transp, Util, etc.)*
Source: US Census Bureau's LEHD Origin-Destination Employment Statistics program

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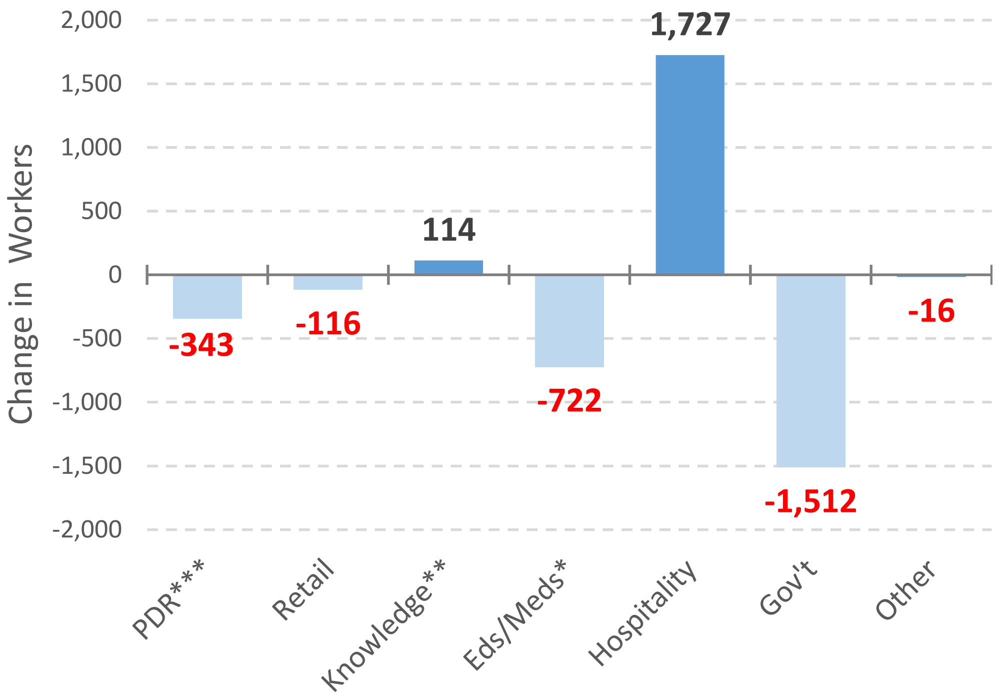
GROWTH IN DOWNTOWN WORKERS 2010-2015

- Downtown workers have declined **-1.6%** since 2010 (-869)
- Hospitality only significantly growing sector, but is also the lowest paying sector
- Total annual wages have **declined over $100 million** since 2010 (-4%)



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CONSUMER PROFILE:
VISITORS

VISITOR SPENDING PATTERNS

- **65%** of Madison visitors **dine** during their visit

- **48%** of Madison visitors **shop** during their visit

Source: Greater Madison Convention and Visitors Bureau

VISITOR TYPES

Business Travelers:

- Consistent throughout the year
- Monday thru Friday emphasis
- Flat growth due to Downtown employment trends
- 1/3 of visitors*

Leisure Travelers:

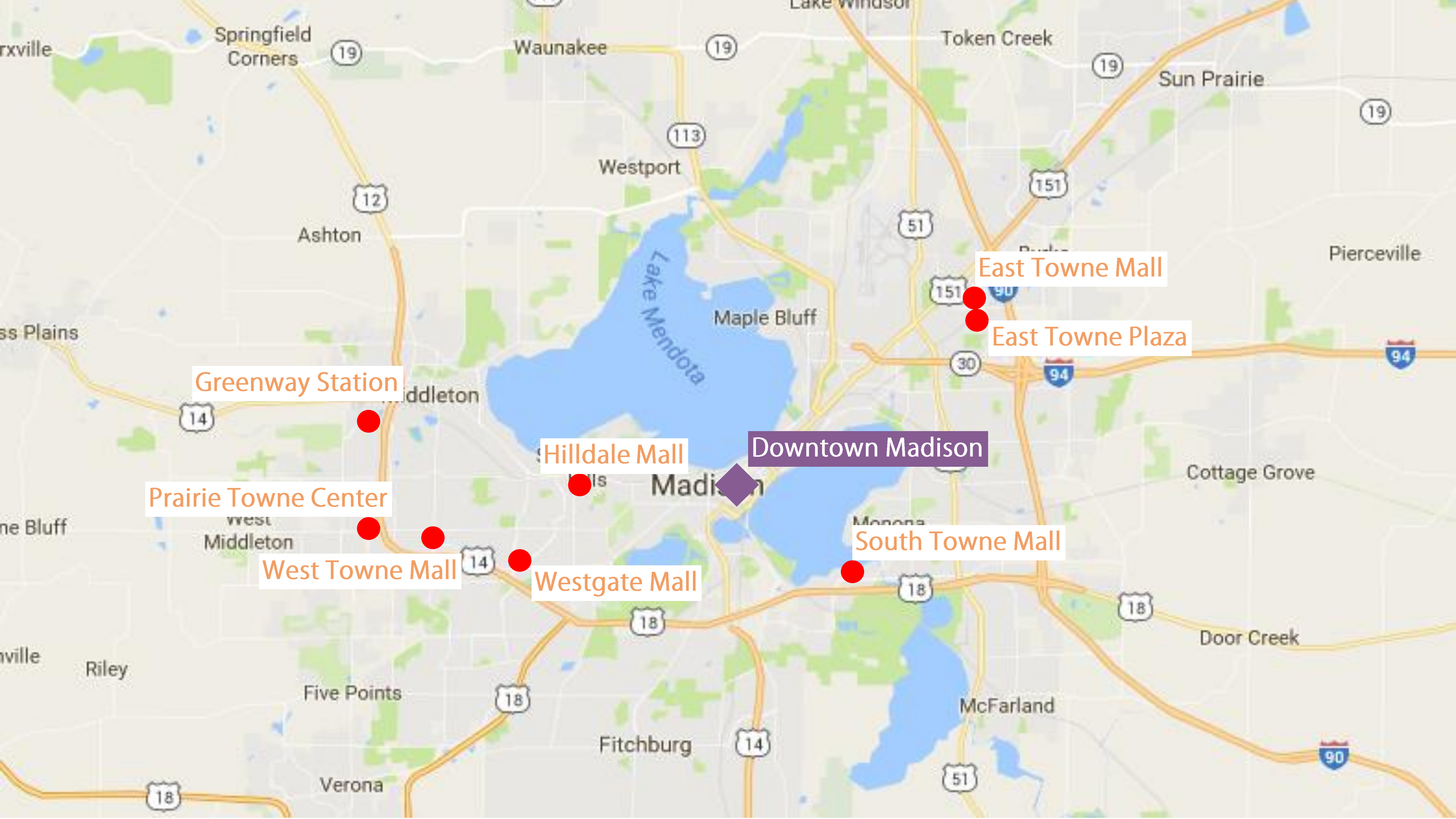
- Seasonal peaks
- Driven by large events (e.g., start of school year, sports and cultural events, etc.)
- Rising growth based on visitorship at Downtown destinations
- 1/3 of visitors*

Meeting and Convention Attendees:

- Business purpose but includes leisure activities
- Peaks are Spring and Fall
- Rising growth based on visitorship at Downtown destinations
- 1/3 of visitors*

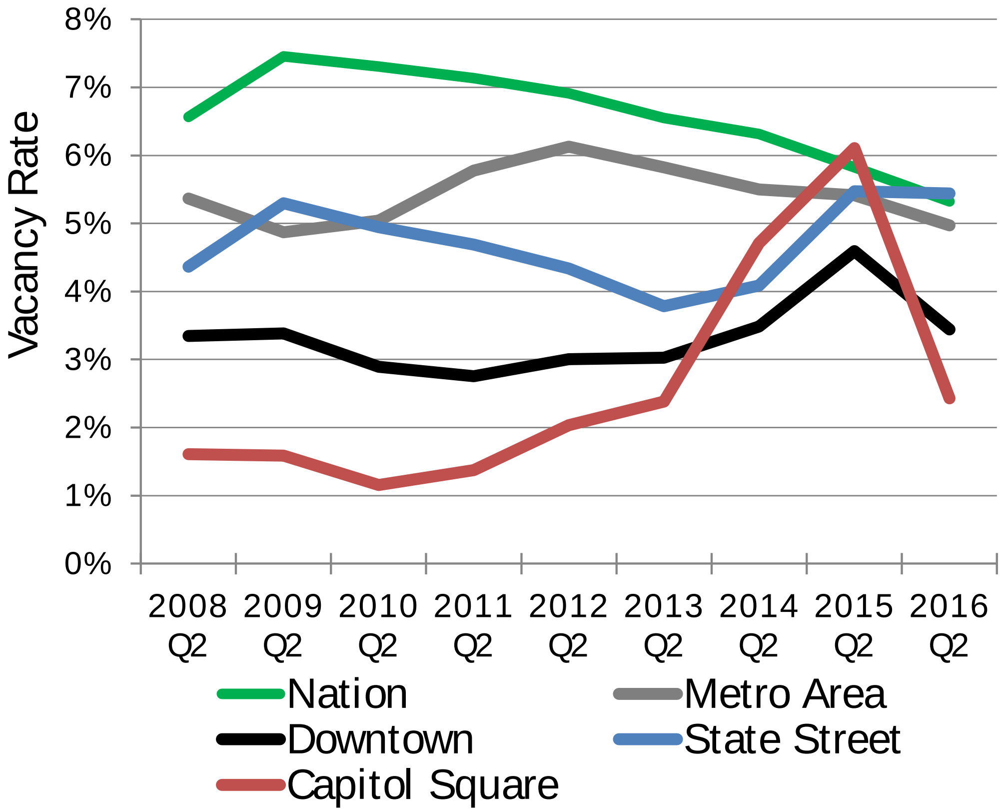
* According to 2007 DMA Market Analysis

MARKET DATA


Greenway Station
Hilldale Mall
Downtown Madison
East Towne Mall
East Towne Plaza
Prairie Towne Center
West Towne Mall
Westgate Mall
South Towne Mall
Springfield Corners
Waunakee
Token Creek
Sun Prairie
Westport
Ashton
Lake Mendota
Maple Bluff
Pierceville
Cottage Grove
Madison
Middleton
Door Creek
Riley
Five Points
Fitchburg
McFarland
Verona

RETAIL VACANCY TREND

- National trend has been downward since 2009
- Downtown vacancy below national and regional rates
- Vacancies are higher along State Street than other parts of Downtown, but still considered healthy overall



Source: CoStar

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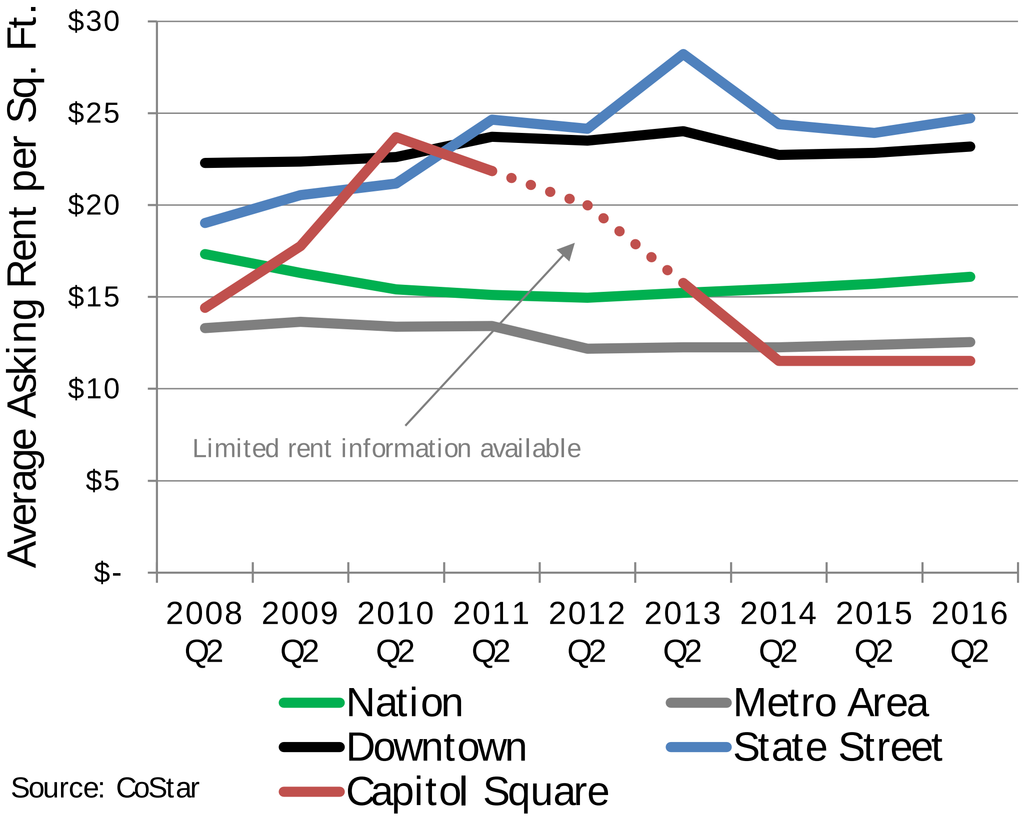
RETAIL RENT TREND

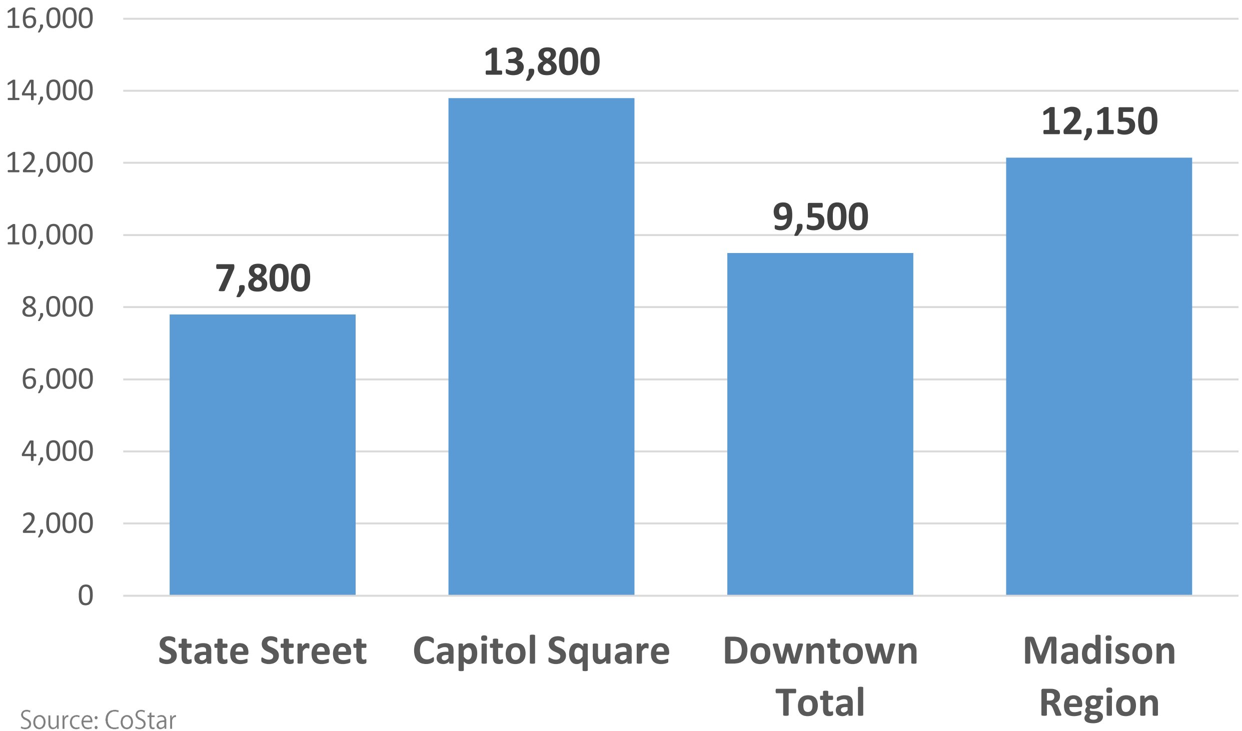
- **Average** asking rent for Downtown and State Street is around $24/sf; this is well above national and regional averages
- **Based on few data points**
- Data from surveys focus groups and interviews indicate that certain locations along State Street can achieve rents as high as $45/sf or even $60/sf
- Such high rents can support new construction



Source: CoStar

AVERAGE SIZE OF RETAIL PROPERTIES

- State Street has many smaller, older properties, which helps keep rents lower, thus supporting independent and innovative retailers



Source: CoStar

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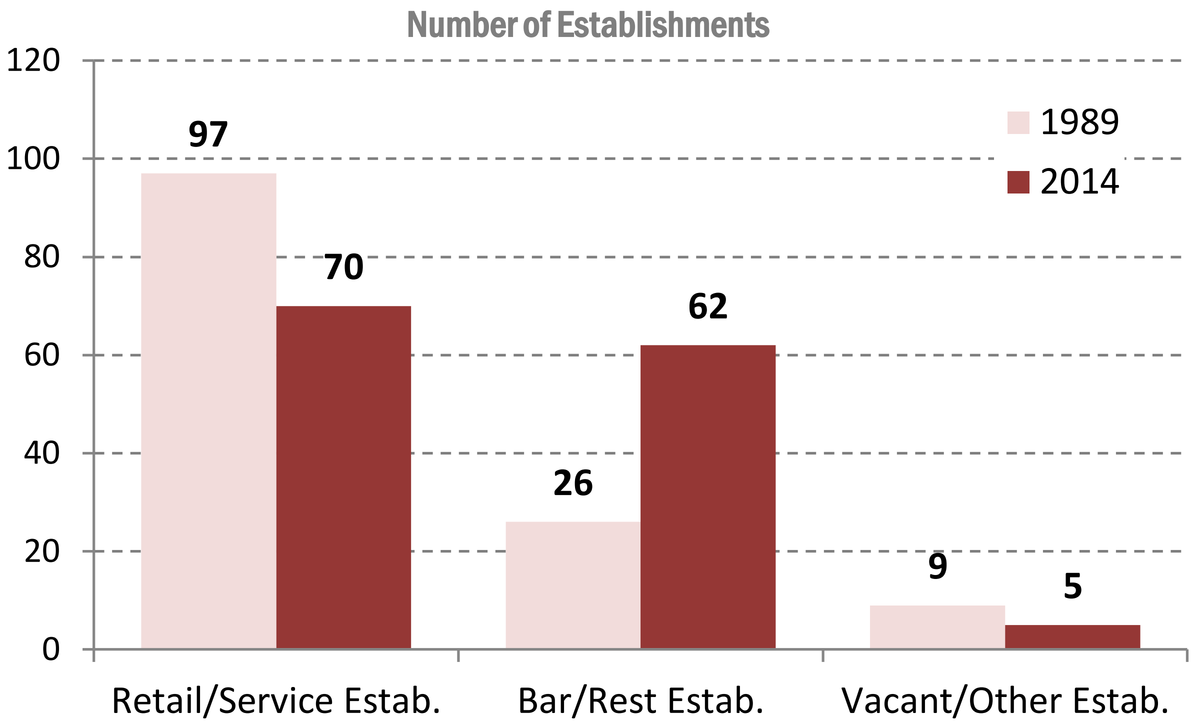
MARKET DATA:
CITY GROUND FLOOR STUDY

STATE STREET: GROUND FLOOR BUSINESSES

- Significant decline in number retail/service establishments and square feet



Source: City of Madison

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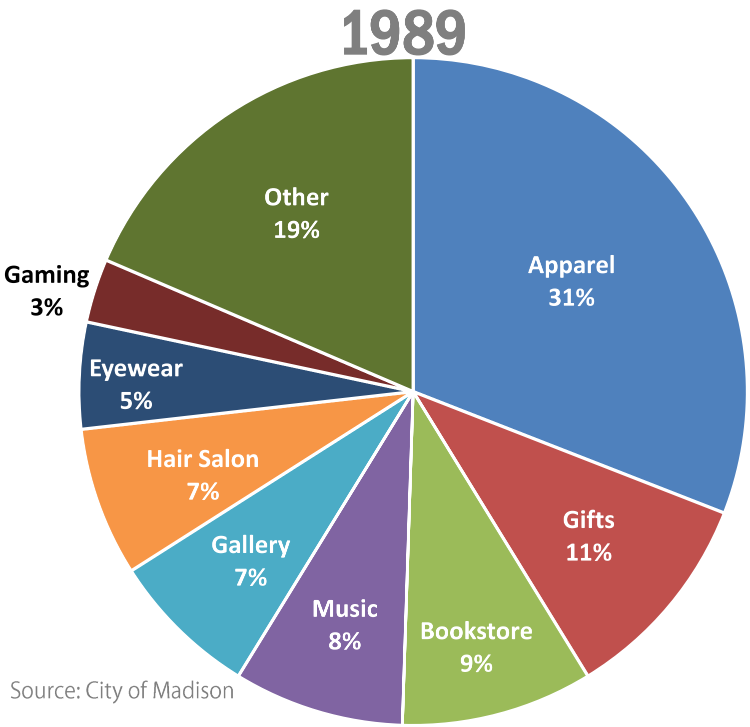
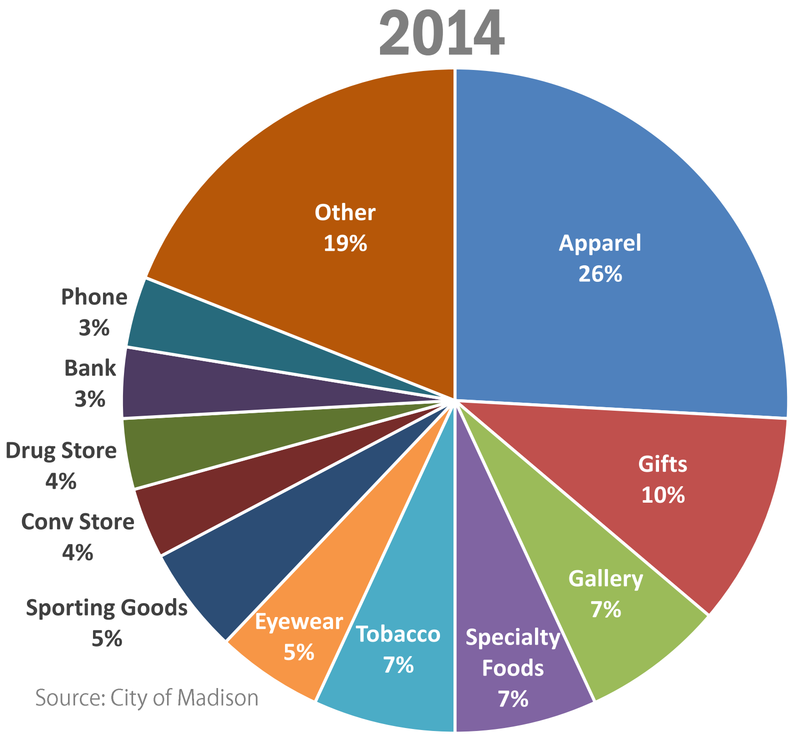
STATE STREET: GROUND FLOOR RETAIL BUSINESSES





- Despite far fewer retail stores in 2014 than 1989, there is more variety of retail categories

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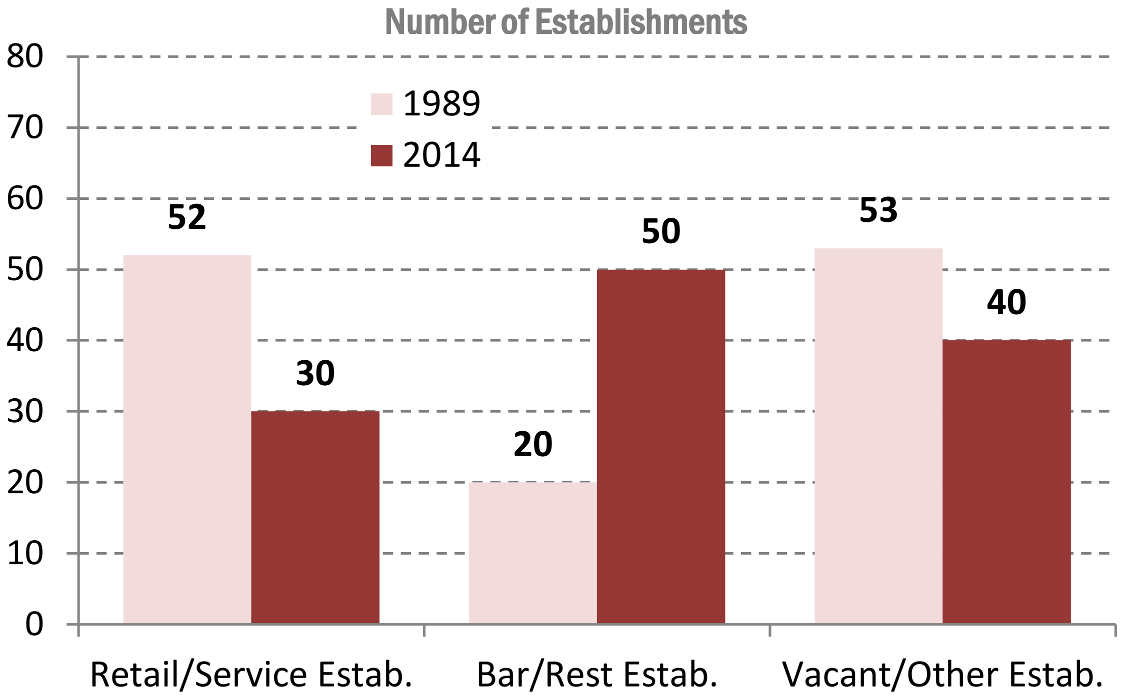
CAPITOL SQUARE/KING STREET: GROUND FLOOR BUSINESSES

- Similar dynamic in the Capitol Square/King Street area, except more ground floor space is devoted to office and other non-retail uses



Source: City of Madison

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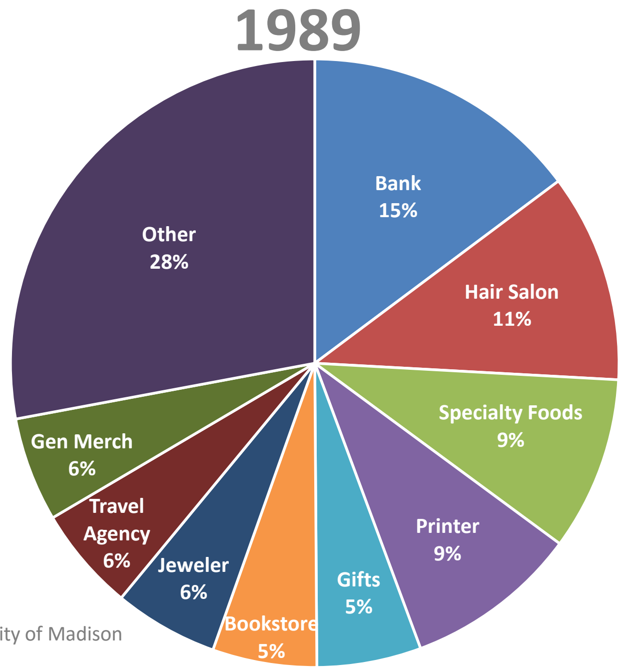
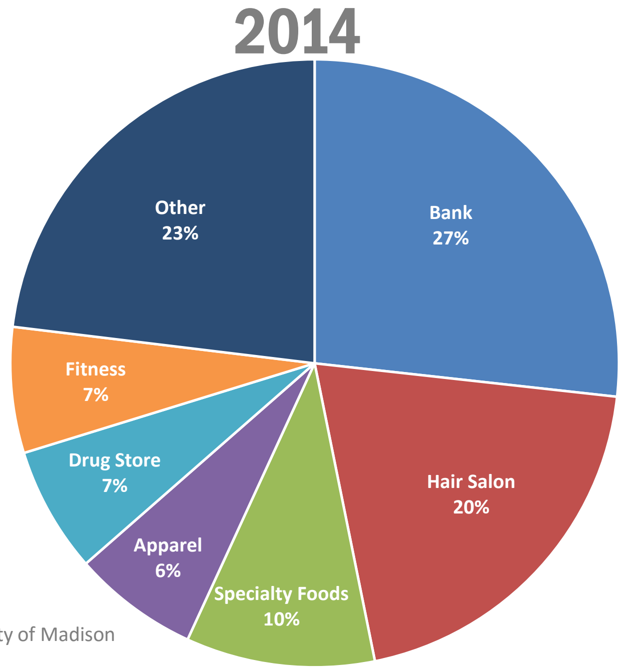
CAPITOL SQUARE/KING STREET: GROUND FLOOR RETAIL BUSINESSES



Source: City of Madison



Source: City of Madison

- With a shrinking number of retail stores, banks and hair salons have become the dominant retail presence in the Capitol Square/King Street area

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RETAIL/SERVICE CATEGORIES WITH GREATEST LOSSES

By Number	
Apparel Stores	-15
Bookstores	-11
Gift Stores	-7
Music Stores	-7
Hair Salons/Barbers	-6
Printers	-5
Jewelers	-4
Travel Agencies	-4

By Percentage	
Travel Agencies (-4)	-100%
General Merchandisers (-3)	-100%
Bookstores (-11)	-92%
Music Stores (-7)	-88%
Printers (-5)	-83%
Jewelers (-4)	-80%
Camera/Photo Shops (-2)	-67%
Gaming (-2)	-67%

**Categories in red have been profoundly impacted by technological and cultural change*

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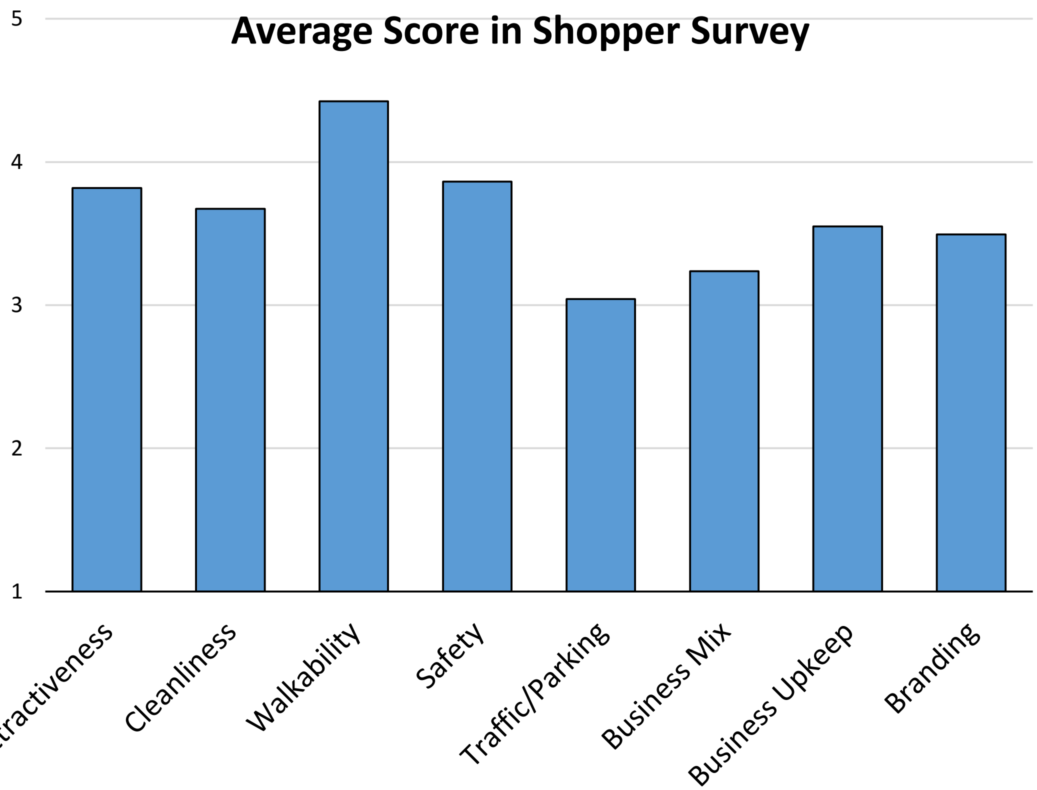
RETAIL VITALITY ASSESSMENT

INFORMATION DEVELOPMENT

PRIMARY RESEARCH

- Shopper Surveys (1,150!)
- Business Owner Surveys (20)
- Focus Groups (5)
- Individual interviews (7)



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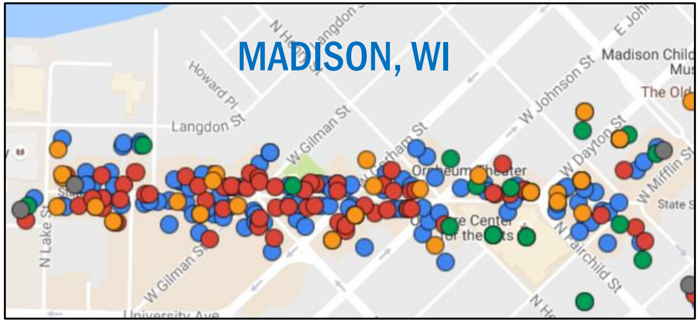
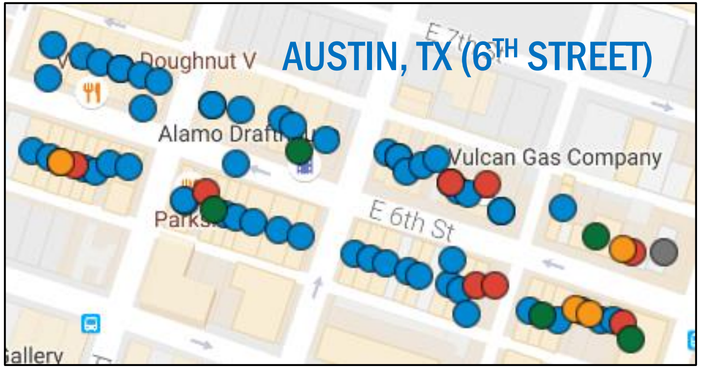
WHAT'S ENJOYABLE ABOUT DOWNTOWN MADISON?

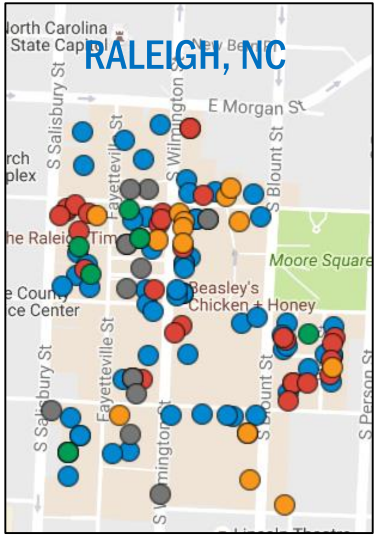
WHAT'S FRUSTRATING ABOUT DOWNTOWN MADISON?

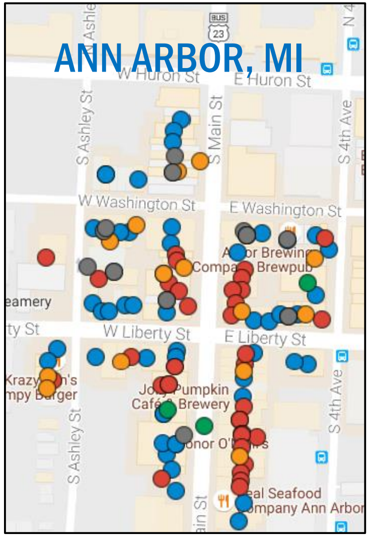
WHAT NEW BUSINESS WOULD YOU LIKE TO SEE?

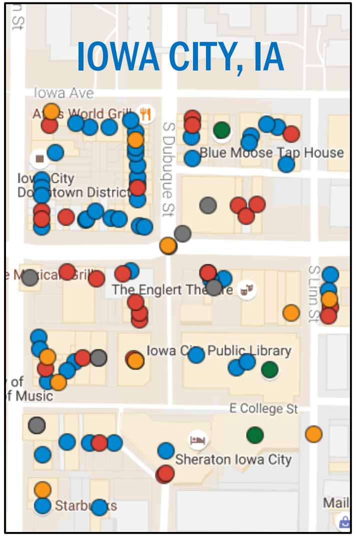
RETAIL MAPPING











Allows us to evaluate:

- Retail density
- Retail mix

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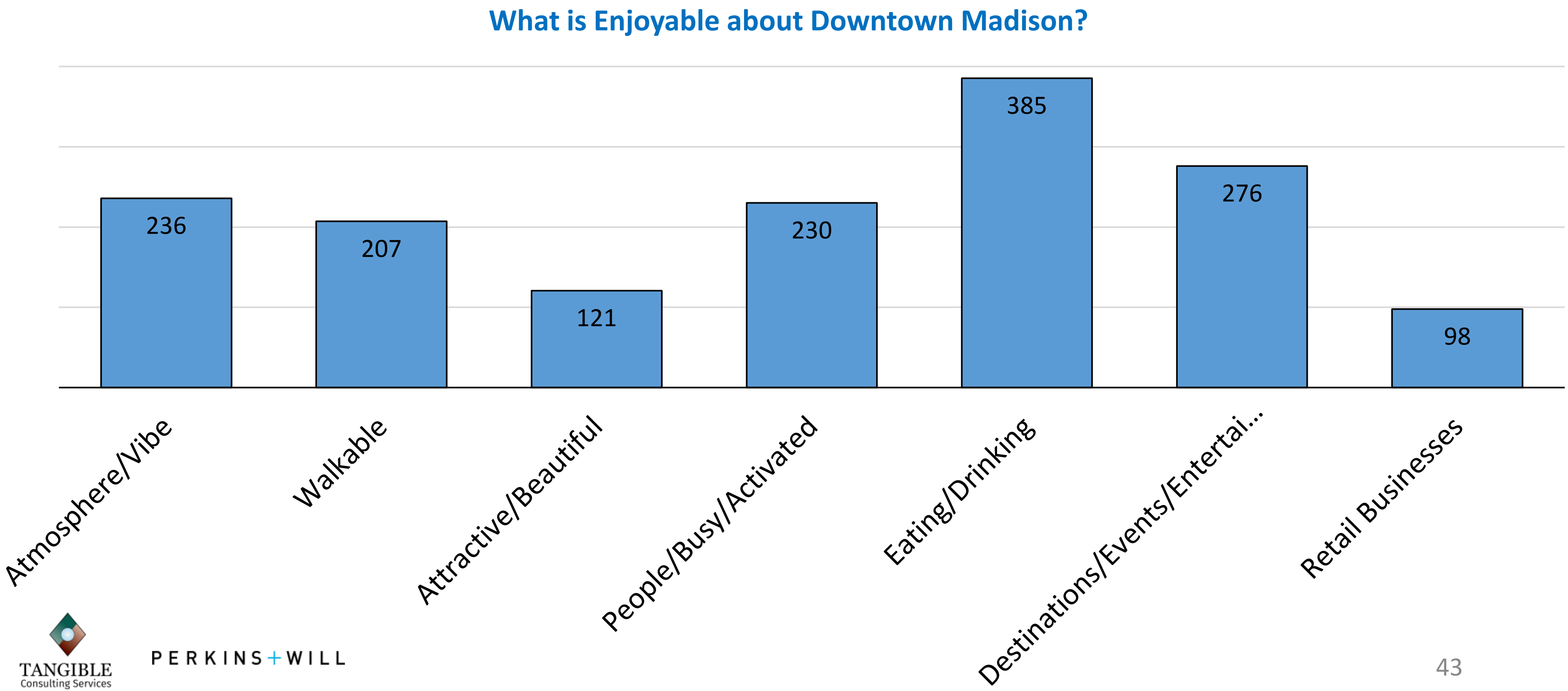
THINKING LIKE A RETAIL PROPERTY OWNER:

BRAND, ANCHORS, AND STORE MIX

BRAND – DOWNTOWN MADISON



BRAND – DOWNTOWN RETAIL

"I appreciate the unique, non-chain businesses (clothes, food, everything)."

"I like the eclectic variety of locally run shops."

"I love that the shops have taken on a more local/Madison specific focus in their wares."

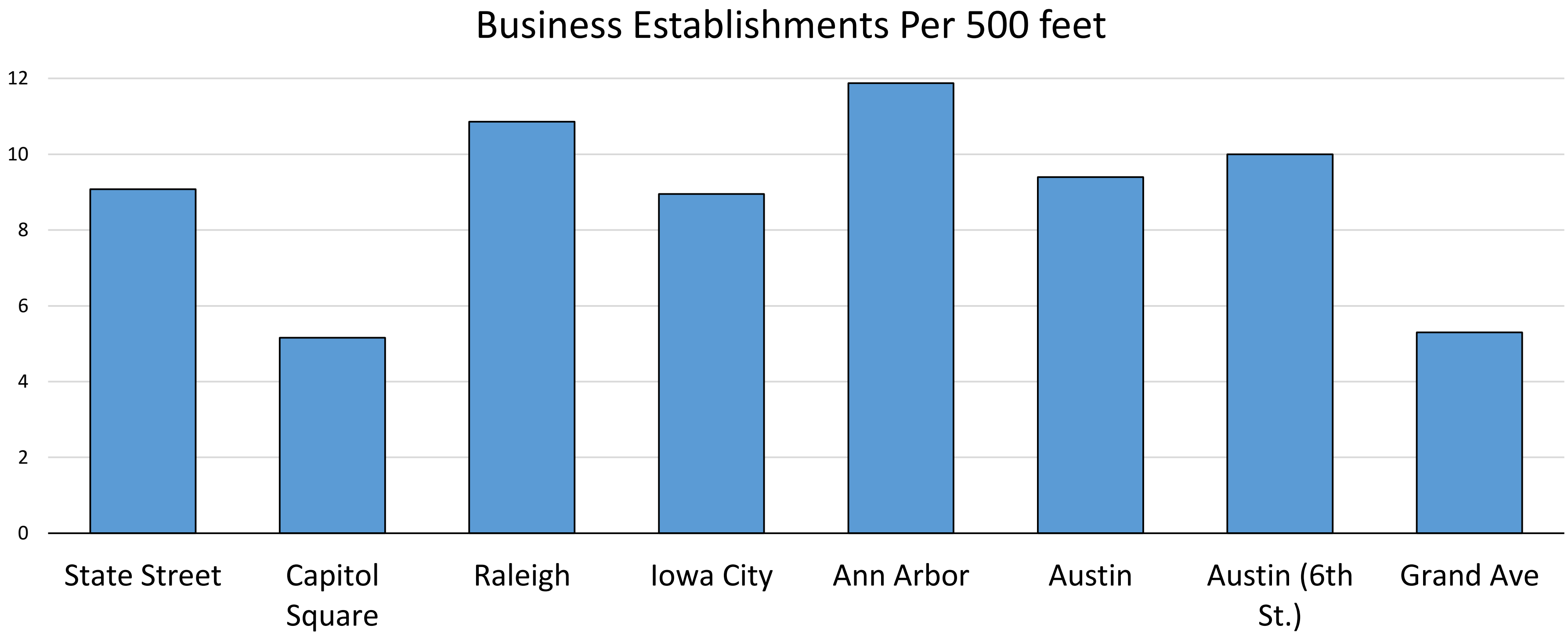
Character

- Fine-grained
- Locally owned
- Variety

Business Clusters

- Clothes
- Specialty foods
- Gift shops

RETAIL BRAND – WALKABILITY



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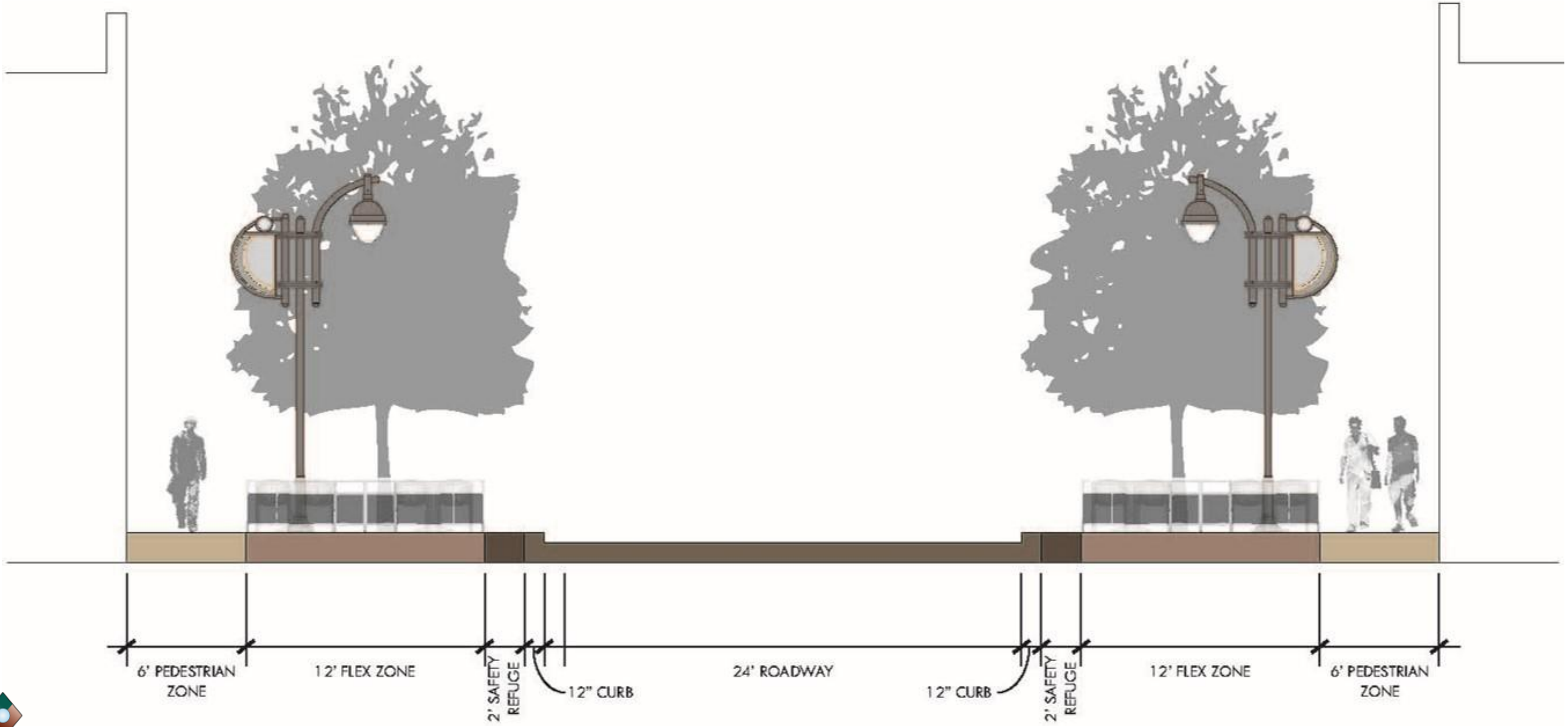
RETAIL BRAND – WALKABILITY



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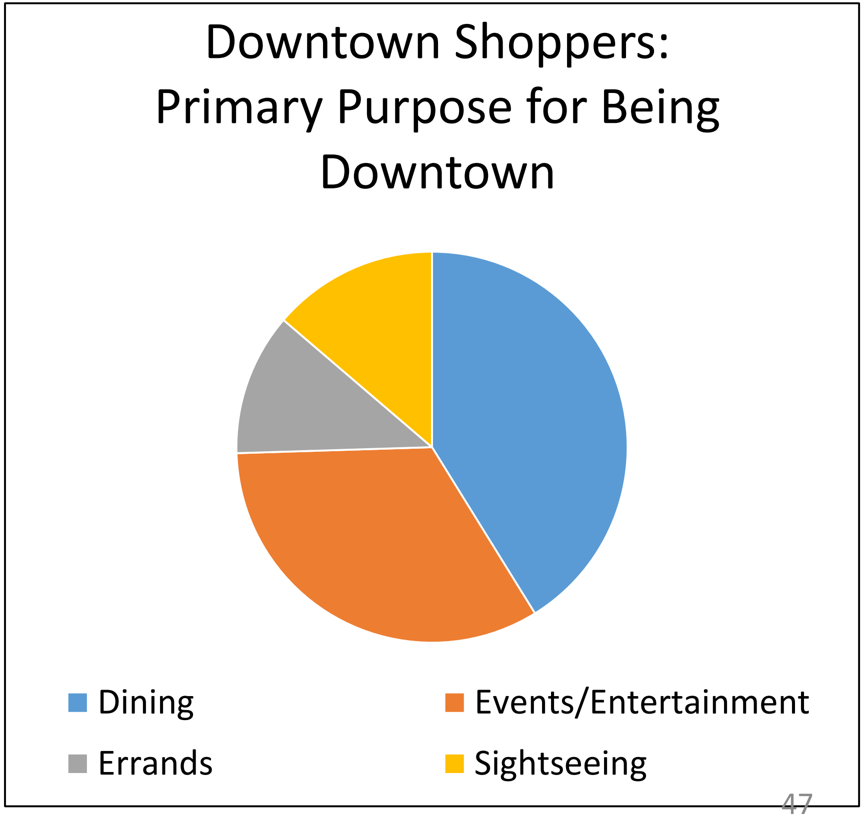
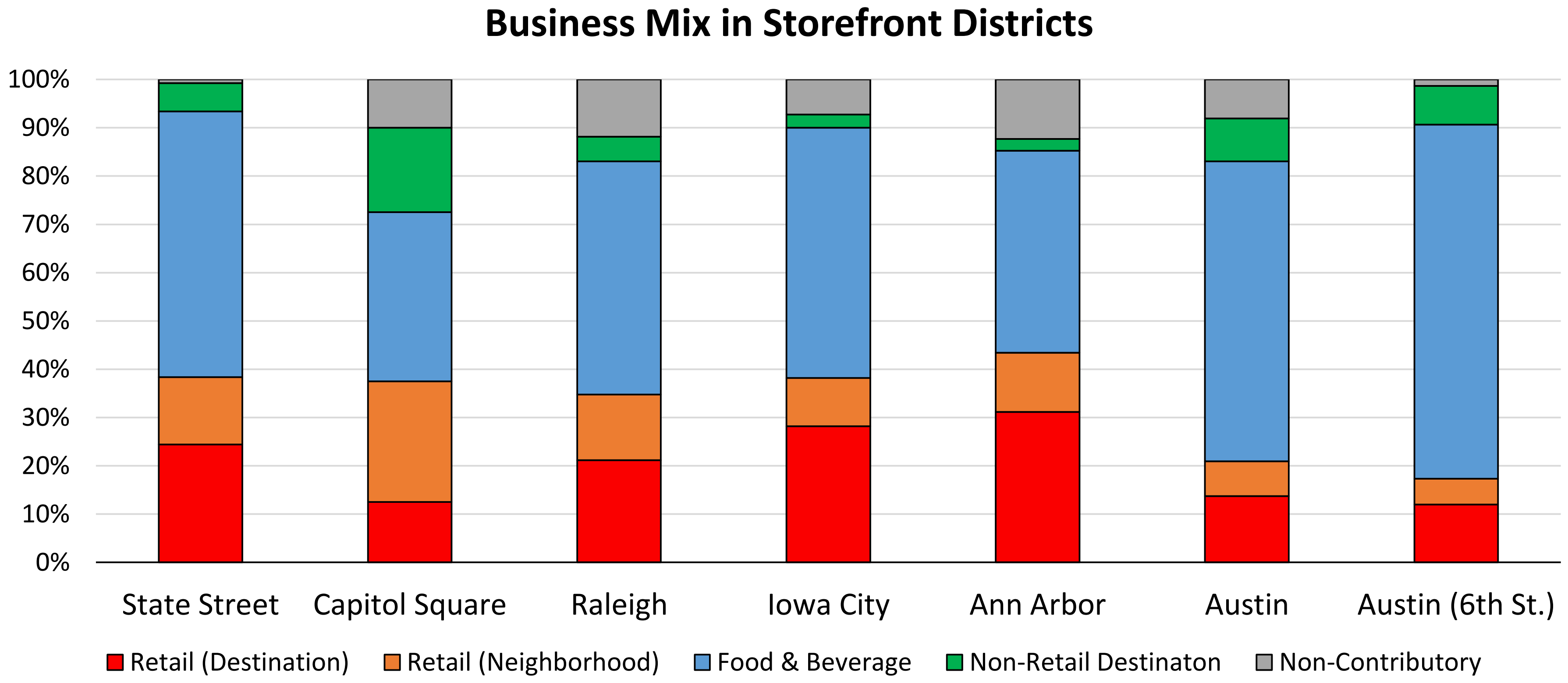
RETAIL ANCHORS



RETAIL MIX



Business Mix in Storefront Districts
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
State Street
Capitol Square
Raleigh
Iowa City
Ann Arbor
Austin
Austin (6th St.)
Retail (Destination)
Retail (Neighborhood)
Food & Beverage
Non-Retail Destinaton
Non-Contributory

BARRIERS

PARKING

Parking is a barrier for many!

Parking is available in a strong complement of facility types

Strategies to be explored

- Information provision at point of need
- Wayfinding

PANHANDLERS/LOITERERS

Panhandlers/Loiterers are a barrier for many!

Regulatory enforcement is limited

Strategies to be explored

- Synergistic actions which activate spaces, reducing their hospitable-ness for loiterers

CASE STUDIES

RALEIGH, NC
IOWA CITY, IA
ANN ARBOR, MI
AUSTIN, TX

RALEIGH, NORTH CAROLINA

The Story

- Successful, growing rapidly
- Attracting employers
- Revitalization pattern

Highlighted Strategies

- Retail toolkit
- Target specific locations for retail
- Attract authentic retailers
- Public market

IOWA CITY, IOWA

The Story

- Smaller yet increasingly active
- Focus on history and unique character

Highlighted Strategies

- Property evaluations, designs, pro formas, grants
- Business support: buying group, district gift card

ANN ARBOR, MICHIGAN

The Story

- Residential growth
- Confidence and preservation
- Retail opportunity: grocery, shoe, home furnishings, sporting goods/hobby, electronics/appliance

Highlighted Strategies

- Tracking vitality measures: marketing, business association impact, memorable
- Innovation District

AUSTIN, TEXAS

The Story

- Abundance of nightlife
- Desire a greater diversity of offerings, activity throughout the day

Highlighted Strategies

- Create a vision
- Treat downtown as a place
- Hire a retail coordinator
- Create a parking plan

KEY FINDINGS AND STRATEGIC FOCUS AREAS

KEY FINDINGS & STRATEGIC FOCUS AREAS:

MARKET ANALYSIS AND TRENDS

DOWNTOWN HAS AND WILL INCREASE ITS COMPETITIVE ADVANTAGE

- E-Commerce has already done most of its damage to Downtown retailing
- E-Commerce and other retail trends will drive people to the most desirable places to experience the non-virtual
- Downtown is loaded with attributes that deliver a positive non-virtual experience:
  - Walkable
  - Not dominated by automobile traffic
  - Density of people and businesses
  - Connections to nearby destinations and amenities
  - Mixture of flexible, older properties that are affordable to innovative, risk-taking retailers

THE GAME CHANGER – DOWNTOWN HOUSING

- Growing resident base will fuel demand for more neighborhood goods and services
  - Neighborhood goods and services follow roof tops not workers or visitors
  - Strategic locations off of State Street or Capitol Square maybe the most appropriate locations for such stores
  - If the profile of this growth continues to be students and young adults, the retail demanded will continue to skew toward more bars/nightlife
  - Consider expanding housing options to include product desirable to families and older adults – this will further help diversify the types of retail that can be supported

ANOTHER KEY OPPORTUNITY: NEW DEVELOPMENT

- Rents are rising along State Street – some longstanding businesses are paying as much as $45/sf; meanwhile new development has been able to achieve $60/sf
- Rents this high are able to support new retail development, which is unusual
- Although preserving older, affordable space is critical, new development can be beneficial when guided appropriately:
  - Accommodate new retail types that would enhance the retail experience (e.g. larger anchor spaces, neighborhood retailers, etc.)
  - Enhance needed fixes in the public realm (e.g., widen sidewalks, create pocket parks or other small open spaces, etc.)
  - Accommodate more housing that will increase the need for additional complementary retail

SETTING THE RECORD STRAIGHT ON RENTS

- Restaurants are not necessarily pricing out retail. It's more complicated than that.
  - Some retail rents are rising as high as restaurant rents
  - The desirability of the location is raising rents for everyone
- Existing retailers are definitely feeling the pressure
- Preserving affordability will be needed to help attract and retain independent and innovative retailers. Strategies for this can include:
  - Increasing the overall supply of space through new construction or expansion into 2nd story or basement level commercial space
  - Make sure there is ample supply of small spaces (under 1,000 sf) – lack of small spaces is often a bigger barrier to affordability than high prices per square foot

KEY FINDINGS & STRATEGIC FOCUS AREAS:

RETAIL VITALITY ASSESSMENT

WHAT'S THE BALANCE?

Retail vs Food/Beverage

- Food/beverage plays important role for downtown Madison, and for downtown Madison retail
- But retail, more than restaurants, needs a certain continuity to be attractive
- It is important to promoting retail's share of the business mix, particularly on State Street

WHAT'S THE BALANCE

National vs Local Retail

- National retailers can play a role, particularly as category anchors
- But national retailers will usually require larger spaces, which weakens the fine-grained retail brand
- Madison needs to define the desired balance, and development objectives

WHAT'S THE BALANCE

Destination vs Everyday Retail

- Growth in downtown housing means that neighborhood goods and services are needed and will have growing customer support
- That's good/there's not really a trade-off
- Every-day retail won't compete with destination retail on State Street and Capitol Square if it's located in other parts of downtown

STRATEGIC FOCUS AREA

Address Barriers/Threshold Conditions

Strategic focus is needed on the conditions that are threshold conditions for some people

- Parking
- Panhandlers/loiterers
- Cleanliness
- Condition of businesses

STRATEGIC FOCUS AREA

Reinforce the Brand

Strategies are needed that will reinforce the walkable, fine-grained, distinctive, locally-owned retail brand

- Retail conversion and infill strategies, including identification of additional retail location
- Supporting locally owned businesses

KEY FINDINGS & STRATEGIC FOCUS AREAS:

CASE STUDIES

STRATEGIC FOCUS AREA

Packaging retail support strategies

- Support for retailers can be packaged to make it easy to establish and upgrade retail businesses. Services can be for:
  - Converting space to retail
  - Upgrading space
  - Meeting regulatory requirements
  - Providing financial assistance
  - Business management and marketing

STRATEGIC FOCUS AREA

Engaging property owners and real estate brokers

- Make most day to day tenanting decisions
- Case studies showed a number of ways of educating and engaging property owners and brokers in retail goals, so that tenanting decisions more often take public goals into consideration

DISCUSSION

NEXT STEPS

Project Work Plan

	May	June	July	August	September	October
		Project Kickoff/ Information Gathering	Additional Information Gathering	Review Findings of Interim Reports	Review Policy and Strategy Recommen- dations	Present Final Report
Downtown Coordinating Committee		X		X	X	X
Madison Central BID Board		X *Joint Meeting*		X *Joint Meeting*	X *Joint Meeting*	X *Joint Meeting*
Deliverables						
	Project Start		Market Analysis, Retail Vitality Assessment, Case Studies	Policy and Strategy Recommen- dations		Final Report

Information

↓

Analysis

↓

Strategies

↓

Final Report

Thank you!!