

2013

Market Analysis

Retail

Housing

Office



[CITY OF BERLIN MARKET  
ANALYSIS]

City of Berlin, Wisconsin



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## Executive Summary

Berlin is a community of roughly 5,500 residents, located along the Fox River in central Wisconsin. The community serves as a regional hub of economic activity, and the City has been proactive in providing suitable commercial and industrial land for development, managing targeted programs to promote private investment, and undertaking initiatives to revitalize its riverfront and downtown area. As a result of these efforts, the City has experienced sustained private investment and witnessed nearly \$6 million in net new construction during 2011, despite a national real estate slowdown. This growth is equivalent to 2.33 percent of the City's total value, and represents more than three times the growth of the state as a whole. This document provides an overview of the current and emerging real estate and demographic trends associated with Berlin's retail, housing and commercial markets. Opportunities for growth within each of these markets are also identified to help focus future initiatives to align with anticipated market demand.

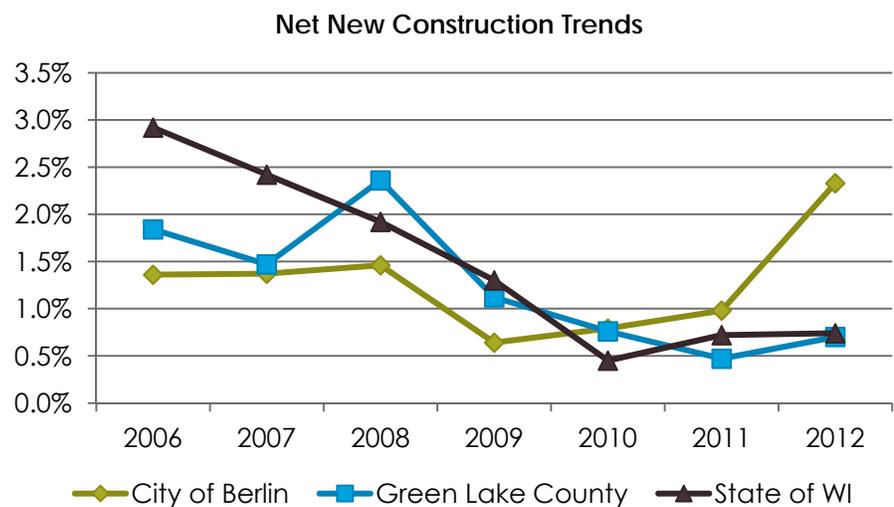
## Project Overview

This 2013 Market Analysis is intended to provide an update to the City's 2008 Market Analysis in order to better reflect the current economic realities and incorporate changes in local demographics and overall business climate stemming from the recent recession. Additional changes to the local business mix have also influenced traffic and consumer patterns within the community, including the opening of a Super Wal-Mart on the west side of the community, new commercial development on the east side, and small business activity throughout the City.

## Economic Position

**The past five years have brought significant new activity to Berlin**, despite an overall sluggish economy. This investment has included new retail and commercial development, as well as hiring by local manufacturers.

**The \$6 million in 2012 net new construction represents a four year expansion trend**, and is double the average annual investment in pre-recession years. Employment has also returned to pre-recession levels as of 2012, with only a net loss of three jobs from the peak 2008 employment figures.



Source: City of Berlin, Wisconsin Department of Revenue

Additional anticipated 2013 development activity includes new development in the North and Southeast Business Parks, a 24-unit Senior Apartment complex, an additional phase of an existing apartment complex, expansion of several existing businesses and occupancy of and improvements to currently vacant properties.

Taken as a whole, the effects of the recent recession and corresponding decline in household discretionary income have been offset by the continued trade area expansion which attracts new customers to the community. The changing market has also created opportunities to cater to the growing local workforce and older adult population through targeted development of rental and senior housing opportunities. Berlin is committed to growing its local economy and is committed to providing suitable land and spaces to meet the needs of existing businesses and customers, including retail, residential or commercial sector uses.

### Summary of Opportunities

The market analysis identified market opportunities associated with the retail, residential and commercial market sectors. These opportunities represent business recruitment, business expansion and new development potential, and also include marketing and programming opportunities which can help existing businesses and property owners capitalize on Berlin's regional draw. Specific opportunities within each sector are highlighted in the following section.

#### *Retail*

Berlin benefits from being the largest community in the tri-county region, and residents from a wide radius are likely to choose Berlin as their shopping destination, especially for larger purchases or specialty items. The presence of both well-known regional draws, such as Wal-Mart, and established niche retail providers, such as Russell Moccasin Company, Eskimo Comfort or Mike's Bike Shop, regularly draw customers from an area larger than the primary convenience trade area. Although the recession has produced diminished household spending growth compared to previous forecasts, **However, Berlin's position as a regional hub has created opportunities for retailers to tap into a broader customer pool and grow overall sales** despite reduced spending at the household level. This regional capture is also reflected by the 6.2 percent increase in sales taxes collected at the County level in 2011.

Growth in consumer spending has not been evenly distributed among retail sectors, and there are several retail types which demonstrate sufficient surplus demand to support additional businesses. These sectors are indicated in the following chart, and include restaurants, household furnishings and home goods, and health and personal care. In addition to their ability to capitalize on existing trade area demand, these sectors represent areas of growth given regional demographic and consumer trends. Restaurant and home good spending has increased, and the increased population of older adults creates a built in market for health and personal care items. Smaller opportunities for retail expansion exist within the sporting goods and clothing and accessories sectors. There is significant potential for increased consumer spending capture by the City's existing retailers as well based on the volume of regional traffic already attracted to Berlin, including operational and marketing tactics. Examples might include a joint ad buy, shared radio purchase with wraparound tagline, or joint billboard purchase.

### Surplus Consumer Demand by Trade Area



Source: ESRI, Inc.

#### Residential

Population growth, the primary driver of housing demand, is also expected to grow at a slower rate than previously projected. However, this slowdown in population growth has occurred simultaneously with a shift in housing preferences within the local population, resulting in a steady increase in net new housing formation. Additionally, changing demographics have shifted demand, creating increased demand for rental and senior housing. Berlin currently has one senior living and one apartment development underway, but **additional demand in these sectors indicates a need for 282 additional housing units by 2020.**

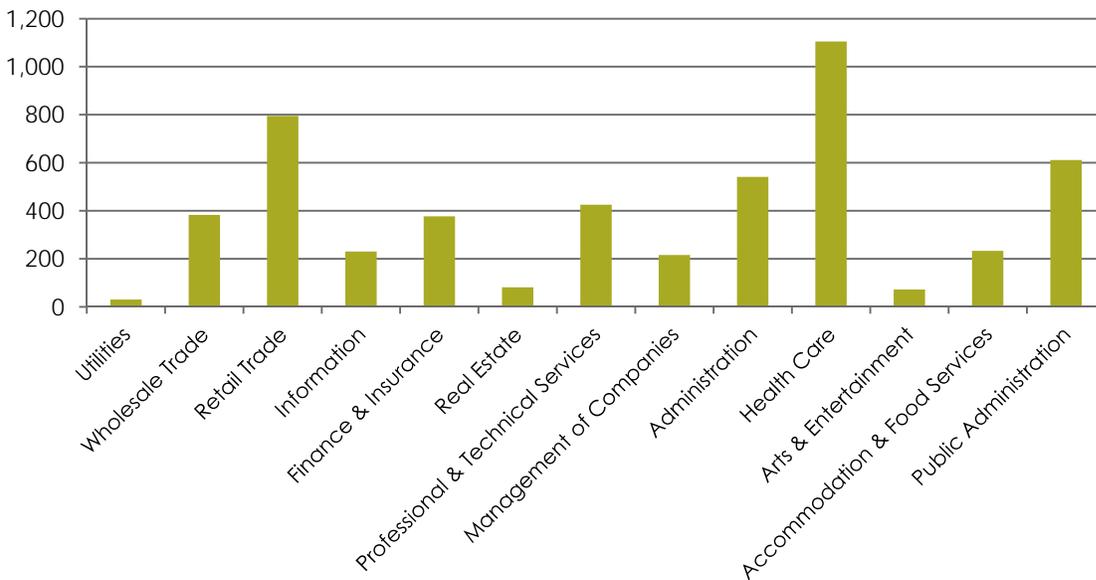
Demand is especially acute for mid-range (monthly rents between \$650 and \$950) multi-family properties to support the nearly 200 households headed by individuals under age 34 who currently struggle to find suitable housing in the City. Development of in-demand housing types would also provide existing workers with the choice to live in the community rather than commuting, as one-third of workers travel more than 10 miles to jobs in the City. Similarly, the over 75 population has unique housing needs, including independent living and short and long-term care facilities. In Berlin's trade area, significant growth in older households will result in a nearly 10 percent increase in households headed by individuals over age 75 through 2020, and as many as 200 additional households by 2040. Many of these households will require some form of assisted living and/or long term care in closer proximity to medical facilities, and many more would prefer the convenience of low-maintenance rental or owned multi-family units with minimal upkeep. Each of these trends represents an opportunity to create targeted development opportunities within the City.

#### Commercial

Berlin's regional draw is evident in the size and nature of the local workforce, which demonstrate the ability of local companies to recruit employees from a 30-mile labor shed. Additionally, there are multiple occupational categories with skilled workers in the labor shed where no corresponding jobs are available, requiring these individuals to travel to larger metropolitan areas for employment. While some of the industries represented by these occupational categories

require proximity to suppliers, vendors or customers not available in Berlin, **there is a significant labor pool available in many sectors which could benefit from Berlin's central location and qualified employee base.** The chart below indicates sectors where a significant number of locally-residing workers commute outside the trade area for employment (largely to Oshkosh/Appleton). While some workers may prefer to commute for higher wages or more employment options, in the majority of instances, there are more skilled workers in these sectors than there are local jobs, forcing a significant percentage of workers to commute elsewhere to find suitable employment. Industry sectors represented by particularly large segments of the local workforce commuting elsewhere include: information, legal, insurance and back office uses. Health care and professional services are also industries which employ a greater share of younger workers, which are underrepresented in the City's workforce.

**Employees Currently Commuting Outside Trade Area by Sector**



Source: ESRI, Inc.

### Methodology

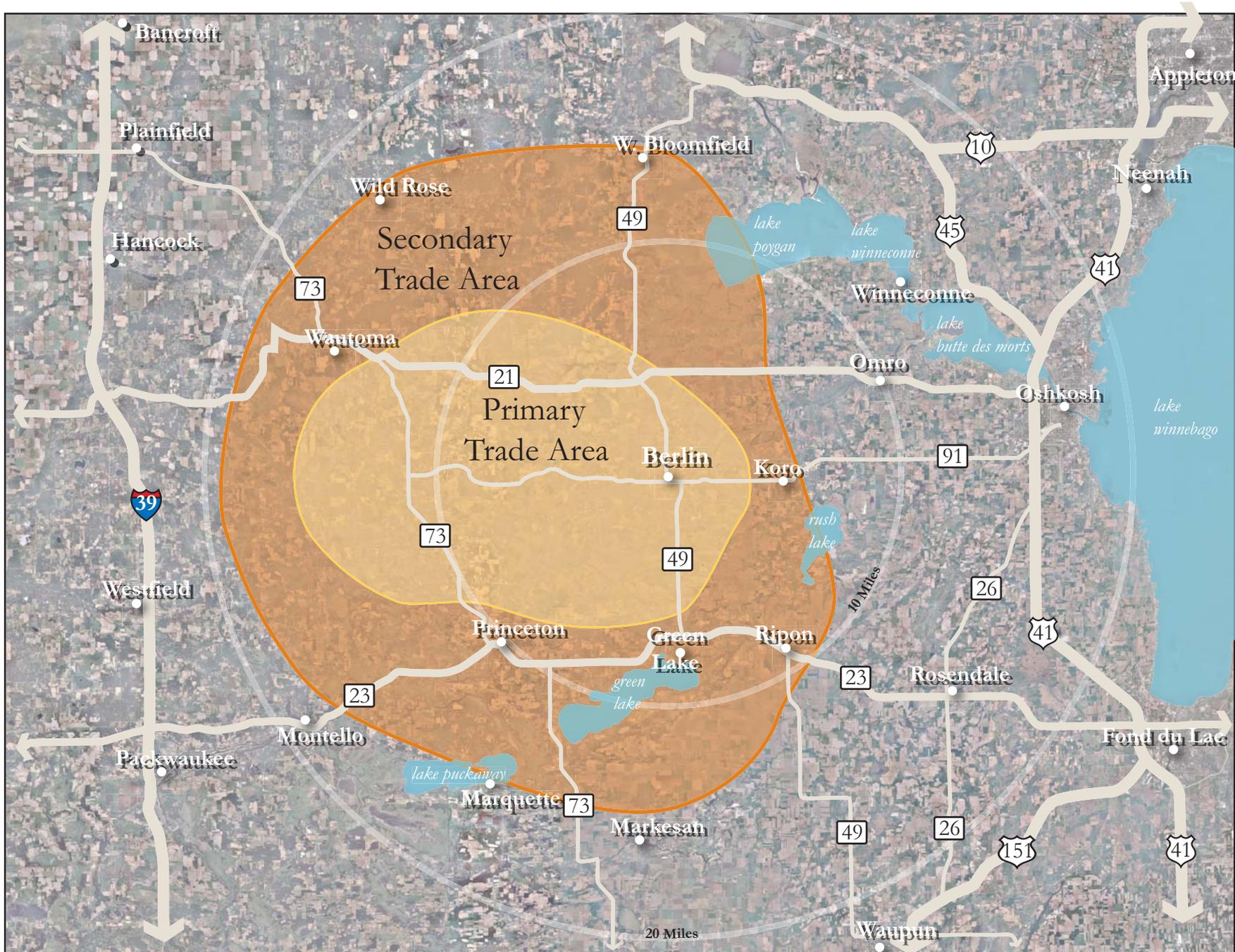
In order to appropriately define local market opportunities, projections of key economic and demographic variables are included in this analysis. These projections form the basis for decision with respect to future demand and supply within each of the analysis areas. Specific variables which utilize projected data include population, households and median family income. These projections are developed based on 2010 census data, historic trend data, 2012 data and projections provided by ESRI, one of the leading demographic information firms. These projections are based on nationwide demographic trends for similar environments, and calculations made by Vierbicher and informed by local observations. These assumptions and calculations are used to project demand for the City and for the larger Trade Area, which is defined in the following chapter. Projections associated with downtown sales are based on the existing commercial mix and trade area capture, and can be significantly influenced by the addition of new retail or consumers to the downtown core, as well as by the departure of existing merchants.

## Berlin Trade Area Delineation

**The demand for local housing, goods, services and employment are derived from an area larger than the City of Berlin.** A trade area is defined as the region from which a majority of this demand is generated. This study analyzes the demand from two trade areas, the Primary Trade area, which represents the area from which the bulk of consumer demand is generated, or from which at least 50 percent of all consumers within the boundary are most likely to travel to Berlin to shop; and the Secondary Trade Area, which represents the area from which specialty shops or destination type retailers can be expected to draw customers. Customers in these extended areas are still likely to make day to day purchases in areas closer to their home or place of employment, but are likely to travel to Berlin for larger purchases or specific items. Common destinations for this type of trip might include dining establishments, big ticket purchases such as cars or furniture, and consolidated shopping at stores such as the Super Wal-Mart. The presence of retailers which are able to attract customers from a larger Secondary Trade Area will also benefit primary retailers, as consumers will combine purchases during larger shopping trips. For instance, a shopper at the Super Wal-Mart may also stop for lunch. This lunch purchase would have otherwise been made in their Primary Trade Area, but the regional draw causes the consumer to shift primary purchases to the Berlin area as well.

### Retail Trade Areas

The trade areas have been modified slightly from the 2008 study to reflect the actual impact of the Super Wal-Mart on trade traffic, as determined through discussions with the store manager. Adjustments include a slight broadening of both the Primary and Secondary Trade Areas to encompass areas further north and west, where a significant percentage of the customer base is located. **This revised trade area includes more than 45,000 consumers.** The revised trade area map is provided on the following page. Household incomes throughout the region are anticipated to grow by just under 3 percent over the next five years, a slightly higher growth rate than was projected in 2008, although this growth will start from a 15 percent lower base.



Primary & Secondary Retail Trade



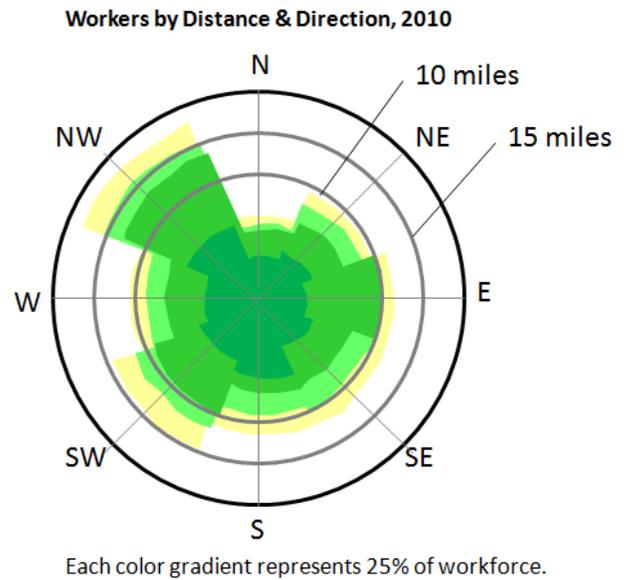
Labor Shed

A second relevant regional boundary referenced in this document is the distance from which Berlin companies draw employees. Commonly referred to as the labor shed, the size, demographics, education and occupation of individuals within this area are important factors in company decisions to locate or expand in a region based on the perceived ability to recruit qualified workers at competitive wages. Information from the 2010 Economic Census is used to determine worker flows within the region.

Employees working at jobs within the City come from a comparable region as its consumer population, with a stronger draw from areas north and west of the community. However,

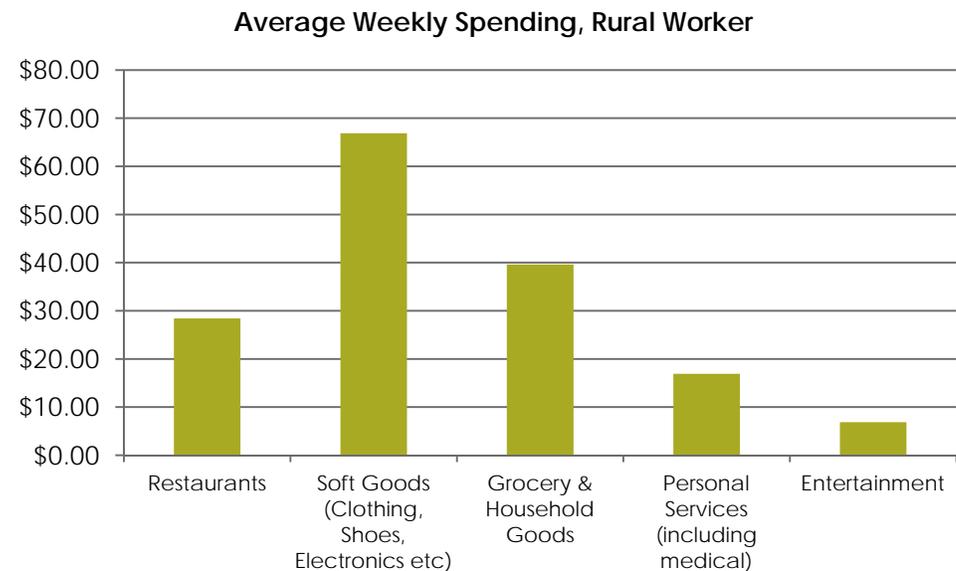
**Berlin employers are able to attract a larger**

**number of employees from Green Lake, Ripon, Omro and even Oshkosh.** According to the economic census, 45 percent of employees commute into the City from a distance of less than 10 miles, with an additional third of workers traveling up to 24 miles. This data is validated by a 2012 City survey of business park employers, which identified 40 percent of workers as being from Berlin or commuting from surrounding towns, one quarter of workers each traveling from within ten miles and 10-20 mile distances, with the remaining 11 percent of workers traveling 20 miles or more to work in Berlin. The graphic above and map on page 9 illustrate the geographic reach of this labor shed.



Source: Community & Economic Census

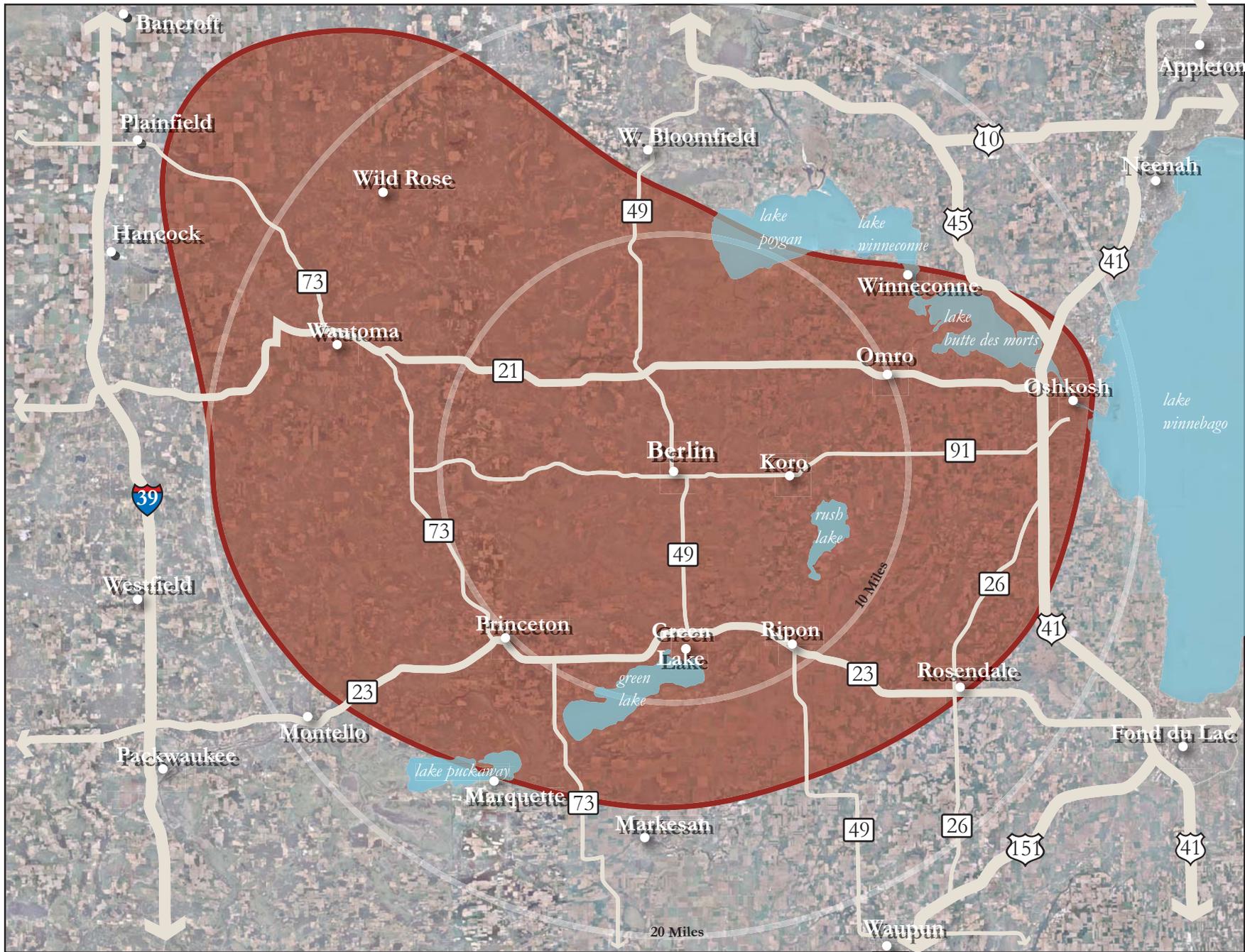
The size and composition of an area's labor shed significantly influences the type of employers which may be attracted to Berlin based on a need for skilled labor. These implications are discussed in Chapter 3. However, these daily commuters also represent a significant pool of potential customers for local



Source: International Council of Shopping Centers, 2012

retailers. On average, workers in rural communities spend \$118.83 per week on trips associated with the work day (excluding online purchases and gas), including commuting, lunch hour dining and shopping and

errands run en route to their place of employment. The graph shows the nature of this spending. Of course, the availability of retail significantly influences these habits, with employees in downtowns or business parks with nearby retail spending 20 percent more than employees with less access to retail amenities. Especially impacted is spending on dining, which drops significantly if restaurant options are not available as workers substitute lunch from home. In contrast, restaurants in areas with daytime populations typically depend on this daytime (breakfast and lunch) spending for as much as 40 percent of total sales. The type of employment also changes the nature of spending, with shift workers less able to take advantage of lunch hour for spending, but with greater pre- or post-work timeframes to complete purchases.



Labor Shed





## Chapter 1: Retail Market Analysis

Retailers in Berlin attract customers from both the immediate community and the broader region. No business will be able to capture 100 percent of the dollars being spent on a particular category of goods within any population group. Primary convenience retailers with little competition (i.e., local grocer) may be able to retain as much as 75 percent of local spending, although smaller retailers, especially those in more competitive market sectors, should base projections on capturing 20 percent or less of local demand. Customers within each of these areas have numerous choices when it comes to retail offerings, and they make decisions based on proximity, price and quality of goods, customer experience and convenience. Retailers in a downtown, with a limited immediate residential trade area, must especially rely on their ability to provide a unique product, service or experience which will allow them to recruit some customers from a broader trade area, as well as daytime employee populations. Finding ways to assist local retailers in identifying and collectively marketing to these broader groups who are already traveling to the City for other purposes will help boost spending throughout the community.

### Secondary Market Spending

As noted previously, Berlin attracts significant discretionary spending from a large regional trade area. The presence of both well-known regional draws, such as Wal-Mart, and established niche retail providers, such as Russell Moccasin Company, Eskimo Comfort or Mike's Bike Shop, regularly draw customers from an area larger than the primary convenience trade area. Obviously, the impact of Wal-Mart is much larger in terms of total customer draw, although localized attractions may impact individual retail nodes by providing foot traffic in a specific area. Ultimately, both types of regional destinations present opportunities to increase traffic by creating local clusters which encourage customers to patronize adjacent and/or complementary retailers. Providing complementary support infrastructure can also reinforce these clusters as they emerge. For instance, locating a boat launch or bike path adjacent to a sporting goods store can provide an additional draw. Similarly, providing suitable restaurant or to-go food space adjacent to the Wal-Mart caters to the evening and weekend crowd dynamics of the customer base.

The estimated impact of the expanded regional draw from the introduction of Super Wal-Mart in the 2008 study has so far been validated by sales patterns since its 2012 opening. While customer patterns take up to three years to solidify following the introduction of a new retail opportunity, **the City's regional dominance in attracting grocery and general merchandise dollars to the community is clear, with a combined total of over \$11 million in secondary market spending introduced to the community in 2012.** These figures likely include only a small portion of the spending at the new store given its May opening date. Spending data for 2013 is anticipated to be still higher once an entire year of revenues at the new store is captured.

### Opportunity Sectors

Drawing on existing community strengths and its position as a regional economic hub, there is an opportunity to capture additional sales by providing goods and services that address currently unmet retail demand within the trade area. The table on the following page identifies some of the major retail types which have significant surplus demand and which are suitable for recruitment to Berlin. The number of potential additional stores supported, indicated in the far right column represents the total number of stores which can be supported through surplus consumer demand in both the Primary and Secondary Trade Areas. The total surplus demand was divided by the regional average per store revenue for the retail category. This is a shift from the square footage

calculation used in the previous analysis. This change was made in order to more accurately predict the potential for retail success based on revenue potential. Where actual store sizes are either fixed, based on corporate standards, or variable, based on locally available space and pricing, this measure is less reliable than overall revenue as a predictor of store success. **Using this approach, categories which have surplus demand equivalent to three or more stores are considered to have a sufficient opportunity gap to support a new retailer.** In cases where a range of stores which could be supported is indicated, this range reflects the diverse nature of the category – i.e., health and personal care includes beauty supply stores, salons and pharmacies, each of which have very different income profiles. Additionally, many retail store types will incorporate various line items in the store, which minimizes the amount of capture needed for a specific line item (i.e., book stores which also have a coffee bar, etc).

Other smaller surplus categories present opportunities for existing retailers to expand their product line to accommodate specific needs. For instance, existing bike or sporting goods stores may be able to provide a more diversified product mix to attract customers seeking additional sporting goods, or existing building supply retailers may be able to add gardening products to capture currently unmet demand in the home and garden sector. Other sectors are less likely to be competitive locally – for instance, electronics purchases will primarily still be made in larger big box stores where greater opportunities for comparison shopping are available.

Retail Category	Primary Trade Area Surplus Demand	Secondary Trade Area Surplus Demand (Additional Surplus Dollars)	Potential Additional Stores Supported
Electronics & Appliance Stores	\$2.4 million	\$2.5 million	.5 stores
Building Materials & Supplies	\$1.7 million	\$3.3 million	1 store
<b>Health &amp; Personal Care</b>	<b>\$1.6 million</b>	<b>\$2.3 million</b>	<b>2-10 stores</b>
Clothing Stores	\$839,000	\$3.6 million	1-2 stores
<b>Full Service Restaurants</b>	<b>\$4.1 million</b>	<b>\$4.8 million</b>	<b>3-8 stores</b>
<b>Limited Service Restaurants</b>	<b>\$3.4 million</b>	<b>N/A</b>	<b>1-5 stores</b>
<b>Furniture &amp; Home Goods</b>	<b>\$640,000</b>	<b>\$4.0 million</b>	<b>2-4 stores</b>
Sporting Goods/Hobby Stores	\$600,000	\$1.2 million	1-2 stores

Green shaded rows represent significant opportunity gap areas.

Source: ESRI, GIS Planning, US Census

Based on current spending patterns, retail recruitment opportunities exist for restaurants, furniture and home furnishings, and health and personal care establishments. Retailers in these sectors are largely locally owned and operated in small communities, although representative regional or national brands which have been known to locate in smaller communities include CVS, Walgreens, Culver's, Slumberland, and Sally Beauty Supply. Other companies have corporate strategies of locating adjacent to a Wal-Mart facility, and also fall within the opportunity categories identified for the Berlin trade area. The most frequent Wal-Mart co-tenants nationally,

which also have Midwest locations, include Sally Beauty Supply, Payless ShoeSource, Dollar Tree, RadioShack, GNC, Subway, McDonald's and Charming Shoppes, the parent company of clothing stores including Fashion Bug and Lane Bryant (Source: CoStar Group). Many of these companies have pre-set trade area thresholds, and communities of less than 10,000 will need to demonstrate the ability to draw significant traffic from a broader population to be considered a viable location. **For instance, Berlin's trade area encompasses parts of a three-county area which is home to more than 45,000 consumers.** Opportunities may exist for clothing and limited service restaurants if these establishments are able to target a specific underserved niche market or strategic location (i.e., sandwich or coffee shop on Wal-Mart outlot, sporting goods outlet near future riverfront redevelopment).

As a reinforcement of these trends, a detailed multi-year study of Wal-Mart consumer influence in rural communities conducted by the Small Business Development Center identified a significant positive sales influence on home goods retailers (furniture, appliance, floor covering, drapery, etc) and eating and drinking establishments for communities which are home to regional Wal-Mart stores. These establishments offer products which do not compete with goods available at Wal-Mart, and are complementary products in that they are typically associated with destination shopping trips and/or extended shopping excursions. Both of these categories have significant regional retail demand which could be accommodated in Berlin. The study also indicated that ancillary activities associated with arts and entertainment benefit from the increased audience attracted by Wal-Mart.

A secondary recruitment strategy is to focus on complementary products or services in sectors where Berlin is already drawing a significant amount of secondary spending, although a significant gap may not exist locally. Based on spending patterns, Berlin attracts the largest external spending in the categories of automobile dealers, grocery stores, gasoline stations and general merchandise stores. Discount and dollar stores were mentioned as common cotenant for Wal-Mart facilities, and could start to create a concentration of general merchandisers. Attracting a combined gas station and limited service retailer together could also create a local destination if located adjacent to Wal-Mart. However, the dominance of the auto parts and grocery sectors leave minimal additional dollars available locally and regionally, making it difficult to introduce new retailers targeting these segments, although complementary product offerings may be a potential target if new retailers can attract existing customers within these segments. Automotive dealers, as with electronics, will remain concentrated in larger metropolitan areas which can offer comparison shopping for large ticket purchases.

#### Growth Potential.

As previously mentioned, retail spending at the household level suffered a setback during the recent recession. The 2008 study had projected a 5-10 percent increase in customer capture rate for the downtown commercial area within five years, while in reality local expenditure patterns remained relatively flat. Berlin's retailers were able to maintain sales volumes due to an ever-expanding trade area, which offset demand changes in the local customer base.

Many of the changes in trade area spending since 2007 illustrate the impact of the recession on consumer spending levels and habits nationally. Although the population has increased slightly, rising from 13,149 to 13,327, the per capita income for residents has remained flat, creating a cumulative decline in spending demand of \$13 million, which was largely reflected in diminished

demand for soft goods items, while spending on food and drink demand has remained steady or increased. Consumer demand has actually increased over the past six years in several categories including automotive parts, electronics and appliances, grocery, healthcare and personal goods, and gas stations. Many of these items similarly illustrate a shift in demand toward maintenance, cooking at home, and the aging population.

As customer demand has shifted, the supply of goods and services has also changed. Expansion of existing stores, including the opening of Super Wal-Mart, and small business transitions have changed customer habits. Several categories with increased sales locally include general merchandise, automotive parts, furniture, electronics and appliances, grocery, specialty food, and gas stations. General merchandise sales are primarily associated with large discounters (Wal-Mart) and dollar stores, while other categories reflect new store opportunities or increased capture from regional customers.

The change in consumer spending and local business mix has slightly altered spending habits, with customers more willing to focus spending in limited and focused trips. Currently, \$0.85 of every dollar spent in the trade area comes from customers who reside within the trade area, while an additional \$0.15 of every dollar is attracted to the community in the form of regional visitors. At the same time, Berlin's capture of local spending has increased, with only 16 percent of local spending is leaving the trade area, down from 18 percent in 2008. Downtown's capture rate within the local market has remained relatively constant at 22 percent of Primary Trade Area spending. Using the forecast model from 2008 to identify specific industry sectors which represent potential growth targets for the future, the anticipated 2.5 percent increase in per household spending through 2020 limits new store demand to gasoline stations, general merchandisers, and limited and full service restaurants.

#### Coordinated Marketing Strategies

**There is significant potential for increased consumer spending capture in the City as a result of the regional traffic already attracted to Berlin.** However, marketing to this population will be critical to the ability to maximize this potential. Because Wal-Mart's location on the western edge of the City, customers from the south and east will travel through downtown to reach the store, providing increased traffic and marketing opportunities for smaller businesses. Additional opportunities exist to reach this audience through other channels in advance of planned trips to reinforce this brand recognition and increase customer crossover between Wal-Mart and other local retailers. Marketing should focus on goods and services which complement popular Wal-Mart line items, or which can be accommodated during an existing trip (i.e., on weekends or evenings when Wal-Mart visits are highest). **This may require adjusting operating or event hours to coordinate with Wal-Mart customer patterns.** Because Berlin's trade area is large, finding ways to share the cost of marketing among multiple retailers will be critical. **Examples might include a joint ad buy, shared radio purchase with wraparound tagline, or joint billboard purchase.**

## Chapter 2: Housing Market Analysis

The housing market analysis provides an overview of local demographic, income and social factors which contribute to the demand for housing in the City of Berlin. The analysis examines the impact of household size, income, age and ownership status of Berlin's population. By studying the relationship and changes in these factors over time, we can identify current and future gaps in supply based on household need. Categories which are projected to have potential needs are divided based upon the type of housing which is most commonly demanded by these groups. For instance, the need for rental housing and affordable housing, as well as active senior and retirement communities are frequently areas of future need in our aging society. As with the retail trade area, housing demand comes from a broader geographic area than just the City. This larger pool includes employees who currently work in or near the City and would prefer to live closer to their place of employment, newly forming households as a result of children exiting their parents' household, and senior migration from rural areas to be closer to accessible services and medical care. All of these factors can drive future housing demand in Berlin beyond the needs of its existing population.

### Income & Housing Affordability

Household income is a critical factor impacting housing demand. The ability of local households to afford existing housing stock influences the decision to purchase or rent, and indicates the price point at which future units will be absorbed. The table below indicates the percent of monthly income that a household earning the area median income would spend in order to purchase a median value home. Housing is generally deemed to be affordable when households spend less than 25 percent of their income on housing. Berlin's housing stock remains affordable compared with the state, and has actually become comparatively more affordable since housing prices have declined, interest rates remain depressed, and local incomes have remained more stable than at the statewide level. **This increased housing affordability allows local households to enjoy a higher quality of life by requiring them to spend less of their discretionary income on housing.**

Housing Affordability		
	City	State
Median HH Income	\$41,086	\$51,598
Maximum Affordable Home Price*	\$175,000	\$220,000
Median Home Value	\$96,100	\$169,000
Percent of Income spent on housing	15%	20%

\*80% down, 25% of income toward housing, 30-year rate, 4% interest

Source: US Census 2010

Although housing as a whole is affordable within the City, a further analysis of demand and supply of units meeting the needs of individual age and income levels indicates that there are significant segments of the population which have household incomes below this threshold. These households, if they do not already own a home, are unlikely to be able to afford a market priced unit in Berlin based on their current income.

The following table indicates the number of households within various age and income groups in the City. The bottom row shows the percentage of households within each age group that do not make an income sufficient to obtain housing in the City for less than 25 percent of household

income. Cells that are shaded orange indicate that more than 75 percent of households rent. Yellow shaded cells indicate that 40-74 percent of households rent rather than own. Although in many cases the decision to rent is driven by income, a growing percentage of the population fall into demographic groups that are predisposed to rent, including younger households, older households, immigrants and relocating workers. As indicated in the column at the far right, these households can afford monthly rental rates in line with the market, but are currently unable to rent due to limited supply. The property characteristics preferred by each demographic group are highlighted in the table at the top of page 18.

Affordability of Owner-Occupied Units								
	<25	25-34	35-44	45-54	55-64	65-74	75+	Affordable Rent**
<\$15,000	0	43	37	41	37	60	78	\$312
\$15,000-\$24,999	0	38	38	55	49	53	69	\$417
\$25,000-\$34,999	19	67	67	39	36	56	74	\$625
\$35,000-\$49,999	36	13	13	36	32	67	88	\$875
\$50,000-\$74,999	36	64	64	126	115	15	19	\$1,292
\$75,000-\$99,999	14	44	44	56	51	17	23	
\$100,000-\$149,999	0	22	22	46	41	4	5	
\$150,000-\$199,999	0	11	11	20	19	0	0	
\$200,000 or more	0	0	0	9	9	0	0	
<b>Total</b>	<b>105</b>	<b>326</b>	<b>382</b>	<b>454</b>	<b>412</b>	<b>270</b>	<b>353</b>	
Population with Housing Costs over 25% of Income*	0%	25%	20%	21%	21%	42%	42%	

\*Based on monthly mortgage payment with 20% down, 30 year fixed at 4%, with estimates of property taxes and insurance. \*\*25% of income. Sources: US Census Bureau, 2010 Census, Vierbicher

Age and family status are the most influential factors for households considering renting versus owning. The percentage of all households headed by individuals under age 25 renting is 75 percent; half of households headed by individuals between the ages of 25 and 34 or over age 75 are renting; and one third of households headed by individuals ranging in age from 35 to 45 rent rather than own. All of these figures are significant increases over 2008 figures. Within the renter pool, there are differences in the type of units preferred. A majority of younger renters (under 25) live in larger apartment buildings of 5-50 units, while middle-aged renters prefer single-family homes or buildings with less than 4 units. Older renters are split between smaller buildings and larger senior housing apartment buildings. The following tables more clearly display this data by age of householder.

Percent Distribution of Ownership by Age Cohort							
	15-24	25-34	35-44	45-54	55-64	65-74	75+
Owner Occupied	25%	49%	64%	68%	80%	75%	51%
Renter Occupied	75%	51%	36%	32%	20%	25%	49%
<b>Total</b>	<b>100%</b>						

Source: US Census 2010

Owner occupied units within Berlin are largely limited to single family homes and duplexes, with a limited number of senior-oriented condominium projects and mobile homes, as indicated in the table below. According to 2012 from the Wisconsin Realtors Association, home sales activity has rebounded in the region to a greater degree than the State as a whole. Sales activity in 2012 for Green Lake and Waushara Counties surpassed the number of homes sold in 2007, or the peak pre-recession year. This activity represents a sustained upward trend following an initial drop in sales of more than 25 percent in 2008, and sales were especially brisk in the last half of 2012.

Owner Occupied Units							
	15-24	25-34	35-44	45-54	55-64	65-74	75+
1, detached/attached	93%	93%	97%	99%	97%	91%	91%
2-4 units	7%	7%	3%	1%	3%	0%	0%
5-19 units	0%	0%	0%	0%	0%	5%	5%
20-49 units	0%	0%	0%	0%	0%	0%	0%
50+ units	0%	0%	0%	0%	0%	0%	0%
Mobile Home	0%	0%	0%	0%	0%	4%	4%

Source: US Census, 2010

In contrast to home owners, renters have greater choice in housing types. Although a significant number prefer to rent single family homes, younger and older renters are more concentrated in multifamily apartment or senior housing properties. These larger properties typically offer a combination of amenities, limited upkeep and social opportunities which are attractive to these age groups. Market evidence of this growing rental market is evident by the 84 percent of rental housing which has been built in the City since 1980, with consistent delivery of approximately 10 units per year in each of the past five years. Despite consistent increases in supply, the 2010 census identified less than 2.5% vacancy for the City's apartment units, and a similarly tight for-sale market.

Renter Occupied Units							
	15-24	25-34	35-44	45-54	55-64	65-74	75+
1 detached/attached	25%	25%	35%	35%	35%	26%	26%
2-4 units	13%	13%	39%	39%	39%	20%	20%
5-19 units	40%	40%	22%	22%	22%	36%	36%
20-49 units	16%	16%	4%	4%	4%	18%	18%
50+ units	0%	0%	0%	0%	0%	0%	0%
Mobile Home	6%	6%	0%	0%	0%	0%	0%

Source: US Census, 2010

Over the past five years, an increasingly large number of households have switched to renting as opposed to home ownership, especially in the younger and older age groups. Half of the households headed by individuals aged 25-34 now opt to rent, an increase from 2000 when 42 percent of these households rented. Adults aged 75 and over also saw more than a ten percent increase in the percentage of households renting. A portion of this increase may be due to the fact that additional facilities were constructed over this time period, especially larger apartment buildings and senior-oriented facilities which are most attractive to these age groups.

Projected Demand

Projections for household growth over the next several decades are provided on the chart below. Green shading indicates segments of the population anticipated to experience household growth, while red shading indicates a decline in households with the age group for the corresponding decade. As in 2008, the overall trend is toward a decline in population, offset slightly by the anticipated growth in single individuals as a percent of all households, which now make up nearly 1/3 of the local household base. The decline is most pronounced in the younger and middle-aged households, extending to include a decline in all but the oldest households if current trends continue through 2030. Within the City, the 65+ population is expected to grow by 9 percent over the next five years alone, following the national trend, as the US rate of increase for the 65 and over population is 11.5 percent over the same period.

However, as with retail spending, there is significant potential for Berlin to attract additional households from the region, which is anticipated to grow fairly steadily over the next two decades. This is especially

true for households moving to senior housing facilities, which are typically located in hub communities where adequate medical care and amenities are available, drawing from the surrounding region for their resident base. If Berlin were to capture its proportional share (13 %) of regional growth within Green Lake and Waushara Counties, this would provide **an additional 35 households over age 75 by 2020, and 196 additional households by 2030**. These households are most likely to rent and to make changes in living arrangements based on life changes (i.e., death of spouse, injury, physical ability).

The current trend in senior housing is to create continuum of care projects located near existing commercial environments to provide access to amenities. Desirable nearby amenities include pharmacy, medical, restaurant and park space. These elements are frequently present in downtown, making senior housing an ideal redevelopment strategy in or surrounding the downtown area. Facilities providing a continuum of care, including independent living arrangements, also provide a larger consumer base for downtown businesses, including residents and their visitors.

City & Regional Household Trends 2010-2030				
Age of Householder	2010-2020 City	2010-2020 Share of Region	2020-2030 City	2020-2030 Share of Region
<25 years	-3	-5	-1	-8
25-34 years	-13	18	-4	-1
35-44 years	-4	46	-5	-18
45-54 years	-9	-34	-5	-6
55-64 years	4	169	-5	-97
65-74 years	3	53	-3	125
75+ years	7	35	-4	196
<b>Total Change in Households</b>	<b>-15</b>	<b>282</b>	<b>-28</b>	<b>172</b>
<b>Units Supported Rental/Owned</b>	<b>Through 2020</b>		<b>Through 2030</b>	
	<b>67 rental</b>		<b>85 rental</b>	
	<b>200 owned</b>		<b>81 owned</b>	

Sources: ESRI, US Census, UW Extension, Vierbicher

Empty nesters are also a target for urban neighborhood living, and represent an additional growth sector within the City and region. Providing a unique urban living environment can enable Berlin to attract a greater share of empty nester households wishing to downsize. However, attracting this demographic segment will require adequate downtown amenities, especially restaurant and park space. As empty nester households are still more likely to own than rent and condominium financing at competitive rates is not currently available, this product type represents a longer term opportunity.



### Chapter 3: Commercial/Office Market Analysis

This market analysis includes an assessment of the local commercial and professional office sectors for Berlin. In contrast to the industrial and retail sectors, there are no specific industry classifications which correspond to the need for professional office space. Commercial office uses have historically been associated with upper floor commercial spaces and/or non-storefront first floor space, and continue to occupy such spaces. However, as consumer needs have shifted from a downtown-centered model to a more regional trade area, downtown storefront use has shifted. Additionally, professional service tenants have found that first floor storefront spaces provide greater visibility, marketing and customer convenience. Landlords appreciate the lower buildout costs and longer-term leases typical of many service-oriented tenants in contrast with retail businesses. Modern downtown commercial districts now include an average ratio of 45 percent customer-oriented retail/restaurant and 65 percent professional and personal services. This ratio is true of both large urban downtowns and smaller community main streets. The section below highlights potential opportunities to attract additional professional service firms which are likely to be successful in drawing a local workforce and/or customer base. While it is still desirable to create concentrations or clusters of related consumer-oriented retail to support multi-stop visits, the size of Berlin's downtown makes it likely that professional business spaces will continue to have a significant presence in downtown storefronts.

#### Workforce Profile

As mentioned previously, Berlin is able to draw from a regional workforce to fill jobs within the community. As of 2010, there were nearly 1,000 more jobs available within the City than residents in the local workforce. Because of the net immigration of workers, residents of Berlin have a wide variety of employment opportunities, with an abundance of jobs per local worker in nearly every sector. Within the labor shed, only the construction and real estate sectors have sufficient local workers and do not import additional workers from the region, although these industries tend to be regional in nature and do not require daily commutes to a single workplace.

In contrast, there are a number of occupational classifications within the 15-mile labor shed which are underrepresented in Berlin and the surrounding communities. Workers with these skills are required to travel to Oshkosh or other larger employment centers for employment. This commuting workforce represents more than 34 percent of the workforce within 15 miles of Berlin, or **more than 8,500 local workers which would be available to employers locating in Berlin**. While some occupations cannot be accommodated locally and some commuters will choose to commute for higher wages or greater occupational choice, there is a segment of these workers who would prefer to work closer to home if the opportunity were available. Sectors with surplus workers as compared to jobs within the labor shed are included in the table on the following page.

Of these sectors, some represent more likely recruitment targets than others. For instance, Public Administration employment opportunities are limited by the size of local government. Similarly, wholesale trade related businesses are most likely to locate adjacent to major transportation corridors not present in Berlin. However, other sectors represent viable short or long term targets for relocation or satellite office locations in the community. Some specific occupations within these sectors are less driven by a need for proximity to specific customer or client bases and are recommended as short term targets. **These target recruitment sectors include: Information, legal, insurance or other back office uses (processing, claims) and health care.** Many of these sectors

are represented in the new commercial node on the City's east side, but would also be appropriate tenants for downtown if suitable space is made available.

Occupational Classification	Workers in Labor Shed	Jobs in Labor Shed	Surplus Workforce (commuting population)
Utilities 1	50	120	30
Wholesale Trade	884	501	383
Retail Trade	2725	1930	795
Information	319	89	230
Finance & Insurance	832	455	377
Real Estate	185	104	81
Professional, Scientific & Technical Services	619	194	425
Management of Companies	353	137	216
Administration & Support	789	248	541
Health Care	3263	2158	1105
Arts, Entertainment & Recreation	218	146	72
Accommodation & Food Services	1996	1763	233
Public Administration	1613	1002	611
<b>Total (All sectors)</b>	<b>25,111</b>	<b>16,537</b>	<b>8,574</b>

Source: Community & Economic Census

Recruitment success requires the presence of suitably sized spaces with modern buildout. Facilitating upgrades to older and vacant spaces can help create an affordable and efficient environment to cater to potential new businesses.

#### Future Trends

An additional long-term opportunity for Berlin is the ability to increase its market share of younger workers. Nearly a quarter of jobs in the community are held by individuals aged 55 and older, which is a higher percentage than within the regional labor shed (22 percent of jobs regionally are held by workers over 55), and also a higher percentage than is reflected by workers residing in the trade area (21 percent). However, younger workers are concentrated in different professions than those currently reflected in the community (specifically in healthcare and professional services), which suggests that recruiting these types of businesses specifically can increase local employment options for younger households, encouraging them to stay or relocate to the community. Additionally, there are significantly more workers aged 55 and older employed in the retail trade and finance and insurance sectors, including a significant number of locally serving retail and service businesses. Facilitating the transition of ownership in these businesses to the next generation of entrepreneurs will help retain these local services and create additional employment opportunities which appeal to entrepreneurial-minded individuals. Traditionally, this transition is difficult to make, and current financing options for the purchase of businesses, especially retail businesses, are limited. The ability to work with businesses to facilitate this transition and retain these locally owned and operated establishments can help create a local culture of entrepreneurialism and create opportunities for local partnerships.