

C i t y o f B e r l i n , W I



M a r k e t A n a l y s i s

D R A F T : M a y 7 , 2 0 0 8

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Market Analysis

This market analysis is intended to provide an overview of potential future development options within the retail, residential and office markets. Each section in the following analysis presents an overview of the demographics and data which will drive future development as well as specific recommendations for the City and BID to engage in over the life of the TIF district. The recommendations within this document are reflected in the projected developments listed in the TID calculations.

Projections

A critical element in the various components of the market analysis is the projection of key demographic variables. These projections provide the basis for making assumptions about future demand and supply for retail, housing, and office markets. The variables of interest for this analysis are population, households, and median family income. Each variable was projected using various data sources including 2000 census data, private business analysis service data¹, and calculations made by the Consultant. Each variable was calculated for the Primary Retail Trade Area, discussed further in the retail section of this analysis, the City of Berlin, and Downtown Berlin as defined by the Business Improvement District boundaries. The time-frame for the variables includes an estimate for 2008 and projections for 2010, 2015, and 2020. All of the numbers are provided in Table 2.1 on the following page.

Table 2.1: Projected Demographic Variables

	Census 2000	2008	2010	2015	2020
<i>Primary Trade Area</i>					
Population	12,754	13,189	13,300	13,582	13,869
Households	5,189	5,469	5,541	5,726	5,918
HH Income	\$38,069	\$46,414	\$48,772	\$55,203	\$ 62,483
<i>City of Berlin</i>					
Population	5,305	5,232	5,219	5,187	5,155
Households	2,170	2,195	2,201	2,216	2,232
HH Income	\$37,442	\$47,427	\$50,314	\$58,325	\$67,611
<i>Downtown Berlin</i>					
Population	486	474	471	464	486
Households	247	246	246	246	245
HH Income	\$36,283	\$45,172	\$47,715	\$54,719	\$62,750

Sources: US Census Bureau, 2000 Census; ESRI Business Analyst; Vierbicher Associates

Determining Berlin Trade Areas

All of the market components investigated for this analysis draw customers and potential residents from a geographic area larger than the City of Berlin. This area is referred to as a regional trade area. For Berlin two trade areas were determined; a Primary Trade Area and Secondary Trade Area, each of which represents different current and future customer potential.

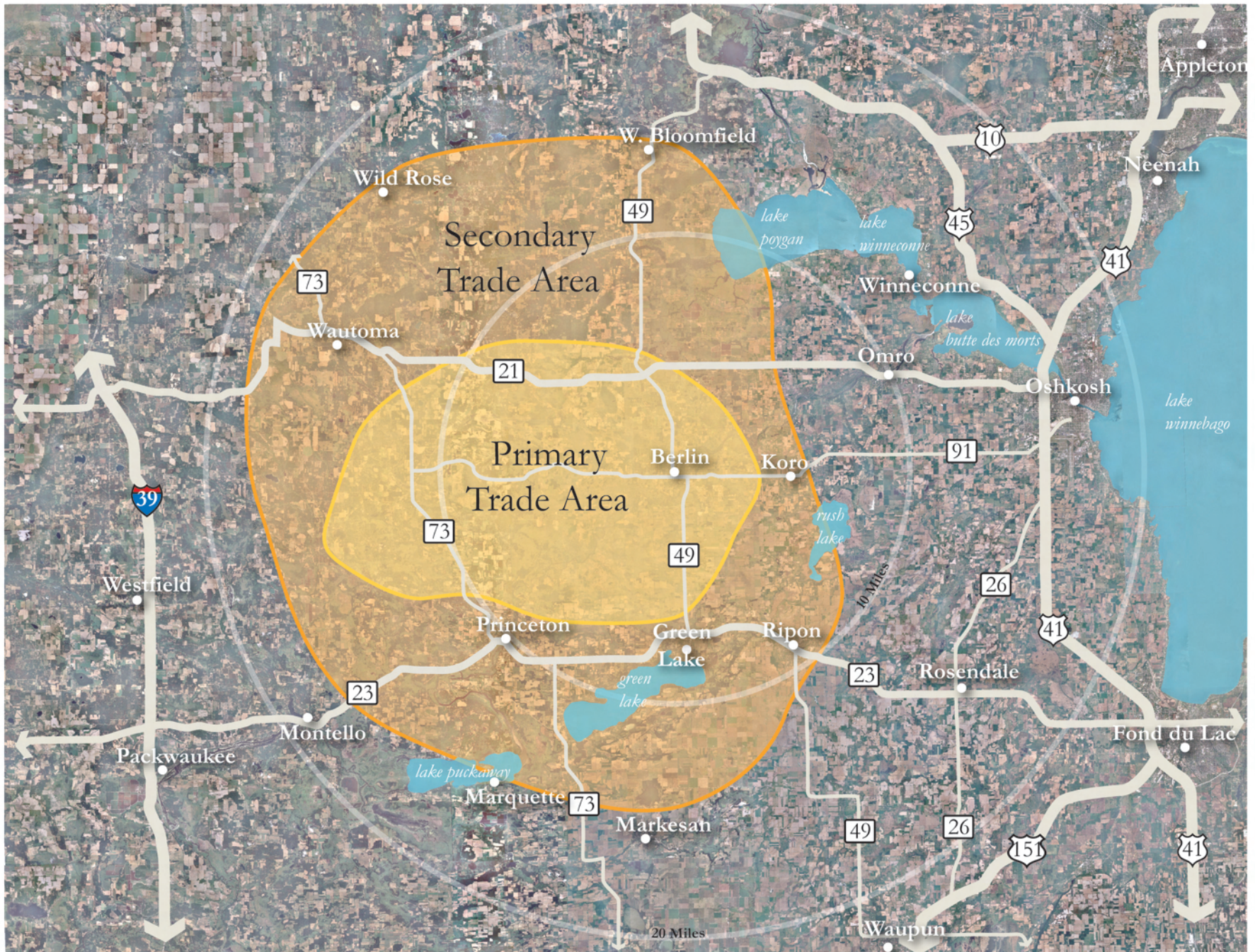
The Primary Trade Area represents the current geographic area from which on average it is more likely a resident will travel to the City of Berlin for shopping than some other retail node. This does not mean that businesses do not get some or many customers from outside this area, it only represents an average aggregate of customer potential for the City as a whole.

To determine the Primary Trade Area boundaries a method known as Riley's Law of retail gravitation was employed. This process considers the population and distance of competing retail nodes, and determines the likelihood of a consumer choosing Berlin over another retail destination. By calculating this likelihood for numerous municipalities surrounding Berlin a boundary can be created in

which at least 50 percent of all consumers within that boundary are deemed most likely to travel to the City to shop.

The Secondary Trade Area represents the future geographic area from which the majority of residents may travel to Berlin when the impact of the future Super Wal-Mart is considered. As discussed later in this document it is anticipated that the addition of a Super Wal-Mart will expand the City's trade area. The Secondary Trade Area represents this potential expansion. The Secondary Trade Area also represents the area from which some businesses in Berlin are likely already receiving customers. The majority of the calculations found in this report are done using the Primary Trade Area as the proxy for spending and demand potential. Where possible approximate calculations were derived from the Secondary Trade Area.

Although the ultimate goal of this analysis is to identify potential within the downtown only, the trade area is defined based on the drawing power of the City as a whole. This is done because consumers who travel to Berlin, even if it is for shopping at the new Super Wal-Mart, could potentially also spend money in the downtown



map 2.1: berlin regional trade area

area. Therefore, downtown businesses are taking advantage of the retail power of the entire City and must calculate potential based on the aggregate spending of all consumers entering Berlin.

Retail Market Analysis

The primary challenges faced by small downtowns generally include visibility, customer traffic, and competition with discount super-stores like Wal-Mart. Although the development of the new Super Wal-Mart will certainly increase competition with downtown businesses, it will also provide strategic advantages and opportunities which will allow the Downtown to address these challenges and craft a new image for downtown retail. These advantages and opportunities stem from three expected impacts of the new Super Wal-Mart

- 1) An expanded trade area for the City of Berlin
- 2) Increased visibility for Downtown Berlin
- 3) Proactive positioning of downtown retail to complement rather than compete with super discount stores.

The remainder of the retail market analysis will discuss each of these strengths and opportunities in further detail and then transition into identify niche retail opportunities in Downtown Berlin.

Expanded Berlin Trade Area

As mentioned previously, the Primary Trade Area for the City of Berlin is defined as being the area in which residents are more likely to choose Berlin as their shopping destination than other competing retail nodes. However, the Primary Trade Area identified on page six only considers the distance between communities and varying population sizes; Riley's law does not consider the potential for the regional drawing power of super discount stores. Therefore, because the Super Wal-Mart will draw from a larger area than the current facility, it is likely that the new store will have a trade area which is more accurately represented by the Secondary Trade

Area identified on page six and eight.

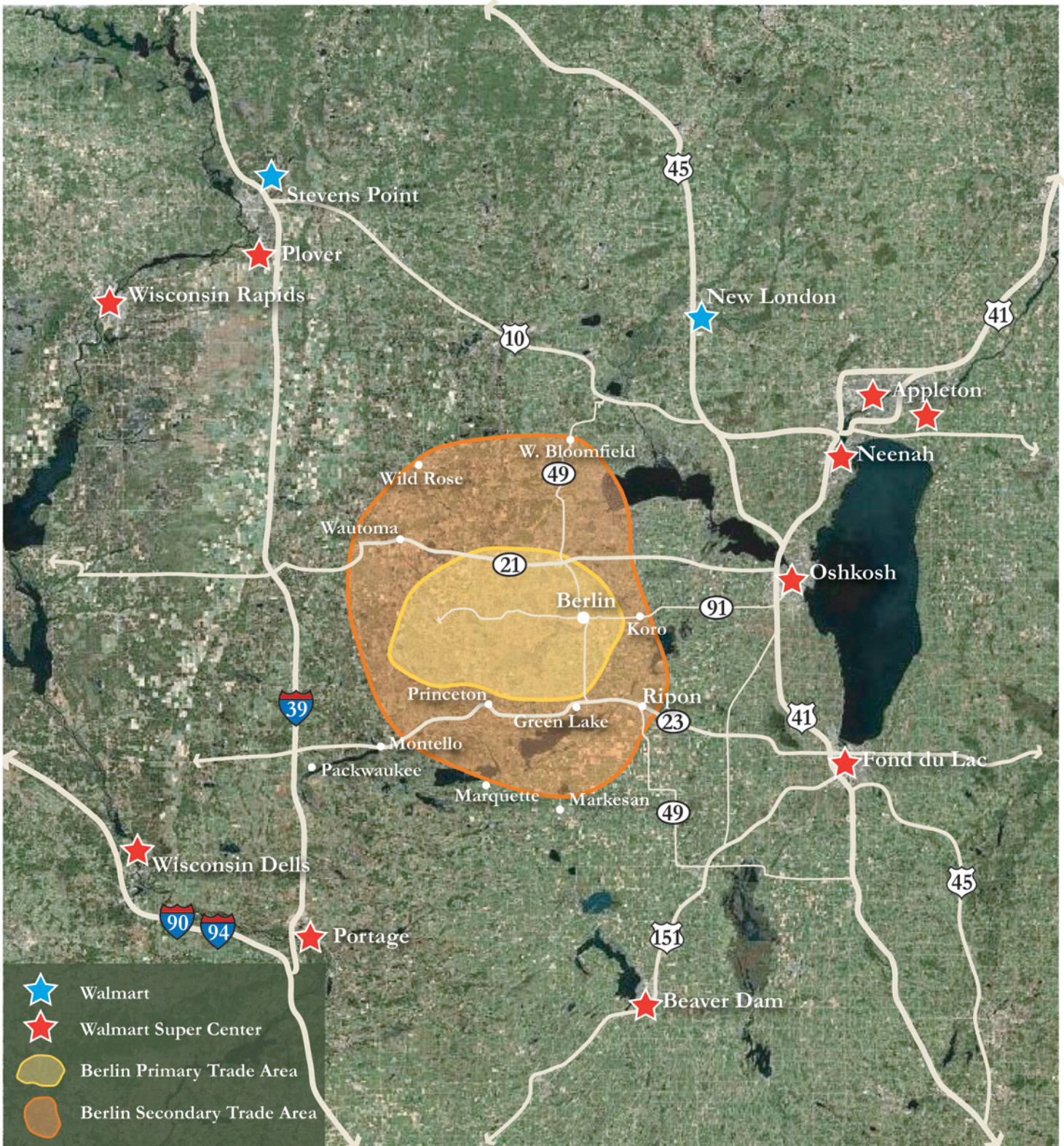
To better illustrate this likelihood, Map 2.2 on the following page shows the location of all existing Wal-Mart facilities surrounding the City of Berlin. It should be apparent that the void between Berlin and most other Super Wal-Mart facilities is fairly substantial. It is within this void that the Super Wal-Mart will draw new customers. This will effectively expand the Berlin trade area to the size of the trade area for the new Super Wal-Mart; represented in this analysis by the Secondary Trade Area. This increase is significant because it will drastically improve the future potential retail demand for businesses downtown, and thus increase the incentive for individuals to travel to Berlin to shop. Therefore, successful downtown retailers will not need to draw consumers based solely on their own appeal, but they can capture some of their customers from those traveling to Berlin for the Super Wal-Mart.

Increased Visibility of Downtown Berlin

The second advantage attributable to the construction of the Super Wal-Mart is an increase in the visibility of downtown. Because of the orientation of Downtown Berlin, relative to the regional transportation network and the location of the new facility, many customers traveling from the east will have to travel through downtown in order to reach their destination. This should serve to increase potential customer traffic in the downtown area and bolster the visibility of the downtown retailers to individuals entering Berlin specifically to shop at Super Wal-Mart. This increased visibility will also be necessary in order to capture customers drawn from the Super Wal-Mart trade area as discussed previously.

Proactive Positioning of Downtown Retail

As mentioned earlier, increased competition among downtown retailers and super discount stores is a common problem for small downtown retail districts. In Berlin some level of



map 2.2: surrounding walmart locations

competition has already been occurring with the existing Wal-Mart facility. With the addition of a Super Wal-Mart which adds new product lines and the potential for one-stop shopping, competition will be increased. In fact, some studies have shown that the addition of a Wal-Mart to a community can cause a decrease in sales by up to 10 percent in product niches heavily supplied by Wal-Mart such as florists, apparel, cards, and gifts¹. However, there are also some realities of super discount stores which present opportunities for downtown retail.

One major weakness of super discount stores is their inability to efficiently adjust product inventory. This means that every Wal-Mart sells, and will continue to sell, the same types of products, and although they are dominant in supplying general merchandise, they have little market penetration in niche and specialty goods. Secondly, Wal-Mart, and other super discount stores, have little to offer customers in the way of personalized service and sense of place.

These two weaknesses reveal the opportunity for a downtown to position itself as a location for specialty and niche retail outlets which together can create an interesting environment and provide personalized customer service. A downtown which is able to proactively make these adjustments prior to significant market competition can not only remain viable amidst increased competition, but can also develop into a retail destination which will draw customers from the super discount store's trade area.

Creating Niche Destinations

Downtown niche creation requires focused retail recruitment and downtown improvement projects which together seek to create a cohesive image. That image is usually built upon strengths in current retail and/or distinct natural resources and lifestyle options. One such niche for Downtown Berlin may be focused on an outdoor recreation image.

Downtown Berlin's location on the Fox River and

its proximity to hiking, biking, hunting, and fishing opportunities provide the necessary natural amenities to foster an image as an outdoor recreation destination. In addition to the natural amenities, Downtown Berlin is also home to two successful businesses focused on outdoor recreation; Eskimo Comfort, an outdoor apparel retailer, and Mike's Bike Shop. Together, Berlin has both the intangibles, and the current retail success necessary to foster an outdoor recreation niche

Fostering an outdoor recreation niche will require both attracting desired retail outlets and enhancing the natural amenities. Fostering desired retail outlets will mean determining the product categories which have potential for success in Downtown Berlin, as done in the following section, and then targeting retail development within those categories to products which enhance or complement the outdoor recreation image.

For example, this analysis shows opportunity in the shoe store and specialty food store category. Within the shoe store category stores targeted at hiking boots and gear not only could capture future retail potential, but also further enhance the outdoor niche. To further leverage Berlin's history, future outdoor shoe stores and apparel stores could highlight the City's reputation in leather goods manufacturing by incorporate specialty leather products. Likewise, a store offering food and preparation items targeted at campers may be appropriate for both the specialty food sector and the outdoor niche.

This does not mean that all stores must conform to the niche image. As downtown becomes more successful and more customers pass through, the potential for all types of retail will increase because more dollars will be available. Also, certain product types not associated with outdoor recreation may be viable because they appeal to the outdoor recreation target market. To determine future complementary retail opportunities more research would need to occur

2. Irwin E. & Clark J. (2006). *The Local Costs and Benefits of Wal-Mart*. The Ohio State University

regarding potential Berlin target markets and niche opportunities.

In order to take the first step of fostering specific types of retail, the product categories which show future potential in Downtown Berlin must be identified.

Berlin Retail Potential

Measuring the future retail potential in Downtown Berlin first requires an understanding of the current retail environment.

To quantify the current retail environment, the overall downtown capture rate was calculated. A capture rate measures the percentage of total retail spending occurring in the Primary Trade Area which is captured by businesses in Downtown. In Berlin the aggregate downtown capture rate is 23 percent. This means that for every dollar spent on retail within the Primary Trade Area, 23 cents of that dollar is being spent in Downtown Berlin. In comparison, 67 cents of each dollar is being spent in other parts of the Trade Area, and 10 cents is being spent outside the Primary Trade Area.

Downtown capture rates were also calculated for each product category. Using capture rates and the projected changes in future population and income, allows for the estimation of future downtown retail potential. Future retail potential represents the amount of new retail spending (in dollars) which is anticipated to occur in downtown establishments by the year 2015. For example, if the product category “clothing stores” is projected to have \$57,500 of new retail potential in 2015; that means in that year almost \$58,000 more dollars will be spent on clothing within Downtown Berlin than are currently spent. All of the future downtown retail potential calculations are presented in Table 2.2 on the following page.

Table 2.2 offers a detailed analysis of the potential for spending and retail expansion in Downtown Berlin by the year 2015. The product categories presented in Table 2.2 are limited to

those which have moderate or high levels of future potential, and those which are appropriate for a downtown retail environment. The meaning and interpretation of each column is presented below.

Column 1: Downtown Retail Potential in the Primary Trade Area

The first column shows the future retail potential for each product category which would be generated by the Primary Trade Area given the current capture rates. This means that if downtown retailers continue to perform at their current level, without pulling in a larger percentage of customers, they would likely see just over \$900,000 of new spending in downtown in the year 2015.

Column 2: Downtown Retail Potential in the Secondary Trade Area

As defined earlier in this section, the Secondary Trade Area is the geographic region from which some retailers are currently getting customers, and from which it is likely more customers will be coming once the Super Wal-Mart is opened. Because the Secondary Trade Area represents current and future customers it must be considered in the calculation of future retail potential. To do this, estimated future spending levels within the Secondary Trade Area were calculated and a flat five percent capture rate was applied to all the product categories. This calculation resulted in an estimated additional \$750,000 of new spending in downtown in the year 2015.

Column 3: Total Downtown Retail Potential

The third column is simply the sum of the estimated potential from the Primary and Secondary Trade Area. Together, the calculations estimate \$1.7 million of new spending in downtown in the year 2015. This number was then translated into the total estimated square feet of retail which could be supported by the calculated future retail potential (shown in the bottom row of Table 2.2).

This calculation, assuming a standard \$200 of sales per square foot, results in the potential for 8,500 new square feet of retail within Downtown Berlin by the year 2015.

Column 4: Downtown Retail Potential with Increased Capture Rates

As mentioned, all of the previous calculations were made assuming no increase in capture rates over their current levels. This assumption is likely false because downtown revitalization efforts, and the new Super Wal-Mart should increase the ability of downtown to capture residents from both the Primary and Secondary Trade Area. The last column calculates the total future potential from both the Primary and Secondary Trade Area with a modest increase in capture rates.

The increase used for the Primary Trade Area was a 10 percent increase of their current market

share. For example, if a product category had a current capture rate of 20 percent, a 10 percent increase in that market share would put the estimated capture rate at 22 percent. For the Secondary Trade Area a flat 5 percent increase was used in each product category. This means that each category went from a 5 percent capture rate as used in the previous calculations to a 10 percent capture rate.

The result of these calculations is an estimated \$2.8 million of new spending in downtown in the year 2015 and the potential for 14,000 new square feet of retail over that same time period.

Using this data within a plan for retail niche creation will allow Berlin to guide retail recruitment towards an end goal of a unique downtown destination.

Table 2.2: Future Downtown Retail Potential

	Downtown Retail Potential in 2015 (Primary Trade Area ¹)	Downtown Retail Potential in 2015 (Secondary Trade Area ²)	Total Downtown Retail Potential in 2015	Downtown Retail Potential with Increased Capture Rates ³
Existing Conditions Total Retail Demand in Primary Trade Area: \$15.8 million Total Supply in Downtown: \$3.4 million Aggregate Downtown Capture Rate: 23%				
Furniture & Home Furnishings Stores	\$171,000	\$155,000	\$326,000	\$561,000
Building Material and Supplies	\$181,000	\$164,000	\$345,000	\$594,000
Specialty Food Stores	-	\$54,000	\$54,000	\$107,600
Health & Personal Care Stores	\$286,500	\$112,500	\$399,000	\$646,300
Clothing Stores	\$57,500	\$163,000	\$220,500	\$411,200
Shoe Stores	\$43,000	\$7,000	\$50,000	\$77,200
Jewelry, Luggage, and Leather Goods	\$125,500	\$19,500	\$145,000	\$223,600
Sporting Goods/Hobby/Musical Instr.	\$58,000	\$54,000	\$112,000	\$140,000
Book, Periodical, and Music	-	\$27,000	\$27,000	\$52,000
Total	\$922,500	\$756,000	\$1.7 million	\$2.8 million
Estimated Square Feet of Retail Supported by Future Retail Potential⁴ Total without increase in capture rate: 8,500 square feet over 7 years Total with increase in capture rate: 14,000 square feet over 7 years				

1. Future potential in Primary Trade Area calculated assuming current capture rate remains constant
 2. Future potential in Secondary Trade Area calculated assuming 5% future capture rate
 3. Increased capture rates equal to a 10% increase over existing market share for each product category in the Primary Trade Area and 5% increase in capture rates for Secondary Trade Area
 4. Estimated square feet of retail calculated given average sales of \$200 per square foot
- All numbers rounded, not all retail categories are represented
 Sources: ESRI Business Analyst & Vierbicher Associates Inc

Berlin Downtown Retail Development Recommendations

All of the following recommendations are intended to help Downtown Berlin capitalize on the increased trade area and visibility provided by the new Super Wal-Mart. To do this the downtown must capitalize on the opportunities present in Downtown Berlin, and address the challenges of increased competition through a three step approach. First, Berlin must identify product categories which are viable in a downtown setting, and show moderate to high levels of future retail potential. Second, Berlin should attempt to foster retailers within those product categories who enhance or complement the desired downtown niche. Third, the City should engage in the improvement of their natural amenities and the built environment in order to create a distinct and attractive sense of place. It is likely that this process will begin with a focus on the existing vacant and underused downtown storefronts. In the future there is the potential for new, mixed-use development.

Target Product Categories

Given the quantitative analysis done on the Berlin retail market, the following product categories are recommended as the most viable future retail opportunities:

- Furniture Stores
- Clothing Stores
- Jewelry, Luggage and Leather Goods
- Sporting Goods and Hobby
- Specialty Food Stores
- Shoe Stores
- Eating Places

Some of the above retail categories were identified because they have promising future demand, and others were included because they are historically product categories which, if targeted properly, can be successful in downtowns. In particular eating places, which were not included in the previous table because

of data problems, can both generate and benefit from niche development. A unique restaurant can attract visitors to downtown, and likewise, a successful downtown niche will spawn unique local restaurants.

Some retailers with high levels of demand as shown in Table 2.2 were not included in this list because they would likely directly compete with Wal-Mart and are therefore less sustainable over the long term.

Although these product categories are helpful as guides to future retail attraction, they must be coupled with efforts to create niche development and attract specific types of retailers.

Foster Niche Development and Sense of Place

In order to most fully capitalize on the above product categories, future retail growth should work to intentionally develop the product niches and retail environment which will distinguish Downtown Berlin from its super store competitors. This can be done by fostering targeted businesses within the previously identified product categories. Recommended steps to create a niche environment include:

1) Create business assistance program

A business assistance program can provide resources to existing and future business which will help them develop successful product niches and differentiate themselves from discount super stores. Some examples of assistance programs which have been used elsewhere include:

- Business planning workshops which aid in the identification of potential niche markets and help existing businesses determine how to best reach those target markets. These workshops can utilize the expertise of business development organizations, such as the University of Wisconsin Extension Center for Community and Economic Development, as well as the experience gained by long-time Berlin business owners.
- Assistance in product diversification to ensure existing and future retailers offer

goods which can not be found at competing regional retailers, and preferably goods which further a specific retail niche.

- Revolving loan funds which offer loans for business development, building rehabilitation and/or façade improvement. This method of funding will also allow Berlin some level of control over the types of businesses which locate in downtown. As downtown becomes more desirable this will be important in ensuring all retailers fit the image and intent of the area.
- Offer unified marketing programs which promote downtown as a collective whole. This will work to increase the area's sense of place.

2) Emphasize aesthetic quality in all future development

One of the key elements in creating sense of place is ensuring a unified and high quality aesthetic environment. By emphasizing quality downtown facades and streetscapes Berlin can enhance its visual appeal to those passing through, and distinguish itself from the developments found on the periphery of the City.

3) Study and encourage the innovative techniques which have made other retailers and locations successful

Downtowns across the Midwest and country face the same challenges the City of Berlin does. Many of those downtowns have created successful retail destinations by developing niches and carefully targeting their products to specific consumer markets. Often through chambers of commerce or business improvement districts communities can organize visits to other communities and learn what elements made their downtown successful. This type of peer learning can help Berlin avoid problems and difficulties experienced by other communities.

Housing Market Analysis

The housing market analysis presents an overview of various demographic variables and community factors which contribute to the demand for new housing in the City of Berlin. In particular, five descriptors were used—income, home value, ownership status, age, and households— each of which builds upon data provided in the other categories. By studying both past and future trends in these categories we are able to identify gaps in housing supply based on the anticipated future demographic profile of the City of Berlin. In this instance it appears an increase in the 50 and older population will be the driver for future housing growth. This does not mean that Downtown Berlin must cater only to this group, but the empty nesters and active seniors should be looked at as the catalyst to future housing growth. To that end, this section on the housing market begins with an overview of the demographic variables mentioned above, with special attention paid to highlighting the trends in the aging population. Following the overview of demographic trends, the recommendations section will provide an overview of the projected aging population and potential housing forms which will be appealing to empty nesters and active seniors, but will also attract young-professionals and families to the downtown area.

It should be noted that the discussion of future housing potential is based on demographic variables for the City of Berlin and the surrounding Counties. The focus is on an area larger than the City itself because future residents can be drawn from a fairly broad housing trade area. In order to translate surrounding growth into downtown residents, the City must be dedicated to funneling growth which might otherwise occur on the periphery to the downtown area.

Income and Home Value

Income is an important element in housing demand because income levels, coupled with home value, determine affordability and price points of future housing development. The table below is the first step in translating income and home value into a measure of affordability.

Table 2.3 shows the median home value and median income data available from the 2000 census. The bottom row of each section is a measure of housing affordability based on the premise that housing is affordable when approximately no more than 25 percent of income is dedicated to housing needs. From the table it is obvious that Berlin housing in the year 2000 was well within the range of affordability, and even more affordable than the State average. It is likely that in 2008 the percent of income spent on housing has increased slightly because the historic income growth rates have been slightly lower than the rate of increase for home value. However, it is unlikely that there has been any substantial change in housing affordability within the City.

Table 2.3: Affordability of Housing (2000 Census)

State of Wisconsin	
Median HH Income	\$43,791
Median Home Value	\$109,900
Percent of Income Spent on Housing*	22%
City of Berlin	
Median HH Income	\$37,442
Median Home Value	\$76,900
Percent of Income Spent on Housing*	19%

**Based on monthly mortgage payment with 20% down, 30 year fixed at 7.0%, with estimates of property taxes and insurance*

Sources: US Census Bureau, 2000 Census; Vierbicher Associates

Expanding the analysis of housing affordability and income to an age specific breakdown allows for a more targeted identification of the need for specifically priced housing units. Table 2.4 on the following page presents the number of households which fall within each income and age bracket. The cells with more than 100

households are highlighted in bright yellow and those between 50 and 99 are highlighted in light yellow. The bottom row shows the percentage of households within each age group that do not make an income great enough to allow 25 percent or less to be spent on housing. In other words, the final row shows the percentage of households who would find housing in the City of Berlin less affordable than the average household

It is obvious that the greatest concentration of households falls between the income brackets of \$25,000 and \$75,000 and between 35 and 54 years of age. From the housing affordability measure it also appears that most of this population is able to afford the average priced home in Berlin. A second grouping of households exists below \$25,000 and over the age of 65. This concentration shows affordability measures which imply relatively few households can comfortably afford a home in Berlin. However this data is skewed because it is a measure of income only, not equity. In reality many, if not most, of the households in the 65 and older brackets have significant equity available in their current residence. This equity makes it possible to purchase a new home despite the seemingly low income levels.

Specific to Berlin's future housing growth, the data on income and home value show that there should be no serious issues of affordability for any population cohort, including those over the age of 50. To that end future downtown housing

Table 2.4: Households by Income and Age Bracket (2000 Census)

	< 25	25-34	35-44	45-54	55-64	65-74	75+	Totals
<\$15,000	19	25	22	37	32	55	159	349
\$15,000 - \$24,999	5	38	46	30	23	46	37	225
\$25,000 - \$34,999	10	68	76	59	29	64	70	376
\$35,000 - \$49,999	41	80	125	144	30	55	45	520
\$50,000 - \$74,999	4	74	150	114	75	39	17	473
\$75,000 - \$99,999	0	5	13	57	28	0	0	103
\$100,000 - \$149,999	0	14	0	18	10	0	4	46
\$150,000 - \$199,999	0	0	0	0	0	0	8	8
\$200,000 or more	0	0	0	13	0	0	0	13
Total	79	304	432	472	227	259	340	2,113
Pop. with Housing Costs over 25% of Income*	43%	43%	33%	27%	37%	64%	78%	45%

*Based on monthly mortgage payment with 20% down, 30 year fixed at 7.0%, with estimates of property taxes and insurance

Sources: US Census Bureau, 2000 Census; Vierbicher Associates

units should be priced in line with the prevailing market rate within the City. At this point Downtown Berlin is not a desirable enough location to warrant units which are priced above typical market rate outside Downtown.

Ownership

The ownership of housing units is important because it provides insight into the housing choices made by different age brackets. If trends can be identified in structure type and ownership based on age, then those trends can be applied to the expected future age profile of a community. Table 2.5 on the following page shows the percent distribution of ownership in the City of Berlin broken into age of household as well as type of structure. Cells with over 75 percent residing in a certain type of housing are highlighted bright yellow, and those between 40 and 75 percent are in a light yellow.

From this table it can be seen that the overwhelming majority of owned housing units are single family, however, it does appear that as age increases there is a slight increase in ownership occurring in structures with two or more units—most commonly condominiums.

On the rental side, well over half of all units in each age cohort exist in structures of four or less units, except for the age groups over 65 where there is considerably more distribution of rentals in structures with as many as 50 units. Extracting data from Table 2.5 allows us to create an overall distribution of rental and ownership. Table 2.6 below shows that data. As expected the vast majority of overall units are owner occupied, but there is a trend towards renting as households age.

Overall both tables reveal that multifamily housing, particular rentals but also owned units, are most appealing to households 55 and older. This means there is an opportunity to provide this type of housing as the population ages. Multifamily housing is often also appealing to young professionals and those renting or owning for the first time. As a result, downtown housing can not only capture the empty nesters driving the housing market, but also future growth in young professionals and families.

Table 2.5: Percent Distribution of Households by Age of Household and Type of Structure

	Age of Householder							
	15 - 24	25 - 34	35 - 44	45 - 55	55 - 64	65 - 74	75+	Total
Owner Occupied								
1, detached/attached	100%	92%	93%	90%	88%	86%	87%	90%
2 to 4	-	-	-	8%	3%	9%	9%	5%
5 to 19	-	-	-	-	-	-	2%	0.3%
20 to 49	-	-	-	-	-	-	-	-
50 or more	-	-	-	-	-	-	-	-
Mobile home	-	8%	7%	3%	9%	5%	2%	5%
Boat, RV, van, etc.	-	-	-	-	-	-	-	-
Owner Occ. Total	100%	100%	100%	100%	100%	100%	100%	100%
Renter Occupied								
1, detached/attached	42%	46%	40%	41%	-	34%	15%	32%
2 to 4	34%	39%	35%	34%	71%	7%	11%	31%
5 to 19	24%	6%	26%	25%	6%	36%	19%	20%
20 to 49	-	10%	-	-	11%	23%	53%	16%
50 or more	-	-	-	-	12%	-	1%	2%
Mobile home	-	-	-	-	-	-	-	-
Boat, RV, van, etc.	-	-	-	-	-	-	-	-
Renter Occ. Total	100%	100%	100%	100%	100%	100%	100%	100%

Sources: US Census Bureau, 2000 Census; ESRI Business Analyst; Vierbicher Associates

Table 2.6 Percent Distribution of Ownership by Age Cohort

	15 - 24	25 - 34	35 - 44	45 - 55	55 - 64	65 - 74	75+
Owner Occupied	23%	58%	69%	80%	75%	76%	64%
Renter Occupied	77%	42%	31%	20%	25%	24%	36%
Total	100%	100%	100%	100%	100%	100%	100%

Sources: US Census Bureau, 2000 Census; ESRI Business Analyst; Vierbicher Associates

Age and Household Projections

The primary variable when projecting the potential for residential development is the housing unit. Unfortunately, must comprehensive projections are conducted using the household. Although the two are slightly different - technically two households could live in one housing unit - their similarities and the availability of data make households a more than appropriate substitute for housing units. Therefore, this section will discuss the projections

for household changes by age over the next 15 years.

Table 2.7 shows the estimated change in the number of households in the City of Berlin by age bracket. This information was calculated by taking County level projections and translating them to the City level using current and projected

distribution of households. Cells with a decrease of greater than 50 households are highlighted in dark blue, and those with a decrease between 25 and 50 are highlighted in light blue. Household gains of greater than 50 are highlighted in bright yellow and those between 25 and 50 are highlighted in light yellow.

In this table there is a marked increase in households between the ages of 55 and 74, and losses in the households between 35 and 54. This is the most definitive evidence for the changing demographic profile of the City of Berlin. Knowing that Berlin is likely to see a significant increase in households over 55 allows the City to preemptively provide the type of housing most desired by this group, and capitalize on the demographic shift to provide a housing base for future downtown growth.

Types of Housing Recommended for Downtown Berlin

The examination of the different housing and demographic variables reveal definite trends in the future of the Berlin housing market. In particular, this market analysis shows that:

- o Housing affordability does not appear to be an issue for any of the major age brackets. As a result housing units priced within the

Table 2.7 Estimated Change in Berlin Households by Age

Age of Householder	2005 - 2010	2010 - 2015	2015 - 2020	2015 - 2020
Age 15 to 24 years	-9	-7	-2	-1
Age 25 to 34 years	35	26	-36	-29
Age 35 to 44 years	-64	-27	38	25
Age 45 to 54 years	3	-68	-71	-31
Age 55 to 64 years	70	58	0	-71
Age 65 to 74 years	27	65	69	57
Age 75 to 84 years	-23	-18	23	48
Age 85 years and over	3	1	-6	-4
Total Households	43	29	15	-4

Sources: US Census Bureau, 2000 Census; ESRI Business Analyst; Vierbicher Associates

currently accepted range would most likely be successful. However, because of the future aging population some attention must be paid to affordable housing which is available to seniors 65 and older who often confront personal financial issues. Such housing does not need to be provided downtown, but it must be considered in the broader City housing supply.

- o The vast majority of housing units, both rented and owned, are single family. However, as age increases there is a corresponding increase in the selection of multi-family structures for both ownership and rental.
- o The primary trend in City and surrounding county demographics is one of a rapidly increasing senior population.

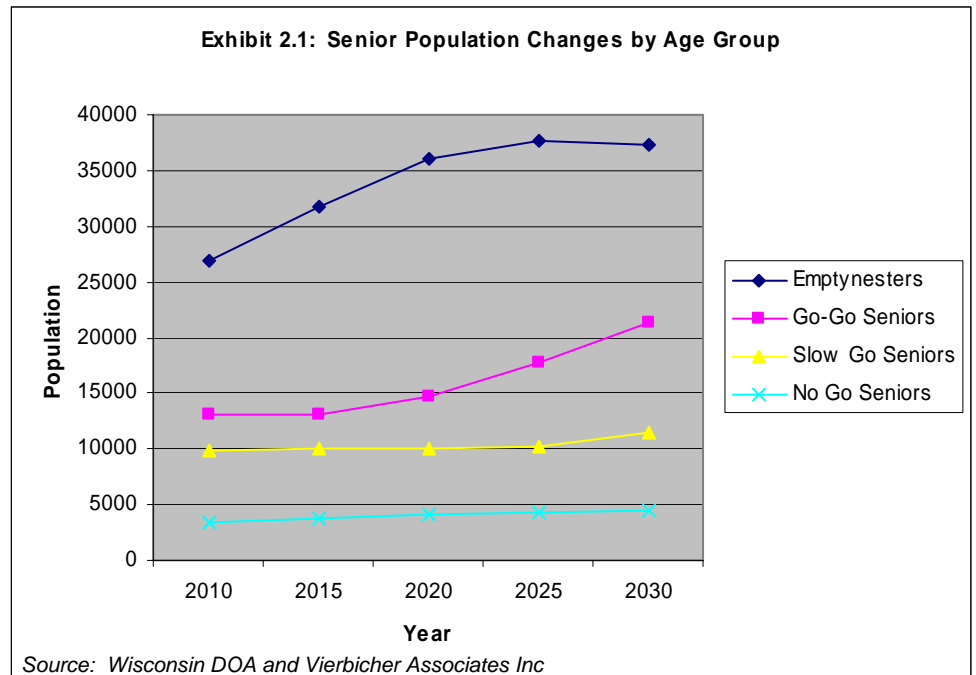
These three insights point to the senior housing segment as the driver for future housing market, and the one with the most room for growth over the next 15 to 20 years. This is an encouraging finding because empty nester often desire some type of downtown living arrangement. To that end, understanding the senior housing market will be critical to future downtown housing success.

Senior Housing

When considering housing options for seniors, we separate the market into two primary segments: the empty-nester population and the over 65 population. The empty-nester population ranges in age from 50 to 64 and typically prefers scaled down single family homes, condominiums, and townhouses that have fewer maintenance requirements.

As Exhibit 2-1 shows, the empty nester segment is the largest, and fastest growing population segment in the surrounding four counties. These households have excellent potential for locating within Downtown Berlin; especially if initiatives to increase downtown services and aesthetics are successful. We predict a future need for housing that is attractive to retirees, especially duplex and multifamily condo units near services and recreation. A number of households in the 50-64 age group could also be in the market for high-end condominium units in a mixed-age building. These households should be in good health and looking for an active retirement. The advantage of attracting this type of population is that their housing choices, condos, townhomes, etc., are also attractive to young professionals and young families. Therefore, empty nesters can be used as the catalyst to provide housing units within the downtown area.

The over 65 population is generally broken down into three subgroups: 65-74, 75-84, and over 85. The 65 to 74 population consists of “go-go” seniors who still desire an active lifestyle. The 75 to 84 population consists of the “slow go” seniors who have some physical limits, but who want to remain independent. The over 85 population



consists of “no-go” seniors who are not sick, but have limits and need some living assistance.

The 65-74 year old senior population is the second largest senior segment in Berlin and is likely to become the fastest growing over the next 10 years. Households in this segment who are looking for housing are often doing so out of necessity. Many are likely to experience some sort of hardship, whether it's the death of a spouse or an inability to maintain their homes for physical or financial reasons. Most will not be in need of a skilled care facility, but rather a complex which offer independent apartments and some assistance and opportunity for low-income households. These types of housing options may not be appropriate for the retail district of downtown, but could potentially locate along the edges of downtown near open space.

Overall, it must be remembered that because the aging and empty nester population have the desire and financial means to relocate, they can be used to initiate and jump-start future downtown housing developments.

Office Market Analysis

The office market component of downtown revitalization is the area most dependent on the growth of the other two components. More specifically, office demand will likely follow retail growth. The following analysis will briefly identify the current mix of office in the downtown area and then discuss the desired future development patterns of office space in Downtown Berlin.

Current Office Profile

After a brief survey of all existing business located in the downtown it appears that office and professional services account for approximately 25 percent of existing businesses. These businesses represent a variety of professional services including, banks, law offices, accountants, and real estate professionals. The majority of these business, except for the free-standing banks, are located in first floor store-front space adjacent to retail offerings. It is likely that many of the more specialized services such as accountants and lawyers serve a substantial rural population in addition to City residents.

Future Office Development

As the downtown undergoes positive changes due to future redevelopment, niche creation, and community growth, downtown retail locations will become more profitable and more desirable. This retail development, in addition to the expanded trade area due to the new Wal-Mart as discussed in the retail section, will increase customer traffic in the downtown area. As retail customer traffic increases the potential to provide convenient services to the population outside the City will also increase. If the current business mix of 25 percent professional and 75 percent retail is adequately serving the population, it is unlikely that the ratio will change as result of growth; instead it is likely that office will expand in proportion to the rate of retail growth. As demand for office increases it will be necessary to

locate offices in new, or different, space. Two development patterns are recommended for future office growth:

1) Encourage offices to move to second floor space and side street spaces

Currently the majority of second floor space located above retail is occupied by residential rental units. Although it is important to serve the population who desires to live downtown, having all of the second floor space dedicated to apartments may not be the most healthy option for the downtown as a whole. Instead, it is often beneficial to locate offices in second floor spaces along the most viable downtown corridors. Having professional services located in main street store fronts is less desirable for a downtown because office space demands lower lease rates than retail, and does not add to street level activity and vitality because of the lack of customer traffic.

Having commercial space on the second floor often requires updates to older buildings. This is one area where a building improvement program funded by TIF could be utilized.

If future downtown residential development includes apartments and condominiums which would be affordable to individuals currently living above retail, then it is likely that some of them would choose to live in the new buildings because of improved amenities. This will in turn create vacant space above retail which could be converted back into professional offices. By encouraging existing and future offices to locate in second floor space, additional store front space can be created which will be desirable if retail revitalization and niche creation is successful. As more retail is created and remains successful, it is likely that the demand for office space will also increase, thus creating a positive cycle of creating retail space and reinforcing the need for second floor office space. This trend is most important along the main street and key shopping districts.

Side streets are another area to encourage the location of professional office space. Relocation expenses could be included in a TIF project plan to create vibrant shopping areas.

2) Mixed-use space for professional services

Although early in the process it is important to begin to transition professional services to second-floor office space, as demand increases it will also be desirable to create new mixed-use development. Within these developments new retail and office space will be created and can be specifically targeted at sectors, such as banks and credit unions, which typically demand the amenities of new construction. New construction also presents the opportunity to create downtown anchors which would include high traffic retail and office space.