CITY OF BERLIN
2019 MARKET ANALYSIS UPDATE

Berlin
WISCONSIN
On the Fox

2019 | Retail + Housing + Office

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EXECUTIVE SUMMARY

The City of Berlin, referred to hereafter as "Berlin," is a community of approximately 5,500 residents, located along the Fox River in central Wisconsin. The community serves as a regional hub of economic activity—proactively 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.

Since the 2017 update, several new developments have occurred:

- Wilson-Hurd Manufacturing expanded its facility and added about 100 new jobs.
- The old foundry was purchased and rehabilitated for the use of manufacturing.
- Aurora Manufacturing acquired a property in the North Business Park, which expanded its footprint. The company then purchased another building and moved all operations into the North Business Park.
- Four new businesses were opened: Riverside Coffee Company, Drew's Tattoo, Santa Fe Mexican Restaurant, and the Art Bar.
- Three new developments were proposed, including an 8-twin condominium on N. Wisconsin Street, a multi-unit condo building at 169 E. Huron Street, and a hotel on the previous Safeguard site.
- Berlin demolished the previous Safeguard Site with a Site Assessment Grant (SAG) from the Wisconsin Economic Development Corporation (WEDC) and additional site work completed with a Wisconsin Assessment Monies (WAM) Grant.
- Berlin is now a WEDC Connect Community. The Connect Communities program focuses on downtown development. The first Connect Community event took place on November 30, 2019. The event helped to galvanize downtown businesses to work together.
- Berlin is meeting with the Wisconsin Department of Transportation to discuss reconstructing Main Street in downtown.
- Berlin had a property donated to them for a kayak landing in the downtown area and is working with Fox River Heritage Way. However, funds will need to be raised for this landing.

As a result of these efforts, Berlin has experienced sustained private investment and witnessed $1.1 million (source: Statement of Changes in Equalized Value, Wis. Dept. of Revenue) in net new construction during 2018, 1.2 million in 2017, and 5.7 million in 2016. This growth is equivalent to 0.45% of Berlin's total value. 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.

Since the 2017 update, there have been a number of positive signs for Berlin. County-level sales tax collections have continually increased since 2014. In 2018, the regional capture reflected a 9% increase in sales taxes collected at the County level during the 2016 sales tax collection. There was a 4% increase in the number of residents within Berlin that are employed. According to the 2019 data, Berlin's population is at 5,481 and expected to decline by 0.09% by 2024 to 5,456. However, businesses are looking to expand and add more employees to the area, which is expected to reverse this trend. The Primary Trade Area's population is 14,532 with a 0.02% increase

by 2024 to 14,543. The Secondary Trade Area population is 42,974 and is expected to increase to 43,337 (0.17%).

There is still a strong demand for many of the retail categories, including restaurants, specialty stores, and building material and supplies dealers. Advances in technology continue to impact the retail industry and downtown brick-and-mortar stores. Online sales still only comprise less than 10% of overall sales. A majority of online sales include retailers that also have physical stores (e.g. Wal-Mart, Target, etc.). Downtown stores that prioritize a personal shopping experience should stay competitive. Stores like CVS and Walgreens have noticed these online purchasing trends and have taken action. Walgreens has now partnered with FedEx. Customers can pick up packages at Walgreens or return a package at Walgreens using FedEx. This service gets people into their store, thus creating more purchasing opportunities.

Household Income

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. In Berlin and nationally, more and more households are renting for various reasons; cost to build and cost to purchase being some of those reasons. In Berlin, this is evident by a large number of renters. The median household income is $45,237 with an affordable home price of $113,092. The median home value in Berlin is $144,015, leaving a $30,923 affordability gap to purchase a home. The increase in home values impacts the number of rental units versus owner-occupied units that Berlin should look to provide.
This 2019 update provides additional workforce profile information that includes the age of worker, earnings, and worker education attainment. In the 2017 update, more than a quarter (29%) of the jobs in the community were held by individuals aged 55 and older. Now, less than a quarter (24.1%) of jobs are held by individuals aged 55 and older. Therefore, the workforce is getting younger as more of the younger generations enter the workforce.

Methodology

To appropriately define local market opportunities, projections of key economic and demographic variables are included in this analysis. These projections form the basis for decisions concerning future demand and supply within each of the analysis areas. Specific variables that utilize projected data include population, households, and median family income. These projections are developed based on 2010 census data, historical trend data, recently available 2017 and 2019 data and projections provided by ESRI, a global market leader in Geographic Information Systems. These projections are based on nationwide demographic trends for similar environments, and calculations made by Vierbicher informed by local observations. These assumptions and calculations are used to project demand for Berlin and for the larger Trade Area, which is defined in the following chapters.

Project Overview

This 2019 Market Analysis is intended to provide an update to Berlin's 2013 Market Analysis, along with previous 2015 and 2017 updates. The hope is that this document will better reflect the current economic realities and incorporate changes to local demographics and overall business climate stemming from the continued recovery from the 2008 recession. Additional changes to the local business mix have also influenced traffic and consumer patterns within the community, including development around the Super Wal-Mart on the west side of the community, new commercial development on the east side, and small business activity throughout Berlin.

Economic Position

Berlin experienced significant new activity since 2011, despite an overall sluggish state economy and slow recovery. This investment has included new retail and commercial development, as well as hiring by local manufacturers. However, in 2017 similar to 2014, the percent of net new construction percentage dropped. Berlin's net new construction rate was .4% in 2018 (Figure 1). Annual property tax increases for Wisconsin municipalities to cover ongoing operations generally have been limited to the rate of net new construction.

Employment levels continue to be high, however, Wisconsin employment growth slowed in 2017 and 2018. Wisconsin's unemployment rate is expected to stay around 3.0% between 2019 and 2020, before slightly increasing to 3.3% by 2022.[1] 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 residential, commercial, or industrial sector uses.

Figure 1: Net New Construction Trends
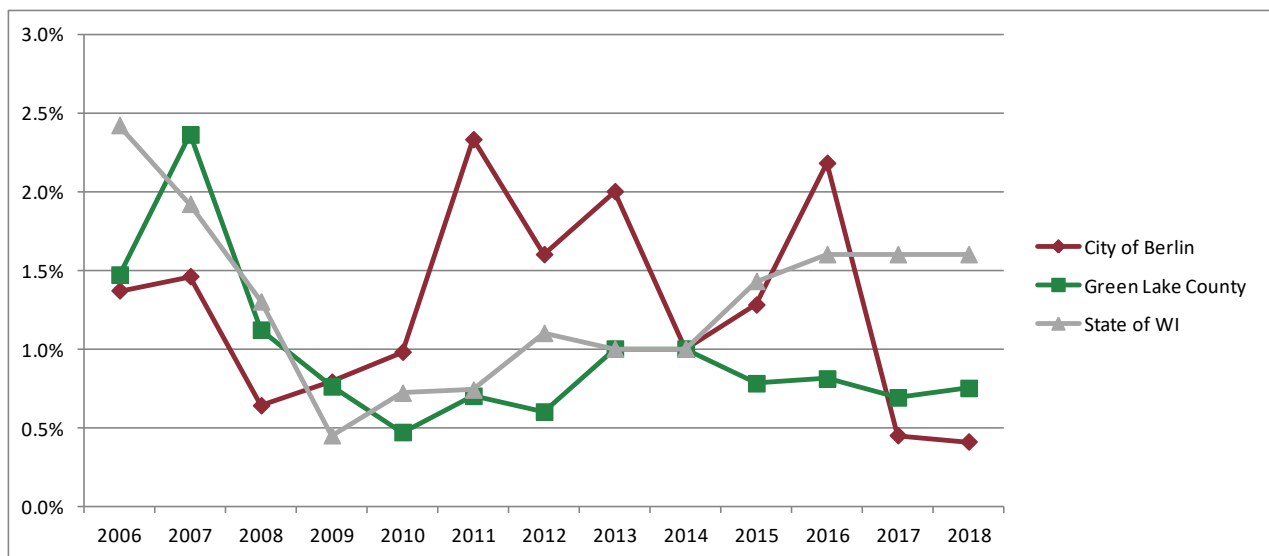
Source: City of Berlin, Wisconsin Department of Revenue

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[1] Wisconsin Department of Revenue, Economic Outlook March 2019.

Updates

Since the 2017 update, Wilson-Hurd manufacturing expanded its building and added approximately 100 new jobs. The old foundry was purchased and rehabilitated for the use of manufacturing. Aurora Manufacturing acquired a property in the North Business Park and expanded the footprint before purchasing another building and moving all operations into the North Business Park. Four new businesses were opened: Riverside Coffee Company, Drew's Tattoo, Santa Fe Mexican Restaurant, and the Art Bar. Three additional proposed developments include an 8-twin condominium on N. Wisconsin Street, a multi-unit condo building at 169 E. Huron Street, and a hotel on the previous Safeguard site.

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. 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 (Figure 3 on page 8). The household spending index has decreased slightly since the 2017 Market Analysis in almost every consumer spending category. However, ESRI Business Analyst changed the methodology used for the Consumer Spender Index to better reflect smaller communities. While the household spending index is lower than the 2017 update, it is possible with the new methodology that the 2019 Consumer Spending Index reflects a more accurate number than 2017 data. Berlin's position as a regional hub has created opportunities for retailers to tap into a broader customer pool and grow overall sales. This regional capture is also reflected by the continual increase in sales taxes collected at the County level since 2014. In 2018, the regional capture reflected a 9% increase in sales taxes collected at the County level over the 2016 sales tax collection.

Growth in consumer spending has not been evenly distributed among retail sectors; there are several retail types that demonstrate sufficient surplus demand to support additional businesses. Since the 2017 update; restaurants, health and personal care stores, clothing stores, building material & supplies dealers, and specialty stores show an even higher consumer demand in the Primary and Secondary Trade areas. In addition to their ability to capitalize on existing trade area demand, these sectors represent areas of growth given regional demographics and consumer trends. The increased population of older adults creates a built-in market for health and personal care items. There is significant potential to capture increased consumer spending by Berlin's existing retailers by using operational and marketing tactics. Examples might include a joint ad-buy, shared radio purchase with the tagline, or joint billboard purchase.

Figure 2: Surplus Consumer Demand by Trade Area
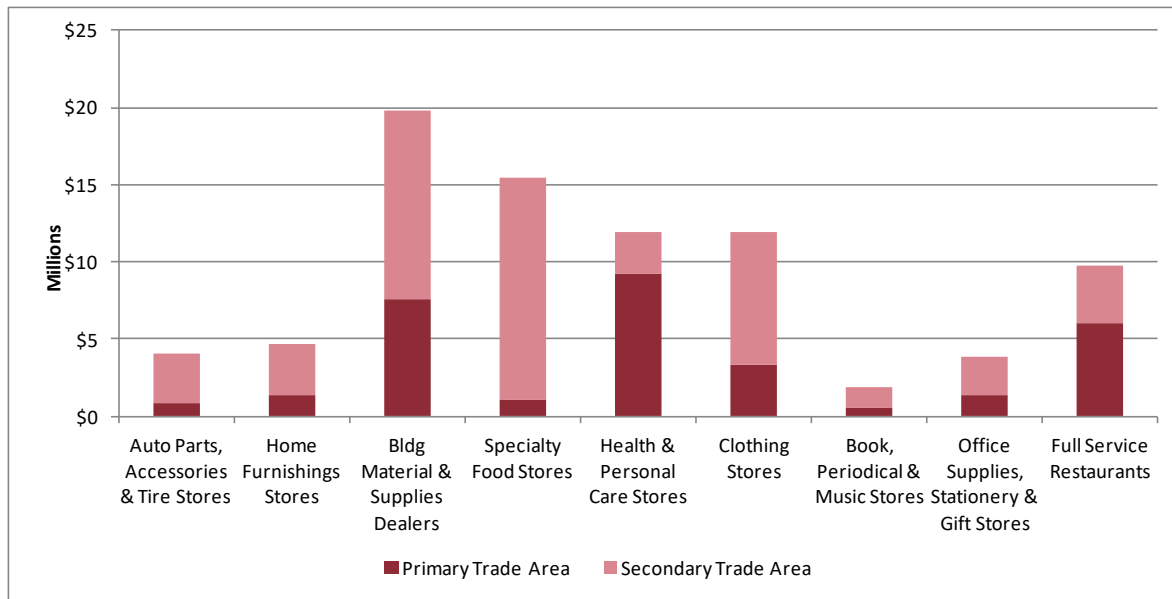
Source: ESRI, Inc., 2019

Residential

Population growth, the primary driver of housing demand, is expected to continue to grow at a slow rate before beginning to decline in the next 15 to 20 years. This slowdown in population growth has occurred simultaneously with a shift in housing preferences locally to smaller households, resulting in a steady increase in net new housing formation. However, the slowdown could be offset by continued business expansion. Additionally, changing demographics have shifted demand, creating increased demand for rental and senior housing. Berlin recently developed one elderly residential care facility and one 47-unit apartment building. Demand in these sectors indicates a need for about 35 additional senior housing units and nearly 40 rental units by 2025.

Berlin's higher housing prices have created a high demand for mid-range multifamily properties to support the more than 400 households headed by individuals under age 34 who prefer to rent and currently struggle to find suitable housing in Berlin.[2] Development of in-demand housing types would also provide existing workers with the choice to live in the community rather than commuting, as more than one-fifth of workers travel more than 25 miles to jobs in Berlin. Similarly, the age 75 and older 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 25% increase in households headed by individuals over age 75 in the next 20 years. 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 Berlin.

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[2] Mid-range monthly rents are between $650 and $950.

Commercial

Berlin's regional draw is evident in the size and nature of the local workforce. The draw demonstrates 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 that could benefit from Berlin's central location and qualified employee base. The chart below (Figure 3) indicates sectors where a significant number of locally-residing workers commute outside the labor shed for employment (largely to Oshkosh/Ripon). 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 manufacturing, information technology, legal, insurance, and back-office industries. Health care and professional services are also industries which employ a greater share of younger workers, who are underrepresented in Berlin's workforce.

Figure 3: Employees Currently Commuting Out of Trade Area by Sector
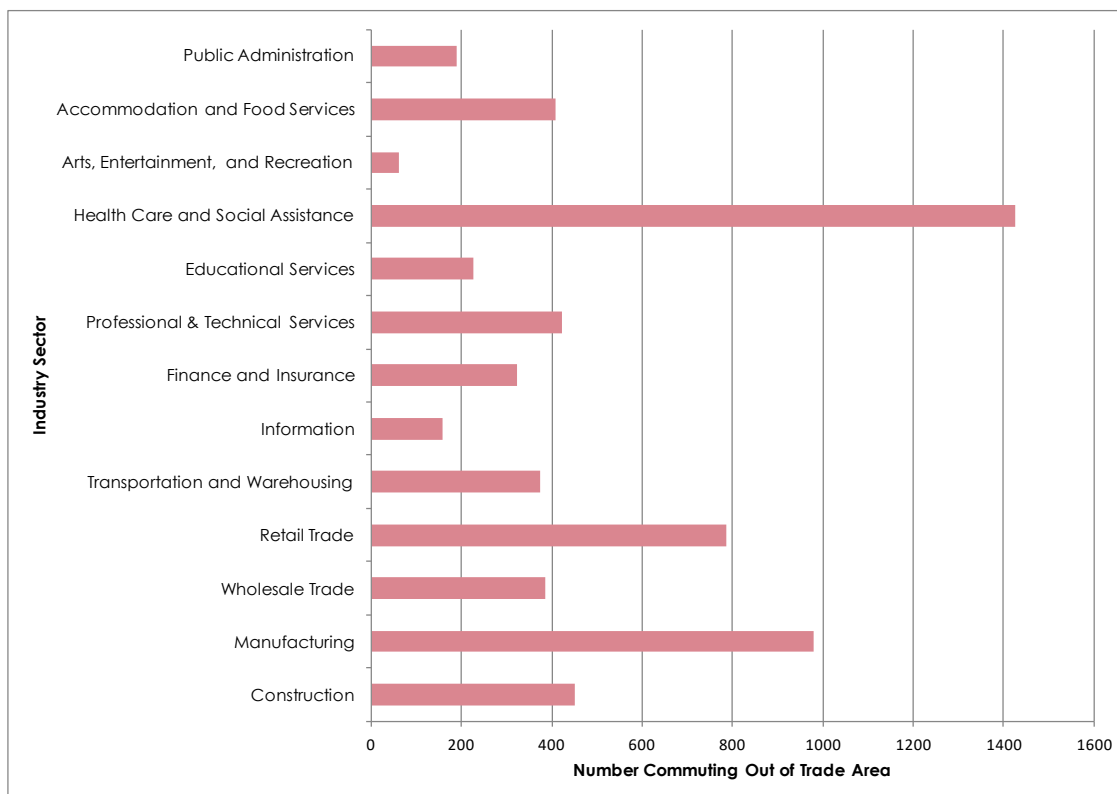

Source: US Census Bureau, 2017

Berlin Trade Area Delineation

The demand for local housing, goods, services, and employment are derived from an area larger than Berlin. A trade area is defined as the region from which a majority of this demand is generated. This report used approximately the same two trade areas as the 2015 and 2017 report. The Primary Trade Area represents the area from which a bulk of consumer demand is generated, or from which at least 50% of all consumers within the boundary are most likely to travel to Berlin to shop; while the Secondary Trade Area 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 that 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 Primary Trade Area includes 14,532 consumers, and the Secondary Trade Area includes 42,974 consumers. Both the Primary Trade Area and the Secondary Trade Area gained a little under 1% in population according to the available 2017 data for this 2019 update. Figure 4 illustrates these trade areas. The Primary Trade Area in blue covers 260 square miles. The Secondary Trade Area in yellow covers 650 square miles (cumulative of the Primary Trade Area). Household incomes throughout the region are anticipated to grow by 12% by 2024, which is a higher growth rate than was projected in the 2015 or 2017 update.

**Figure 4: Berlin Primary and Secondary Trade Areas**
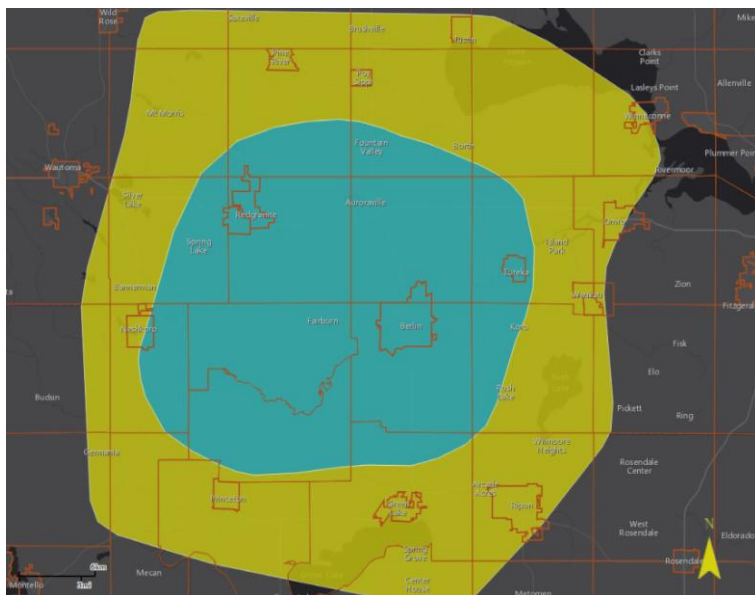
Labor Shed

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. Companies often decide whether to locate or expand in a region based on the perceived ability to recruit qualified workers at competitive wages. Information from the 2017 Economic Census is used to determine worker flows within the region.

Employees working at jobs within Berlin come from a comparable region as the consumer population, with a stronger draw from areas north and west of the community. However, Berlin employers could attract a larger number of employees from Oshkosh, Redgranite, Ripon, Princeton, and Fond du Lac. According to the Economic Census, 45.5% of employees commute from a distance of fewer than 10 miles, with 31% of workers traveling between 10 and 24 miles. Across the board, there are fewer workers traveling into Berlin for work than in 2014. However, there was a 4% increase in the number of residents within Berlin that are employed. While most Berlin residents can find employment within the labor shed, many still commute to Oshkosh or other major Fox Valley cities for employment. A total of 1,197 individuals, or 40% of residents, travel more than 25 miles to work from Berlin. This is a 3% increase since 2014. Figures 5, 6, and 7 illustrate the geographic reach of this labor shed.

Figure 5: Distance and Direction for Berlin Employees to Home
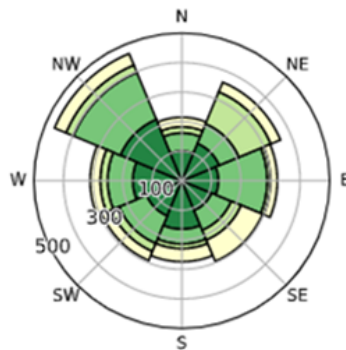
Distance and direction for Berlin employees to home	2014	2017
Total Workers	2,930	2,536
Less than 10 miles	1,275	1,155
10 to 24 miles	950	778
25 to 50 miles	309	282
Greater than 50 miles	396	321

Figure 6: Distance and Direction for Berlin Residents to Work
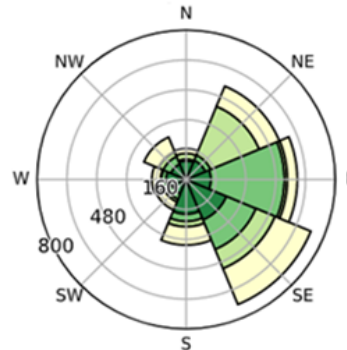
Distance and direction for Berlin residents to work	2014	2017
Total Workers	2,858	2,982
Less than 10 miles	1,028	1,042
10 to 24 miles	734	743
25 to 50 miles	419	519
Greater than 50 miles	634	678

Source: Onthemap.ces.census.gov

The size and composition of an area's labor shed significantly influences the type of employers that may be attracted to Berlin based on a need for skilled labor. These implications are discussed in the Commercial/Office Market Analysis. However, these daily commuters also represent a significant pool of potential customers for local retailers. On average, workers in rural communities spend over $90 per week on trips associated with the workday excluding gas, but including lunch hour dining, shopping, and errands run en route to their place of employment.

Figure 7: City of Berlin Labor Shed
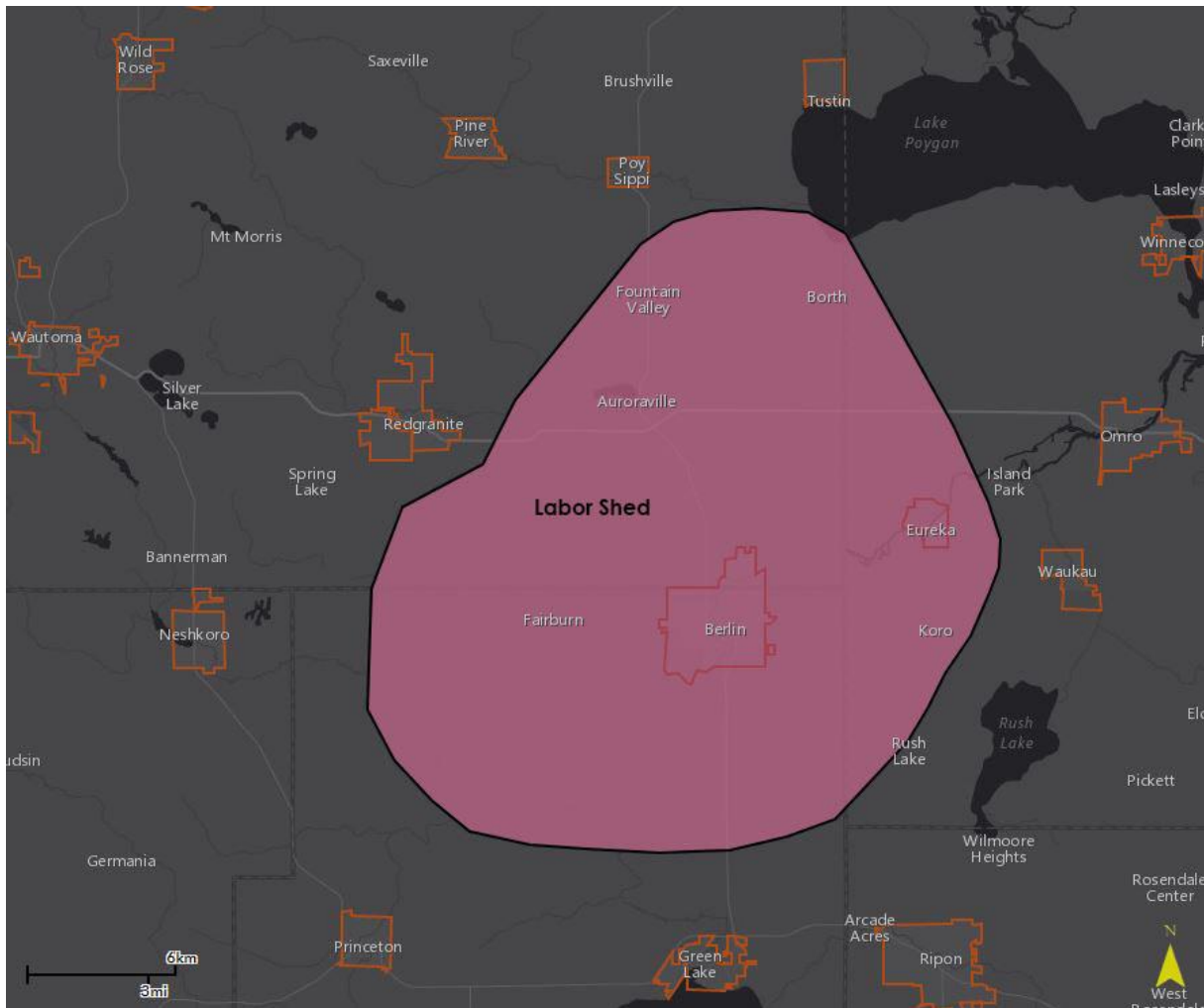
Source: Community & Economic Census

Figure 8 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% more than employees with less access to retail amenities. Spending on dining is especially impacted, as workers substitute lunch from home when restaurant options are not available. In contrast, restaurants in areas with daytime populations typically depend on this daytime (breakfast and lunch) spending for as much as 40% of total sales. The type of employment also changes the nature of spending, with shift workers less able to take advantage of the lunch hour for spending, but with greater pre- or post-work time frames to complete purchases.

Figure 8: Average Weekly Spending, Rural Worker
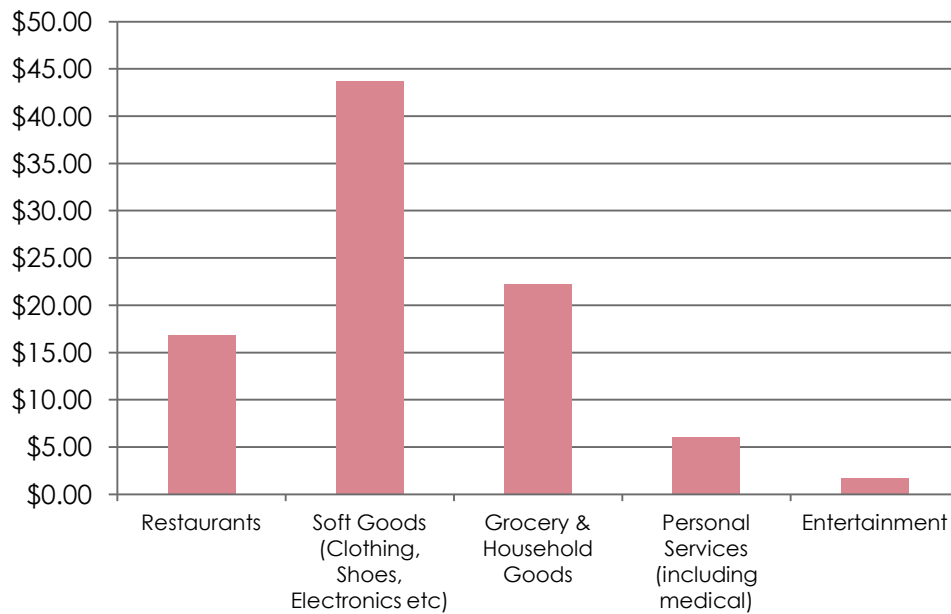
Source: International Council of Shopping Centers, 2012

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% 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% of local spending, while smaller retailers, especially those in more competitive market sectors, base projections on capturing 20% or less of local demand. Customers within each of these areas have numerous choices for retail offerings, and they make decisions based on proximity, price and quality of goods, customer experience, and convenience. Retailers in downtown, with a limited immediate residential trade area, must 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 Berlin 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 regarding total customer draw, but 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 that encourage customers to patronize adjacent and/or complementary retailers. Providing complimentary 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. Since the 2017 update, a piece of property was donated to the City for a kayak landing in the downtown area, and the City is working with Fox River Heritage Way to raise funds to develop the area. 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 Super Wal-Mart has been open for seven years. Typically, customer patterns can take up to three years to solidify following the introduction of a new retail opportunity. Therefore, Berlin's regional dominance in attracting retail and service dollars to the community is clear, with significant increases in both total spendings and per capita spending for both the Primary and Secondary Trade Areas.

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. Table 1 identifies some of the major retail types which have significant surplus demand and which are suitable for recruitment to Berlin. The potential additional stores ranking in the far right column indicates the potential for additional stores in both primary and secondary trade areas. The total surplus demand was divided by the regional average per store revenue for the retail category. Using this approach, categories that have surplus demand equivalent to three or more stores are considered to have a sufficient opportunity gap to support a new retailer. Stores ranked medium or high have the potential for more than three stores. Many retail store types will incorporate various line items in the store, which minimizes the amount of capture needed for a specific item line (i.e., book stores that also have a coffee bar, etc.). The retail demand change since the 2017 update shows that there is still a strong demand for many of the retail categories listed in Table 1.

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.

Table 1: Primary and Secondary Surplus Demand

Retail Category	Primary Area Trade Demand Surplus	Secondary Area Trade Surplus Demand (Additional Surplus Dollars)	Potential Additional Stores Ranking
Auto Parts, Accessories & Tire Stores	$895,327	$3,130,447	Medium
Home Furnishings Stores	$1,375,482	$3,287,873	Medium
Bldg Material & Supplies Dealers	$7,543,056	$12,221,668	Medium
Specialty Food Stores	$1,020,474	$14,442,328	High
Health & Personal Care Stores	$9,236,935	$2,745,084	Medium
Clothing Stores	$3,290,292	$8,691,727	High
Book, Periodical & Music Stores	$596,136	$1,268,587	Medium
Office Supplies, Stationery & Gift Stores	$1,406,064	$2,430,689	High
Full Service Restaurants	$6,062,030	$3,696,955	Medium

Source: ESRI 2019 Data

Based on current spending patterns, retail recruitment opportunities exist for restaurants, specialty stores, furniture and home furnishings, clothing, and office supply and stationery establishments. Most retailers in these sectors are locally owned and operated in small communities, although representative regional or national brands that 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, Dollar

Tree, RadioShack, GNC, Subway, McDonald's and Charming Shoppes, the parent company of clothing stores including Lane Bryant. [3]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 three counties and is home to more than 42,300 consumers.

In 2014, the University of Minnesota Extension published a study that reviewed the retail market of thirteen Greater Minnesota cities where a Wal-Mart Supercenter opened between 2000 and 2008. A total of 779 total retail and consumer service businesses were reported to have opened in those 13 cities after a Wal-Mart Supercenter had opened. There was greater growth in eating and drinking establishments in cities with a Wal-Mart Supercenter than for other Minnesota cities on average. The most frequently reported new or expanded business types in the 13-city study following a Wal-Mart Supercenter opening were limited-service and full-service restaurants, personal care services, health and personal care stores, sporting and hobby stores, auto repair and maintenance, and other miscellaneous retail. Another 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 that 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 ancillary activities associated with arts and entertainment benefit from the increased audience attracted by Wal-Mart.

A secondary recruitment strategy focuses 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 motor vehicle & parts dealers, automobile dealers, grocery stores, furniture stores, gasoline stations, restaurants, building materials, garden equipment, and general merchandise stores. Discount and dollar stores were mentioned as a common co-tenant for Wal-Mart facilities and could start to create a concentration of general merchandisers. However, the dominance of the grocery sector leaves minimal additional dollars available locally and regionally, making it difficult to introduce new retailers targeting these segments. Still, complementary product offerings may be a potential target if new retailers can attract existing customers within these segments.

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[3] Source: CoStar Group

Growth Potential

The market analysis shows strong evidence that the economy has recovered because of increases in median disposable income and per capita income for Berlin residents. The data shows that the Primary Trade Area's median disposable income is similar to Berlin residents' median disposable income. Interestingly, the 2017 update data showed there would be a slight decrease in the Primary Trade Area Population. However, the 2019 data available from ESRI, shows that there will be a slight increase (0.02%) in the Primary Trade Area population by 2024.

As customer demand has shifted, the supply of goods and services has also changed. Several categories that show strong sales locally include specialty foods, building material and supplies, garden equipment and supply stores, used merchandise stores, florists, home furnishing stores, and furniture stores, to name a few. Several categories with decreased sales include books and periodicals; and electronic shopping and mail order.

Electronic shopping and mail-order is an interesting category that will need to be reviewed in the coming years. The electronic shopping and mail-order demand in Berlin were roughly $12.5 million in 2015 and 2017 with roughly $9.5 million in sales in 2015 and $2.5 million in sales in 2017 leaving a retail gap of $10.1 million. In 2019, there was a $12.5 million demand and a $2.5 million supply in electronics shopping sales. These numbers are consistent with the 2017 numbers. One of the largest industry leaders in the electronic shopping and mail-order sector is Amazon.com, Inc. Due to more Americans buying online through retailers like Amazon, brick and mortar stores are closing. These stores, like Shopko, J.C Penny, Macy's, Sears and K-Mart, are not closing because of a deep recession but because of shifting spending habits and an inability to adapt to new habits unlike Kohl's. Kohl's adapted by allowing Amazon returns at stores nationwide. Stores like CVS and Walgreens have noticed these trends and have taken action. Walgreens has now partnered with FedEx. Customers can pick up packages at Walgreens or return a package at Walgreens using FedEx. This service gets people into their store, thus creating more purchasing opportunities.

Another trend impacting retail is the shift of spending from material goods to meals out with friends. In Berlin, spending on food and drinking establishments increased by 2% since the 2017 update. According to ESRI, there will be a 15% increase in food and drinking establishments by 2024. The high demand for food and drinking is a result of the experience-based economy. Businesses that deliver memorable events for their customers creating the memory as a product are considered part of the experience-based economy. 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 the local business mix has slightly altered spending habits, with customers more willing to focus spending on limited and focused trips. Currently, $0.73 of every dollar spent in the trade area comes from customers who reside within the trade area, while the remaining $0.27 of every dollar is attracted to the community in the form of regional visitors. This is a considerable improvement over 2010 when only $0.15 of every dollar came from outside the trade area. At the same time, Berlin's capture of local spending has decreased, with nearly 30% of local spending leaving the trade area, up from 16% in 2010. This may be explained by the fact that as per capita income has increased; consumers now have more disposable income and are making larger purchases. Unfortunately, these larger purchases are likely being made in larger market areas, such as Oshkosh or other Fox Valley cities.

Coordinated Marketing Strategies

There is significant potential for increased consumer spending capture in Berlin as a result of the regional traffic already attracted to Berlin. However, marketing to this population will be critical to maximizing this potential. Because of Wal-Mart's location on the western edge of Berlin, 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. This is critical if Berlin wishes 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 operation 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 the wraparound tagline or joint billboard purchase.

CHAPTER 2: HOUSING MARKET ANALYSIS

The housing market analysis provides an overview of local demographics, income and social factors that contribute to the demand for housing in the Berlin area. The analysis examines the impact of household size, income, age, and ownership status of Berlin's population. By studying this relationship and changes in these factors over time, we can identify current and future gaps in supply based on household needs. Categories that 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 Berlin. This larger pool includes employees currently working in or near Berlin who would prefer to live closer to their place of employment, downsized households resulting from empty nesters, and senior migration from rural areas seeking closer access to 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. Table 2 indicates the affordability of a home for Berlin and the State. An affordable home should not cost more than 2.5 times your gross annual salary. If you have significant credit card debt or other financial obligations, homeowners are further constrained when searching for an affordable home. A household making $45,237 can reasonably afford a home that is $113,092. However, the median home value is $144,015. Increased housing costs prevent local households from being able to enjoy a higher quality of life by requiring them to spend more of their discretionary income on housing.

Table 2: Housing Affordability

	City	State
Median HH Income	$45,237	$59,305
Maximum Affordable Home Price	$113,092	$148,262
Median Home Value	$144,015	$191,600

Source: ESRI, 2019 Housing Summary

Although housing as a whole is affordable within Berlin, further analysis of demand and supply of units based on age and income levels indicates there are significant segments of the population that 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.

Table 3 indicates the number of households within various age and income groups in Berlin. The bottom row shows the percentage of households within each age group that do not make an income sufficient to obtain housing in Berlin for less than 25% of household income. Cells that are shaded blue indicate that more than 75% of households rent and light blue shaded cells indicate that 40-74% of households rent. Although in many cases the decision to rent is driven by income, a growing percentage of the population falls 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. Tables 3, 4, 5, and 6 were not updated because the data used in the projections have not been updated since 2013. Additionally, the 2020 Census will provide better data when it becomes available in 2021. These tables will need to be updated in the next 2021 update. At this time, the data is still consistent with national trends.

Table 3: Affordability of Owner-Occupied Units

Affordability of Owner-Occupied Units								
Income Bracket	<25	25-34	35-44	45-54	55-64	65-74	75+	Affordable Rent**
<$15,000	18	36	28	46	50	34	56	$312
$15,000-$24,999	26	36	37	26	52	34	92	$417
$25,000-$34,999	6	34	33	29	38	56	72	$625
$35,000-$49,999	16	62	66	65	85	77	49	$875
$50,000 -$74,999	19	76	107	136	123	82	22	$1,292
$75,000-$99,999	4	43	45	85	64	35	12	
$100,000-$149,999	3	20	43	43	38	16	12	
$150,000-$199,999	0	5	8	11	7	4	3	
$200,000 or more	0	3	4	5	3	1	0	
Total	92	315	371	446	460	339	318	
Population with Housing Costs over 25% of Income*	48%	23%	18%	16%	22%	20%	47%	

*Based on monthly mortgage payment with 20% down, 30 years 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%; half of the 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. Within the renter pool, there are differences in the type of units preferred. A majority of younger renters (under 25) live in large apartment buildings of 5-50 units, while middle-aged renters prefer single-family homes or buildings with less than four units. Approximately 14.2% of housing units in Berlin are in buildings larger than five units. Older renters are split between smaller buildings and large senior housing apartment buildings. Tables 4 and 5 more clearly display this data by age of the householder.

Table 4: Percent Distribution of Ownership by Age Cohort

Percent Distribution of Ownership by Age Cohort							
Tenure	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%
Total	100%	100%	100%	100%	100%	100%	100%

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 Table 5. According to the Wisconsin Realtor's Association, home sales activity for Green Lake County have been well over 200 homes each year since 2013. In 2017, a total of 367 homes were sold in Green Lake County. In 2018, 342 homes were sold in Green Lake County. As of September 2019, a total of 199 homes have been sold, which is 57 less than at the same time in 2018. In 2017, 387 homes were sold in Waushara County and 401 homes were sold in 2018. As of September 2019, a total of 262 homes have been sold, which is 55 less than at the same time in 2018. This could be a start to a slower housing market due to people not building because of construction costs.

Table 5: Owner Occupied Units by Age Cohort

Owner Occupied Units by Age Cohort							
Type of Unit	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 homeowners, 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 apartments or senior housing properties. These larger properties typically offer a combination of amenities, limited upkeep and social opportunities that are attractive to these age groups. Market evidence of this growing rental market is evident by the 84% of rental housing which has been built in Berlin since 1980, with consistent construction of approximately ten units per year until the last several years. Perhaps because of consistent increases in supply, 2017 housing statistics identified a vacancy rate of approximately 13 percent of Berlin's rental stock, but less than three percent vacancy for the sales market.

Table 6: Renter Occupied Units by Age Cohort

Renter Occupied Units by Age Cohort							
Type of Unit	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

Since the recession, an increasingly larger number of households have switched to renting as opposed to homeownership, 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% of these households rented. Adults aged 75 and older also saw more than a 10% increase in the percentage of households renting over the same decade. A portion of this increase may be a result of additional facilities that were constructed over this 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 in Table 7. This table reflects the owner-occupied percentages and renter-occupied percentages that are prevalent in 2019 that show a higher percentage of renter-occupied housing. For example, in the 2020-2025 timeframe, there is a demand for 31 additional rental units instead of the 22 rental units as indicated in the 2017 update.

A higher renter-occupied unit percentage is a local and national trend. Blue shading indicates segments of the population anticipated to experience household growth, while the white shading indicates a decline in households with the age group for the corresponding decade. According to both leading demographics firm ESRI and the Wisconsin Department of Administration, the overall trend shows a slow increase in population through about 2030. Household growth will increase faster, however, than the anticipated growth in population. Household growth will be uneven due to the general trend toward an aging population.

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 2035. 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, even after population growth slows and reverses as average household size continues to decline. 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 continue to capture a proportional share of regional and age cohort growth, this would provide an additional 20 households over age 75 by 2025, and 51 additional households over age 75 by 2035. These households are most likely to rent and to make changes in living arrangements based on life changes (i.e., the death of a spouse, injury, physical ability). The current trend in senior housing is to create a continuum of care projects located near existing commercial environments that provide access to amenities. Desirable nearby amenities include pharmacies, medical care, restaurants and park space. These elements are abundant downtown, making senior housing an ideal redevelopment strategy in or surrounding the downtown area. Facilities that provide a continuum of care, including independent living arrangements, also provide a larger consumer base for downtown businesses, including residents and visitors.

Empty nesters are also a target for urban neighborhood living and represent an additional growth sector within Berlin and the larger 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.

Table 7: City Household Trends 2020-2035

Age of Householder	2015-2020	2020-2025	2025-2030	2030-2035
<25 years	-3	-4	-4	-5
25-34 years	1	-1	-3	-8
35-44 years	4	1	-3	-7
45-54 years	10	7	2	-4
55-64 years	-7	9	1	-4
65-74 years	30	45	35	28
75+ years	14	20	28	23
Total Change in Households	**49**	**77**	**56**	**23**
New Rental Units Supported	16	22	18	6
New Owned Units Supported	33	55	38	17

CHAPTER 3: COMMERCIAL/OFFICE MARKET ANALYSIS

This section of the 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 that 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% customer-oriented retail/restaurant and 65% 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 that are likely to be successful in drawing a local workforce and/or customer base. While it is still desirable to create clusters of related consumer-oriented retail to support multi-stop visits, the size of Berlin's downtown makes it likely that professional business spaces continue to have a significant presence in downtown storefronts.

Workforce Profile

As mentioned previously, Berlin can draw from a regional workforce to fill jobs within the community. As of 2019, there were 1,935 people who work in Berlin. However, 1,478 of the City's workers commute to Berlin from outside the City. This means only 537 residents live and work in Berlin.

Because of the net daily 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 Berlin, agriculture and mining; construction; manufacturing; transportation and warehousing; public administration; arts, entertainment and recreation; and accommodation and food service have sufficient local workers and do not need to import additional workers from other parts of the region.

Table 8 identifies the number of residents in these occupational classifications (workers in Berlin) and the number of jobs available in these occupational classifications in Berlin. If there are more workers than jobs available, then workers will have to commute out of Berlin. For example, there are 120 workers identified in the construction occupation, but only 17 jobs available in Berlin. Therefore, 103 residents must commute out of Berlin. This is an increase of 13 workers since the 2017 update. Occupations that do not have enough available jobs within Berlin are indicated in red. These are potential areas for jobs within Berlin.

Table 8: Occupational Classification for Berlin

Occupational Classification	Workers in Berlin	Jobs in Berlin	Surplus Workforce (population commuting out)
Agriculture & Mining	34	15	19
Construction	120	17	103
Manufacturing	837	826	11
Wholesale Trade	83	63	20
Retail Trade	349	224	125
Transportation & Warehousing	92	61	31
Information	43	47	-4
Finance/Insurance/Real Estate	115	199	-84
Educational Services	179	284	-105
Public Administration	152	127	25
Health Care & Social Assistance	400	388	12
Arts, Entertainment, and Recreation	29	6	23
Accomodation & Food Service	211	112	99
Total	2,644	2,369	275

Source: Community & Economic Census

Similarly, there are some occupational classifications within the labor shed that are underrepresented in Berlin and the surrounding communities (Table 9). Particularly, workers with manufacturing skills are required to travel to Oshkosh or other larger employment centers for employment. This commuting workforce represents 40% of the workforce within the labor shed or more than 4,000 local workers who 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 below. Most sectors in the labor shed have a shortage of local employment, meaning that workers from outside the region must commute to work.

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 and are likely located in Green Lake and Wautoma. 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 technology, legal, insurance or other back-office industries (processing, claims) and health care. Many of these sectors are represented in the new commercial node on Berlin's east side, but would also be appropriate tenants for downtown if suitable space is made available.

Table 9: Occupational Classification for the Berlin Labor Shed

Occupational Classification	Workers in Labor Shed	Jobs in Labor Shed	Surplus Workforce (population commuting out)
Agriculture & Mining	63	66	-3
Construction	220	79	141
Manufacturing	1390	905	485
Wholesale Trade	154	93	61
Retail Trade	593	497	96
Transportation & Warehousing	168	110	58
Information	68	47	21
Finance/Insurance/Real Estate	171	202	-31
Educational Services	305	284	21
Public Administration	290	141	149
Health Care & Social Assistance	650	403	247
Arts, Entertainment, and Recreation	45	10	35
Accomodation & Food Service	353	136	217
Total	4,470	2,973	1,497

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.

Tables 10 and 11 provide the age of workers, their earning breakdown, and educational attainment for Berlin, and for the labor shed. For Berlin and the labor shed, the data is provided for the residents within the area and for the workers that commute to the area. As can be seen for those age 29 and younger, there is a higher percentage that live within the area than commutes into the area. However, these workers could be commuting out of Berlin or the labor shed.

Table 10: Berlin Work Area Profile

| | Berlin | | | |
| | Residents | | Workers | |
Worker Age	Count	Percent	Count	Percent
Age 29 or younger	727	24%	516	20%
Age 30 to 54	1,537	52%	1273	50%
Age 55 or older	718	24%	747	30%
Earnings	Count	Percent	Count	Percent
$1,250 per month or less	761	26%	624	25%
$1,251 to $3,333 per month	1,113	37%	981	39%
More than $3,333 per month	1,108	37%	931	37%
Worker Educational Attainment	Count	Percent	Count	Percent
Less than high school	212	7%	177	7%
High school or equivalent, no college	809	27%	743	29%
Some college or associate degree	798	27%	709	28%
Bachelor's degree or advanced degree	436	15%	391	15%

Source: Onthemap.ces.census.gov

Table 11: Labor Shed Work Area Profile

| | Labor Shed | | | |
| | Residents | | Workers | |
Worker Age	Count	Percent	Count	Percent
Age 29 or younger	1,182	23%	666	21%
Age 30 to 54	2,579	51%	1587	50%
Age 55 or older	1,299	28%	948	30%
Earnings	Count	Percent	Count	Percent
$1,250 per month or less	1,288	26%	792	25%
$1,251 to $3,333 per month	1,827	36%	1271	40%
More than $3,333 per month	1,945	38%	1138	36%
Worker Educational Attainment	Count	Percent	Count	Percent
Less than high school	344	7%	249	8%
High school or equivalent, no college	1,364	27%	934	29%
Some college or associate degree	1,373	27%	874	27%
Bachelor's degree or advanced degree	797	16%	478	15%

Source: Onthemap.ces.census.gov

Future Trends

An additional long-term opportunity for Berlin is the ability to increase its market share of younger workers. In the 2017 update, more than a quarter (29%) of the jobs in the community were held by individuals aged 55 and older. Now, less than a quarter (24.1%) of jobs are held by individuals aged 55 and older. In the regional labor shed, 25.7% of jobs regionally are held by workers aged 55 or older. 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 that appeal to entrepreneurial 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 locally owned and operated establishments can create a local culture of entrepreneurship and create opportunities for local partnerships.