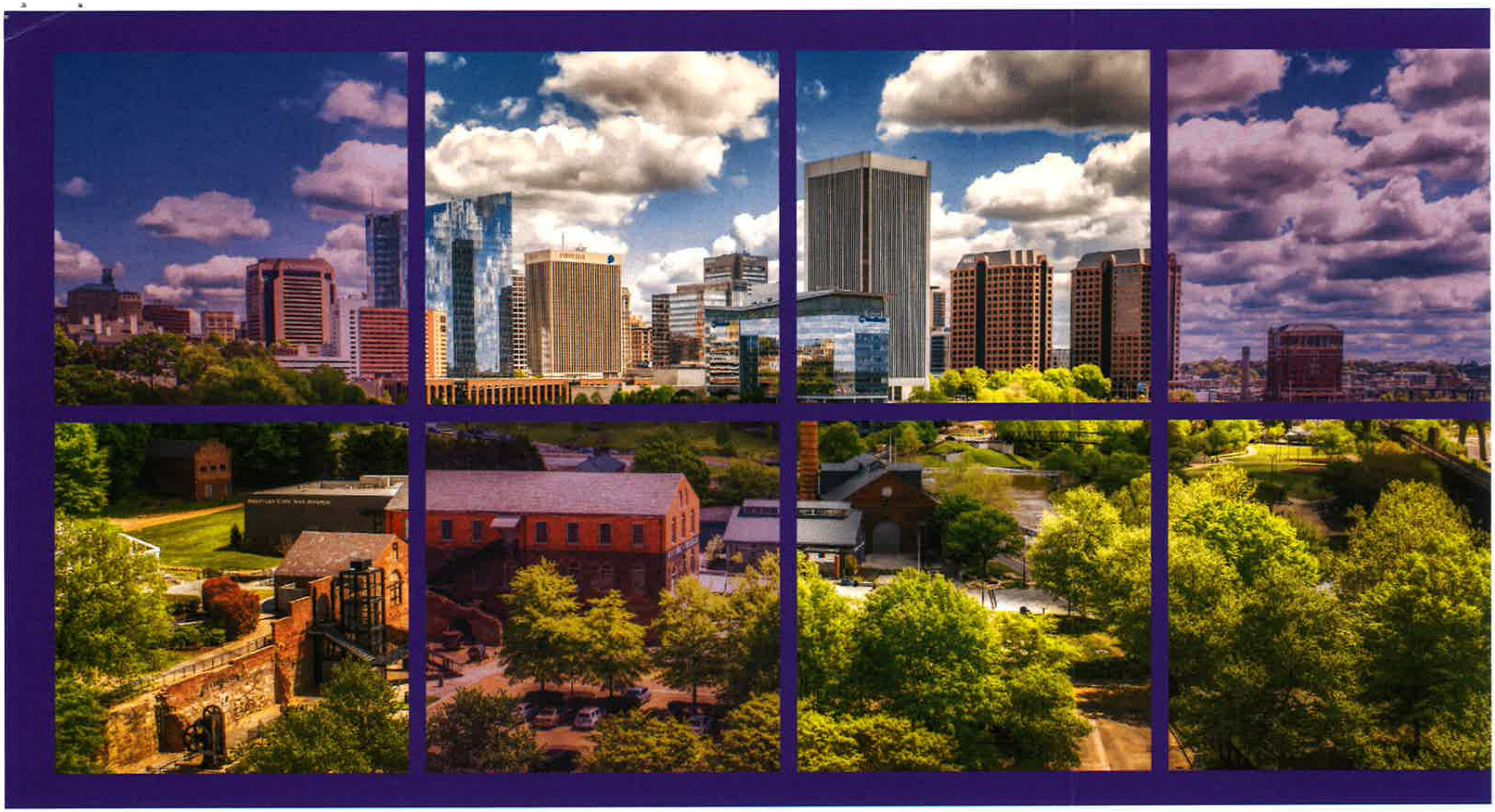

The Value of Downtowns: Comparisons

A COMPARATIVE ANALYSIS OF DOWNTOWN RICHMOND, VIRGINIA

A 2022 IDA STUDY

A 2022 PUBLICATION CREATED BY
THE INTERNATIONAL DOWNTOWN ASSOCIATION

INSPIRED LEADERS
SHAPING CITIES

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COMPARATIVE ANALYSIS

The Value of Downtowns Principles

ECONOMY

Downtowns and center cities occupy a small share of city land area but have substantial regional economic significance. As traditional centers of commerce, transportation, education, and government, downtowns frequently function as economic anchors of their regions. Because of a relatively high density of economic activity, investment in the center city provides a greater return per dollar than other parts of the city. Just as regional economies vary, so do the economic profiles of center cities—the relative concentration of jobs, economic activity, retail spending, tax revenue, and innovation varies across our sampling. Comparing the economic role of downtowns and center cities to the larger city or region is useful in articulating their unique value, as well as in setting development policy.

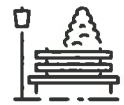
INCLUSION

Downtowns and center cities welcome all residents of the region, as well as visitors, by providing access to opportunity, essential services, culture, recreation, entertainment, and civic activities. Though the specific offerings of each downtown may vary, they share the attributes of density, accessibility, diversity, which promotes this access.

VIBRANCY

Thanks to a wide base of users, downtowns and center cities can support a variety of retail, infrastructure, and institutional uses that offer broad benefits to the region. Many unique regional cultural institutions, businesses, centers of innovation, public spaces, and activities are located downtown. The variety and diversity of offerings respond to the regional market and reflect the density of downtown development. As downtowns and center cities grow, their density—of spending, users, institutions, businesses, and knowledge—allows them to support critical infrastructure, such as public parks, transportation services, affordable housing, or major retailers that can't function as successfully elsewhere in the region.

IDENTITY



Downtowns and center cities preserve local heritage, provide a common point of physical connection for regional residents, and actively contribute to the brand of their region. Combining community history and personal memory, a downtown's cultural value plays a central role in preserving and promoting the region's identity. Downtowns and center cities serve as places for regional residents to come together, participate in civic life, and celebrate their region, which in turn promotes tourism and civic society. Likewise, the "postcard view" visitors associate with a region is virtually always an image of the downtown.

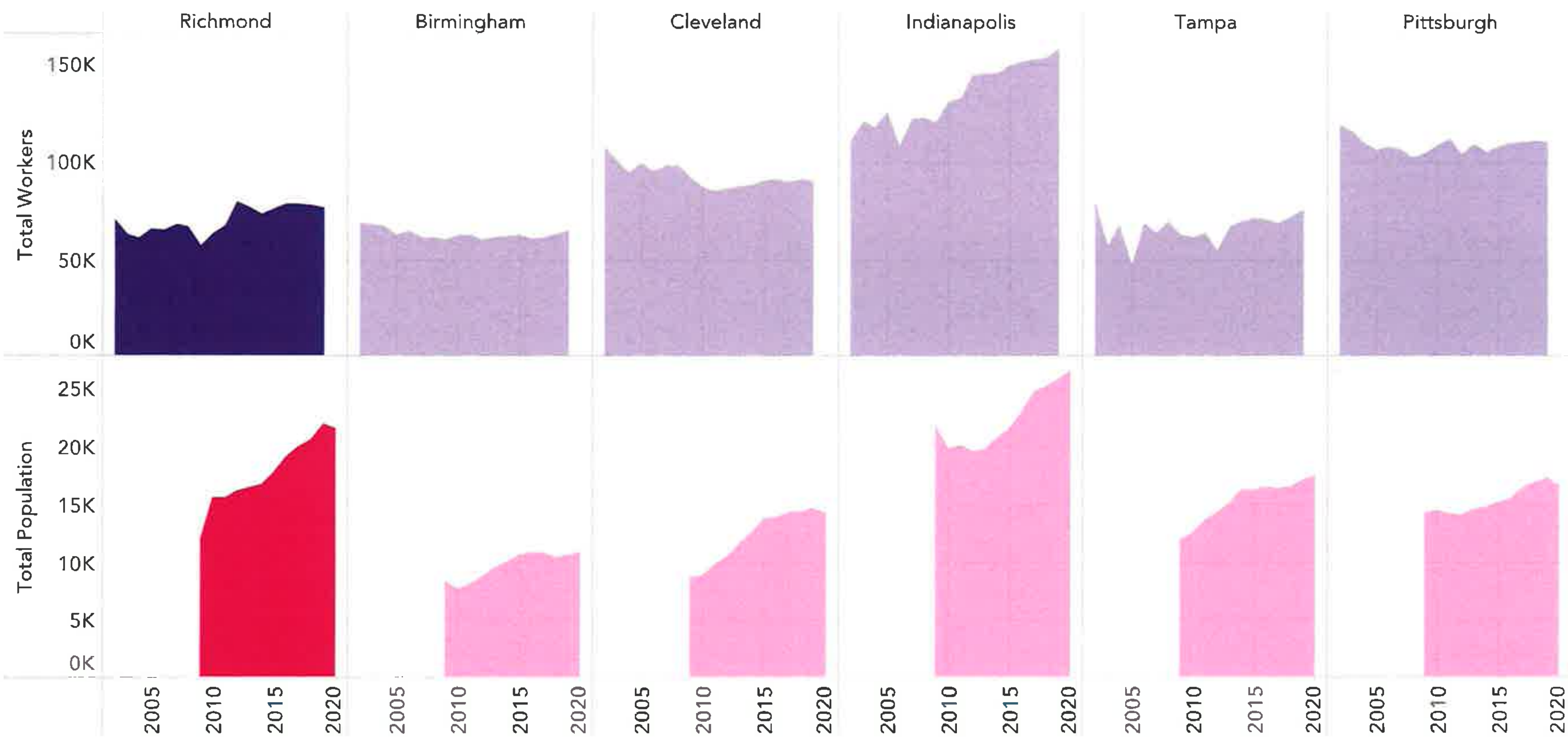
RESILIENCE

Resilience, broadly defined, represents a place's ability to withstand shocks and stresses. Because of the diversity and density of resources and services, center cities and their inhabitants can better absorb economic, social, and environmental shocks and stresses than their surrounding cities and regions. The diversity and economic strengths of downtowns and center cities equip them to adapt to economic and social shocks better than more homogenous communities. Consequently, they can play a key role in advancing regional resilience, particularly in the wake of economic and environmental shocks that disproportionately affect less economically and socially dynamic areas.

KEY POINTS

- Downtown Richmond fits well within these peers, it is near the average on many metrics but stands out noticeably in others, such as residential growth and assessed value per square mile.
- Conversion of office properties to new uses such as residential and hospitality, a popular topic nationally, has been transforming downtown Richmond for the past 15 years. Being ahead of the curve in this area has brought many benefits to downtown.
- Downtown has built a predominantly young and well-educated residential base and a diverse mix of employers. These traits position downtown Richmond well for resilience and continued success in the future.

Study Area Worker and Resident Population Change



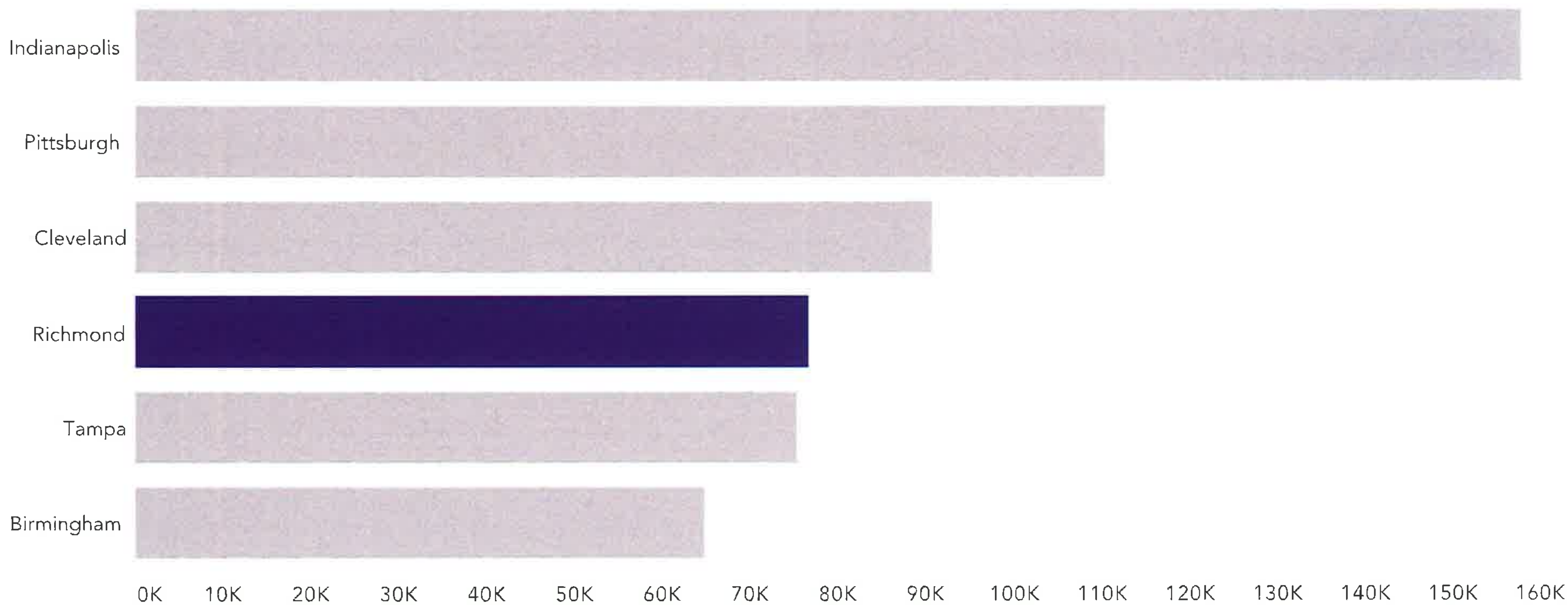
Sources: Employment data, On the Map (2002–2019); Population data, U.S. Decennial Census (2010), American Community Survey 5-Year Estimates (2009–2020)

Downtown Richmond leads its peers on creating a balanced live-work environment.

With 76,650 downtown workers, Richmond stands near the average for its peers, ahead of Birmingham and Tampa, but behind Cleveland, Pittsburgh, and Indianapolis. This represents 50% of citywide employment. Downtown Richmond has a higher share of citywide jobs than any of its peers. Of all study participants, only Miami has a higher share of citywide employment centered downtown.

In its peer group, downtown Richmond's residential population of 21,600 is second only to Indianapolis, which has 26,570 residents. Downtown Richmond has sustained remarkable population growth, increasing by 120% between 2000 and 2020. Though downtown population receded slightly in 2020. It remains to be seen if this is a temporary dip, potentially due to the impact of the COVID-19 pandemic on the college student population, or if it is the start start of a more stable period in downtown's population trajectory. Of Richmond's peers, Pittsburgh and Cleveland also had a small downtown population dip in 2020, while the other peers had small increases.

Downtown Primary Jobs



Source: LEHD On the Map (2019)

Downtown Richmond employment has stayed in the middle of the pack in recent years.

Downtown Richmond has about 77,000 primary jobs downtown. Primary jobs are an individual's highest paying job, if they have more than one. This puts it near the median of its peers, which is 83,700. At 24,000 jobs per square mile, downtown Richmond is also close in density to the peer median of 26,341 primary jobs per square mile.

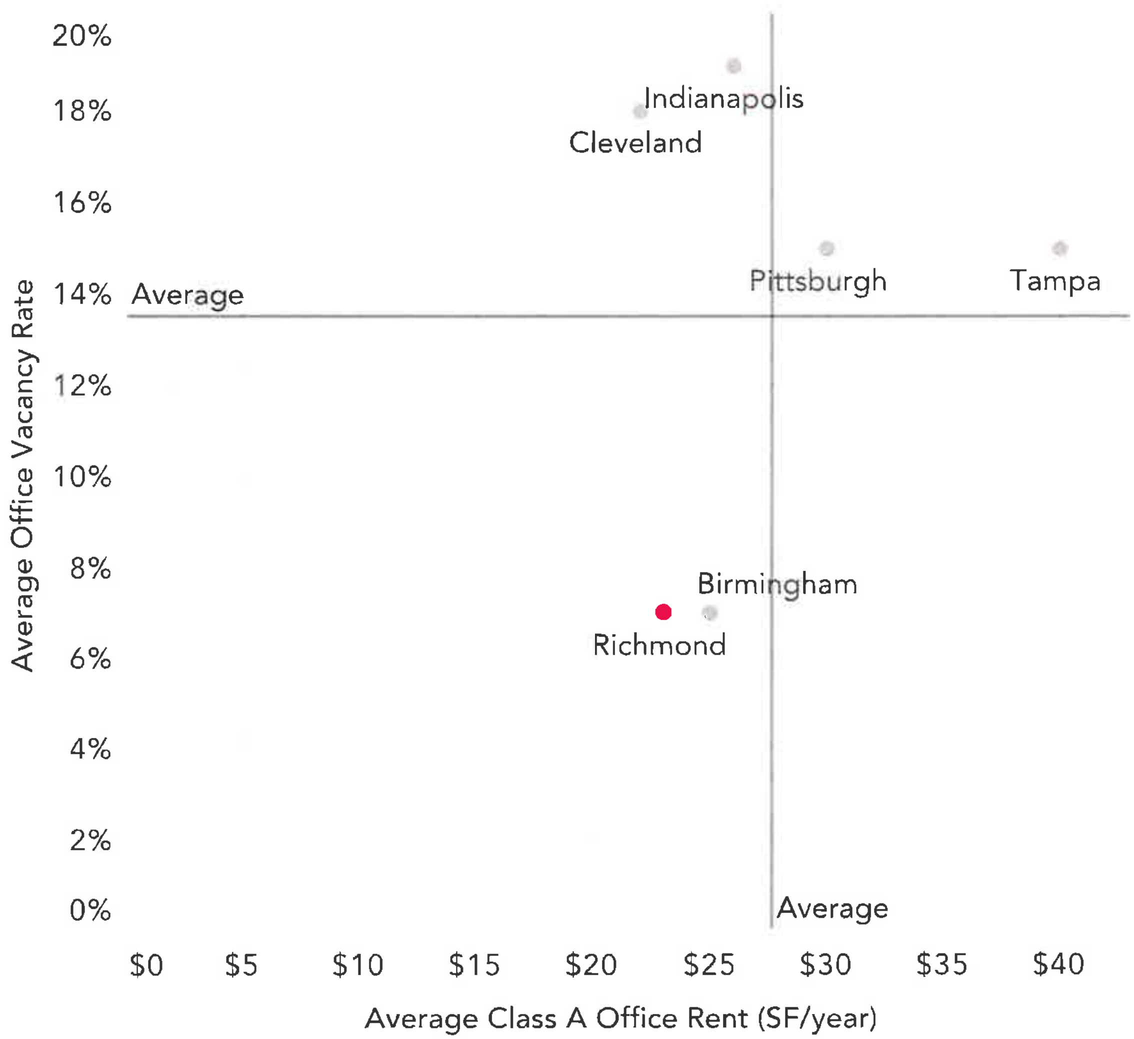
At 158,000 and 110,500 jobs respectively, Indianapolis and Pittsburgh stand far above the rest of the peer group in primary jobs numbers. As discussed earlier, downtown Indianapolis at 5.7 square miles has a somewhat larger area than the other downtowns in this peer set, which range between 2.7 and 3.2 square miles. Downtown Pittsburgh has by far the densest employment downtown of the comparisons peers, at over 40,500 jobs per square mile, which is close to double Richmond's downtown job density.

This data is from 2019, the most recent year currently available from the U.S. Census Bureau's LEHD employment statistics. We would expect changes due to the profound impact of the COVID-19 pandemic, and how continued work from home will impact the downtown employment and retail landscape, particularly for government employees, is as pressing a question for downtown Richmond as it is for many cities.

Percentage of Downtown Primary Jobs in Top Industries

Source: LEHD On the Map (2019)

Office Rent and Vacancy (Most Current Data Year)



Sources: CoStar Group (2022), CBRE (2021), JLL (2020), Pittsburgh Downtown Partnership (2020), Avison Young (2020)

Downtown Richmond's office market has several unique factors that have led to tighter vacancies but also lower rents.

Downtown Richmond's office market is the tightest among its peers; at 6.5% vacancy, only Birmingham at 7.0% can compare. Though Richmond's vacancy rate is far below the peer average of 14%, at about $23.25psf, average Class A office rents downtown are also slightly below average.

Downtown office rents have been remarkably flat in Richmond, only up 3% since a low in 2011. As previously discussed, downtown Richmond's primary jobs have been steady around 77,000 since 2016. This lack of growth means there is little new demand in the market to provide upward pressure on office rental rates.

Over the same time frame, since 2011, total office inventory downtown has shrunk 7%, a reduction of almost 1.5M sf. Downtown Richmond was ahead of the curve with conversions of historic office properties to new uses, which has become a prominent topic nationally as cities assess the impacts of work from home. Those conversions are a strong contributor to the trends seen here. These older properties eligible for historic tax credits are not typically direct competitors with Class-A space, which is why their removal from the office supply has not pushed rents. But their removal from the market has still been significant, keeping Richmond's office vacancy rate far below most of its peers.

The preservation of these historic properties with new uses also helps maintain a unique and varied architectural tapestry, just one part of downtown Richmond's identity.

Inclusion

As the economic center and heart of the city, a downtown must include all populations and represent the city around it. Downtowns and center cities provide access to opportunities and essential services for diverse users, positioning them as highly inclusive urban nodes.

	Downtown Richmond	Comparisons Peers Average	Established Average	Study Average
% citywide population	9.4%	5.2%	9.1%	4.7%
% of citywide 25–34-yr-olds living in the district	13.8%	7.9%	14%	7%
Resident growth 2000 to 2020	120%	57%	54%	47%
Density (residents/acre)	11	8.4	24	12
Diversity Index	69	64.8	69.4	66

Sources: American Community Survey 5-year Estimates (2020), U.S. Census (2000), ESRI Business Analyst Online (2022)

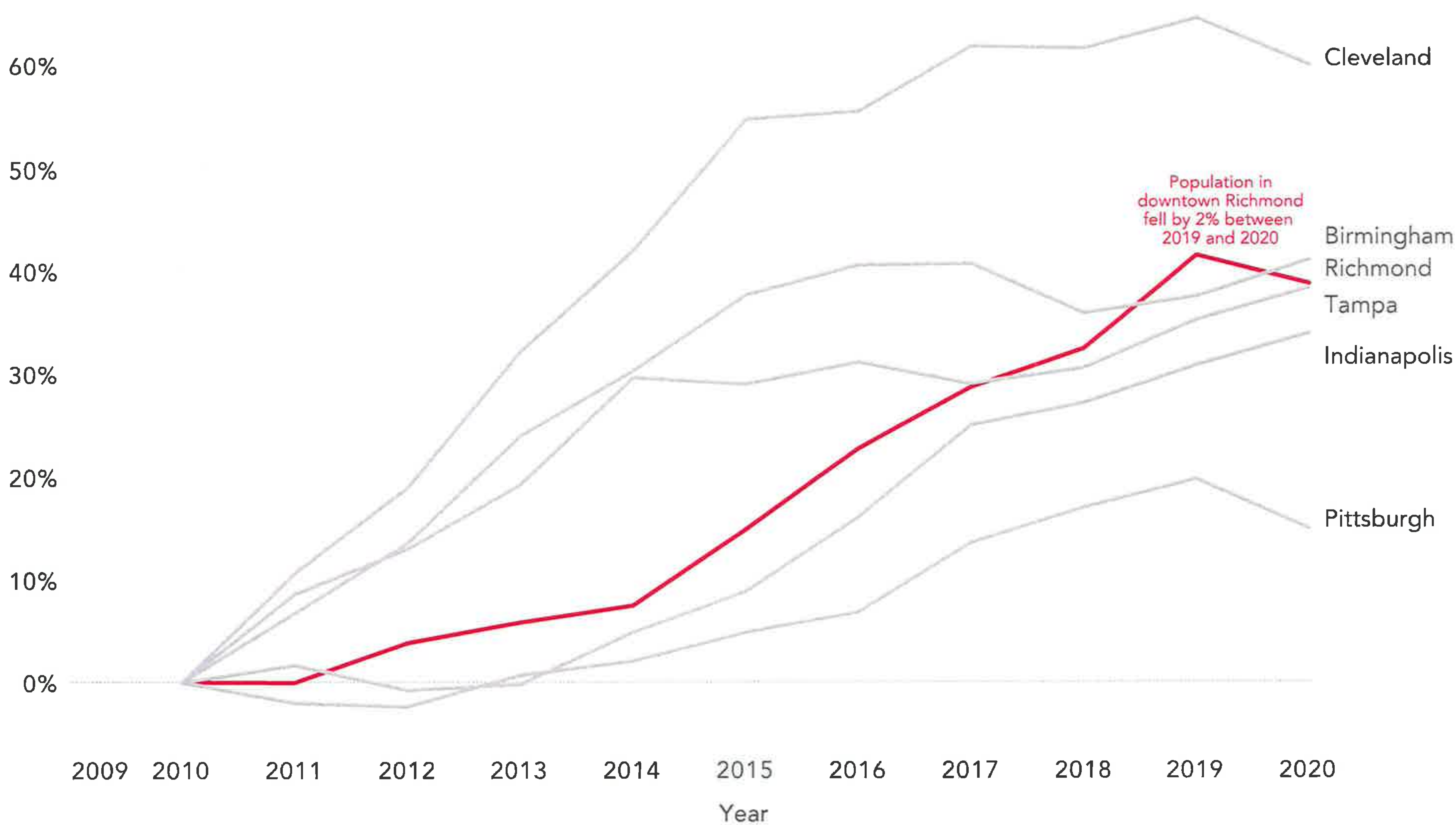
Compared to its peers, downtown has a high share of citywide population and citywide young professionals

Since 2000, downtown population has more than doubled. This 120% growth over the last two decades puts Richmond in the top echelons of downtown residential growth, not just among its peers, but among all study downtowns. Downtown Richmond is 6th of all study downtowns in population growth over that time frame, though most of the downtowns which have had higher relative growth were also much smaller than Richmond at the turn of the millennium. Of all IDA's study downtowns, only Dallas had both greater downtown population than Richmond in 2000 and a higher relative growth since then.

Downtown Richmond now holds almost 10% of the city's total population, far above its peers, and on par with other established downtowns. These residential numbers include students who live off-campus downtown but exclude anyone living in group quarters such as dorms. From 2010-2020, downtown population continued growing far faster than Richmond overall, in those years downtown's 3.2 square miles absorbed 22% of all of the city's population growth. The 25-34 age cohort has contributed significantly to this strong residential growth. In 2009, there were less than 3,000 individuals in that age group living downtown. In 2020 there were nearly 7,000. Downtown's share of citywide 25-34 year olds, while very high compared to its peers, is about average for other established downtowns.

At 11 residents per acre downtown, Richmond is just below the study-wide average density of 12 residents per acre. While it is significantly ahead of its peers, which average 8.4 residents per acre, downtown Richmond has less than half the residential density of other established downtowns, which average 24 residents per acre.

Relative Population Growth since 2010



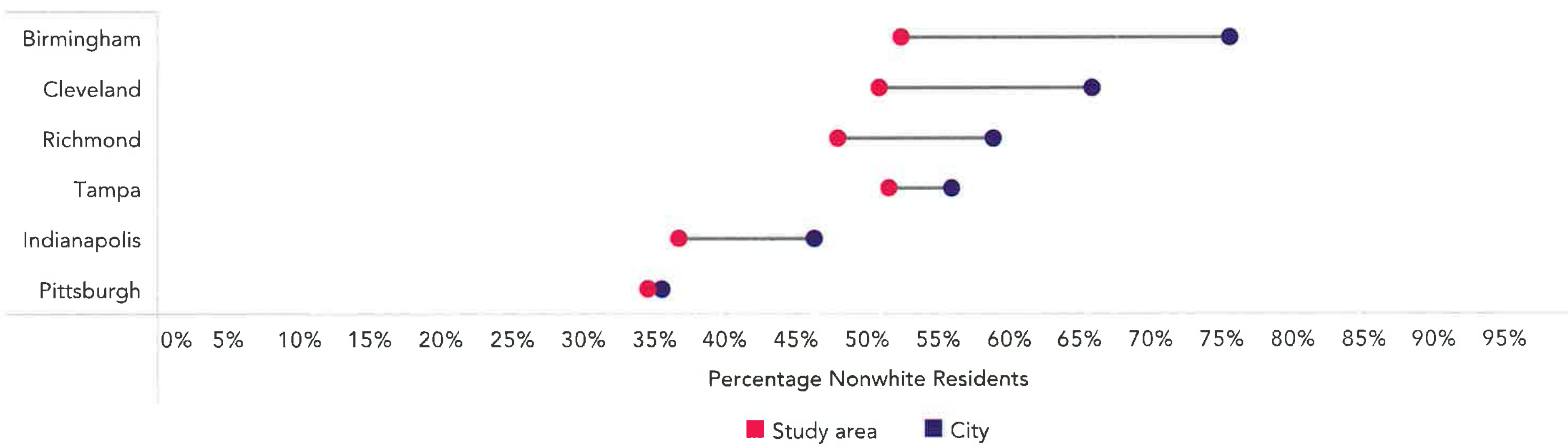
Source: American Community Survey 5-Year Estimates (2010–2020)

Among its peer downtowns, Richmond is around average in residential diversity.

Measuring residential racial diversity provides a good proxy to show downtown inclusiveness. Downtown Richmond's population is 52% White, 30% Black, 6% Asian and Pacific Islander, and 4% Hispanic or Latino according to ACS data. With a total of 48% Nonwhite population, downtown Richmond is slightly more diverse than its peers, but still near the comparisons peers average of 45.5%. Downtown Richmond's Diversity Index, which measures the chance of two randomly selected residents being different race, is 69, nearly identical to its peers' average of 69.4.

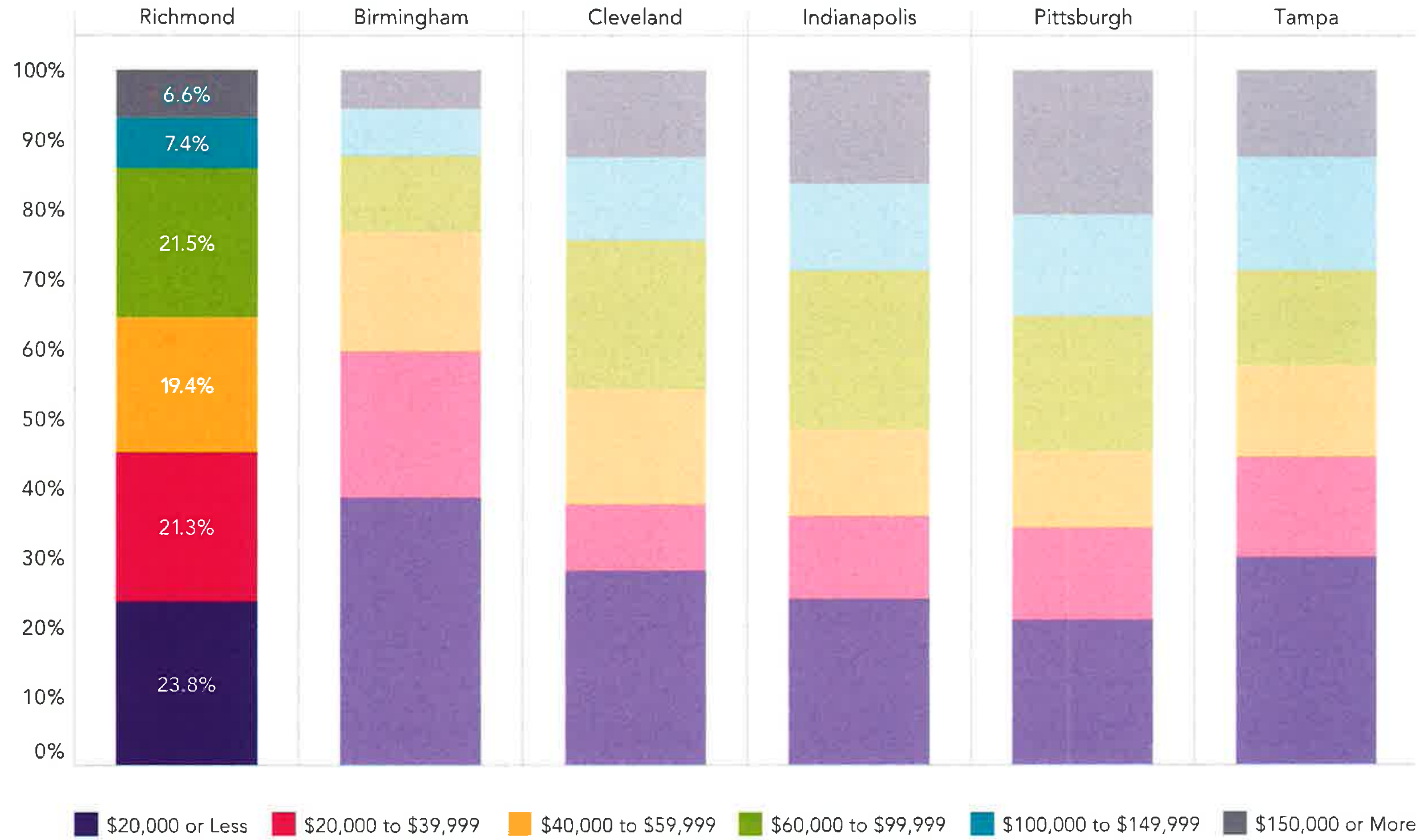
The peer downtowns are all less racially diverse than their respective cities by varying degrees. On average, they have an 11% smaller share of nonwhite residents. Downtown Richmond matches this average exactly. This average is weighed by outliers on both sides, such as Pittsburgh, where the downtown and city are almost identical in residential racial composition, and Birmingham, where downtown is 48% White, but the city overall is 75% Nonwhite.

Percentage of Nonwhite Residents, Study Area and City Comparison



Source: American Community Survey 5-Year Estimates (2020)

Percent of Households by Income

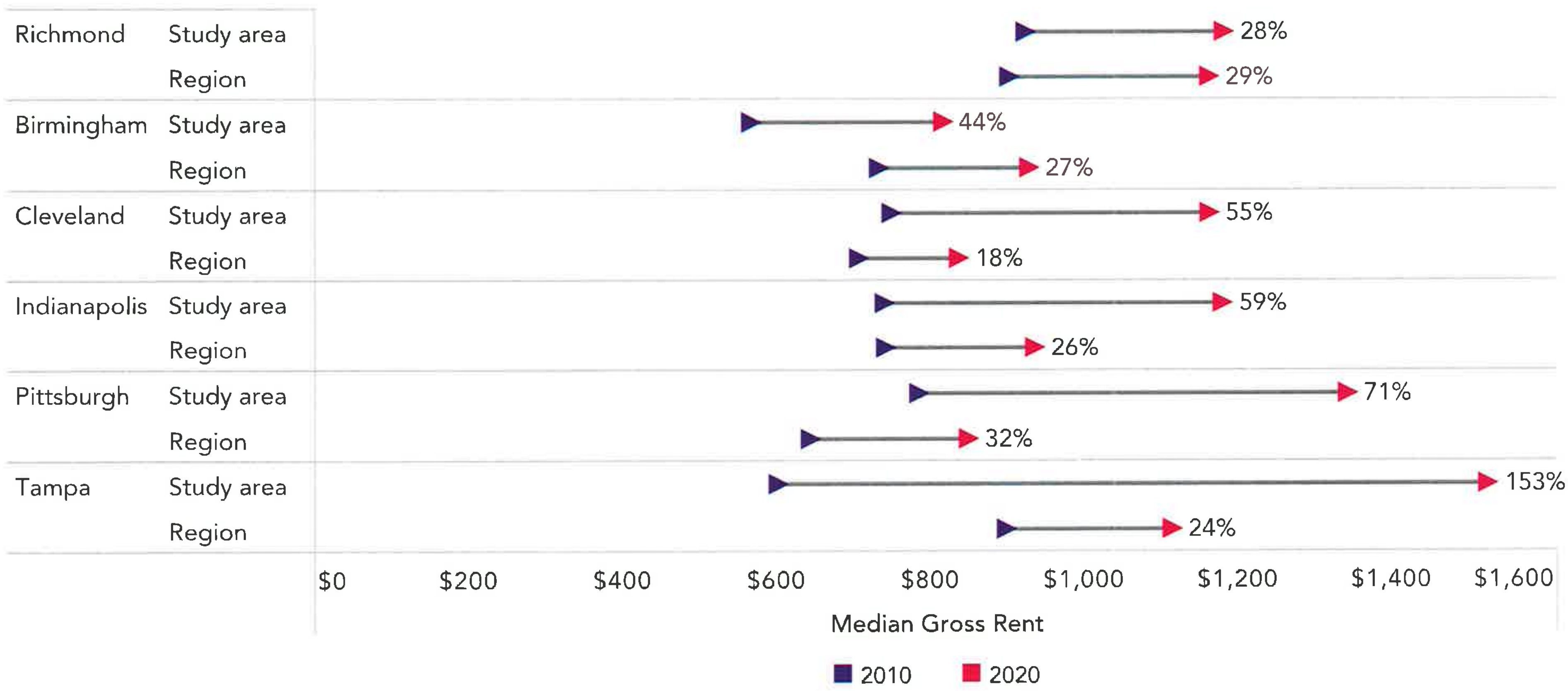


Source: American Community Survey 5-Year Estimates (2020)

Downtown has the largest share of middle-income households of its peers, but a comparatively small share of high-income households.

Downtown median household income is lower than most of its peers. In part this is because downtown Richmond does not have many households in the highest income brackets –only 14% of households have income over $100k. Only downtown Birmingham, with 13% of households at $100k+ income, has a lower share of high-income households among downtown Richmond's peers. But there is a large share of middle-income households downtown ($40K -$100K). With 41% of household incomes in downtown Richmond in this range, downtown has the highest share of middle-income households out of its peer group.

Rent Growth Over Time Study Area and Region



Source: American Community Survey 5-Year Estimates (2010, 2020)

Richmond's downtown remains affordable compared to the region, while in peer downtowns, affordability has been steadily eroding.

Real estate markets tend to be highly localized, but over the years housing affordability has become a concern in nearly every market. In Richmond, rents in downtown have increased in almost perfect lock-step with regional rental rates, according to ACS data. As rental rates in downtowns nationally have exploded, this lends downtown Richmond some advantage relative to its peers in affordability. At just 28% median gross rent increase between 2010 and 2020, downtown Richmond has by far the lowest rent hikes downtown out of the comparisons peers. Across the rest of the peer group, rents downtown are increasing not only faster than downtown Richmond, but also much faster than their respective regions. In many cases, rents downtown are increasing twice as quickly as regional averages. In Tampa, median gross rents have grown by 153% in 10 years, six-fold more quickly than regional averages.

A large share of population growth downtown comes from student-age individuals staying downtown as young professionals.

Downtown Richmond has a tremendous share of residents in the 18-34 age bracket. About two out of every three downtown residents is in that age group, 66% in total, a trend that was noted in our previous *The Value of U.S. Downtowns and Center Cities* report on Richmond. This is a stark contrast to the region, where that age group makes up less than a quarter of inhabitants. In turn, there are few older adults in downtown. Individuals 50 and over make up only 15% of downtown Richmond residents, in the region overall that age group makes up 35% of the population, more than double downtown's share.

Though some of Richmond's peers also have universities in or near downtown, none of the peers can match downtown Richmond's share of 18-34 year old residents, though several do come close including Pittsburgh with 62% and Birmingham with 60%. Over the past decade, there has been a clearly visible trend of shifting ages in the downtown population of Richmond. The 18-24 cohort has steadily lost relative population share, while the 25-34 age bracket has steadily gained in downtown population share. As the 18-24 age group remained fairly level in total numbers in the 2010s, other age groups grew in total size, and 18–24-year-olds have gradually come to represent smaller piece of the larger, growing downtown population. This can certainly be inferred to be young adults of college age staying downtown as they enter their early professional years, contributing to downtown Richmond's strong population growth.

This trend stands out in downtown Richmond, only Pittsburgh displays a similar, though far less pronounced, trend of retaining younger adults. Though downtown Richmond is definitively on top when it comes to attracting young residents, it is worth noting that in all the peer downtowns, including downtown Richmond, 18-24 and 25-34 are the two largest residential age groups.

However more recently in 2020, after holding steadily around 8,000 for several years, the number of 18-24-year-olds fell by more than 600, an 8% decline in a single year. This sudden change is most readily explained by the effects COVID-19 pandemic, as virtual instruction practices during 2020 may have led many college students to return to family homes outside of downtown, disproportionately impacting the 18-24-year-old age group.

Vibrancy

Vibrancy and urban amenities make downtowns rich, attractive environments. Thanks to density of people and connectivity to jobs, resources, and amenities, downtowns support a vibrant variety of uses.

Downtown Richmond's retail environment is average among its peers, but this peer group is below average compared to all study downtowns.

Retailers located downtown account for nearly a quarter, 22%, of Richmond's city-wide retail sales. This is almost double the comparisons peers average retail share. This figure is about the same as the 23% reported in the 2020 *The Value of U.S. Downtowns and Center Cities* report on downtown Richmond. According to retail data from ESRI, sales downtown were resilient and continue to be an important part of Richmond's overall market.[2] The only peer which has close to the same concentration of city-wide retailers and food/drink serving places is Pittsburgh, with 19%.

Overall, though downtown's share of citywide sales is high compared to its peers, total retail sales and businesses measured on a per square mile basis in downtown Richmond are about average for the comparisons peers. In both retail businesses and sales per square mile, the entire group is far below the average study downtown.

RETAIL	Downtown Richmond	Comparisons Peers Average	Established Tier Average	Study Average
% Citywide retail sales	22% (-1%)	13%	21% (-2%)	11%
Retail sales per sq. mi.	$171,184,060 (+4%)	$179,532,000	$732,763,770 (+5%)	$356,964,690
Retail businesses per sq. mi.	136	137	487	309

Source: ESRI Business Analyst Online (2022)
Note: Figures in parentheses indicate change from 2020 U.S. Value of Downtowns and Center Cities – Richmond report

Richmond's downtown hotel industry is near the bottom of its peers.

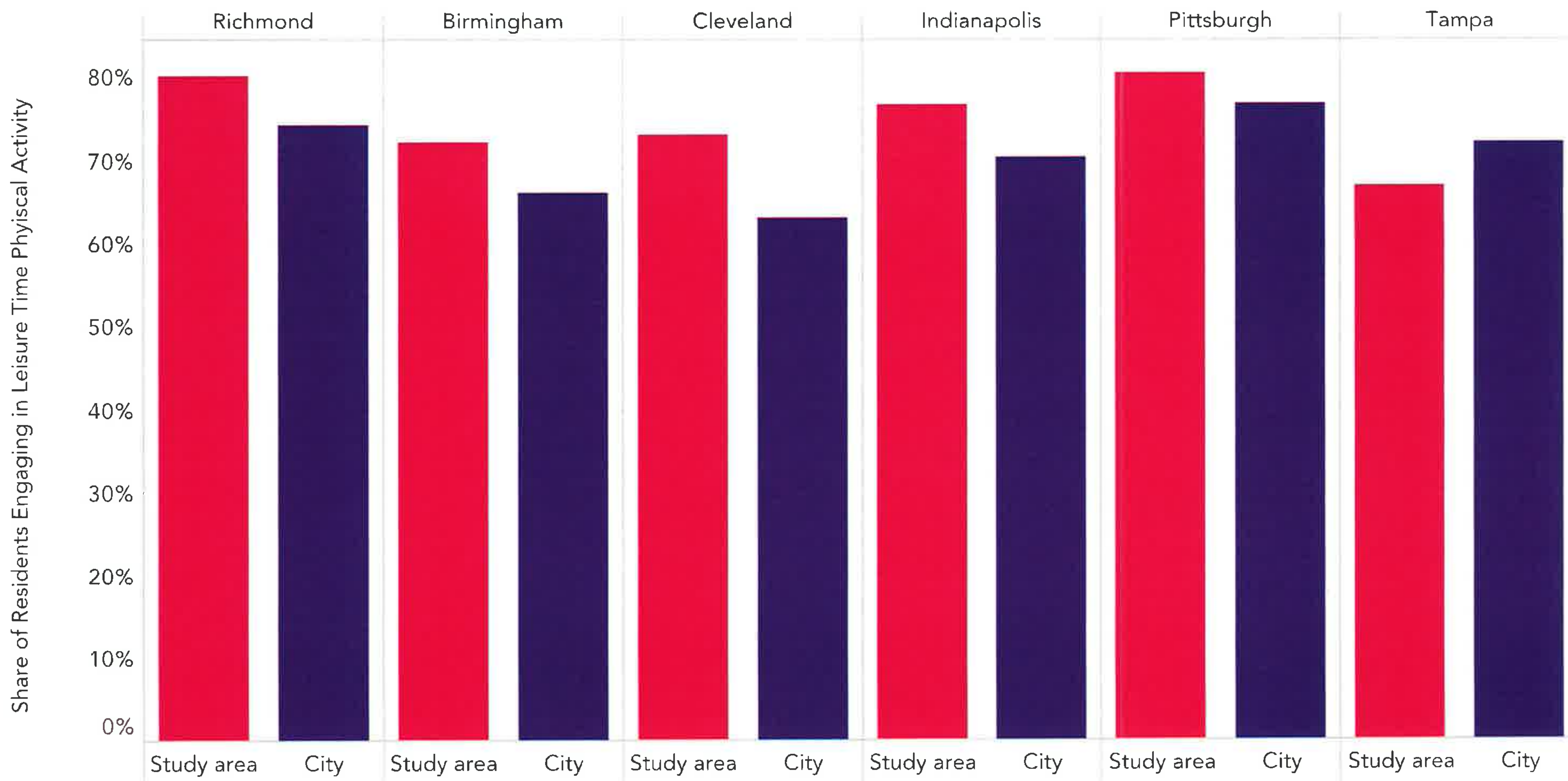
Richmond's downtown hotel figures are near the bottom of the comparisons peers. At 2,600 rooms, downtown Richmond has the fewest among this group, with the next highest being downtown Birmingham's 2,900 rooms. Richmond's 16 downtown hotels is only ahead of Tampa's 14. Indianapolis has by far the strongest hotel industry downtown of these peers, with 36 hotels and 8,000 rooms.

However, as noted in the 2020 Value of U.S. Downtowns and Center Cities report, downtown makes up a sizable majority of the city's hotel market, with 70% of the city's hotel room stock located in downtown.

HOTELS	Downtown Richmond (2020 report)	Comparisons Peers Average	Established Tier Average	Study Average
Hotels	16	21	34	21
Hotel rooms	2,617	4,946	9,210	4,600

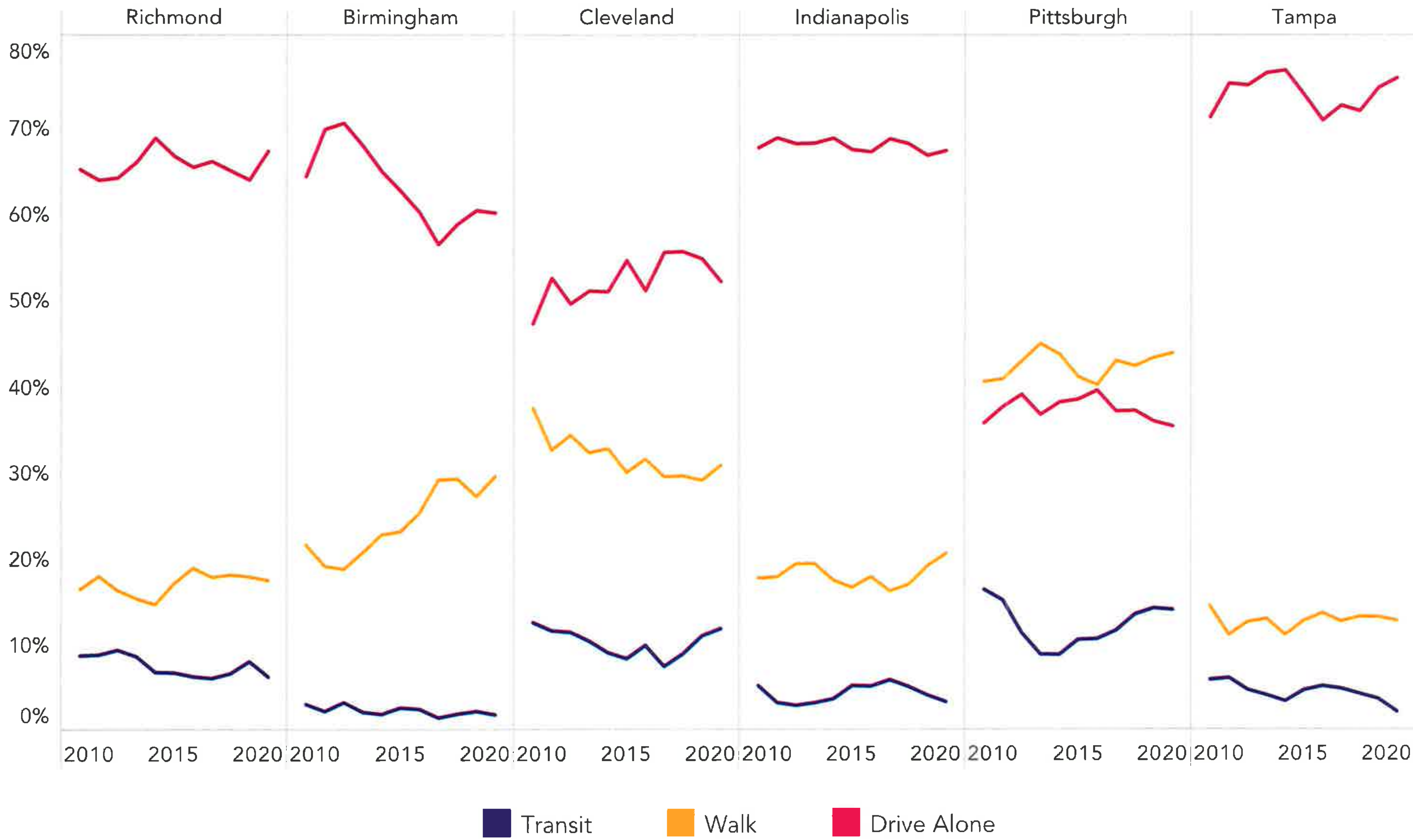
Source: All urban place management organization partners in the Value of Downtowns study. See full list of downtowns in the Appendix.

Leisure Time Physical Activity Study Area and City



Source: Centers for Disease Control (2021)

Resident Commute by Mode



Source: American Community Survey 5-year Estimates(2010-2020)

APPENDIX

Full list of Value of Downtowns Participants

Participant	Tier	Population (2020)	Jobs (2019)	District Land Area (Miles/Sq.)
Baltimore	Established	48,758	119,459	3.69
Fort Lauderdale	Established	17,138	46,682	2.38
Miami	Established	96,842	177,046	5.05
Minneapolis	Established	44,784	154,619	3.35
Pittsburgh	Established	16,633	110,490	2.72
Richmond	Established	21,586	76,650	3.20
San Francisco	Established	40,828	282,313	1.20
Seattle	Established	79,463	270,425	3.59
Waikiki	Established	18,298	30,535	0.77
West Palm Beach	Established	7,234	27,392	1.04
Ann Arbor	Growing	13,911	20,554	1.05
Atlanta	Growing	30,181	136,694	3.37
Austin	Growing	9,227	95,334	1.56
Boise	Growing	4,010	42,125	1.59
Charlotte	Growing	46,452	166,580	9.30
Dallas	Growing	52,418	259,600	10.63
Durham	Growing	10,907	23,505	2.91
Greensboro	Growing	24,938	28,890	3.71
Huntsville	Growing	13,987	30,229	4.86
Indianapolis	Growing	26,570	157,905	5.69
Lexington	Growing	29,484	57,101	4.41
Los Angeles	Growing	78,299	321,177	6.68
Norfolk	Growing	8,760	35,326	1.12

Participant	Tier	Population (2020)	Jobs (2019)	District Land Area (Miles/Sq.)
Sacramento	Growing	22,385	99,562	5.00
Saint Paul	Growing	13,382	55,054	1.66
Santa Monica	Growing	4,843	21,840	0.69
Tempe	Growing	3,843	23,178	0.93
Albuquerque	Emerging	1,512	16,360	0.49
Birmingham	Emerging	10,875	64,842	3.22
Cleveland	Emerging	14,253	90,719	3.23
Corpus Christi	Emerging	3,703	13,705	1.15
El Paso	Emerging	4,295	11,340	1.08
Evansville	Emerging	2,455	17,398	1.22
Grand Rapids	Emerging	5,482	43,962	0.95
Hollywood	Emerging	27,684	31,559	1.40
Lancaster	Emerging	4,634	3,237	0.69
Little Rock	Emerging	7,820	40,722	4.37
Oklahoma City	Emerging	8,665	54,425	4.28
San Antonio	Emerging	3,153	46,730	1.36
Spartanburg	Emerging	2,000	8,712	1.44
Tampa	Emerging	17,500	75,336	2.86
Toledo	Emerging	4,516	15,430	1.18
Tucson	Emerging	3,109	23,523	0.78
Tulsa	Emerging	3,558	30,434	1.39
Wichita	Emerging	1,940	26,785	0.99

Photo Credits

Covers

Venture Richmond. (2022). *Skyline*. Richmond, VA.

TOC

Venture Richmond. (2022). *Mural*. Richmond, VA.

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Venture Richmond. (2022). *Skyline and park*. Richmond, VA.

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Venture Richmond. (2022). *Gus's Shoe Repair*. Richmond, VA.

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Venture Richmond. (2022). *Small business owner in front of shop*. Richmond, VA.

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Venture Richmond. (2022). *People walking across pedestrian bridge*. Richmond, VA.

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Venture Richmond. (2022). *Jump ropers at community event*. Richmond, VA.

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Venture Richmond. (2022). *Event goers setting out blankets*. Richmond, VA.

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Venture Richmond. (2022). *Kayakers on the water*. Richmond, VA.

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Venture Richmond. (2022). *Cobblestone street with parked cars*. Richmond, VA.

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Venture Richmond. (2022). *Bike rack in front of retail shops*. Richmond, VA.

Endnotes

1 Richmond Area Market Value Analysis 2022: Reinvestment Fund, 2022. https://storymaps.arcgis.com/collections/904ebc3c562344da8377ee1eacd7ece5?item=3

2 ESRI is modeling 2022 retail sales based on 2018-2019 consumer patterns due to the impact of COVID-19 on Bureau of Labor Statistics data collection.