



# DOWNTOWN MARKET ANALYSIS

## EVANSVILLE INDIANA

DOWNTOWN  
EVANSVILLE  
EST. 1812

**Prepared for**  
**Downtown Evansville Development Corporation &**  
**Downtown Evansville Economic Improvement District**

AUGUST 2019

**DEVELOPMENT STRATEGIES**







# ACKNOWLEDGMENTS

## Client Team

---

Candace Chapman  
Executive Director  
Downtown Evansville Development  
Corporation

Joshua Armstrong  
President  
Downtown Evansville – Economic  
Improvement District

## Consultant Team

---

Matt Wetli	Principal In Charge
Justin Carney	Strategy & Engagement
Rojan Thomas Joseph	Project Manager
Jake Narup	Market Strategist
Brian Licari	Senior Economic & Policy Strategist
Andy Pfister	Senior Economic & Real Estate Strategist
Anne Stevenson	Senior Planner
Miriam Keller	Senior Urban Designer
Megan Hinrichsen	Art Director
Jen Concepcion	Urban Designer
Tiffany Bae	Graphic Designer



**DEVELOPMENTSTRATEGIES®**







# TABLE OF CONTENTS

1

## CHAPTER 1 INTRODUCTION

PAGE 7

2

## CHAPTER 2 MARKETABILITY & PHYSICAL ANALYSIS

PAGE 13

3

## CHAPTER 3 TRENDS

PAGE 27

4

## CHAPTER 4 MARKET ANALYSIS

PAGE 43

## APPENDIX

PAGE 97





Source: Alex Morgan Imaging





## CHAPTER 1

# INTRODUCTION



## INTRODUCTION AND SUMMARY

Over the past 20 years, there has been a resurgence in downtowns and urban areas across the country. Initially driven by a surge of interest in downtown housing and urban living by young professionals, downtowns have increasingly become central to employer talent attraction strategies and regional tourism economies.

Downtowns across the Midwest and Southeast, such as St. Louis, Indianapolis, and Nashville, have added thousands of housing units since 2000, transforming them into vibrant urban neighborhoods. This resurgence was driven largely by increasing demand by young professionals for walkable, urban neighborhoods and the corresponding investment in these elements by the cities in which they live. In other words, the growth of downtowns has been driven by market forces *and* good planning. Now, data indicates that downtowns may be on the cusp of a resurgence in employment and visitation as well.

Though not always at the leading edge of this trend, small and mid-sized communities have been investing in, and witnessing a downtown resurgence as well. Cities such as Des Moines and Chattanooga are exemplary, but places like Toledo and Akron are also seeing downtown investments yield returns. Downtown Evansville fits the profile of a community that is perhaps behind the curve on housing development, but is gaining momentum, with place-based investments on Main and Walnut Streets, paired with hospitality and medical office development, and a 100-plus unit new construction apartment development under construction.

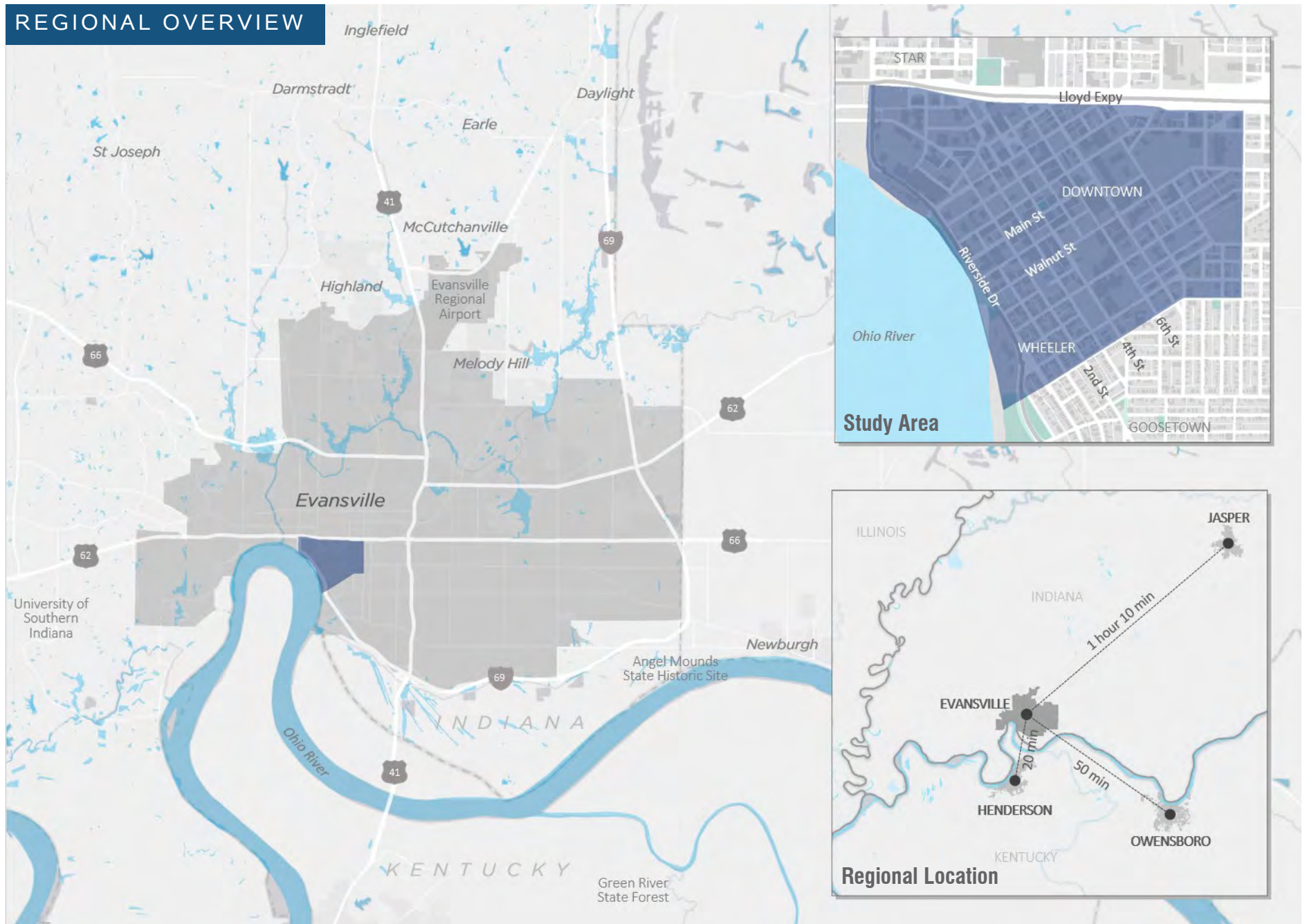
This document, which provides market analysis as a foundation of understanding for what development is possible over the next decade, clearly demonstrates that there is an opportunity to double the amount of downtown housing, add employment and hotel beds, and increase the quantity and quality of retail storefronts. These opportunities can become the cornerstone of a development strategy for a fuller revitalization of Downtown Evansville.

Development Strategies was commissioned by Downtown Evansville Development Corporation (DEDC), to better understand what is possible, from a market perspective, to serve as a foundation for a strategic framework that supports and guides future development. Sites must be chosen selectively, in places that are most catalytic. Development cannot be uniform; different products will be needed to target different demographics and different needs. The DEDC has also commissioned a guiding strategy document to serve this purpose.

The study considers site context, marketability opportunities and constraints, socio-economic trends and characteristics in housing, office, retail and hospitality sectors; the performance of peer cities, competitive supply, and demand and market segmentation in these sectors. These analyses result in conclusions about future characteristics of residents, workers, and visitors; the products that they will demand, and the likely market performance and rate at which the development can occur.



## REGIONAL OVERVIEW



# INTRODUCTION

## MARKET ANALYSIS AND STRATEGY: A PROCESS OVERVIEW

While market analysis helps understand current conditions and opportunity, market strategy identifies how to *change* conditions and *capitalize* on opportunity. Combined, the two are equal parts art and science, relying on quantitative market metrics, as well as a more qualitative understanding of what motivates people's decisions and how those can inform strategy.

Determining market support for housing, retail, office and hospitality in Evansville's Downtown requires quantitative analysis of many interdependent variables—specifically, those relating to demand, competitive supply, economic conditions, demographic trends, and site marketability opportunities and constraints.

A full understanding of market potential also requires imagination and the ability to conceptualize how different efforts, ranging from placemaking to feelings of safety, can change outcomes in subtle and dramatic ways. This is where market strategy comes into focus: it is essential to identify the elements that influence positive market outcomes; these elements then become the framework for a strategy to create an environment in which good development not only happens, but is truly catalytic.

Market analysis can essentially be divided into the study of people, product, and place:

### PEOPLE: Demand Analysis (Who)

Demand analysis is fundamentally about people: who lives in the community today? Where do they live? What are their needs? Who is moving into the community. How many? This requires not only analysis of standard demographic data like income, age, and population, but consumer data that indicates preferences toward urban walkability, emphasis on K-12 education, perceptions relating to safety, and a whole host of variables that guide peoples' needs. Where there is a mismatch between what people want and what is currently supplied, a market opportunity exists.

### PRODUCT: Supply Analysis (What)

Analysis of existing supply indicates a great deal about what the market will support in terms of rents, sale prices, and lease rates. It indicates preferences for specific products or locations. Sometimes, analysis of the competitive market can reveal specific opportunities for developers by identifying newer, more competitive types of development that achieve product differentiation by focusing on quality, amenity, design, or service offerings. Supply analysis provides critical foundational information for both market analysis and market strategy.

### PLACE: Location (Where)

In real estate, it is commonly understood that market performance and development opportunities can vary greatly, depending on the location of a site. This has a number of contributing factors that range from the tangible (presence of heavy industry and noise), practical (proximity to schools or services), to more tacit, including perception and cultural bias. Place can have a strong influence on real estate location, and includes the design and functionality of an area, as well as its perceived value.

While market analysis helps understand current conditions and opportunity, market strategy identifies how to *change* conditions and *capitalize* on opportunity.

- › Demand identifies potential market support for new and existing development, strategy asks, “How do we get them here?” to live, work, shop, visit, and recreate.
- › Supply analysis evaluates what is currently in the market, and (often) what development products are successful in other places. Market strategy asks what should be built, and where?
- › Place and location analysis evaluates what a place is today. Strategy seeks to improve the quality of place to create better market outcomes.



# MARKET STRATEGY

## MARKET ANALYSIS

Market Analysis identifies current conditions and quantifies opportunities.



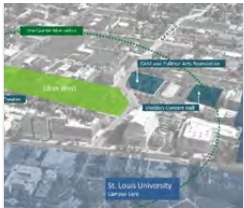
**PEOPLE**  
(WHO)

DEMAND



**PRODUCT**  
(WHAT)

SUPPLY



**PLACE**  
(WHERE)

LOCATION

Market Strategy focuses on how to change the conditions and capitalize on opportunities.

**HOW DO WE  
GET THEM HERE?**



**WHAT DO  
WE BUILD?**



**WHERE DO WE  
CREATE IT?**



© Development Strategies







A faint, blue-tinted aerial map of a city grid serves as the background. The map shows a dense network of streets and blocks, with a river or waterway visible on the left side. The overall tone is professional and urban.

## CHAPTER 2

# **MARKETABILITY & PHYSICAL ANALYSIS**

# MARKETABILITY & PHYSICAL ANALYSIS

## DOWNTOWN AND MARKETABILITY OVERVIEW

**Downtown Evansville is the largest employment center of the region and could continue to leverage its assets to drive investment, attract new residents, and become a more vibrant place.**

Understanding the market potential for new and rehabbed development Downtown requires an understanding of existing assets and how they can be best leveraged to maximize opportunity. The foundation of any market analysis relies heavily on demographic, socioeconomic, and real estate survey data, variations in land use, density, streets, amenities, and pedestrian activity, which then helps inform how the market can leverage these characteristics to enhance value and experience. Marketability analysis seeks to understand Downtown in the context of its assets—strengths that can be built upon to create new opportunities—and challenges such as barriers to new development, connectivity issues and market weaknesses.

The purpose of the following report is to identify market opportunities for new residential, retail, hospitality, and office development, and understanding the dynamics of Downtown's broader economic, cultural, and institutional ecosystem is critical. Different parts of Downtown can attract different types of people for a host of reasons. For example, office workers have a different set of needs than new residents. Likewise, conventioners and visitors to the casino may have different retail and entertainment needs than those who come to Main Street and the riverfront. Yet there are factors that make different areas of Downtown marketable to different groups, and more experiences can be cultivated over time with a strategic approach.

Marketability analysis allows for the:

- › identification of assets and opportunities.
- › understanding of strengths and weaknesses in urban form and land use.
- › clarification of which assets can be leveraged immediately and what weaknesses need to be addressed over time.
- › recommendations of strategic locations for catalyst projects.

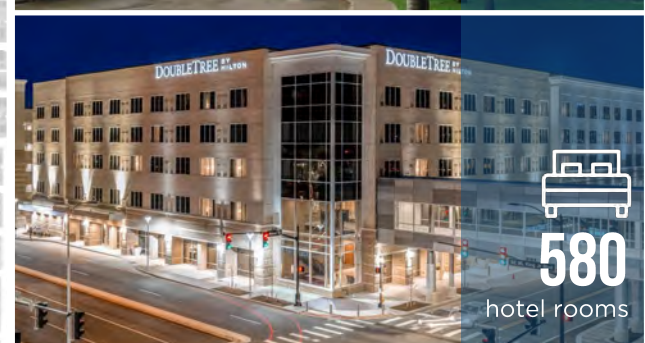
## DEVELOPMENT CONTEXT: METRICS

A key first step in context analysis is understanding the scale of what is currently in a study area.

Downtown Evansville, defined in this report to be the service boundary of the Downtown Evansville Development Corporation (DEDC), is currently home to about 2,200 residents—three-quarters of which are renters—living in approximately 1,200 housing units. Residential development activity Downtown has been slow, post-recession, but momentum has been building recently with 230 new or rehabbed units planned or under construction. Downtown contains nearly 3.4 million square feet of office space which houses many of its 19,000 jobs. Downtown also contains around 360,000 square feet of retail space that generates approximately \$72 million in annual sales. The convention center, arena, casino, and major employers attract numerous visitors that can be accommodated in 580 hotel rooms, with an additional 200 in the pipeline. Overall, Downtown Evansville has a strong base to build upon, with many assets and amenities already in place.







# MARKETABILITY & PHYSICAL ANALYSIS

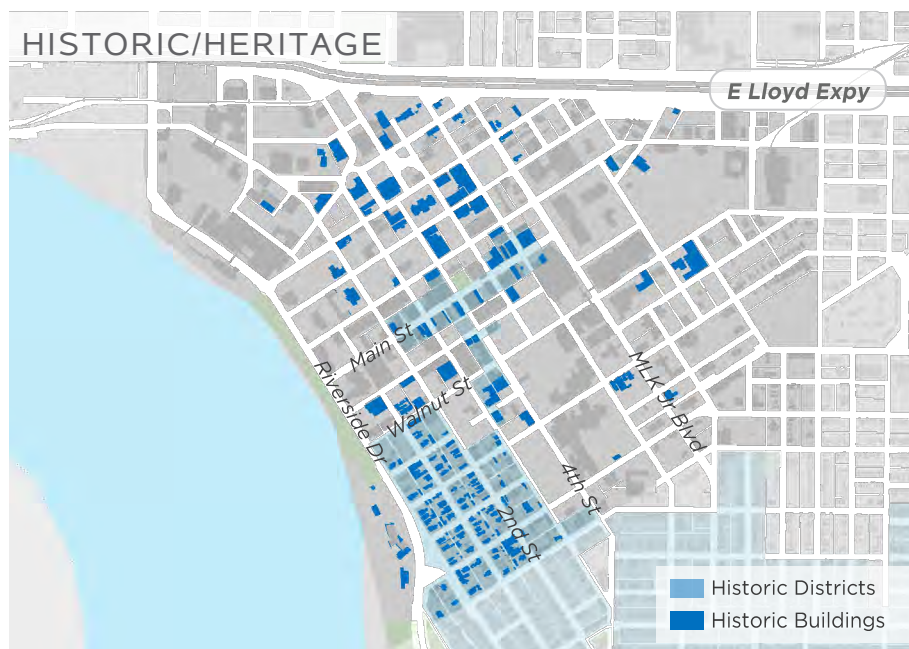
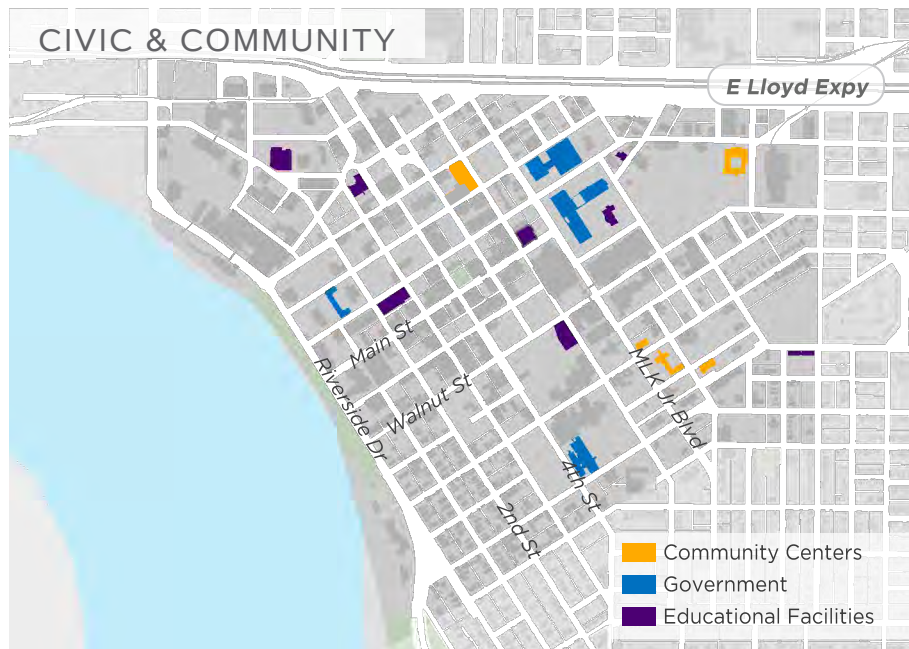
## DOWNTOWN ASSETS

**Downtown Evansville has a number of assets that can be built upon to improve the overall living and work experience downtown.**

Downtown Evansville has a number of institutional, cultural and economic assets, as well as anchors and landmarks, that are key contributors to the economy and quality of life in the region, (as shown on the map). With over 19,000 jobs in local government, banking and finance, professional and technical services, and other service sectors, Downtown has the highest concentration of employment in the region, and includes major regional destinations such as the Ford Center, Old National Events Plaza, Victory Theatre, and Evansville Museum. It offers a riverfront trail and a unique urban experience along Main Street. With the recent streetscaping, hotel, and medical development projects along Walnut Street, as well as proposed developments, community events and wayfinding projects throughout, Downtown is poised for a revival in the years to come.

Downtown is home to a number of civic and community buildings, including county and local government offices, community centers such as the YMCA, and educational institutions such as the Indiana University School of Medicine campus located at the new Stone Family Center for Health Sciences facility. These institutions bring many employees and visitors downtown, and the activity they generate can be harnessed to activate and support nearby businesses.

A number of historic properties Downtown serve as landmarks; visible reminders of the city's historic heritage. These buildings present Downtown with a distinct blend of architectural styles such as Classic Revival in the Veterans Memorial Coliseum, Richardsonian Romanesque in the Old Post Office, Art Deco in the Hulman Building, and Beaux Arts in the Old Courthouse. As shown on the map on the right, Downtown Evansville falls within two historic districts and contains many historic buildings that can potentially be preserved and rehabbed to accommodate modern uses.





## ASSETS, ANCHORS, & LANDMARKS





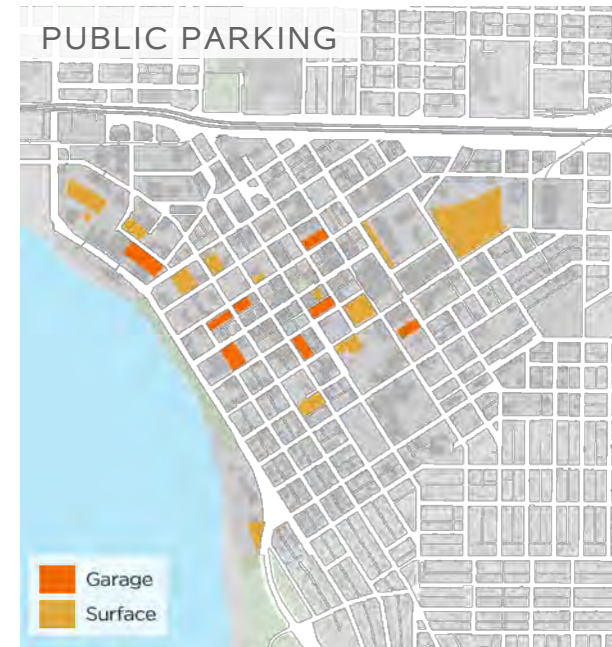
# MARKETABILITY & PHYSICAL ANALYSIS



The diagram above shows the relationship between built and unbuilt space. The Downtown core, mainly along Main Street, has smaller-sized closely-spaced buildings that are more walkable and pedestrian friendly, which is vital for downtown retail and entertainment uses. Further from the core, development is more auto-oriented with larger buildings surrounded by surface parking and open space. The diagram above highlights many opportunities where vacant land and underutilized surface parking can be repurposed for infill development, parks, or other uses that will enhance the urban environment in the future.

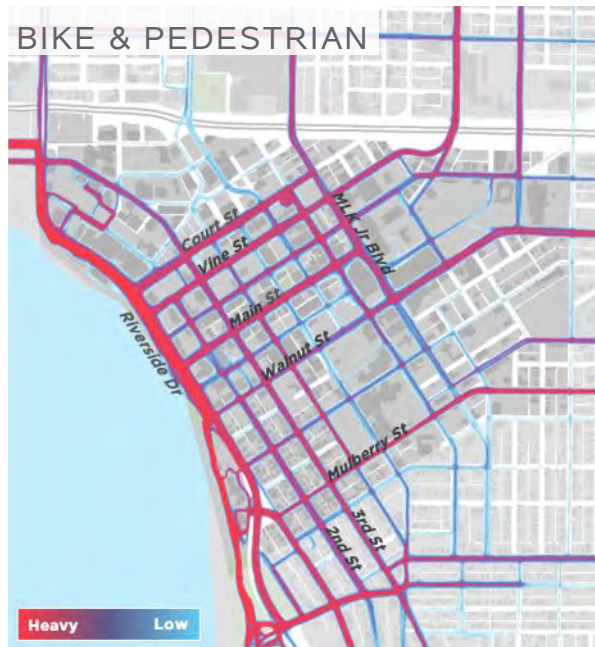


Downtown Evansville has a relatively well-connected street system. Lloyd Expressway travels along the northern edge of the study area connecting the region to Downtown. Direct links to adjacent neighborhoods are primarily provided by Riverside Drive, 2nd Street, 3rd Street, Walnut Street and MLK Jr. Boulevard. Pedestrian and vehicular connectivity within Downtown is hampered by superblocks—large consolidated parcels without cross streets—which limit access and force drivers and pedestrians to take circuitous routes. Investments in streetscaping and discouraging the creation of more superblocks within Downtown can improve connectivity and ease of access for all.



Downtown Evansville has a healthy supply of parking available for residents, workers, and visitors. Although a majority of the parking is for private use by large employers and businesses, there are also a number of lots and garages accessible to the public, as shown in the map above. With more efficient use and sharing of parking facilities, surface parking lots can become ideal locations for infill development and catalyst projects that are important to the long-term success of Downtown Evansville.





Downtown populations require safe and attractive streets that are pedestrian and bicycle-friendly. The map above shows the amount of activity on downtown streets based on data from Stravia, a health app commonly used by runners and cyclists. Roads with heavy use include Main Street, Vine Street, Court Street, and Riverside Drive, along with streets that link to nearby neighborhoods. Unsurprisingly, usage is higher along bike routes and in areas with improved streetscapes, denser urban form, and fewer superblocks. Catalyst projects along these streets could benefit from these high levels of pedestrian and bicycle activity.



A quality public transit system connects workers, residents, and visitors to destinations. It reduces vehicular traffic, lessens the need for parking, and generally contributes to a higher quality urban experience. METS, Evansville's public transit system, has its main terminal Downtown and provides service along key corridors with buses scheduled to run every 30 minutes. This system connects the central business district to surrounding neighborhoods, regional shopping, and institutions. While there is ample service along the northern core, east-west connectivity along the southern core is lacking, as shown in the map above. Access to public transit and its level of service are key determinants to the success of Downtown catalyst projects.



In addition to their intrinsic environmental, aesthetic, and recreational benefits, parks also have positive economic effects. They enhance property values, increase municipal revenue, bring in new residents, homebuyers, workers, retirees and visitors, and attract new businesses and employers. Other than the Fourth & Main Park, the riverfront is the only major recreation area downtown, as shown in the map above. Recent investments in beautification and streetscaping demonstrate a willingness to improve walkability and access. As Downtown Evansville seeks to be more competitive, strategic park developments can become vital catalysts in the coming years.

# MARKETABILITY & PHYSICAL ANALYSIS

## DOWNTOWN LAND USE

Aligning building and land use regulations with downtown-friendly market forces can enhance the impacts of catalytic interventions in Downtown Evansville.

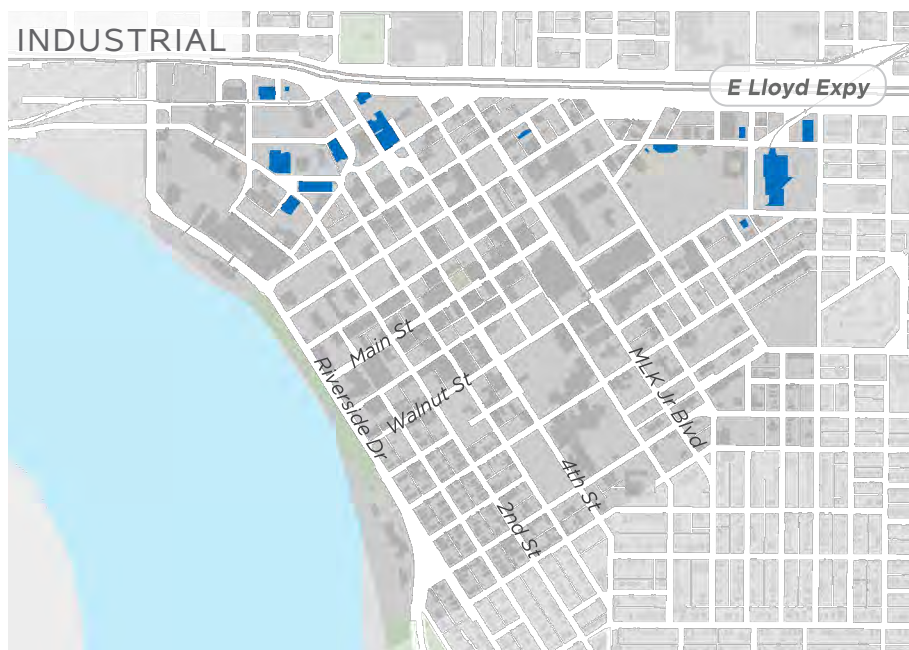
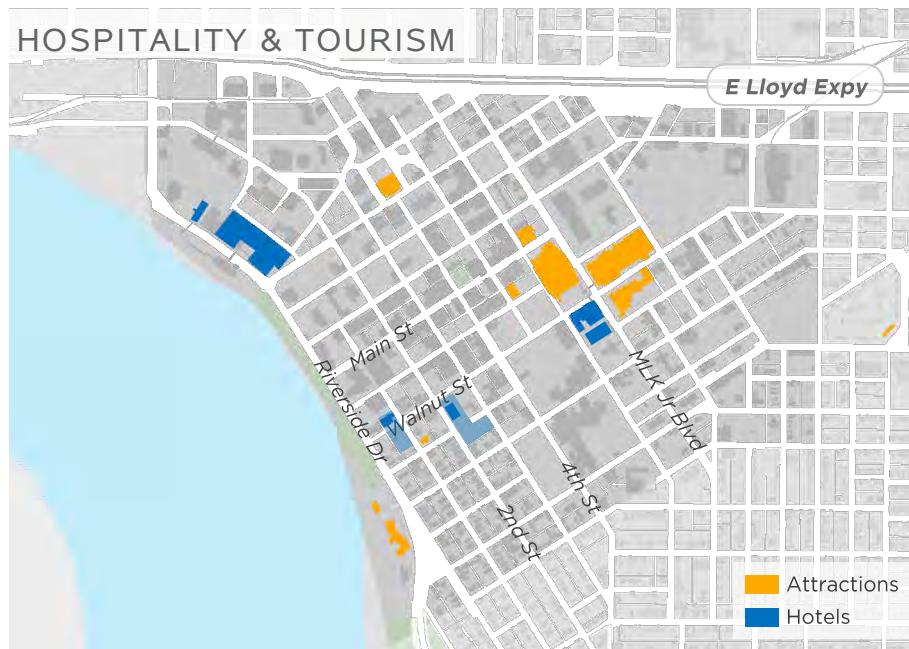
Part of the role of the DEDC in implementation of catalytic projects will involve making sure that the use of land aligns with the strategic vision of the Evansville Downtown Masterplan. This can greatly impact the effectiveness of catalyst projects in reviving Downtown development and drive growth in the years to come. For instance, a catalytic residential project can revitalize surrounding land for development, especially if complimentary uses are allowed through zoning. Likewise, long-term impacts of catalyst projects can be ensured by choosing sites in locations that are most likely to drive more development in the future. The land use map of Downtown Evansville indicates a lot of land allocated for commercial (or mixed) use. Taking a closer look at the building level allows us to understand the existing mix of different uses in Downtown in more detail.

## HOSPITALITY

Downtown Evansville is a tourism hub with a number of key regional attractions such as Tropicana Casino, Ford Center, Evansville Museum etc. Some of these attract overnight visitors, which provide support for hotels. The map on the right shows concentrations of both these uses along the riverfront as well as along MLK Jr Blvd between Main and Walnut Streets. With the addition of the two new under-construction hotels, Walnut Street shows promise to link these key uses.

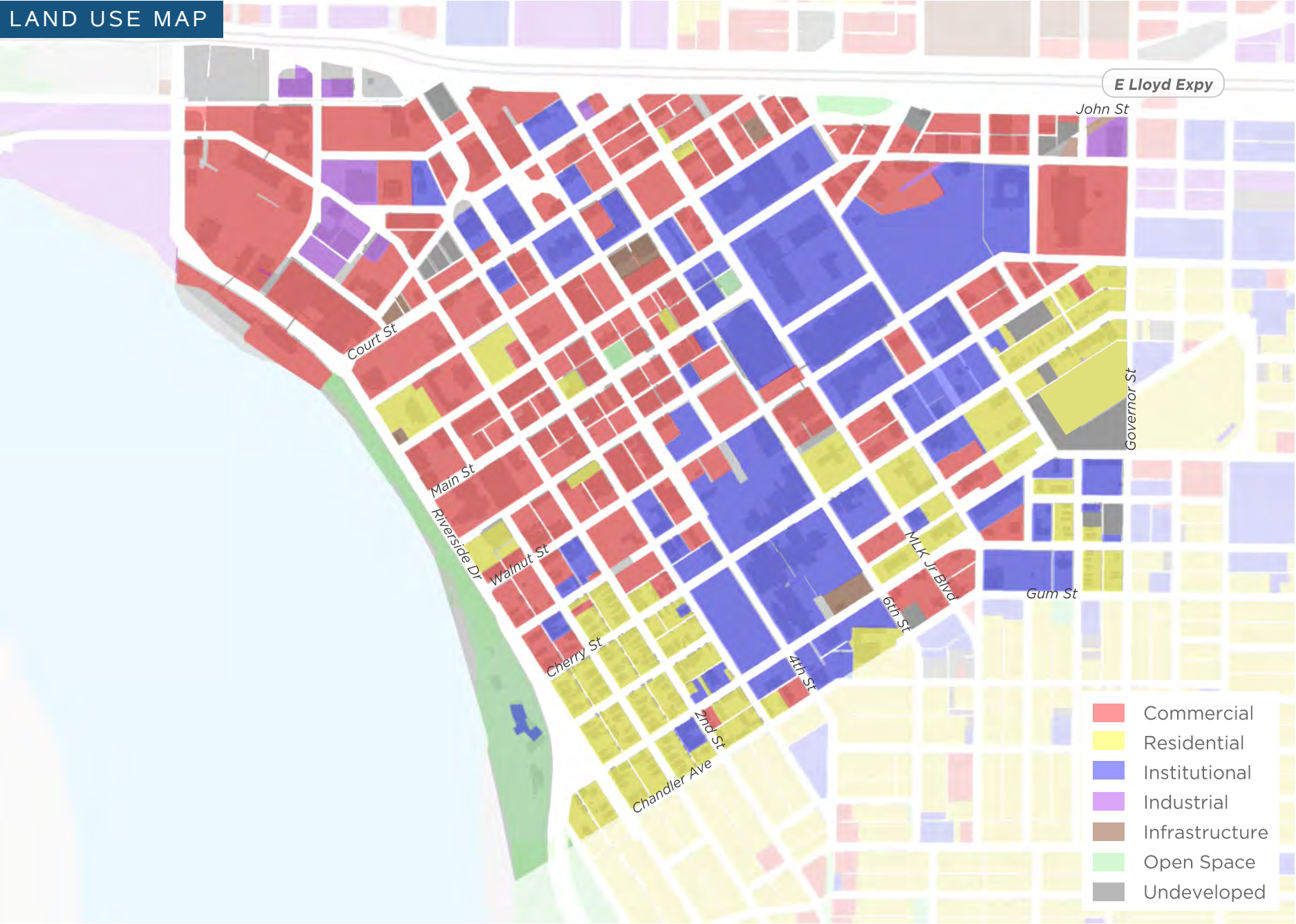
## INDUSTRIAL

Downtown Evansville has a number of buildings in use for industrial warehousing, manufacturing and associated services. Usually of large footprints, they have potential to be rehabbed for creative industries requiring larger spaces, and providing workforce housing, among other uses. The new 'NoCo' makers district located north of Court Street is likely to attract entrepreneurs and creatives, and a few underutilized parcels and buildings in the area show promise for redevelopment.





# LAND USE MAP



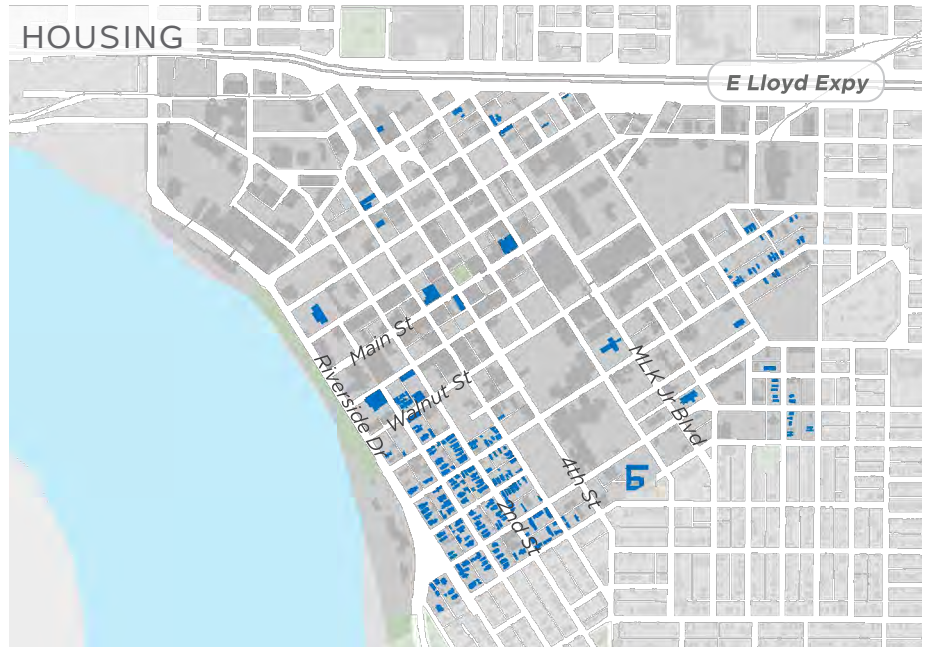
Source: Existing Land Use (City of Evansville), with changes to reflect recent developments (Development Strategies), 2019

# MARKETABILITY & PHYSICAL ANALYSIS

## HOUSING

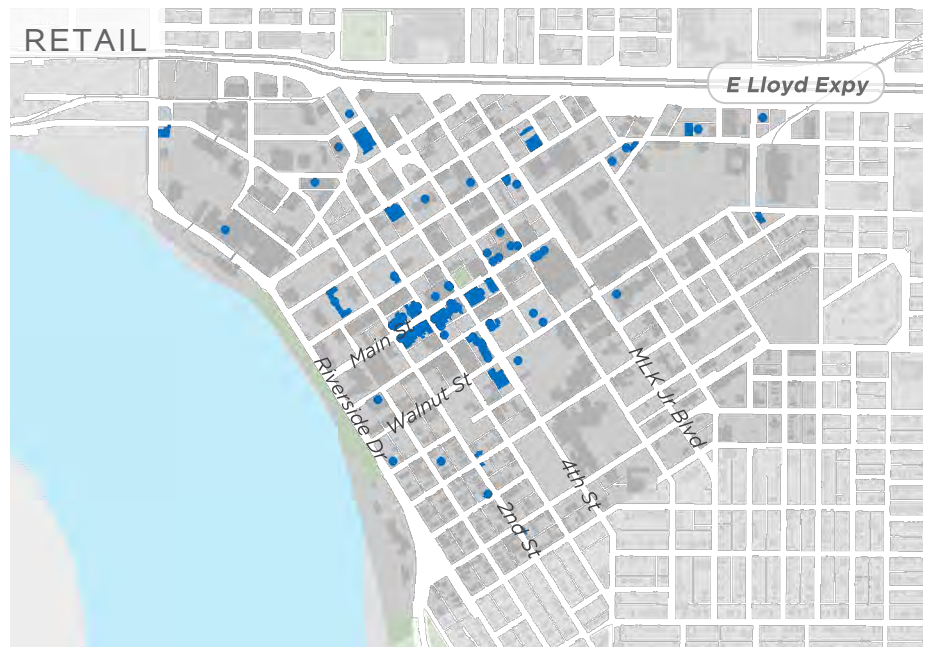
The housing stock downtown is comprised of historic single family houses, affordable housing complexes, multifamily rentals, market-rate apartments, and rehabbed condos. Downtown residential developments over the past two decades has largely consisted of renovated historic buildings.

- › The historic single family houses are located to the south of Downtown nearby the city's historic neighborhoods. Renovations of old smaller two-unit and four-unit properties are common along the southern Downtown periphery.
- › Downtown condo properties and market-rate multifamily are mostly located in Downtown core, close to the riverfront. Downtown condo properties are positioned at the top of the relatively modest Evansville market. In addition, Downtown properties achieve a significant location premium over comparable rentals elsewhere.
- › Affordable units are mostly located along and north of MLK Jr Boulevard, and south of the Ford Center.



## RETAIL

Retail in Downtown Evansville is mostly concentrated along the Main Street corridor, consisting primarily of restaurants and a handful of small shops. There are a few blocks of historic buildings with ground retail with promise along 4th street between Locust and Cherry Streets. These retail clusters are major assets to the city and are among the few locations in Evansville where a historic, mixed-use, pedestrian-friendly district exists—an amenity that should be leveraged to support tourism, economic development, and talent recruitment and retention. With recent street improvements and major developments, as well as nearby employers and destinations such as the Ford Center, Walnut Street could be positioned for retail opportunities in the future,

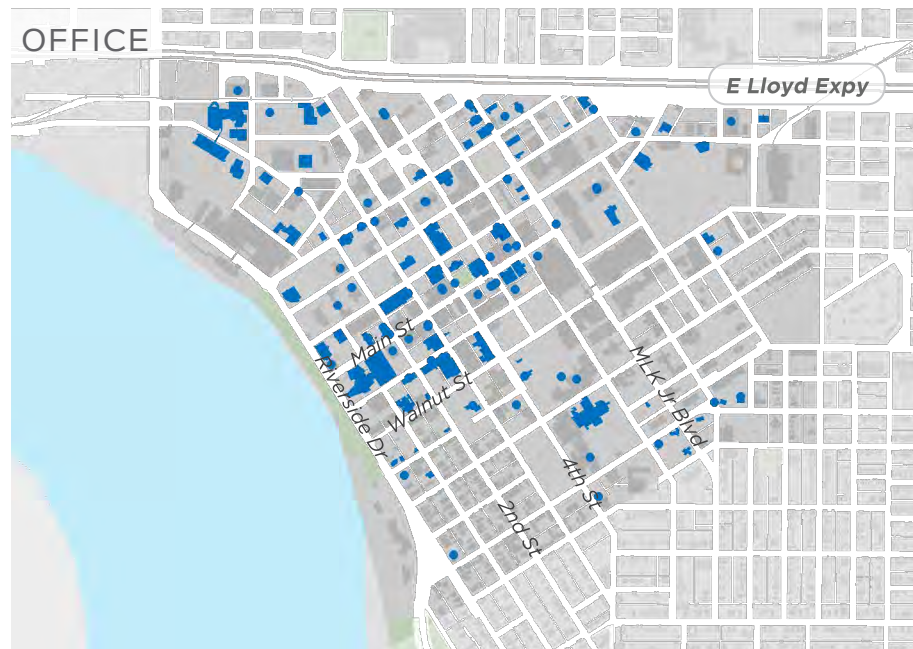




## OFFICE

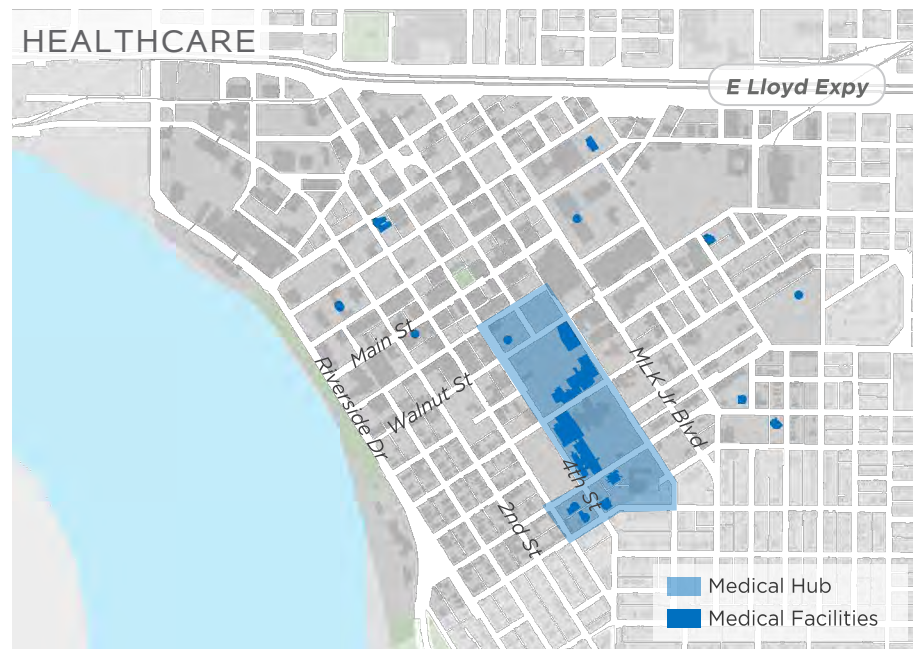
Downtown Evansville is the office hub for the region and is home to several of the region's major employers, including Vectren - a CenterPoint Energy company, Old National Bank, and One Main Financial. A handful of large, owner-occupied high-rises highlight the downtown core, while older dated, lower-density properties are scattered on the periphery.

- › Downtown contains a mix of historic and modern spaces, including two large built-to-suit headquarter buildings completed by Old National Bank and Vectren in 2004 and 2005.
- › Most of the office use buildings are concentrated north of Walnut Street, decreasing in size and class overall as we move away from the core.
- › Many of the larger footprint office buildings are either owner-occupied or have a lot of vacant space because they are not marketable in its current condition for office use.



## HEALTHCARE

In comparison to downtowns of similar size, Downtown Evansville has a high concentration of healthcare-related uses—with a medical district clustered between Locust Street and Chandler Avenue, along 4th Street and 6th Street, (as shown on the map). Buildings here include Select Specialty Hospital, County Health Department, current and proposed Deaconess Clinic, the newly-built Stone Family Center for Health Services, and other associated clinics. Future medical developments will likely show preference to continuing to cluster within the medical hub.



# MARKETABILITY & PHYSICAL ANALYSIS

## DOWNTOWN MOMENTUM

### Recent developments and renovations are changing the face of Downtown Evansville.

Downtown Evansville has seen an uptick in development and renovation activity in recent years. The completion of the DoubleTree Hotel and the expansion of the Stone Family Center for Health Services in 2017 and 2018 respectively, are only two of many recent and proposed developments that have sparked energy and investor interest. Years of concerted efforts in transforming Downtown into a vibrant urban core, and active involvement of public and private partnerships is showing results.

Following the 1995 opening of Casino Aztar along the riverfront, Downtown experienced sporadic development for the next 15 years. This included a boost from the new Old National Bank headquarters in 2004 and Vectren headquarters in 2005, both along Riverside Drive. The next big development came in 2011 with the construction of the Ford Center. Recovery of the market from the recession was slow, but in December 2015, the state of Indiana awarded \$42 million in state-matching funds to the southwest Indiana region with the purpose of supporting projects to bring in more investment, job creation, and talent. In addition to the Regional Cities grant, an updated Downtown Master Plan released in 2016 and the creation of an Economic Improvement District (EID) have acted as catalysts to drive the developments and renovations downtown.

The map on the right illustrates recent and proposed developments in Downtown Evansville. Along with the recent hotel and medical school expansion, Walnut Street and nearby streets saw major investments in streetscaping and is expected to see the addition of two hotels – 139 room Hyatt Place and 76 room Mediterranean; and the new 100,000 square foot Deaconess Clinic – along the corridor. Tropicana Evansville Casino on Riverside Drive added the first land-based casino in Indiana, moving from its original riverboat, in 2017. Downtown Evansville saw several rehabs and renovation projects recently, including historic buildings such as Owen Block; the former Greyhound Station (now BRUBurger Bar), residential buildings such as Cambridge Apartment; WNIN building and Main Street Gateway to the Arts on Main Street; and renovations on several floors of the Fifth Third Center. The \$40 million, 144-unit mixed-use Post House development under construction will bring new apartments, office and retail space between Vine

and Sycamore Streets. The YMCA, in partnership with St. Vincent, is constructing a community healthcare and wellness facility and income-based housing units at Sixth Street and Court Street, which is set for completion in August 2019. Signature School has proposed expansion of its facilities at Sixth Street and Main Street. The Pearl Steam Laundry building along Third Street is set to be rehabbed into creative class A office space, while the nearby National Biscuit Company building is proposed for conversion to 22 market-rate apartments with a restaurant and bakery on its ground floor.

Recent developments and planning efforts have prompted the city to consider streetscaping and green infrastructure projects along Third Street, and the upgrading of the Fourth and Main Street Park. Furthermore, the city's water and sewer utility intends to set aside several parcels toward water retention tanks, which will make the downtown resilient against flooding and can also play a role in expanding green space.



Post House development under construction



## RECENT & PROPOSED DEVELOPMENTS



### RECENTLY BUILT

1. Stone Family Center and Health Sciences and Parking Lot
2. Double Tree Hotel (241 rooms)
3. Silver Birch Residential Care Facility
4. Tropicana Evansville Casino
5. Walnut Street Connector Streetscape
6. Streetscape Improvement

### REHABS & RENOVATIONS

7. Owen Block
8. Cambridge Apartments
9. Former Greyhound Station
10. Fifth Third Center
11. Cowork Evansville
12. Main Street Gateway To The Arts
13. WNIN
14. Old Post Office

15. McCurdy Hotel Apartments
16. Cadick Apartments
17. Comfort Restaurant
18. Jimmy John's
19. Enjolé Interiors
20. Arazu on Main
21. O'Donnell Building
22. Party Central
23. ETFCU Plaza

### UNDER CONSTRUCTION

24. Post House Dev. (144 units)
25. New Deaconess Clinic (100K SF)
26. Hyatt Place Hotel (139 units)
27. Mediterranean Hotel (76 units)
28. YMCA/ St. Vincent Ascension (70K-80K SF)
29. Siegel's Department Store (renov.)
30. Signature School Expansion
31. National Biscuit Company (rehab)

### PROPOSED

32. Park Improvement
33. 3<sup>rd</sup> Street Streetscaping
34. Pearl Steam Laundry Building (rehab)
35. Low Income Housing (rehab, former YMCA building)
36. Woolen Mills
37. Brucken's (rehab)

Possible Water Retention Sites









## CHAPTER 3

# TRENDS

## NATIONAL TRENDS

Demographic shifts and changes in lifestyle preferences are impacting how people live, work, play, and interact with their environments.

The national population is growing and shifting demographically, implying that the types of housing offered will have to be altered to meet changing needs. Major trends include:

- › **More seniors:** The population is aging—there will be 52 million more Americans over the age of 65 by 2060.<sup>1</sup>
- › **Smaller households:** American families are having fewer children, and over one-quarter of households have just one person—a proportion that has been steadily rising since 1960.<sup>1</sup>
- › **Rental Demand is Up:** Over 35 percent of U.S. households were renter-occupied in 2015—the largest share since the 1960s.<sup>1</sup>

Consumer preference surveys show a shift in housing and community preferences that align with these demographic shifts.

- › **Community amenities:** Nearly 50 percent of homebuyers surveyed in 2016 purchased a home in a community that offered shared amenities, such as playgrounds and pools.<sup>2</sup>
- › **Walkability:** Nearly 90 percent of Americans surveyed indicated that it was important to live within walking distance of places in their community, such as retail and parks.<sup>2</sup>

These shifts can be seen not just on a national scale, but regionally and locally as well, and will have far-reaching and significant impacts on what types of new real estate development will be successful downtown. Given growing preferences for a mixed-use, walkable, urban environments, the study area could be better positioned to become a thriving neighborhood with residents, workers, and visitors alike.

### RENTERS



Increase in renter-occupied housing for households earning more than \$50,000 from 2009-2017

Source: American Community Survey

### DEMOGRAPHICS



Share of non-family households (2017) in the U.S. rising from 32% in the last decade

Source: American Community Survey

### PREFERENCES



Prefer attached or small lot housing if it puts them closer to work, mix of uses, etc.

Source: National Association of Realtors



A key trend regarding downtowns is that they are growing in most cities across the country. In fact, 75 of the 100 most populous cities gained population in their downtowns from 2000 to 2010. Mid-sized cities, or those with 50,000 to 250,000 showed impressive growth in their downtowns over the past several years.

Downtown growth does not occur in a vacuum. Rather, it relies on an alignment of a multitude of factors, including private market leadership, partnerships with institutions of higher education, establishment of attractions like microbreweries, and event programming and festivals.

Many of these ideas and trends are succinctly summarized by John Karras in *Top 10 Trends Impacting Downtown Revitalization*, and supported by a wide range of studies and qualitative observations from successful downtowns.

Smart Growth America commissioned a survey, *Core Values: Why Companies are Moving Downtown*, in 2016 to better understand what types of companies are intentionally opening facilities in downtowns and why they are doing so.

According to the survey, half of the companies surveyed moved from suburban locations to downtowns. An additional 20 percent opened new offices in downtown locations, while the remainder expanded their existing footprint in downtowns.

Most companies surveyed indicated that talent recruitment was a top reason for establishing or expanding a downtown location. Company identity and moving to an environment that fosters more collaboration among employees and peer firms were also key reasons.

The downtown environment is attractive to prospective employees, which makes it attractive to companies. Cities that create a dynamic downtown can foster a competitive advantage in terms of attracting and retaining talent.



## DOWNTOWN EVANSVILLE: THE HEART OF COMMERCE

Downtown Evansville is the largest employment center for the Evansville Region, although most residential and commercial investment has occurred on the urban periphery for several decades.

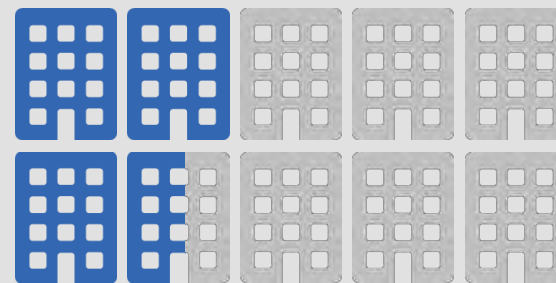
Data from CoStar shows that more than a third of the office space in the Evansville MSA is located Downtown, making it the primary job center in the region. Physical vacancies are high in Downtown with an overall vacancy rate of leasable office space at around 43 percent. However, much of this space is essentially out of the office market in its current condition, and would require significant investment to return it to a productive office use. In order to continue job growth downtown, the “marketable” office supply will need to be increased, most likely through the renovation and repurposing of existing structures as well as new construction.

Downtown wages are 11 percent higher than the rest of the region, likely due to the high concentration of professional, technical, and finance jobs. Spending by these office workers can contribute significantly to the amount of supportable retail space downtown, particularly for quick-service and full-service dining options, but also for groceries, personal care, drug stores, and entertainment.

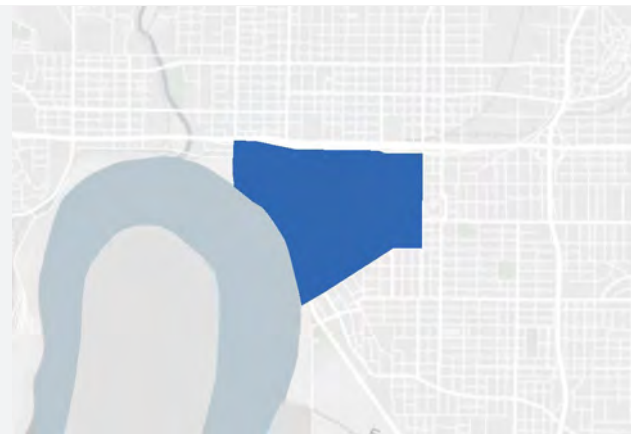
The study area is home to approximately 19,000 jobs. Unlike its suburban counterparts, Downtown Evansville’s employment density is substantial—it contains 16 percent of the city’s jobs in less than two percent of the city’s land area. This high concentration of jobs in a walkable urban environment creates a unique opportunity for the downtown to capture a significant portion of employee spending, boosting redevelopment opportunities and increasing vitality. Many of these workers may also choose to live downtown, particularly as conditions continue to improve.

### EMPLOYMENT TRENDS Downtown Evansville

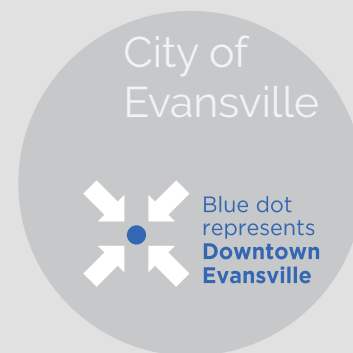
Downtown  
contains  
**36%**  
of the region’s  
office space



Average  
Downtown  
wages are  
**11%**  
higher than  
the rest of the  
region’s



Downtown  
contains  
**16%**  
of the city’s jobs  
in less than  
**2%**  
of the land area



Source: CoStar 2018 (top), On the Map, Bureau of Labor Statistics, Development Strategies (middle), ESRI 2018 (bottom)



## DOWNTOWN HOUSING TRENDS

Survey data from select cities that have experienced considerable downtown development in recent years helps inform the profile of households that would be interested in moving to Downtown Evansville if the right housing products were available.

Demographic data from growing downtown populations in Kansas City, St. Louis, and Nashville help paint a clearer picture of potential downtown residents.

Roughly half of new residents are young (under 35) and very few have children. This implies the greatest demand is for mid-priced housing with an emphasis on rental housing. However, mid-career professionals and empty nesters also comprise a sizable market and generally can afford higher-end housing, including for-sale housing. Households are evenly split between singles (47 percent) and couples or roommates (51 percent), meaning smaller units (studios, one-bedroom, and two-bedroom) will be in greatest demand, though some (particularly homeowner couples) will prefer three-bedroom units.

Downtown residents are well-educated, with an impressive 84 percent holding college degrees. This not only informs housing development decisions, but illustrates how providing downtown housing is an important part of the city's business development strategy in attracting and retaining a talented workforce. This is further underscored by the fact that 33 percent of residents are from out-of-town.

Survey data reveals a number of other interesting and relevant facts about the type of people that are moving to downtowns. Just over half do not work downtown. Therefore, while living close to work is certainly a lifestyle decision that appeals to many, it is clearly not the only reason people move downtown. The fact that over half of new residents do not work downtown indicates that the appeal of living in a downtown neighborhood, regardless of place of employment, is important to many. At the same time, employment growth downtown can also stimulate residential demand.

## DOWNTOWN RESIDENTS IN US CITIES

ARE YOUNG	48%	are 18 to 34 years old
ARE IN MID-CAREER	35%	are 35 to 54 years old
ARE EMPTY NESTERS	17%	are aged 55 and over
DON'T HAVE KIDS	92%	have 0 children living in their household
ARE HIGHLY EDUCATED	84%	have a Bachelor's degree or higher
RENT THEIR RESIDENCE	51%	rent their residence
RECENTLY RELOCATED	33%	moved from outside the MSA
CAN WALK TO WORK	47%	work downtown

Sources: Development Strategies based on data from Partnership for Downtown St. Louis; Nashville Downtown Partnership; Downtown Council of Kansas City.

## OFFICE AND RETAIL TRENDS

Nationally, companies are showing a renewed interest in downtowns as a means of attracting talent. Downtown retail efforts need to emphasize quality, not quantity.

Over the last decade, investment in walkable, urban locations has been a key strategy for attracting residents to urban neighborhoods. These investments are also becoming a key selling point for many businesses. Downtown office space offers transit connectivity and walkable amenities that are crucial to attracting talent, and a visible downtown presence promotes business development, brand, and image for many companies—particularly those needing to project creativity and collaboration. At the same time, given costs of construction, most mid-sized markets have seen very little new office construction, emphasizing existing building stock as part of strategies to grow knowledge-based sectors.

The top sectors driving office leasing activity at the national level are moving to, and expanding in downtown areas at rapid rates. Technology and Finance and Insurance are positioned near the top of both categories, and accounted for more than one-third of all office leasing activity nationwide in the past year. A recent Smart Growth America survey of about 500 companies that relocated downtown between 2010 and 2015 indicated that nearly half of relocations were from suburban areas of the same metro, while another one in five represented a new downtown location or branch.

Retail trends in smaller and mid-size downtown markets are mixed. Though regional retail continues to expand in most markets, downtown markets have grown more slowly or even contracted. In many cases, the large decline of downtown retail supply can be attributed to the closing of department stores or larger retail anchors. Thriving downtowns need to focus on unique dining and cultural experiences to create an environment that is enhanced by high-quality retail. As retail shopping increasingly shifts online, there are considerable barriers to larger-scale retail development. A holistic approach for consideration, would be one that leverages quality retail as part of a mix of uses that attracts people to downtown as a destination with distinctive experiences.

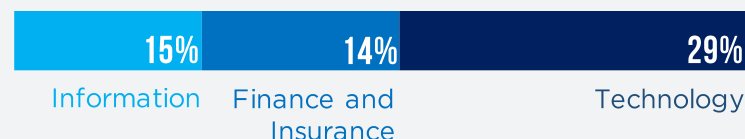
### TOP SECTORS NATIONALLY BY LEASING ACTIVITY

**16%**  
Finance & Insurance

**18%**  
Coworking

**20%**  
Technology

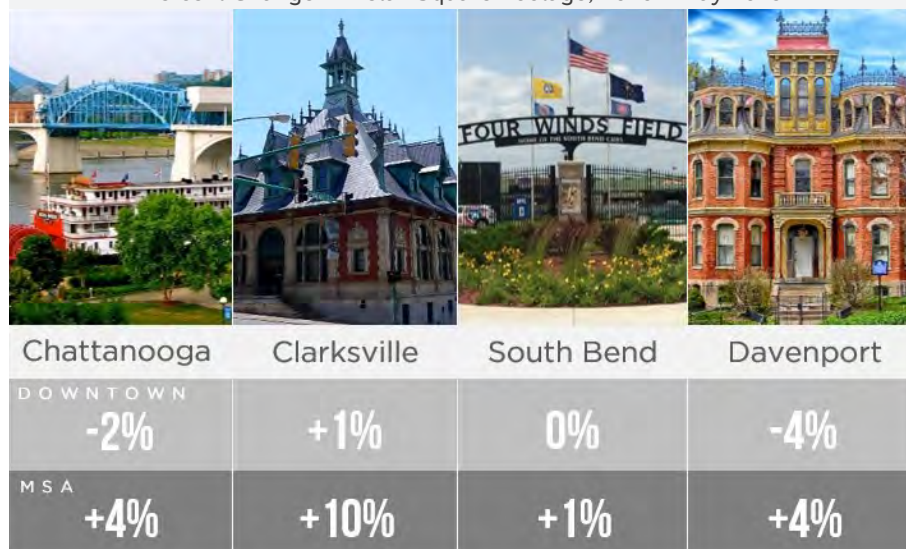
### COMPANIES MOVING AND EXPANDING DOWNTOWN BY INDUSTRY



Sources: U.S. Office Market Statistics, Trends, & Outlook (2018), Jonas Lang LaSalle IP, Inc.; Why American Companies are Moving Downtown (2016), Smart Growth America

### DOWNTOWN VS MSA: RETAIL

Percent Change in Retail Square Footage, 2010—May 2019



Chattanooga and Davenport are Talent 2025 peer cities. Sources: CoStar, 2019



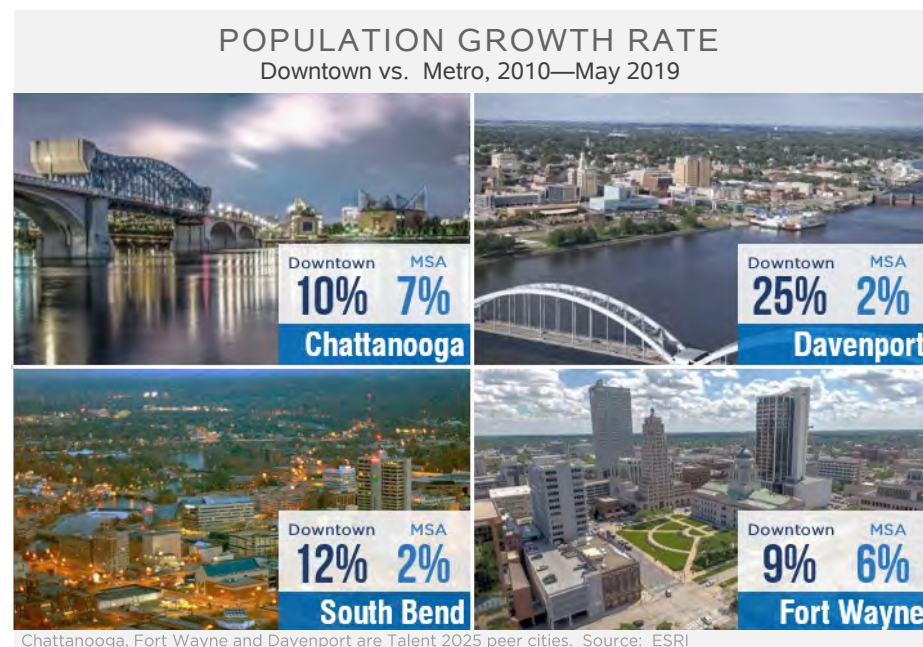
## GROWTH WITHOUT GROWTH

**Downtowns are growing, even in areas with little or no regional population growth, by offering walkable amenities, a vibrant mix of uses, and good access to jobs and services.**

In modest-growth markets, Downtown population growth is driven primarily by an influx of younger, educated households relocating from within, or to, the region. They often move to be near employment and cultural amenities, and are representative of a wider shift in preferences towards more active urban environments. This residential population is critical for transforming downtowns from hubs of economic and administrative activity to a collection of neighborhoods that support unique and vibrant retail, commercial, and entertainment opportunities. In this way, downtowns can experience growth in regions that otherwise are not increasing significantly in population.

Providing attractive residential products that can accommodate these groups is key. Consistent with most of its regional peers, including larger cities such as Indianapolis and Louisville, population growth by young professionals in the city of Evansville (defined as persons aged 25 to 34 with at least a bachelors degree) exceeded the national average from 2010 to 2017 demonstrating a demographic shift even in smaller markets. This emphasizes the need to continue proving the types of housing products that would be attractive to this group, most notably, dense housing in walkable neighborhoods.

The impact of downtown growth is evident across the Midwest and Southeast. Even in cities in low-growth regions, such as Davenport, South Bend, and Fort Wayne, downtown growth has been robust. This is notable given the costs and challenges of building in dense urban areas, compared to “green field” development in suburban areas. Clearly, demand for dense, urban living from select segments of the population is strong.



## PEER REGIONS: OVERVIEW

**All of Evansville's peers have experienced population growth in their downtowns, despite being part of slow or medium growth regions. Chattanooga is an aspirational peer that once faced similar economic and market challenges as Evansville.**

Metrics for several comparable regions were collected to understand the relative position of Downtown Evansville. Peers were selected based on metro area population, geography, growth patterns and other qualitative considerations. Downtown boundaries were generally determined based on land use patterns and built environment. Chattanooga should be considered an aspirational peer given its size and current trajectory; however, it should be recognized that the economic transition of this region has been taking place for many years and once faced similar economic and market challenges as Evansville. In-state peers include Fort Wayne and South Bend; both of which have had slow, but steady growth in their downtowns. Clarksville (TN) and Bowling Green (KY) are regional peers that are experiencing rapid regional growth, which has translated into incremental

downtown growth, although total office supply is considerably lower since historically, these were not thriving commercial hubs. Finally, Davenport serves as more of a “true peer” to Evansville given the size of the region and growth patterns, although the Davenport metro incorporates four downtown areas (Quad Cities), each with their own set of challenges and opportunities.

Evansville has a relatively small downtown population with the lowest population density and slowest population growth among its peers. On the other hand, it has a relatively large supply of office space (3.4 million square feet), which presents opportunities for residential redevelopment and maintaining a strong employment base.

PEER CITIES								
METROPOLITAN AREAS	POPULATION (2018)	METRO GROWTH RATE (2010-2018)	DOWNTOWN POPULATION (2018)	DOWNTOWN POPULATION DENSITY (persons per sq. mi)	DOWNTOWN GROWTH RATE (2010-2018)	DOWNTOWN HOUSING UNITS (2018)	DOWNTOWN RETAIL SF	DOWNTOWN OFFICE SF
<b>Evansville, IN</b>	<b>321,000</b>	<b>3%</b>	<b>2,200</b>	<b>2,400</b>	<b>5%</b>	<b>1,200</b>	<b>0.4M</b>	<b>3.4M</b>
Chattanooga, TN*	565,000	7%	5,800	4,300	10%	1,900	0.8M	8.9M
Fort Wayne, IN*	440,000	6%	3,100	4,100	9%	1,400	0.4M	4.9M
Davenport, IA*	387,000	2%	2,100	3,000	25%	1,300	0.4M	1.7M
South Bend, IN	326,000	2%	1,500	2,800	12%	900	0.5M	2.8M
Clarksville, TN	290,000	11%	2,400	2,600	6%	800	0.7M	0.4M
Bowling Green, KY	176,000	11%	2,800	3,900	18%	1,300	0.2M	0.4M

\*Talent 2025 peer city.  
Sources: CoStar; ESRI 2018

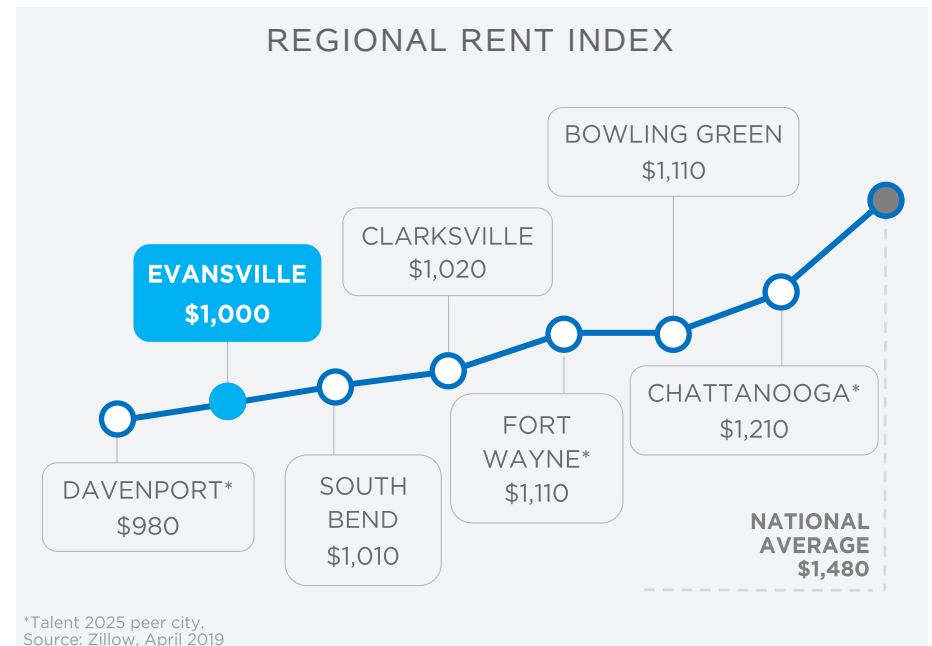
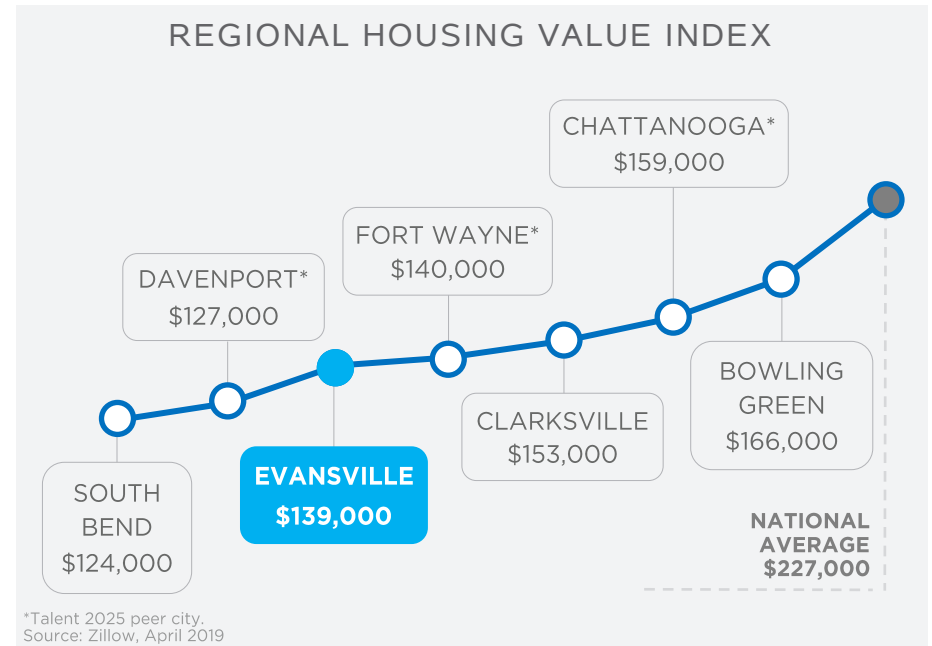


## PEER REGIONS: HOUSING

A comparison of housing values and rents can show two seemingly divergent narratives. Lower housing values can indicate affordability, but conversely, less development potential.

Housing values and rents in all of the peer regions are lower than the national average, which is common in non-coastal communities. Rapidly growing regions tend to have higher property values given increasing demand and competition from higher-income households. Though successful downtown areas can be a key contributor, high-level shifts in home values can be mostly attributed to strong regional economic development. Regional housing markets can also predict downtown growth. So while growth in downtown housing is possible in low-growth regions, it is accelerated in high-growth and high value areas.

Zillow's Housing Value Index (ZHVI) takes into account recent sales and tax assessments as well as host of additional real estate data, including the size, age, and location of a home, to determine the median housing value in an area. The estimated median value in Evansville was \$139,000 as of April 2019, which is similar to Fort Wayne (\$140,000), but below those peer cities with stronger regional employment growth such as Bowling Green, Clarksville, and Chattanooga, which generally range from about \$150,000 to \$170,000. The Zillow Rent Index (ZRI) follows a similar pattern and highlights the relatively soft rental market in Evansville. As a result, there has been very little multifamily development over the last 10 years. This relates to future downtown residential development, in that public-private partnerships will likely be required to spur growth in the near term.



## PEER REGIONS: OFFICE

Evansville, much like most of its peers, has experienced a net decrease in Downtown office space since 2010, which speaks to feasibility challenges for new office development, compared to other uses. This emphasizes the need to maintain the existing office supply and/or incorporating office space into mixed-use developments.

Among Evansville's peers, only Bowling Green (+110,000 square feet) and Fort Wayne (+4,000 square feet) had a net increase in downtown office space since 2010. This can be attributed to the conversion of obsolete office space into residential or other uses, but also speaks to the risks and challenges for the development of speculative office space—the cost of land and construction have limited new supply, even in markets with strong regional office demand. In many markets, suburban areas are still the most cost-effective for new office development.

This implies that in the early phases of Downtown Evansville's revitalization, efforts need to rely on residential and smaller-scale experiential retail, while maintaining its existing office supply for continued support of the knowledge-based sectors. In most markets, new office development occurs in the latter stages of the revitalization process or is incorporated in mixed-use developments.

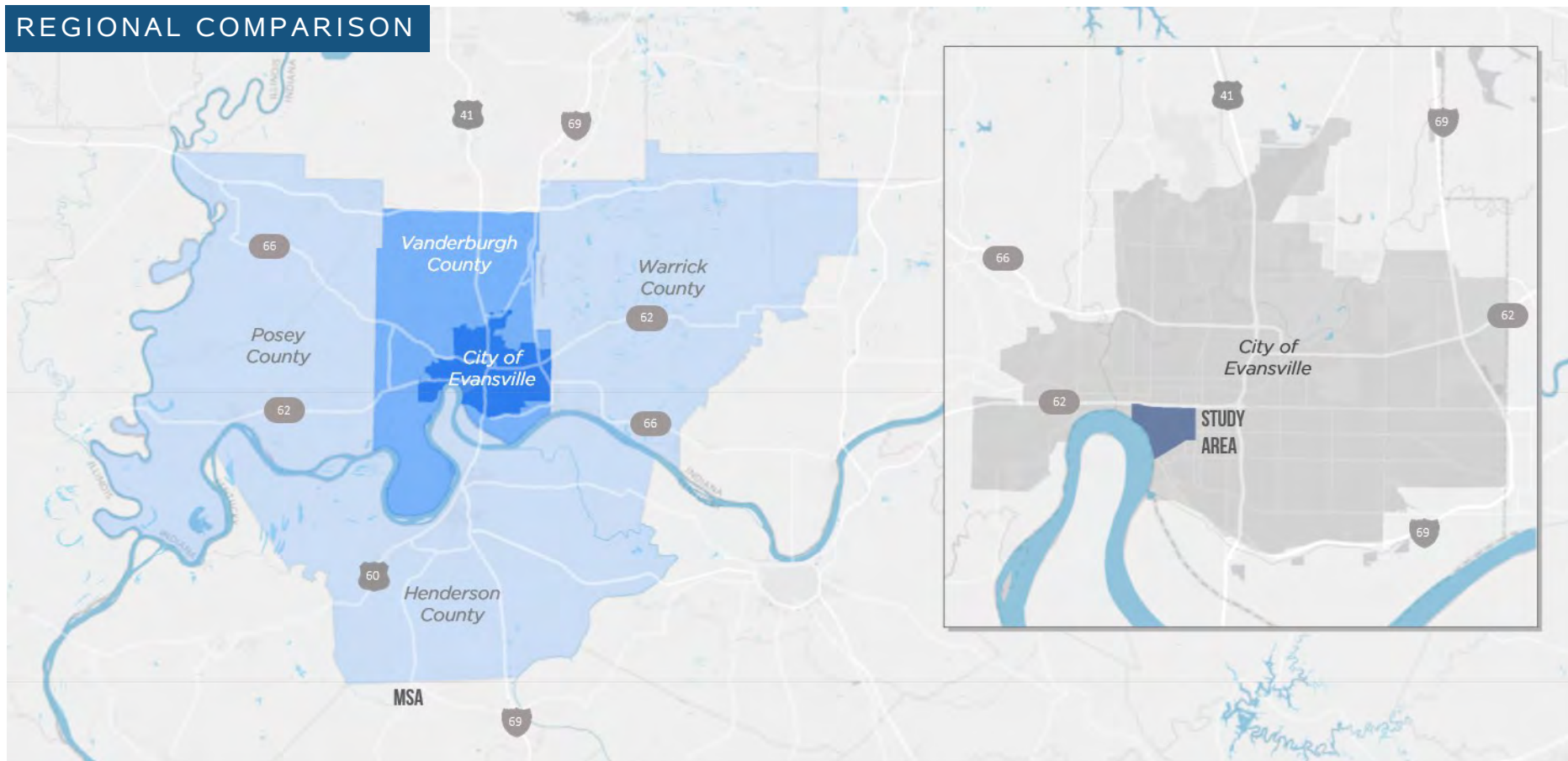
### OFFICE NET CHANGE Net Change in Office Square-Footage, 2010—May 2019

	MSA	DOWNTOWN
Evansville	210,000	(25,000)
Bowling Green, KY	280,000	110,000
South Bend, IN	260,000	(120,000)
Fort Wayne, IN	150,000	4,000
Chattanooga, TN	450,000	(220,000)
Clarksville, TN	410,000	(2,000)
Davenport, IA	175,000	(130,000)

Source: CoStar 2010—May 2019



## REGIONAL COMPARISON



	Downtown	City of Evansville	Vanderburgh County	MSA
POPULATION 2018	2,200	123,000	186,000	326,000
POPULATION CHANGE 2010-2018	5.3%	1.6%	2.2%	2.9%
MEDIAN HOUSEHOLD INCOME 2018	\$36,000	\$39,000	\$48,000	\$52,000
MEDIAN HOUSING VALUE 2018	\$198,000	\$94,000	\$129,000	\$143,000

Source: ESRI 2010, 2018

## DEMOGRAPHIC ANALYSIS

Since 2010, many of the close-in areas in Evansville have experienced population decline, and have relatively low incomes and housing values, compared to the region. Downtown Evansville, on the other hand, has experienced steady growth, indicating momentum to build upon for future investment.

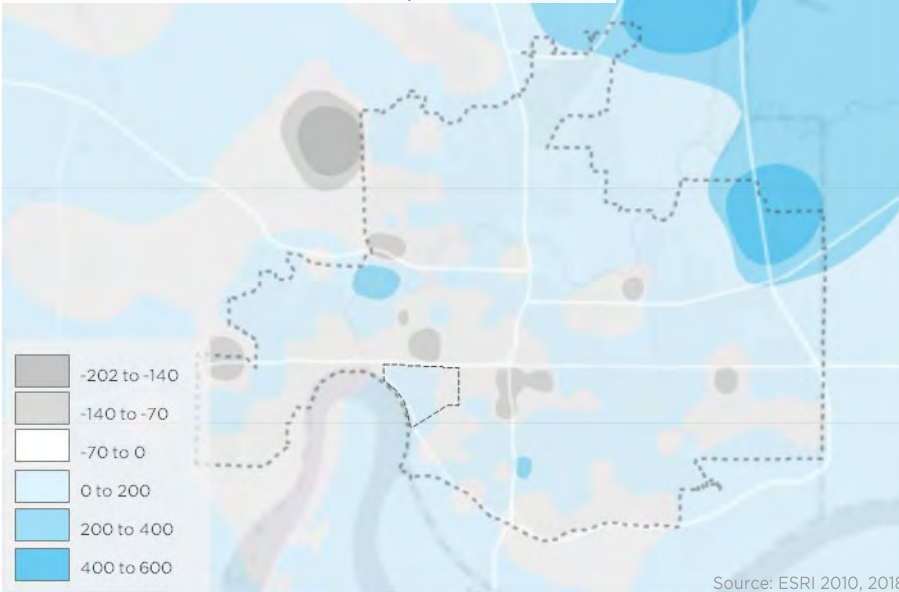
### Population Change

Since 2000, the overall city population has been stable, but shifting slightly to suburban areas. Losses from 2000 to 2010 have been overcome with steady growth since 2010. The core areas of Downtown have experienced incremental population growth since 2010; however, many of the neighborhoods adjacent to downtown have experienced losses. Most of the regional growth has occurred just beyond the city limits to the northeast. This is typical of markets with slow regional growth—development in the urban core is hindered by the limited availability of undeveloped land, while the most cost-effective development opportunities are located in suburban areas, given the abundance of larger-scale, vacant tracts of land.

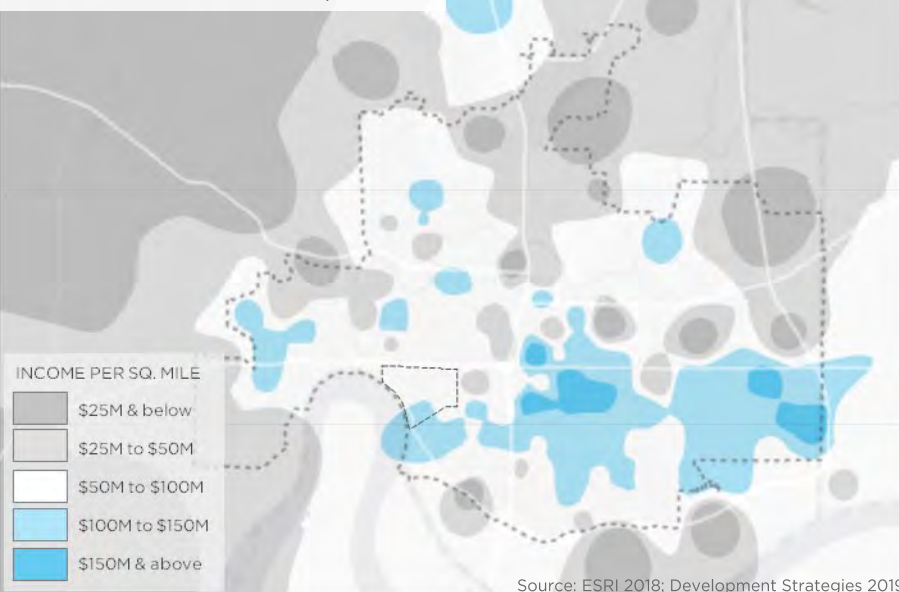
### Income Density

Despite strong population growth beyond the city limits and stagnant growth in the urban core, when considering income density, there is a substantial amount of income and/or wealth concentrated in Evansville's older, close-in neighborhoods, particularly in the neighborhoods just south and east of downtown. This can be attributed to relatively higher levels of household income, but more critically, the much higher population/housing density in these areas. This indicates a market potential for retail and other amenities downtown, if these households could be attracted to downtown with new retail offerings, enhanced visibility, and improved accessibility.

POPULATION CHANGE, 2010-2018



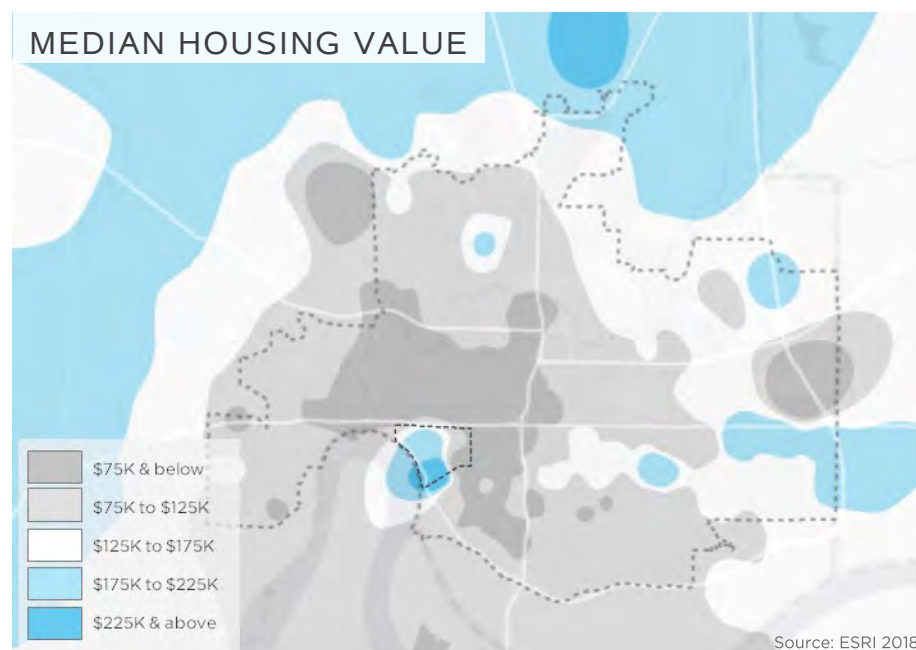
INCOME DENSITY, 2018





## Housing Values

New higher-end condominium products in rehabbed historic buildings have entered the market in the last 10 years. This indicates strong market conditions for future residential development. The median housing value Downtown (\$198,000) is considerably higher than the city and regional median. Conversely, portions of Downtown and many adjacent neighborhoods have some of the lowest median housing values in the region, which could temper some of downtown's momentum. As the downtown is repositioned as a vibrant hub of commercial, residential, and recreational activity, this will enhance the marketability of many of Evansville's close-in neighborhoods.



## KEY METRICS EVANSVILLE

**1,950**

population gain in region since 2010—a 2% increase—after a drop in population from 2000 to 2010

**5%**

change in population within the DEDC boundaries since 2010 (after a 22% decline from 2000-2010)

**4.6%**

projected annual median household income growth within the DEDC boundaries from 2018 to 2023 (versus 2.7% in the region)

**30%**

of residents (aged 25+) living within the DEDC boundaries have college level education (versus 25% in the region)

**25%**

of the city's population is between 18 and 34 years old—three percentage points higher than the region

**27%**

of households living within the DEDC boundaries with annual incomes of \$75,000 or more (compared to 21% for the city)

Source: ESRI 2018

## ECONOMIC AND INDUSTRY DATA

**Vanderburgh County lags behind the nation in key downtown-centric industry sectors, which presents a potential ceiling for developing a strong knowledge based economy, as well as for downtown housing.**

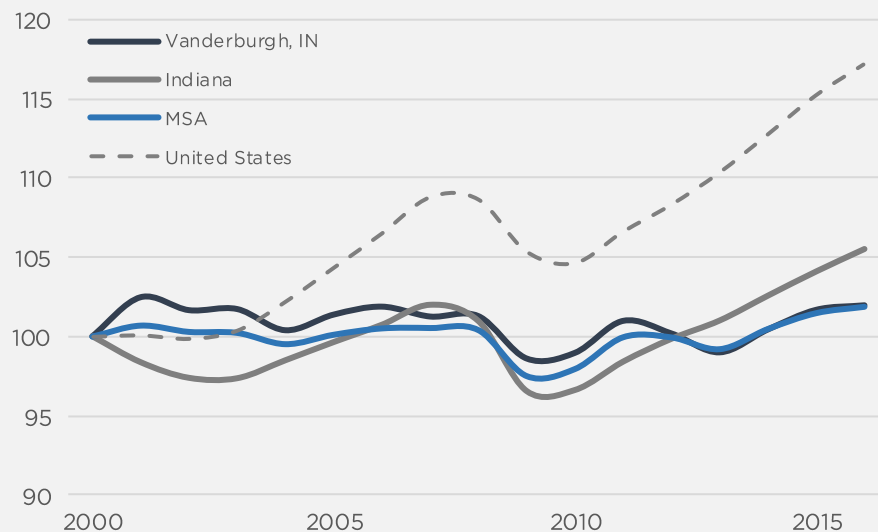
The Great Recession caused employment losses across the country, but even before this time, Vanderburgh County was experiencing declines in overall employment due to heavy losses in manufacturing and finance jobs, with losses of 1,600 and 1,700, respectively. Since 2010, overall employment has recovered from the Recession as well as from losses prior to 2007. Though recent employment growth has been relatively slow, Vanderburgh County has added nearly 6,000 jobs since 2010, many of which are in downtown-centric sectors, including professional services, administrative support, and healthcare. Economic conditions in the region have stabilized, positioning it for moderate growth moving forward.

Location quotient, are evaluated to understand regional economic strengths and weaknesses, and is a measure of relative share of employment by sector in a given geography compared to the national average. A location quotient above 1.0 indicates a relatively larger share of employment in that given sector and a location quotient less than 1.0 indicates a relatively smaller share. The location quotients for Vanderburgh County indicate that it has a relatively larger share of Management sector jobs, which can be attributed to the several headquarters and regional offices in the county, including Berry Global, Koch Enterprises, and Old National Bancorp). It also has a strong base in blue collar industries, including Manufacturing, Mining, Construction, Transportation and Warehousing and Wholesale Trade.

Knowledge sectors such as business and finance, professional services, management, healthcare and education, tend to attract a higher share of workers who prefer downtown amenities, and prefer to live closer to work in downtown environments. In Vanderburgh County, the two core downtown-centric industries — Professional and Technical Services, and Finance and Insurance — have the lowest location quotients, which presents a potential ceiling for developing a strong knowledge based economy, as well as for downtown housing. Focusing on, and creating jobs in these industries will have positive implications for the success of Downtown Evansville.

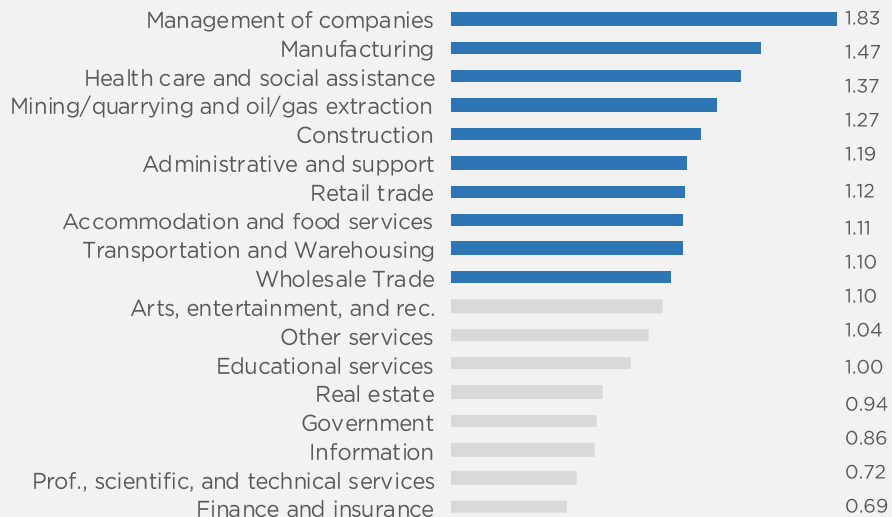
## RELATIVE EMPLOYMENT CHANGE, 2000-2016

Index: 2000=100



Source: U.S Bureau of Economic Analysis (BEA) 2018

## LOCATION QUOTIENT, VANDERBURGH COUNTY 2016





## DOWNTOWN EVANSVILLE: A JOB CENTER

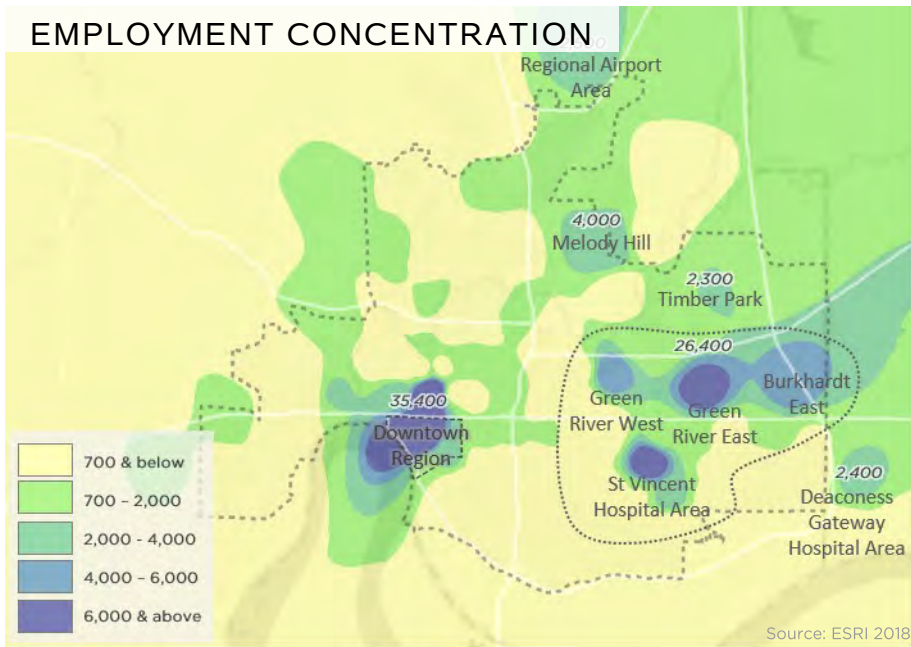
As the economic core of the region, Downtown employment weathered the recent recession well, and has experienced modest growth in downtown-centric industries.

The importance of Downtown is apparent when viewed within the context of an employment concentration map of the city. With around 19,000 jobs within the core of downtown, and a total of 36,000 jobs when including areas north of the West Lloyd Expressway, Downtown supports significantly more economic activity than the areas surrounding St. Vincent Hospital (8,300), Green River East (7,400), Green River West (5,600) and Burkhardt East (5,100).

The Evansville regional economy has a very strong base in Blue Collar sectors such as Manufacturing, Wholesale Trade, and Warehousing. Though these sectors are impactful on a regional level and should continue to be supported, given real estate needs, they are better-suited in lower density areas outside of the urban core. As such, given the national shift to a more service-based economy, downtown areas are now primarily positioned

for knowledge-based industries, government services, and retail and hospitality. The future of housing development in Downtown Evansville is also tied to the success of these sectors, as they tend to attract a talented and highly-mobile workforce that gravitates towards urban environments. Additionally, the appeal of downtown living is contingent upon access to these jobs, amenities, and services.

Downtown Evansville is currently positioned to continue creating a vibrant environment that further supports the knowledge economy. Around 30 percent of downtown employment is in Professional, Scientific & Technical Services and Finance and Insurance, which are the two leading sectors for downtown employment nationally. Downtown employment in Arts and Entertainment is around eight percent, higher than the regional average, which can be attributed to the Tropicana Casino, Ford Center, Old National Events Plaza and other tourism-based amenities. Building upon these two primary “users” of downtown, there are market opportunities to build upon these assets for expanded residential and retail offerings.



	DOWNTOWN EVANSVILLE	EVANSVILLE MSA
PROFESSIONAL/ TECHNICAL/ FINANCE	30%	12%
HEALTHCARE	18%	16%
ARTS & ENTERTAINMENT	8%	3%
BLUE COLLAR	9%	24%
RETAIL/FOOD SERVICES	19%	23%
OTHER	13%	22%

Source: ESRI 2018







## CHAPTER 4

# MARKET ANALYSIS

# MARKET ANALYSIS

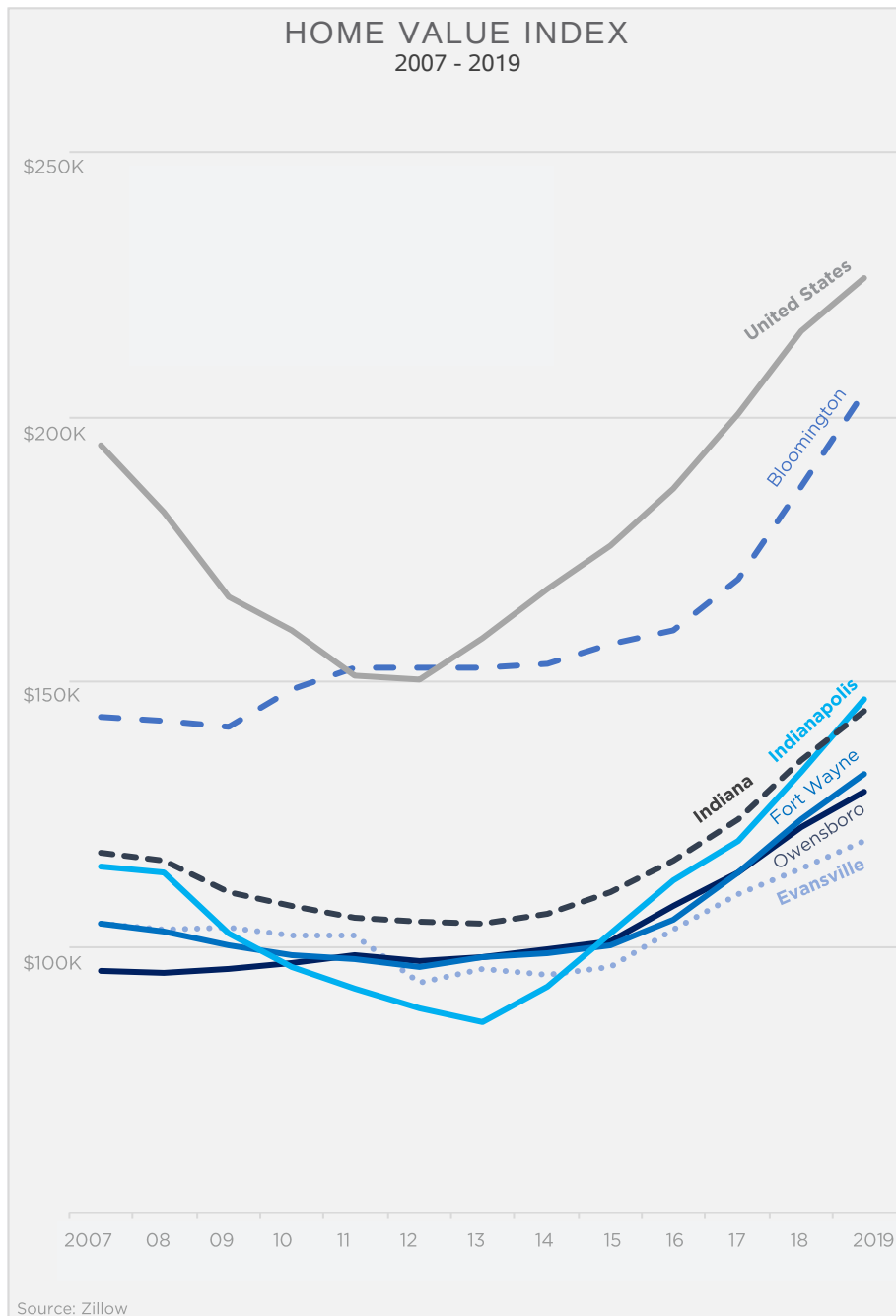
## FOR-SALE HOUSING OVERVIEW

The national for-sale housing market recently recovered fully from the Great Recession as average values now exceed pre-Recession levels. The market in Evansville has improved modestly, though there will be increased opportunities for new for-sale housing development as the market continues to progress.

The national for-sale housing market collapsed following a flurry of building activity from the late 1990s to 2006. Most cities across Indiana experienced modest declines in home values, with Indianapolis experiencing the most significant losses. However, statewide losses were much less severe than markets in the south and on the coasts, where property values had become highly inflated prior to the recession.

The Evansville for-sale market has remained relatively stable, though home values are well below Bloomington, which is buoyed by the presence of the Indiana University, as well as Fort Wayne. Population growth in nearby Owensboro, Kentucky has driven a strong increase in home values as well. The median single-family home value in Owensboro surpassed Evansville in 2012, and more than three times as many single-family permits have been issued in the Daviess County seat than in Evansville in subsequent years. In contrast, the Indianapolis market has been somewhat volatile and was significantly impacted by the foreclosure crisis caused by the recession.

While new single-family construction in the city of Evansville has been somewhat limited, the existing supply of quality mid-range and entry-level homes cannot keep pace with demand. Put simply, there are a finite number of homes that are affordable to first-time buyers that also meet expectations of quality and location. Most homes in this category tend to be older, with dated finishes and design. Though the relatively swift home value appreciation of the last several years has begun to slow at the national level, values will likely continue to increase locally given this limited inventory.





## RENTAL HOUSING OVERVIEW

The rental market continues to strengthen nationally as homeownership rates decline and housing preferences change. This creates the opportunity for new rental housing products designed to meet current market demand, particularly in walkable environments.

**Affluent Households increasingly Choose to Rent:** From 2009 to 2017, the proportion of households earning more than \$50,000 that rent increased about 25 percent at the national level and ten percent in Evansville.

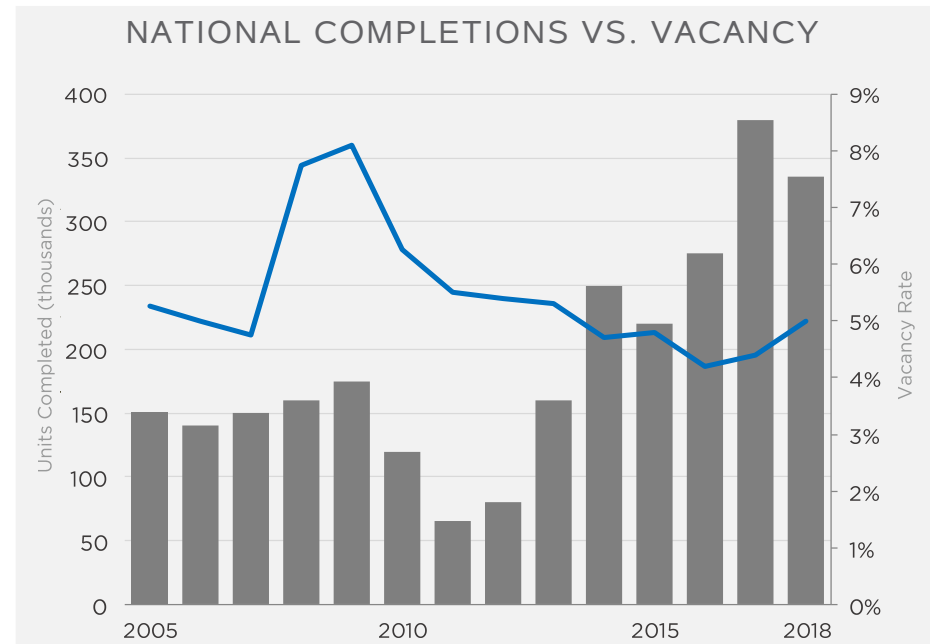
**Record Development Levels:** More than two million apartment units have been completed since 2012, representing a net increase of approximately 13 percent in the national inventory.

**Rents Continue to Rise, but Slowly:** Average rents increased about three percent in 2018—the ninth consecutive year—but growth could slow this year as a significant number of additional units are added to the market.

**Strong Rental Demand Remains for Midscale Products:** While the national vacancy rate for Class A multifamily properties increased to about seven percent in 2018, average vacancy for Class B and C properties remains below five percent.

**Interest Rate Trends Are Uneven:** Mortgage rates rose steadily through 2018—widening the affordability gap between homeownership and renting—but reversed course in early 2019. This, combined, with a lack of supply of quality entry-level, or starter homes, will sustain strong demand for rental housing.

**Homeownership Remains Down:** Homeownership rates fell across all age groups following the recession, but the biggest drop has been among those aged 25 to 34. Today, only 39 percent of households in this group own a home, compared to nearly 60 percent in the previous decade. Although the homeownership rate for this age cohort is recovering, it is projected to remain well below the pre-recession level.



Source: U.S Bureau of Economic Analysis (BEA)



Source: American Community Survey

## COMPETITIVE NEIGHBORHOODS

**An important benchmark for market rate housing in Downtown Evansville is the competitiveness of other neighborhoods throughout the region. Housing is generally affordable throughout the region, which means new products will need to be competitively priced and close to amenities.**

Evansville has a very tight band of close-in, historic urban neighborhoods that are concentrated south of Diamond Avenue and west of St. Vincent Hospital. Development is increasingly suburban in character nearer Interstate 69 and north along the Highway 41 corridor, though these areas remaining competitive given their good access to amenities and employment, and reasonable price points.

**Haynie's Corner:** Immediately south of downtown, Haynie's Corner includes a substantial stock of historic homes built in the early 1900s at a variety of price points and sizes. Large Victorian homes line Southeast 2nd Street, and continue west towards Sunset Park, while a mix of smaller bungalows and cottages are scattered along small lots to the east. The neighborhood is anchored by a commercial node at the intersection of 2nd Street and Washington Avenue that includes several local restaurants, and a small pocket park. Though the quality of the housing stock varies—and decreases rather dramatically southeast of the corner itself—larger, well-maintained properties generally sell for \$200,000 to \$250,000, while smaller homes sell in the \$125,000 to \$175,000 range.

**University District:** Further east, the residential areas surrounding the University of Evansville are notable for a significant concentration of Tudor homes built in the 1930s. The large, all-brick homes are concentrated between Lincoln and Washington Avenues and generally sell in the \$250,000 to \$300,000 range, though very large homes along Johnson Place often sell for \$500,000 or more. More common, however, is a substantial supply of modest post-war homes priced in the \$125,000 to \$195,000 range. Small two-bedroom and three-bedroom homes are most typical, and a significant number have been renovated in recent years.

**Outer Lincoln:** Though it lacks the consistent architectural character of closer-in neighborhoods, a variety of attractive housing types are clustered along Newburgh Road near Lincoln Avenue. This includes a number of large ranch-style homes built in the 1970s and 1980s concentrated near Interstate 69 and the Lloyd Expressway as well as a mix of more modest mid-century homes along Covert Avenue. Similar to other competitive areas, homes are priced widely between \$150,000 and \$250,000 depending on condition, supplemented by a significant number of smaller, dated properties priced in the low-to-mid \$100,000s. Though homes in this area are slightly further from the city center, they require less of the expensive maintenance costs associated with historic properties in other competitive neighborhoods.

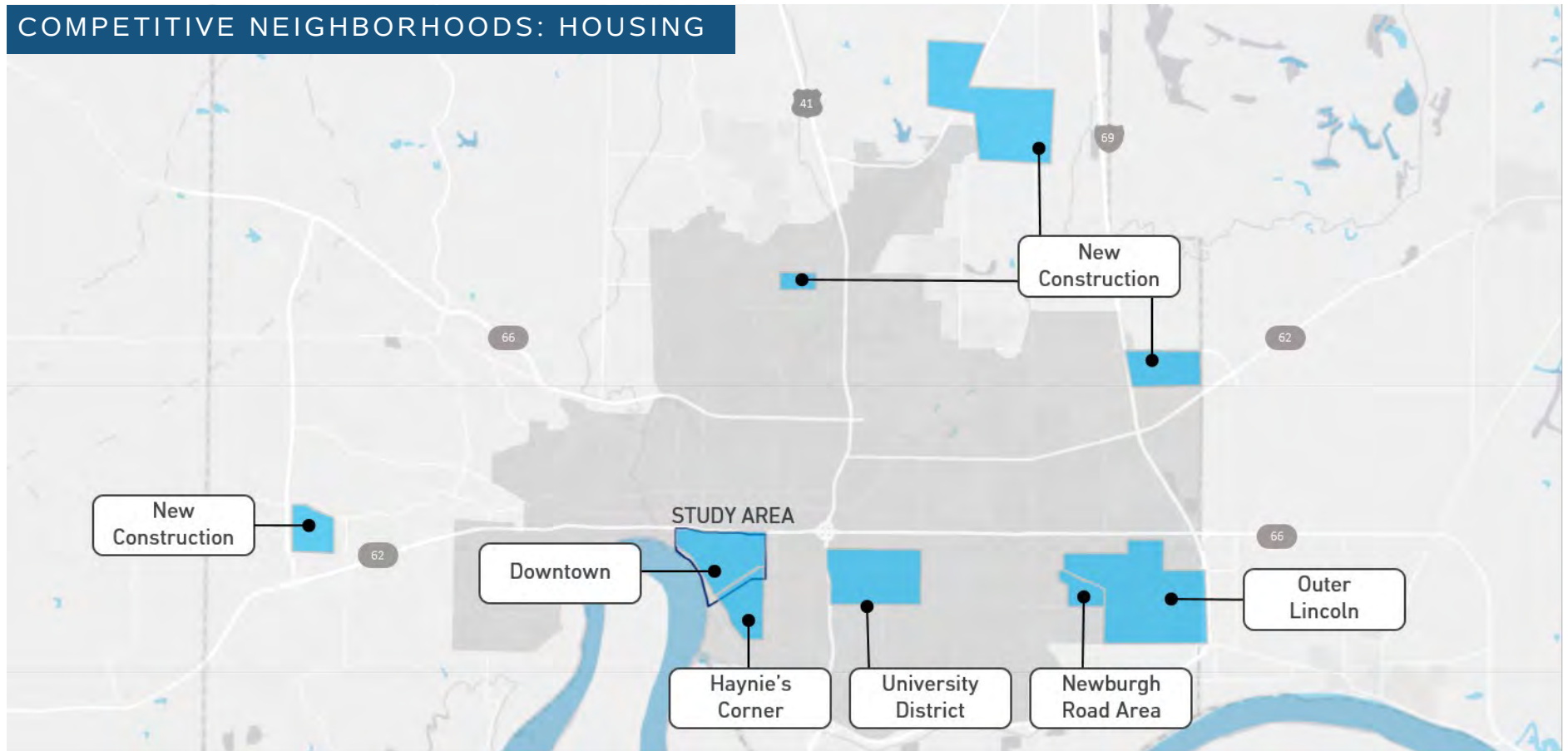
**Newburgh Road Area:** Most unique, however, is the concentration of sprawling 4,000 and 5,000 square foot homes located in a handful of residential subdivisions built in the early 2000s between Newburgh Road and Washington Avenue. Homes in these areas are priced near the top of the Evansville market, with recent sales ranging from \$450,000 to as much as \$650,000. Though not directly competitive with downtown, these neighborhoods highlight the market area's ability to support a high-end, newly-constructed product.

**New Construction:** Recent single-family development has occurred almost entirely outside of the Interstate 69 belt and north of Diamond Avenue, with most recent sales in the low-to-mid \$200,000 range. Here, new or recent construction is particularly marketable compared to older, close-in homes, as even a suburban location at the edge of the city limits is within a 15-minute drive of downtown.

This has strong implications for the study area. Since these competitive neighborhoods are more evolved, new housing products downtown must be attractive enough to target households that would be willing to spend more for a unique housing product in an urban environment. Given the relative affordability of for-sale housing in these neighborhoods, the downtown rental market has more potential by offering a high-quality urban product that is otherwise limited in the region.



## COMPETITIVE NEIGHBORHOODS: HOUSING



		Downtown	New Construction	Haynie's Corner	University District	Newburgh Road Area	Outer Lincoln
MEDIAN SALE PRICE	2B	\$200,000	\$165,000	\$175,000	\$150,000	-	\$125,000
	3B	\$300,000*	\$200,000	\$250,000	\$200,000	\$375,000	\$175,000
MEDIAN HOME SIZE	2B	1,250 SF	1,300 SF	1,300 SF	1,400 SF	-	1,300 SF
	3B	1,875 SF*	1,800 SF	2,200 SF	2,000 SF	2,800 SF	1,750 SF

\*Based on single sale. Sources: Zillow; Development Strategies, 2019

## RESIDENTIAL DEVELOPMENT TRENDS

**Residential development in Downtown continues to gain momentum as a substantial stock of renovated historic buildings supports a nascent wave of new construction.**

Currently, only a small portion of Evansville's multifamily stock is located downtown. The 560 units in the city's core represent less than four percent of Evansville's total supply, and the overall vacancy rate of about nine percent is above the community-wide average of five to six percent. However, downtown properties achieve a significant location premium over comparable rentals elsewhere. Though only about 150 rental units have been added in the submarket since 2010, the average downtown rent of \$1,075 is well above the city average of \$725, despite a relatively large proportion of smaller studio and one-bedroom layouts.

While there was a small amount of new condominium construction in the late 1980s, downtown residential development over the past two decades has largely consisted of renovated historic buildings. A former JC Penney department store built in 1911 was converted to 23 condos in 2006, while a 1960s office building was partially converted to condos in 2007. Downtown condo properties are positioned at the top of the relatively modest Evansville market. Though smaller one-bedroom and two-bedroom units sell in the mid-\$100,000s, larger, updated units with views of the Ohio River sell for \$300,000 or more.

As development economics continue to improve, a broader number of rental properties have been completed at a variety of scales. The 1911 former McCurdy Apartment building was repurposed as 100 apartments in 2017, while a small 1916 office building and carriage house located near the riverfront was converted to five rental units in late 2018. Renovations of smaller two-unit and four-unit properties are also common along the Downtown periphery, particularly to the south.

This development momentum has supported a nascent wave of new construction. Most prominent is The Post House, a mixed-use development with 144 residential units above first floor retail and office, currently under construction adjacent to the Old Post Office on 2nd Street. Though the overall numbers remain small, continued investment in the riverfront and commercial properties along the Main Street corridor—as well as visible anchor projects such as The Post House—have made Downtown increasingly attractive for residential developers.



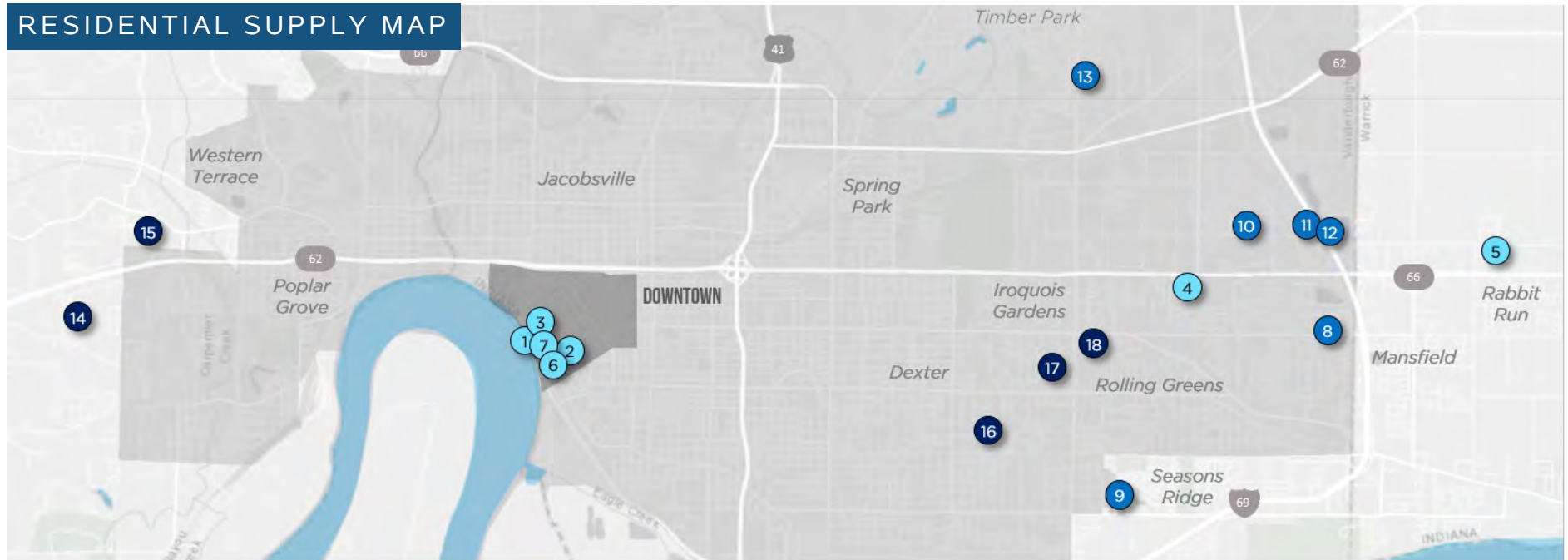
Historic homes, south of Downtown



McCurdy Apartments



## RESIDENTIAL SUPPLY MAP



### Upscale

### Midscale

### Lower Midscale

①	The McCurdy 1917/2017 100 Units	⑧	Regency Club Townhomes 2016 20 Units	⑭	Copper Creek Townhomes 1999 291 Units
②	The Euclid 1913/2013 6 Units	⑨	Indian Woods Apartments 1984/2003 284 Units	⑮	Arbors at Red Bank 1973 79 Units
③	The Elizabeth 1900s/2018 4 Units	⑩	The Reserve 2008 158 Units	⑯	Arbors at Evansville 1972 147 Units
④	Pavilion Lakes Apartment Homes 1981 200 Units	⑪	Cross Lake Apartments 2001 208 Units	⑰	Bryce De Moray 1986 136 Units
⑤	Warrick Trail Apartments 2017 348 Units	⑫	Lakeshore Apartments Homes 2005 224 Units	⑱	Eco Square Apartments 1966 108 Units
⑥	Owen Block 1882/2016 15 Units	⑬	Sugar Mill Creek 1986 487 Units		
⑦	Cambridge Arms 1925/2016 32 Units				

Sources: Zillow; Development Strategies, 2019

## SUPPLY: RENTAL OVERVIEW

**Evansville's rental housing stock lacks diversity in terms of the types of properties and units available. A broad range of products are possible, and in demand. This study surveyed a broad range of existing properties and identifies typologies that are currently lacking.**

Rental properties across Evansville were surveyed to determine rents and occupancies in the market, as well as to gain an understanding of achievable rents relative to a property's age, location, and level of finish. The following is an analysis of the most relevant properties:

**Upscale Historic Rehabs:** Many of the rental units added in and around Downtown over the past decade are contained within rehabbed historic buildings. Though none of these units are truly “luxury”, they generally include upscale finishes, materials, and details that are superior to older garden-style apartment communities common located around the city's periphery. Compact studio and one-bedroom units are most common, though a small number of unique larger layouts are also available. Rents at these properties generally range from \$1.30 to \$1.60 per square foot, depending on unit size and layout.

**Contemporary Suburban:** A handful of properties are located along Evansville's eastern periphery that were constructed during the past decade. They are generally suburban in character—most are finished with a mix of vinyl siding and masonry veneer, and set back along large surface parking lots—and offer large units with contemporary finishes and generous development amenities. Though overall rents are positioned in the upper range of the rental market, rents on a per-square-foot basis are relatively low given the large unit sizes, ranging from about \$1.00 to \$1.10.

**Midscale Apartments:** Midscale properties generally consist of large garden-style apartment communities built in the 1980s or early 1990s, though may also include older properties that have been periodically renovated and well-maintained, or historic properties with dated layouts and finishes. Many of these units are located near the Interstate 69 and Green River Road corridors and are adjacent to older retail and industrial uses. Though these locations are almost entirely car-dependent, they offer good access to retail and daily services. Rents for Midscale properties generally range from \$0.80 to \$0.95 per-square-foot.

**Lower Midscale:** Properties in this category are similar in terms of character, scale, and design to Midscale communities, but are older, and not adequately maintained. Lower Midscale properties remain competitive due in large part to their affordability—rents generally range from \$0.70 to \$0.90 per-square-foot—particularly among younger renters. In Evansville, these properties are clustered west of Downtown along the West Lloyd Expressway, and to the south where Green River Road approaches the floodplain.

**Affordable Housing:** Affordable properties are generally those that target households earning 30 to 60 percent of area median income. Apartment development is facilitated with tax credits through the Low Income Housing Tax Credit (LIHTC) program. Limits are set on household earnings for qualifying tenants and rents that can be charged.

**Luxury Apartments:** These property types include new construction apartment properties developed at medium to high densities with high-end finishes and amenities in prime Downtown locations. This product type is currently absent from the market, though demand could grow in the future as market conditions improve.



## SUPPLY: EVANSVILLE RENTAL PROPERTIES

**A handful of historic renovations were recently completed Downtown; however, most multifamily units in Evansville are contained in traditional, suburban, garden-style communities**

Much of the momentum near the top of residential market in Downtown Evansville has been driven by the development of for-sale condominiums, while rental options have consisted of older, scattered, two-unit and four-unit properties. However, a growing number of historic properties with marketable locations near the heart of downtown have been converted to upscale rentals in recent years. These properties offer high-end in-unit amenities and finishes, and have achieved rents near the top of the market on a per-square-foot basis, with additional premiums for river and downtown views.

In contrast, the remaining, and majority, of the existing rental supply in greater Evansville consists of a mix of garden-style multifamily communities built over the past 40 years. Though they vary widely in terms of condition and age, the overall design and construction of these properties are similar. They are located on large development sites outside of the urban core, and most consist of 10 to 20 two- and three-story buildings situated around ample surface parking with centralized community amenities.

Overall, the correlation between the age and quality of existing market rate rentals is clear, as the current supply of Upscale units in the market is comprised entirely of units built or rehabbed since 2008. In contrast to loft conversions that are typical in other downtowns, historic renovations in the core of Evansville tend to include a larger number of small studio, one-bedroom, and two-bedroom apartments. Larger loft properties are present in the market area, but most were converted to condominiums. Garden communities are relatively traditional in terms of design and layouts, but offer more spacious units, and a greater range of unit types, including three-bedroom layouts, which are largely absent downtown.

Amenity packages are generous and include stainless steel appliances, in-unit laundry, and granite countertops. Average rents for upscale units range from \$0.85 to \$1.30 per square foot with overall occupancy rates above 95 percent.

### THE McCURDY



#### UPSCALE REHAB

Built 1916  
Rehabbed 2017  
100 units  
550—875 SF  
\$1.40 PSF

#### Average Rent

1 BR: \$1.45/SF  
2 BR: \$1.40/SF

### THE EUCLID



#### UPSCALE REHAB

Built 1913  
Rehabbed 2013  
6 units  
900 SF  
\$1.05 PSF

#### Average Rent

1BR: \$1.05/SF

# MARKET ANALYSIS

## SUPPLY: EVANSVILLE RENTAL PROPERTIES

The primary difference between the city's contemporary suburban and midscale supply is age. The garden-style construction of midscale properties is similar to properties built in the early-to-mid 2000s, but communities in this category are 20 or more years old. While many amenities are similar, finishes are dated. Typically, the development of new and upscale multifamily properties puts downward pressure on the midscale supply, but due to the lack of new construction in the market, Midscale properties have maintained rental rates approaching \$1.00 per square foot despite their condition and age.

Salient differences in achievable rents are more dramatic among Lower Midscale properties. These properties are older and have not been maintained to a similar standard. Rents among Lower Midscale properties are about 20 percent below comparable Midscale units, but occupancy rates remain relatively high due to their overall affordability and generally marketable locations.

Overall, the Downtown market has shown a steady appetite for new units despite limited development volume, building on shifts in demographics and consumer preferences while leveraging previous investment in public spaces and infrastructure. However, current achievable rents are relatively low compared to peer cities despite a competitive Downtown rental product. Targeting development efforts towards key Downtown sites to create a diverse urban neighborhood around these products will be key to attracting and retaining renters.

## THE RESERVE



### CONTEMPORARY SUBURBAN

Built 2008

158 units

766—1,050 SF

\$0.73—\$1.17 PSF

#### Average Rent

1BR: \$1.12/SF

2BR: \$1.08/SF

## WARRICK TRAIL APARTMENTS



### CONTEMPORARY SUBURBAN

Built 2017

348 units

705—1,065 SF

\$0.79—\$1.24 PSF

#### Average Rent

1BR: \$1.04/SF

2BR: \$0.93/SF

3BR: \$0.92/SF



## CASE STUDY

### MAIN & CLAY

Louisville, Kentucky



#### UNITS

269

#### DENSITY

180 units/acre

#### UNIT SIZE

650-850 SF  
950-1,200 SF

#### RENT PSF

\$1.80-\$1.90  
\$1.65-\$2.00

Main & Clay was completed in early 2018 in Louisville's Butchertown neighborhood—the former meatpacking district situated near the intersection of interstates 64 and 65. Though it still retains some industrial character, the area has seen significant investment in recent years. Main & Clay includes first floor retail space currently occupied by a brandy distiller, and is positioned near the top of the overall Louisville rental market.

### HIGHLAND STATION

Louisville, Kentucky



#### UNITS

197

#### DENSITY

120 units/acre

#### UNIT SIZE

575-900 SF  
1,000-1,300 SF

#### RENT PSF

\$1.70-\$2.00  
\$1.70-\$1.80

Baxter Avenue and Bardstown Road anchor the Highlands neighborhood immediately southeast of Downtown Louisville. It includes the highest concentration of bars and restaurants in the city and an eclectic mix of local retailers. Highland Station is located just off the main corridor on the former site of a parochial school building.

### 310 AT NuLu

Louisville, Kentucky



#### UNITS

173

#### DENSITY

108 units/acre

#### UNIT SIZE

560-880 SF  
920-1,100 SF

#### RENT PSF

\$1.60-\$1.80  
\$1.60-\$1.70

310 at NuLu is located in Louisville's East Market district near several hospitals, the University of Louisville, and the Humana campus. It was one of the earliest upscale multifamily properties completed in the area and is a component in the larger mixed-income redevelopment efforts replacing the former Clarksdale Homes public housing community.

# MARKET ANALYSIS

## SUPPLY: FOR SALE OVERVIEW

**The downtown for sale market consists almost entirely of rehabbed condominiums near the Main Street corridor.**

For-sale activity in the study area over the past twelve months has been limited to a total of six transactions, five of which were condo sales at The Renaissance and The Meridian on Main Street or The Plaza Condominiums on 3rd Street. Units were similar in terms of size and scale—all were two-bedroom layouts ranging in size from 1,050 to 1,560 square feet—and sold for \$120,000 to \$300,000. The final sale was a larger renovated attached townhome on the southern edge of downtown along Oak Street.

The broader Evansville for-sale market consists primarily of single-family homes, though some older condo and duplex units are scattered throughout the city. Over the past decade, new single-family construction has been concentrated to the north just east of the Evansville Regional Airport, and to the east in neighboring Newburgh.

Because opportunities for development, redevelopment, and renovation vary greatly depending on site-specific opportunities, this study surveyed several different property types. No one property type is relevant to every site, but each of the property types surveyed have relevance for some part of the study area. The properties surveyed can be roughly broken down into the following typologies, although there is overlap between categories:

**Rehabbed Condos:** Nearly all of the existing for-sale options downtown fall in this category, which consists of historic commercial or industrial properties that are rehabilitated into for-sale condominiums. They can be positioned anywhere on a scale from mid to luxury, depending on location and level of finish, but are limited by the availability of appropriate building stock for renovation and /or conversion. Many of the existing condos along Main Street are approaching a decade or more in age and could qualify as upper midscale or upscale.

**Luxury Condos:** This is a relatively limited product type and is risky to develop in today's economic/financial climate, though conditions have improved over the past several years. Luxury condos can consist of either new construction or historic rehab, and are generally developed in prime locations Downtown, or, in the long-term, near the riverfront.

**Infill and Townhouse Development:** Essentially no infill development has occurred in the study area due to the constraints of urban land economics. However, townhomes are marketable and would succeed where land costs are low.

**Single Family Homes:** Similar to townhomes, a lower-density single-family home product could be feasible if the appropriate site were targeted outside the urban core of downtown.





## SUPPLY: EVANSVILLE FOR-SALE PROPERTIES

A flurry of condominium conversions were completed in the mid-2000s, but few units have been added to the downtown market in recent years.

The majority of for-sale units in downtown are contained within four condominium properties. The Renaissance on Main and The Meridian are both located directly along Main Street and consist of historic early 20th-century buildings converted to condos in 2006 and 2007, while The Plaza is a mid-century office building located along Locust Street that was repurposed as residential around the same time. The Riverside Condos are situated one block north of Main Street along Sycamore at the riverfront. Though they were new construction, the Riverside Condos are now 30 years old.

Though layouts vary, historic properties offer a similar array of amenities and finishes. Units at The Meridian are typical “loft-style” layouts that incorporate natural light via large windows and feature high ceilings and open floorplans, while units at The Renaissance are slightly more traditional. The most marketable aspect of both properties is their location, as they offer walkable access downtown commercial amenities as well as the nearby IU Medical School.

Units at The Meridian are positioned near the top of the downtown condo market, with average sale prices ranging from about \$150 to \$175 per-square-foot. Unit sizes are relatively large, with overall sales prices approaching \$350,000 for the most spacious layouts. In contrast, few recent sales at The Renaissance have exceeded \$150 per-square-foot, with average overall prices in the high-\$100,000s to low-\$200,000s.

### THE RENAISSANCE ON MAIN



#### REHABBED CONDO

Built 1917  
Rehabbed 2006

23 units

1,300 —1,450 SF  
\$185,000—\$220,000

#### Average Sales Price

2BR: \$145/SF

### THE MERIDIAN



#### REHABBED CONDO

Built 1900  
Rehabbed 2007

31 units

630—2,300 SF  
\$115,000—\$350,000

#### Average Sales Price

1BR: \$155/SF

2BR: \$175/SF

3BR: \$155/SF

# MARKET ANALYSIS

## SUPPLY: EVANSVILLE FOR-SALE PROPERTIES

The Plaza condominiums are a somewhat unique example of a 1960s office building being repurposed for residential use. Given the restrictions of the building, it includes a large number of smaller unit types, though finishes are generally high-quality. Recent sales have been positioned in the mid-to-lower range of the market overall—about \$120,000 to \$170,000—but approach \$170 per-square-foot given their compact layouts.

The Riverside condos were completed in 1989 and represent a very limited supply of purpose-built condo buildings. Though exterior finishes are somewhat dated, units located on upper floors offer balconies with marketable views of the Ohio River. A small number of recent sales were positioned in the upper range of the overall market on a per-square-foot basis, and units are slightly larger than other properties downtown. The property also includes a large “penthouse” unit of more than 5,000 square feet that was created from combining three units on the sixth floor.

Overall, the Downtown condo market outpaced rental options in both quality and quantity through the early 2000s. However, this trend has slowly reversed over the past decade as the existing stock of condominiums continues to age and young professionals—overwhelmingly renters—increasingly relocate downtown.

## THE PLAZA



### REHABBED CONDO

Built 1960  
Rehabbed 2007

21 units

705—1,050 SF

\$120,000—\$167,000

### Average Sales Price

1BR: \$160/SF

2BR: \$170/SF

## RIVERSIDE CONDOS



### REHABBED CONDO

Built 1989

35 units

1,300—2,000 SF

\$180,000—\$260,000

### Average Sales Price

1BR: \$160/SF

2BR: \$165/SF

3BR: \$145/SF



## CASE STUDY

### 630 NORTH COLLEGE

Indianapolis, Indiana



#### UNITS

38

#### MEDIAN SALES PRICE

\$350,000

#### UNIT SIZE

1,000-2,100 SF

#### PRICE PSF

\$270-\$310

Historic loft properties represent a relatively small, but in demand, segment of the Indianapolis condo market. 630 North College is located about one block from the popular Massachusetts Avenue commercial corridor and features open, spacious layouts with large windows and high ceilings.

### PARK 10 TOWNHOMES

Indianapolis, Indiana



#### UNITS

28

#### MEDIAN SALES PRICE

\$400,000

#### UNIT SIZE

1,200-2,000 SF

#### PRICE PSF

\$240-\$260

Park 10 includes a combination of townhomes and flats completed in 2016 in the Chatham Arch neighborhood just northeast of Downtown Indianapolis. Despite being about 30 to 40 percent larger on average, townhome units sell at a premium over smaller condo layouts on a per-square-foot basis.

### 545 NORTH PARK

Indianapolis, Indiana



#### UNITS

22

#### MEDIAN SALES PRICE

\$365,000

#### UNIT SIZE

1,400-2,300 SF

#### PRICE PSF

\$175-\$230

Though somewhat traditional in terms of architectural character, the townhomes along Park Avenue between North and Michigan Streets feature spacious layouts with ground-level garage parking. The units were constructed immediately prior to the recession, but have retained their value due to their marketable location in walkable, historic Lockerbie Square.

# MARKET ANALYSIS

## SUPPLY: AFFORDABLE

**Affordable housing has a negative stigma in some communities. However, quality affordable and mixed-income communities provide a valuable housing option and are often key components of Downtown revitalization strategies.**

Affordable housing is a useful component of a larger strategy to ensure demographic, economic, and housing diversity in the Downtown area. Modern affordable models are a distinct departure from the subsidized high rises common in the 1960s and 1970s, and offer attractive mid-rise construction and increasingly robust amenities that are similar to other contemporary apartment communities. While a variety of affordable housing programs are available, LIHTC communities—affordable communities financed with Low-Income Housing Tax Credits—Section 8 communities, and public housing are most common. Each targets households with incomes below the area median, but there are key differences in how they operate and the tenants they serve.

LIHTCs provide an incentive for private developers to build housing for that would not otherwise generate a sufficient profit to warrant investment. These credits allow the developer to offer units at below-market rents to low-to-moderate-income households. Unlike Section 8 or public housing, LIHTC units do not offer direct rental subsidies. In practical terms, this program creates a minimum income requirement for tenants, as they must be able to pay the full monthly rent without additional assistance. This minimum income differentiates LIHTC properties from many other affordable housing options as it targets households that may be overburdened by current market rents, but often have incomes too high to qualify for traditional public housing or Section 8 options.

In contrast to LIHTC properties, traditional public housing and Section 8 properties provide project-based rental assistance to fill the payment gap between a unit's monthly rent and the ability of a tenant to pay. In most instances, tenants allocate 30 percent of their monthly income towards rent and utilities, with the balance covered through HUD or another housing entity.

In practice, combining one or more of these sources with unrestricted market rate units can create truly mixed-income communities that can

accommodate seniors on a fixed budget, working class families, and young professionals.

Evansville has a total supply of about 3,500 public housing, LIHTC, and project-based Section 8 units, of which about 320 are located in or around Downtown. The housing authority also administers about 2,000 Section 8 vouchers, though the waiting list has been closed for more than a year. This Downtown supply varies significantly in age and condition. More than 200 units are contained within dated, older subsidized towers situated just south of the Ford Center, while plans were recently announced to convert a portion of the historic former YMCA building into 62 affordable units utilizing LIHTC.

### SUBSIDIZED HOUSING

SUBSIDIES  
Direct Rent Assistance

TARGET MARKET  
Eligible Low Income Households



### AFFORDABLE HOUSING

SUBSIDIES  
Tax Credits for Developers

TARGET MARKET  
Eligible Low Income Households



### WORKFORCE HOUSING

SUBSIDIES:  
None

TARGET MARKET:  
Middle Income Households





## CASE STUDY

### KENNEDY/BUCKNER TOWERS

Public Housing



**UNITS**  
208

**YEAR BUILT**  
1968

**TENANT GROUP**  
Families, Seniors

**UNIT TYPES**  
Studio, 1, 2 BR

Kennedy and Buckner Towers are well-located within walking distance of the heart of Downtown, and are representative of Evansville's substantial stock of older public housing communities. Though not age-restricted, the small unit types are particularly marketable among older tenants and single-person households.

### ARBORS AT EASTLAND

LIHTC



**UNITS**  
176

**YEAR BUILT**  
2004

**TENANT GROUP**  
Families

**UNIT TYPES**  
1, 2, 3, 4 BR

Garden-style LIHTC communities are typically concentrated outside the urban core. Arbors at Eastland includes a wide range of unit types that can accommodate larger households, and offers a comprehensive array of centralized community amenities.

### YMCA SHOPPBELL BUILDING

LIHTC



**UNITS**  
62

**YEAR BUILT/RENOVATED**  
1913/2020

**TENANT GROUP**  
TBD

**UNIT TYPES**  
TBD

In smaller markets, LIHTC are often used in the conversion of historic buildings into affordable rentals. Former school buildings are prime candidates, but the proposed rehabilitation of the Shoppbell Building will convert the National Register of Historic Places former YMCA property into contemporary affordable rental units.

# MARKET ANALYSIS

## DEFINITION OF RESIDENTIAL MARKET AREAS

**Market Areas are defined by hard and soft boundaries, as well as consumer preferences. Analysis of these market areas provides useful insight into the types of demographic groups that would be attracted to living in a walkable, mixed-use environment.**

In market analysis, a Primary Market Area (PMA) is typically defined as the smallest geographic area from which a high percentage (often 75 percent) of support for a project will be drawn. In some cases, particularly in large metropolitan regions, a Secondary Market Area (SMA) is identified as the origin for most of the remaining support, to focus the analysis on the most relevant geographies for a project. Market boundaries are sometimes defined by hard boundaries, such as rivers, highways and other major thoroughfares, railroads, etc. Often, market areas are defined by soft boundaries—that is, marked changes in socio-economic condition, such as income, density, ethnicity, and educational attainment. Additionally, this study relied partly on geo-demographic segmentation analysis, which considers not only conventional demographic variables like age and income, but also neighborhood preferences (geographic characteristics) and culture, values, and buying habits (psychographic variables). As a result, the market boundaries are not only defined by hard and soft boundaries, but by clusters of households with similar lifestyle preferences.

For Downtown Evansville, the PMA extends primarily to the east and south, and includes close-in, dense, residential neighborhoods near Haynie's Corner, North Main Street, and the University of Evansville, as well as more disparate affluent neighborhoods along the Lincoln Avenue and Newburgh Road corridors. Routes 62 and 66 form the northern boundary, while Interstate 69 forms the boundary to the east and south, and North St. Joseph Avenue forms the boundary to the west. The market area incorporates a mix of demographics, affordability levels, and housing typologies, but given urban conditions and proximity, households living in this area would be the most likely support new housing downtown.

The SMA extends to the north, east and west, and captures new suburban growth outside of Evansville's core, ending approximately at the metro development boundary. Though housing density is lower, Downtown could

also appeal to renter households living in garden-style apartments or smaller rental units seeking more walkability.

## Demand Analysis

Determining market demand is complicated. For instance, conventional market analysis looks specifically at income variables in the market area, without consideration of consumer preferences, while target market analysis utilizes consumer preferences, but relies on national averages. Other types of analyses measure demand from very specific populations. Ultimately, several methods have been used in this study, and are then reconciled at the end of this chapter:

### TARGET MARKET

Considers consumer profiles of residents within the market area to determine desirable housing products.



### CONVENTIONAL

Assesses income variables within the defined market areas to determine the amount and types of units that are affordable to existing residents in the region.



### MIGRATION

Estimates the number of residents moving to the city that would be attracted to new development near Downtown using data from the American Community Survey and target market analysis.



### AFFORDABLE & WORKFORCE HOUSING

Uses conventional market demand methodology to validate a hypothetical new affordable and workforce housing development.



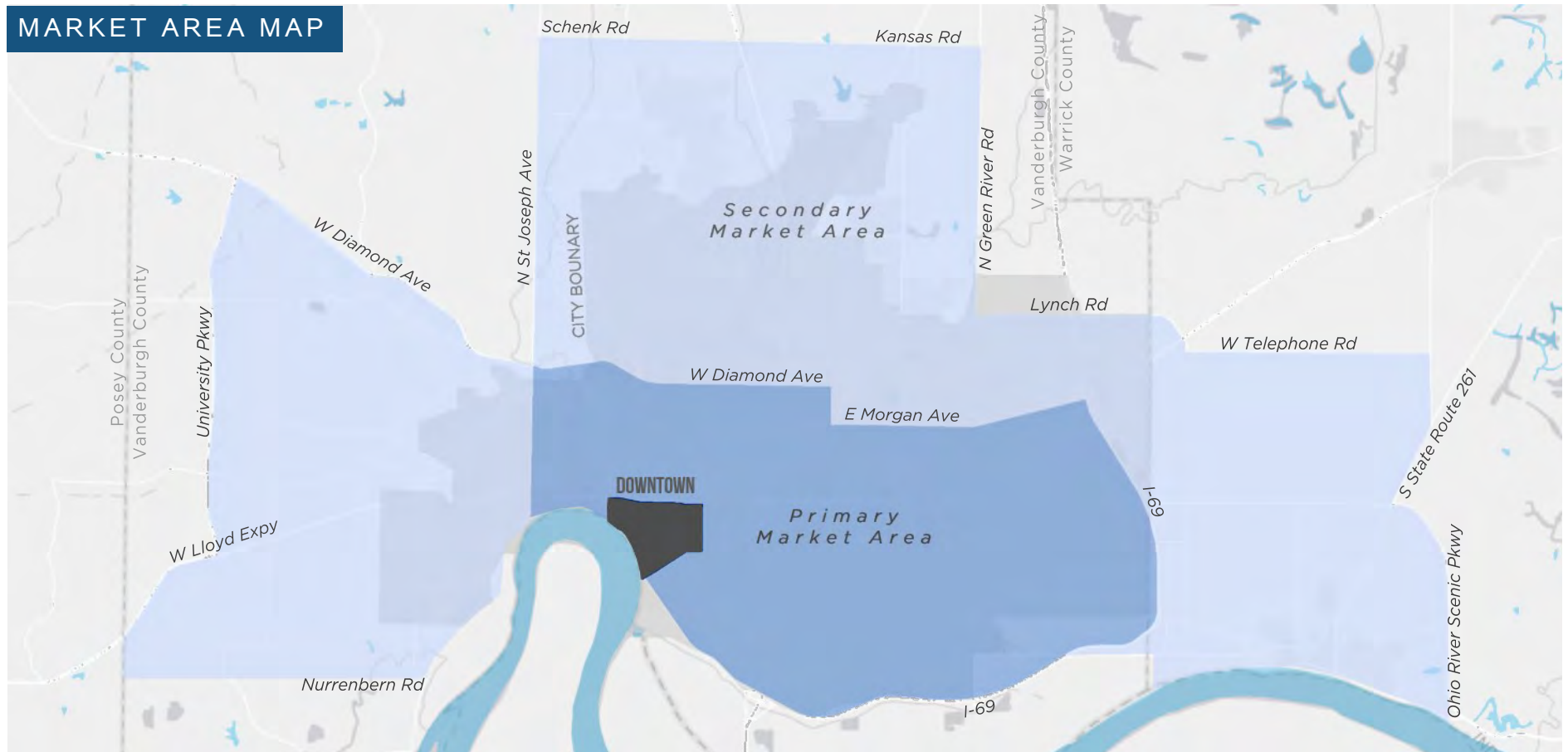
### PEER CITIES

Compares capture rates of downtown housing to peer cities to help inform realistic development goals for Downtown Evansville.





## MARKET AREA MAP



	PMA	SMA
POPULATION GROWTH 2010 - 2018	1.3%	3.3%
POPULATION GROWTH 2018 - 2023	< 1.0%	2.1%
MEDIAN HOUSEHOLD INCOME	\$39,000	\$56,000
MEDIAN HOUSING VALUE	\$92,000	\$148,000
HOUSING UNITS ADDED 2010 - 2018	640	1,250

Source: ESRI 2018; Development Strategies 2019

# MARKET ANALYSIS

## TARGET MARKET ANALYSIS

Target market analysis is used to determine demand based not only on geography and demographic traits, but also on consumer preferences. As a result, desired product types can be determined, in addition to affordability.

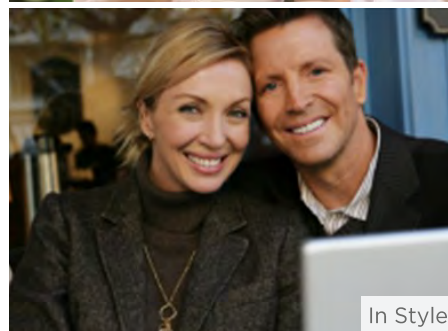
Just as market segmentation is used to determine tendencies to buy different types of consumer products—including products as diverse as cars, computers, and dish soap—data on market segments can be used to identify demand for different types of housing products at a particular location. The segments present in Evansville are identified using ESRI's Community Tapestry™ data, which uses algorithms to link demographic, geographic, and psychographic data to create 65 unique geodemographic segments. In other words, these “segments” are essentially 65 household groupings, each with their own unique combination of demographic (income, age, etc.), geographic, and psychographic (values, culture, etc.) characteristics.

Collectively, “Displaced Urbanites” and “Urban Professionals” refer to groups of these segments that, through different combinations of variables, have shown a preference for residential products in close-in, dense urban areas. The most affluent of these households can afford the most expensive for-sale housing products, whereas the least affluent are likely to rent the least-expensive rental units.

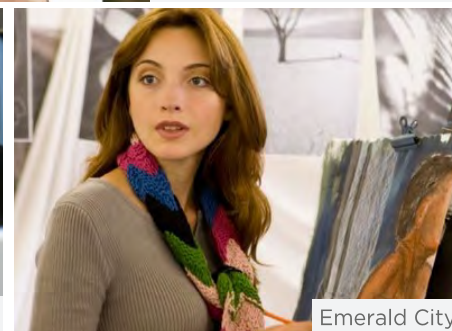
The maps on the facing page show where these groups are located in relation to Downtown Evansville and the broader region.



Comfortable Empty Nesters



In Style



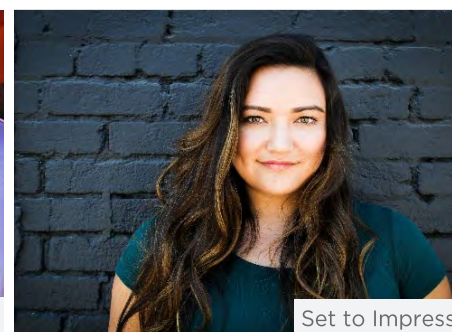
Emerald City



Bright Young Professionals

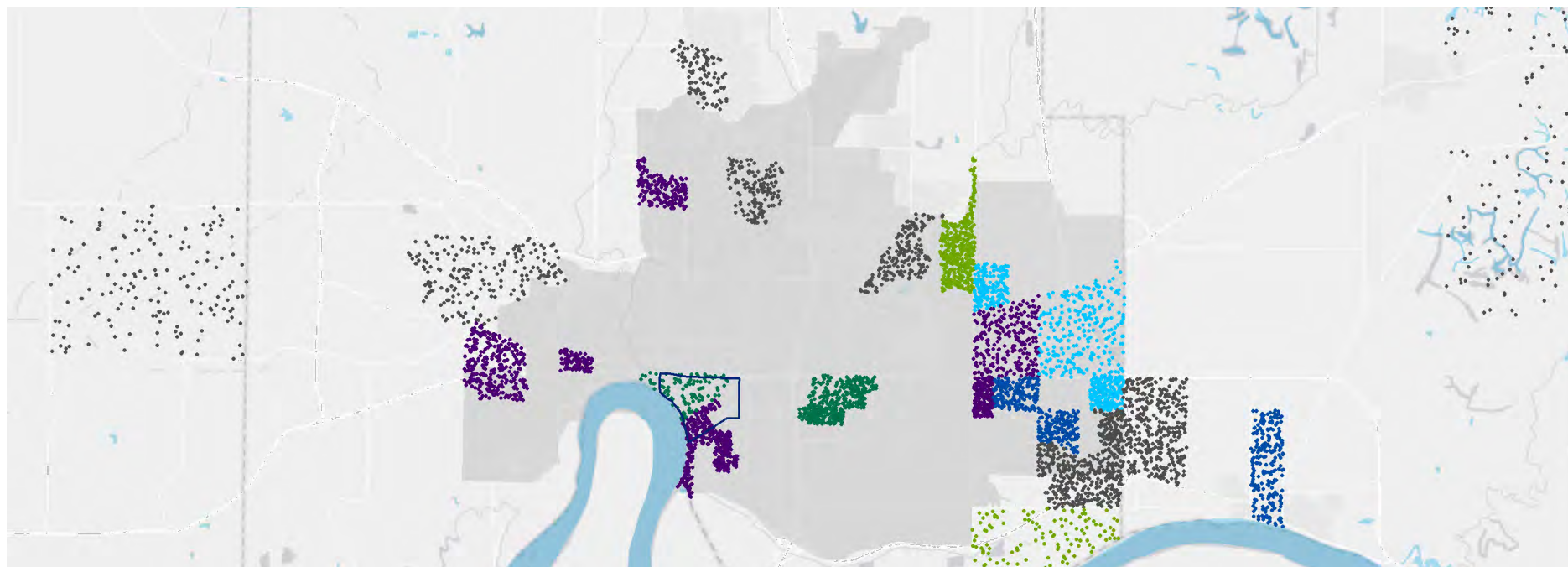


Young and Restless



Set to Impress





### DISPLACED URBANITES

### URBAN PROFESSIONALS

IN STYLE	YOUNG AND RESTLESS	SET TO IMPRESS	COMFORTABLE EMPTY NESTERS	EMERALD CITY	BRIGHT YOUNG PROFESSIONALS
MEDIAN HH INCOME \$70,000	MEDIAN HH INCOME \$40,000	MEDIAN HH INCOME \$30,000	MEDIAN HH INCOME \$71,000	MEDIAN HH INCOME \$56,000	MEDIAN HH INCOME \$51,000
AVERAGE AGE 42	AVERAGE AGE 30	AVERAGE AGE 25	AVERAGE AGE 48	MEDIAN AGE 37	MEDIAN AGE 33
PERCENTAGE OF OWNERSHIP 68%	PERCENTAGE OF OWNERSHIP 13%	PERCENTAGE OF OWNERSHIP 25%	PERCENTAGE OF OWNERSHIP 87%	PERCENTAGE OF OWNERSHIP 49%	PERCENTAGE OF OWNERSHIP 43%
AVERAGE HH SIZE 2.4	AVERAGE HH SIZE 2.0	AVERAGE HH SIZE 2.1	AVERAGE HH SIZE 2.5	AVERAGE HH SIZE 2.1	AVERAGE HH SIZE 2.4
PREDOMINANT HH TYPE Couples w/o Children	PREDOMINANT HH TYPE Singles, Roommates	PREDOMINANT HH TYPE Singles, Couples, Roommates	PREDOMINANT HH TYPE Couples w/o Children	PREDOMINANT HH TYPE Singles, Couples	PREDOMINANT HH TYPE Singles, Couples

## DISPLACED URBANITES

The Displaced Urbanites group consists of a wide variety of households that, for reasons cultural or practical, are strong candidates for urban or—even more likely—*urbane* living, but currently live in suburban locations.

The Young and Restless group is young, transient, single, and well-educated—an ideal market for Downtown. However, given the lack of supply, this group lives in older, garden-style properties outside of the urban core to the east near the Interstate 69 interchange at the Lloyd Expressway. This group would be attracted to new rental apartments and would be willing to live in smaller units if the rent was affordable.

The In Style group is older and more likely to have children, but consists primarily of professional couples or single-person households. These households are mid-career and relatively affluent, with a median household income of more than \$70,000. They are currently clustered south of Lincoln Avenue just east of the University of Evansville near St. Vincent Hospital and along Newburgh Road.

Over 40 percent of households in the Set to Impress group are single-person. While these households have moderate incomes, they are well-educated, and generally in the early stages of their career, or finishing college or doing temporary work while seeking long-term employment. They are one of the largest tapestry groups in Evansville, with significant nodes near the southern edge of Haynie's Corner and along the east side of Green River Road on either side of the Lloyd Expressway. Disparate clusters of Set to Impress households are also scattered around the periphery of the city to the north near Kratzville Road and to the west near the University of Southern Indiana.

Comfortable Empty Nesters are a large and growing segment of older couples no longer living with children. Though they primarily reside in suburban areas—in Evansville they are relatively to the north and east—a small number may be interested in downsizing to an urban townhome or condo.

## URBAN PROFESSIONALS

Urban Professionals tend to be highly educated, earn relatively high incomes, and have strong preferences towards urban living. They prefer living in downtown areas with multifamily housing and walkable amenities.

The Emerald City segment is highly educated and tends to favor historic, urban neighborhoods. Not quite at mid-career phase, this group has been in the professional world for at least ten years and is more likely to be married or living with a significant other. In Evansville, this segment is prominent within the existing residential supply Downtown, as well as in the Haynie's Corner area and neighborhoods surrounding the University of Evansville.

Bright Young Professionals are slightly younger than Emerald City with more single households that are more likely to rent, mostly due to their age. This group tends to prefer newer garden-style rental products on the edge of urban areas, although would live in an urban area if the right type of housing product were available. Though this group is somewhat scattered, the most prominent cluster is along the North Green River Road corridor north of Eastland Mall.





**Target market analysis yields theoretical demand for just over 1,100 housing units in Downtown Evansville, split between upscale rentals, and a smaller number of for-sale townhomes and condominium units.**

By applying a mathematical model to ESRI Tapestry™ data on market segmentation, demand analysis of target market households indicated support for about 850 rental units and 350 for-sale units from households in the study area. Because the majority of demand is derived from the Young and Restless and Set to Impress groups, support is generally stronger for rental products than for-sale options. However, supplementary demand for townhomes and condominiums will be driven by mid-career professionals who prefer urban environments to suburban single-family homes and retirees looking to downsize.

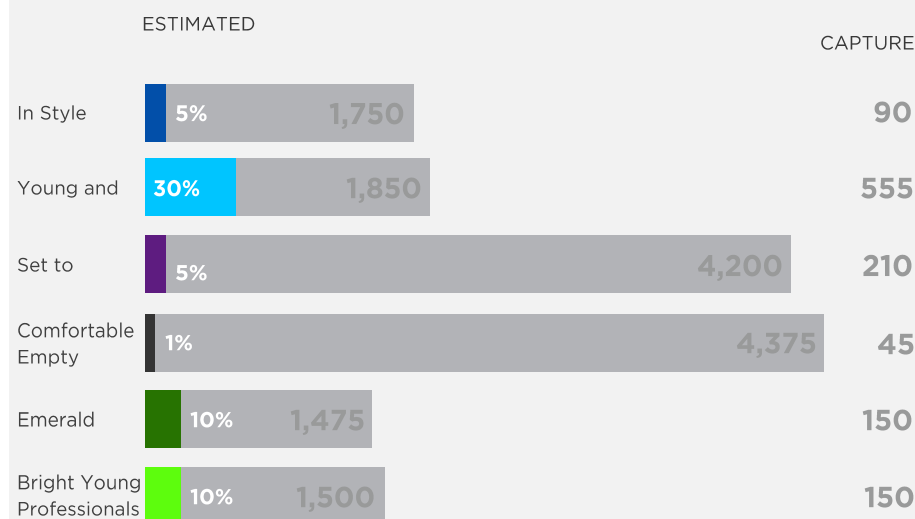
## TARGET MARKET SEGMENT METHODOLOGY— IMPLIED PRODUCT PRICING

Estimated Market Demand

Tapestry Group/ Segment	Implied Owner	Implied Average	Implied Renter	Implied Average
<b>Displaced Urbanites</b>				
In Style	1,200	\$220,000	550	\$1,450
Young and Restless	250	\$150,000	1,600	\$975
Set to Impress	1,200	\$125,000	3,000	\$800
Comfortable Empty Nesters	3,800	\$225,000	575	\$1,475
<b>Urban Professionals</b>				
Emerald City	725	\$210,000	750	\$1,400
Bright Young Professionals	650	\$200,000	850	\$1,275

Sources: ESRI; Development Strategies 2018

## MARKET SEGMENTATION—CAPTURE



Sources: ESRI; Development Strategies 2019



## CONVENTIONAL ANALYSIS

**Conventional market analysis shows homes priced at \$225,000 to \$350,000 have significant support, as do apartments with monthly rents ranging from roughly \$850 to \$1,250**

Conventional market demand analysis utilizes household income data to determine for-sale and rental housing price points that will be in highest demand in the primary and secondary market areas. While target market analysis provides a nuanced look at how consumer preferences in the market align with specific housing products, conventional analysis offers an additional level of understanding of local market conditions and depth of demand. The conventional analysis of the Evansville market areas is illustrated in the graphs to the right.

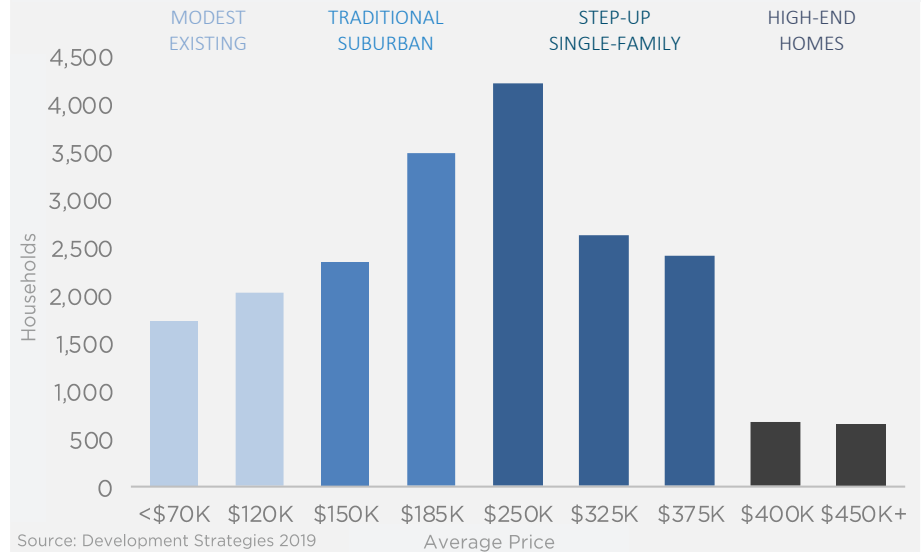
The greatest support in the market for for-sale products is at a price point around \$225,000 to \$250,000, which is generally consistent with recent condo sales in the downtown area. There is also significant support—about 2,400 households—for homes priced from \$300,000 to \$350,000, which would represent an upscale newly-constructed condo unit or townhome. The demand for housing products priced \$400,000 and higher is modest, including about 1,500 households, or about eight percent of all homeowners in the market area.

A similar analysis was conducted for rental housing. Renters tend to be lower income overall, and about 30 percent of all renter households cannot afford a monthly rate above \$500. Given the average rents and occupancies of units in the market areas, the large majority of the existing supply is targeted towards the middle of the market, where a deep renter pool of more than 5,000 households falls in the affordability range of about \$875 to \$1,250 per month. The potential luxury rental market is more modest, with only about 2,500 households able to afford rents of \$1,500 or more.

While a relatively higher proportion of households in the market areas could be captured by housing in Downtown—as much as 20 percent—even more modest capture rates of five percent for for-sale options and ten percent for rental indicates potential support for approximately 400 townhomes or condos and 700 to 800 upscale apartment units.

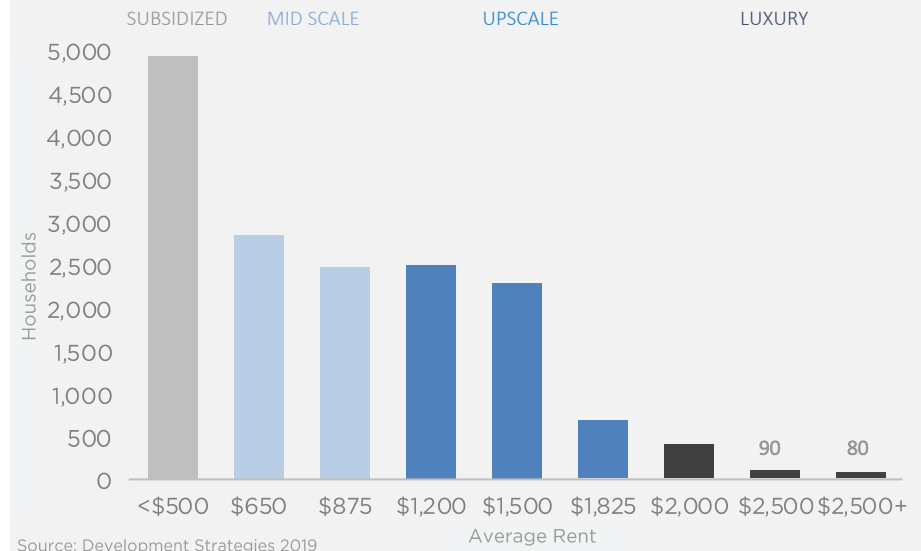
### FOR-SALE DEMAND BY PRODUCT PRICING

Evansville, IN Primary Market Area



### RENTAL DEMAND BY PRODUCT PRICING

Evansville, IN Primary Market Area







## MIGRATION

**One-third of Downtown residents in various cities recently relocated from outside of the MSA. This is a key segment of demand for Downtown housing.**

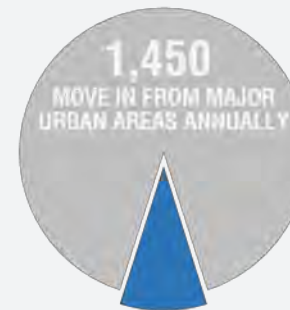
Data from the 2015 American Community Survey indicates that Vanderburgh County has a net average positive migration of around 200 people per year. Of all the people that moved to Vanderburgh County, around 67 percent of them came from Indiana and Kentucky, and 36 percent from nearby counties. The outflow trend is roughly the same with about a third of the people moving to nearby counties, while about two-thirds moving to other counties within Indiana and Kentucky.

While the region is gaining population from rural counties, it is losing a net average of around 650 people to other major metro areas per year, primarily Chattanooga, South Bend, Houston, Knoxville and Los Angeles. Although Evansville is successfully attracting young people from rural areas—in line with national trends—much of this cohort is moving to other, more successful urban centers. Studies suggest that people moving into a new city, particularly those coming from another urban county, are more inclined to live in a downtown environment than the typical resident. Investments within Downtown Evansville present an opportunity to likely reverse this trend and retain talent within the region.

Around 1,450 people moved to Vanderburgh County from other major metro areas; with the highest numbers from Indianapolis, Louisville and Chicago. A portion of these residents would likely prefer Downtown Evansville if the right housing products were available when they move to the region. Investments in Downtown can potentially reduce the current average outflow of around 2,100 people moving from the county to other major metro areas; mostly to Indianapolis, South Bend and Chattanooga. Downtown holds the potential to serve as the gateway to the region, as well as provide a competitive alternative to other urban centers within Indiana and Kentucky. Applying a capture of ten percent of the inflow and 1.5 percent of the outflow, from and to other major metro areas, and assuming the current Downtown household size of 1.63, we arrive at a demand to support around 1,100 units in Downtown Evansville over the next ten years.

### NET MIGRATION FLOW - URBAN TO URBAN for Vanderburgh County, Indiana

**INFLOW**  
New Haven, Reno, Chicago,  
Louisville, and Atlanta



**10.0%**  
CAPTURE RATE

**OUTFLOW**  
Chattanooga, South Bend, Houston,  
Knoxville, and Los Angeles



**1.5%**  
CAPTURE RATE



Source: US Census Bureau, 2012-2016 5-year American Community Survey, Development Strategies



## AFFORDABLE & WORKFORCE HOUSING

**Demand for quality, affordable housing typically exceeds supply by a large margin. The first step in quantifying demand is to determine how many households fall on the affordability spectrum. Policies can then be crafted to target groups with varying levels of need.**

Compared to demand for market rate housing, which must target specific demographics who are looking for an urban lifestyle and are willing to pay more for less space to locate in those environments, demand analysis for affordable housing is less complex, as the need for quality affordable housing typically exceeds supply by a large margin. If a quality product is offered at below-market rents, substantial demand is likely to exist. Therefore, affordable demand analysis relies on quantifying the number of eligible and qualified residents in the market areas based on income, household size, and tenure.

To determine market demand, the number of households earning up to 60 percent of area median income (AMI) was calculated—a typical guideline for households living in properties developed with Low-Income Housing Tax Credits (LIHTC). Rental rates in this type of affordable housing are capped by HUD and are typically below market rates. Potential rents for this analysis were based on HUD guidelines for Vanderburgh County, and range from \$650 per month for a one-bedroom units to \$900 per month for a three-bedroom unit, excluding utilities. The income limits for households eligible to live in these units, based on household size, include households earning up to \$28,860 for a household of one, \$32,280 for a households of two, \$36,300 for households of three, and \$40,320 for a household of four.

About 25 percent of households in the PMA earn between 30 percent and 60 percent of AMI for a family of four and would therefore qualify for affordable housing, while an additional 25 percent of households earn below 30 percent of AMI and would require subsidized housing, with rent support provided through Section 8 vouchers or similar programs.

### AFFORDABLE HOUSING SUMMARY

**320**

Affordable units in and around Downtown

**65%**

Units 30 years or older

**2,000**

Section 8 vouchers administered by the Evansville Housing Authority

### EXISTING AFFORDABLE SUPPLY & POTENTIAL DEMAND



**Eligible Households in Evansville (based on 60% AMI with subsidies)**

**LIHTC, Public Housing, Section 8**



The spectrum of affordable housing development can address the needs of a broad group of households types including singles, families, and seniors across a number of income levels ranging from working families to those requiring deeper subsidy.

Based on maximum allowable income levels and minimum income requirement based on achievable rents, our analysis highlights potential support from about 4,700 households in Evansville that would qualify to live at a LIHTC affordable property after accounting for household size and housing tenure. There is also a very deep supplemental demand pool of about 11,000 low-income households that cannot afford LIHTC rents and would require additional rental subsidies. Many of these households are currently living in Section 8 or public housing properties or utilize Section 8 vouchers, while a general lack of affordable housing supply forces many into substandard housing options.

Workforce housing can provide a bridge between affordable and market rate multifamily development. In a downtown environment, this means providing a rental option that is similar in character and construction to new or recently-rehabbed upscale options at a price point that is more similar to midscale properties in less desirable suburban locations. Though income limits for workforce housing are not as prescribed as other affordable housing typologies, we have generally targeted Evansville households earning between 60 and 100 percent of AMI. Just over 15,300 households fall in this qualified income range, which translates to about 7,700 renter households based on rental household ratio for the city.

Finally, though a considerable amount of subsidized housing is currently located in and around Downtown Evansville, this supply may never fully meet demand. There will be a continual need to provide deeply subsidized housing in some capacity in the study area and throughout the region.

## PEER CITIES

**Downtown Evansville has had a net increase in housing units and population since 2010; however, the pace of development and share of regional growth has been slower than most of its peers.**

All of Evansville's peer and aspirational downtowns have experienced a net increase in housing units since 2010, including Chattanooga, Fort Wayne, Davenport, South Bend, Clarksville, and Bowling Green. Most of these downtowns captured between 2.1 and 3.3 percent of net regional housing unit growth. Downtown Clarksville had the smallest share of net regional housing growth (0.7 percent), while Downtown Davenport had the largest share of net regional housing growth at 7.4 percent.

Other than Clarksville, Downtown Evansville had the lowest share of net regional housing growth at 1.8 percent, indicating that even controlling for slow regional growth, the downtown is not keeping pace with many of its peers. On the other hand, continued momentum downtown could further enhance the marketability and feasibility of new residential construction, renovation, or adaptive reuse, which would allow downtown to capture a greater share of regional growth moving forward.

Downtown Evansville should be able to capture at least 3.0 percent of regional housing growth over the next 10 years, which translates to 150 to 200 total housing units.



## RECONCILIATION OF METHODS

A number of different methods were used to determine the amount, type, and pricing of future market rate housing demand for the study area. Ultimately, a total of up to 750 to 850 market-rate apartments and 350 for-sale condos and townhomes are deemed supportable over the next 10 years.

The collection of methodologies used in our analysis highlights a range of possible development scenarios for downtown. While no single methodology is absolute, they provide a comprehensive assessment of potential market support when taken together.

### Peer Cities

The peer cities methodology is the most conservative, and outlines a development environment where no additional intervention is made downtown. This scenario assumes residential trends remain “as is”, with downtown capturing a relatively small proportion of Evansville’s slow-growing housing market. This methodology provides a baseline level of demand, or a starting point that can be expanded assuming additional real estate improvements are made.

### Conventional & Target Market Analysis

Conventional analysis provides an indicator of achievable price points for new for-sale and for-rent products. Though it does not measure demand directly, it highlights points of affordability where potential market support is concentrated given the distribution of household incomes currently in the market area. Target market demand qualifies this affordability with additional socioeconomic factors that provide a clearer picture of types of households that cluster in walkable urban environments and the housing options they prefer. Assuming appropriate housing products are added to the downtown core, these methodologies show the depth of the market that is able and willing to support them.

### Migration

Downtowns capture a large proportion of households that are relocating to an urban MSA. While these households are not captured explicitly in our conventional or target market analyses, these methodologies create a profile that can be applied to new households migrating to Vanderburgh County, which occupy a mix of new spaces and existing residential options vacated by households leaving the area. Out migration will slow as conditions downtown improve, increasing overall market pressure.

### Affordable & Workforce Housing

Our affordable and workforce housing analysis highlights a significant gap between the current supply of affordable units in Evansville and the overwhelming demand. This trend is common in many regions, and indicates significant supplementary support for mixed-income, LIHTC, or rent-subsidized development in and around downtown.



## Downtown Market-Rate Housing Demand



**750-850**

Rental

**350**

For-sale

Market-rate units over the next 10 years



## Current Citywide Potential Support for Affordable & Workforce Housing



**15,700**

Eligible Households for Affordable Housing

**7,700**

Qualified Households for Workforce Housing

Source: Development Strategies 2019

### TARGET MARKET CONVENTIONAL MIGRATION PEER CITIES AFFORDABLE & WORKFORCE HOUSING

- › Because much of the demand for downtown residential development is driven by young professionals, there is greater support for rental units than for-sale options. Supplementary demand will be derived from downsizing retirees and mid-career professionals.
- › Young professionals currently reside in older midscale apartment communities near the interstate, while the In Style and Emerald City groups are concentrated in closer neighborhoods to the south and east, particularly near the University of Evansville and along Lincoln Avenue.
- › Target market analysis yields potential support for about 850 rental units and 350 for-sale units in the study area.
- › About 5,000 renter households fall in the middle-to-upper range of the affordability distribution, which translates to monthly rates of about \$875 to \$1,250. Though market support diminishes fairly quickly at price points above \$1,500, very little of the existing rental supply targets these households.
- › The greatest support in the market for for-sale products—about 4,000 households—is at a price point around \$275,000; however, there is also significant support of about 2,400 households for homes priced from \$300,000 to \$350,000.
- › Applying reasonable capture rates for downtown indicates market support for about 750 upscale rental units and 400 townhomes and condominiums.
- › Migration flows between Vanderburgh County and other major metro areas could support up to 1,100 new housing units in Downtown over the next ten years.
- › Vanderburgh County is gaining people from rural counties, but losing people to other major metro areas.
- › Based on development patterns in peer cities and regions, Downtown Evansville should capture at least 3.0 percent of net housing growth in the MSA, if not more, given the relative lack of new development over the past several years.
- › Evansville is not likely to keep pace with the downtowns of Chattanooga, Bowling Green, or Clarksville given their more robust regional growth. However, it should be able to leverage recent momentum to reach 150 to 200 units over the next 10 years.
- › Approximately 15,700 households in Evansville are income-eligible for LIHTC, public housing, and Section 8 properties, far outpacing the existing supply of about 3,500 units. In order to sufficiently serve the housing needs of very low-income residents, some additional combination of subsidies/incentives will be needed
- › Workforce housing can fill a housing gap downtown between newly-constructed market rate and traditional affordable options. Approximately 7,700 households fall in the qualification range of 60 to 100 percent of AMI.

# MARKET ANALYSIS

## OFFICE MARKET: DOWNTOWN SUPPLY

**Downtown Evansville is the office hub for the region. Although physical vacancies are high, occupancy in marketable office spaces in leasable condition is reasonably healthy.**

Just over 19,000 jobs are located downtown, making it an employment center and hub of economic activity that supports the city and its residents. A handful of large, owner-occupied high-rises highlight the urban core. Though more than four million total square feet of office space is concentrated in the central business district—about 40 percent of the city's total supply—its quality is mixed.

According to CoStar— a national real-estate data provider— there is around 3.4 million square feet of office space within the study area. However, this includes owner-occupied or build-to-suit office space such as government buildings and corporate headquarters. This space remains out of the active office market until large employers decide to permanently move. Costar reports such tenant-owned office space to total around 1.1 million square feet, which yields a remainder of around 2.3 million square feet of total leasable space in Downtown. Additionally, a recent office sample survey of 1.5 million square feet of CBD office space conducted by David Mathews Associates revealed that while not immediately apparent, whole buildings remain partially or almost entirely vacant. This space is essentially out of the office market in its current condition, and would require significant investment to return it to a productive office use without the benefit of a very large anchor tenant. This makes the physical occupancy rates of the buildings low. The table on the right summarizes the findings of the sample survey.

Low occupancy rates, in isolation, are not a good measure of market conditions overall. The relatively healthy average lease rates across classes, as well as, the ample projected office demand—described later in this report, show a Downtown office market lacking the right product-market fit. This means that market absorption is likely to be high when the right office product is introduced into the market through extensive renovations of existing buildings and new construction.

## DOWNTOWN KEY OFFICE METRICS

**3.4M**

Total square footage of office space.

**1.1M**

Tenant-owned (i.e. government buildings, corporate headquarters etc.).

**2.3M**

Square footage of total leasable office space.\*

**60%**

Overall occupancy of leasable office space.\*\*

\*Includes space that is, and is not, being actively marketed.

\*\*David Mathews Associates data represents sample of 1.5M square feet of leasable office space Downtown. Office metrics for Old National Bank (with 40% leasable office space) provided by DEDC. Source: CoStar 2019, David Mathews Associates, DEDC, Development Strategies 2019

## OFFICE METRICS BY BUILDING CLASS

	OCCUPANCY	AVERAGE LEASE RATE
CLASS A	95%	\$22/SF
CLASS B	72%	\$16/SF
CLASS C	38%	\$12/SF

Data represents sample of 1.6M square feet of leasable office space Downtown. Source: DEDC, David Mathews Associates



OFFICE MARKET: DOWNTOWN SUPPLY

Downtown Evansville is home to several of the region’s major employers, including Vectren, Old National Bank, and the Deaconess Hospital system.

Downtown contains a mix of historic and modern spaces, including two large built-to-suit headquarter buildings completed by Old National Bank and Vectren in 2004 and 2005. Though these properties represent the top of the local market, they have shifted a large amount of occupied square footage away from older high-rises such as the 420 Building and the Hulman Building. Though the average lease rate of about \$16 per-square-foot is slightly above the city-wide average, it remains relatively modest in comparison to other peer cities.

Office space is typically categorized as Class A, Class B, or Class C. Class A space offers the most modern and highest level of service in new or renovated buildings, with high-quality finishes and most expenses included in the lease rate. Class B spaces have negotiable lease terms with lower rates in existing buildings, sometimes with modest renovations. Class C space has the lowest lease rates in the market, often in dated buildings in less-than-ideal locations, yet are still functional.

Contemporary properties continue to perform relatively well, with an overall Class A lease rate of about \$22 per-square-foot. Occupancy rates of Class A office space in Downtown core stands at around 95% with the vacancies concentrated in the German American Bank building. Lease rates in Class B buildings hover between \$12 to \$20 per-square-foot with a weighted average of \$16 per-square-foot and occupancy of around 72 percent in Downtown core. Buildings with high vacancies include Fifth Third Bank, IBM building, and Professionals’ Plaza. On the other hand, recently renovated buildings such as Innovation Pointe have been able to keep vacancies low while averaging rents of around \$18 per-square-foot. One of the chief class C buildings, with 80 percent of its space unoccupied, is the 5th and Main Building—the tallest in the city. Class C office lease rates average at around \$12 per-square-foot in the core with high physical vacancies. However, it should be noted that the sample survey conducted by David Mathews Associates sourced for the details above, covered the core Downtown office supply, but does not take into account the supply of all office space within the study area.

INNOVATION POINTE



CONVENTIONAL OFFICE

Downtown  
Class B+  
Built 1940  
Renovated 2012  
94,920 SF

Average Rent  
\$18/SF

Vacancy  
6%



# MARKET ANALYSIS

## OFFICE MARKET: COMPETITIVE SUPPLY

**Downtown office products will need to be suitably priced and close to urban amenities to be competitive in the region.**

The most recent suburban-style office construction in the city has been concentrated to the east along both sides of the Lloyd Expressway near the interstate. Five office districts, shown on the map to the right, were identified to analyze the competitive market in Evansville. Lease rates at East Expressway are among the highest in the city—some smaller spaces approach \$20 per-square-foot—while nearly 50,000 square feet have been added over the past decade, primarily within medical office spaces.

Office space on both sides of Green River Road consists of several clusters of mostly small, single-story suburban office parks built in the 1980s and early 1990s scattered among retail uses. More than 900,000 square feet is located within the area, and lease rates vary, but average about \$15 per-square-foot.

Two large medical office nodes border the Deaconess and St. Vincent's campuses, totaling just over one million square feet, combined. These properties tend to be slightly older, and rents are on the lower end of the regional market, though occupancy remains high, particularly near the Deaconess Hospital immediately north of Downtown.

### 7307 COLUMBIA STREET



#### MEDICAL OFFICE

East Expressway  
Built 2007

51,630 SF

#### Average Rent

\$20/SF

#### Vacancy

0%

### 4847 E VIRGINIA STREET



#### CONVENTIONAL OFFICE

Green River Road  
Built 1989

15,625 SF

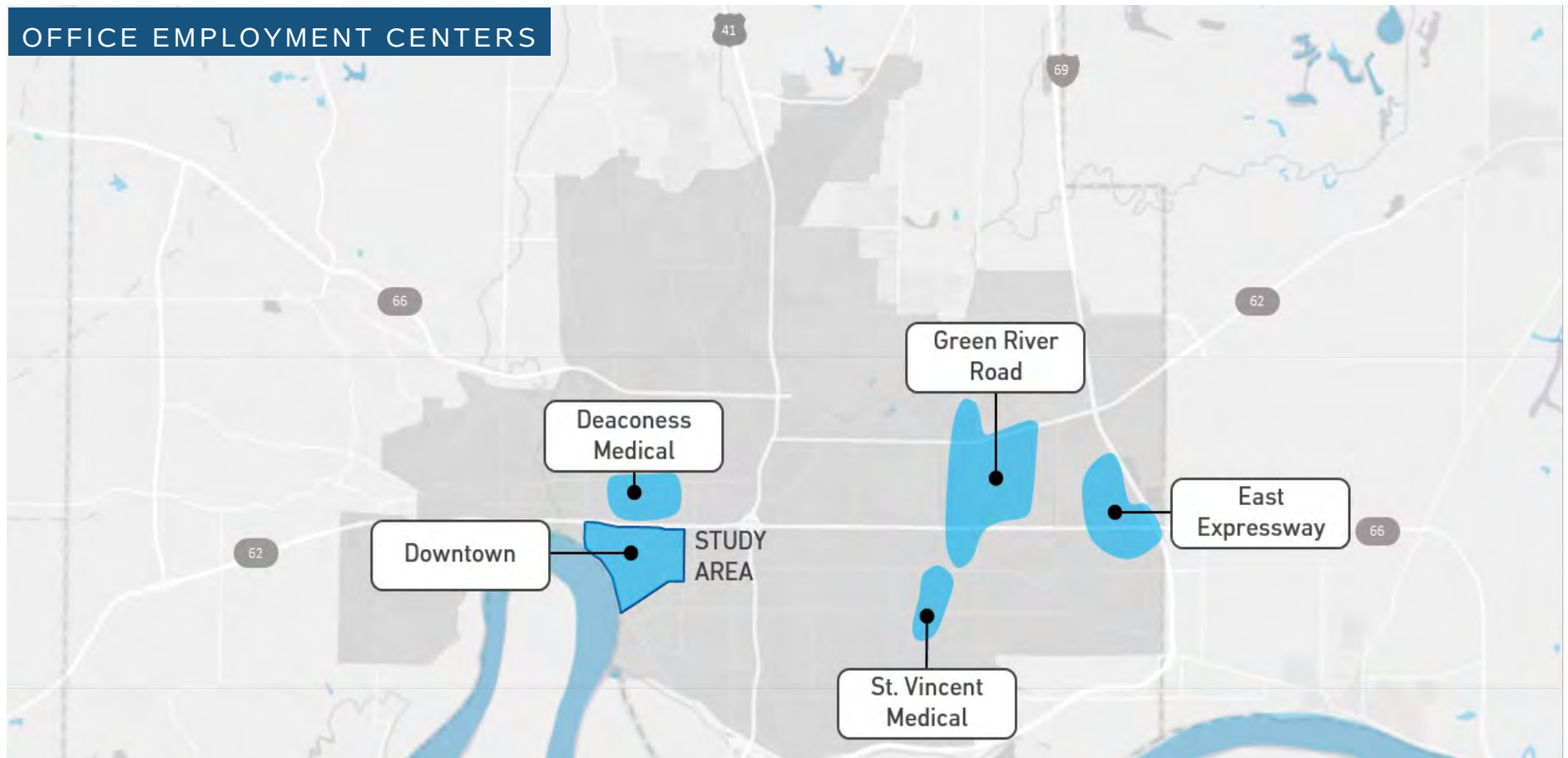
#### Average Rent

\$12/SF

#### Vacancy

0%

## OFFICE EMPLOYMENT CENTERS



	<b>Downtown</b>	<b>Deaconess Medical</b>	<b>St. Vincent's Medical</b>	<b>Green River Road</b>	<b>East Expressway</b>
OVERALL LEASE RATE (PSF)	\$16	\$18	\$17	\$15	\$20
SQUARE FOOTAGE	4,300,000	823,000	539,000	942,000	684,000
NEW LEASE RATE (2000-2019)	\$21	N/A	\$21	\$21	\$20
NEW SQUARE FOOTAGE (2000-2019)	875,000	N/A	142,000	207,000	448,000

Source: CoStar 2019



## OFFICE MARKET: DEMAND

Regional employment projections indicate that there will be opportunity for a variety of office space that Downtown Evansville could capture, including modest Class B space for medical, back-office operations, and creative office space for start-ups; and high-quality Class A space for professional, tech, and financial firms.

Demand for office space is driven by jobs. An increase in the number of jobs in sectors like finance and insurance, technology, professional and medical services will trigger the need for additional office space, but the quantity and quality of space needed varies based on industry. Employment projections from Indiana Department of Workforce Development forecast growth of about 15,500 jobs in the nine-county Southwest Indiana Economic Growth Region (No.11) over the 10-year period from 2016 to 2026.

Job projections are adjusted to the 2018-2028 duration and then converted into office square footage demand by estimating the square footage needs per employee and the percentage of jobs in a given occupational sector that require office space. For instance, a service technician would not typically have dedicated office space, whereas an engineer would. The U.S. Government's General Services Administration maintains a handbook with guidelines of space needs per office worker.

Based on the job projections, there will be demand for approximately 1.1 million square feet of new or rehabbed office space in Southwest Indiana Economic Growth Region (No.11) over the next ten years, with 55 percent expected to be medical office space, 35 percent conventional class B space, and a small amount of high-quality class A space and civic space. A reasonable capture rate must be applied to these estimates to determine office market potential for Downtown Evansville.

### PROJECTED TEN-YEAR OFFICE DEMAND BY PRODUCT CATEGORY Southwest Indiana Economic Growth Region (No. 11)



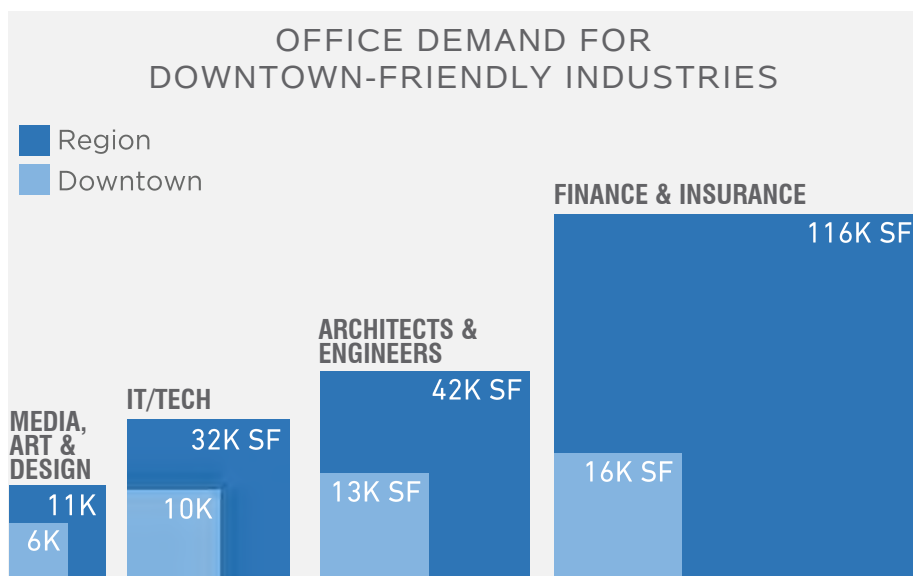
Sources: Indiana Department of Workforce Development, Development Strategies 2019

## KEY DOWNTOWN INDUSTRIES

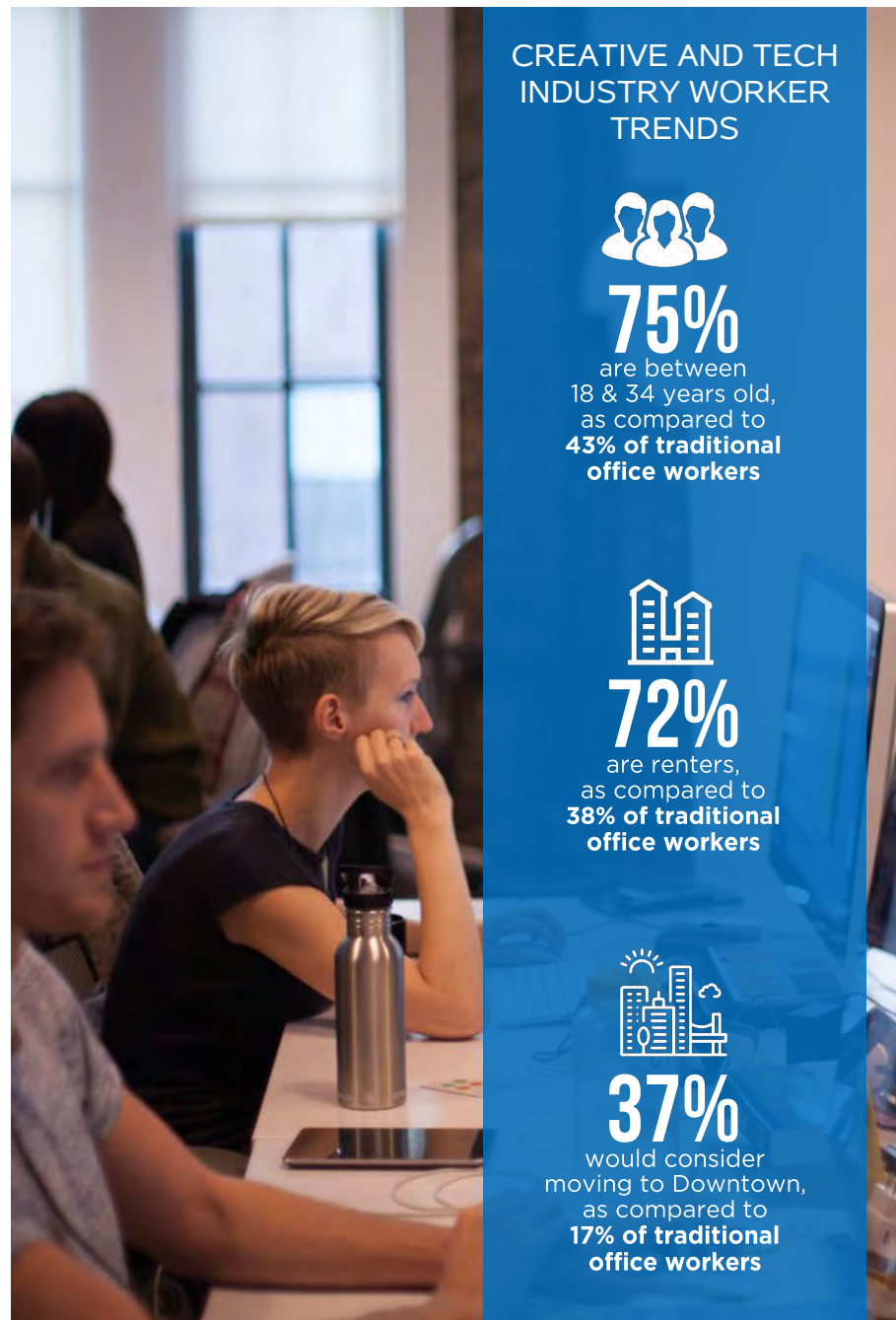
Primary targets for Downtown office growth are professional and technical service, finance and insurance, IT/tech, and media, art and design industries.

A key national trend is that of companies moving or expanding Downtown because of the importance of place for talent recruitment, company image, and broad collaboration. Downtown Evansville office market is performing well, but has opportunity to improve as the district becomes gains more amenities. Sectors that show a preference for downtown office locations are projected to grow in the Evansville region in the next decade. These downtown-friendly sectors should be targeted and encouraged, along with the medical and management sectors, to establish and grow a presence in Downtown Evansville.

An explanation of why downtowns attract creative and technology workers is included to the right. These employees are younger, much more likely to be renters, and a high percentage would consider moving to a downtown environment. Not only will these workers bring additional spending power and vitality to the downtown, they are also prime targets for residential products that will be built and rehabbed downtown.



Source: Development Strategies 2019



Source: Development Strategies

## OFFICE CAPTURE

With a third of the region's office supply, Downtown Evansville can take advantage of its recent momentum, and compete to gain higher shares of regional growth.

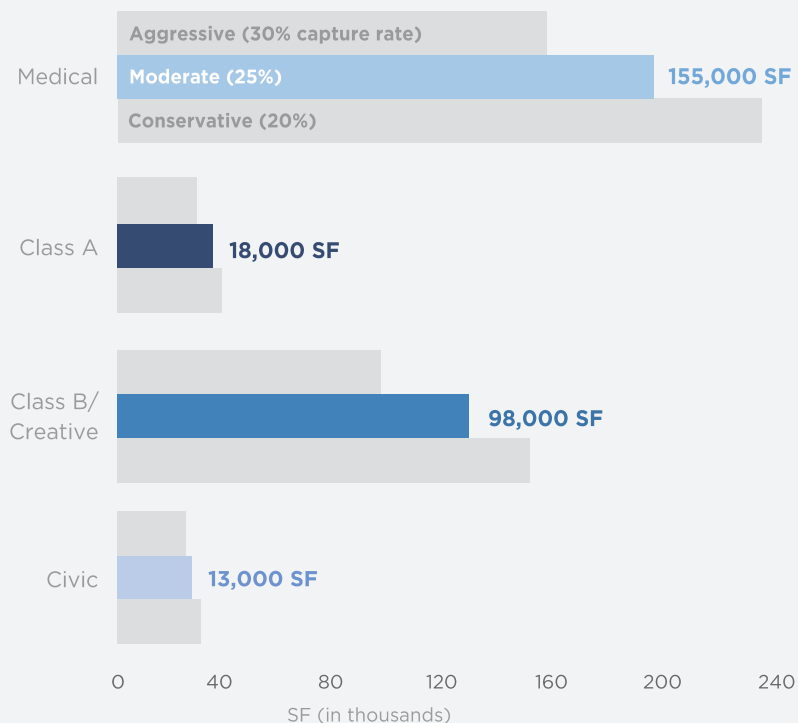
Determining future demand for office development involves evaluating a complex set of variables. This includes the desirability of the location, availability (and price) of land, existing industry clusters, and potential changes in consumer preferences and industry growth. A somewhat simpler method involves looking to: 1.) past office performance: what regional share of office growth did downtown capture over the past decade; and 2.) future job growth: how many jobs are office related industries projected to add over the next decade?

Over the next 10 years, the Southwest Indiana Economic Growth Region (No.11) is expected to add 1.1 million square feet of new or rehabbed office space. Using data provided by CoStar, it was determined that Downtown Evansville has approximately 33 percent of the Southwest Indiana regional office share, and close to 56 percent of the region's class A office space. While Downtown Evansville has not added any new office space in the last decade, suburban areas to the east of the city along Green River road has added around 215,000 square feet of new office space, capturing more than 70 percent of the Southwest Indiana regional office growth during the same period.

Based on historical share trends, 'conservative', 'moderate' and 'aggressive' capture rates of 20 percent, 25 percent, and 30 percent were applied respectively to the regional growth projection of 1.1 million square feet to estimate reasonable demand potential for Downtown Evansville. This results in a net demand for 250,000 to 330,000 square feet of new or rehabbed office space Downtown over the next ten years. Since the 100,000 square feet Deaconess Clinic under construction on Walnut Street will be a replacement for an existing facility, the new medical office space is considered not to contribute to the ten year medical office demand. A similar approach was used to project Downtown office demand by product as shown in graphic.

## DOWNTOWN PROJECTED 10-YEAR OFFICE DEMAND

Employment Growth-Driven Space Needs



Sources: Indiana Department of Workforce Development, Development Strategies 2019



## OFFICE CONCLUSIONS

**As Downtown Evansville gains amenities and services, and connections are improved, the environment will be created to capture a significant share of regional office growth.**

Given increases in consumer preferences toward urban places to live and work and building upon its current strength as a job center, Downtown Evansville has an opportunity to position itself through targeted investments so as to exceed its past performance. Medical office constitutes the highest share in office demand. Although the medical sector is conventionally not among the industries that drive downtown office growth, Downtown Evansville's competitive positioning because of the medical hub, is likely to attract new medical office space. There is demand for around 150,000 to 180,000 square feet of medical office space over the next ten years in addition to those currently under construction – most of which is likely to be new, owner-occupied, and build-to-suit.

There is demand for around 95,000 to 115,000 square feet of Class B office space and around 12,000 to 15,000 square feet of Civic office space Downtown, which will be met mostly by filling up the high volume of office space that exists in the downtown today that is currently not in a condition to be marketable. This will require significant investment, potentially including subsidy, to make it viable for use. The demand for Class A office space is low, at around 17,000 to 21,000 square feet, which would consist of extensive rehabs and adaptive reuse of historic buildings, with high quality finishes and services. There are a number of projects in preliminary planning stages that will add rehabbed office space to the downtown market. These developments will meet a portion of the projected demand when they are realized.



# MARKET ANALYSIS

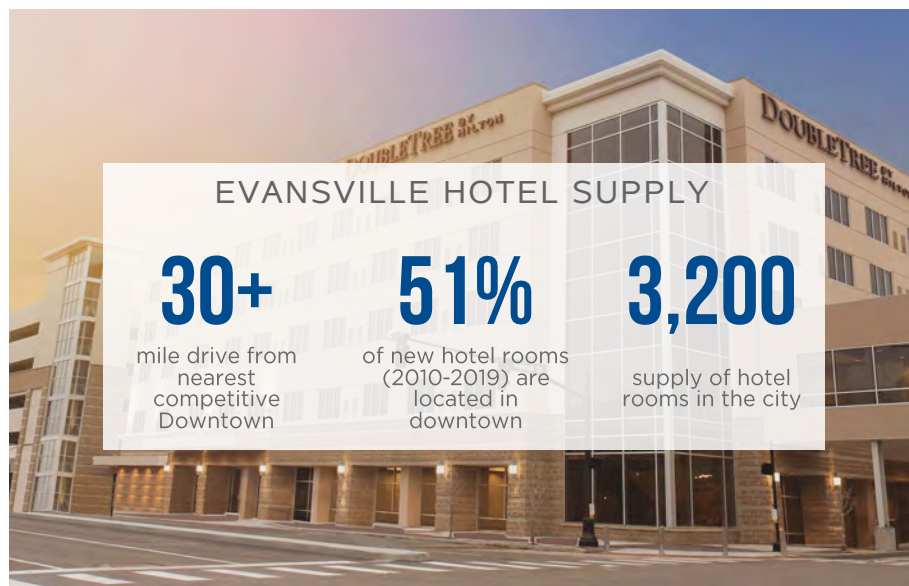
## HOTEL SUPPLY

A preliminary hotel supply analysis reveals a robust market in Downtown Evansville, with a majority of new and higher quality hotel rooms locating in Downtown Evansville. These hotels are the best supply in the region and cater to a variety of visitors.

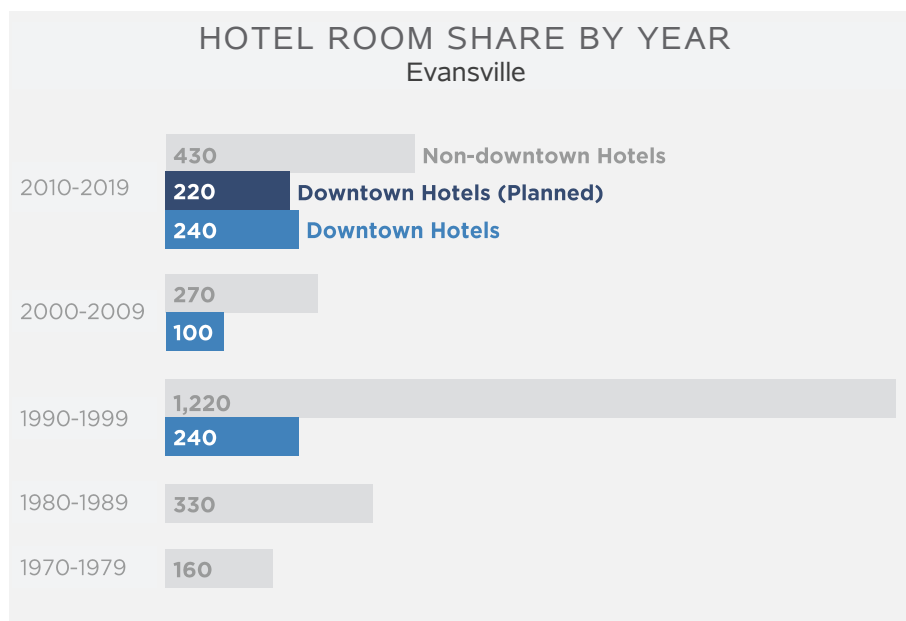
A survey of all existing and planned hotel rooms shows that Evansville will have roughly 3,200 hotel rooms, with approximately 800, or 25 percent, of rooms locating in the city's downtown. A large portion of the hotel supply opened from 1990 to 1999, but trends show a significant increase in the Downtown supply, with 51 percent of new and planned hotel rooms locating in Downtown in the past decade.

In conjunction with its growth in supply, Downtown Evansville also contains the highest quality supply in the region. The majority of hotels located in the city outside of Downtown tend to be older, and this is further underscored by the recently built DoubleTree by Hilton Hotel Evansville and two hotels under construction in Downtown: the Mediterranean Hotel and Hyatt Place. The nearest comparable city, Owensboro, Kentucky, is half the size of and more than thirty miles drive away from Evansville. This makes Evansville the center for most hotel activity in the region.

There are various types of existing and planned hotels in Downtown. Approximately 31 percent of the supply serves the Tropicana Evansville Casino, 30 percent serves convention attendees, and the rest serves business and leisure travelers. These overall trends show that there is a growth of quality, quantity, and variety in hotels in Downtown in the past decade.



Sources: Hotel.com (May 2019) and Development Strategies 2019



Sources: Hotel.com (May 2019) and STR Global (March 2019)

## HOTEL DEMAND

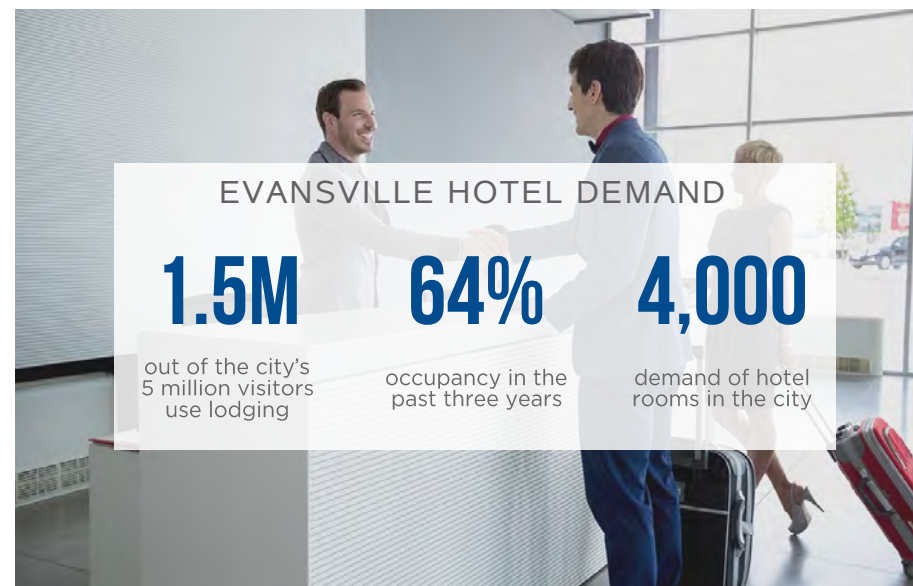
A preliminary hotel demand analysis shows that Evansville could support 4,000 hotel rooms. This demand is partly due to the variety of attractions, convention centers, and major employers in the Downtown. Our methodology is outlined below.

First, our analysis found that approximately 1.5 million visitors used lodging in the Evansville and Vanderburgh County region annually. This is based on a 2017 economic study for the Evansville Convention and Visitors Bureau in which more than 5 million visitors spent 29 percent of their participation days on lodging.

Second, our analysis estimated that a current demand of 1.5 million visitors roughly equates to 870,000 groups of visitors per hotel room. This estimate is based on two sources: a March 2019 STR report of hotels in Downtown Evansville and a rough guideline of bedroom mix by hotel type as adapted from *Hotel Design, Development, and Planning* (2001). The current downtown mix using the guideline shows there are about 1.7 visitors per hotel room.

Lastly, we estimated the total number of room nights in 2017 and found a hotel demand of 4,000 hotel rooms. The 2017 economic study indicates that visitors spend 2.1 days on average in Evansville, which roughly translates to 950,000 room nights annually or 2,600 hotel rooms daily. Stable occupancy rates in city downtowns are between 60 to 70 percent. Using the city's hotel occupancy of 64% in the past three years, Evansville should expect to have 4,000 hotel rooms to satisfy existing demand.

Furthermore, the Downtown contains a number of demand drivers that attract visitors. It is home to a number of major banking, financial, construction, engineering, and utility companies as well as major health institutions like the Deaconess Hospital. Convention attendees make up more than half a million visitors yearly, with the Ford Center and the Old National Events Plaza attracting annually 475,000 and 160,000 visitors, respectively. A segment also seek out downtown to enjoy the various attractions, including the Tropicana Evansville, the Victory Theatre, and the Mesker Park Zoo and Botanic Garden, with 1.4 million, 200 thousand, and 170 thousand annual visitors, respectively.



Sources: Hotel.com (May 2019) and Development Strategies 2019



Sources: Development Strategies; BLS; BEA; Southwest Indiana Economic Development Coalition

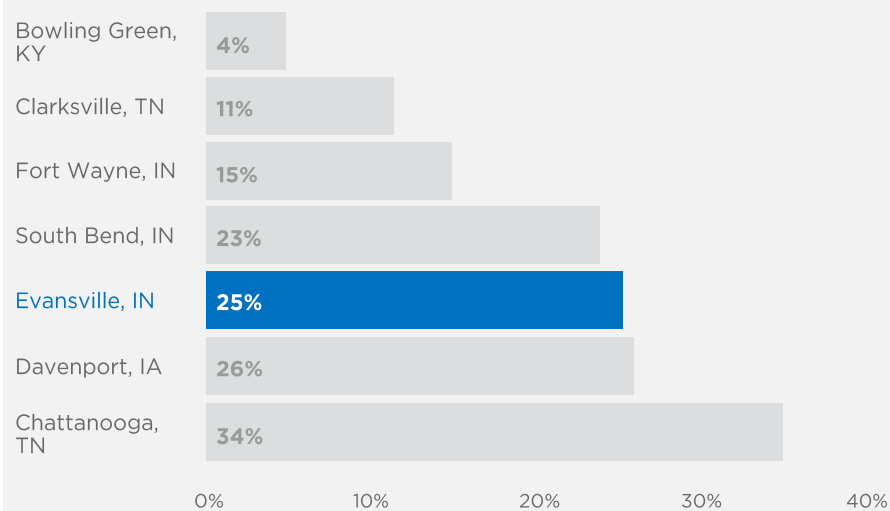


## HOTEL CAPTURE

Compared to its peer cities, Downtown Evansville has captured an impressive portion of its hotel supply. To maintain this share, Downtown should capture roughly 25 percent of future hotel rooms in the city.

Downtown Evansville currently has 25 percent of all hotel rooms in the city—a percent share higher than each of the peer cities on the graphic to the right, with the exception of Chattanooga and Davenport. Bowling Green and Clarksville have a much lower share of hotel rooms in their downtowns, owing to their development patterns of commercial clustering along major corridors. Downtown Evansville's share of hotel is on par with other aspirational and peer cities such as South Bend, Davenport, and Chattanooga. Given its various attractions, employment hub, convention centers, and riverfront amenities, Downtown is likely to maintain this share and should expect to capture 25 percent of future hotel rooms.

## DOWNTOWN CAPTURE OF HOTEL ROOMS



Sources: Hotel.com (May 2019) and Development Strategies 2019

## HOTEL CONCLUSIONS

Our preliminary analysis of the region's hotel demand, supply, and capture show that Evansville can develop 200 more hotel rooms in the Downtown. These rooms could cater to leisure visitors, convention goers, and business travelers.

An analysis of the supply and demand show that the city's existing 3,200 hotel rooms does not meet the demand for 4,000 rooms. With a gap of 800 hotel rooms, Downtown should capture roughly 200, or 25%, of this gap to maintain a reasonable share of the city's hotel supply.

Located 30 miles away from other major downtowns and home to large employers, convention centers, and various attractions, Downtown Evansville's hotel market is well-positioned to take advantage of the visitors generated by such establishments. Further analysis should be done to see the marketability of more boutique, business, or convention hotels in the area.



# MARKET ANALYSIS

## RETAIL SUPPLY

**Downtown Evansville retail consists primarily of restaurants and a handful of small shops concentrated along or near the Main Street corridor.**

CoStar data indicates there is currently about 360,000 square feet of retail space in the Downtown study area, though a portion of this consists of flex office-retail uses. Essentially all new retail construction has occurred around the periphery of Evansville, but several renovated properties along Main Street and several cross streets have added to the vitality of the downtown core. Overall vacancy downtown remains relatively low around four percent, while Main Street has performed even better, with just under three percent of leasable space vacant. The asking rent for these renovated 1st floor commercial spaces ranges from about \$13 to \$15 per square foot.

Tenants include unique, locally and regionally-owned businesses such as River City Coffee + Goods, Parlor Doughnuts, and BRU Burger Bar. The study area is one of the few locations in Evansville where a historic, mixed-use, pedestrian-friendly district exists, an amenity that should be leveraged to support tourism, economic development, and talent recruitment and retention.

Much of the existing retail supply is concentrated in auto-oriented strip centers located around the edges of the community, with significant nodes along First Avenue to the north and the south side of the Lloyd Expressway near Red Bank Road to the west. The largest nodes are concentrated along parallel corridors to the east near Interstate 69. Retail lines Green River Road on either side of the expressway between Route 62 and Washington Avenue. Properties in this area are slightly older, but anchored by Eastland Mall, which includes more than one million square feet of space. Newer retail is concentrated along Burkhardt Road to the immediate east, which includes several big box stores including Target, Walmart, and Sam's Club.

## EASTLAND MALL



### SUBURBAN RETAIL

Built 1981

1,013,000 SF

**Average Rent**

\$17.50/SF

## MAIN STREET



### HISTORIC REHAB

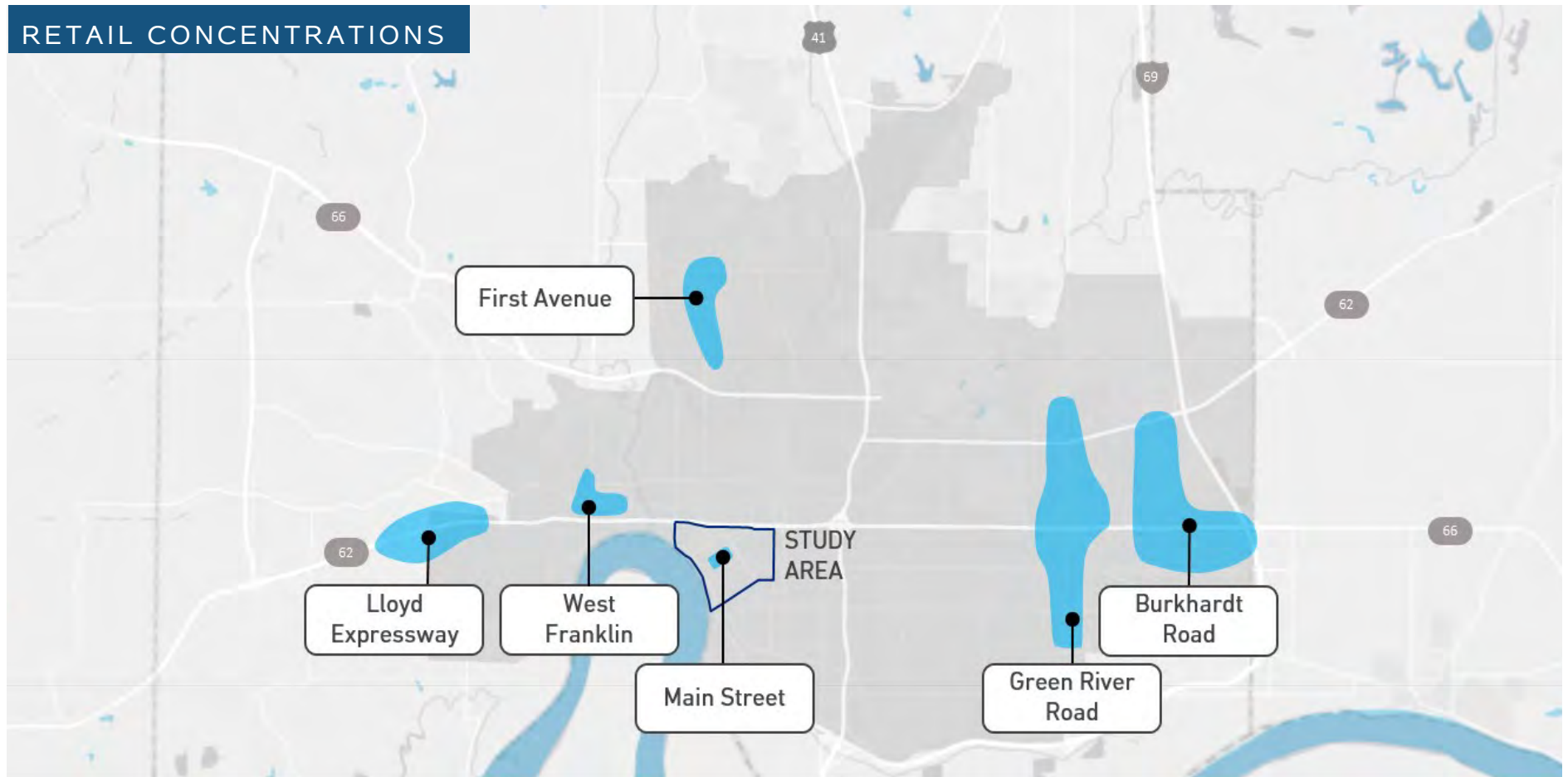
148,000 SF

**Average Rent**

\$13-\$15/SF



## RETAIL CONCENTRATIONS



	Lloyd Expressway	West Franklin	Main Street	First Avenue	Green River Road	Burkhardt Road
AVERAGE LEASE RATE (PSF)	\$12	\$11	\$15	\$9	\$12	\$17
SQUARE FOOTAGE	1,130,000	296,000	148,000	667,000	3,630,000	2,320,000
NEW LEASE RATE (2009-2019)	\$17	N/A	N/A	N/A	\$13	\$18
NEW SQUARE FOOTAGE (2009-2019)	19,000	N/A	N/A	N/A	127,000	127,000

Source: CoStar 2019

# MARKET ANALYSIS

## RETAIL DEMAND

Residents, workers, and visitors all contribute to the amount of retail space that can be supported in Downtown Evansville.

Although online shopping is becoming increasingly popular, brick and mortar stores are still the primary way consumers purchase merchandise. These shops and restaurants are also key neighborhood amenities and are a critical component of the revitalization of Downtown Evansville. Support for these establishments comes from three major sources:

- › **Residential**—Residents who currently live in and near Downtown
- › **Non-residential**—Downtown workers and business/leisure travelers
- › **Future growth**—New residents, workers, and visitors that are attracted by the improved Downtown environment

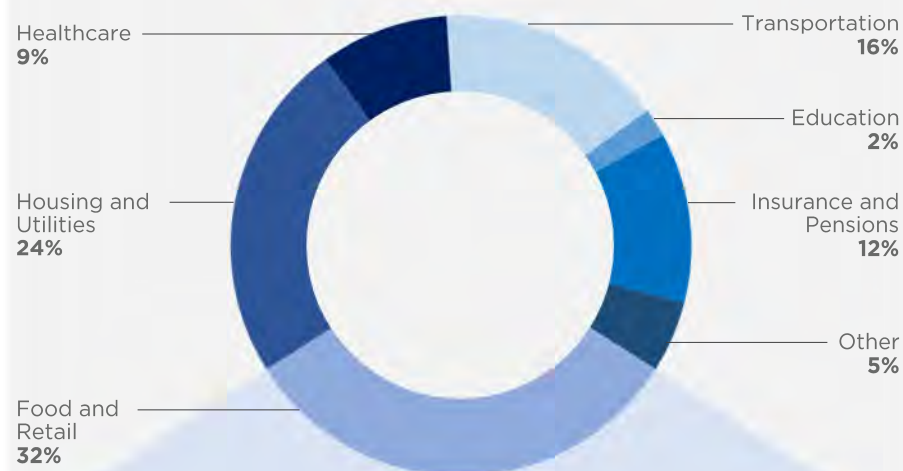
This section of the report will examine all of these sources and use data on consumer spending and shopping preferences to quantify approximately how much retail space can be supported Downtown, along with some initial indications on what types of establishments may be most successful.

## RESIDENTIAL DEMAND-CONSUMER EXPENDITURES

The graphic to the right shows how consumers in the Midwest tend to spend money. An average household spends almost \$18,000 per year on food and retail—and many of these categories of spending (such as food at home, food away from home, and entertainment) include establishments that can be successfully supplied in a downtown environment. Therefore, with the right products, Downtown Evansville will be able to capture an increasing share of these dollars. Examining the spending habits of residents in and around Downtown will help determine the amount space that can be supported.

### AVERAGE CONSUMER EXPENDITURES

Annual Household Expenditures: \$56,100



### Average Food and Retail Expenditures = \$17,700



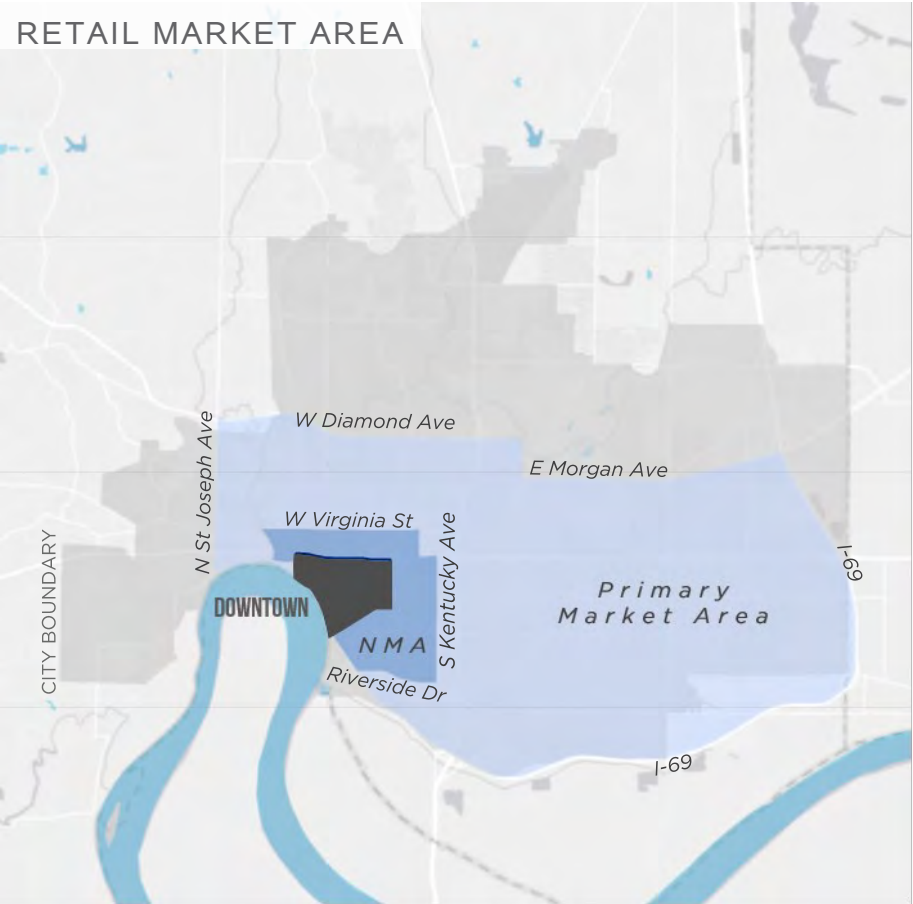
Source: Midwestern MSA: Average Annual Expenditures and Characteristics, Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September 2018

## RETAIL DEMAND: MARKET AREAS

Residents within the Primary Market Area are expected to heavily patronize all types of downtown businesses; additional support for unique retailers and restaurants not available elsewhere in the city will come from the Primary Market Area.

In order to determine the amount of retail demand from residents, market areas are used to identify which people are likely to shop downtown regularly, due to their location and spending profiles. Customers in close proximity will provide a strong base of support for downtown merchants as frequently made purchases are typically made close to home. Therefore, residents in the Neighborhood Market Area (NMA) are the primary focus of this analysis as they are generally within a convenient five-minute drive of downtown and would likely be willing to visit for basic shopping needs, such as a grocery store or pharmacy, as well as to patronize unique retailers and restaurants. At three square miles, the NMA is relatively small and is home to about 12,000 residents with a median household income of \$29,500.

Downtown Evansville will also be able to generate support from customers outside of the NMA, particularly due to the lack of competitive supply in terms of walkable mixed-use districts. The residents of the Primary Market Area (PMA) will visit less frequently and are much more likely to patronize high-end retail, entertainment venues, and specialty vendors that can't be found elsewhere in the city, as opposed to general retailers that are likely already present closer to home. The primary market area (PMA) is almost eight times larger than the NMA and extends to Routes 66/62 on the north and I-69 to the east and south. The PMA contains over 86,000 people with a median income that is about 30% higher than the NMA.



	NMA	PMA
SIZE (SQUARE MILES)	3	26
POPULATION	12,000	86,100
MEDIAN HOUSEHOLD INCOME	\$29,500	\$38,600
GAP (SQUARE FEET)	-193,300	-4,709,000

Sources: ESRI 2018; Development Strategies 2019



# MARKET ANALYSIS

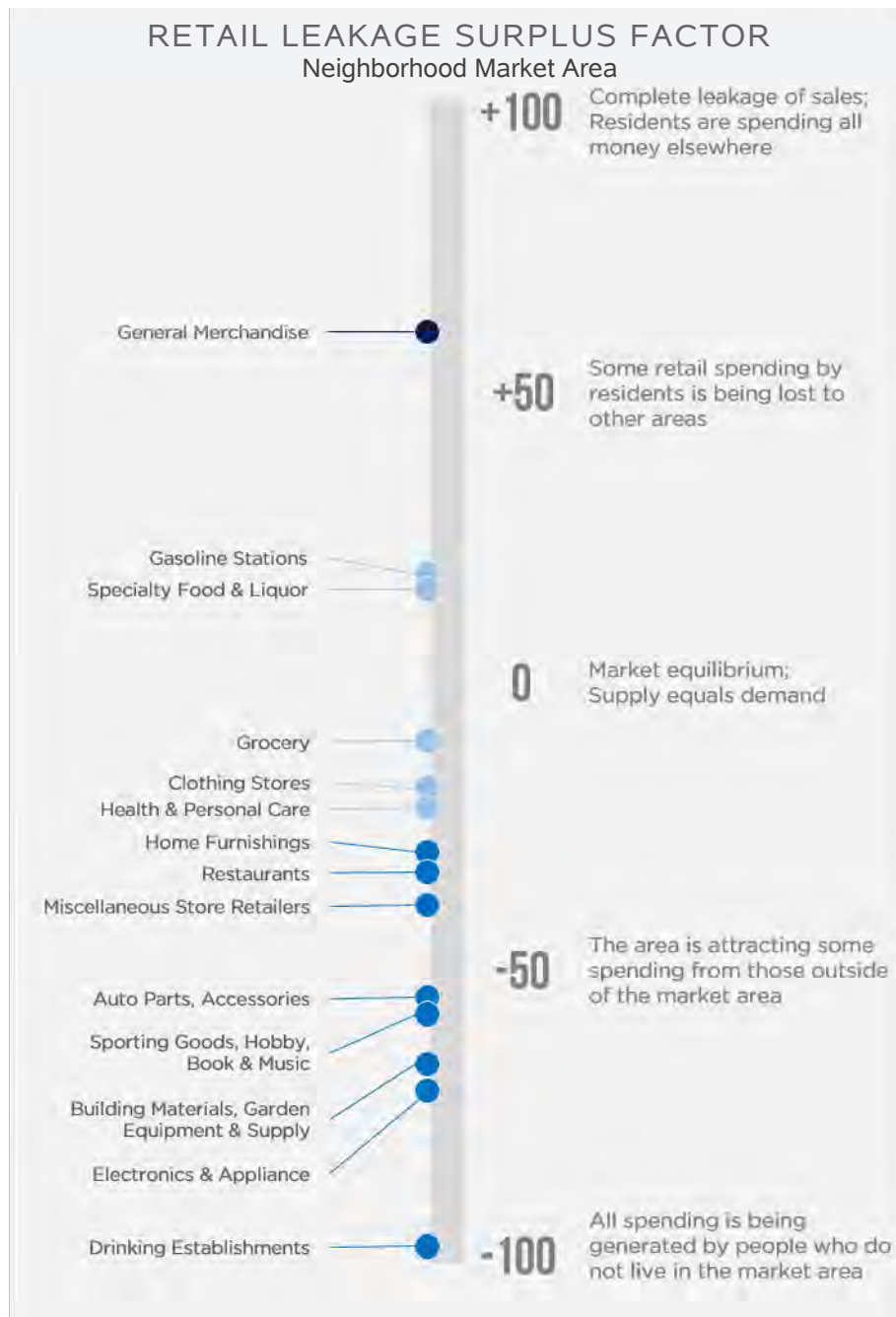
## RETAIL GAP ANALYSIS

Gap analysis shows how well the retail needs of local residents are being met and highlights the relative strengths and weaknesses of the local retail market.

Demand gap analysis focuses on residential spending and makes a direct comparison between retail sales and consumer spending by industry and measures the gap between supply and demand. Retail leakage occurs when demand exceeds supply—residents are spending more for products than local businesses can capture. Retail surplus occurs when supply exceeds demand—businesses within the market area are capturing spending from non-local shoppers.

The leakage/surplus factor displayed in the chart to the right enables direct comparisons of retail gaps across industries. The number ranges in value from -100 to +100. Values near zero indicate market equilibrium, where demand approximately equals supply. Values closer to +100 indicate that an increasing share of local spending is being lost to other areas. Values closer to -100 indicate that businesses are successfully attracting spending from people who reside outside the market area.

Market strategy needs to be considered when interpreting the results of gap analysis as none of the values indicate definite market opportunity, or lack thereof. While strong positive values often indicate a potential market opportunity to increase supply in a particular industry, the location may be somewhat limited in its ability to supply the appropriate type of product. For example, the Neighborhood Market Area shows strong potential for general merchandise stores. However, most of this consumer spending occurs at big box retailers that are unlikely to find an appropriate location downtown.



On the other end of the spectrum, a strongly negative number does not indicate that new products cannot be supported. In fact, these values often indicate that a particular industry is very successful and is attracting spending from a larger market area. For example, the Neighborhood Market Area has a leakage/surplus factor close to -100 for Drinking Establishments, which isn't surprising considering the downtown has a successful cluster of these businesses.

For categories close to market equilibrium, such as grocery stores, it is entirely possible for a high quality store that introduces superior products and services to be successful. A quick scan of the existing supply of shops that would qualify as a grocery store within the Neighborhood Market Area reveals that most establishments are convenience stores or small markets that capture some spending by providing daily necessities, but none of these establishments are competitive to a full-service grocery store if it were to enter the market place.

In an effort to provide more tangible numbers that give a sense of scale, the chart to the right translates gap analysis values into approximate square footages. For example, if the downtown were able to supply the appropriate product and prevent any leakage of residential spending in the General Merchandise category, it would support approximately 44,000 square feet of space, although a downtown-friendly product will be considerably smaller in size.



# MARKET ANALYSIS

## TAPESTRY RETAIL DEMAND

Downtown-affiliated market segments are likely to be downtown customers and their spending habits can help inform the amount of demand for high-quality dining and apparel.

The target market segments identified in the residential analysis include groups of people who tend to prefer urban environments and the unique shops and restaurants they contain. Whether relocating downtown, or staying in their current homes, these people are likely to be downtown customers. Their spending habits and preferences can be used to help provide additional insights into how much of the supportable downtown retail will include high quality dining and apparel.

With household incomes above \$70,000, In Style and Comfortable Empty Nesters are relatively affluent groups that spend about 8-15% more than the national average on food. Emerald City and Bright Young Professionals are a slightly younger demographic with more of a modest income. Emerald City spends slightly more than the national average on food and tends to value organic food and environmentally friendly products. In contrast, Bright Young Professionals spend 10% less than the national average on food, likely because they tend to frequent fast-food and less expensive family restaurants. The youngest target groups include Set to Impress and Young and Restless, both of which are early in the careers and have household incomes in the range of \$30,000 to \$40,000. Both groups spend significantly less than the national average on food, however their spending on apparel varies considerably.



### IN STYLE

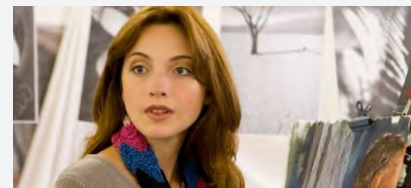
<b>Household (HH) Income</b>	<b>Food*</b>
\$73,000	+15%
<b>Age</b>	<b>Apparel*</b>
42	+11%



### COMFORTABLE EMPTY NESTERS

<b>HH Income</b>	<b>Food</b>
\$71,000	+8%
<b>Age</b>	<b>Apparel</b>
48	-6%

\* Compared to national average



### EMERALD CITY

<b>HH Income</b>	<b>Food</b>
\$56,000	+3%
<b>Age</b>	<b>Apparel</b>
37	+20%



### BRIGHT YOUNG PROFESSIONALS

<b>HH Income</b>	<b>Food</b>
\$51,000	-10%
<b>Age</b>	<b>Apparel</b>
33	+5%



### SET TO IMPRESS

<b>HH Income</b>	<b>Food</b>
\$31,000	-39%
<b>Age</b>	<b>Apparel</b>
34	-20%



### YOUNG AND RESTLESS

<b>HH Income</b>	<b>Food</b>
\$38,000	-25%
<b>Age</b>	<b>Apparel</b>
30	+1%

Source: ESRI



## TAPESTRY DEMAND

Spending by downtown-affiliated market segments suggests there is demand for more high-quality restaurant space downtown.

A variety of unique dining, entertainment, and shopping options are the hallmark of a rejuvenated downtown. Rather than a specific shop or restaurant, the entire district becomes known as a destination of its own. Downtown-affiliated tapestry groups, which total 15,000 households in Evansville, will likely be a significant source of support for these establishments.

### Restaurants

If the downtown captured 25% of the spending of these tapestry groups on restaurants and alcohol, the total supportable downtown retail space would likely include 43,000 square feet of high-quality restaurant space. Even though Downtown Evansville currently has roughly 72,000 square feet of space being used for food service, a significant portion includes simple sandwich shops and other basic restaurants that don't offer the unique experience sought after by Downtown-affiliated tapestry groups. Therefore, demand still exists for these upscale establishments and Evansville can expect to see more destination restaurants and upscale fast-casual chains enter the marketplace.

### Apparel

While a majority of apparel is not purchased at independent retailers, with the right type of products and a high level of service, downtown boutiques may be able to capture 10% of this spending, yielding one to two shops. The addition of these restaurants and shops could build significant momentum for Downtown Evansville, creating a virtuous cycle that attracts more residents and visitors who will then support more establishments.

## RESIDENT RETAIL DEMAND: SUMMARY

Residents within the Neighborhood Market Area will generate significant support for retail space—estimated at 75,000 square feet. These residents will want access to everyday needs such as grocery stores and pharmacies as well as dining and entertainment. Downtown Evansville will also benefit from retail demand generated by workers and visitors, which will be examined on the following pages.



# MARKET ANALYSIS

## DOWNTOWN WORKER AND VISITOR MARKET: EXISTING SUPPORT

**In downtowns, retail demand is provided by a variety of sources beyond residents, including workers, convention attendees, business travelers, and tourists. Curating the right mix of restaurants, retail stores, and services is important in capturing this demand.**

In addition to residents, downtown retail also serves individuals who come to the area for work and play that are not accounted for in gap analysis, which is based solely on where people live. Understanding potential spending from these other groups can further inform how much retail can be supported downtown.

### Workers

Spending by nearby workers can support a significant amount of retail space, particularly in a place like Downtown Evansville, where the concentration of jobs is relatively high. According to research conducted by the International Council of Shopping Centers (ICSC)<sup>3</sup>, office workers spend a considerable amount of money near the office building during the work week, although the dollar amount varies considerably based on the type of location and amount of retail offerings in the immediate vicinity. Excluding transportation expenses and online purchases, the largest portion of this spending (15 percent) occurs at grocery stores, which offer supplies needed for home cooking and increasingly, pre-prepared food ready for consumption. The next two highest spending categories include fast food/deli/lunch eateries (11 percent) and full service restaurants (10 percent). Office workers also patronize many other types of establishments that are well-suited for a downtown environment, such as personal care shops, drug stores, and entertainment. Using a conservative estimate that the average Downtown Evansville worker spends \$7.50 per day (with 75 percent of this spending occurring downtown), results in demand for nearly 125,000 square feet of retail and restaurant space.

### Conventions-Sporting Events-Concerts

Between the Ford Center and the convention center, an estimated 635,000 visitors come to downtown every year. The daily amount spent by these visitors varies significantly between day trippers and overnight visitors, with

the average daily expenditure estimated at \$107. The proportion of day/overnight visitors to the Ford Center is unknown, but reportedly, most users of the convention center have been locals, who spend considerably less than overnight visitors. With both facilities located directly downtown, more than half of the daily spending of these visitors will likely be captured in the immediate area, resulting in support for approximately 117,000 square feet of retail space.

### Destinations

Destinations such as the Evansville Museum, children's museum, and zoo attract hundreds of thousands of visitors to the city each year. Likely, most of these visitors are locals who will spend significantly less than overnight visitors. Realistically, downtown would not capture all of this spending as some of it will be spent on site (at the zoo or museum) and some will be lost to other market areas. Therefore, an estimated capture rate of 50% was applied to this visitor spending, which yields support for approximately 27,000 square feet of downtown retail space.

### Cultural

While most large events and concerts happen at the Ford Center, the Victory Theater is a historic formal venue downtown which attracts an estimated 200,000 visitors each year. In addition, downtown hosts several special events which bring an additional 60,000 people annually. The typical visitor spending on food and drinks, with a healthy capture rate of 75%, shows support for 17,000 square feet of space. Despite the relatively small demand, these types of visitors serve an important role for downtown as they provide evening activity when most office workers are gone.

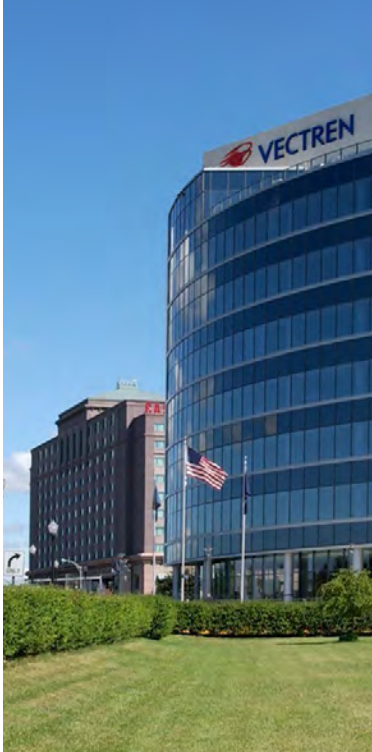
### Casino

The Tropicana Evansville Casino is a major traffic generator, attracting an estimated 1.4 million visitors per year. While this level of visitation generates a significant amount of spending, a large majority of this spending stays within the casino itself. This economic activity is still beneficial as it generates a lot of taxes, the direct spillover effect for downtown is likely rather low. If the downtown captures 10% of this spending by casino visitors, it will support 43,000 square feet of downtown retail.



## RETAIL/DINING DEMAND BY USE

### WORKERS



### CONVENTIONS, SPORTING EVENTS & CONCERTS



### DESTINATIONS



### CULTURAL



### CASINO



CURRENT ATTENDANCE

**30,000**

**635,000**

**313,000**

**260,000**

**1,400,000**

TOTAL DEMAND

**167,000 SF**

**195,000 SF**

**54,000 SF**

**22,000 SF**

**430,000 SF**

DOWNTOWN CAPTURE

**125,000 SF**

**117,000 SF**

**27,000 SF**

**17,000 SF**

**43,000 SF**

<sup>3</sup> <https://www.icsc.org/uploads/t07-subpage/ICSC-Spending-in-Digital-Age.pdf>  
Source: DEDC, Development Strategies 2019



# MARKET ANALYSIS

## FUTURE RETAIL DEMAND

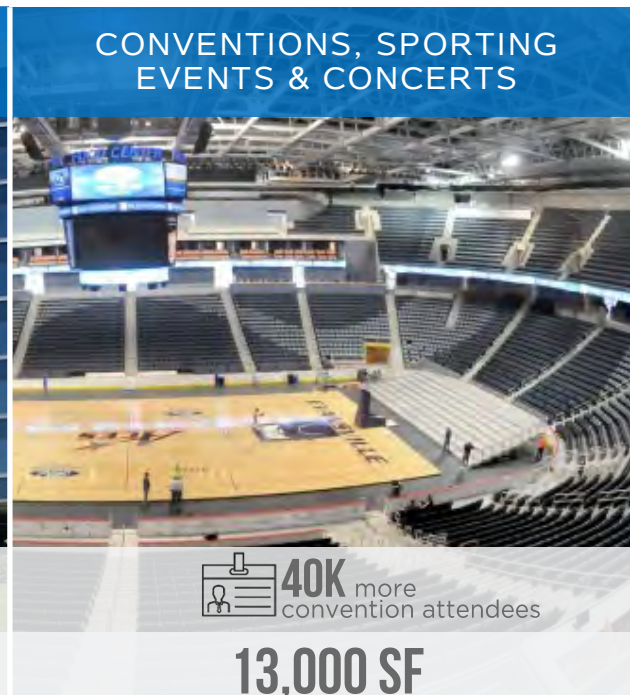
Retail demand will increase as visitation at the convention center improves, businesses expand or locate downtown, and more residents move to the area.

The final step in determining retail demand involves looking at the future. As Downtown Evansville begins implementing its plan and conditions improve, new residents, workers, and visitors will spend more retail dollars downtown. With the addition of the DoubleTree convention center hotel, it is reasonable to assume that annual attendance will increase by 25%. This increased activity in the future will support another 13,000 square feet of retail space. If 615,000 square feet of office is added to the downtown market, approximately 1,900 new jobs would be accommodated, increasing retail demand by 8,000 square feet. The approximately 1,800 residents who would occupy the new residential units would support an additional 25,000 square feet of retail space.

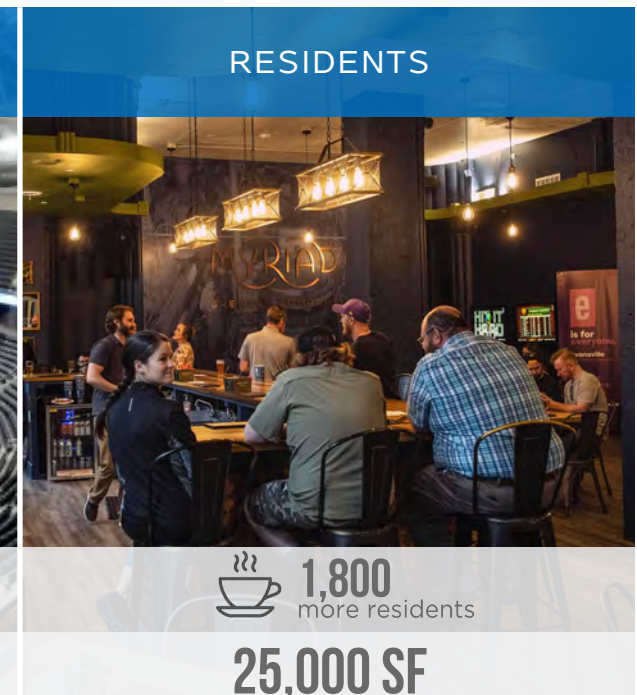
### WORKERS



### CONVENTIONS, SPORTING EVENTS & CONCERTS



### RESIDENTS



## MARKET ANALYSIS SUMMARY

**The most immediate market opportunities are for rental apartments, with a mixture of rehabbed spaces and new construction.**

Market analysis revealed the strongest opportunities are for downtown housing, with approximately 1,200 new units supported over the next ten years. Early on, a majority of these will be rental apartments, but as the downtown progresses, lower-density for-sale products may become viable.

Between demand from current and future residents, workers, and visitors, about 450,000 square feet of total retail space can be supported. Given that the downtown currently has an estimated 350,000 square feet of space, approximately 100,000 square feet of new or significantly rehabbed space will be needed over the next ten years. Downtown Evansville can expect to see an overall improvement in the appearance and marketability of commercial spaces, along with higher quality tenants.

Evansville can also expect to capture an increasing share of local companies that are looking to relocate or expand. Up to 450,000 square feet of new or rehabbed office space will be needed to accommodate this growth. With anticipated improvements, the downtown will become a more attractive destination for business travelers and tourists, generating demand for approximately 200 more rooms.



Source: Alex Morgan Imaging, Development Strategies 2019







A faint, light blue map of a city grid is visible in the background. The grid consists of numerous rectangular blocks, with some larger, irregular shapes interspersed, possibly representing parks or waterfront areas. The map is oriented with a river or coastline on the left side.

# APPENDIX

## RETAIL LEAKAGE SURPLUS FACTOR

### NEIGHBORHOOD MARKET AREA

+100

Complete leakage of sales;  
Residents are spending all  
money elsewhere

+50

Some retail spending by  
residents is being lost to  
other areas

0

Market equilibrium;  
Supply equals demand

-50

The area is attracting some  
spending from those outside  
of the market area

-100

All spending is being  
generated by people who do  
not live in the market area

### PRIMARY MARKET AREA

- General Merchandise
- Gasoline Stations
- Specialty Food & Liquor
- Grocery
- Clothing Stores
- Health & Personal Care
- Home Furnishings
- Restaurants
- Miscellaneous Store Retailers
- Auto Parts, Accessories
- Sporting Goods, Hobby, Book & Music
- Building Materials, Garden Equipment & Supply
- Electronics & Appliance
- Drinking Establishments

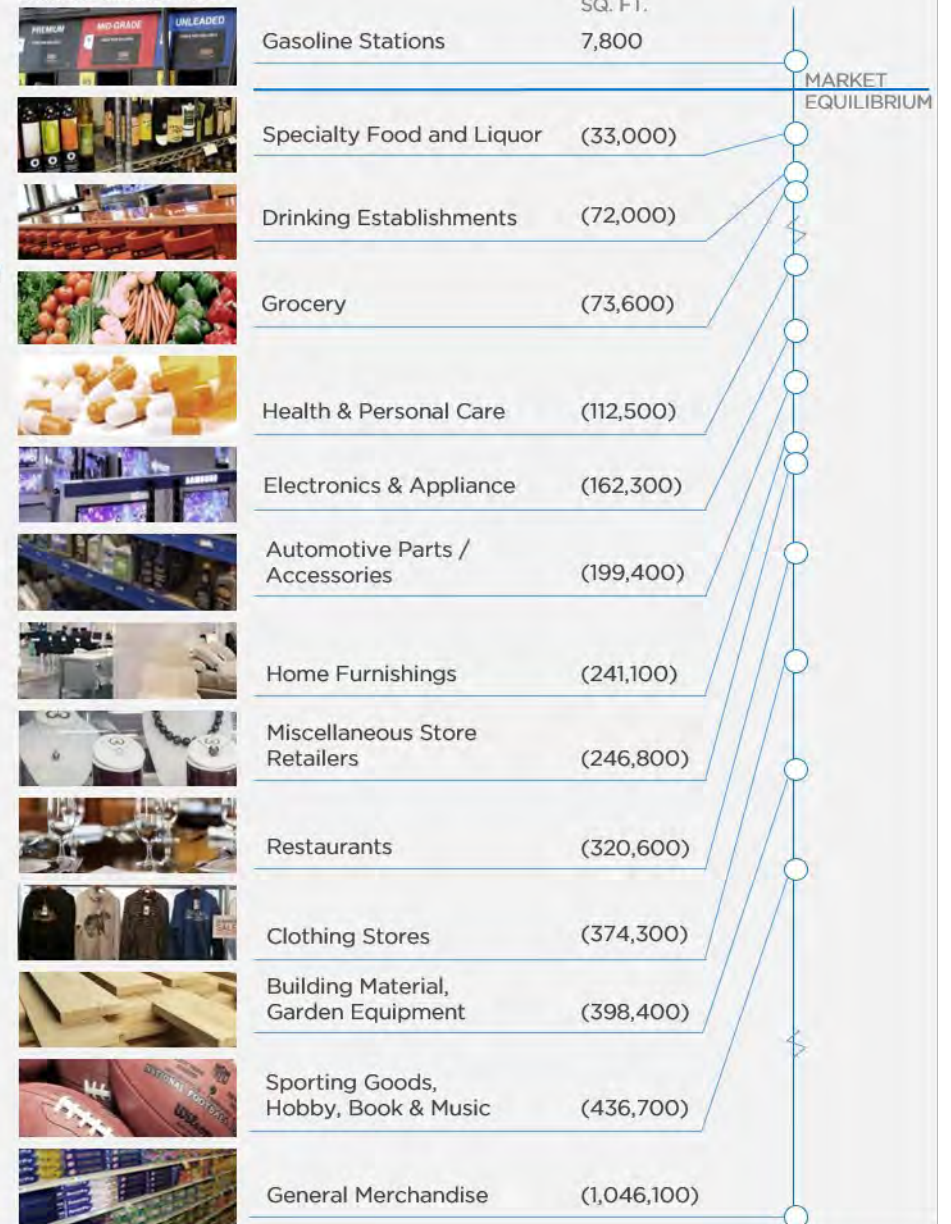
- Gasoline Stations
- Special Food Services
- Grocery
- Specialty Food
- Miscellaneous Store Retailers
- Health & Personal Care
- Restaurants
- Building Materials, Garden Equipment & Supply
- General Merchandise
- Auto Parts, Accessories
- Electronics & Appliance
- Home Furnishings
- Clothing Stores
- Sporting Goods, Hobby, Book & Music
- Drinking Establishments

## RETAIL GAP ANALYSIS IN SQUARE FEET

### NEIGHBORHOOD MARKET AREA



### PRIMARY MARKET AREA





# APPENDIX

Peer Cities Benchmarking	EVANSVILLE	CHATTANOOGA	FORT WAYNE	DAVENPORT
Change in 25-34 with Bachelors	22.5%	19.7%	21.8%	5.3%
Downtown Population, 2010	2,044	5,326	2,872	1,653
Downtown Population, 2018	2,153	5,843	3,126	2,068
% Change	5.3%	9.7%	8.8%	25.1%
MSA Population, 2010	311,552	528,100	416,257	379,700
MSA Population, 2018	321,000	565,000	440,000	387,000
% Change	3.0%	7.0%	5.7%	1.9%
Downtown Retail Space, 2010	314,424	689,116	337,336	304,642
Downtown Retail Space, 2018	358,280	821,423	399,402	386,804
% Change Downtown	13.9%	19.2%	18.4%	27.0%
MSA Retail Space, 2010	20,837,102	35,581,116	29,570,840	23,517,588
MSA Retail Space, 2018	20,919,579	36,896,841	30,386,028	24,401,883
% Change MSA	0.4%	3.7%	2.8%	3.8%
Downtown Office Space, 2010	4,365,781	8,861,321	4,879,778	1,679,522
Downtown Office Space, 2018	4,340,293	8,645,650	4,883,891	1,549,260
% Change Downtown	-0.6%	-2.4%	0.1%	-7.8%
MSA Office Space, 2010	11,742,052	20,625,529	17,454,372	10,477,744
MSA Office Space, 2019	11,953,285	21,071,557	17,606,071	10,652,670
% Change MSA	1.8%	2.2%	0.9%	1.7%
Zillow Housing Value Index	\$139,000	\$159,000	\$140,000	\$127,000
Zillow Rental Index	\$1,000	\$1,210	\$1,110	\$980
Downtown Housing Units, 2010	1,093	1,539	1,193	1,015
Downtown Housing Units, 2018	1,163	1,944	1,388	1,318
% Change Downtown	6.4%	26.3%	16.3%	29.9%
MSA Housing Units, 2010	138,809	234,440	178,124	167,110
MSA Housing Units, 2018	142,733	249,378	187,257	171,193
% Change MSA	2.8%	6.4%	5.1%	2.4%

Peer Cities Benchmarking	SOUTH BEND	CLARKSVILLE	BOWLING GREEN
Change in 25-34 with Bachelors	13.1%	67.0%	6.1%
Downtown Population, 2010	1,307	2,290	2,336
Downtown Population, 2018	1,463	2,432	2,757
% Change	11.9%	6.2	18.0%
MSA Population, 2010	319,200	260,600	158,600
MSA Population, 2018	326,000	290,000	176,000
% Change	2.1%	11.3%	11.0%
Downtown Retail Space, 2010	463,712	635,602	145,353
Downtown Retail Space, 2018	490,850	664,590	198,572
% Change Downtown	5.9%	4.6%	36.6%
MSA Retail Space, 2010	24,051,741	12,196,595	7,435,145
MSA Retail Space, 2018	24,314,459	13,454,557	8,027,419
% Change MSA	1.1%	10.3%	8.0%
Downtown Office Space, 2010	2,834,041	444,281	436,065
Downtown Office Space, 2018	2,714,997	442,693	544,065
% Change Downtown	-4.2%	-0.4%	24.8%
MSA Office Space, 2010	9,412,226	2,571,556	2,692,230
MSA Office Space, 2019	9,676,550	2,982,188	2,970,326
% Change MSA	2.8%	16.0%	10.3%
Zillow Housing Value Index	\$124,000	\$153,000	\$166,000
Zillow Rental Index	\$1,010	\$1,020	\$1,110
Downtown Housing Units, 2010	809	715	1,084
Downtown Housing Units, 2018	892	788	1,331
% Change Downtown	10.3%	10.2%	22.8%
MSA Housing Units, 2010	140,736	107,367	68,874
MSA Housing Units, 2018	143,799	120,587	76,471
% Change MSA	2.2%	12.3%	11.0%