



Sioux Falls Downtown Market Study

Presented to:

City of Sioux Falls, South Dakota

July 2, 2014

Prepared by:



1807 South Pearl Street
Denver, CO 80210
720.244.7678 t



1616-17th Street, #262
Denver, CO 80202
303.628.5554 t

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I. EXECUTIVE SUMMARY

Project Scope

Progressive Urban Management Associates (PUMA) and ArLand Land Use Economics (ArLand) were retained by the City of Sioux Falls in 2014 to prepare a Downtown Market Study to inform its Downtown Master Plan update. This market study summarizes the market conditions and development potentials for Downtown Sioux Falls based on data analysis and interviews conducted in early 2014. The report is intended to serve as a framework and guide for the development of the Downtown Master Plan.

Findings

Downtown Sioux Falls is in a unique position today. Recent years have seen more residential units, services, and jobs in the downtown area. However, there continue to be opportunities to create significant increases in downtown housing, employment, retailing, leisure time opportunities and aesthetic quality. Trends benefitting downtowns nationally and internationally are also being seen in Downtown Sioux Falls.

Residential

- Downtown Sioux Falls has traditionally been the civic, business, arts, cultural and entertainment center of the City and surrounding region.
- There are currently about 1,200 housing units downtown.
- Past downtown living was traditionally lower income rental units for 1-person households.
- Recent evidence indicates that downtown is transitioning. Developers have been successful in attracting empty nesters, medical students / personnel, and young professionals to the downtown area.
- Currently (2014), the rental residential market is very strong. While the condominium market in downtown has lagged in the past, demand for this market segment should be strengthened in the future with the addition of more activity and services in the downtown area.
- There is demand for an additional 1,900-3,200 multifamily units through 2035, however, it would be imperative for downtown to continue to add services, events, and activities to continue to attract households to the downtown area.
- More households, in turn, would help bolster demand for additional services, retail and restaurants.

Commercial

- Downtown sales have increased dramatically in recent years and are approximately 8% of total City sales.
- Downtown operates within a competitive retail environment, which is slated to become even more competitive as retail establishments at the City's edges are constructed.

- Assuming that downtown has the potential to capture 8-15% of future retail and restaurant potential through 2035 within the City would result in 190,000 to 475,000 square feet of future retail and restaurant uses in downtown.
- The categories most appropriate for downtown include full-service restaurants and other eating and drinking establishments. Clothing and accessories and miscellaneous store retailers are also other possible categories. Downtowns are also most competitive and attractive for local independent businesses, unique, niche, and creative businesses. Grocery stores become feasible once there is a critical mass of households.
- Sioux Falls benefits from visitors to its arts and cultural events, sporting facilities, its medical facilities and from other retail “destinations” such as Costco.
- Other commercial uses, such as lodging, are directly dependent on the growth in business and event activity. Future business and activity growth in the downtown area should support additional lodging units.

Office

- Downtown also operates within a competitive office environment, competing with locations outside of downtown and in the suburbs.
- While downtown has sales and administrative jobs, the demographic analysis and interviews indicate that corporate headquarters and managerial positions tend not to be located in the downtown area. However, the Sioux Falls region, in general, has had difficulty in attracting these types of jobs.
- A broader, national marketing effort and/or a headquarters’ attraction strategy would be needed to overcome the existing perception hurdles. An attractive downtown is a potentially important tool in this effort.
- Assuming that past office trends continue and incorporating future growth forecasts, there would be the potential for 1.0 million to 1.6 million square feet of additional office space by 2035. In addition to traditional office users, creative, innovative firms are other potential users. These types of firms typically like nontraditional office space and proximity to downtown amenities.

Table 1 summarizes the potential downtown land uses.

Table 1
Summary Land Use Potentials

Use	2014-2035 Potential
Residential	1,900-3,200 multifamily units including apartments and condos
Retail	190,000 to 475,000 square feet of future retail and restaurants
Office	1.0 to 1.6 million square feet of additional office space
Lodging/conference	Growth with increase in downtown business and event activity
Other entertainment/services	Would need to be evaluated on a case by case basis, however, when possible a downtown location would be preferred

Source: ArLand

Global Trends

- Sioux Falls is affected by global and national trends that are largely benefiting downtowns. They include the following.
- *Changing Workforce* - Both Boomers (people over 50) and Millennials (ages 20 to 35) have fueled downtown population growth over the past decade and are poised to continue to populate urban environments, particularly in those communities that offer jobs, housing, amenities and activities that respond to their needs. Women are an increasingly important part of this labor force. Appealing to women in all facets of the downtown experience is important. Attracting highly skilled employees is also important, particularly to Sioux Falls. Cities that cultivate and are able to fill mid- and high-wage jobs are in the best position to economically flourish. Sioux Falls' remote location requires that skilled workers either come from young people that stay, return or move to the city. ***Downtown becomes a critical amenity for employee recruitment to Sioux Falls, just as important as the traditional lures of excellent schools, recreation and quality of life.***
- *Shifts in Mobility* - Vehicle expense and demographic changes are shifting behaviors away from autos. Car and bike sharing programs have been adopted in many cities across the globe. Value premiums are being placed on downtown living environments where residents can walk, bike or take mass-transit to work, shopping and recreation. "Walkable real estate" can command value premiums of 50% to 100%. Downtown Sioux Falls has the potential to incorporate a variety of mobility options, including more walkable and bikeable streets. Several corridors should be designated for bicycle routes, and connecting downtown to the river

trail network would be an easy quick win. In fact, the river and falls amenities provide powerful opportunities for Sioux Falls to clearly differentiate itself from other similarly-sized Midwest downtowns.

- *Residential Renaissance* - Many downtowns, including Sioux Falls, are experiencing an economic renaissance that is attracting new investment and higher income households. Vibrant downtowns are well positioned to capitalize on economic opportunities by offering the advantages of jobs, entertainment, culture, education, recreation, health and livability accessible to all. Downtown Sioux Falls has a very favorable walk score of 92 that is competitive with many other cities in the region. To provide an environment that attracts a multi-skilled workforce and economically-mixed demographics, diverse housing price points and unit types are needed. There has been a recent “surge” in new residential development in downtown Sioux Falls and developers report success in attracting many of the segments that would be anticipated from national trends, namely empty nesters, medical students/personnel and young professionals.
- *Health and Wellness* - The connection between health and the built environment is an emerging trend, propelled by a national awareness toward the rise of chronic conditions such as obesity and a desire by aging Boomers to extend their lives. The health industry is central to the Sioux Falls economy – the medical segment is the city’s largest employer and one of the fast growing segments over the past five years. Downtown will be increasingly important to the medical sector in a variety of ways, including providing an important amenity to help attract skilled employees from larger cities and to enhance the visitor experience for friends and families that are visiting patients or completing medical procedures. Downtown Sioux Falls is lacking some amenities needed to extend its economic ties to the health industry toward a culture that embraces a healthy lifestyle. Downtown Sioux Falls could focus more energy and efforts on civic realm enhancements like bike lanes and racks, river and falls access, active recreation facilities in downtown parks, and pedestrian friendly streets to improve the health and wellness culture of downtown. The healthy food movement would also appear to be a prime opportunity for downtown, particularly in the retail segment. More stores and restaurants that feature fresh and locally grown products would appear to be a natural fit. A permanent public market facility, community gardens and other ways to embrace the rich agricultural heritage within the region should also be explored.

II. INTRODUCTION

Progressive Urban Management Associates (PUMA) and ArLand Land Use Economics (ArLand) were retained by the City of Sioux Falls in 2014 to prepare a Downtown Market Study to inform its Downtown Master Plan update. This market study summarizes the market conditions and development potentials for Downtown Sioux Falls based on data analysis and interviews conducted in early 2014. The report is intended to serve as a framework and guide for the development of the Downtown Master Plan.

Project Background

Sioux Falls has a very strong commitment to its downtown, shown in Figure 1. It has worked to protect and enhance the aesthetic appeal of the area in order to attract more developers, tenants, new shops, employees, clients and tourists to the core of the City. A strong downtown benefits the City and region.

Although the downtown plan is currently being updated, many of the tenets of the City's 2015 plan are still relevant. The City identified several important priorities in its previous plan such as preserving historic buildings, adding new public art installations, building and maintaining high quality design projects, improving multimodal transit systems, and increasing downtown housing in order to strengthen the retail component of the downtown and give vitality to the area outside of business hours. Additionally, activities such as maintaining and enhancing streetscapes, adding gateways at primary points of entry into downtown, guiding the aesthetics of new construction, and reviewing the sign code were

Figure 1
Downtown Sioux Falls



Source: City of Sioux Falls

identified as important tasks in enhancing downtown's aesthetic appeal.

The Big Sioux River and its waterfront continue to be an asset for downtown's development and revitalization. Building on this asset would expand recreational opportunities, provide space for civic events, bolster tourism, expand bike and pedestrian travel, accommodate large new developments and stimulate the development of adjacent properties. While there have been great strides made in this area, more needs to be done.

The City had also designated downtown as the arts, culture and entertainment district. While there is an expanding range of cultural programming and activities, there is a constant need to develop funding sources for the continued development of the inclusion of art in the downtown area, and financial and logistical support for the numerous festivals, parades and civic events that draw visitors to downtown. Ongoing events are also key to making downtown a successful arts, culture and entertainment destination.

Downtown is in a unique position today. There are more downtown residential units, services, and jobs. Leveraging the river, encouraging regional entertainment, sports, and other activities to locate in downtown can be catalysts for further private development in order to create significant increases in downtown housing, employment, retailing, leisure time opportunities and aesthetic quality.

Market Study Scope

The market study's scope examines local and regional economic and demographic trends and projections impacting Downtown Sioux Falls and assesses the development potential for residential and commercial development for purposes of updating the Downtown Master Plan. It is organized into the following sections.

- *Economic and Demographic Framework* discusses relevant local, regional and market area population, demographic, and employment trends and projections impacting the market potential for downtown Sioux Falls.
- *Residential Market Analysis* provides housing unit forecasts and discusses the current and future residential market potential appropriate for downtown.
- *Retail Market Analysis* examines the retail market and potential retail uses appropriate for the downtown area. It also discusses the role of visitors, arts, culture, and history. It briefly discusses the hotel market.
- *Office Analysis* discusses the office market and potentials in the area.
- *Global and National Trends* discusses important global trends seen in downtowns today and their relevance to Downtown Sioux Falls.

III. ECONOMIC AND DEMOGRAPHIC FRAMEWORK

Population

The Sioux Falls MSA (the 4-county region of Minnehaha, Lincoln, McCook and Turner Counties) reached a population of nearly 230,000 in 2010—an increase of nearly 75,000 persons in the last 20 years as seen in Table 2. All areas shown in Table 2 experienced population growth between 1990 and 2000; the same was true for all areas between 2000 and 2010, except for McCook and Turner Counties. Lincoln County has seen the largest growth rates over the last 20 years, growing 190% overall since 1990. The City of Sioux Falls has also seen significant growth in the last 20 years, adding over 53,000 residents since 1990.

Table 2
Sioux Falls Population Trends, 1990-2010

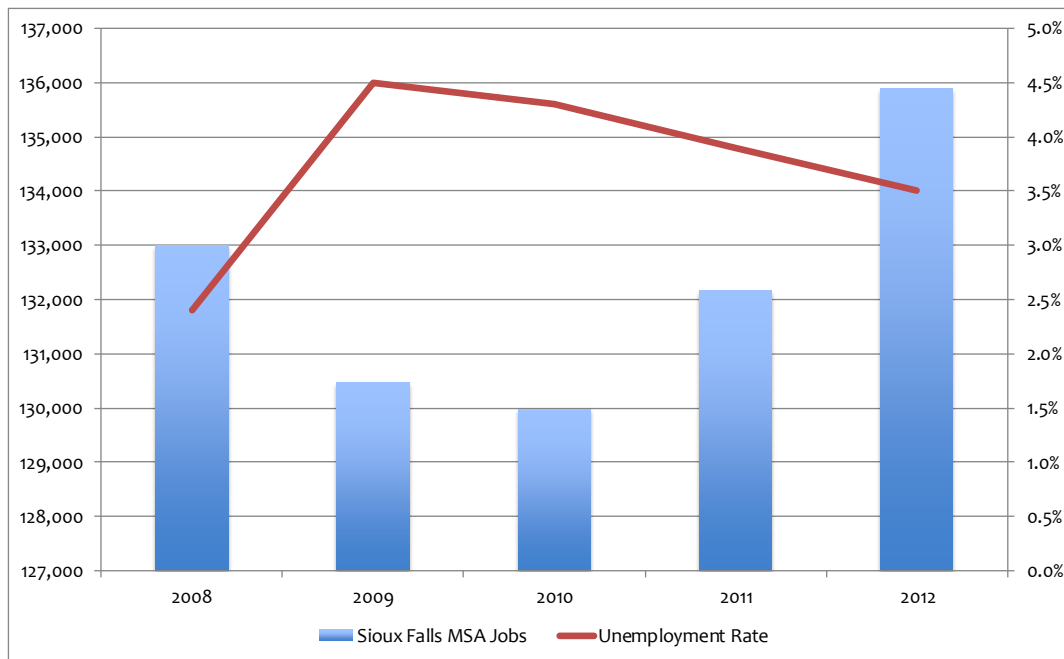
Area	1990	2000	2010	Change	% Change	Change	%	Change	%
				1990-2000	1990-2000	2000-2010	2000-2010	1990-2010	1990-2010
City of Sioux Falls	100,814	123,975	153,888	23,161	19%	29,913	19%	53,074	53%
Minnehaha County	124,416	149,117	169,468	24,701	17%	20,351	12%	45,052	36%
Lincoln County	15,465	24,529	44,828	9,064	37%	20,299	45%	29,363	190%
McCook County	5,687	5,849	5,618	162	3%	-231	-4%	-69	-1%
Turner County	8,580	8,849	8,347	269	3%	-502	-6%	-233	-3%
Sioux Falls MSA	154,148	188,344	228,261	34,196	18%	39,917	17%	74,113	48%
South Dakota State	697,101	755,694	814,180	58,593	8%	58,486	7%	117,079	17%

Source: U.S. Census Bureau, ArLand

Regional Employment Trends

Figure 2 shows jobs numbers and the unemployment rate in the Sioux Falls Metropolitan Statistical Area (MSA, consisting of Minnehaha, Lincoln, Cook, and Turner Counties) from 2008 to 2012.

Figure 2
Sioux Falls MSA Employment, 2008-2012



Source: SD Dept of Labor and Regulation: LMIC, BLS, ArLand

There has been a great deal of fluctuation in jobs numbers and unemployment rates. Like many areas in the U.S., the Great Recession resulted in job losses in the MSA, as shown by the declines in 2009 and 2010. Jobs hit a low in 2010 at around 130,000 jobs and a high in 2012 at nearly 136,000 jobs. However, between 2008 and 2012, there was a net gain of 3,000 jobs and the unemployment rate has steadily declined since 2009, signifying continuing economic improvement.

Table 3 shows employment in the Sioux Falls MSA between 2008 and 2012. It shows the overall net jobs gain and the changes that have occurred during that time. In 2012, the greatest employment concentrations were in the Health Care and Social Assistance, Retail Trade and Finance and Insurance industries. The greatest growth rates seen in jobs between 2008 and 2012 were in the Management of Companies and Enterprises (36.7%) and Administrative and Support and Waste Management (19.9%) categories. The greatest declines during the same time period were in the Construction (14.6% decrease) and Information (13.2% decrease) categories.

Table 3
Employment in the Sioux Falls MSA, 2008-2012

Industry	2008	2009	2010	2011	2012	Change	Percentage
						2008-2012	Change 2008-2012
Natural Resources/Mining	421	395	407	399	444	23	5.5%
Utilities	326	320	319	319	320	-6	-1.8%
Construction	7,690	7,016	6,489	6,466	6,569	-1,121	-14.6%
Manufacturing	13,529	12,279	11,990	12,499	12,969	-560	-4.1%
Wholesale Trade	6,802	6,708	6,716	7,009	7,213	411	6.0%
Retail Trade	16,687	16,384	16,553	17,016	17,383	696	4.2%
Transportation and Warehousing	4,636	4,480	4,355	4,409	4,385	-251	-5.4%
Information	3,139	3,013	2,930	2,876	2,725	-414	-13.2%
Finance and Insurance	15,099	14,807	13,883	13,439	14,010	-1,089	-7.2%
Real Estate and Rental and Leasing	1,524	1,493	1,380	1,434	1,458	-66	-4.3%
Professional, Scientific, and Technical Services	4,850	4,597	4,460	4,594	4,723	-127	-2.6%
Management of Companies and Enterprises	1,365	1,432	1,555	1,681	1,866	501	36.7%
Administrative and Support and Waste Management	5,021	4,802	5,194	5,699	6,019	998	19.9%
Educational Services	1,535	1,584	1,697	1,722	1,742	207	13.5%
Health Care and Social Assistance	21,696	22,285	23,143	23,621	24,819	3,123	14.4%
Arts, Entertainment, and Recreation	2,445	2,448	2,435	2,430	2,438	-7	-0.3%
Accommodation and Food Services	10,632	10,438	10,297	10,581	10,803	171	1.6%
Other Services (except Public Administration)	3,512	3,482	3,494	3,440	3,399	-113	-3.2%
Public Administration	12,078	12,514	12,683	12,527	12,613	535	4.4%
Total	132,985	130,476	129,979	132,160	135,897	2,912	2.2%

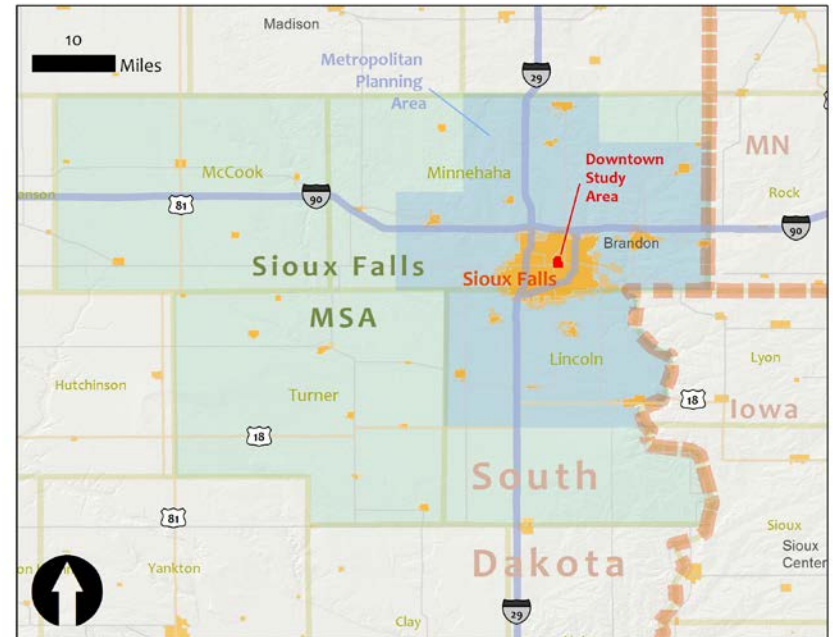
Source: SD Dept of Labor and Regulation: LMIC, BLS, ArLand

3.1 Population and Demographic Characteristics

For purposes of the downtown market study, market areas were designated as shown in Figure 3. The market areas are the areas from which the downtown will draw the majority of its customers. Boundaries of market areas are often irregular because they can be influenced by geographic barriers, commuting patterns, and the presence of competing or complementary retailers.

Downtown Sioux Falls is located within the center of the Primary Market Area which is the City of Sioux Falls. The City is in the northeast portion of the Sioux Falls MSA and falls within Minnehaha and Lincoln counties. I-29 and I-90 intersect in the northwest corner of the City. The Sioux Falls MSA is the Secondary Market Area made up of Lincoln, Minnehaha, McCook and Turner counties.

Figure 3
Primary and Secondary Market Areas



3.2 Market Area Demographic Characteristics

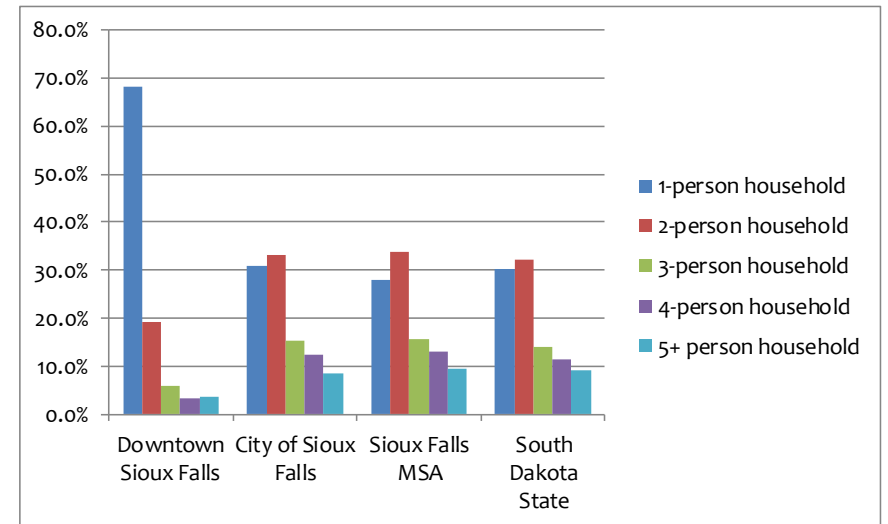
Table 4 shows that there are nearly 2,220 people in Downtown Sioux Falls in nearly 1,230 households—about 3.5% of the City’s households. There are an estimated 166,000 persons in 67,000 households in Sioux Falls in 2014. The MSA has nearly 245,000 persons in 96,000 households.

Table 4
Population and Households in Sioux Falls Market Areas, 2014

	Persons	Households	Persons / Households
Downtown Sioux Falls	2,219	1,226	1.6
City of Sioux Falls	165,974	66,731	2.40
Sioux Falls MSA	243,721	95,791	2.47
South Dakota State	846,608	338,312	2.40

Source: Claritas, ArLand

Figure 4
Household Sizes in Sioux Falls Market Areas, 2014



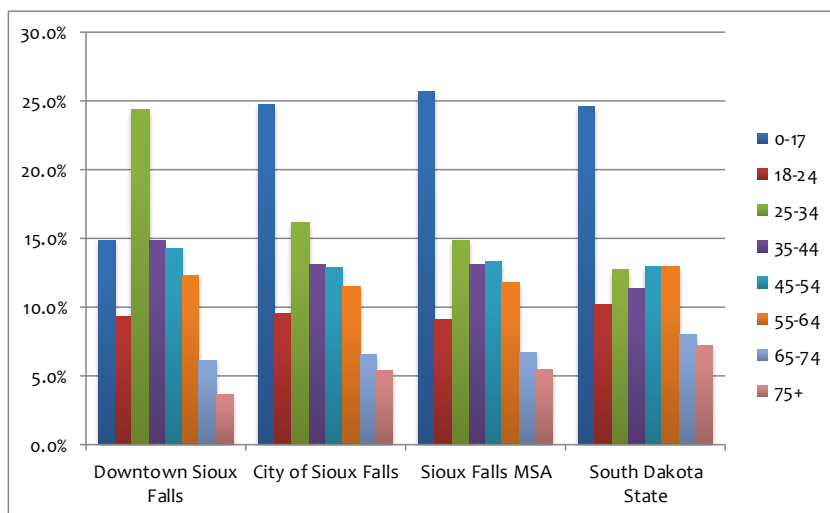
Source: Claritas, ArLand

As Figure 4 indicates, Downtown Sioux Falls households are much smaller when compared to the other market areas. Nearly 70% of downtown households are made up of a single person. In the other market areas, 2-person households dominate, accounting for about 33% of households, while in downtown, 2-person households make up about 19% of the total. Downtown has very few larger households (3, 4, and 5 or more persons) compared to the Sioux Falls MSA with 38% of all households.

As Figure 5 depicts, age breakdowns are very similar across all of the market areas except for Downtown Sioux Falls. In

downtown, the greatest percentage of the population (24%) is between the ages of 25 and 34, while in the rest of the market areas, the greatest percentage of the population -- about a quarter of the population -- are children below the age of 17.

Figure 5
Age Breakdowns in Sioux Falls Market Areas, 2014



Source: Claritas, ArLand

The median age (Table 5) is between 34.7 and 37.1 for the market areas, with the City of Sioux Falls having the lowest median age and South Dakota State having the highest median age.

Table 5
Median Ages in Sioux Falls Market Areas, 2014

	Median Age
Downtown Sioux Falls	36.0
City of Sioux Falls	34.7
Sioux Falls MSA	35.3
South Dakota State	37.1

Source: Claritas, ArLand

Table 6 indicates that housing tenure is dramatically different in downtown than it is in the rest of the market areas. The great majority of homes are renter-occupied in downtown. In the other market areas, the majority of homes are owner-occupied.

Table 6
Housing Tenure in Sioux Falls Market Areas, 2014

	Owner Occupied	Renter Occupied
Downtown Sioux Falls	12.1%	87.9%
City of Sioux Falls	62.7%	37.3%
Sioux Falls MSA	68.4%	31.6%
South Dakota State	68.1%	31.9%

Source: Claritas, ArLand

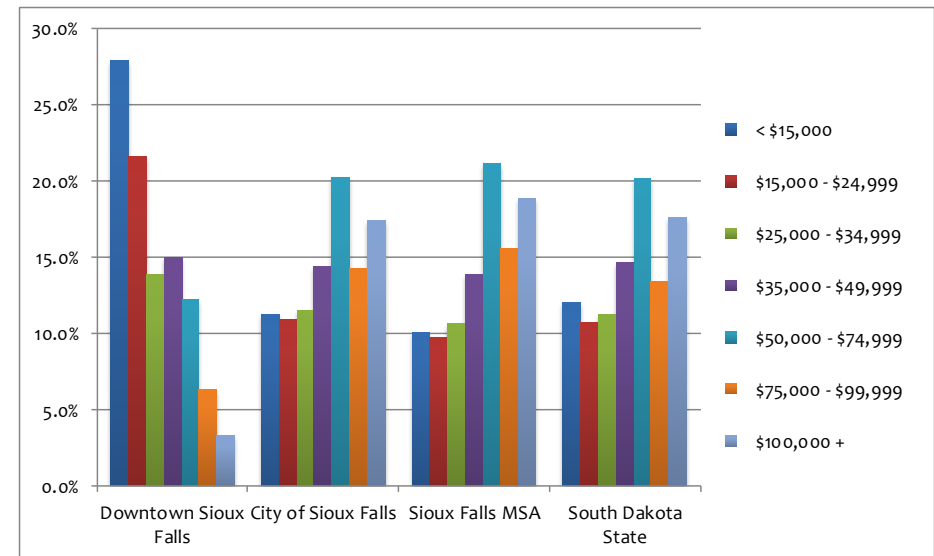
Household income breakdowns are shown in Figure 6 and median and average household incomes are shown in Table 7. The Sioux Falls MSA has the highest median income at \$56,582.

Downtown has the highest percentages of low-income households, as 27.9% earn less than \$15,000 annually and 21.6% earn between \$15,000 and \$24,999 annually.

The other market areas have greater percentages of higher income earners. For example, 56% of residents in the Sioux Falls MSA trade area earn over \$50,000 a year, and nearly 20% of those residents earn \$100,000 or more annually. Similar percentages are reflected across the City and State of South Dakota.

Anecdotally, however, this breakdown may be in the process of shifting as more higher income households move into downtown. As a percentage of the total, at this point, however, the higher income household percentage of total households may be low.

Figure 6
Household Income Breakdowns in Sioux Falls Market Areas, 2014



Source: Claritas, ArLand

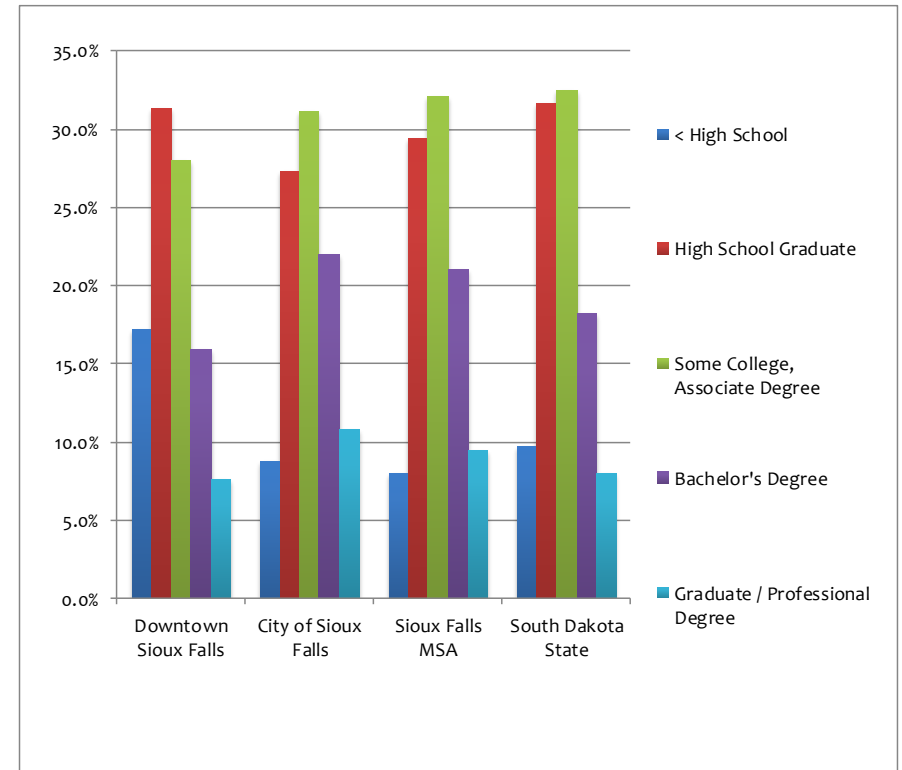
Table 7
Median Household Incomes in Sioux Falls Market Areas, 2014

	Median HH Income	Avg HH Income
Downtown Sioux Falls	\$25,345	\$33,739
City of Sioux Falls	\$52,485	\$66,469
Sioux Falls MSA	\$56,582	\$68,780
South Dakota State	\$51,569	\$65,699

Source: Claritas, ArLand

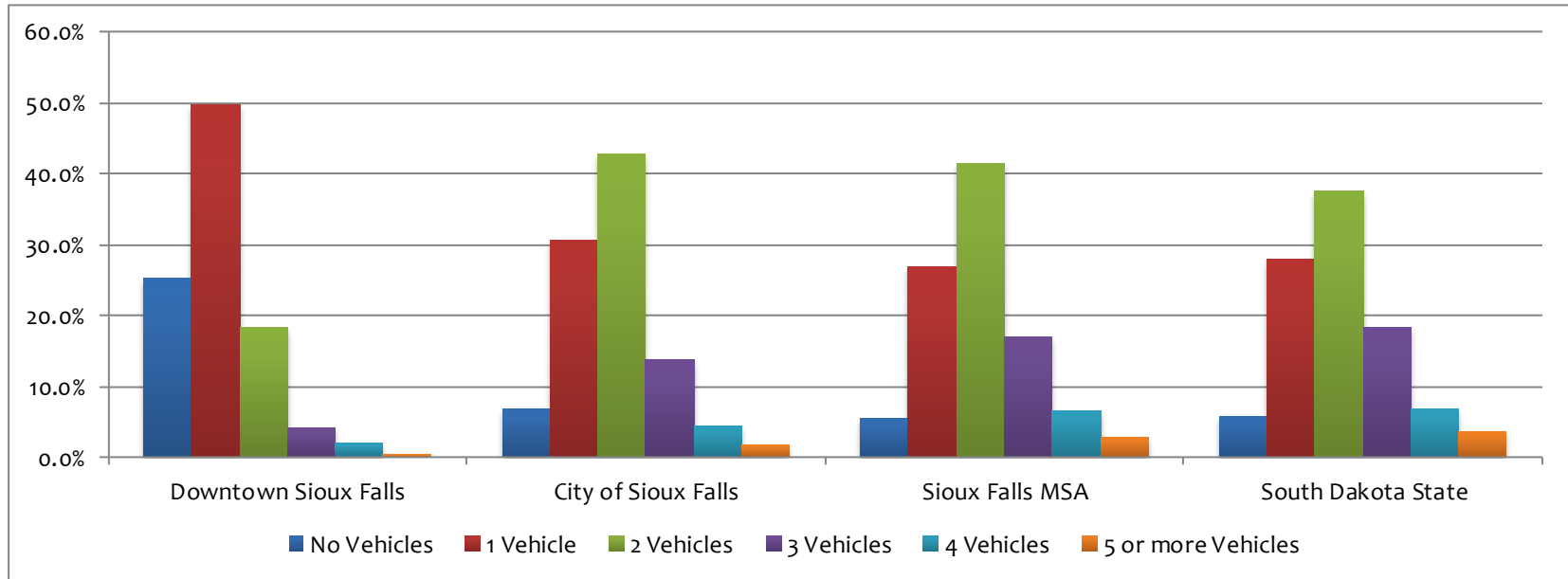
The majority of adult residents in the City, MSA, and State have some college or an Associates Degree, according to Figure 7. Downtown has the highest percentages of people that did not complete high school or did not receive additional education after graduating from high school when compared to the other market areas.

Figure 7
Educational Attainment in Sioux Falls Market Areas, 2014



Source: Claritas, ArLand

Figure 8
Vehicle Ownership in Sioux Falls Market Areas



Source: Claritas, ArLand

Around 30% of households own 1 vehicle and 40% of households own 2 vehicles in all market areas except for downtown (Figure 8). In downtown, 50% of households own 1 vehicle and 18% own 2 vehicles. The downtown has a lower average estimated number of vehicles per household at 1.1, as compared to between 1.85 and 2.07 in the other market areas.

Table 8
Percentage Population by Occupation in Sioux Falls Market Areas, 2014

	Downtown Sioux Falls	City of Sioux Falls	Sioux Falls MSA	South Dakota State
Office/Admin Support	17.9%	16.6%	16.1%	14.4%
Sales/Related	11.6%	11.4%	10.7%	10.0%
Production	10.2%	6.6%	6.5%	6.7%
Health Practitioner/Tec	9.2%	8.1%	7.7%	6.1%
Transportation/ Moving	8.3%	5.0%	5.3%	5.6%
Food Prep/Serving	7.5%	6.0%	5.5%	6.2%
Management	5.2%	8.5%	9.3%	11.5%
Personal Care/Svc	4.5%	4.0%	3.8%	3.5%
Maintenance Repair	2.2%	2.9%	3.4%	3.6%
Healthcare Support	2.2%	2.3%	2.5%	2.5%
Protective Svcs	1.0%	1.9%	2.0%	2.0%
Life/Phys/Soc Science	0.8%	0.8%	0.7%	0.9%
Farm/Fish/Forestry	0.3%	5.4%	0.8%	1.9%
Legal	0.1%	0.6%	0.6%	0.6%

Source: Claritas, ArLand

Table 8 shows that aside from Downtown Sioux Falls, occupation trends are similar across all market areas. The top three occupation categories in downtown are Office/Admin Support, Sales/Related, and Production. The Office/Admin Support job category leads across all market areas, ranging between 14.4% for the state and 17.9% in downtown. For most of the other market areas, Office/Admin Support and Sales/Related positions are the top two categories, but Management replaces Production as the third place category. Management positions are 5.2% of occupations in downtown, but between 8.5% and 11.5% in the other market areas. According to interviews, one of downtown's challenges is the need to bring in headquarters and managerial jobs, to help support some of the professional and retail services growing in the area. The lack of easy parking at potential office locations is perceived to be an impediment for some of the businesses.

Table 9
Race and Ethnicity in the Sioux Falls Market Areas

Race/Ethnicity	Downtown Sioux Falls	City of Sioux Falls	Sioux Falls MSA	South Dakota State
White	66.5%	86.1%	89.5%	85.0%
Black	11.6%	3.9%	2.8%	1.6%
American Indian	11.0%	3.1%	2.4%	8.7%
Asian/Pacific Islander	2.9%	1.9%	1.4%	1.2%
Other / Two or more	8.0%	4.9%	3.9%	3.6%
Hispanic Origin*	9.2%	5.2%	4.1%	3.5%

Source: Claritas, ArLand

* can be of any race

Table 9 shows the race and ethnicity in the market areas. Downtown Sioux Falls contains the highest percentages of ethnic residents, with 33% identifying as non-white as compared to between 10.6% and 15% within the other market areas. Downtown has the largest percentage of Hispanic residents at 9.2%.

3.3 Market Area Forecasts

Table 10
Population and Households Forecasts for Sioux Falls Market Areas, 2014-2035

	2014	2035	2014-2035	CAGR 2014-2035
<i>Downtown Boundary</i>				
Population	2,219	3,158	939	1.7%
Households	1,226	1,880	654	2.1%
Persons/ HH	1.8	1.7	1.4	
<i>City of Sioux Falls</i>				
Population	165,974	210,704	44,730	1.1%
Households	66,971	87,296	20,325	1.3%
Persons/ HH	2.5	2.4	2.2	
<i>Sioux Falls MSA</i>				
Population	243,721	376,930	133,209	2.1%
Households	95,791	152,030	56,239	2.2%
Persons/ HH	2.5	2.5	2.4	

Source: Claritas, City of Sioux Falls, ArLand

Downtown, the City of Sioux Falls, and Sioux Falls MSA population and household projections are shown in Table 10. Sioux Falls MSA population and households are projected to grow at the greatest average rates, or a little over 2% a year. Downtown's projected growth rates average around 1.7% annually for population and 2.1% annually for households through 2035. The City of Sioux Falls is projected to have lower average growth rates at around 1.1% for population and 1.3% for households annually. Household sizes are projected to get smaller. These forecasts, based on City and Southeastern Council of Governments (SECOG) Traffic Analysis Zone (TAZ) estimates, indicate that downtown is forecast to grow by 650 households by 2035, which is very conservative. Analysis shown further in the report indicates much higher potential growth.

Table 11
Employment Forecasts for Sioux Falls Market Areas, 2014-2035

	2014	2035	2014-2035	CAGR 2014-2035
<i>Employment</i>				
Downtown	15,000	18,959	3,959	1.1%
City of Sioux Falls	111,308	164,124	52,816	1.9%
Sioux Falls MSA	143,474	234,008	90,534	2.4%

Source: Claritas, SECOG, ArLand

Estimated employment in downtown is 15,000 based on interviews and anecdotal information (Table 10). According to TAZ estimates, employment in downtown is forecast to grow by 1.1% annually while the growth rate forecasts in the City and MSA are 1.9% and 2.4% respectively. The MSA is forecast to grow by over 90,000 jobs through 2035, according to SECOG.

IV. RESIDENTIAL MARKET ANALYSIS

This section forecasts potential housing demand for downtown based on projections for growth in the area. It examines past trends and incorporates forecasts for growth in downtown, the City and MSA.

Table 12
Residential Building Permits, 2008-2012

Area	2008	2009	2010	2011	2012	Total	Average	% 5+Units Multifamily	Other Multifamily
All Permits									
<i>City of Sioux Falls</i>	1,427	1,145	758	824	1,341	5,495	1,099	35.1%	6.8%
Minnehaha County	1,587	1,348	894	960	1,461	6,250	1,250	33.3%	7.7%
Lincoln County	236	178	145	143	101	803	161	14.7%	7.8%
McCook County	17	19	14	8	10	68	14	0.0%	0.0%
Turner County	26	32	28	18	15	119	24	10.1%	8.4%
Sioux Falls MSA	1,866	1,577	1,081	1,129	1,587	7,240	1,448	30.5%	7.6%

Source: HUD SOCDS, ArLand

Table 12 shows the residential building permits issued between 2008 and 2012 in the area. In the City of Sioux Falls, residential building slowed in 2010 and 2011, and rebounded in 2012 when 1,341 residential building permits were issued. Since 2008, about 42% of the residential permits issued were for multifamily units--35% of those multifamily permits were for 5-or-more unit developments. In the broader market area, McCook and Turner counties have seen few permits issued.

4.1 Downtown Residential Projects

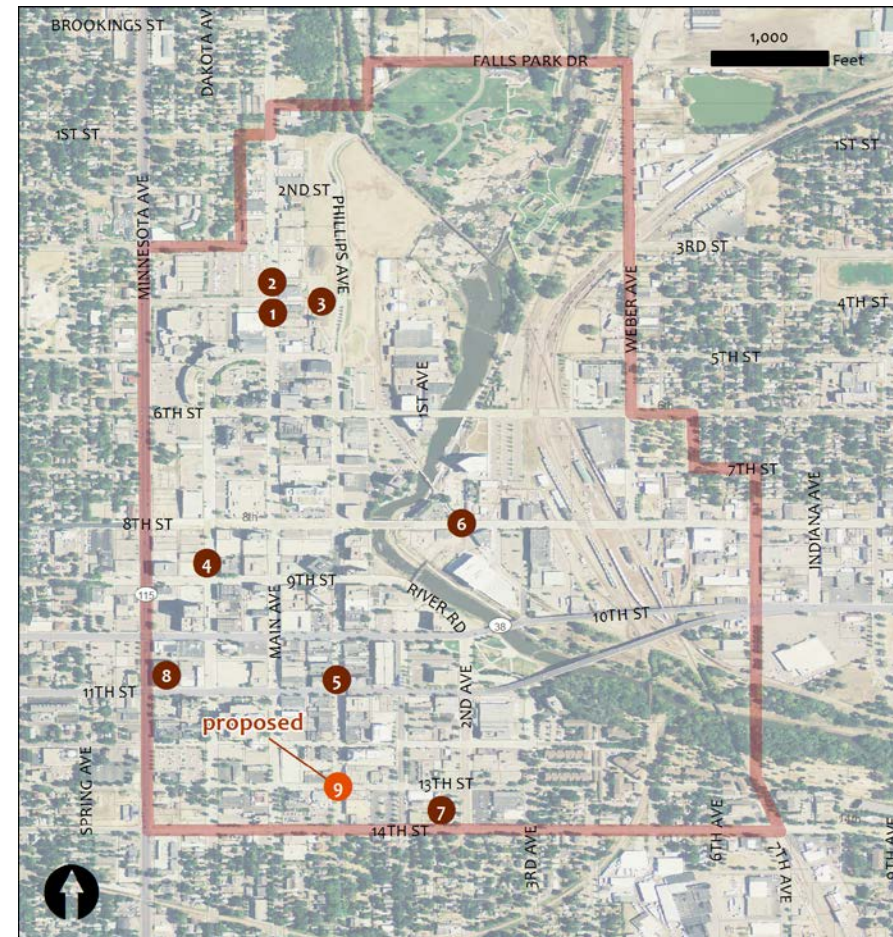
According to the City of Sioux Falls, there have been a number of residential projects recently built and/or in the development pipeline in downtown in 2012 - 2014. They are shown in Figure 9 and described in Table 13.

Although not technically within the planning pipeline, there is a significant mixed use project being planned along the East Bank, called East Bank Green which could potentially include:

- 250 apartments and condos
- Boutique hotel and conference center
- 50 shops and restaurants
- 50,000 square feet of office
- 1,400 parking spaces

Additionally, there are other property owners interested in river area redevelopment. The Big Sioux River is an important amenity to the City. In order to best plan for the area to make sure that transportation connections, land use, parking etc. are best accommodated, a master plan facilitated by the City and including all the property owners would be highly recommended.

Figure 9
Residential Projects in Downtown Sioux Falls, 2012-2013



Source: City of Sioux Falls, ArLand

Table 13
Residential Projects in Sioux Falls, 2012-2013

Map ID	Project	Address	Project	Units	Rent / Sale Price	Developer
2012-2013						
1	Uptown Exchange (new)	522 N. Main Ave.	Office / Apartments	34	\$750-\$1800	Lloyd Companies
2	City Center Apartments (new)	620 N. Main Ave.	Apartments	44	Affordable	Good Samaritan
3	Phillips Avenue Lofts (new)	601 N. Phillips	Retail / Apartments	86	\$825-\$2,930	Lloyd Companies
4	Dakota Lofts (new)	115 N. Dakota Ave.	Apartments	40	\$1,415-\$1,905	Legacy Real Estate
5	Boyce-Greeley (remodel)	233 S. Phillips	Apartments	11	Starting at \$1,200	OLE LLC
6	Frank Building (remodel)	322 E. 8th Street	Retail / Apartments	18	--	8th and Railroad/Billion
				233		
2014						
7	The Residence	S. 2nd Ave. & 14th St.	Townhomes	28	\$200,000-\$600,000	Signature Homes
8	YMCA	230 S. Minnesota	Apartments	52	Affordable	YMCA
9	Proposed Residential Project	13th and Phillips		10-20		

Source: City of Sioux Falls, ArLand

In addition to the 233 residential units constructed in the 2012 to 2013, there are projects in the pipeline in 2014 as well as a number of new residential subdivisions planned for the suburban areas surrounding downtown. Most of them would be oriented to family households.

While downtown has seen the development of residential products, most of them have been rentals. While there are residential for-sale products in the pipeline, including The Residence shown above, many developers and others are observing the development closely to see how it fares. While the recent rental market has been very strong, the market for for-sale products in downtown appears to be several years out. Past condominium projects have converted to rentals. Local developers are focused on the residential rental market while demand is strong.

The next section describes the current residential rental market.

4.2 Residential Rental Activity in the Sioux Falls Market

Figure 10 shows the Sioux Falls Rental Areas. Zone 1 includes the downtown area. Zones 2-5 encompass the areas outside of downtown and the more suburban areas within the City of Sioux Falls. Zone 6 includes the areas just outside of the City.

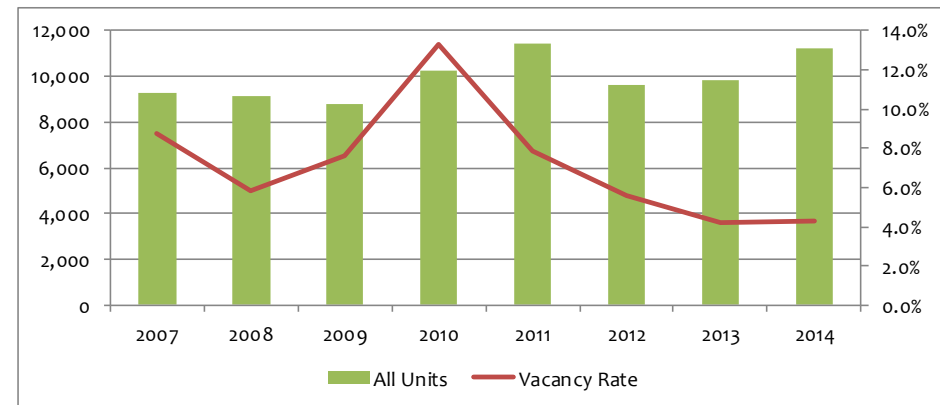
Figure 10
Sioux Falls Rental Areas



Source: SDMHA, ArLand

Figure 11 shows the total number of units and the corresponding rental vacancy rates in the Sioux Falls Market area since 2007. Since 2010-2011, vacancy rates have steadily declined from a high of over 12% to less than 5%. In response the number of rental units within the market has increased.

Figure 11
Residential Rental Vacancy Rates in Sioux Falls Market Area



Source: South Dakota Multi-Housing Association, ArLand

Table 14
2010 Residential Rental Unit Mix

Zone	Property Type	Studio	1 BR	-- Flats --			Total
				2 BR	3 BR	4 BR	
1	Conventional	59	348	257	24	1	689
	Tax Credit	0	28	8	0	0	36
	HUD	66	212	1	1	0	280
2-6	Conventional	85	2,265	4,180	694	63	7,287
	Tax Credit	4	172	695	613	27	1,511
	HUD	48	262	58	33	24	425
<i>Percentage Breakdown</i>							
1	Conventional	8.6%	50.5%	37.3%	3.5%	0.1%	100.0%
	Tax Credit	0.0%	77.8%	22.2%	0.0%	0.0%	100.0%
	HUD	23.6%	75.7%	0.4%	0.4%	0.0%	100.0%
2-6	Conventional	1.2%	31.1%	57.4%	9.5%	0.9%	100.0%
	Tax Credit	0.3%	11.4%	46.0%	40.6%	1.8%	100.0%
	HUD	11.3%	61.6%	13.6%	7.8%	5.6%	100.0%

Source: SDMHA, ArLand

As Table 14 shows, in 2010, Zone 1 (downtown) mostly contained conventional apartment units (689) and HUD units (280). The majority of rental units at downtown apartments (all types) were 1 or 2 bedrooms (85% combined). The same was true for the rest of the zones, with 1 and 2 bedroom units making up 83% of all units. Zone 1 had considerably more studio units as a percentage of unit mix than the rest of the zones, as studios made up 12.4% of units and only 1.4% of units in the rest of the zones.

Table 15
2014 Residential Rental Unit Mix

Zone	Property Type	Studio	-- Flats --				Total
			1 BR	2 BR	3 BR	4 BR	
1	Conventional	105	459	468	76	8	1,116
	Tax Credit	8	101	24			133
	HUD	16	64				80
2-6	Conventional	125	2,633	4,715	957	59	8,489
	Tax Credit	0	169	546	375	21	1,111
	HUD	48	69	22	8	0	147
<i>Percentage Breakdown</i>							
1	Conventional	9.4%	41.1%	41.9%	6.8%	0.7%	100.0%
	Tax Credit	6.0%	75.9%	18.0%	0.0%	0.0%	100.0%
	HUD	20.0%	80.0%	0.0%	0.0%	0.0%	100.0%
2-6	Conventional	1.5%	31.0%	55.5%	11.3%	0.7%	100.0%
	Tax Credit	0.0%	15.2%	49.1%	33.8%	1.9%	100.0%
	HUD	32.7%	46.9%	15.0%	5.4%	0.0%	100.0%

Source: SDMHA, ArLand

As Table 15 shows, in 2014, Zone 1 is mostly made up of Conventional units (1,116)—an increase of 427 units since 2010. The majority of rental units at downtown apartments (all types) are 1 or 2 bedrooms (84% combined). The same is true for the rest of the zones, with 1 and 2 bedroom units making up 83.6% of all units. Since 2010, studios units have decreased as a percentage of unit mix in downtown—9.7% in 2014, down from 12.4% in 2010; they have stayed around 2% of unit mix in Zones 2-6.

Table 16
2010 Residential Rents

-- Flats --							
Zone #	Property Type	Average	Studio	1 BR	2 BR	3 BR	4 BR
1	Conventional	\$651	\$310-\$625	\$250-\$682	\$425-\$1,150	\$600-\$900	\$650-\$1,200
	Tax Credit	\$517		\$465-\$475	\$550-\$575		
	HUD	\$554	\$389-\$536	\$598-\$607	\$550	\$600	
2-6	Conventional	\$702	\$310-\$580	\$350-\$696	\$440-\$1,050	\$525-\$1,150	\$750-\$1,173
	Tax Credit	\$605	\$420	\$430-\$600	\$511-\$602	\$611-\$724	\$666-\$812
	HUD	\$652	\$411-\$415	\$510-\$747	\$550-\$885	\$820-\$875	\$943-\$1,010

Source: South Dakota Multi-Housing Association, ArLand

In 2010, average rents were lower in Zone 1 than they were in the rest of the zones--\$51 less for Conventional units, \$88 less for Tax Credit units, and \$98 less for HUD units. For all zones, the lowest rent was \$250, and the highest was \$1,200. (Table 16)

Table 17
2014 Residential Rents

-- Flats --							
Zone #	Property Type	Average	Studio	1 BR	2 BR	3 BR	4 BR
1	Conventional	\$709	\$350-\$436	\$425-\$850	\$540-\$1,300	\$610-\$1,500	\$800-\$1,145
	Tax Credit	\$574	\$422	\$584-\$618	\$699		
	HUD	\$614	\$576	\$652			
2-6	Conventional	\$791	\$325-\$600	\$250-\$754	\$400-\$1,050	\$675-\$1,320	\$750-\$1,720
	Tax Credit	\$650	\$385-\$400	\$450-\$650	\$553-\$728	\$687-\$810	\$758-\$865
	HUD	\$664	\$468	\$514-\$790	\$570	\$947	

Source: South Dakota Multi-Housing Association, ArLand

In 2014, as Table 17 indicates, average rents are still lower for all property categories in Zone 1 than in Zones 2-6--\$82 less for Conventional units, \$76 less for Tax Credit units, and \$50 less for HUD units. In Zone 1, the lowest rent is \$350 and the highest is \$1,145. In the rest of zones, the lowest rent is \$250 while the highest is \$1,720 (\$575 more than the highest rent in Downtown).

In some of the planned projects within downtown, however, it appears that average rents are increasing so as new projects come to the market, that this rental breakdown may shift.

Table 18
2010 Residential Rental Vacancies

Zone#		2010
1	Conventional	7.3%
	Tax Credit	30.6%
	HUD	3.6%
2-6	Conventional	15.1%
	Tax Credit	11.4%
	HUD	4.5%

Source: South Dakota Multi-Housing Association, ArLand

In 2010, the average vacancy rate for all property types was fairly high--13.8% in Zone 1, which was slightly higher than the rest of the zones at 11.3%. Tax Credit units in downtown by far had the highest vacancy rates of any property type in the City at 30.6%. Vacancy rates for Conventional units were over twice as high in the rest of zones than they were in Zone 1. (Table 18)

Table 19
2014 Residential Rental Vacancies

Zone#		2014
1	Conventional	2.9%
	Tax Credit	3.0%
	HUD	0.0%
2-6	Conventional	4.9%
	Tax Credit	6.4%
	HUD	2.1%

Source: South Dakota Multi-Housing Association, ArLand

In 2014, the average vacancy rate for all property types is much lower than it was in 2010. HUD units had no vacancies, as seen in Table 19. By 2014, Zone 1 vacancy rates across all property types were consistently lower than the other zones, indicating, perhaps, the increased attractiveness of downtown living.

4.3 Residential Demand

In order to estimate the level of residential demand in the market area, growth assumptions are estimated from population and household forecasts. In order to provide some development flexibility, we incorporate vacancy rate and other development assumptions to come up with total unit requirements as seen in Table 20. An estimated 28,748 residential units will be needed to accommodate future growth in the market area. An estimated 60% of those units would be needed for rental housing based on an extrapolation of current rental unit breakdowns in the market area. Most of those rental units (80%) would potentially be in multi-unit configurations resulting in demand for 12,937 multifamily residential units. There would also be demand for ownership products. The majority of ownership demand would be for single family detached units, however, assuming 40% of ownership demand results in demand for 4,025 for-sale condos and townhomes.

Table 20
Residential Market Area Demand, 2014-2035

Market Area Households 2014	66,971
Market Area Households 2035	87,296
HH Growth (14-35)	20,325
10% of Growth Secondary Market Area	5,751
Vacancy Rate	5.00%
Demolition Rate/yr.	5.00%
Total Unit Requirement	28,748
Pct. Renters	60%
Pct. Owners	40%
Market Area Rental Need	17,249
Market Area Rental Multifamily (80%)	12,937
Market Area Owner Need	11,499
Market Area Owner Multifamily (40%)	4,025

Source: Claritas, City of Sioux Falls, ArLand

Table 21
Downtown Residential Demand, 2014-2035

Annual Income Range	Approx. Rent Range	HHs in Income Ranges	Current HHs in Income Bracket (2014)	Income Levels by Overall % Owners	Potential Owners in Market Area	Rental by Income Levels by Overall % Renters	Potential Renters in Market Area
up to \$15K	Affordable	11.3%	3,237	4%	150	21%	2,730
\$15-25K	\$375 - \$625	10.9%	3,131	5%	215	18%	2,270
\$25-35K	\$625 - \$875	11.5%	3,306	8%	328	17%	2,217
\$35-50K	\$875 - \$1,000	14.3%	4,120	15%	598	18%	2,384
\$50-75K	\$1,000+	20.3%	5,830	23%	916	17%	2,146
\$75-100K	\$1,000+	14.3%	4,108	20%	799	5%	669
\$100+	\$1,000+	17.4%	5,014	25%	1,019	4%	521
Total		100%	28,748	100%	4,025	100%	12,937

Source: ArLand, City of Sioux Falls, Claritas, American Community Survey

Table 21 shows the potential household income breakdowns and price points of the majority of the demand in the market area. For potential owners in the market area, most of the demand would be at middle and upper income levels. However, the current challenge in Sioux Falls is convincing potential purchasers to invest in downtown. The majority of demand for renters is in the affordable and middle income ranges.

There are currently an estimated 1,200 households in downtown. TAZ forecasts indicate an additional 650 downtown households by 2035. However, relative to forecast City and regional growth, increased attractiveness of downtown as a residential location, and downtown trends seen in other cities, there would be the potential for more households in downtown Sioux Falls assuming that downtown continues improving as a popular residential location. It also assumes that empty nesters and others including millennials become accustomed to downtown living and that this market segment would increase.

Table 22
Potential Downtown Residential Demand, 2014-2035

Supportable Rental Units	12,937
15% of Demand	1,941
Range	1,455-2,425
Supportable For-Sale Units	4,025
15% of Demand	604
Range	450-755
Total Downtown Residential Unit Demand	2,544
Range of Residential Unit Demand	1,900-3,200
Potential Average Annual Absorption (units)	90-150
<i>2012-2013 Unit Absorption</i>	<i>120/yr</i>
<i>2035 New Units at Current Absorption Rate</i>	<i>2,520 units</i>

Source: ArLand, City of Sioux Falls, Claritas, ACS

Based on recent project trends and forecasts, downtown could potentially accommodate an additional 1,900-3,200 multifamily units (Table 22). This assumes that downtown is competitive for a significant share of the future residential market (15%). In the multifamily category, its current share is about 5%. Another way of looking at it is examining the downtown residential market which has developed 120 units per year in the last two years. While a very small sample size, conservatively extrapolating the same number of units per year through 2035 would yield about 2,500 units through 2035. Most of the demand would be for residential rentals.

4.4 Residential Conclusions

- There are currently about 1,200 housing units downtown.
- Past downtown living was traditionally lower income rental units for 1-person households.
- Recent evidence indicates that downtown is transitioning. Developers have been successful in attracting empty nesters, medical students / personnel, and young professionals to the downtown area.

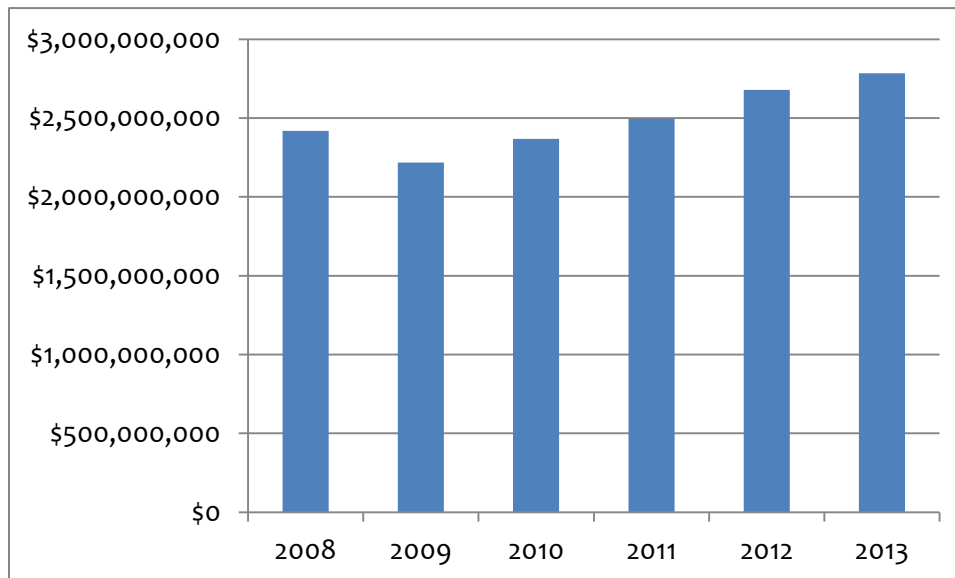
- The for-sale market may take a few years to materialize. At this point in time (2014), the rental market is still very strong. While condominiums have been developed, some have converted to rentals. The potential for development of this market strengthens over time as more services, housing, units, jobs, and other amenities are available in the downtown area.
- There is demand for an additional 1,900-3,200 multifamily units through 2035, however it would be imperative for downtown to continue to add services, events, and activities to continue to attract households to the downtown area.
- More households, in turn, would help bolster demand for additional services, retail and restaurants.

V. RETAIL MARKET ANALYSIS

This section discusses the retail market potential for the Sioux Falls downtown. It examines current and future retail demand and supply in the market areas and suggests potentials for the downtown area based on future spending potential. The analysis is based on an estimate of growth in households and incomes, and potential market capture. This section also discusses potential visitor and entertainment spending and its potentials for downtown.

5.1 City of Sioux Falls Retail Sales

Figure 12
Retail Sales in Sioux Falls, 2008-2013



Source: South Dakota Department of Revenue

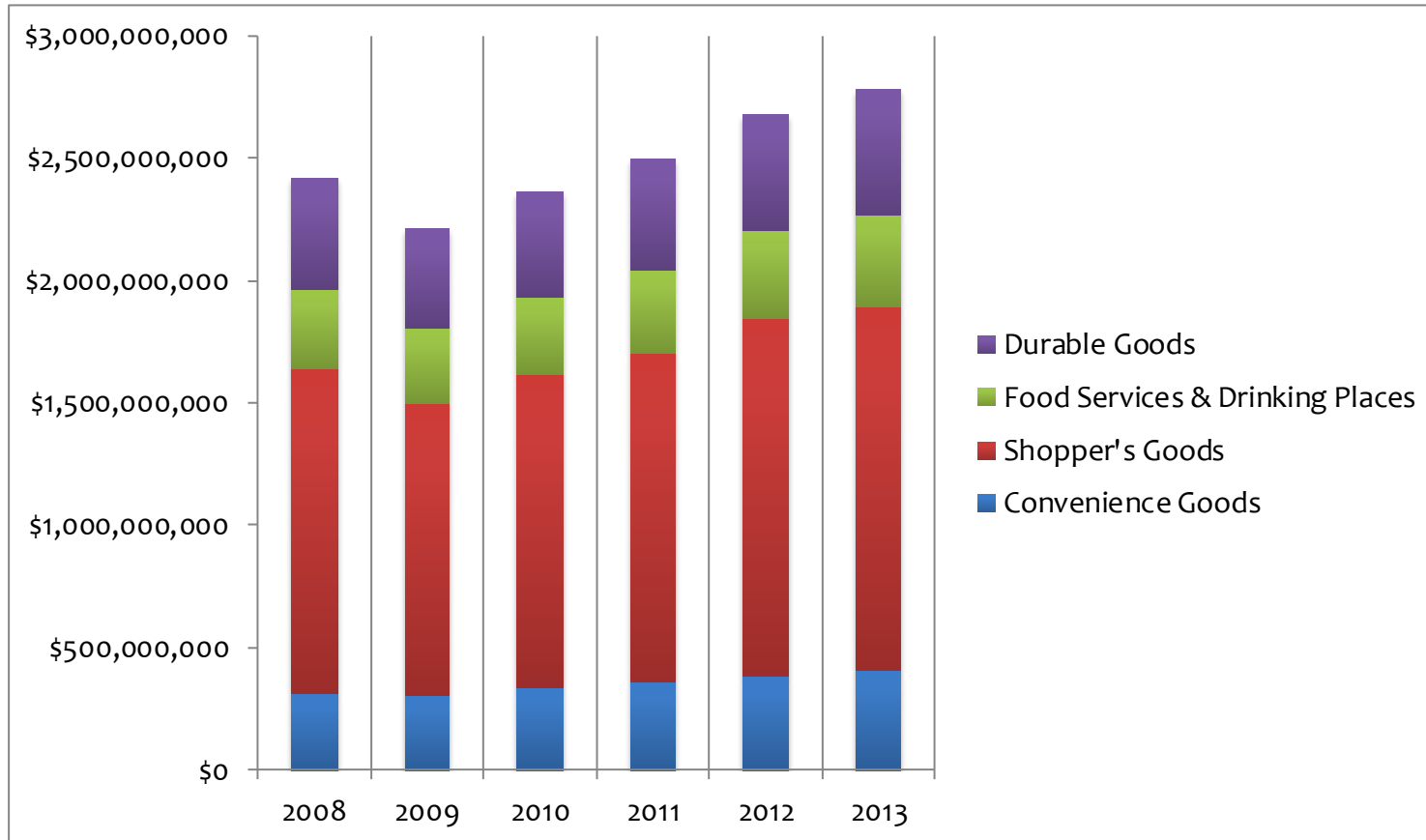
Retail sales in Sioux Falls reached approximately \$2.75 billion in 2013 according to Figure 12. There was a dip in 2009-2010 but there has been a steady increase since then. Table 23 shows the retail sales categories examined divided into categories -- Convenience Goods, Food Services & Drinking Places, Durable Goods, and Shopper's Goods.

Table 23
Retail Categories in Sioux Falls

Retail Categories		
Convenience Goods	Shopper's Goods	Shopper's Goods (cont'd)
Food Stores	General Merchandise Stores	Miscellaneous Retail
Grocery Stores	Department Stores	Drug Stores & Proprietary Stores
Meat & Fish Markets	Variety Stores	Liquor Stores
Fruit & Vegetable Markets	Misc. General Merchandise Stores	Used Merchandise Stores
Candy, Nut, & Confectionery Stores		Sporting Goods & Bicycle Shops
Retail Bakeries	Furniture & Home Furnishings Stores	Book Stores
Misc. Food Stores	Furniture Stores	Stationery Stores
	Floor Covering Stores	Jewelry Stores
Food Services & Drinking Places	Drapery & Upholstery Stores	Hobby, Toy, & Game Shops
Eating & Drinking Places	Misc. Homefurnishings Stores	Gift, Novelty, & Souvenir Shops
Eating Places	Household Appliance Stores	Sewing, Needlework, & Piece Goods
Drinking Places	Radio, TV, & Electronic Stores	Catalog & Mail-Order Houses
	Computer & Software Stores	Merchandising Machine Operators
Durable Goods	Record & Prerecorded Tape Stores	Direct Selling Establishments
Automotive Dealers & Service Stations	Musical Instrument Stores	Florists
New & Used Car Dealers		Tobacco Stores & Stands
Used Car Dealers	Apparel & Accessory Stores	Optical Goods Stores
Auto & Home Supply Stores	Men's & Boys' Clothing Stores	Misc. Retail Stores, NEC
Gasoline Service Stations	Women's Clothing Stores	Other
Recreational Vehicle Dealers	Women's Accessory & Specialty Stores	
Motorcycle Dealers	Children's & Infants' Wear Stores	
Automotive Dealers, NEC	Family Clothing Stores	
	Shoe Stores	
Building Materials & Garden Supplies	Misc. Apparel & Accessory Stores	
Lumber & Other Building Materials		
Paint, Glass, & Wallpaper Stores		
Hardware Stores		
Retail Nurseries & Garden Stores		
Mobile Home Dealers		

Source: South Dakota Department of Revenue, ArLand

Figure 13
City of Sioux Falls Retail Sales Breakdown, 2008-2013

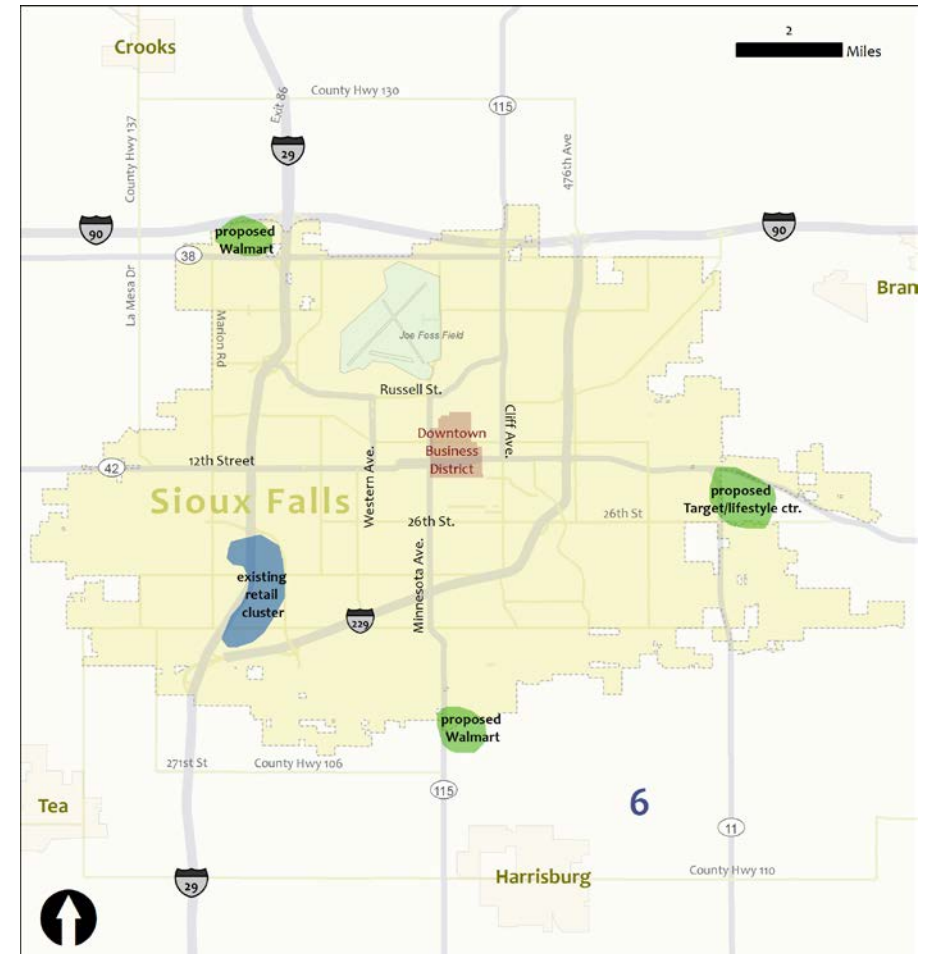


Source: South Dakota Department of Revenue, ArLand

Figure 13 shows the same retail sales totals as Figure 12 , but also shows the breakdowns by the major categories of Durable Goods, Food Services & Drinking Places, Shopper's Goods and Convenience Goods. Between 2008 and 2013, Shopper's Goods had the greatest share of sales every year. This category includes sales from general merchandise stores, furniture & home furnishing stores, apparel & accessory stores, and miscellaneous retail stores. The rest of the categories (Durable Goods, Foods Services & Drinking Places and Convenience Goods) make up similar shares of retail sales year over year, with Durable Goods representing a slightly greater share.

While there are a lot of retail services throughout the City, there is a significant amount of retail near the Empire Mall. There are also plans for additional retail on the outskirts of Sioux Falls at the City's northern, eastern and southern edges (Figure 14). One of the challenges for downtown retail would be the competitive challenge posed by the new retail which may be more convenient for many area residents to access. It is imperative for downtown retail to maintain its uniqueness and appeal to continue to attract residents and customers.

Figure 14
Existing and Proposed Retail Centers in Sioux Falls

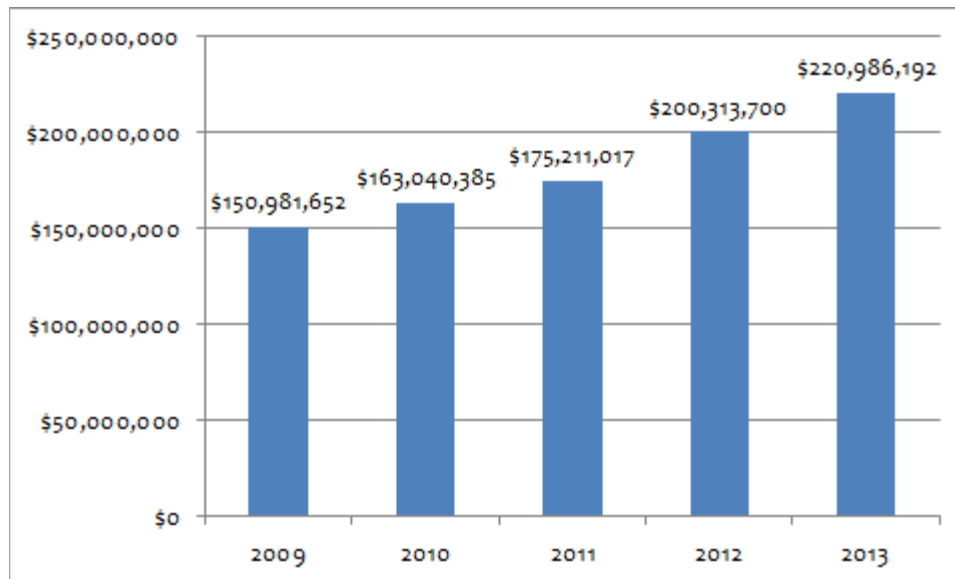


Source: City of Sioux Falls

5.2 Downtown Sioux Falls Retail Sales

Figure 15 shows the retail sales for Downtown Sioux Falls. Since 2009, retail sales have steadily increased each year, showing a total increase of \$70 million between 2009 and 2013. The greatest increase in retail sales occurred between 2011 and 2012. More retail and restaurant establishments drove more spending in the area.

Figure 15
Downtown Sioux Falls Retail Sales



Source: South Dakota Department of Revenue

According to Downtown Sioux Falls, Inc., there were an estimated 580 retail, restaurant, hospitality, and service businesses in the downtown area in 2014.

5.3 Downtown Sioux Falls Demand

Table 24 shows the estimated household incomes in the Primary and Secondary Market Areas in 2014 as well as in 2035 based on estimated potential growth in households. The analysis conservatively estimates that average household incomes will remain constant at the household incomes shown. Total income potentially available, a portion of which will be available for retail expenditures, is currently \$4.5 billion in the Primary Market Area, increasing to \$5.8 billion (in today's dollars) by 2035, indicating total income growth of nearly \$1.4 billion between now and 2035. In the Secondary Market Area, total income potentially available is currently around \$198 million, increasing to nearly \$445 million (in today's dollars) by 2035, indicating total growth of nearly \$250 million between now and 2035.

Table 24
Total Household Incomes, 2014 and 2035

	2014	2035	Growth 2014-2035	CAGR % Growth 2014-2035
<i>Primary Market Area</i>				
Households	66,971	87,296	20,325	1.3%
Average Household Income	\$66,469	\$66,469	\$66,469	--
Total Household Incomes	\$4,451,495,399	\$5,802,477,824	\$1,350,982,425	1.3%
<i>Secondary Market Area (10% of additional households)</i>				
Households	2,882	6,473	3,591	3.9%
Average Household Income	\$68,780	\$68,780	\$68,780	--
Total Household Incomes	\$198,223,960	\$445,240,452	\$247,016,492	3.9%

Source: SECOG, City of Sioux Falls, ArLand

Table 25 compares expenditure potential to retail capture by existing retailers to estimate unmet retail demand by retail category. Demand is calculated by multiplying total household incomes by potential household expenditures in each retail category shown. Table 26 summarizes current unmet retail demand for those retail types appropriate for downtown. There is currently an estimated 2.3 million square feet of overall unmet demand in those retail categories most appropriate for downtown, which is expected to reach nearly 3.2 million square feet of overall unmet demand by 2035.

Table 25
Estimated Retail Opportunities, 2014-2035

Category	% Retail Expenditures [1]	Demand (retail potential)	Est. Sales	Current Retail Void (\$)	Est. Sales / s.f. [2]	Current Retail Void (s.f.)	Additional Demand from Household Growth (s.f.) (21-yr)	Total Demand 2035
<i>Convenience Goods</i>								
Grocery Stores	6.24%	\$289,661,161	\$12,376,380	\$277,284,780	\$450	616,188	195,354	811,542
Specialty Food Stores	0.52%	\$23,935,452	\$75,199	\$23,860,253	\$350	68,172	20,755	88,927
Beer, Wine, and Liquor Stores	0.41%	\$19,116,715	\$46,578,546	-\$27,461,832	\$300	--	19,339	--
Health & Personal Care Stores	3.35%	\$155,548,157	\$1,694,475	\$153,853,683	\$350	439,582	134,878	574,460
<i>Shopper's Goods</i>								
General Merchandise Stores	7.31%	\$339,314,958	\$5,670,466	\$333,644,492	\$500	667,289	205,957	873,246
Furniture & Home Furnishings Stores	1.12%	\$52,116,907	\$2,676,483	\$49,440,423	\$250	197,762	63,268	261,029
Clothing and Clothing Accessories	2.69%	\$125,028,522	\$22,746,715	\$102,281,807	\$250	409,127	151,779	560,907
Sport. Goods, Hobby, Book, & Music	1.07%	\$49,607,252	\$6,108,853	\$43,498,399	\$250	173,994	60,221	234,215
Miscellaneous Store Retailers	1.62%	\$75,207,211	\$41,906,597	\$33,300,614	\$250	133,202	91,298	224,501
<i>Food Services & Drinking Places</i>								
Full-Service Restaurants	3.97%	\$184,329,445	\$6,298,092	\$178,031,353	\$350	508,661	159,834	668,495
Limited-Service Eating Places	2.47%	\$114,490,010	\$9,143,526	\$105,346,484	\$325	324,143	106,912	431,055
Special Food Services	0.48%	\$22,080,982	\$7,760,055	\$14,320,928	\$250	57,284	26,805	84,089
Drinking Places (Alcoholic Bevs.)	0.26%	\$12,104,526	\$4,832,628	\$7,271,898	\$250	29,088	14,694	43,782
<i>Durable Goods</i>								
Auto Parts, Accessories, and Tires	0.87%	\$40,410,756	\$2,638,790	\$37,771,965	\$250	151,088	49,057	200,145
Bldg Mater., Garden Equip. & Supply	5.33%	\$247,260,388	\$8,283,389	\$238,977,000	\$300	796,590	250,136	1,046,726
Electronics & Appliance Stores	1.13%	\$52,456,385	\$18,590,765	\$33,865,620	\$250	135,462	63,680	199,142
Total	32.59%	\$1,513,007,666	\$197,380,961	\$1,328,003,086		4,091,444		5,490,720

Source: Claritas, ULI, ArLand

[1] Demand percentages based on national and state averages

[2] National averages per Urban Land Institute, research and retailer interviews

Table 26
Potential Retail Opportunities, 2014-2035

	Market Area Retail Void 2014	Market Area Retail Void 2035	8% of 2014 Void	15% of 2014 Void	8% of 2035 Void	15% of 2035 Void
<i>Convenience Goods</i>						
Specialty Food Stores	68,172	88,927	5,454	10,226	7,114	13,339
Beer, Wine, and Liquor Stores	--	--	--	--	--	--
Health & Personal Care Stores	439,582	574,460	35,167	65,937	45,957	86,169
<i>Shopper's Goods</i>						
Furniture & Home Furnishings Stores	197,762	261,029	15,821	29,664	20,882	39,154
Clothing and Clothing Accessories	409,127	560,907	32,730	61,369	44,873	84,136
Sport. Goods, Hobby, Book, & Music	173,994	234,215	13,919	26,099	18,737	35,132
Miscellaneous Store Retailers	133,202	224,501	10,656	19,980	17,960	33,675
<i>Food Services & Drinking Places</i>						
Full-Service Restaurants	508,661	668,495	40,693	76,299	53,480	100,274
Limited-Service Eating Places	324,143	431,055	25,931	48,621	34,484	64,658
Special Food Services	57,284	84,089	4,583	8,593	6,727	12,613
Drinking Places (Alcoholic Bevs.)	29,088	43,782	2,327	4,363	3,503	6,567
Total	2,341,014	3,171,460	187,281	351,152	253,717	475,719

Source: Claritas, ULI, ArLand

Downtown retail sales account for approximately 8% of total retail sales in Sioux Falls. This analysis incorporates incomes and spending potential in the Primary Market Area (the City) and a portion of the Secondary Market Area. **Assuming that downtown can capture approximately 8% to 15% of the potential retail void in this market area would equal demand for approximately 190,000 square feet up to 475,000 square feet.** For comparison purposes, there is about 600,000 square feet of retail in the Empire Mall area.

The categories most appropriate for downtown include full-service restaurants and other eating and drinking establishments. Clothing and accessories and miscellaneous store retailers are also other possible categories. Downtowns are also most competitive and attractive for local independent businesses, unique, niche, and creative businesses. Grocery stores become more feasible once there is a critical mass of households in the downtown.

5.4 Other Demand Drivers

In addition to the demand driven by future residential development, outside visitors to the community help drive the demand for future retail and restaurant services. These visitors are typically seeking restaurant and retail options not available in their own communities, so specialty boutiques, restaurants, other events and activities, would be particularly appealing to this group.

Costco Market

The Empire Mall and Costco appear to serve a very large regional market as shown in Figure 16. The market area is based on the locations of Costcos in this multistate region of the country.

Costco shoppers in the broader area are unlikely to shop very often at the outlet, compared to shoppers who live closer. They are, however, likely to purchase much more during their shopping trips, and may be inclined to stay and enjoy other activities, restaurants, etc.

This market spends \$1.7 billion on eating and drinking alone annually. Even a small fraction of that potential spending (.05% = \$680,000) could significantly benefit downtown as seen in Table 27.

Figure 16
Costco Market Area



Source: ArLand

Table 27
Costco Households and Incomes, 2014

	Costco Market Area
Persons	750,000
Households	301,165
Persons / Households	2.38
Average Household Incomes	\$65,188
Median Household Incomes	\$52,060
Total Household Incomes	\$19,632,254,276
7 % of Income Eating and Drinking	\$1,374,257,799
.05% in Sioux Falls Downtown	\$687,129

Source: ArLand, US Census, Claritas

Special Events

Downtown Sioux Falls Inc. hosts a number of special events throughout the year to bring people to the downtown area. Although many of the patrons live within the MSA, the events and activities are very important to downtown and help support restaurant spending in particular. The events listed in Table 28 took place in 2013. There are plans to add more events bringing the total visitors to downtown for Downtown Sioux Falls events at over 50,000 people, annually.

Table 28
2013 Downtown Sioux Falls Events

Area	2013
Downtown Riverfest	10,000
Eastbank Block Parties (3 per year)	5,000
Hot Summer Nites	10,000
Parade of Lights	15,000
Ladies Ultimate Sample Tour (2/year)	650
Downtown Loft Tour	1,020
First Fridays	9,000
Moonlight Movies	2,550
	53,220

Source: Downtown Sioux Falls Inc., ArLand

Arts, Culture and Science

Arts, culture, and history are important elements in downtown activities. There are a very large number of arts and cultural organizations that make a great contribution to the Sioux Falls community with special events, education, and the like. A number of them have downtown venues, such as the Washington Pavilion of Arts and Science.

- The Husby Performing Arts Center at the Washington Pavilion estimated approximately 89,000 patrons in 2013. While most of the audience is from the larger metro area and there are a number of school age children, the arts center also hosted visitors from around the country.
- Similarly, the Kirby Science Discovery Center hosted approximately 90,000 visitors in 2013. The majority of visitors are located within close proximity to the downtown, and may be younger,

In the Greater Sioux Falls Area, 1,383 audience-intercept surveys were collected from attendees to nonprofit arts and culture performances, events, and exhibitions during 2010. Estimates were made of non-resident spending, which averaged \$43 per person for a total of \$9.9 million. Some of this spending could benefit local restaurants, retailers, and others as shown in Tables 29 and 30.

Table 29
Attendance at Arts and Culture Events, 2010

Attendance at Arts and Culture Events	Non-		All Cultural Audiences
	Resident* Attendees	Resident* Attendees	
	+	=	
Total Attendance at Arts and Culture Events	659,360	226,876	886,236
Percentage of Total Attendance	74.4%	25.6%	100.0%
Average Event-Related Spending Per Person	\$13.96	\$43.64	\$21.57
Total Event-Related Expenditures	\$9,204,666	\$9,900,869	\$19,105,535

Source: Americans for the Arts, ArLand

*Residents are attendees who live within Lincoln, McCook, Minnehaha, and Turner Counties

Table 30
Event Related Expenditures, 2010

Event-Related Expenditures	Resident* Attendees	Non- Resident* Attendees	All Cultural Audiences
Meals and Refreshments	\$9.48	\$15.47	\$11.02
Souvenirs and Gifts	\$1.33	\$3.07	\$1.78
Ground Transportation	\$0.96	\$6.37	\$2.34
Overnight Lodging (one night only)	\$0.34	\$11.93	\$3.31
Other/Miscellaneous	\$1.85	\$6.80	\$3.12
Average Event-Related Spending Per Person	\$13.96	\$43.64	\$21.57

Source: Americans for the Arts, ArLand

*Residents are attendees who live within Lincoln, McCook, Minnehaha, and Turner Counties

Sports / Business

Another significant potential audience for downtown would be visitors who come either for sports and/or business. The Convention and Visitors Bureau estimates that in 2012, over 1,058,000 people visited Sioux Falls spending an estimated \$226 million locally. As shown in Tables 31 and 32, a significant number of visitors (nearly 60% of the total) result from visitors in town for sporting events.

Table 31
Event Market, 2012

Event Market	# of Events	% Share	Attendance	% Share	Room Nights	% Share	EEI	% Share
Sports	29	26.9%	45,648	65.8%	19,366	61.2%	\$10,237,480	58.2%
Tour Operator	17	15.7%	1,282	1.8%	533	1.7%	\$178,650	1.0%
Corporate	14	13.0%	1,520	2.2%	1,465	4.6%	\$857,564	4.9%
Religious	13	12.0%	8,610	12.4%	3,353	10.6%	\$2,343,785	13.3%
Agriculture	6	6.0%	1,105	2.0%	1,251	4.0%	\$602,983	3.0%

Source: Sioux Falls Convention and Visitors Bureau, ArLand

*Includes top five event markets

Table 32
Event Type, 2012

Event Type	# of Events	% Share	Attendance	% Share	Room Nights	% Share	EEI	% Share
Sports	32	29.6%	46,298	66.7%	19,721	62.3%	\$10,377,050	59.0%
Tours	16	14.8%	1,032	1.5%	418	1.3%	\$113,000	0.6%
Meeting	12	11.1%	1,114	1.6%	531	1.7%	\$459,080	2.6%
Conference	10	9.3%	3,525	5.1%	2,781	8.8%	\$1,613,879	9.2%
Convention	8	7.4%	7,400	10.7%	2,375	7.5%	\$2,219,245	12.6%

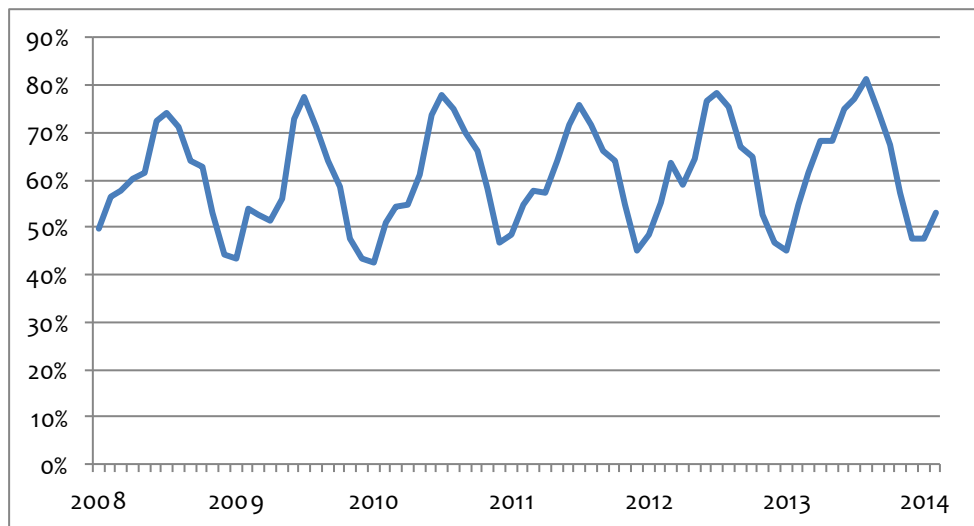
Source: Sioux Falls Convention and Visitors Bureau, ArLand

The Denny Sanford Premier Center and the Sanford Sports Complex, where youth, collegiate and professional athletic competitions are held is located north of the downtown area. In order to benefit downtown businesses, it would be important to ensure that there are shuttle, business, marketing, and other connections to downtown businesses so that visitors to these facilities can also partake in downtown activities.

Lodging

According to Smith Travel Research, there are about 68 hotels in the Sioux Falls market area, although there are only 3 in downtown. In 2013, approximately 7 new hotels were built in the broader market. Occupancy rates between 2008 and 2013 are shown in Figure 17. Recent occupancies in the busy summer months have hovered above 80%, however, overall average occupancies during this time period have been about 50%. While lodging and associated conference center facilities are popular downtown uses, each additional hotel would need to be analyzed on a case by case basis, particularly since so many new facilities were added so recently. Additionally, the development of lodging is directly related to business and activity growth in the area. Future business and activity growth in the downtown area should support the addition of a number of lodging units over time.

Figure 17
Lodging Occupancies in Sioux Falls, 2008-2013



Source: Smith Travel Research, ArLand

5.5 Retail Conclusions

- Downtown operates within a competitive retail environment, which is slated to become even more competitive as retail establishments at the City's edges are constructed.
- Downtown sales have increased dramatically in recent years and are approximately 8% of total City sales.
- Assuming that downtown has the potential to capture 8-15% of future retail potential within the City would result in 190,000 to 475,000 square feet of future retail and restaurant potentials in downtown.
- Although not directly incorporated into the retail potential numbers, downtown would benefit from capturing Costco shoppers, attendees at local events, conference attendees, and the like.
- Other uses, such as lodging, are directly dependent on growth in business and event activity. Future business growth and event activity should support the addition of a number of lodging units over time. Recent development plans have included lodging and conference facilities, which should be supportable.

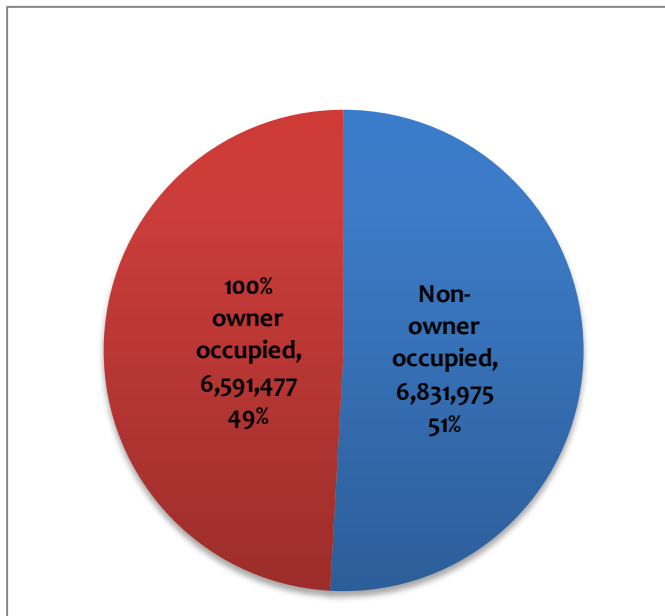
VI. OFFICE MARKET ANALYSIS

This section examines the office potentials in the Downtown Sioux Falls market area. Downtown has traditionally served as the office hub for the region. It has the potential to be a high value downtown use bringing in employees and others who have the potential of creating a vibrant daytime population.

6.1 Office Development Trends

There is a total of approximately 13.4 million square feet of office space in the broader Sioux Falls market area. As shown in Figure 18, almost 50% of the office space is owner-occupied.

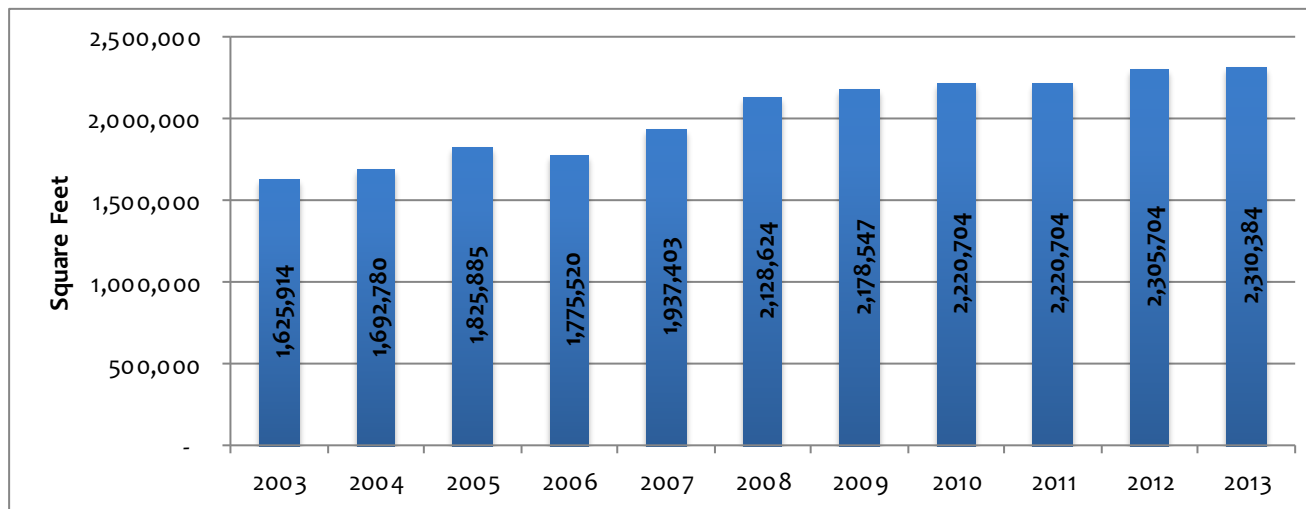
Figure 18
Office Space in Sioux Falls Market, 2013



Source: Bender Commercial

In the Central Business District or downtown, there is currently about 2.3 million square feet of office space (Figure 19). There was approximately 684,000 square feet of office added to the overall downtown inventory between 2003 and 2013.

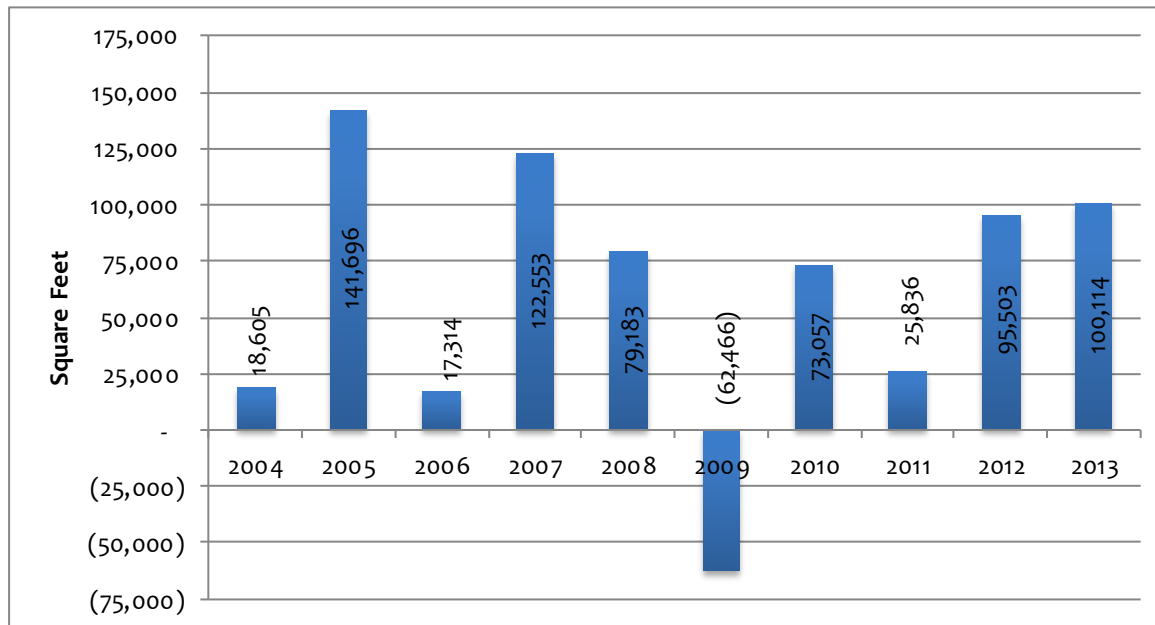
Figure 19
CBD Inventory, 2013



Source: Bender Commercial

The last two years (2012-2013) have seen positive office absorption in the downtown at approximately 100,000 square feet per year. According to Figure 20, the downtown has seen overall net positive office absorption of about 612,000 square feet between 2004 and 2013. 2009 was a year that saw negative absorption, during the depths of the recession.

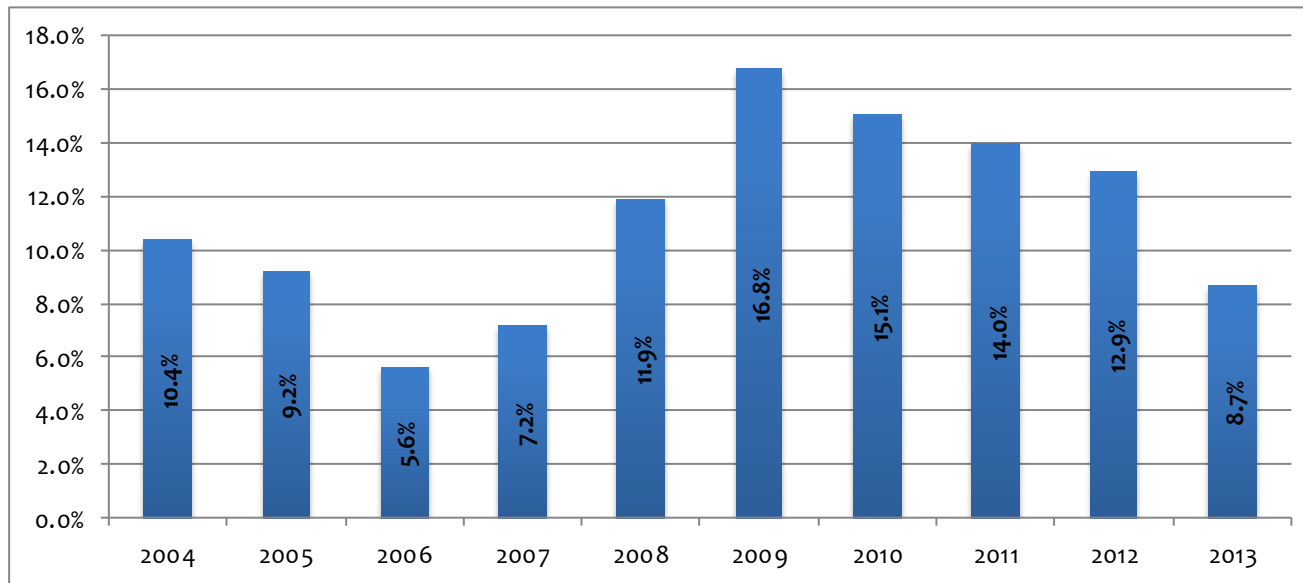
Figure 20
CBD Office Absorption, 2004-2013



Source: Bender Commercial

Downtown office vacancy rates have continued their decline from their high of 16.8% in 2009. 2013 vacancy rates are 8.7%, according to Figure 21. The overall success of the office market is intimately tied to jobs and jobs growth. Greater short term office demand should materialize, as the downtown vacancy trend continues downward, and as the number of jobs increase in the area

Figure 21
CBD Office Vacancy Rates, 2004-2013



Source: Bender Commercial

6.2 Office Development Potential

The market for office is a function of growth or change in jobs among those industry sectors that typically occupy office space. Table 11 describes the current jobs forecast for the City of Sioux Falls. The forecasts indicate jobs growth of over 90,000 jobs in the MSA by 2035.

After calculating the number of potential new jobs during this time period, an estimate was made of the portion of the workforce in industry categories and their requirements for office space. While categories such as Construction and Wholesale Trade may occupy very little traditional office space, industries such as Professional and Technical Services, for example, have an estimated high percentage of their work force in office space. (Table 33)

Table 33
Office Demand in Downtown Sioux Falls, 2014-2035

Industry	Jobs in Sioux Falls MSA		% of Total Jobs Estimated to be Office	New Market Area		Market Area Office Space Needs[1]	Office Potential Capture (low)[2]	Office Potential Capture (high)[2]
	2014	% Jobs		Jobs 2014-2035	Office Jobs			
Agriculture, Forestry, Fishing and Hunting	--	--	2%	--	--	--	--	--
Mining	469	0.3%	10%	296	30	7,395	1,479	2,218
Utilities	338	0.2%	10%	213	21	5,330	1,066	1,599
Construction	6,935	4.8%	2%	4,376	88	21,881	4,376	6,564
Manufacturing	13,692	9.5%	2%	8,640	173	43,199	8,640	12,960
Wholesale Trade	7,615	5.3%	2%	4,805	96	24,026	4,805	7,208
Retail Trade	18,352	12.8%	2%	11,580	232	57,902	11,580	17,371
Transportation and Warehousing	4,629	3.2%	2%	2,921	58	14,606	2,921	4,382
Information	2,877	2.0%	70%	1,815	1,271	317,690	63,538	95,307
Finance and Insurance	14,791	10.3%	70%	9,333	6,533	1,633,333	326,667	490,000
Real Estate and Rental and Leasing	1,539	1.1%	80%	971	777	194,261	38,852	58,278
Professional and Technical Services	4,986	3.5%	80%	3,146	2,517	629,284	125,857	188,785
Management of Companies and Enterprises	1,970	1.4%	80%	1,243	994	248,622	49,724	74,587
Administrative and Waste Services	6,355	4.4%	2%	4,010	80	20,049	4,010	6,015
Educational Services	1,839	1.3%	2%	1,161	23	5,803	1,161	1,741
Health Care and Social Assistance	26,203	18.3%	35%	16,534	5,787	1,446,742	289,348	434,022
Arts, Entertainment, and Recreation	2,574	1.8%	2%	1,624	32	8,121	1,624	2,436
Accommodation and Food Services	11,405	7.9%	2%	7,197	144	35,984	7,197	10,795
Other Services, Ex. Public Admin	3,588	2.5%	2%	2,264	45	11,322	2,264	3,397
Public Administration	13,316	9.3%	35%	8,403	2,941	735,233	147,047	220,570
Total	143,474	100.0%	24%	90,534	21,843	5,460,783	1,092,157	1,638,235

Source: Claritas, SECOG, ArLand

[1] Estimate of 250 square foot per office job

[2] Assumes capture rates of 20-30%

The downtown has seen overall net positive office absorption of about 612,000 square feet between 2004 and 2013. Assuming that these trends continue and incorporating future growth forecasts, there would be the potential for 1 million to 1.6 million square feet of additional office space by 2035. In addition to traditional office users, another target would potentially include creative, innovative firms. These types of firms typically like nontraditional office space and proximity to downtown amenities.

6.3 Office Conclusions

- Like the retail environment, downtown also operates within a competitive office environment, competing with locations outside of downtown and in the suburbs.
- While downtown has sales and administrative jobs, the demographic analysis and interviews indicate that managerial and headquarters positions jobs tend not to be located in the downtown area. There appears, however, to be a challenge in attracting these types of jobs to Sioux Falls, in general.
- Interviews indicate that the Sioux Falls region has difficulty in attracting managerial and headquarters positions because businesses outside of the region are potentially unaware of the amenities of the area. Once a visitor is in the City, their perceptions change, however, enticing them to visit has been a hurdle. A broader, national marketing effort and/or a headquarters' attraction strategy would be needed to overcome the existing perception hurdles.
- Assuming that past office trends continue and incorporating future growth forecasts, there would be the potential for 1.0 million to 1.6 million square feet of additional office space by 2035. In addition to traditional office users, creative, innovative firms are other potential users. These types of firms typically like nontraditional office space and proximity to downtown amenities.

VII. GLOBAL AND NATIONAL TRENDS BENEFITTING DOWNTOWN SIOUX FALLS

At the heart of our nation, Sioux Falls is affected by global and national trends that are largely benefiting downtowns. Progressive Urban Management Associates (P.U.M.A.) has been tracking and reporting global trends effecting downtowns for nearly a decade, and applying that knowledge to specific cities and downtown markets. Earlier this year, P.U.M.A. released the 2014 update to its Global Trends report in collaboration with the University of Colorado Denver. This section of the market analysis summarizes these global trends with excerpts from the report and demonstrates how Downtown Sioux Falls can prosper from them.

7.1 Changing Workforce

The national workforce is changing in myriad ways that are, for the most part, positive for downtowns. Boomers (people over 50) are retiring in greater numbers while Generation X (age 35 to 50) is taking the reins, and Millennials (age 20 to 35) are coming into the workforce with new, sought-after talent and skills. Both Boomers and Millennials have fueled downtown population growth over the past decade and are poised to continue to populate urban environments, particularly in those communities that offer jobs, housing, amenities and activities that respond to their needs.

Millennials

Connected to technology from the crib, Millennials are true multi-taskers and drivers of technological innovations that include social communications and smart phones. Millennials are used to a wide variety of choices and the ability to personalize and customize, not only consumer goods but ideas as well. Millennials are the most culturally diverse generation and are a factor in increasing racial diversity and acceptance in American cities. Since 2000, in more than two-thirds of the nation's cities, the young college-educated population grew twice as fast within three miles of the downtown as in the rest of the metropolitan area. Companies will be under increased pressure to consider operating in city centers as the limited supply of this talent niche becomes more urbanized. Millennials, who today comprise 36% of the US workforce, will make up 50% of the workforce by 2020.

KEY IDEAS

Trends that can benefit Downtown Sioux Falls:

- Changing workforce demographics including the rise of Millennials and women.
- Millennials and empty nest Boomers are driving a resurgence in downtown living.
- Skilled talent is in high demand, driving businesses to locate in the compact urban centers they prefer.
- Demand for and use of alternative transportation modes (i.e. walking and biking) is increasing.
- Health & wellness trends are increasing the demand for healthy lifestyles, including fresh food, and active living options.

Women Professionals

The year 2009 was a landmark, marking the first time that more women were employed in the U.S. labor force than men. In the following year, two-thirds of family households had women who were either breadwinners or co-breadwinners. Women are anticipated to dominate professional occupations in the future and have been outpacing men in educational attainment since the 1970s. In 2011, women received 57% of all bachelor's degrees, 60% of all master's degrees and 51% of all doctorate degrees. To fortify their position as hubs for commerce, downtowns must offer environments that appeal to professional women. Vibrant mixed-use environments can fulfill diverse needs that include shopping, socializing, grooming, childrearing and other household activities. The next professional, working and creative classes will increasingly be dominated by young women. Single female Boomers are also having a growing influence in the economy. Downtowns must look for ways to appeal to women in all facets of the downtown experience, including physical improvements, environmental stability (i.e. clean and safe), mixed-use living options, transportation options and mobility, daycare, retail and entertainment offerings.

Talent-Driven Business Location

While there are plenty of available workers in the post-recession economy, employers are having trouble filling certain types of jobs due to widening skills gaps. Sought after employees are becoming harder to find; the labor pool is shrinking because experienced Baby Boomers are beginning to retire and the rate of immigration has slowed. Twenty million jobs will be created through 2020, creating more jobs than there are skilled workers to fill them.

A competitive advantage is already placed on “the talent dividend,” or the concentration of highly skilled employees in cities. Cities that cultivate and are able to fill mid- and high-wage jobs are in the best position to economically flourish. Increasingly, young highly educated adults are choosing to move into cities. Downtowns have the edge in attracting the young skilled workforce coveted by employers. To capture this market predisposed to urban living and experiences, downtowns should provide a welcoming environment and information services that make it easy to relocate for jobs and housing. Embracing social tolerance, celebrating multi-culturalism and using social communications tools will invite populations that are increasingly diverse and technologically savvy.

Changing Workforce in Sioux Falls

The need to retain and recruit young skilled workers is critical to the growth of the Sioux Falls region, not just downtown. Sioux Falls is blessed to have many knowledge-based industries, including medical, finance and insurance sectors; however, Sioux Falls' remote location requires



that skilled workers either come from young people that stay, return or move to the city. Many skilled workers, including Sioux Falls natives, are moving to the area from larger urban areas. Indicative of their demographic profile and their experience in the “big cities”, they are expecting that Sioux Falls will offer a taste of urban amenities including restaurant options, unique retail, entertainment and culture. Downtown is THE PLACE in Sioux Falls to cultivate this atmosphere and environment. In effect, ***Downtown becomes a critical amenity for employee recruitment to Sioux Falls, just as important as the traditional lures of excellent schools, recreation and quality of life.***

7.2 Shifts in Mobility

Vehicle expense and demographic changes are shifting behaviors away from autos. Car and bike sharing programs have been adopted in many cities across the globe. Today, 500 cities in 49 countries host modern bike share programs, the fastest growth of any mode of transport in the history of the planet. Value premiums are being placed on downtown living environments where residents can walk, bike or take mass-transit to work, shopping and recreation. “Walkable real estate” can command value premiums of 50% to 100%. Increasingly, cities are using their “walk scores” as a measure of economic competitiveness. America’s two largest demographic groups – Baby Boomers and Millennials – are primarily responsible for changing transportation habits. Boomers are simplifying and downsizing households, often moving to walkable downtown areas. Millennials, many of whom grew up being taxied in the back seat of their parent’s car, are seeking walkable and social environments.



Vehicle Miles Traveled Declining

Congestion has stabilized in the past several years and vehicle miles traveled has for the first time decreased between 5% and 9% in the US from 2006 to 2011, a factor of the recession, telecommuting, aging Boomers and emerging trends in mobility. This trend is not likely to reverse with economic recovery because much of it is based in generational preference shifts. The share of automobile miles driven by persons in their 20s has dropped precipitously over the past 15 years: this age group accounts for nearly 21% of all automobile miles driven in 1995, but less than 14% by 2009.

More Biking & Walking

Downtowns need to invest in streetscapes, two-way conversions, connectivity improvements and other ways to implement “living streets” principles that support a variety of modes beyond vehicles with a greater emphasis on design for bicycles and pedestrians. Mobility options

are needed as an alternative to congested highways and, importantly, to appeal to younger highly-skilled and educated populations that are increasingly disinterested in automobile use and seeking walkable, bikeable and transit-rich urban environments. Age-friendly universal design standards should be employed to promote accessibility for all, from aging Boomers to young families with infants and toddlers.

Mobility in Downtown Sioux Falls

Downtown Sioux Falls has the potential to incorporate a variety of mobility options, including more walkable and bikeable streets. Several corridors should be designated for bicycle routes, and connecting downtown to the river trail network would be an easy quick win. In fact, the river and falls amenities provide powerful opportunities for Sioux Falls to clearly differentiate itself from other similarly-sized Midwest downtowns. Extra wide one-way streets should be considered for two-way conversion. And while these streets are important to facilitate worker commutes, they are also critical for helping downtown evolve into more of a livable “neighborhood” in the future.

7.3 Residential Renaissance

With global trends in their favor, many downtowns, including Sioux Falls, are experiencing an economic renaissance that is attracting new investment and higher income households. Vibrant downtowns are well positioned to capitalize on economic opportunities by offering the advantages of jobs, entertainment, culture, education, recreation, health and livability accessible to all.

Downtown Value Premium

Value premiums are being placed on urban living environments where residents can walk, bike or take mass-transit to work, shopping and recreation. “Walkable real estate” can command value premiums of 50% to 100%. Increasingly, cities are using their “walk scores” as a measure of economic competitiveness. While the City of Sioux Falls commands a relatively low walk score (34 on a scale of 100), downtown rates favorably with a 92. In fact, downtown Sioux Falls offers a walk score that is competitive with many other cities in the region.

Table 34
Walk Score

City	Overall “Walk Score”	Downtown “Walk Score”
Sioux Falls, SD	34	92
Rapid City, SD	27	92
Fargo, ND	41	88
Lincoln, NE	40	95
Omaha, NE	41	95
Madison, WI	47	100

Amenities for Residents

To sustain and deepen the demand for downtown housing, urban amenities that appeal to both Boomers and Millennials should be considered, including robust dining and entertainment options and investments in promoting healthy lifestyles from dog parks to public markets. To provide an environment that attracts a multi-skilled workforce and economically-mixed demographics, diverse housing price points and unit types are needed.

Residential Surge in Downtown Sioux Falls

The market analysis documents a recent “surge” in new residential development in downtown Sioux Falls and developers report success in attracting many of the segments that would be anticipated from national trends, namely empty nesters, medical students/personnel and young professionals. Given that the Sioux Falls economy will rely on continued growth in several professional sectors, including medical, finance and insurance, it is likely that demand for downtown housing product will remain robust and an attractive lifestyle option to young skilled labor.

7.4 Health and Wellness

The connection between health and the built environment is an emerging trend, propelled by a national awareness toward the rise of chronic conditions such as obesity and a desire by aging Boomers to extend their lives. Advanced by the Urban Land Institute, a national focus on building healthy places will grow within the real estate development industry. Downtowns can capitalize on this trend by improving the public realm with active green spaces, inviting connections and walkable streets. Several healthy food movements are converging to benefit downtowns. New retail prototypes can serve rapidly growing niches in locavore and organic segments. Urban

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farming is a trend that can thrive in downtown locations on rooftops and vacant land. Initiatives to eradicate food deserts can bring coveted corner stores and full-service groceries to underserved urban areas.

Health Industry Growth Trends

The health care industry will continue to experience significant growth and have an increased economic impact on cities. Employment opportunities and upgraded infrastructure will strengthen the role of health care institutions as economic anchors and civic leaders. With growing demand for health care services, partnerships with local health care providers will be critical to create a competitive advantage for downtowns. Development and expansion of health care facilities will be important economic stabilizers and create significant business spinoffs. Health care providers can also be strong civic partners to help promote healthy lifestyles through urban living.

Consumer Choices in Retail, Housing, Entertainment, etc.

The real estate market is catching on to the preferences of Millennials and Baby Boomers for healthier lifestyles, demonstrated by the Urban Land Institute's global focus on building healthy places. Cities are responding with policies and incentives to shape walkable and bikeable communities, eradicate food deserts and improve access to healthy food. With compact urban environments that include business, education, health, culture and living assets, downtowns offer inspiration and relevancy to emerging generations and the economic model for a sustainable future.

Health & Wellness in Downtown Sioux Falls



The health industry is central to the Sioux Falls economy – the market analysis found that the medical segment is the city's largest employer and one of the fast growing segments over the past five years. Downtown will be increasingly important to the medical sector in a variety of ways, including providing an important amenity to help attract skilled employees from larger cities and to enhance the visitor experience for friends and families that are visiting patients or completing medical procedures.

Downtown Sioux Falls is lacking some amenities needed to extend its economic ties to the health industry toward a culture that embraces a healthy lifestyle. Downtown Sioux Falls could focus more energy and efforts on civic realm enhancements like bike lanes and racks, river and falls access, active recreation facilities in downtown parks, and pedestrian friendly streets to improve the health and wellness culture of downtown.

The healthy food movement would also appear to be a prime opportunity for downtown, particularly in the retail segment. More stores and restaurants that feature fresh and locally grown products would appear to be a natural fit. A permanent public market facility, community gardens and other ways to embrace the rich agricultural heritage within the region should also be explored.