

Chapter 4

Market Analysis

Development opportunities and the ideas and goals of people interested in downtown must always consider market demands. This chapter assesses the potential market demand for two key elements of a downtown:

- RETAIL DEVELOPMENT
- HOUSING

RETAIL MARKETS FOR DOWNTOWN MARSHALLTOWN

Downtown Marshalltown retains a retail character with occupied storefronts lining Main Street and several intersecting streets. Therefore, an analysis of retail behavior and demands in the district helps us understand future market focuses and potential space demands for the downtown area. This analysis reviews:

- Overall patterns of retail sales in Marshalltown, including comparison in sales levels of Marshalltown and other communities.
- Consumer spending patterns in Marshalltown's primary and secondary trade areas.

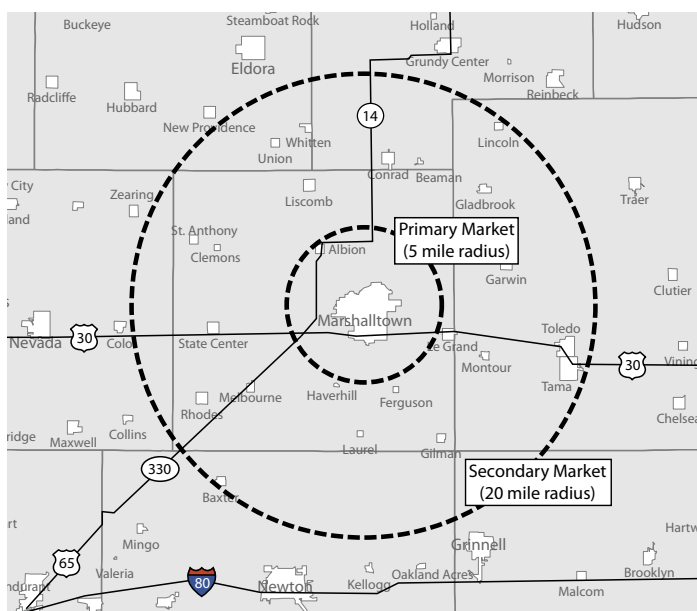
- Projected changes in consumer demands for the downtown district.
- Commercial space demands for the downtown district.
- Retail market focuses for downtown.

Trade Area Definition

The distribution of retail competition and potential markets suggests two different market segments for downtown Marshalltown's retail community, illustrated by Map 4.1:

- The primary trade area consists of areas within 5 miles of downtown, including all of Marshalltown, Albion, and portions of unincorporated Marshall County. Residents of this area do a large amount of their shopping in Marshalltown and view downtown as a principal district for local services.
- The secondary trade area is composed of areas within a 5 to 20 mile radius of downtown Marshalltown. This includes all of Marshall County, the eastern portion of Tama County, and small portions of Story, Jasper, Hardin, and Grundy Counties. It includes the cities of Tama and Toledo, as well as several smaller towns. While residents of this area do some of their shopping in Marshalltown, they also frequently patronize businesses in smaller, outlying communities and major retail centers. Because people who reside more than 20 miles from downtown Marshalltown are closer to retail areas in other cities, such as Des Moines, Waterloo, and Ames, they do very little of their shopping in Marshalltown.

MAP 4.1: Market Areas, Marshalltown



- The tertiary trade area is more broadly defined and includes people who visit Marshalltown for special events or destination businesses.

Retail Population and Household Trends

Population growth is expected in the primary trade area, while slight population loss is projected in the secondary trade area.

Table 4.1 displays population trends in the trade areas for downtown Marshalltown. According to the 2000 Census, the primary area had 28,262 residents. Based on migration patterns experienced during the

1990s, it is estimated that the primary area had 28,568 residents in 2004 and will have 28,909 residents by 2009, representing a 2.3% increase over the 2000 level. The secondary area's 2000 population was similar to the primary area's, with 27,815 residents. This area, more rural in character, is projected to decline slightly in population to 27,329 by 2009. The combined trade area is projected to remain stable, increasing by 0.3% between 2000 and 2009, from 56,077 to 56,238.

Changes in the number of households in each trade area will largely reflect changes in total population.

Table 4.2 presents projected household changes in the two trade areas. The primary area had 11,030 households in 2000, the secondary area 10,823, and the combined area 21,853. Household change will likely mirror population change in each trade area through 2009, with a 2.5% increase in the primary area, a 1.7% decrease in the secondary area, and a 0.4% increase in the combined area

TABLE 4.1: Population Change, Trade Areas

	2000 Census	2004 Estimate	2009 Projection	% Change 2000-2009
Primary	28,262	28,568	28,909	2.3%
Secondary	27,815	27,588	27,329	-1.7%
Total	56,077	56,156	56,238	0.3%

Source: Claritas, Inc.

TABLE 4.2: Household Change, Trade Areas

	2000 Census	2004 Estimate	2009 Estimate	% Change 2000-2009
Primary	11,030	11,159	11,310	2.5%
Secondary	10,823	10,742	10,641	-1.7%
Total	21,853	21,901	21,951	0.4%

Source: Claritas, Inc.

Income Characteristics

Incomes in the primary trade area are projected to increase at a faster rate than in the secondary trade area.

Table 4.3 presents the median household income for residents of each trade area. Median household income in the primary area was slightly lower than the secondary

area in 2000--\$36,973 compared with \$39,909. However, the primary area's income is projected to increase at a faster rate and surpass the secondary area's median income by 2009. The projection for the primary trade area is \$53,481, compared with \$49,200 for the secondary area.

Retail Sales Trends

While Marshalltown has seen an increase in its number of retail businesses, the city has not experienced substantial retail sales growth over the last 30 years.

Table 4.4 provides a historical perspective on changes in Marshalltown's retail economy. Between 1976 and 2004, the number of retail businesses in Marshalltown increased by 9.9%, from 665 to 731. However, the city's number of firms has decreased substantially from its 1995 level of 878. Marshalltown's total retail sales volume decreased by 18.7% between 1976 and 2004 and its amount of sales per retail firm declined by 25.7%, suggesting that the city's new retail firms are generally smaller businesses. Despite a long-term decrease, the city's level of sales per firm has moderately increased since 1995—a positive indicator for retail business in Marshalltown. These calculations are based on goods and services subject to the retail sales tax. Notable exemptions include food, prescription drugs, feed, seed, and fertilizer.

Trends in retail sales activity are also illustrated by the city's "pull factor." This statistic, developed by Dr. Kenneth Stone, a former Iowa State University economist, indicates how a community fares with respect to retail sales and measures its balance of trade – its status as an importer or exporter of retail dollars. The pull factor compares per capita retail sales in a community with the statewide per capita average. If per capita sales are \$1,000 throughout the state and \$1,500 in the city, the city's "pull factor" is 1.5, indicating a substantial ability to attract retail spending. However, if per capita local sales are \$950, the pull factor would be 0.95. Thus, a pull factor over 1.00 means that a community is experiencing more retail sales activity than the average Iowa community, while a pull factor of less than 1.00 indicates below average retail sales.

As shown in Table 4.4, Marshalltown had a pull factor of 1.48 in 1976, indicating that

TABLE 4.3: Income Trends, Trade Areas

	2000 Census	2004 Estimate	2009 Estimate	% Change 2000-2009
Primary	\$36,973	\$48,667	\$53,481	44.6%
Secondary	\$39,909	\$44,358	\$49,200	23.3%

Source: Claritas, Inc.

the city was a net importer of retail sales dollars compared to state averages. At that time, the city’s residents tended to shop at home, and the city attracted some sales from surrounding communities. However, by 2004, the pull factor decreased to 1.24, indicating that area residents do an increasing amount of their shopping outside of Marshalltown. A notable decline in the city’s pull factor has occurred since 2000, and corresponds to expansion of mass retailing in Altoona, Ames, and other urban centers.

Gaps and Opportunities in Retail Spending Patterns

Marshalltown’s overall retail sales level is about what is expected for a city of its size.

Comparing a city’s actual amount of retail sales with the amount of sales expected for the city also provides an indicator of trends in retail activity, and can help predict future retail potential. The expected sales figure is derived by multiplying the city’s population by the state per capita sale by the typical pull factor for similarly-sized communities adjusted for income.

Table 4.5 compares expected and actual retail activity for Marshalltown and a sample of other Iowa cities for the year 2004. Marshalltown registered \$315,710,000 in taxable retail

TABLE 4.4: Total Retail Sales, Marshalltown, 1976-2004

Fiscal Year	Total Retail Sales (Current \$)	Total Retail Sales (1976 \$)	Number of Retail Firms	Sales Per Firm (Current \$)	Sales Per Firm (1976 \$)	Pull Factor
1976	\$117,750,000	\$117,750,000	665	177,196	\$177,196	1.48
1980	\$156,820,000	\$114,470,000	776	202,155	\$147,559	1.30
1985	\$183,450,000	\$96,550,000	793	231,267	\$121,719	1.38
1990	\$225,090,000	\$99,600,000	829	271,685	\$120,215	1.37
1995	\$289,610,000	\$108,470,000	878	329,756	\$123,504	1.42
2000	\$323,780,000	\$108,290,000	841	385,105	\$128,798	1.32
2001	\$309,650,000	\$99,890,000	821	377,396	\$121,741	1.23
2002	\$333,740,000	\$105,610,000	797	418,616	\$132,473	1.32
2003	\$326,680,000	\$101,450,000	754	433,119	\$134,509	1.28
2004	\$315,710,000	\$96,250,000	731	432,029	\$131,716	1.24
% Change, 1976-2004	168.1%	-18.3%	9.9%	143.8%	-25.7%	-16.2%
% Change, 1995-2004	9.0%	-11.3%	-16.7%	31.0%	6.6%	-12.7%

Source: Iowa State University Extension



sales, compared with \$314,580,000 predicted by this methodology, suggesting that the city's sales level is about what is expected for a community of its size. By comparison, actual sales figure for Fort Dodge was 39.7% above what is expected for a city of its size and Mason City's sales were 45.6% above the expected level. Marshalltown's proximity to larger urban centers, including Des Moines and Waterloo, may account for its average retail sales volume. While cities such as Fort Dodge and Mason City are similar in size to Marshalltown, they function as regional retail centers, attracting more sales because of their isolation from larger urban areas. Because college students on average spend about half as much on retail goods and services as non-students, Ames' retail sales volume falls well below the expected level.

While Marshalltown registered \$315,710,000 in retail sales in 2004, Claritas, Inc., a demographic analysis firm, estimates consumer spending at \$297,833,600 in the primary trade area and \$314,555,800 in the secondary trade area. Thus, consumers in the combined trade area make only about half of their retail expenditures in Marshalltown, indicating that an untapped market exists for additional retail development in the city.

Table 4.6 compares the city's pull factor to those of other similarly sized Iowa communities. In 2004, while Marshalltown had a pull factor of 1.24, Fort Dodge had a pull factor of 1.65, and Mason City a pull factor of 1.70. Burlington and Ottumwa had pull factors below that of Marshalltown—an interesting statistic, considering that these cities are located farther from urban centers than Marshalltown. Thus, considering its close proximity to Des Moines and Waterloo, Marshalltown tends to hold its own on an overall basis.

TABLE 4.5: Trade Area Analysis of Retail Sales, 2004

	Population Estimate	Expected Sales (in millions)	Actual Sales (in millions)	\$ Above or Below Expected	% Above or Below Expected
Ames	53,284	\$756.35	\$636.84	-\$119.51	-15.8%
Des Moines	196,093	\$3,435.54	\$3,492.31	\$56.77	1.7%
Fort Dodge	25,917	\$302.67	\$422.91	\$120.24	39.7%
Marshalltown	25,860	\$314.58	\$315.71	\$1.13	0.4%
Mason City	28,274	\$326.11	\$474.82	\$148.71	45.6%
Newton	15,794	\$205.22	\$266.52	\$61.30	29.9%
Waterloo	67,054	\$946.40	\$954.24	\$7.84	0.8%

Source: Iowa State University Extension

TABLE 4.6: Pull Factor, Total Retail Sales, 2004

	2004 Population Estimate	Pull Factor
Newton	15,794	1.71
Coralville	16,778	3.10
Muscatine	22,614	1.38
Ottumwa	24,697	1.17
Marshalltown	25,860	1.24
Fort Dodge	25,917	1.65
Burlington	25,966	1.03
Clinton	27,437	1.06
Mason City	28,274	1.70
Ankeny	31,144	1.35

Source: Iowa State University Extension

TABLE 4.7: Trade Area Analysis of Retail Sales, Marshalltown, 2004

Sector	Expected Sales (in millions)	Actual Sales (in millions)	Surplus/ Leakage (in millions)	% Above or Below Expected	Pull Factor
Building Materials	\$16.70	\$22.92	\$6.22	37.2%	1.18
General Merchandise	\$64.10	\$84.10	\$20.00	31.2%	2.02
Food	\$46.13	\$45.40	-\$0.73	-1.6%	1.23
Apparel	\$3.22	\$4.19	\$0.97	30.1%	0.67
Home Furnishings	\$8.89	\$9.87	\$0.98	11.0%	0.87
Eating and Drinking Establishments	\$27.67	\$30.21	\$2.54	9.2%	1.34
Specialty Shops	\$19.93	\$16.44	-\$3.49	-17.5%	0.85
Services	\$35.26	\$29.77	-\$5.49	-15.6%	0.93
Wholesale	\$19.55	\$21.23	\$1.68	8.6%	1.08
Total Retail Sales	\$308.36	\$315.71	\$7.35	2.4%	1.24

Source: Iowa State University Extension

Retail Focuses

While Marshalltown attracts a large amount of sales in general retailing sectors, it experiences leakages in specialty retailing sectors, which could be an opportunity for growth in the downtown district.

Iowa State University's analysis of community retailing goes deeper than overall retail expenditures, allowing us to draw more specific conclusions about Marshalltown's retail strengths and weaknesses. Table 4.7 compares expected and actual retail activity for various merchandise categories and considers their "pulling power." The city's most successful retail/service attractions are building materials and general merchandise stores—typical characteristics among cities with Wal-Mart stores and "big box" home centers. Marshalltown also has sales volumes above what is expected for apparel stores, home furnishings stores, eating and drinking establishments, and wholesale goods. On the other hand, sales volumes are below what is expected for food stores, specialty shops, and services. Additional niche retail businesses in the downtown district could allow Marshalltown to recapture some of its leakage in this sector. In addition, the "pulling power" of Marshalltown's eating and drinking establishments could provide a foundation for additional specialty retailing.

Existing Supply of Retail Space

Downtown retail businesses account for about 32% of Marshalltown's total retail space.

Table 4.8 reviews total retail area in downtown Marshalltown, based on the results of a comprehensive downtown land use inventory completed in 2005 by RDG Planning & Design. A computation of commercial building areas indicates that downtown Marshalltown has 971,184 square feet of commercial space, 660,665 of which is devoted to retail, general commercial, and consumer service uses.

In order to determine overall retail demands in Marshalltown, we also estimated the total amount of commercial space in the city as a whole. This figure was derived by:

1. Calculating the city's total retail sales for 2004 by increasing the amount of taxable retail sales, \$315,705,482, by 15% to account for non-taxable sales, primarily food and prescription drug sales. This amounts to an estimate of \$363,061,304.
2. Dividing total retail sales by \$175, a typical sales-per-square-foot figure for cities similar in size to Marshalltown.



Using this methodology, we estimate that Marshalltown has a total of about 2,074,636

square feet of retail space. Thus, if we assume that downtown and the rest of the city have the same sales per square foot, downtown accounts for about 32% of Marshalltown’s total retail sales. This information is used to project the overall share of Marshalltown’s retail market that can be attributed to downtown.

Consumer Spending Patterns by Product

Consumers in the Marshalltown trade areas spend less on goods and services than consumers nationwide on nearly every product type.

Consumers in the Marshalltown trade areas spend less on consumable goods and services than consumers nationwide on both essential and discretionary items, with the exception of health care products. However, spending levels are generally higher in the secondary area than in the primary area. Table 4.9 compares annual consumer expenditures by product type in the primary and secondary trade areas to national averages. National average per capita expenditures are equal to an index of 1. In general, consumers in both trade areas spend less per capita on nearly all types of consumable goods and services than the national sample. This comparatively low-spending behavior extends to such areas as eating and drinking away from home and apparel.

Consumer Spending Patterns by Store Type

Expenditures by stores maintain a similar pattern as expenditures by product; spending levels are generally below national averages. However, spending levels at gasoline sta

TABLE 4.8: Estimated Building Areas for Retail Goods and Services, Downtown, Marshalltown, 2005

Type of Use	Area (Square Feet)
Retail and General Commercial	304,336
Commercial Services	185,456
Automotive Sales/Service	106,971
Restaurant/Entertainment	63,902
Total Downtown Retail	660,665
Total City Retail	2,074,636
Downtown Office/Financial	310,519
Total Downtown Goods and Services	971,184

Source: RDG Planning & Design

TABLE 4.9: Average Per Capita Expenditures for Selected Products, 2004

	U.S. Index: 1=Average Per Capita Expenditure	
	Primary	Secondary
Apparel	0.79	0.81
Sports and Recreation	0.78	0.84
TV, Radio, and Sound Equipment	0.84	0.86
Reading Materials	0.97	0.96
Travel	0.75	0.77
Photographic Equipment	0.83	0.91
Food at Home	0.91	0.95
Health Care	1.01	1.06
Household Textiles	0.81	0.84
Furniture	0.79	0.84
Major Appliances	0.92	0.98
Small Appliances/ Housewares	0.91	0.97
Misc. Household Equipment	0.90	0.97
Personal Care Products and Services	0.82	0.84
Personal Expenses and Services	0.88	0.94
Smoking Products/Supplies	1.09	1.18
Pet Expenses	0.85	1.11
Housekeeping Supplies	0.96	0.86
Food Away from Home	0.82	0.85
Alcoholic Beverages	0.79	0.81
Household Services	0.75	0.56
Household Repairs	0.90	0.98
Transportation	0.93	1.15

Source: Claritas, Inc.

TABLE 4.10: Average Per Capita Expenditures by Store Type, 2004

	U.S. Index: 1=Average Per Capita Expenditure	
	Primary	Secondary
Auto Dealers	0.91	1.16
Building Materials and Garden Equipment	0.93	1.01
Hardware Stores	0.90	0.97
Lawn/Garden Equipment/Supply Stores	0.93	1.03
Home Centers	0.92	0.99
Gasoline Stations w/ Convenience Stores	0.97	1.09
Gasoline Stations w/o Convenience Stores	0.95	1.13
Grocery Stores	0.92	0.96
Health and Personal Care Stores	1.04	1.08
Eating Places	0.82	0.85
Drinking Places	0.75	0.77
Department Stores	0.75	0.92
Clothing Stores	0.81	0.83
Clothing Accessory Stores	0.75	0.77
Shoe Stores	0.81	0.85
Furniture	0.82	0.87
Other Home Furnishing Stores	0.90	0.95
Household Appliance Stores	0.90	0.96
Radio/TV/Other Electronics Stores	0.83	0.86
Computer and Software Stores	0.78	0.83
Electronic Shopping and Mail Order	0.87	0.91

Source: Claritas, Inc.



tions and drug stores are at national averages. In addition, per capita spending increases as the trade area broadens.

Table 4.10 displays a similar analysis for expenditures by store type rather than by product type. A similar pattern of consumer expenditures is apparent, with primary trade area residents generally spending at levels considerably below national averages. The rate of spending for consumers in the secondary trade area is closer to nationwide spending patterns, but still falls below average for most store types, except for transportation-related businesses and health and personal care stores. Other store types that rank highest relative to national expenditure averages in both trade areas include grocery stores, building materials stores, lawn and garden equipment stores, and home centers.

Projected Annual Expenditure Growth

It is projected that by 2009 consumer spending will increase by \$41 million in the primary trade area and \$36 million in the secondary area.

Table 4.11 projects potential growth in consumer expenditures for the Marshalltown trade areas through 2009. This growth is estimated by:

1. Calculating per capita expenditures by selected store type for each trade area.
2. Calculating a year 2009 per capita expenditure using a 2.5% annual inflation rate.
3. Multiplying the year 2009 per capita expenditure by the projected population for each trade area.

Incremental sales for each store type are determined by calculating the difference between 2004 expenditures and projected 2009 expenditures. An inclusive category for other stores, equal to 10% of the sum of the list of selected stores, is added. This analysis indicates a projected growth of just over \$41 million in gross consumer spending through 2009 among residents of the primary area and a \$36 million increase in the secondary area.

Retail Space Potential

During the next five years, downtown could absorb between 66,000 and 82,000 square feet of retail and commercial service space. The city as a whole could experience an additional demand for between 208,000 and 256,000 square feet of additional space.

Projected annual expenditure growth helps determine the need for additional retail

TABLE 4.11: Estimated Growth in Consumer Spending

Store Type	Primary		Secondary	
	2009 Spending	Increment 2004-2009	2009 Spending	Increment 2004-2009
Auto Dealers	\$64,444,160	\$7,836,160	\$76,350,171	\$7,840,171
Building Materials and Garden Equipment	\$9,307,791	\$1,131,791	\$9,523,990	\$977,990
Hardware Stores	\$989,294	\$120,294	\$1,007,452	\$103,452
Lawn/Garden Equipment/Supply Stores	\$1,383,191	\$168,191	\$1,456,571	\$149,571
Home Centers	\$2,279,134	\$277,134	\$2,316,917	\$237,917
Gasoline Stations w/ Convenience Stores	\$18,912,712	\$2,299,712	\$20,064,348	\$2,060,348
Gasoline Stations w/o Convenience Stores	\$7,676,423	\$933,423	\$8,562,230	\$879,230
Grocery Stores	\$67,851,476	\$8,250,476	\$67,150,482	\$6,895,482
Health and Personal Care Stores	\$22,790,200	\$2,771,200	\$22,315,513	\$2,291,513
Eating Places	\$34,140,332	\$4,151,332	\$33,623,719	\$3,452,719
Drinking Places	\$1,500,449	\$182,449	\$1,457,685	\$149,685
Department Stores	\$31,214,571	\$3,795,571	\$30,898,917	\$3,172,917
Clothing Stores	\$19,610,569	\$2,384,569	\$19,123,762	\$1,963,762
Clothing Accessory Stores	\$295,991	\$35,991	\$286,411	\$29,411
Shoe Stores	\$2,478,359	\$301,359	\$2,443,963	\$250,963
Furniture	\$7,021,827	\$853,827	\$7,023,190	\$721,190
Other Home Furnishing Stores	\$5,209,449	\$633,449	\$5,225,601	\$536,601
Household Appliance Stores	\$1,896,622	\$230,622	\$1,900,117	\$195,117
Radio/TV/Other Electronics Stores	\$3,716,969	\$451,969	\$3,657,587	\$375,587
Computer and Software Stores	\$1,900,037	\$231,037	\$1,914,605	\$196,605
Electronic Shopping and Mail Order	\$9,477,417	\$1,152,417	\$9,322,277	\$957,277
Other Stores	\$24,965,281	\$3,035,681	\$24,927,534	\$2,559,734
Total	\$339,062,254	\$41,228,654	\$350,553,044	\$35,997,244

Source: Claritas, Inc.



space in Marshalltown. Table 4.12 details the methodology for calculating retail space demands. This is determined by:

1. Establishing a “capture rate,” the percentage of new expenditures that should be claimed by Marshalltown. The analysis assumes that:
 - 70% of all new expenditures accounted for by residents of the primary trade area will be spent in Marshalltown.
 - 35% of all new expenditures of residents in the secondary trade area will be spent in Marshalltown.
2. Calculating the average sales yield of retail space in Marshalltown, using an estimated sales yield of \$200 per square foot. This is derived by increasing the current estimated sales yield, \$175 per square foot, by 2.5% annually to account for inflation.
3. Dividing projected local sales by the sales yield per square foot.
4. Assuming that downtown’s retail sales share of the city’s retail sales volume remains at 32%.

This analysis indicates a demand for about 208,000 square feet of additional retail space in Marshalltown. This corresponds to a need of about 66,000 square feet of retail space in the downtown district. This space demand is augmented by new retail facilities and opportunities that can increase market share, as well as other uses that generate commercial space demand, such as housing and office development.

Additional demand could be generated if Marshalltown recovers from its propensity to export retail expenditures in certain retail categories to other markets. The analysis contained in Table 4.7 indicates that Marshalltown experiences a gap of about \$9.7 million below expectations in annual sales for food, specialty stores, and services. If the city were able to recover these “lost” expenditures and maintain growth in its other markets, overall retail space demand increases. With increased competition from large-scale retail facilities on the city’s south side and in other urban centers, growth in these sectors is a logical direction for downtown, since specialty shops tend to be destination businesses. Additional specialty businesses serving Marshalltown’s growing Latino population would also likely thrive in the district. Table 4.13 calculates retail demand based on both increased market sizes and recovery of lost current expenditures, indicating an augmented demand of 256,000 square feet of retail space citywide and 82,000 square feet downtown.

Retail Success Factors

Realizing additional retail space in downtown Marshalltown is predicated on improving the district’s business mix and retail performance. This section examines the array of retail uses in downtown Marshalltown and presents strategies to help the district meet its full retail potential.

The success of downtown Marshalltown’s retail climate can be judged by several factors.

— **People living and working in the area.** While activities such as events and attractions will bring people into the area at certain times, it is the consumers that are in the area every day that will offer the greatest support to retailers. Downtown is relatively central to Marshalltown’s population, allowing it to provide services to a majority of the community’s residents.

TABLE 4.12: Estimated Commercial Space Needs through 2009

	Primary	Secondary	Total
Incremental Sales	\$41,228,654	\$35,997,244	\$77,225,899
Capture Rate	70%	35%	-
Projected Local Sales	\$28,860,058	\$12,599,036	\$41,459,094
Sales Yield/Square Foot	\$200	\$200	\$200
Citywide Commercial Space Demand (SF)	144,300	62,995	207,295
Downtown Share of Retail Increment	32%	32%	32%
Downtown Commercial Space Demand (SF)	45,952	20,061	66,013

Source: RDG Planning & Design

TABLE 4.13: Retail Growth Based on Gap Recovery and Incremental Expenditures

Total Retail Underperformance	\$9,710,000
Potential Incremental Sales from Growth	\$41,459,094
Total Potential Increase after Five Years	\$51,169,094
Projected Sales/Square Foot	\$200
Total Additional Space Potential	255,845
% of Sales Accounted for by Downtown	32%
Potential Additional Downtown Space	81,871

Source: RDG Planning & Design

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- **Traffic, both pedestrian and cars.** Although Main Street’s traffic function is secondary to the city’s major through routes, a large amount of traffic in Marshalltown uses 3rd Avenue, immediately east of downtown and Center Street south of downtown. Thus, automobile access to downtown is generally satisfactory. Pedestrian amenities are largely sufficient in the district, with sidewalks on both sides of every street.
 - **Intensity of retail.** The strongest commercial districts tend to have a variety of retailers, with more than one or two in any one category of retail. Although downtown Marshalltown has a concentration of retail establishments along several blocks of Main Street, many community members indicate that the district’s business mix is inadequate. Thus, downtown Marshalltown has sufficient retail intensity, but an apparent lack of diversity in its retail offerings.
 - **Continuity.** The intensity level of the commercial district is strengthened if the businesses present continuous faces to the consumer. The continuity of retail uses in downtown Marshalltown is quite good in that most consumer commercial businesses are located in the district’s core. Civic facilities, including churches, the city hall, and library, lie on the district’s periphery.
 - **Double-sided retail.** Having continuous retail and commercial operations on both sides of the street helps to increase the intensity of the area. It concentrates the businesses and means that a person using the businesses in the area can see a variety of operations in a relatively small geographic area. Because most of downtown Marshalltown’s retail establishments are located along both sides of Main Street, as well as some intersecting streets, the district fares quite well with respect to this factor.
 - **Safety.** Although safety does not by itself attract people to a commercial district, its lack can be a serious detractor. Areas must not only be crime-free but must also feel safe. While downtown Marshalltown is acknowledged to be a safe place, it can feel less secure because of relative disuse at night.
 - **Anchors.** Marshalltown has only a few retail businesses that function as anchors or destination stores. The district’s furniture stores and restaurants are clear anchors, and represent some of the area’s largest individual establishments. However, downtown lacks a grocery store (aside from ethnic food stores), drug store, or department store. Several community members indicated a need for anchor businesses that could attract additional smaller businesses.
 - **Specialty.** Because there is so much retail development in North America, smaller retail clusters like downtown Marshalltown that want to attract shoppers from beyond the local area usually develop a specialty that distinguishes them from other cities. The retail trade analysis presented earlier in this chapter indicated that Marshalltown experiences

a leakage of specialty retail businesses. In addition, community members suggested a need for additional specialty or destination retail in downtown. The district's increasing number of Latino businesses is another emerging specialty retail niche.

— **Access and Parking.** Like safety, parking is not an attractor, but it can be a detractor. A good supply of parking will never make up for a poor selection of businesses or an unsafe atmosphere. However, the provision of adequate parking and ease of access is important in encouraging customers to come from beyond the immediate neighborhoods. The current amount of parking space is adequate to meet citizen demand. According to our analysis there are a total of 2,574 parking spaces, with a surplus of approximately 200 stalls in the Marshalltown central business district. To ensure the adequacy of parking space any new development should provide most of the new parking needed without drawing from the existing supply.

— **Appearance.** Like adequate parking, an improved appearance will not, in itself, change the business climate in downtown Marshalltown. However, better-looking streets will make the area more appealing to customers. It will encourage them to spend more time in the area as well as making the area more attractive to new businesses. Streetscape improvements along Main Street have enhanced the district's appearance and represent a major public investment in design quality.

— **District Management.** Consistent and convenient business hours, marketing, and special events can help to generate additional traffic in the district and encourage customers to patronize multiple businesses.

— **Building Condition and Investment.** Attractive storefronts and evidence of investment among property owners can also make a district more appealing to customers. In addition, a quality building stock could make a downtown location lucrative to potential tenants and business owners. Adequate and attractive business signage can also be important factors. Public incentives to encourage this investment could be an important component of improving the district's retail climate.

Retail Focuses and Strategies

Based on this analysis this plan recommends the following overall retail strategy for downtown Marshalltown:

— **Specialty Retailing.** Downtown Marshalltown should reduce the export or leakage of retail dollars in specialty retailing areas and expand its role as a specialty retailing district, attracting additional customers from the primary and secondary trade areas, as well as from its tertiary, or visitor market. Building on downtown's furniture and

home furnishings stores with additional “home arts” businesses, such as stained glass, custom woodwork and furniture, galleries, and lighting, could be one specialty retail niche for the district. Arts and crafts businesses, including metal working, stained glass, sculpture, jewelry, and allied crafts, would also be logical businesses for downtown. Image and experiential retailing, such as a bookstore, would also be appropriate. Food and entertainment businesses can also function as destination businesses, including bakeries and gourmet and ethnic food stores. Encouraging additional Latino businesses could also create a unique atmosphere and attract visitors, particularly for dining and specialty food items.

— **Neighborhood/Community Goods and Services.** Downtown should attract additional “basic needs” businesses to serve surrounding neighborhoods. While Marshalltown attracts retail dollars from outside the city in most general retailing categories, its downtown lacks key general retail businesses. New neighborhood-oriented retail businesses could provide additional traffic in the district. The small size of existing storefronts and lack of large unused parcels of land in downtown’s retail core impede development of major anchor stores. However, a drug store, convenience store, or limited general grocery sales could be accommodated in parts of the district.

CONCLUSIONS

This retail market analysis suggests that:

- Slight population and household growth is projected in the primary Marshalltown trade area (within 5 miles of downtown), while slight declines are projected in the secondary area (between 5 and 20 miles from downtown).
- While median household income in the immediate Marshalltown trade area is somewhat lower than in the broader trade area, incomes in the immediate area are projected to increase at a faster rate.
- Marshalltown generally imports retail business—mostly in general retailing sectors. However, the degree to which the city imports retail dollars has lessened over the last several years. This may be attributable to increased competition from large scale retail areas in Iowa’s urban centers.
- Despite a large number of specialty retail businesses in the downtown district, Marshalltown experiences leakages in specialty retail sectors. The city’s eating and drinking establishments are an exception, attracting a large amount of business. This could provide a foundation for increasing sales in other specialty retail categories.

- Consumers in the Marshalltown trade areas spend less on consumable goods and services than consumers nationwide on both essential and discretionary items, except for health care and transportation-related products. However, spending levels generally increase in the broader trade area. Marshalltown's retail sales volume represents about half of the retail expenditures in the combined trade area, indicating that a large potential market exists for additional retail development in the city.
- By 2009, consumer spending will increase by \$41 million in the primary trade area and \$36 million in the secondary area.
- Within five years, a demand will exist for an additional 66,000 to 82,000 square feet of retail and retail service space in downtown Marshalltown and an additional 208,000 to 256,000 square feet in the city as a whole. Because Marshalltown exports dollars spent at specialty stores and commercial service businesses, these store types may be most viable downtown. In addition, specialty shops and other destination businesses tend to thrive in downtown districts. A concentration of these businesses can generate additional pedestrian activity, which can attract other specialty stores. General retail establishments to serve residents of surrounding neighborhoods would also be appropriate in the district.

HOUSING DEMANDS FOR DOWNTOWN MARSHALLTOWN

Residential development can be an important part of a strategic improvement plan for downtown Marshalltown. The district's nearly 300,000 square feet of vacant or nearly vacant upper level space could accommodate as many as 300 apartment units. Downtown's supply of underutilized land could also provide important redevelopment opportunities for housing. This section examines key housing characteristics and quantifies the demand for downtown housing.

Housing Characteristics

Downtown Marshalltown and its surrounding neighborhoods have a larger percentage of renter units than the city as a whole.

Table 4.15 displays housing tenure in Marshalltown, its downtown neighborhoods (from 5th Street to 5th Avenue between Grant Street and Linn Creek), and downtown core (from 3rd Street to 3rd Avenue between State and Church Streets). While Marshalltown's citywide vacancy rate of 6.3% is relatively moderate, the downtown neighborhoods have a 12.6% vacancy rate and the downtown core a 23.6% vacancy rate. About 67% of





the downtown neighborhoods' and 94% of the downtown core's housing units are renter-occupied, compared with only about 30% of all occupied dwelling units citywide. A high vacancy rate at the Tallcorn building likely contributes to downtown's high overall vacancy rate.

Housing costs in Marshalltown are somewhat lower than in other regional communities.

Table 4.16 displays changes in housing cost in Marshalltown and other regional communities between 1990 and 2000. Marshalltown's housing values for owner-occupied dwelling units and monthly rents for renter-occupied units tend to be higher than smaller, rural communities such as Iowa Falls and Tama, but much lower than mid-sized and larger cities, such as Ames, Newton, and Des Moines. Marshalltown's median housing value in 2000 was \$68,000

and median rent was \$375. Marshalltown's owner-occupied housing values increased at a slower rate than most regional communities, while its median rents increased at a faster rate between 1990 and 2000.

Housing Construction Trends

Marshalltown has absorbed about 50 new housing units per year since 1990, over half of which are in multi-family structures.

Table 4.x presents residential construction data for Marshalltown since 1990. Between 1990 and 2004, the city issued building permits for 466 new single-family and duplex units and 402 new multi-family units, corresponding to about 27 single-family and duplex units and 24 multi-family units each year. Annual construction varied over the 15-year period, from 19 units in 1991 to 107 in 2002. About 54% of new dwelling units were single-family and about 46% were multi-family. This suggests a strong market for multi-family units—a positive indicator for future downtown residential development.

Housing projections suggest a need for an additional 1,286 dwelling units in Marshalltown between 2005 and 2025, or an additional 64 units per year. The downtown core could absorb about 89 multi-family units, or 4 or 5 per year.

Table 4.y presents the 20-year housing demand, assuming that Marshalltown will have a population of 28,282 in 2025. This analysis is based on the following assumptions:

- The method used to project annual demands is to compare the number of units

needed in a given year (number of households plus projected vacancy rate) with the number of units available during that year (housing supply during the year less the units that leave the housing supply and must be replaced). Twenty-year demands are based on multiples of the five-year population demand computed in Chapter 1.



- Household size in Marshalltown is expected to remain at 2.44 through 2025.
- The city’s non-household population (people in institutions, group quarters, or nursing homes) does not produce a demand for conventional housing. These forecasts project that the non-household population will remain at its 2000 rate of about 5%.
- Marshalltown’s 2000 vacancy rate of 6.3% will decrease to a more moderate rate of 5.0% by 2025.
- About 20 units per year will be lost of demolition, redevelopment, or conversion to other uses during the 20-year period. This is slightly below the demolition rate experienced during the 1990’s.

This analysis indicates a need for an additional 1,286 housing units in Marshalltown by 2025, representing a need for 64 units per year on average.

Downtown Marshalltown can accommodate a portion of the city’s housing demand through 2025. Table 4.z projects downtown multi-family housing demand based on the following assumptions:

TABLE 4.15: Housing Occupancy and Tenure, 2000

	Downtown Core	Downtown Neighborhoods	City of Marshalltown
Total Housing Units	144	1,171	10,860
Total Vacant Units	34	148	682
Vacancy Rate	23.6%	12.6%	6.3%
Total Occupied Units	110	1,023	10,175
Owner-Occupied Units	7	341	7,128
% Owner-Occupied	6.4%	33.3%	70.1%
Renter-Occupied Units	103	682	3,047
% Renter Occupied	93.6%	66.7%	29.9%

Source: U.S. Census Bureau



- The distribution of new single-family, two-family, and multi-family construction will remain at the proportion experienced between 1990 and 2004—approximately 54% one- and two-family and 46% multi-family.
- Downtown will account for about 15% of the multi-family market generated within Marshalltown. According to Census data, about 6% of the city’s multi-family units were located in the downtown core (from 3rd Street to 3rd Avenue between State and Church Streets) in 2000. However, recent downtown construction trends, increased public support of downtown housing, and increased demand for housing in unique settings could increase downtown’s multi-family capture rate to 15%.

This analysis indicates that downtown Marshalltown could absorb about 89 multi-family units by 2025, corresponding to about 4 or 5 units annually. While owner-occupied housing could comprise a portion of this demand, rental housing tends to be most successful in downtown settings because:

- Upper stories of downtown buildings are generally more easily configured as apartments.
- Federal historic tax credits, which are often critical to financing housing in downtowns, are applied to passive income and can only be used for income-producing properties.
- Logical target markets for downtown housing, such as singles, young couples, and empty nesters, are often most interested in renting.

TABLE 4.16: Comparative Housing Values, Marshalltown and Surrounding Communities

	Median Housing Value			Median Contract Rent		
	1990	2000	% Change	1990	2000	% Change
Marshalltown	\$43,000	\$68,800	60.0%	\$300	\$375	25.0%
Ames	\$72,300	\$125,300	73.3%	\$404	\$532	31.7%
Ankeny	\$70,200	\$123,600	76.1%	\$430	\$525	22.1%
Des Moines	\$49,000	\$79,900	63.1%	\$408	\$468	14.7%
Grinnell	\$54,100	\$85,300	57.7%	\$322	\$357	10.9%
Iowa Falls	\$38,200	\$64,300	68.3%	\$293	\$317	8.2%
Nevada	\$51,500	\$83,800	62.7%	\$331	\$401	21.1%
Newton	\$45,900	\$79,000	72.1%	\$300	\$375	25.0%
Tama	\$33,800	\$59,900	77.2%	\$330	\$359	8.8%

Source: U.S. Census Bureau

- Downtown markets are relatively untested, resulting in conservatism in equity housing

Although pricing of new downtown rental housing should be in the range of \$0.65 to \$0.75 per square foot per month in year 2005 dollars, premium settings can command slightly higher rents. Pricing for owner-occupied housing should be affordable to households at or slightly below the citywide median income, or between about \$100,000 and \$130,000.

TABLE: 4.x: Residential Building Permit Activity, Marshalltown

	Single-Family and Two-Family	Multi-Family	Total
1990	22	0	22
1991	19	0	19
1992	10	42	52
1993	44	68	112
1994	26	38	64
1995	18	24	42
1996	21	3	24
1997	29	52	81
1998	27	32	59
1999	32	12	44
2000	23	0	23
2001	39	12	51
2002	41	66	107
2003	78	12	90
2004	37	41	78
Total	466 (54%)	402 (46%)	868 (100%)
Median	27 (53%)	24 (47%)	51 (100%)

Source: City of Marshalltown

TABLE 4.z: Housing Projections, Downtown Marshalltown through 2025

Cumulative Citywide Need	1,286
% Multi-Family 1990-2004	46%
Citywide Multi-Family Need	592
Downtown Multi-Family Absorption Rate	15%
Downtown Multi-Family Absorption	89
Annual Potential Downtown Absorption	4

Source: RDG Planning & Design

TABLE 4.y: Projected Housing Development Demand

	2005	2006-2015	2016-2025	Total
Population at the End of Period	26,339	27,306	28,282	--
Household Population at End of Period	25,100	26,021	26,951	--
Average People/Household	2.44	2.44	2.44	--
Household demand at End of Period	10,287	10,664	11,046	--
Projected Vacancy Rate	6.04%	5.52%	5.00%	--
Unit Needs at End of Period	10,948	11,287	11,627	--
Replacement Need	-	200	200	400
Cumulative Need	-	747	540	1,286
Average Annual Construction	-	75	54	64

Source: RDG Planning & Design