



The Value of Downtowns: Comparisons

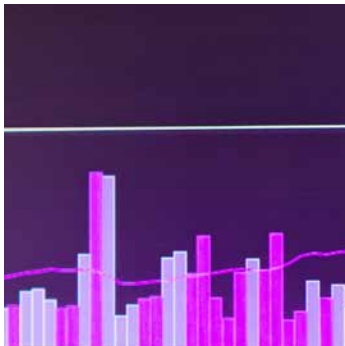
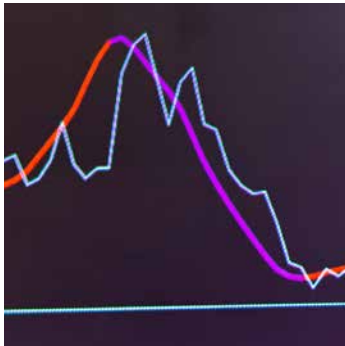
A COMPARATIVE ANALYSIS OF DOWNTOWN RICHMOND, VIRGINIA
A 2022 IDA STUDY

A 2022 PUBLICATION CREATED BY
THE INTERNATIONAL DOWNTOWN ASSOCIATION



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ABOUT IDA



IDA

The International Downtown Association is the premier association of urban place managers who are shaping and activating dynamic downtown districts. Founded in 1954, IDA represents an industry of more than 2,500 place management organizations that employ 100,000 people throughout North America. Through its network of diverse practitioners, its rich body of knowledge, and its unique capacity to nurture community-building partnerships, IDA provides tools, intelligence and strategies for creating healthy and dynamic centers that anchor the well-being of towns, cities and regions of the world. IDA members are downtown champions who bring urban centers to life. For more information on IDA, visit downtown.org.

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Stantec's Urban Places is an interdisciplinary hub bringing together leaders in planning and urban design, transportation including smart and urban mobility, resilience, development, mixed-use architecture, smart cities, and brownfield redevelopment. They work in downtowns across North America—in cities and suburbs alike—to unlock the extraordinary urban promise of enhanced livability, equity, and resilience.

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IDA would like to thank the following individuals for their efforts on the 2022 edition of this project:

Lucy Meade
Lisa Sims

City of Richmond
Richmond Region Tourism



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COMPARATIVE ANALYSIS

Overview

A city's strength and prosperity depend on a strong downtown and center city, which serve as centers of culture, knowledge, and innovation. The performance of districts and center cities strengthens an entire region's economic productivity, inclusion, vibrancy, and resilience.

While the long-term impact of the COVID-19 pandemic remains to be seen, in the short-term, the significance of the downtown and how it intertwines with the rest of the city and region has never been more apparent. Many of the hardest hit industries –retail, food, entertainment, tourism, arts and culture, and nonprofit organizations –are most visible downtown and make a downtown so compelling. Despite a slow return to office, it is these very sectors that have recovered the fastest and are accelerating the return of a strong citywide economy.

The city's traditional central business district and the state's governmental hub, downtown Richmond has established itself as a fast-growing and vibrant cultural center for the region. Downtown is home to 9.4% of the city's residents, a large share compared to most downtowns. Downtown Richmond's real estate market was ahead of the curve converting office properties to residential and hotel uses, a concept that has become popular recently as downtowns nationally explore their post-COVID-19 futures. These conversions, which were facilitated by federal and state historic tax credits and local tax abatement programs, have helped lend new life to unique historic building stock, catalyzing the revitalization of downtown while preserving its identity. This new housing stock in downtown has allowed the residential population there to explode, from 9,800 in 2000 to 21,600 in 2020, a 120% increase.

This astounding residential growth has not diminished downtown's concentration of jobs. 50% of Richmond's jobs are located downtown, about 77,000 in total. Downtown is also home to 40% of the city's creative jobs, and almost 60% of the city's knowledge industries employment.

During the COVID-19 pandemic, the most resilient downtowns were the ones with a diverse environment of residents, jobs, and amenities, the quintessential trio of live, work, and play. As the long-term impacts of the pandemic are still being assessed, it is clear that downtown Richmond can in many ways be a model to its peers.

Methodology

IDA matched the study area for this report as closely as possible with the boundary used for the prior 2020 *Value of U.S. Downtowns and Center Cities* report. IDA worked closely with Venture Richmond to define that study area and align it to census block group boundaries for ease of incorporating publicly available data from the U.S. Census.

Demographic data used in this report extends to 2020, but jobs data used predates the COVID-19 pandemic. Real estate and retail figures generally date to 2022.

This comparison assesses how downtown Richmond performs in key metrics across the principles of economy, inclusion, vibrancy and resilience. It compares downtown to its peers using three distinct approaches:

1. Comparisons Peers

Downtown Richmond's peer group includes the downtowns in Birmingham, Cleveland, Indianapolis, Tampa, and Pittsburgh. These comparisons peers represent downtowns in our *Value of U.S. Downtowns* database closest to downtown Richmond in population, jobs and density. These downtowns are also very similar in size, with all but Indianapolis measuring between 2.7 and 3.2 square miles, which lends to their comparability. Indianapolis' larger area at least partially explains its lead in several metrics.

2. "Established" Tier

The *Value of U.S. Downtowns and Center Cities* study uses the collected data to identify three tiers of districts, defined by their stage of development. Richmond falls into the "Established" tier. *Established* downtowns contain high portions of their cities' jobs and residents, are dense and highly valuable to their cities. While downtown Richmond has less size and density than many *established* downtowns, its share of city jobs and residents makes it a clear fit for this tier.

3. All Value of Downtowns Participants

IDA has conducted its *Value of U.S. Downtowns and Center Cities* analysis for more than five years. To date, the study has collected extensive data on 45 downtowns and commercial districts across the country, creating the basis for this comparisons report. The full list of downtowns and their tier classification appears in the Appendix.

The Value of Downtowns Principles

ECONOMY



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

INCLUSION



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

VIBRANCY



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

IDENTITY



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

RESILIENCE

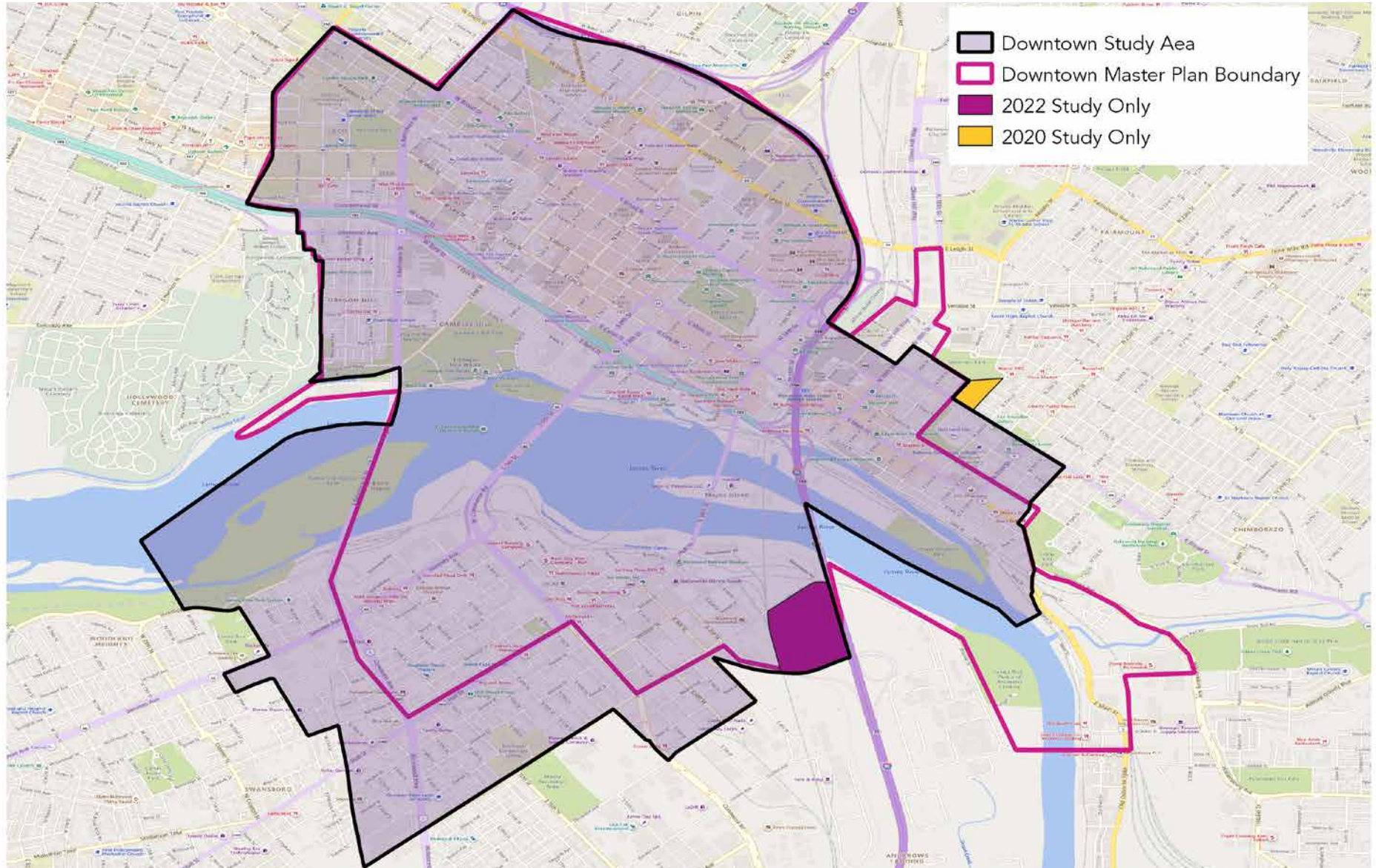


Resilience, broadly defined, represents a place's ability to withstand shocks and stresses. Because of the diversity and density of resources and services, center cities and their inhabitants can better absorb economic, social, and environmental shocks and stresses than their surrounding cities and regions.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

KEY POINTS

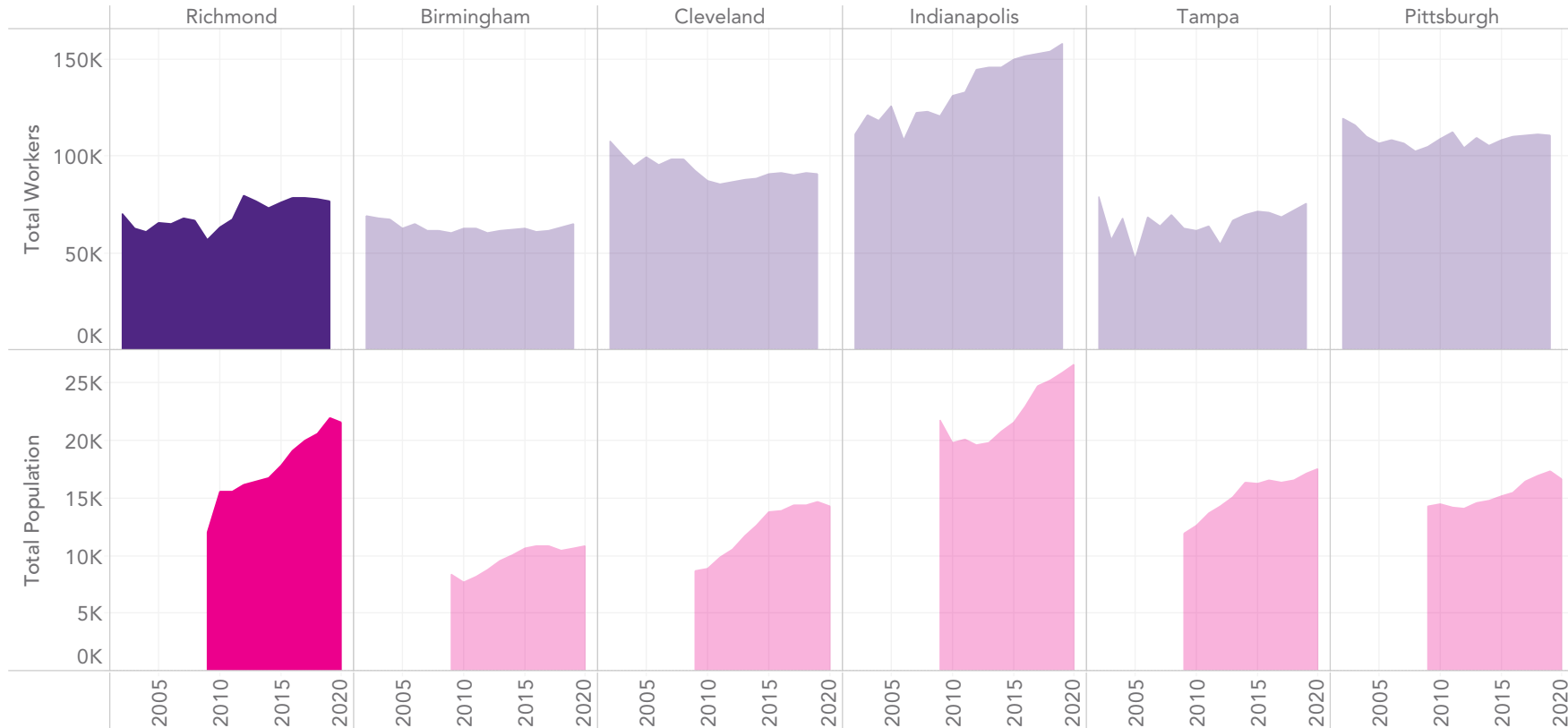
- Downtown Richmond fits well within these peers, it is near the average on many metrics but stands out noticeably in others, such as residential growth and assessed value per square mile.
- Conversion of office properties to new uses such as residential and hospitality, a popular topic nationally, has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

Study Area



Note: Study area boundaries are based on the most up to date U.S. Census tract and block group boundaries at the time of the study.

Study Area Worker and Resident Population Change



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

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

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

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

Economy

Downtowns play a central role in the regional economy due to their concentration of employment, commercial real estate, and tax-revenue generation. The average downtown represents about three percent of all citywide land but contains one-quarter of a city's jobs, contributes 17% of property tax revenue, and commands the city's highest commercial real estate values per square foot.

Employment	Downtown Richmond	Comparisons Peers Average	Established Average	Study Average
Growth in employment (2002-2019)	9%	3%	18%	19%
Citywide jobs	50%	36%	40%	24%
Citywide knowledge jobs	57%	40%	44%	29%
Citywide creative jobs	40%	43%	43%	32%
Residents 25+ holding a bachelor's degree or higher	61%	53%	57%	50%

Source: LEHD On the Map (2019), American Communities Survey 5-year estimate (2020)

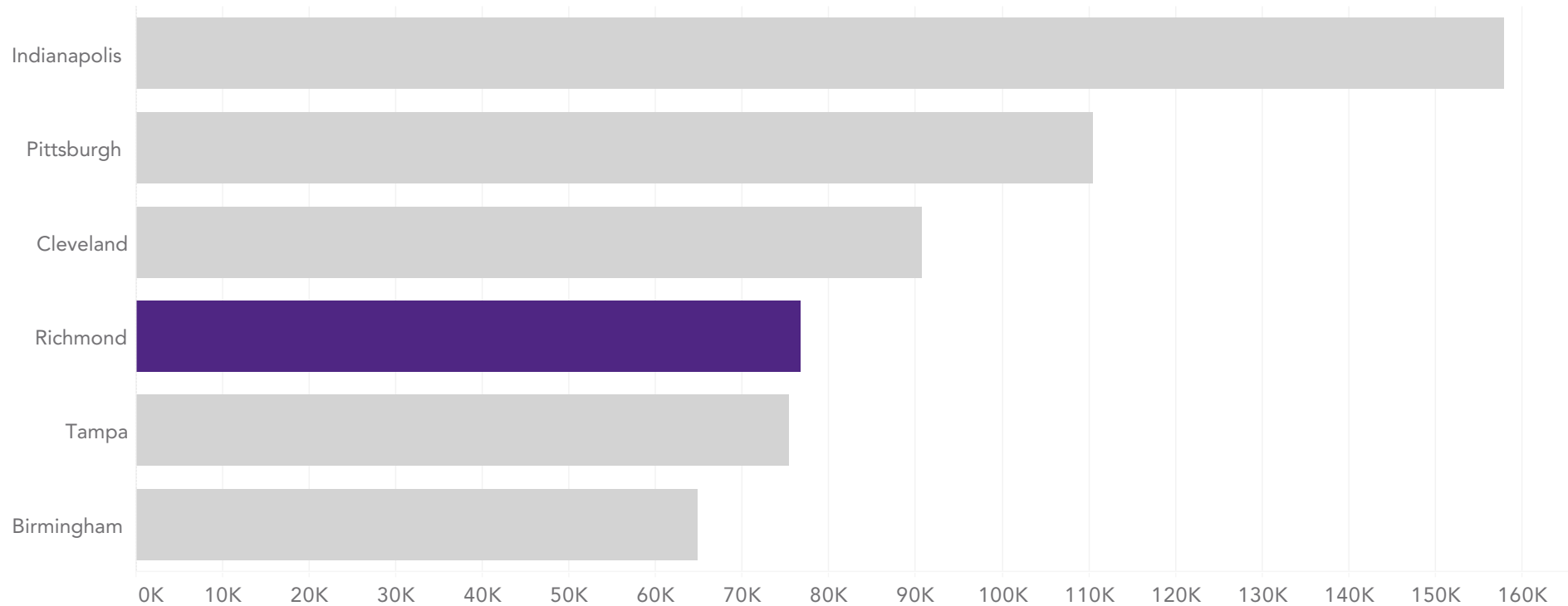
Many jobs are concentrated in downtown Richmond, especially in knowledge and creative industries, despite somewhat slow growth in the past two decades.

Overall, since 2002, job growth in Richmond has been strong. At 9%, its job growth is three times faster than the comparisons peers average. It is also much higher than citywide job growth of 3% in that time frame. Even as Richmond has shown explosive residential growth downtown, downtown is still home to half of all jobs in the city, a high share even compared to other established downtowns.

During the Great Recession, jobs in downtown Richmond were hard hit, but employment grew rapidly in the years immediately after, and downtown has more than recovered since then. This stands out among the comparisons peers, many of which have still not recovered to early-2000s employment levels downtown.

Downtown's residents have a high level of educational attainment, well above that of its peers. Downtown also concentrates high shares of Richmond's knowledge and creative industry jobs. Downtown Richmond's 57% of citywide knowledge jobs is not just top among these peers, it is also fifth highest of all study downtowns. The only study downtowns with a higher share of their city's knowledge jobs are Seattle, Albuquerque, Grand Rapids, and Minneapolis.

Downtown Primary Jobs



Source: LEHD On the Map (2019)

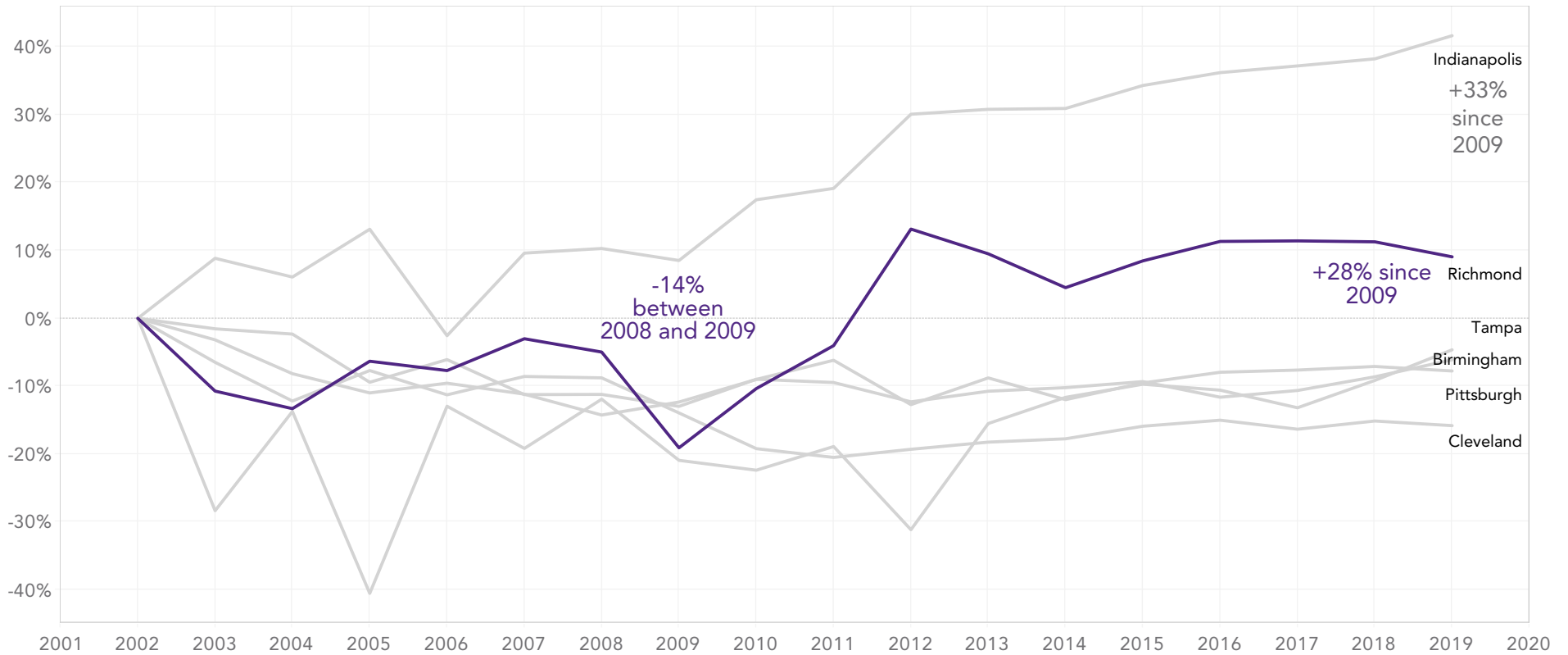
Downtown Richmond employment has stayed in the middle of the pack in recent years.

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

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

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

Percent Job Growth Since 2002



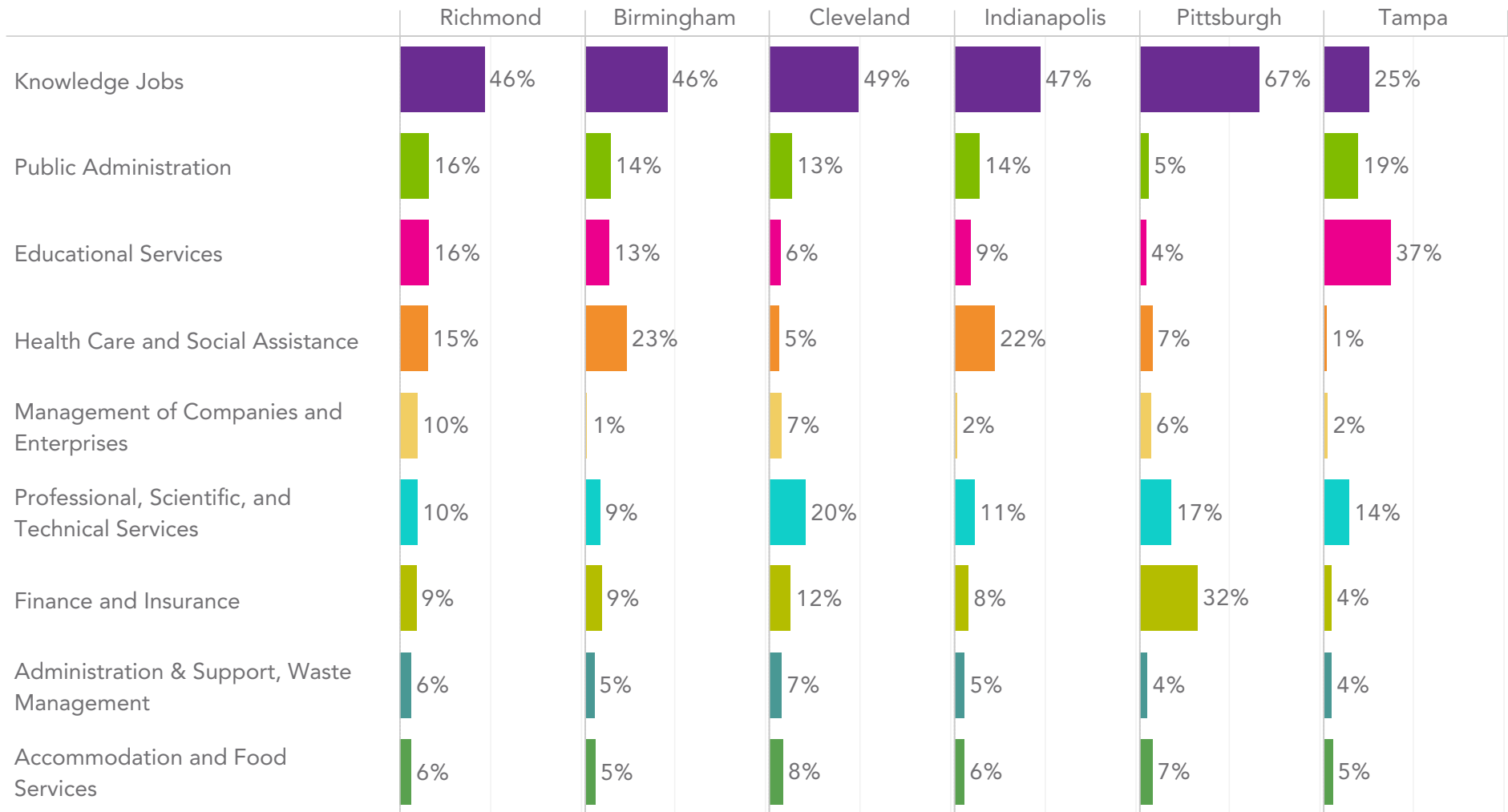
Source: LEHD On the Map (2002–2019)

Employment downturn grew rapidly after the Great Recession but stayed flat in the second half of the 2010s.

Downtown Richmond was hit much harder than its peers by the Great Recession; by 2009 downtown Richmond had the fewest jobs of any downtown in this set. Between 2009 and 2012, primary employment downtown increased by almost 40%, catapulting Richmond's downtown employment from the bottom of its peers to the middle, before stabilizing at slightly lower levels.

Shown above, Richmond's growth in employment of 28% since 2009 is topped only by Indianapolis' growth of 33%. Job growth across most US downtowns, including Richmond and most of its peers, has been relatively flat in more recent years.

Percentage of Downtown Primary Jobs in Top Industries



Source: LEHD On the Map (2019)

Downtown Richmond has a similar share of knowledge jobs to its peers, but unlike them has a more balanced group of employers.

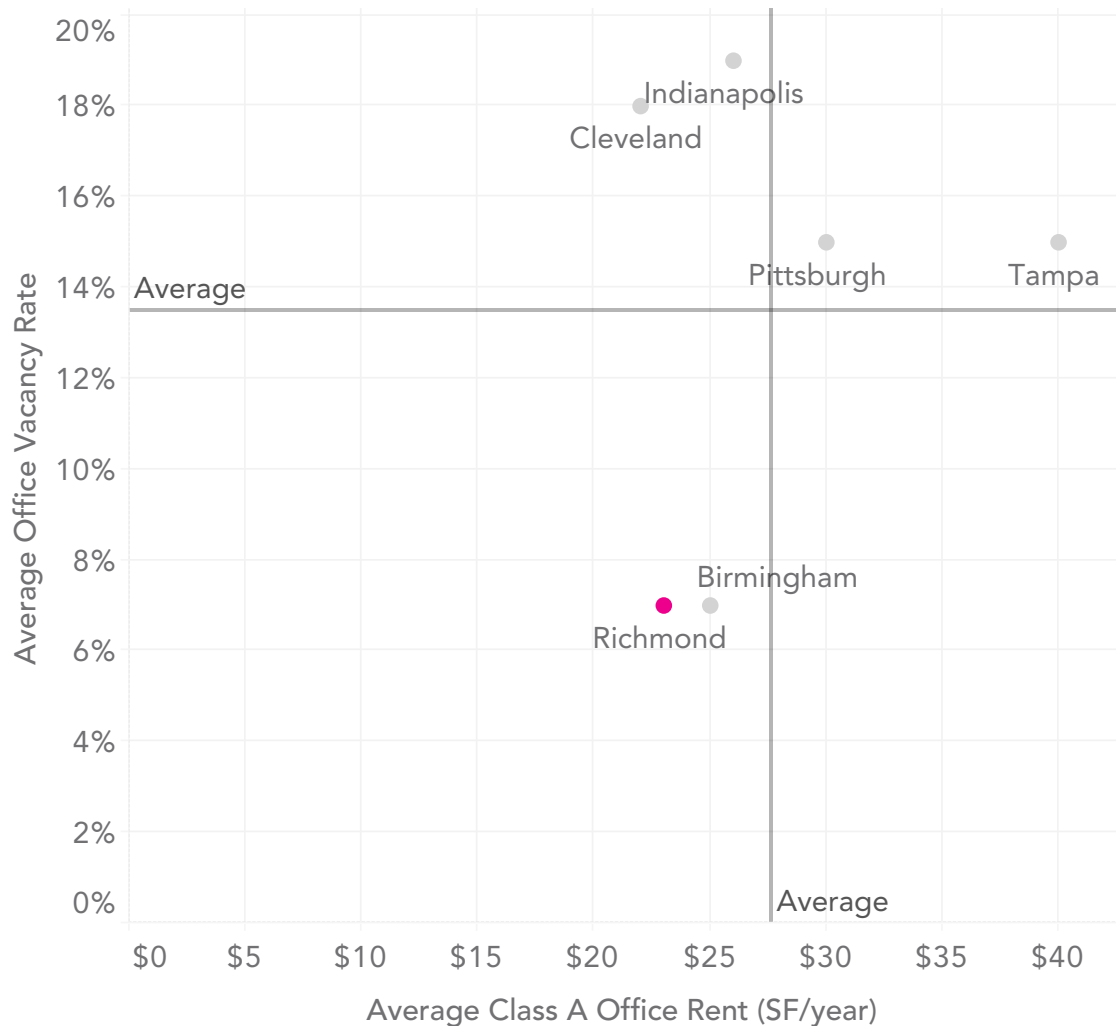
Richmond has a very balanced and diverse set of employers downtown, with five different sectors providing at least 10% of the downtown employment base. This contrasts with its peers, each of which have at least one disproportionately represented sector that downtown employment is reliant on. This diversity of employment, including the traditionally stable sectors of public administration, educational services, and health care/social assistance—Feds, Eds and Meds—lend downtown Richmond a degree of economic resilience as it navigates COVID-19 recovery.

Just under half of downtown jobs are in the knowledge industries. Downtown Richmond is also where over half of Richmond's jobs in the knowledge industry are located. This industry includes finance, insurance and real estate, management of companies and enterprises, professional, scientific and technical services, information, and health care/social assistance. Most of Richmond's peers have a similar share of jobs downtown in the knowledge industry, except Tampa, which has a much lower share, and Pittsburgh, which is much higher due in large part to a substantial Finance and Insurance industry located downtown.

Among the top five industries in downtown, the only sector which Richmond has a greater share than any of its peers is Management of Companies and Enterprises. This industry expanded suddenly downtown just over a decade ago, when employment in that sector doubled between 2011 and 2012. Today downtown houses almost 75% of all citywide jobs in Management of Companies and Enterprises. This sector includes professions such as legal occupations, engineering, and architecture. It also includes services which some firms may perform in-house, such as accounting, sales, and secretarial professions.



Office Rent and Vacancy (Most Current Data Year)



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

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

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

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

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

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

Assessed property values downtown are average across all study downtowns, but well above Richmond's peers

Downtowns are strong concentrators of density and high property values, and as a result, downtown is usually where the most expensive real estate in a city can be found. Downtown Richmond is no exception to this rule as the assessed property values downtown are just over \$3 billion per square mile. This value is about on par with the study-wide average of \$3.3 billion per square mile, though it is less than half of the average among established downtowns: \$7.7 billion per square mile. However, downtown Richmond has the highest assessed value per square mile of any of its peers, fully double the peer downtown's per-square-mile average of \$1.5 billion.

Downtown Richmond also has a very high share of city-wide assessed real property value compared to its comparisons peers. 27% of all real estate value in Richmond is located downtown, compared to an average of 18% among the comparisons peers. By this metric, downtown Richmond is still about double the study average, and much closer to other established downtowns.

	Downtown Richmond	Comparisons Peers Average	Established Tier Average	Study Average
Assessed value per square mile	\$3,068,340,313	\$1,518,784,053	\$7,717,360,779	\$3,283,769,267
Citywide assessed value	27%	18%	36%	14%

Sources: Richmond TBD; and assessor's office in each UPMO partner county or city



Inclusion

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

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

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

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

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

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

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

Downtown Richmond is continuing its strong population growth and outperforms most of its peers.

Between 2010 and 2019, downtown population grew by about 42%, before dipping slightly in 2020. While still extremely strong, this represents a slight deceleration from the 2000s, when downtown population increased by almost 60%. Despite the small decrease in population in 2020, downtown Richmond shows a strong overall trend, while downtown residential growth among many of Richmond's peers has leveled off in recent years. Today, there are 21,600 residents downtown, second highest in this peer set after Indianapolis, which has 26,600 downtown residents.

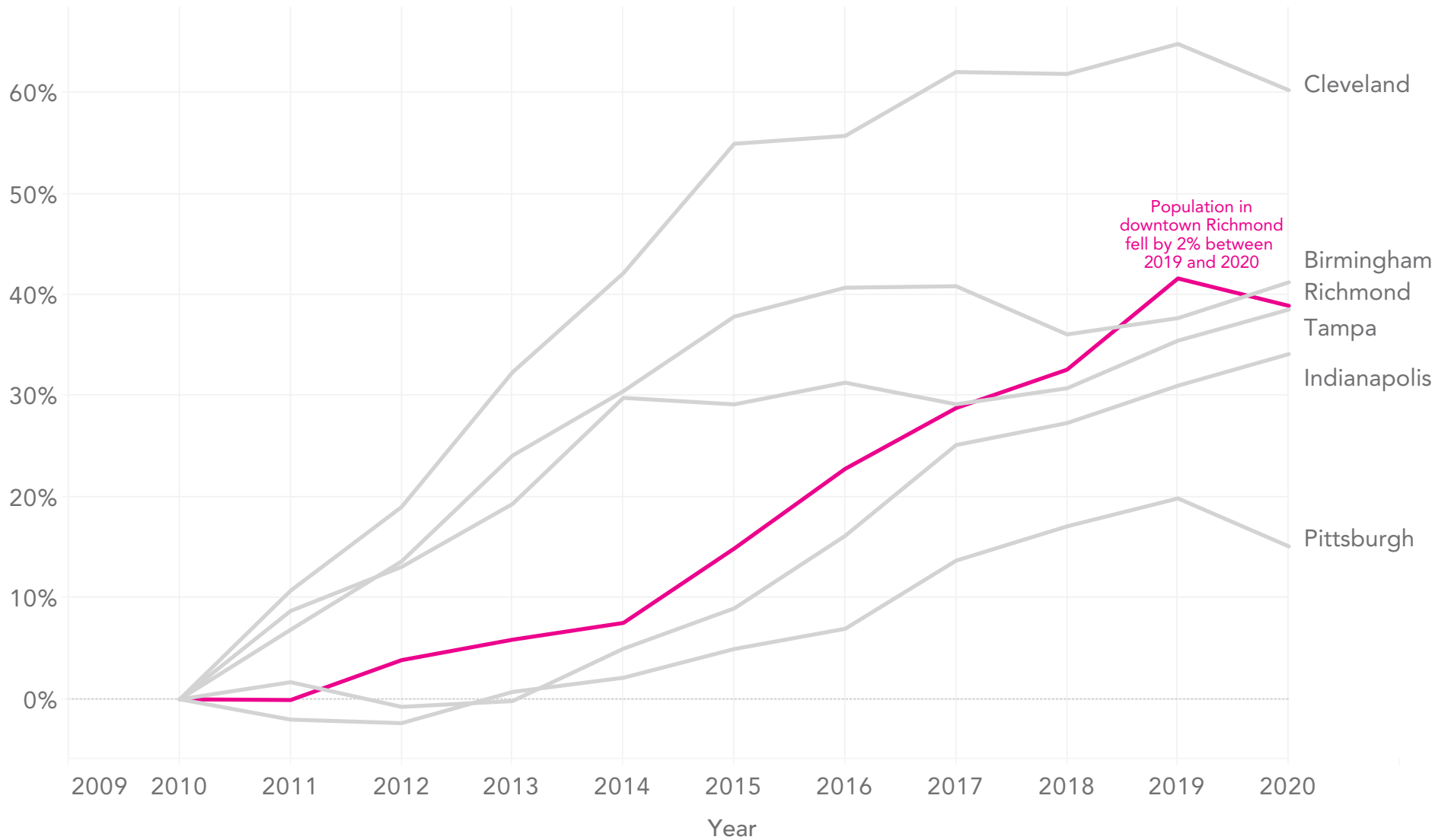
Downtown Richmond's relative growth since 2010 was second highest among its peers until a small population drop in 2020 negated some prior growth. This drop was concentrated in the 18-24 age group, which shrank by more than 600 downtown in 2020, possibly due to the impacts of virtual learning on the college-aged population. As 2020 is currently the most recent census data available, it remains to be seen if this dip was a transitory COVID-19 impact, or the start of a more lasting trend.

Downtown Birmingham is now the second highest in relative growth among these peers. In Birmingham, downtown population had stalled just under 11,000 in 2016, but has been growing again in more recent years. Downtown Cleveland has increased its population by the greatest percentage of the peer set since 2010. But at about 14,250 Cleveland's current downtown population is much lower than Richmond's.

Downtown Richmond's continued population growth has put it on the leading edge of downtowns which are striving to transition from a traditional office-centric downtown to a live, work, and play environment.

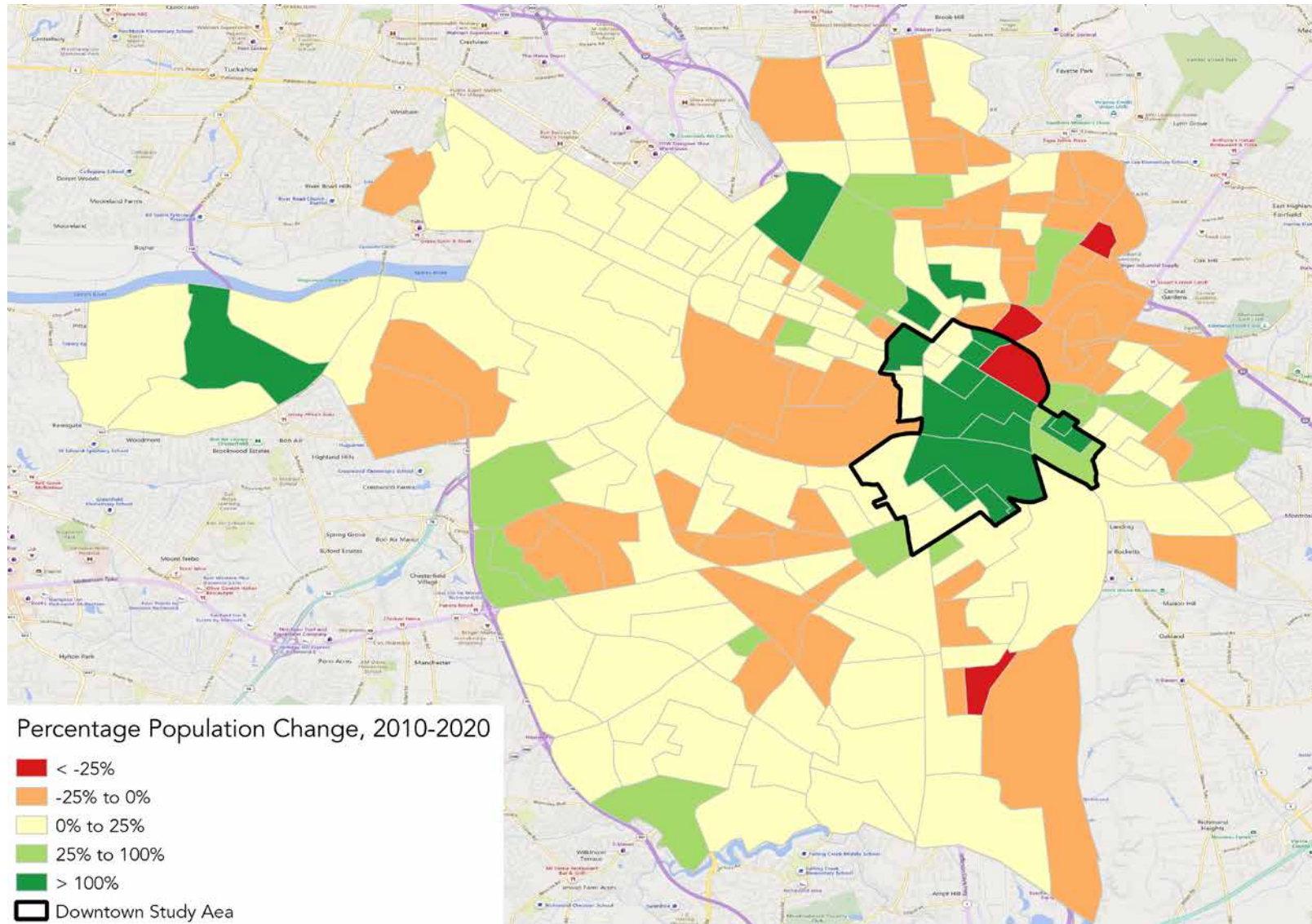


Relative Population Growth since 2010



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

While citywide population growth has been slow, dramatic growth has occurred downtown



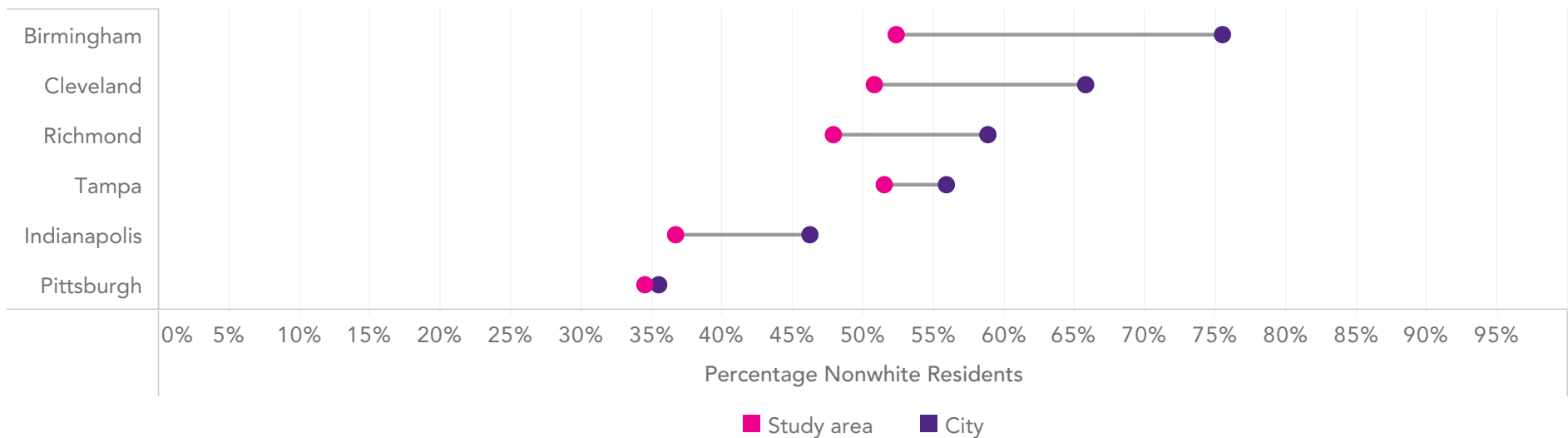
Source: American Community Survey 5-Year Estimates (2010–2020)

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

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

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

Percentage of Nonwhite Residents, Study Area and City Comparison



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

Both rents and home prices downtown are more affordable than peer average.

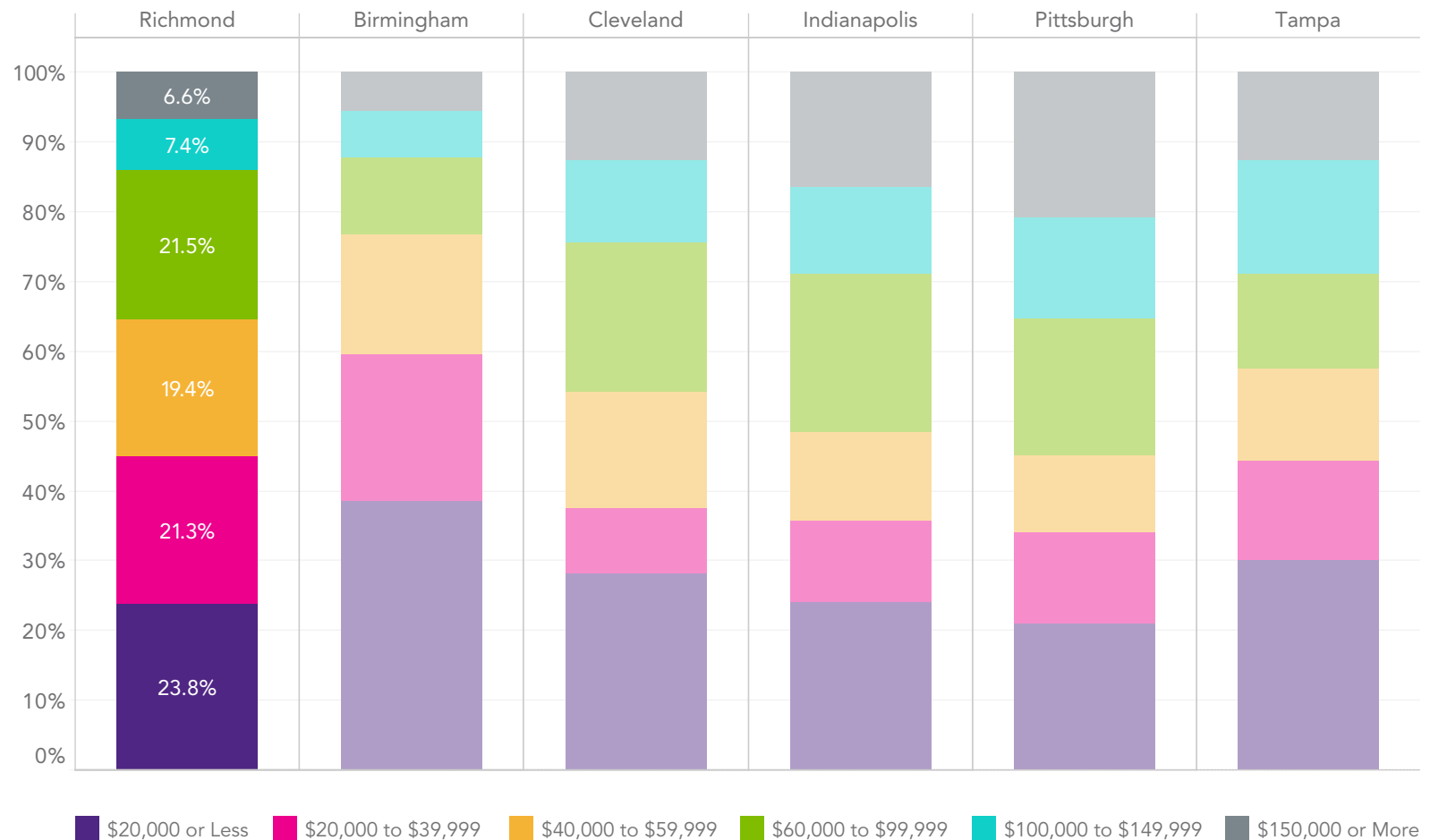
In downtown, both median gross rents and median home prices are lower than the comparisons peers average, indicating that downtown Richmond is staying more affordable and accessible than its peers even as its population continues to rise. This is especially important to downtown Richmond, as among these peers it has the second lowest median household income of the peer group. In downtown Richmond, 14% of housing units are owner-occupied, close to the peer average of 16%, but notably below the study-wide average of 21%.

Though downtown rents may be lower than the comparisons peers average, affordability is still a concern in Richmond, as it is in many cities, and downtown is no exception. A 2022 report by the nonprofit Reinvestment Fund performed a market value analysis on the Richmond area. This report analyzed Richmond's residential sales market, and classified the area into nine zones, labeled from A to I, with A being the most expensive in median home price, and I being the least expensive. In 2017, the Value of Downtowns study area in Richmond showed a mix of classes, from B, the second highest, to G, the third lowest. In 2022, the Reinvestment Fund report mostly classed the downtown area as B, the second most expensive areas in the city, though still more affordable than neighborhoods on the eastern periphery of the city. This indicates that while downtown Richmond may not be as expensive as some of its peers, affordability is still a growing concern downtown, as it is nationally and in many other study downtowns. Shortage of affordable homes may also push residents to move out of downtown to seek home ownership.¹

RESIDENTS	Downtown Richmond	Comparisons Peers Average	Established Tier Average	Study Average
Median household income	\$46,489	\$52,148	\$70,322	\$53,555
Median gross rent	\$1,182	\$1,202	\$1,524	\$1,218
Median home price	\$226,497	\$286,243	\$464,459	\$389,785
Owner-occupied units	14%	16%	25%	21%

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

Percent of Households by Income



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

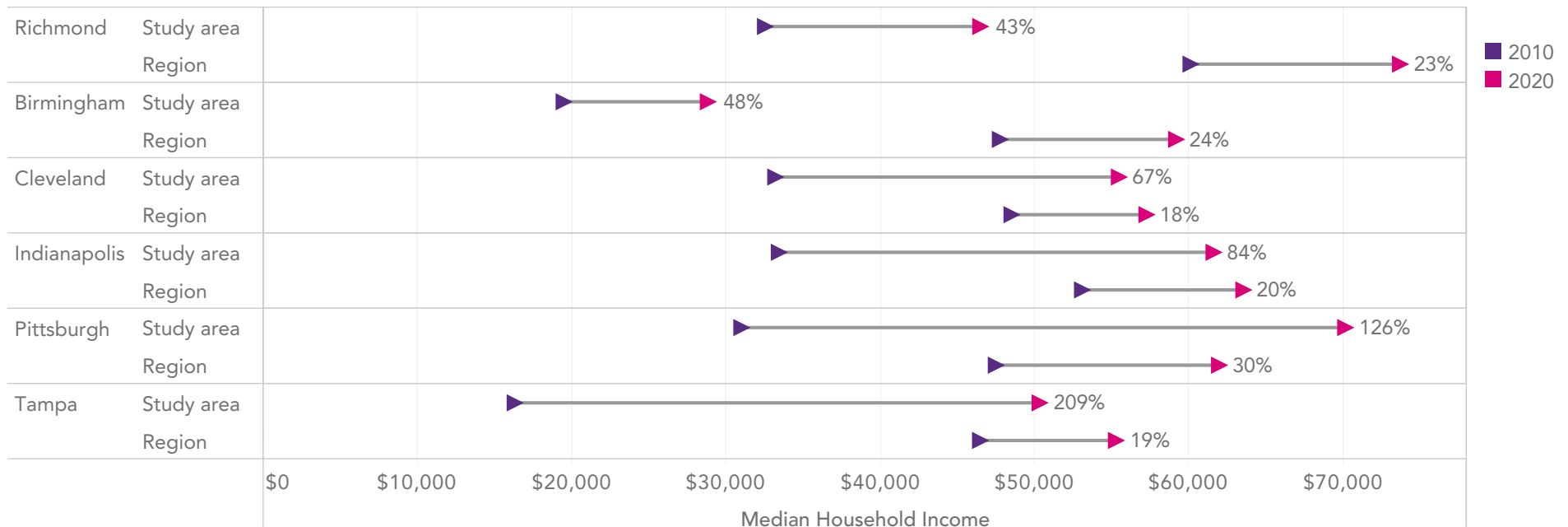
Downtown has the largest share of middle-income households of its peers, but a comparatively small share of high-income households.

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

Incomes in downtown Richmond are rising much faster than the region, but not as quickly as in peer downtowns.

At \$46,500, median household income in downtown Richmond is significantly lower —45% less —than region-wide median of \$73,700. Only Birmingham, where downtown median household income is 69% lower, has a greater gap between region and downtown household incomes. Notably, Pittsburgh is the only city of these peers where median household income is higher downtown than it is regionally. But income for downtown residents is also increasing much more quickly than in the region. Since 2010, median household income has risen by 43% to the region's 23%. This may indicate that as downtown's population continues to grow, those who are moving downtown have better than average incomes. This is not an uncommon trend among Richmond's peers however, and in fact median household incomes are rising faster in all the peer downtowns than in downtown Richmond. Tampa and Pittsburgh have the highest downtown income growth, with 209% and 126% increase since 2010 respectively.

Household Income Over Time Study Area and Region



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

Rent Growth Over Time Study Area and Region

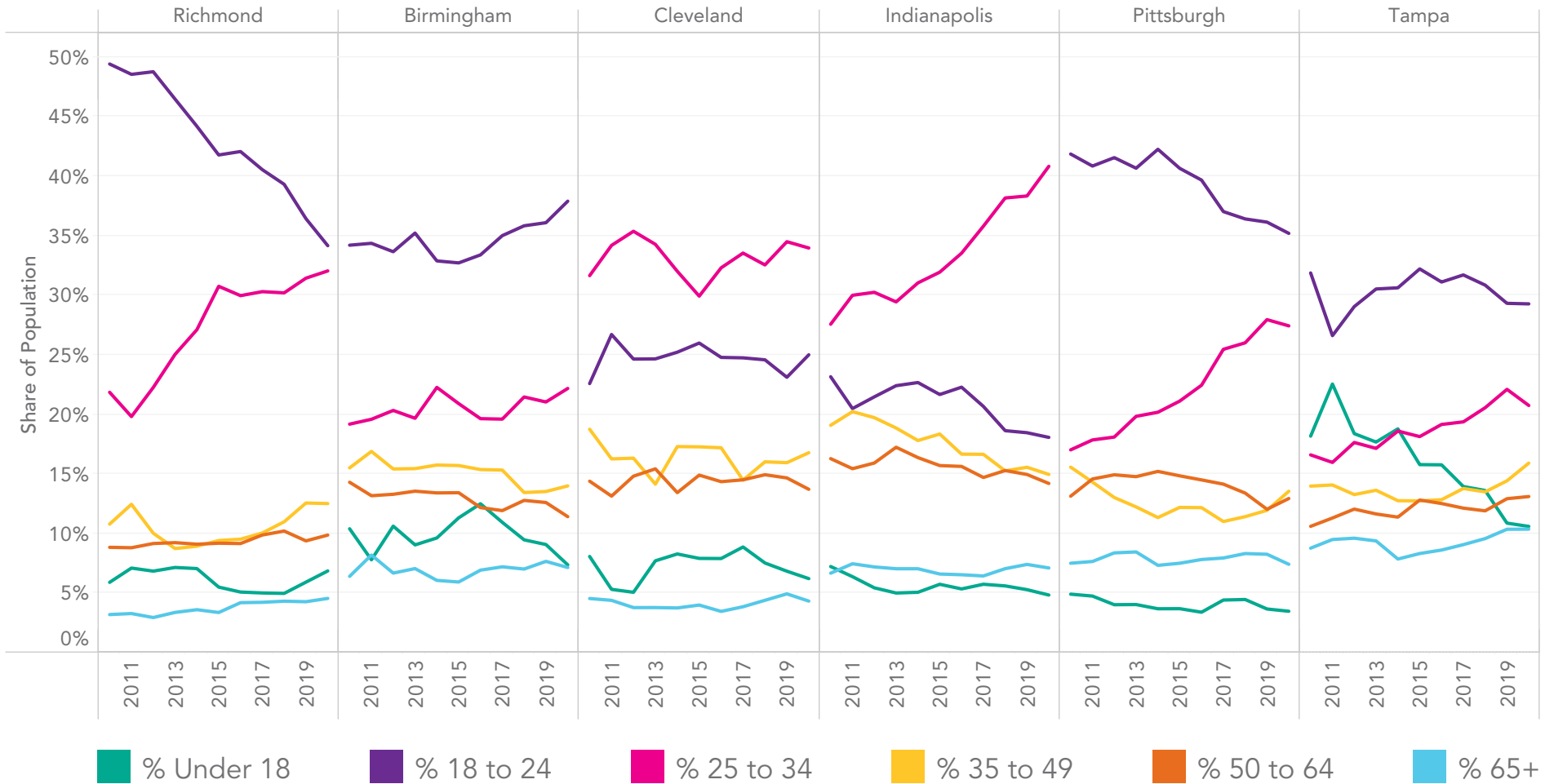


Source: American Community Survey 5-Year Estimates (2010, 2020)

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

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

Percent of Residents by Age Over Time



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



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

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

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

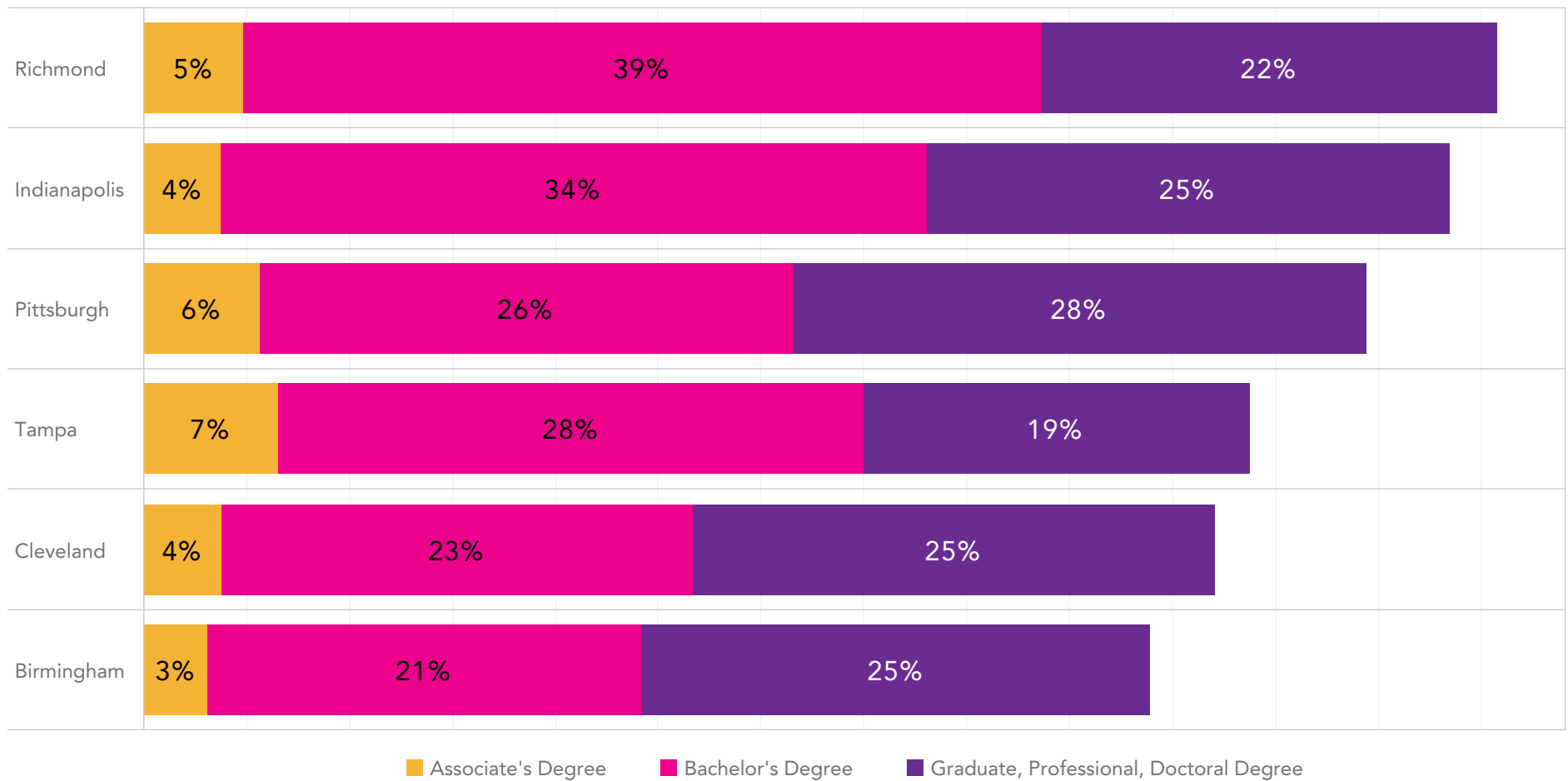
This trend stands out in downtown Richmond, only Pittsburgh displays a similar, though far less pronounced, trend of retaining younger adults. Though downtown Richmond is definitively on top when it comes to attracting young residents, it is worth noting that in all the peer downtowns, including downtown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

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

Downtown Richmond has the highest educational attainment among its peers.

Two-thirds, 66% of downtown Richmond's residents over 25 have a post-secondary degree, higher than any other downtown in this study. Downtown Richmond also has the highest share of residents with a bachelor's degree among this set. Nationally, 48% of individuals over 25 have attained a degree beyond high school level, meaning downtown Richmond is not only above its peers but far above average levels of educational attainment among its residents. This data reinforces the idea that downtown Richmond has many residents who came for college but have decided to stay due to the environment and/or proximity to work.

Percent of Residents by Education



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

Vibrancy

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

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

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

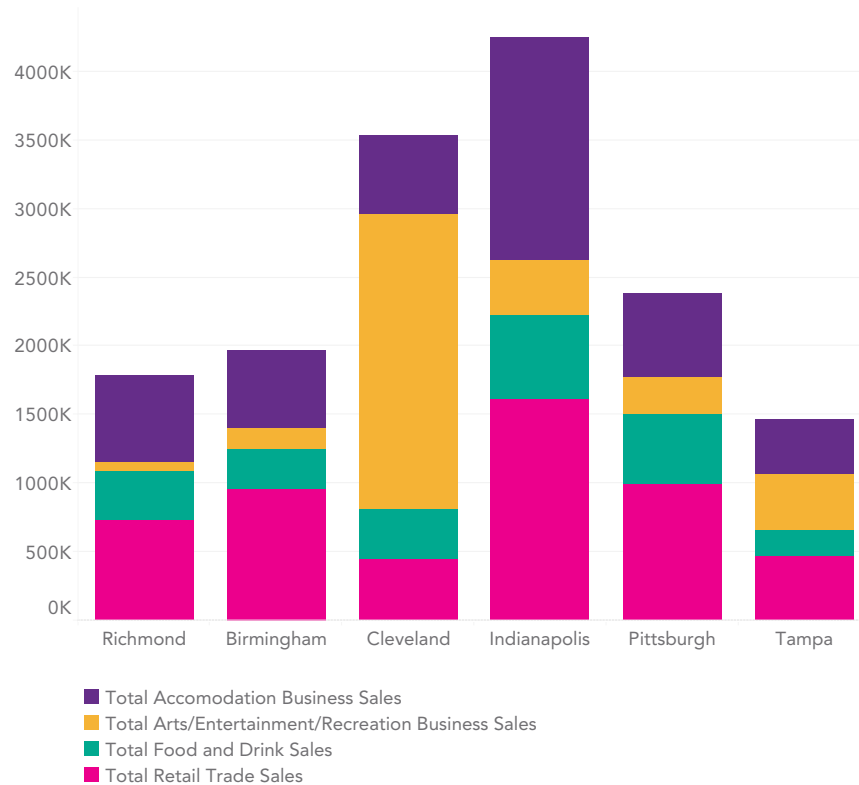
Overall, though downtown's share of citywide sales is high compared to its peers, total retail sales and businesses measured on a per square mile basis in downtown Richmond are about average for the comparisons peers. In both retail businesses and sales per square mile, the entire group is far below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

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

Source: ESRI Business Analyst Online (2022)

Note: Figures in parentheses indicate change from 2020 U.S. Value of Downtowns and Center Cities – Richmond report.

Downtown Business Sales in Selected Categories

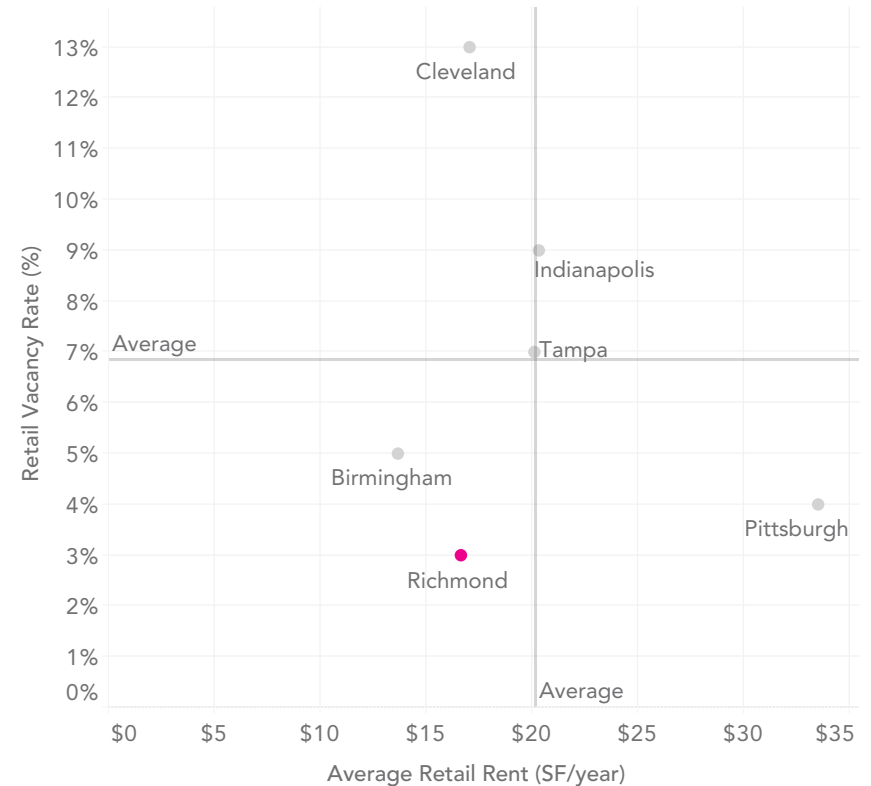


Source: ESRI Business Analyst Online (2022)

Downtown's retail market is below that of most of its peers in total sales.

Downtown Richmond's total sales across four categories: retail trade, food and drink, accommodations, and arts/entertainment/recreation is among the lowest of the peer set. As shown above, accounting for just retailers and food & drink serving establishments, downtown's total sales and sales per square mile are about average, but overall downtown Richmond's retail environment is a slower than most of its peers, despite being a significant share of Richmond's city-wide sales overall.

Retail Rent and Vacancy (Most Current Data Year)



Sources: CoStar Group (2021-2022), Downtown Cleveland Alliance (2021), Cushman & Wakefield (2022), Colliers (2022), City of Tampa (2021)

Downtown Richmond's retail real estate environment shares some similarities to the office market.

Downtown Richmond's retail vacancy rate is the lowest among its peers, at just 2.7%. This data from CoStar indicates that there is not a glut of empty storefronts like some downtowns have reported experiencing. In fact, this vacancy rate has fallen by about half, down from the 5.3% vacancy rate the same source provided for our 2020 report. Similar to downtown Richmond's office market, retail rental rate figures are slightly below the mean, despite these very low vacancy rates. However, it should be noted that retail asking rents downtown are not far from most peer downtowns, only Pittsburgh is clearly above the rest of the group.

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

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

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

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

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



Resilience

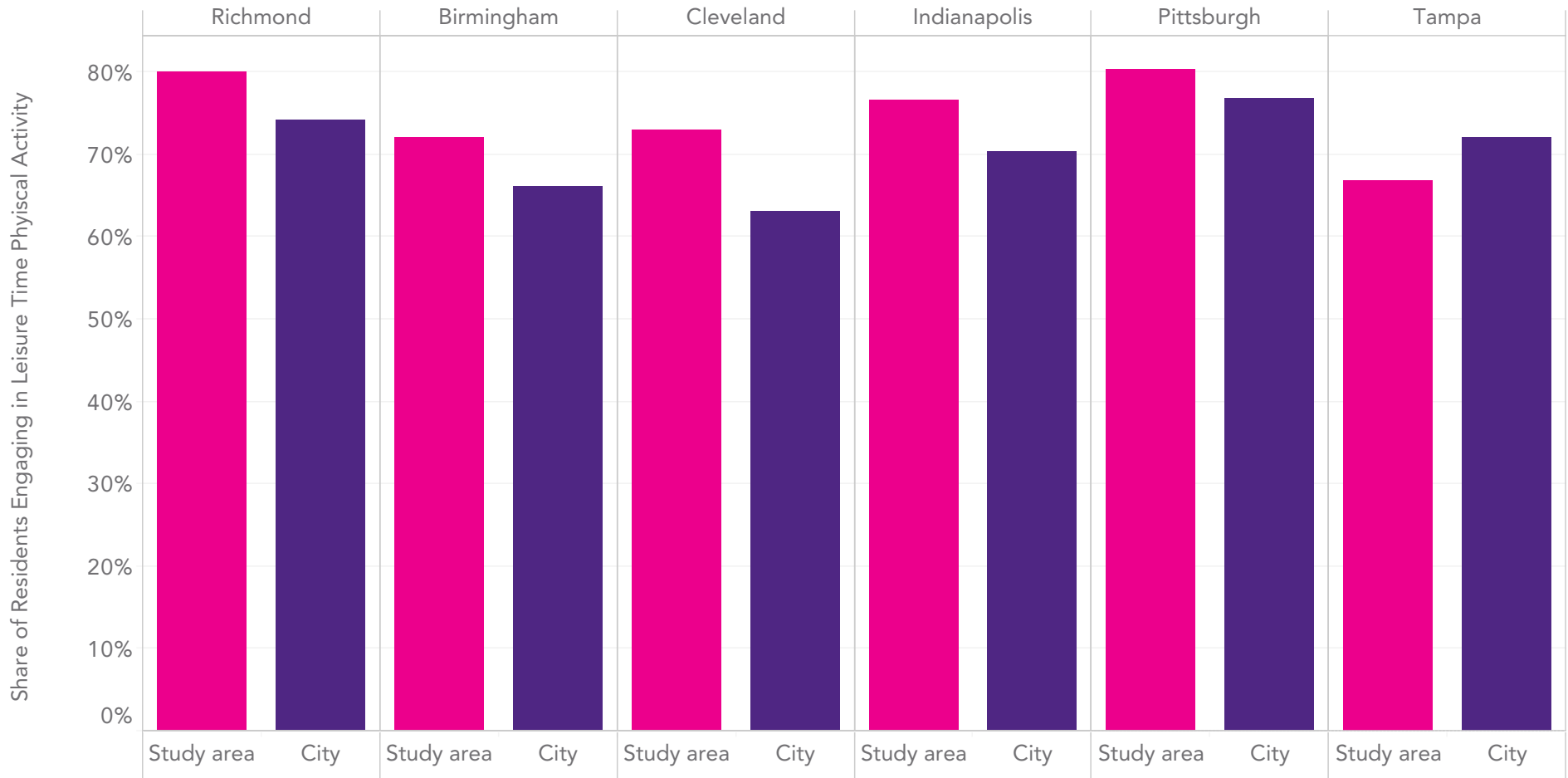
The mixed-use nature of a downtown puts residential and commercial uses alongside each other, connected by a variety of mobility options.

Downtown Richmond's residents are more active than most of their peers.

Richmond and Pittsburgh are the two most physically active downtowns in this set, with 80% of residents in these two downtowns reporting regular leisure time physical activity. This number puts Richmond just outside the top fifth of all study downtowns in physical activity, in addition to being a leader in this peer group. This trend may be partially attributable to the large share of young people living downtown, and the many outdoor recreation choices in and around downtown Richmond. These factors also contribute to the strength in life expectancy downtown, shown on page 33.

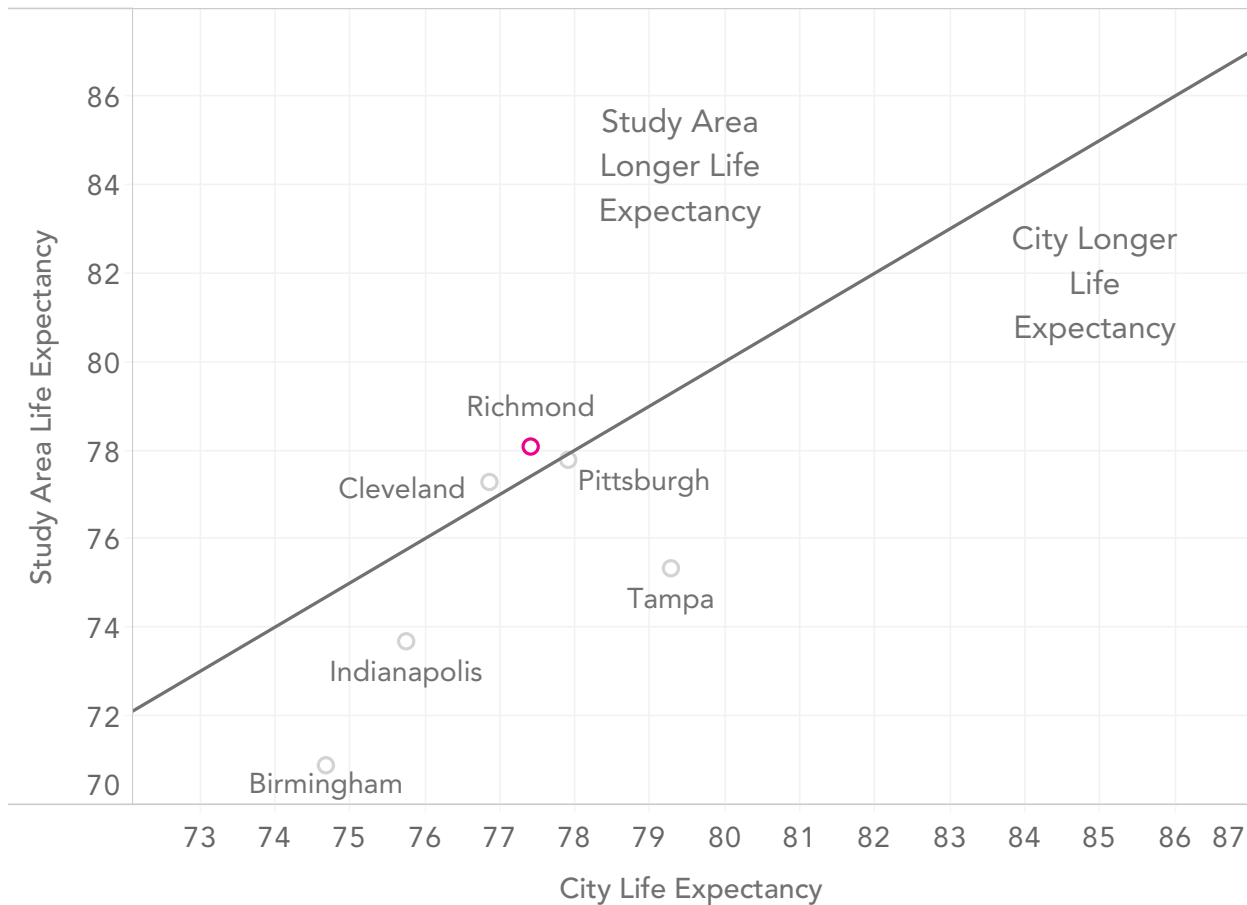


Leisure Time Physical Activity Study Area and City



Source: Centers for Disease Control (2021)

Life Expectancy of Downtown Compared to the City



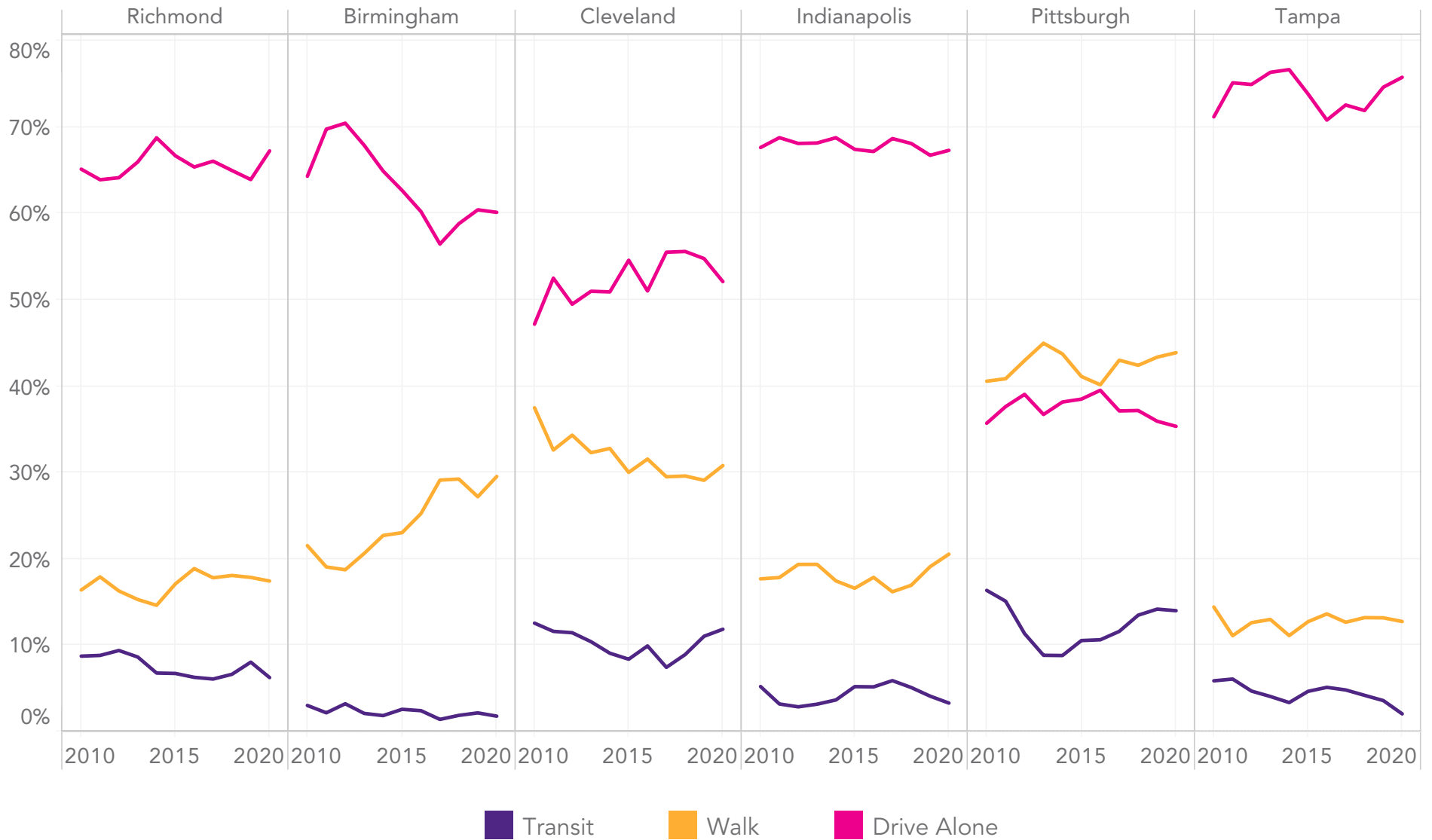
Life expectancy in downtown Richmond is higher than any peer downtown.

Measuring life expectancy can provide a good route to discuss an area's health and by extension, resilience. Life expectancy can vary dramatically even by geographies as small as a census tract or ZIP code, due to a number of environmental factors.

At 78.1, average life expectancy for residents of downtown Richmond is higher than any of its peers. Life expectancy in downtown Richmond is also higher than the city overall, a trait shared only with Cleveland in this peer set, and just a small handful of downtowns throughout the study, including Norfolk. One explanation for the high life expectancy downtown is the high levels of physical activity compared to citywide counterparts.

Source: Robert Wood Johnson Foundation (2018)

Resident Commute by Mode



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



Downtown commute patterns have changed little since 2010; among peers Richmond is on the higher end of driving commuters.

At 6% transit ridership, and 17% walking, downtown is in the middle of the pack of these peers in alternative commutes. Even as walkability and alternative mobility options have become more prevalent nationally, commute patterns in downtown Richmond have not changed significantly since 2010.

With 67% of downtown residents driving for their commute, downtown Richmond is about on par with all study downtowns, and slightly above this peer set. The peer set average is mostly being driven down by downtown Cleveland, which has higher than typical transit ridership and walking levels, and downtown Pittsburgh, which has managed to push walking to be a more favored commute style than driving alone.

Percentage of downtown residents that also work downtown has not significantly changed in the past 10 years. In 2010, 27% of downtown residents also had their primary employment downtown, according to Census LEHD data. In 2019, 26.6% of downtown residents also worked downtown. This indicates that while downtown Richmond continues to grow in population and attract new residents, many residents work in other parts of the city and have chosen to live downtown for reasons other than job proximity.

Conclusion

Over the last two decades, many downtowns have grown their residential population significantly as more people, especially young adults and older “empty nesters” sought the amenities, attractions, and convenience of life downtown. Richmond’s real estate market has for years effectively leveraged several tax credits to convert historic properties to new uses, particularly residential. This process has created new housing supply that has allowed downtown Richmond to maintain a unique identity and leverage its popularity among young adults to be one of the fastest growing downtowns in the *Value of U.S. Downtowns* study over the past two decades, even during a time period when downtowns have grown far faster than U.S. total population. This combined effect of lowering office vacancy rates and providing more housing downtown is one that other cities should take note of as the future of work from home and office-centric downtowns continues to be discussed and explored.

Downtown Richmond is a clear leader in many metrics among its comparison peers such as population growth, share of citywide jobs, assessed values, and share of citywide retail sales, and rates towards the bottom on very few of the metrics discussed in this study. Though it is a smaller downtown compared to other established downtowns, many of these same metrics show downtown’s critical importance to Richmond, and why it is deserving of placement among our established downtowns.

Downtown Richmond also shows some areas for potential improvement. Though retail sales are about on par among the comparisons peers, the average retail sales per square mile of this peer group was estimated at only half the average of all study downtowns. This holds true in accommodations as well; of the peers only the much larger Indianapolis truly stood out with the size of its downtown hotel market, but even among this set, downtown Richmond has the fewest hotel rooms, and the second fewest number of hotels.

Between a diverse downtown employment base, significant importance to its city, and a large and growing population, downtown Richmond is positioned well to continue its success story in the years to come.

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APPENDIX

Benchmarking Downtown Tiers

Based on the data collected for this study, IDA identified three tiers of downtowns, defined by stage of development. We divided the participating downtowns that have participated into “established,” “growing” and “emerging” tiers. Our analysis compared downtown figures to study-wide medians in three areas:

- Density
- Jobs per square mile
- Residents per square mile
- Assessed value per square mile
- Significance to city
- Percentage of citywide jobs
- Percentage of citywide residents
- Long-term growth
- Percent growth in jobs (2002–2019)
- Percent growth in population (2000–2020)

Established—These downtowns contain high proportions of their cities’ jobs and residents, high levels of density, and high value for their cities.

Growing—These downtowns have not yet hit a critical level of density and citywide significance but show steady movement in that direction. This group includes both larger downtowns with lower growth rates and smaller downtowns with exceptional growth rates.

Emerging—Varying sizes and growth rates mark these downtowns, which generally have lower density and a low proportion of citywide jobs and residents. Because the study examined growth rates since 2000, many downtowns that struggled during the recession had a harder time demonstrating significant growth over the longer term despite stronger growth in recent years.

The compendium summary *The Value of U.S. Downtowns and Center Cities*, available on the IDA website has additional data on the performance of emerging, growing, and established tiers of downtowns.



Full list of Value of Downtowns Participants

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

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



REFERENCES

Photo Credits

Covers

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

TOC

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

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

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

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

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

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

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

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

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

Endnotes

- 1 Richmond Area Market Value Analysis 2022: Reinvestment Fund, 2022. <https://storymaps.arcgis.com/collections/904ebc3c562344da8377ee1eacd7ece5?item=3>
- 2 ESRI is modeling 2022 retail sales based on 2018-2019 consumer patterns due to the impact of COVID-19 on Bureau of Labor Statistics data collection.



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