

Replanning Small-City Downtowns

Given the demographic and behavioral shifts, as well as the supply competition, expected to continue after the economic recovery, what steps should small cities take to boost their downtowns?

AS CITY OFFICIALS contemplate life after the current deep recession, many are asking whether downtowns will be able to recapture all the lost retail dollars from all the chain and nonchain store closures of the past two years. The answer: strong demographic, cultural, and technological factors indicate that on-the-ground downtown retail will not return to what it was.

While household savings rates may decrease again once the economy is healthy and job loss fears recede, it is unlikely to go negative as it was only a few years ago. Spending for goods purchased in retail outlets is expected to decline, even if the savings rate falls. Several factors account for this anticipated decrease.

First, demographic shifts suggest a significant behavioral change. The dominant population group, generation Y—defined here as the group aged 16 to 30—accounts for 76.3 million people. With the exception of technological gadgets, gen-Yers are less interested in purchasing apparel and similar goods at retail stores. In addition, though many gen-Yers have not directly felt the impact of the recession as keenly as have baby boomers, they face a challenging job market, increasingly will have less access to credit, and will not own housing that they can treat like an ATM, as baby boomers did. Gen-Y consumers have become more value driven, and when buying discretionary items, they seek bargains and items of self-expression, including books and games.

The second-largest age group, baby boomers—the parents of generation Y—account for 75.6 million people. But many within this age range—46 to 64 years old—not only have been hurt by the recent recession, but also already own many of the goods they want and most of what they need. They frequently

spend their surplus dollars on their children for college expenses, help with rent, and the like, as well as on caring for aging parents.

The impact of the recession suggests that both gen-Yers and baby boomers will focus their shopping on low price and high quality. In response, retailers will need to offer compelling value to attract buyers.

Most significant, however, a growing percentage of goods is now purchased on the internet. According to Forrester Research, a technology and market research company, online sales now account for about 6 percent of all retail sales in America, up from 5 percent in 2008, and the number is expected to reach 8 percent by 2013.

Given the demographic and behavioral shifts, as well as the supply competition, expected to continue after the economic recovery, small-city downtowns should take steps to boost their downtowns. They need to rethink which primary land uses their downtowns should attract and expand.

Although gen-Yers do not spend as much time or money shopping, they do eat out and go to clubs. A downtown with an agglomeration of restaurants appealing to a wide variety of tastes and budgets will be able to draw from an extended geographic area. To the extent possible, entertainment venues—whether clubs, or cultural or sports venues—should be concentrated within as compact a downtown area as possible.

Once the downtown has multiple restaurant and entertainment options, multifamily housing can and should be integrated into the land use mix. Gen-Yers, who tend to marry later and have fewer children, will be a primary market for both multifamily rental housing and condominiums. Some baby boomers

will also want to shed their larger suburban homes for more central and convenient living once their children have left home. By 2020, one-third of all U.S. households will be made up of either one person or nonfamily members. Smaller households without children living at home are typically more amenable to higher densities and smaller units, and are more interested in urban-oriented recreation and entertainment attractions than are child-oriented households.

Successful implementation of these land uses will help attract certain types of retail back downtown to serve this more urban population. The resulting new downtown retail base is likely to include one or more of the following: pet products and services businesses; food and wine stores, including small-format grocery stores offering organic and locally grown produce; spas and other health and alternative health products stores; personal services firms; and an Apple or Microsoft store. Many high-tech businesses view on-the-ground stores as a strategic complement to e-commerce. Other candidate businesses will be those that offer demonstrations, instruction, and other experiential retail environments.

The primary building blocks of a sustainable downtown following recovery will be the creation of residential, shopping, workplace, and entertainment clusters made up of built space designed, used, and, most important, linked so as to encourage spillover between the clusters. **UL**

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