

THE REGIONAL CONTEXT

After more than a decade of overdevelopment, retail employment in the Columbus Metropolitan Statistical Area (MSA — Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway, and Union Counties) declined sharply between 2000 and 2006.

This decline burned off the excess development; as a result, the sector has performed better than the national average more recently — including during the recession. A return to growth for retail in the region is possible when solid economic growth resumes.

Between 1990 (the earliest year for which employment statistics are available in their current form) and 1997, Columbus MSA retail employment grew 19.2 percent (19,000 jobs), compared to 9.2 percent growth nationally. This gave rise to serious overdevelopment. In response, MSA retail employment growth slowed during the rest of the decade as national growth accelerated; local employment grew 2.0 percent between 1997 and 2000 while US employment grew 4.0 percent. This reduced some, but by no means all, of the excess development. The 2001 recession — which hit Columbus about as hard as average in terms of employment losses — was the catalyst for a nearly decade-long collapse in retail employment. From December 2000 to the beginning of the recession in December 2007, retail employment declined 26,300 (18.1 percent). This decline, while painful, brought employment back into a reasonable range. Figure 1 (on page 14) shows the employment growth trend for the Columbus MSA, Ohio, and the United States annually since 1990.

A useful way to measure the degree of retail development relative to its potential is through the location quotient (LQ) — the percentage of total employment in retail in the Columbus MSA divided by the percentage of total employment in retail nationally. This is a measure of relative concentration; LQs greater than one indicate a greater-than-average concentration in retail. LQ can reasonably be far above one for sectors that serve a market larger than the region, but because retail serves a primarily local customer base, a concentration much above average suggests overdevelopment. In fact, LQs are usually slightly below one for larger MSAs.

The table on the following page shows location quotients for various years for the Columbus MSA, for a group of low- and moderate-growth regional MSAs,¹ and for a national group of high-growth MSAs.² As the table makes clear, Columbus MSA retail was already overdeveloped in 1990; the region's LQ was greater than all other regions but one (Jacksonville). The high growth of the early and mid-1990s made a bad situation worse: by 1997, local retail employment was 18 percent greater than average, far above all of the other MSAs. LQ was lower but still high as the nation was entering recession in 2001. By 2008, however, the Columbus MSA's LQ had declined to a reasonable level. While the Columbus LQ was higher than all but two of the eight regional MSAs, six of the ten high-growth MSAs' concentrations were equal to or greater than that in Columbus.

¹ Cincinnati, Cleveland, Indianapolis, Lexington, Louisville, Milwaukee, Pittsburgh, and St. Louis.

² Austin, Charlotte, Jacksonville, Kansas City, Minneapolis, Nashville, Portland, Raleigh, San Diego, and Seattle.

Year	Location quotients		
	Columbus MSA	Regional MSAs	High-growth MSAs
1990	1.114	0.991	0.970
1997	1.180	0.978	0.953
2001	1.129	0.963	0.954
2008	0.966	0.934	0.954

Although the 2001 recession was the catalyst for the retail employment decline, the decline was furthered by relatively weak employment and income growth after the recession's end. Employment growth took an unusually long time to resume after the recession. Although the recession ended in November 2001, U.S. and local employment began solid growth only in August 2003 — 21 months later. However, regional employment grew only 2.9 percent between mid-2003 and the end of 2006, barely more than half the national growth of 5.5 percent. This weakness translated to weak growth in personal income. Figure 2 (on page 15) shows the growth of total personal income after inflation between 1990 and 2007.³ Franklin County personal income growth tracked the national average rate between 1990 and 2002, while regional income growth exceeded national growth. But Columbus MSA personal income grew by less than half the national rate between 2002 and 2007 — 6.5 percent after inflation versus 13.8 percent. Franklin County personal income growth over this period was only 3.1 percent.

But because the Columbus MSA did not fully participate in the boom, the recession has affected employment to a much smaller-than-average degree. Preliminary employment estimates show that Columbus MSA employment declined 1.9 percent between the beginning of the recession and September 2009, compared to a decline of 5.2 percent in U.S. employment. Retail employment has also performed better than average. Both the relatively mild impact of the recession and the return to a more sustainable employment level are the likely explanations. Between December 2007 and September 2009, retail employment fell 4,600 (4.5 percent) compared to a 5.6 percent decline nationally.

The expectation among economists is that the labor market will turn sometime during 2010 — although even an increase in earnings among current workers will be positive for retail sales. It remains to be seen whether the coming expansion will lead to higher-than-average employment growth in the Columbus MSA (as in the expansion of the 1990s) or less-than-average growth (as in the expansion of the 2000s). But the return of regional retail to a more reasonable level of development suggests that retail growth in the Columbus MSA is possible once the economic recovery becomes solid.

³ This is aggregate personal income (i.e., total income earned by all residents) and thus includes the effect of both increases in individuals' earnings and increases in population.

RETAIL AT THE COUNTY LEVEL

The decline in Franklin County retail since 2001 has been more severe than that at the regional level both because of the spread of the urbanized area of Columbus into adjacent counties and because of the development of retail corridors outside of Franklin County — e.g., Polaris and Route 256 — at the expense of older corridors within the county — e.g., Morse/Route 161 and Brice Road. The table below shows the shift in terms of both employment and number of establishments⁴. Employment and establishments in Delaware County increased sharply. Fairfield and Union County counts also grew, but less than in Delaware. In fact, the 78.8 percent increase in Delaware County establishments represents a gain of 223 establishments; Franklin County's 6.0 percent decline represents an almost exactly offsetting loss — 237 establishments. The most visible manifestation of this shift was the development of Polaris Fashion Place and the surrounding corridor in Delaware County as a major regional shopping destination. The large employment increase in Madison County was due entirely to the opening of the county's first Wal-Mart in 2004; subtracting this impact yields a net employment decrease over the period.

	Total, 2008		Change, 2001-2008		Percentage of total employment		Percentage of total establishments	
	Employment	Establishments	Employment	Establishments	2001	2008	2001	2008
Delaware	10,039	506	62.9%	78.8%	5.2%	10.0%	5.1%	9.2%
Fairfield	6,612	395	23.2%	2.3%	4.5%	6.6%	7.0%	7.2%
Franklin	70,724	3,709	-24.3%	-6.0%	78.5%	70.2%	71.7%	67.7%
Licking	7,480	458	-13.1%	-2.1%	7.2%	7.4%	8.5%	8.4%
Madison	1,808	108	32.3%	-1.8%	1.1%	1.8%	2.0%	2.0%
Morrow	675	55	-5.3%	-9.8%	0.6%	0.7%	1.1%	1.0%
Pickaway	1,513	125	-4.8%	-6.7%	1.3%	1.5%	2.4%	2.3%
Union	1,855	120	9.2%	2.6%	1.4%	1.8%	2.1%	2.2%
Total MSA	100,706	5,476	-15.3%	-0.5%	100.0%	100.0%	100.0%	100.0%
U.S. (000)	15,307	1,053	0.8%	0.6%	--	--	--	--

Source: Quarterly Census of Employment and Wages (ES-202), U.S. Bureau of Labor Statistics.

⁴ An establishment is a single location where business is conducted. Each store in a supermarket chain is an establishment; the chain as a whole is an enterprise.

The following table focuses more closely on the shift of retail from Franklin to Delaware County by showing year-by-year employment and establishment levels and changes for each of the two counties, the other six counties of the Columbus MSA collectively, and the MSA as a whole.

	Employment				Establishments			
	Franklin	Delaware	Remainder	MSA	Franklin	Delaware	Remainder	MSA
Levels								
2001	93,402	6,163	19,346	118,911	3,946	283	1,276	5,505
2002	88,388	8,011	18,615	115,014	3,921	345	1,258	5,524
2003	83,266	8,348	18,725	110,339	3,763	370	1,253	5,386
2004	81,098	8,415	19,353	108,866	3,628	390	1,240	5,258
2005	79,054	10,039	18,881	107,974	3,588	450	1,239	5,277
2006	74,428	10,513	19,612	104,553	3,572	489	1,245	5,306
2007	72,668	10,103	19,967	102,738	3,620	498	1,253	5,371
2008	70,724	10,039	19,943	100,706	3,709	506	1,261	5,476
Changes								
2001-02	-5.4%	30.0%	-3.8%	-3.3%	-0.6%	21.9%	-1.4%	0.3%
2002-03	-5.8%	4.2%	0.6%	-4.1%	-4.0%	7.2%	-0.4%	-2.5%
2003-04	-2.6%	0.8%	3.4%	-1.3%	-3.6%	5.4%	-1.0%	-2.4%
2004-05	-2.5%	19.3%	-2.4%	-0.8%	-1.1%	15.4%	-0.1%	0.4%
2005-06	-5.9%	4.7%	3.9%	-3.2%	-0.4%	8.7%	0.5%	0.5%
2006-07	-2.4%	-3.9%	1.8%	-1.7%	1.3%	1.8%	0.6%	1.2%
2007-08	-2.7%	-0.6%	-0.1%	-2.0%	2.5%	1.6%	0.6%	2.0%
2001-08	-24.3%	62.9%	3.1%	-15.3%	-6.0%	78.8%	-1.2%	-0.5%

Source: Quarterly Census of Employment and Wages (ES-202), U.S. Bureau of Labor Statistics.

RETAIL TRENDS WITHIN FRANKLIN COUNTY

A large fraction of retail establishments serve a very localized market, so it is important to analyze retail establishment changes at a sub-county level. The U.S. Census Bureau's ZIP Code Business Patterns dataset presents counts of establishments by industry and employment size as of mid-March. Employment totals are not given, but the establishment counts can be used to estimate employment by assuming that each of the establishments within a given size class employ the midpoint number of the size class. For example, if the ZIP Code Business Patterns data show six establishments with between five and nine employees, it is assumed that all six have seven employees, and the total employment for that group of establishments is 42.⁵

The two tables at the end of the report present employment estimates and actual establishment counts for each year between 2001 and 2007 in all ZIP codes in Franklin County. It is important to note that these statistics are not comparable to those in the previous section for two reasons: first, they are reported as of mid-March rather than the annual averages in the Quarterly Census data⁶; second, there are differences in classification between the two sources that cause the ZIP Code Business Patterns count to differ from the March Quarterly Census count.

The greatest losses in employment have been in the central Columbus ZIPs and those on the near Northwest side (Clintonville, Beechwood, Grandview, and Upper Arlington). However, the central city outside downtown Columbus (43215) has generally enjoyed an increase in the number of small establishments. This growth was overwhelmed by the net loss of 83 establishments downtown, with the demise of City Center a key factor in this decline. The number of establishments downtown employing 10 or more declined from 84 to 48, a 43 percent decline. Conversely, the number employing fewer than 5 declined from 101 to 90 — only 11 percent. The adjacent ZIPs exhibited a similar pattern of loss of larger businesses, although the total number of establishments in all ZIPs except 43206 (German Village and adjacent areas south and southeast of Downtown) increased.

There was also a loss of retail employment and establishments in the near Northeast, Southeast, Southwest, and Northwest — established areas inside the Outerbelt. The loss in the near Northeast, however, was relatively mild: 8.8 percent net loss in estimated employment and 7.8 percent loss in establishments. Within this area, the largest net losses were in 43229 (the Northland area), which suffered a net loss of 100 establishments and 3,000 jobs. These were mostly offset by a net increase of 65 establishments and 1,300 jobs in 43219 (Easton and the Airport). All ZIPs in the near Southeast lost jobs and all except 43207 (the Great Southern area east to U.S. 33) lost establishments. Retail in the near Southwest is concentrated in 43228, which straddles I-270 from Trabue Road south to Alkire Road.

⁵ One exception to this approach is with the one-to-four-employee class. Assuming a two-employee average for this class results in a significant overstatement of employment. An average of one or fewer employees is assumed, but the resulting employment estimates are still generally overstated by five to seven percent.

⁶ The mid-March reporting date is a conceptual problem for a strongly seasonal sector such as retail. All else equal, the employment count is lower than the annual average, and because the establishment count does not include seasonal retailers, it is somewhat low as well.

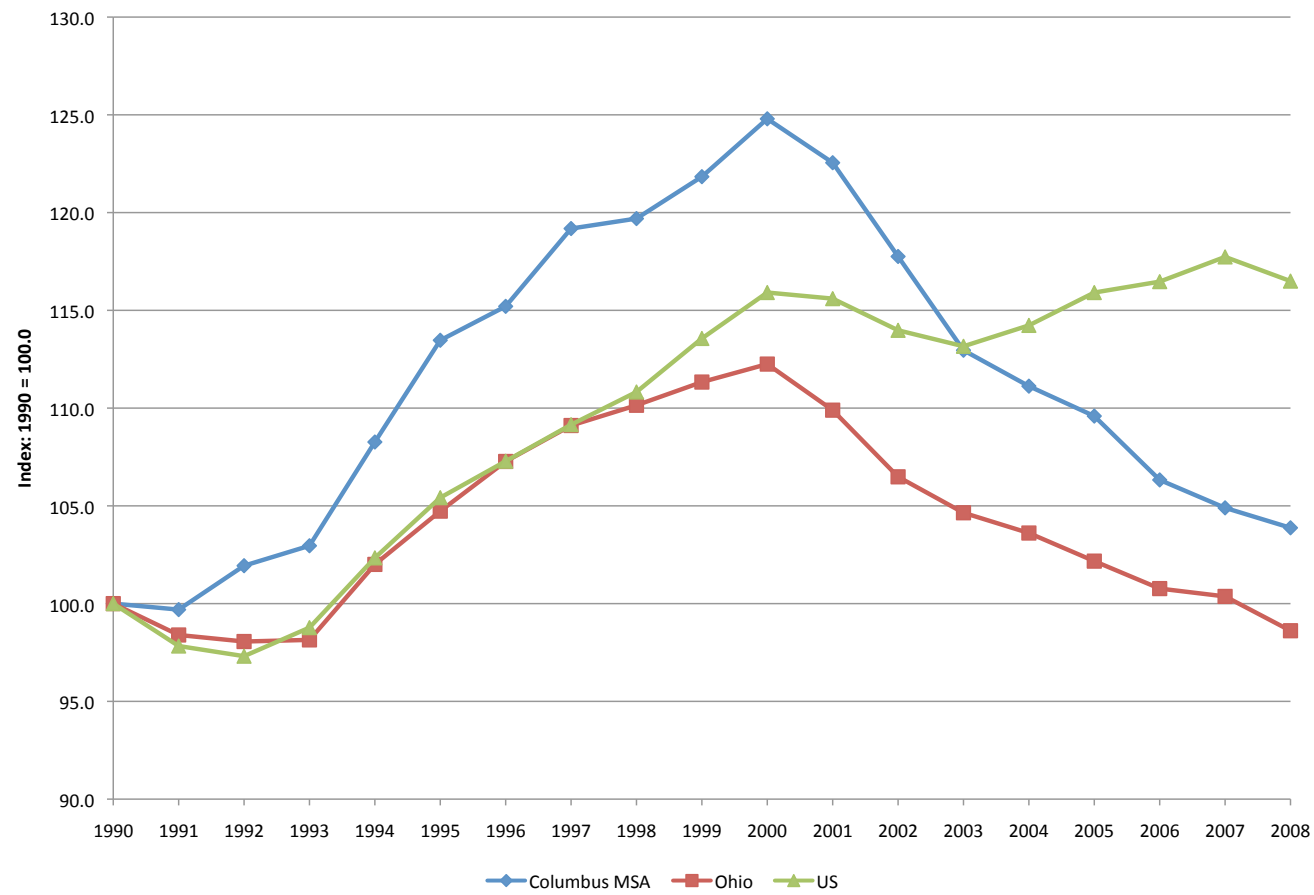
The struggling West Broad Street corridor was offset by more successful development along Hilliard-Rome and Georgesville Roads. The net result has been a net loss of 10.4 percent of employment and only two establishments. In contrast, the number of establishments in the near Northwest declined by 84 (15.9 percent), with all ZIP codes other than OSU proper suffering larger-than-average losses of establishments. Losses were particularly serious in the 43212 (Grandview) and 43221 (Upper Arlington south of Fishinger Road) ZIPs.

Outlying areas of Franklin County have generally fared much better than those closer to the central city. Part of this success is due to the growth and development of these areas themselves. A prime example is the New Albany area (43054), which saw a 165 percent increase in employment and a 42 percent increase in establishments. Also in the far Northeast, Gahanna (43230) declined only modestly in employment and gained establishments. However, Westerville (43081) lost both employment and establishments at higher-than-average rates. The majority of retail establishments in the far Southeast are in Reynoldsburg (43068), which enjoyed 39 percent growth in employment and 8.5 percent growth in establishments as large retail operations opened. The same was true of the Grove City area (43123), which has nearly all of the establishments in the far Southwest. This ZIP experienced 72 percent growth in employment and 20 percent growth in establishments. The far Northwest was the only outlying area of the county to suffer net losses of both employment and establishments. A net gain in the 43016 area of Dublin was more than offset by a net loss in 43017. The Worthington area (43085) sustained a larger loss. Hilliard (43026), however, gained establishments and employment.

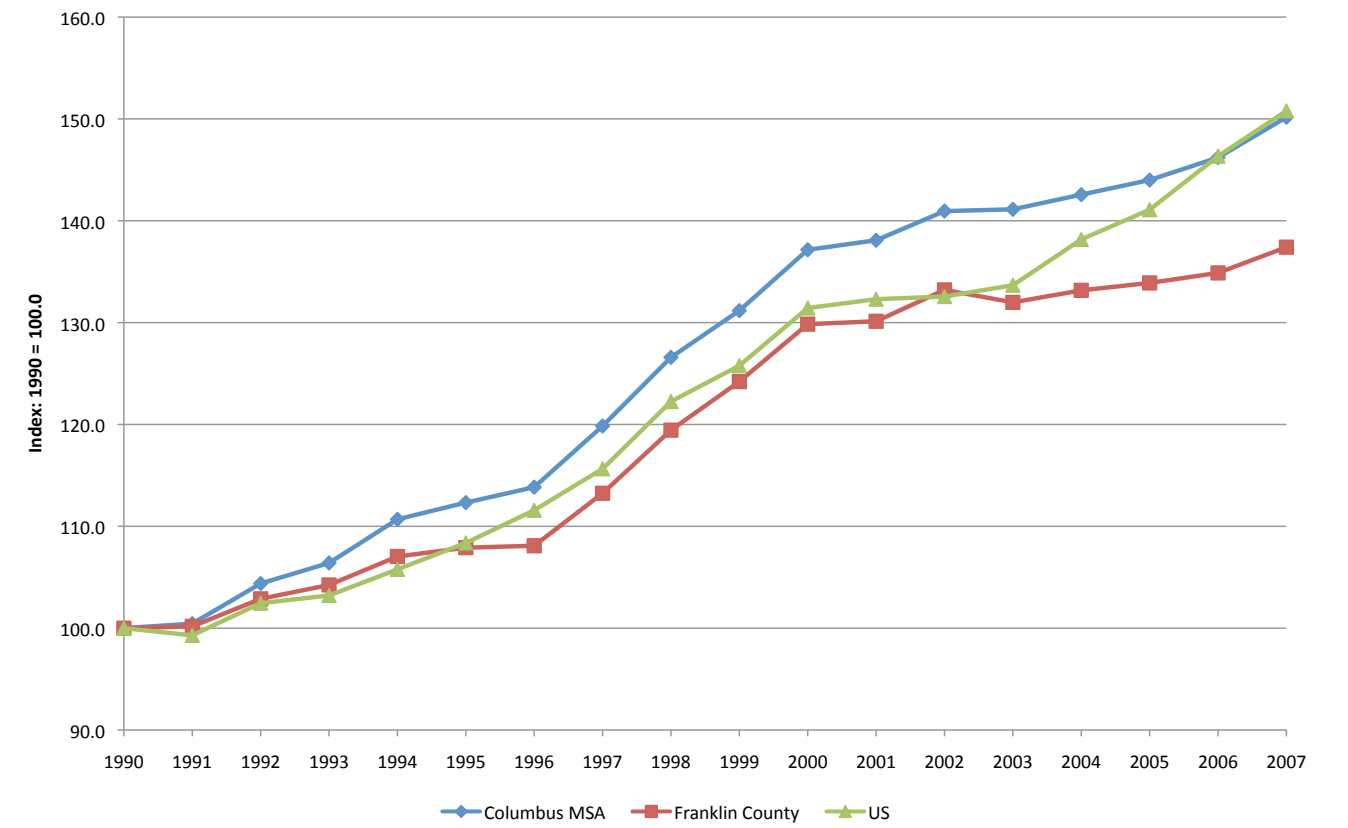
CONCLUSIONS

It is clear that the collapse in the Columbus MSA retail sector during the last decade has affected Franklin County disproportionately within the region and the central areas of Franklin County disproportionately within the county. It is also clear that more-prosperous areas of the county have in some cases suffered larger losses than less-prosperous areas. However, the decline in the retail location quotient to a reasonable level suggests that the decline of the last decade has primed the region for potential growth when the economic recovery picks up momentum. Apart from the general regional overdevelopment and population shifts, a reason for the decline of specific projects and retail corridors over the past decade was the failure of developers to maintain their freshness and to remain relevant to the community which they serve — in the face of demographics which may have changed over time. Safe, accessible, attractive shopping corridors are crucial in keeping the customer base engaged. The county should therefore participate as an interested party in municipal and community/neighborhood efforts to develop and revitalize commercial corridors.

**FIGURE 1:
RETAIL EMPLOYMENT GROWTH, 1990-2008**



**FIGURE 2:
REAL TOTAL PERSONAL INCOME GROWTH, 1990-2007**



Note: Charts and graphs are available online at www.columbus.org.